

46

90 of 379 DOCUMENTS

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Flooded with generosity (Part 2) Lavish disaster aid helped rebuild N.C.'s storm-wrecked coast. But critics call it a waste of money - and the wrong message to developers.

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The \$ 457,713 building:

In Topsail Beach, a tourist village on the southern end of Topsail Island, one building seems to be cursed.

Federal records do not name the owner of the building, the site of an unidentified business. But they chronicle its unlucky history.

In 1981, a small storm washed through, causing \$ 1,377 in damage. A second storm hit in 1984, leaving a \$ 24,097 repair bill. The next year, Hurricane Gloria and another storm inflicted \$ 173,017 in damage.

A 1986 nor'easter brought more of the same, flooding the building in December (\$ 40,440 in damage). The next month, a New Year's Day storm struck (\$ 13,756).

Ten years later came the terrible summer of 1996. Bertha arrived in July (\$ 21,259), followed in short order by Fran (\$ 183,767).

The toll over those 15 years: eight storms, \$ 457,713 in losses.

Most people would find it too expensive to keep rebuilding in such a hazardous place. But not in Topsail Beach, thanks to the National Flood Insurance Program.

The program was created by Congress in 1968 to provide low-price flood insurance, especially in high-risk areas. Most flood policies are sold through private insurers, but all claims and payments are made by the federal government.

Policies are relatively cheap. Premiums average \$ 300 a year. Homeowners can receive up to \$ 250,000 in coverage; businesses up to \$ 500,000.

Many coastal residents regard this as a small price to pay for the privilege of living at the beach. But critics say the low premiums encourage development in flood-prone areas, increasing the odds of huge losses.

Repetitive losses are also a problem.

On Topsail Island alone, 217 policyholders' properties have flooded two or more times since 1978, according to a database of flood insurance program records obtained by The N&O under the Freedom of Information Act.

Total payments to those 217 people whose properties have flooded repeatedly: \$ 10.9 million.

Among them were Shara and Ronald Sullivan of Newton Falls, Ohio, owners of a Surf City duplex that they have named "Shamrocks and Seashells."

The house and lot were worth about \$ 260,000 before Fran destroyed the place. The Sullivans received about \$ 110,000 from the NFIP for damage from Fran and \$ 11,000 for losses from Bertha.

Their oceanfront lot has eroded so badly that they doubt they will be able to rebuild there. Instead, they used their flood-insurance proceeds, along with a \$ 115,000 SBA loan, to buy another house in Surf City.

Shara Sullivan praised the government for enabling them to purchase another vacation home. She said her biggest regret is that their new place doesn't front the ocean - it's one block away.

"I don't think I'd take the risk if I couldn't get some kind of insurance," she said. "I'm too chicken for that. Definitely, the flood insurance and SBA loan made all the difference."

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Defanged COBRA:

Some coastal areas are so vulnerable that they are supposed to be off-limits for federal aid, including flood insurance and SBA disaster loans.

In 1982, Congress passed the Coastal Barrier Resource Act, known as COBRA. The act restricts the spending of federal money in certain coastal areas "to minimize ... wasteful expenditures of federal revenues" and protect the environment.

The law, however, did not restrict private development, which has continued to soar in areas such as North Topsail Beach, the most developed COBRA zone in the nation.

North Topsail Beach, incorporated in 1991, extends 14 miles along Topsail Island and is not much more than a skinny strip of sand, with the Atlantic Ocean on one side and the Intracoastal Waterway on the other. Half the town is in a COBRA zone.

Not surprisingly, Fran hammered North Topsail, submerging the entire town, even the non-COBRA areas. The storm cut six new inlets across the island and wrecked hundreds of buildings. Residents weren't allowed to return for a month.

It was just the sort of expensive mess Congress was trying to avoid when it passed COBRA. But that didn't stop the federal government from spending millions to put North Topsail Beach back together again.

The town's prime benefactor has been the Federal Emergency Management Agency. FEMA has allocated \$ 14 million for public works projects in North Topsail. Of that figure, about \$ 6 million was approved for work in COBRA zones.

To get around COBRA restrictions, the agency took advantage of a loophole that allows it to make exceptions when life and property are threatened. As a result, FEMA is paying to fix streets, install water and sewer lines, and cart away the demolished remains of private homes.

FEMA approved the projects after consulting with the U.S. Fish and Wildlife Service, the agency charged with interpreting COBRA rules.

Kevin Moody, a coastal biologist for the Fish and Wildlife Service, said federal officials "really bent over backward" and "took a very liberal approach" in deciding which projects in North Topsail Beach were eligible for federal money.

"We did everything we could not to break the law and give them everything we could," Moody said. "Any good lawyer could have said we were wrong to pay them. But it was a judgment call. There was some stuff that was dubious, but if it passed the life and property test, we said, 'Go ahead and do it.' "

FEMA defended the decisions. "There were stringent limitations but there were some limited things we could do," said Mary Hudak, a FEMA spokeswoman.

Others called it a waste of tax money.

"It was distressing to see how the COBRA areas became pretty much meaningless," said Orrin Pilkey, a Duke University geologist who studies barrier islands. "We have these people who are stupid enough to live in North Topsail ... These people who have done imprudent things still expect to be bailed out."

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A road with a past:

Residents of the northern end of North Topsail Beach have only one way to drive to their homes. They rely on New River Inlet Road, a precarious ribbon of asphalt with a checkered history.

Last year Bertha knocked out a chunk of the highway, forcing the state Department of Transportation to spend \$ 200,000 to fix it. Fran knocked out several more chunks, costing DOT \$ 350,000 more.

"We put it back into reasonable condition," said Doug Bowers, the DOT's division engineer in Wilmington. "Basically, it's always been vulnerable to storms."

In fact, the 5 1/2-mile road washes out whenever the weather turns nasty. Since 1982, DOT and the federal government have spent almost \$ 5 million to repair it.

The state classifies the two-lane road as a "rural major collector." As such, it is considered to be an "essential link" in the nation's highway system, making it eligible for federal funds.

Because the road runs through the COBRA zone, however, it is supposed to receive federal money only for repairs, not for expansions or improvements.

That posed a problem in the late 1980s, when the rapidly encroaching ocean threatened to claim the road for good. SR 1568 needed to be rerouted, but who would pay for it?

Winston-Salem businessman Roger Page came to the rescue. He offered to move part of the road back from the beach at his own expense. The relocated road paved the way to undeveloped beach property he owned, increasing its value.

The state sidestepped a few other obstacles. Rather than apply for federal permits to relocate the road, the state simply withdrew SR 1568 from the federal highway system in 1991. Then, after the project was completed, DOT asked the Federal Highway Administration to take it back in 1993.

All that jumping around muddled the question of whether the road qualified for federal money after Fran and Bertha. "We acknowledge that these activities might imply an effort to circumvent [COBRA]," Roger Babb, regional solicitor for the U.S. Department of the Interior, wrote in a Oct. 23, 1996, memo.

But after much deliberation, the Federal Highway Administration agreed to reimburse the state anyway, awarding it \$ 408,000.

That money was mostly used for patchwork repairs, and the road still lies close to the ocean. Officials say a lasting solution is needed, but no one is sure what to do or who should pick up the tab.

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Dune debate:

The federal government is refusing to pay for one expensive project in North Topsail Beach: a man-made sand dune that stretches for 5.3 miles. FEMA estimates its cost at \$ 1.3 million.

The dune is identical to the "emergency berms" - low-lying dunes with no sea oats or grasses to keep the sand from blowing away - that stretch for 15 miles along the rest of Topsail Island and for 1.6 miles on Kure Beach. FEMA has allocated \$ 4.6 million for those berms, saying they are necessary to provide a minimal level of protection for seaside property.

But the agency has drawn the line at reimbursing North Topsail Beach for dunes in its COBRA zones, citing federal

restrictions on providing aid in those areas.

North Topsail Beach has appealed to top FEMA administrators in Washington. Town officials say the dunes are necessary because Fran and Bertha squashed all the old ones. Without the berms, they add, hundreds of beach houses would stand naked and unprotected before the ocean.

"There's really no consistency there," said Ann Vause, North Topsail Beach's town manager. "You cannot leave it wide open. You have to do the berms."

Building the dunes is a big undertaking. Some of the sand has to be trucked in from the mainland and must be cleaned and sifted. The rest is gathered by scraping the beach, which can hurt the environment.

But there are few, if any, benefits.

The Fish and Wildlife Service says the dunes give homeowners a false sense of security. They are designed only to withstand a 4 1/2-foot storm surge. Engineering studies show that virtually no beach property would be harmed by a storm that mild anyway, even without the berms.

"It's a useless project, a feel-good project," said Moody, the coastal biologist.

Even the Army Corps of Engineers, which spends millions of dollars annually to "renourish" beaches in North Carolina, says the FEMA berms do no good.

"From an engineering perspective, they have very little protective value," said Tom Jarrett, chief of coastal hydrology and hydraulics for the Corps' Wilmington office. "The experience I have with them is that they generally don't last, even with grass on them."

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Too much? Or not enough?:

Surf City Mayor Vance Kee has his own name for the FEMA berms.

"Those dinky-ass dunes," he said derisively, pointing at the beach. "They'll probably disappear with the first nor'easter this winter."

But Kee, like other town officials on barrier islands, doesn't think FEMA and other federal agencies are spending too much money on hurricane recovery. He thinks they're not spending enough.

Surf City wants more money for its dunes so it can pile on more sand and add vegetation. The town has applied for aid from the U.S. Department of Housing and Urban Development and hopes to receive a multimillion-dollar grant. Kee said FEMA has been too stingy in approving money to replace the town's fire station and for several other projects. "We're not asking for anything that's not reasonable," he said.

Vause, the North Topsail Beach town manager, agreed. She complained that FEMA often presumes locals are trying to rip off the government. "We're not the bad guys people make us out to be," she said.

Local leaders on the coast say they shouldn't be expected to recover on their own from Fran and point out that inland towns received plenty of disaster aid, too.

Yet it is revealing that none of the towns on Topsail Island had to raise taxes to pay for its recovery. Nor did Wrightsville Beach, Kure Beach or Carolina Beach.

In Wrightsville Beach, which suffered an estimated \$ 40 million in property damage, officials predict the town government will end up paying only \$ 200,000 of its own to repair public property. Disaster aid and insurance will cover the rest.

"We've been very lucky, because we have very good insurance and because FEMA has helped us out," said Linda Askew, Wrightsville Beach's finance director.

The federal government has also helped out Sylvia Lewis, an assistant school principal from Surf City. She lost her beachfront house to Fran but can't rebuild it because the storm surge eroded most of her lot.

But thanks to a federal flood insurance payment for her loss and a \$ 218,900 low-interest SBA loan, Lewis was able to pay off her mortgage and buy a new condominium up the road in North Topsail Beach.

Her condo is in the vulnerable COBRA zone, but Lewis said she is not nervous about living so close to the ocean. In fact, closeness to the ocean is exactly what she craves.

"There's just something about the beach that gets in your blood," she said. "I guess I owe a lot to the government. Without the government, I probably wouldn't have a new place to live right now."

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GRAPHIC: c photos; c graphics; Topsail Island; Wrightsville Beach; Pleasure Island; staff; Baxter Sand bags at Shell Island Resort, perhaps the most notorious structure rescued from destruction. A bulldozer moves sand on Kure Beach. This is part of an Army Corps of Engineers beach renourishment project, an undertaking that is expected to cost at least \$ 13 million. The Small Business Association lent \$ 499,000 to rebuild a pier - structures so vulnerable conventional flood insurance won't cover them. The uninsured owner assumed that the government would help out when the inevitable occurred. This house on North Topsail Beach sits dangerously close to the sea and behind a tiny, temporary dune designed to protect it from the storm. FEMA has allocated \$ 14 million for public works projects in North Topsail, nearly half of that in an area that technically should not be getting government money at all. FEMA spent \$ 32,316 replacing 12 dune bridges on Kure Island. How long they will last is anyone's guess. 'Every time this occurs, the price tag gets higher and higher,' says Todd Miller of the N.C. Coastal Federation. Staff photos by Jim Bounds

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