COMING STORMS: CLIMATE CHANGE AND THE RISING THREAT TO AMERICA’S COASTAL SENIORS

Part III: The hidden climate threat to seniors’ finances

Source: Necie Chenall, left, hugs her neighbor, Glenda Fresco. AP Photo/Marcio Jose Sanchez
Older Americans in coastal zones face unique and growing hazards of financial loss due to rising seas and intensifying storms.
Climate change threatens the real estate nest eggs of senior citizens living on America’s coasts, often in ways that are hidden or difficult for homeowners to assess.

Research shows the financial hazards extend well beyond actual flooding of homes. Anticipated sea level rise has depressed property values and increased insurance and property taxes, said Jesse Keenan, an associate professor of real estate at the Tulane University School of Architecture. Retirees on fixed incomes may not foresee or be able to handle those increases.

“I think for seniors, these are real cost burdens that are on the horizon,” said Keenan, who was editor of a major national report, “Managing Climate Risk in the U.S. Financial System,” released in September by the U.S.Commodities Futures Trading Commission. The report looked at the emerging risks from climate change to the U.S. financial system, including banking institutions, markets, and the insurance sector.

Nationally, homes exposed to sea level rise are selling for an average of 7% less than equivalent houses, according to 2019 research by scientists at the University of Colorado and Penn State University. Keenan added that the downward pressure on prices affects the entire coastal market, including less vulnerable homes, through mechanisms in the banking, insurance, and municipal finance industries, which are often invisible to homeowners.

Many retired Americans live on low incomes but have substantial equity in their homes, said Anamaria Bukvic, an assistant professor of geography at Virginia Tech who published a 2018 study of older adults living along the east coast. Those assets are at risk in areas that are newly vulnerable to coastal flooding.

“We see, in rural areas, advanced aging of the population, with younger, more educated people moving out of rural areas in search for better opportunities, leaving behind older residents,” Bukvic said. “They basically aged in place, sometimes in multigenerational homes that don’t have flood insurance.”

Homeowners with mortgages typically are required to carry flood insurance if they live in a federally designated flood plain, but not those who own homes without debt.

“Insurance is very expensive, and increasingly expensive, and it’s going to be more expensive in the future,” Bukvic said. “So, a lot of older individuals may just forego purchasing insurance, just because they cannot afford it, in a hope nothing will happen.”

In addition, judging the risk of future flooding can be difficult, because flood plain maps are inaccurate and outdated, and flooding records for individual properties are kept confidential by federal officials, said Rob Moore, a senior policy analyst with the Natural Resources Defense Council. The National Flood Insurance Program will reveal past flood damage only after the current property owner requests it in writing.
Twenty-nine states require sellers to disclose whether the property is in a designated flood plain before completing a sale. But only 10 U.S. states require property sellers to disclose past flooding to buyers, and among east coast states only Delaware has adequate disclosure, according to 2018 research by the Sabin Center for Climate Change Law at Columbia University.

“Areas inundated in Hurricane Sandy were far more extensive than the areas identified by FEMA as at risk of flooding on their flood maps, and that’s because the maps were almost 30 years out of date by the time Sandy hit,” Moore said. “And they don’t incorporate any assumptions about future climate conditions.”

The federal flood program can offer buy-outs for homes that flood, but experts said the process is so long and involved that seniors often cannot navigate it. Harris County, Texas, where Houston is located, already had 1,000 residents on a waiting list for buy-outs when Hurricane Harvey hit in 2017 and added many times more applicants, Moore said.

“Over time, a lot of those people just gave up,” he said. “They couldn’t afford to just wait for an uncertain ending, so they took their flip—they sold their flood-damaged home for a fraction of its value to a home flipper.”

In many cases, those investors could then resell the home without disclosing the flooding, because it did not occur during the period of their ownership, Moore said.

Many older adults whose homes were damaged by Sandy in 2012 also left the area, said Rutgers University Distinguished Professor Michael Greenberg, who wrote a book on seniors and disasters. Unable to afford repairs or improvements to prepare for another storm, they sold to developers who built for more affluent buyers, with expensive improvements such as an elevated first floor.

But other elders who lived through Sandy projected a fatalistic attitude about their exposure to sea level rise, Greenberg said. In interviews with surviving seniors some said, “I’m an old person. I love the place. I want to live here. I’m gonna die here. I’ll will whatever the property’s worth to my children and they can do whatever they want with it.”

Some experts describe coastal real estate ownership as a game of musical chairs, as property changes hands until sea level rise imposes significant losses on a final owner. But Tulane’s Keenan said losses also accumulate gradually, as forces gather to increase the cost of owning a coastal home and reduce the buying power of potential purchasers.

His research documented banks demanding higher down payments or quicker loan repayment to shield against sea-level-rise risk, changes that diminish what buyers can afford. Banks in coastal areas also are selling off more home loans to get them off their books compared to inland property, Keenan and a colleague found.

As values fall, reverse mortgages become less viable, Keenan said. A reverse mortgage provides a homeowner over the age of 62 with monthly cash from a loan that will be repaid by the later sale of the house. But with declining values, these loans are smaller or could leave heirs without equity, Keenan said.
Climate change can also drive up local property taxes, due to the costs of flooding, flood preparations, or the increased cost of borrowing money for municipal projects that could be at risk, Keenan said. He spoke to one large institutional trader of municipal bonds who routinely checked online sea level rise projections, such as those in Climate Central’s Coastal Risk Screening Tool, before buying debt for public facilities. The trader would only buy if the facility backing the debt was projected to remain above water until the debt was paid off.

While a number of coastal risk tools are available for public use, most analysis by banks, insurers, and investors is proprietary, Keenan said. Private companies are already making money, or shedding risk, in a “climate intelligence arms race” that is shielded from public view, he said. Indeed, research shows that coastal property values have been depressed more for homes purchased by sophisticated buyers, such as non-resident investors, while buyers planning to live in their houses were less likely to take sea level rise into account—and may not have understood it.

“Consumers are the pawns in this risk game,” Keenan said. “They can’t make risk-informed decisions. They just bear the consequences of less-than-optimally informed decision making.”

For older adults choosing a place to retire, one solution may be to avoid investing in coastal property. Keenan said long-term rentals that provide stable housing costs make sense for retirees.

“Homeowner equity is in peril,” Keenan said. “Even if you want to live out your golden years close to the beach, you should be well aware that there’s nothing wrong with being a renter. And it just may be a better idea.”

HERE IS A TOOLKIT OF SITES TO HELP IDENTIFY THE FLOODING RISK OF COASTAL PROPERTY:

- Climate Central’s Coastal Risk Screening Tool, provides maps of specific locations by decade and by water level, and a choice of varying sea level rise scenarios;
- Climate Central’s Surging Seas Risk Finder, shows detailed data on coastal communities’ flood risks;
- First Street Foundation’s Flood Factor, offers a flood-risk score for individual property addresses.
Climate Central is an independent organization of leading scientists and journalists researching and reporting the facts about our changing climate and its impact on the public. Climate Central’s Program on Sea Level Rise provides accurate, clear, and granular information about sea level rise and coastal flood hazards both locally and globally, today and tomorrow. We offer user-friendly maps and tools, datasets, and high-quality visual presentations.