



Tear ‘Em Down: Neighborhoods Become Swampland As States Face Climate Risks, Coax Residents Inland

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Key Takeaway: New Jersey is one of several states that, as world temperatures climb, is buying homes in flood-prone areas and leveling them to build barriers against rising sea levels and worsening storms. This has implications for communities and impact investors alike.

Monique Coleman’s home on Heidelberg Avenue in Woodbridge, New Jersey, still stands on Google Maps, with its yellow clapboards and maroon shutters, a few hundred feet from New Jersey Turnpike, the Northeast Corridor rail line and a stone’s throw from the flood-prone Heards Brook.

But the house is gone and the street no longer exists. In its place is tall grass and newly planted trees, a street sign on the corner the only indication that this overgrowth once nested the homes of five suburban families whose kids would roam free on this dead-end street.

All that remains of Coleman’s neighborhood are a few scattered homes, the holdouts from a state buyout program to purchase and level houses in flood-prone areas increasingly hit by storms because of climate change. Like Coleman, many of her neighbors in this town of 102,000 were eager to take the money and leave after a set of storms, culminating in 2012 with Superstorm Sandy, repeatedly trapped them in their homes and eroded their house values.

“I realized that we were on the front lines and things were probably going to get worse with climate change and rising sea levels,” Coleman told Karma. And speaking of underwater: her home was worth less than what she owed on her mortgage, and the state assistance enabled her to sell it for its pre-storm market value.

Since Sandy, New Jersey’s Blue Acres program has wrecked most of the 709 homes it purchased, including 165 owned in Woodbridge, according to Larry Hajna, spokesman

for the New Jersey Department of Environmental Protection. Started in 1995, the program was boosted significantly after Sandy, when it got \$300 million in federal funding. Hajna said he expects the program to continue “because climate change is resulting in increasing flooding.”

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“The program is an important component of the administration’s resilience efforts,” he said of the state government. In October, Governor Phil Murphy also [established](#) a Statewide Climate Resilience Strategy and a Climate and Flood Resilience Program. A report [released](#) by the state in December highlighted the risk the state faces due to rising sea levels.



A sign declares the efforts of Woodbridge Township, N.J., to expand wetlands in its floodplain.

By identifying neighborhoods with clusters of willing sellers, the Blue Acres program is able to clear land to expand wetlands around rivers, estuaries and bays. This not only gets the residents out of harm’s way, it makes space for floodwater to be absorbed to protect the neighborhoods that remain during extreme weather events.

“When Sandy came along, it heightened our sense of awareness. Areas that had probably flooded in the past were flooding more frequently,” said Hajna.

“For many homeowners, Sandy was the last straw,” he said.

The number of homes bought and torn down around the country is growing, as states like Florida, Louisiana, Texas and New York look for ways to coax residents away from coasts. The Union of Concerned Scientists [estimates](#) that 170 communities around the

U.S. will face “chronic inundation and possibly retreat” from rising sea levels by 2035, and more than 100 of those will experience flooding routinely across large parts of their land.

The effects of climate change are already being felt: Storm damage to real estate in the U.S. hit a record high in 2017, according to the [Urban Land Institute](#). Natural disasters such as floods and wildfires led to \$300 billion in damage, with most of it in real estate costs.

As a result, the federal government is increasing funding for programs such as Blue Acres. Last year, the Department of Housing and Urban Development [dedicated](#) \$16 billion to climate resilience efforts.

Anna Weber, a policy analyst with the National Resources Defense Council, says buyouts save taxpayer money in the long run. Many flood-prone homes are insured through the Federal Emergency Management Agency, and taxpayers ultimately foot the bill for that, she notes, as well as emergency services when storms hit.



A dead-end street in Coleman’s old neighborhood in Woodbridge, N.J., where most homes have been destroyed as part of a state program to reduce housing in flood-prone areas.

“There are thousands of properties across the U.S. where the flood insurance program has effectively paid for the value of the home already across two or three incidents,” she said. “It makes sense to just purchase the property one time than over multiple times.”

One challenge is that wealthier coastal towns may resist buyout programs, since they eliminate homes that comprise a valuable part of the tax base. In New Jersey, towns along the shoreline are not part of the initiative, in part because that land is so expensive

and because owners there tend to have the means to rebuild climate-resistance structures and want to keep their properties.

Thus, buybacks alone cannot provide all the resilience against climate change, Weber said. They should be considered just one tool in the toolbox when it comes to addressing such risks.

Effects on real-estate portfolios

Buyback programs have implications for real-estate portfolios as well. Many investors are watching such programs closely to see how they develop and assess risks accordingly.

One potential implication is that such government intervention can slow down the market's ability to accurately assess risks, according to Jonathan Needell, president and chief investment officer of Kairos Investment Management, a real estate investment company that focuses on making a positive environmental and social impact in affordable and workforce housing.

“There is political pressure to keep that FEMA insurance going at prices that don't make sense. It's retarding the normal market adjustments,” he told Karma.

Needell said his firm takes rising sea levels and storm surge into account when assessing properties, relying on publicly available climate-change projections to calculate an area's risk based on location, rainfall, and other factors.

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“When we're assessing flood risk like this, it's pretty nuanced,” he said. “Just because water can come into an area doesn't mean the whole city is going to go down. There may be higher lying areas that are more valuable.”

Andreas Wiencke, head of strategic projects and ESG solutions at Credit Suisse Asset Management, says impact investors should be more aware of the risks climate change poses to their portfolios.



Signs outside this home in Woodbridge, N.J. say it is unlawful to inhabit. An exposed basement shows the remnants of flood damage.

His firm includes sustainability as part of its due diligence assessing a property, and while that isn't common in the industry yet, Wiencke says it is necessary.

“This should be more and more part of a due diligence of a portfolio and on a portfolio level,” he said. “Real estate portfolios are at risk if we miss to care about climate change.”

That's a reality that is already clear in places like Woodbridge. Coleman now lives in a home in nearby Highland Park, where the flood risk is lower.

“When we were searching for other communities, I was checking elevation levels. Those are things I'd never thought about before,” she said. “I don't know want to be anywhere near a flood zone.”