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Todd M. Phelps of Stinson LLP. Courtesy photo

EXPERT OPINION

Redeveloping Real Estate After Natural Disasters: Challenges, Strategies and Opportunities

The increasing frequency and severity of natural disasters—including wildfires, hurricanes, floods, droughts, tornadoes, and extreme temperatures—poses significant challenges for all stakeholders in real estate: developers, owners, tenants, lenders, government agencies, and policymakers.

February 06, 2025 at 01:27 PM

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By Todd M. Phelps

The wildfires that swept through Los Angeles in January devastated neighborhoods, forced more than 130,000 evacuations and reignited critical discussions on rebuilding—particularly regarding infrastructure resilience, insurance reform, zoning and permitting, and construction materials. These factors significantly impact both the timeline and expense of redevelopment. For Floridians still recovering from Hurricanes Ian, Helene, and Milton, the scale of devastation in Los Angeles is familiar, as is the frustration that recovery will take years, not months.

The increasing frequency and severity of natural disasters—including wildfires, hurricanes, floods, droughts, tornadoes, and extreme temperatures—poses significant challenges for all stakeholders in real estate: developers, owners, tenants, lenders, government agencies, and policymakers. According to the National Oceanic and Atmospheric Administration, these disasters are becoming more common, more costly, and affecting more people across more states. In 2024, the U.S. experienced 27 weather and climate disasters, the second most in any year since 1980, surpassed only by 2023, which saw 28.

This heightened risk is not limited to California and Florida. Before the extremely destructive Atlantic hurricane season dominated headlines, severe summer storms triggered tornado outbreaks and catastrophic

flooding in central and eastern states. Additionally, a bitter cold snap in January 2024 produced sleet, freezing rain, and sub-zero wind chills, damaging homes, businesses, and vehicles across the Deep South. However, communities can rebuild stronger after natural disasters by reevaluating zoning laws, investing in energy-efficient technology, and constructing more disaster-resistant housing. Thoughtful redevelopment can attract investment and create jobs, helping communities not just recover but thrive.

Infrastructure Restoration and Resilience

Restoring key infrastructure is often the most significant challenge after a natural disaster. Roads and bridges may suffer severe damage from debris, flooding or structural collapse, delaying first responders and disrupting supply chains. Restoring electricity can take days or even weeks, while contaminated water supplies or sewage backups pose serious public health risks. Coordinating the response becomes even more difficult when cell service and internet access are disrupted.

For example, after Hurricane Milton, 50,000 linemen were mobilized to restore power in Florida. While intensive recovery efforts are necessary in the immediate aftermath of a disaster, these are temporary fixes rather than long-term solutions. Developers entering disaster-affected areas should collaborate with local officials and public works departments to integrate infrastructure rebuilding into broader development plans. State and federal grants can help offset costs associated with upgrading utilities, expanding flood protection and building green infrastructure. Simply hoping to avoid future disasters is not a viable strategy. Investing in resilient infrastructure upfront often results in significant long-term savings.

Insurance Challenges

Insurance is a cornerstone of disaster preparedness, yet many home and business owners only realize their coverage is inadequate after disaster

strikes. In Florida, for instance, flooding is a major concern following hurricanes. Standard homeowners' insurance policies cover wind damage but typically exclude flood-related damage, making separate flood insurance necessary. However, flood insurance can be prohibitively expensive, leading approximately 850,000 Floridians to forgo coverage altogether.

Further complicating matters, many insurers have significantly reduced or withdrawn coverage in California and Florida over the past decade due to escalating wildfire and hurricane losses. Property owners seeking to rebuild often have no choice but to turn to insurers of last resort, which may offer limited coverage and higher premiums.

In 2023, Citizens Property Insurance Corp., Florida's state-backed insurer of last resort, had 1.4 million policies in force—three times the number from just four years earlier. Facing potential insolvency, state lawmakers passed legislation to raise insurance rates and shift some policies back to the private market. Meanwhile, California's FAIR Plan, the state's insurer of last resort, faces \$4.8 billion in exposure from the Eaton and Pacific Palisades fires.

Developers can mitigate rising insurance costs by using disaster-resilient construction materials and incorporating protective features such as flood barriers and fire breaks. Some developers are also forming joint ventures that spread risk through partnerships with municipalities and other developers. However, if the insurance crisis persists, broader policy solutions—including a nationalized insurance program—may become necessary.

Zoning and Permitting

Zoning regulations present another major challenge when rebuilding after a disaster. Even under normal circumstances, many municipalities struggle with understaffed zoning and permitting departments, leading to bottlenecks in the rebuilding process. A potential solution is to establish a program that temporarily assigns additional city planners from

unaffected areas to expedite recovery, similar to how Florida mobilizes linemen after major storms.

In Florida, the FEMA 50% Rule remains a significant hurdle. This regulation limits repairs and improvements to structures in flood zones. If the cost of repairs exceeds 50% of the market value, the structure is deemed “substantially damaged” and must comply with current flood regulations. This often requires elevating the structure, using flood-resistant materials, and incorporating proper flood venting. While these upgrades enhance resilience, the cost is high and the permitting process can be lengthy and may delay rebuilding efforts.

Construction Materials and Building Codes

Photos taken after the Los Angeles wildfires reveal a stark contrast: individual homes standing amid neighborhoods reduced to ash. While luck plays a role, fire experts emphasize that homeowners who clear vegetation, maintain defensible space and use fire-resistant materials significantly improve their chances of survival.

Similarly, hurricane-resistant construction methods—such as reinforced concrete and updated building codes—have proven effective in minimizing storm damage. Recent hurricanes in Florida have underscored the disparities between newer, more resilient construction and older wood-frame buildings. While retrofitting older homes can improve resilience, modern concrete and steel-frame structures fare far better in high-wind conditions. Florida has continuously updated its building codes based on lessons learned from past hurricanes, with the 2002 guidelines significantly improving structural integrity. Developers have already incorporated hurricane-resistant materials in Florida, but Hurricane Helene’s impact on Georgia, North Carolina, Tennessee and South Carolina may prompt a reassessment of where such reinforcements are necessary.

Community Focus

Rebuilding after a natural disaster is a lengthy and often frustrating process. Given the risks and challenges, some may wonder: Why rebuild at all? Why not relocate to safer areas? The answer is simple—developers are deeply embedded in the communities they help restore.

Developers are, first and foremost, members of the communities they rebuild. They balance personal and professional responsibilities, often restoring their own storm-damaged homes while contributing to broader recovery efforts. They understand that risk exists everywhere and have learned to navigate it in their own backyard. Ultimately, their projects are not just profitable ventures but vital investments in the communities where they live, work and play.

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