

A rising tide of concern

Hampton Roads is second only to New Orleans as area most affected by sea-level rise

by Elizabeth Cooper

Kathy Grubbs, Harvey Lindsay Commercial Real Estate Photo by Mark Rhodes



The tide is rising in Hampton Roads, and the commercial real estate industry is getting a wakeup call. Accelerating sea levels combined with sinking terrain potentially threaten property, infrastructure and ultimately, the region's economic vitality.

The National Oceanic and Atmospheric Administration says Hampton Roads is second only to New Orleans as the U.S. area most affected by sea-level rise. Sea levels in the region have risen more than 14 inches in the past 85 years, compared with the global average of 5 to 8 inches. Recent studies by the Virginia Institute of Marine Science and the Sierra Club also paint a sobering picture. By 2100, Norfolk's sea level is projected to be between 3.6 and 5 feet above the level it was in 1992, averaging an increase of more than half a foot a decade. Meanwhile, land across the region is sinking about one foot per century.

Then there's the increased necessity for and increasing costs of flood insurance and structural changes to buttress buildings against rising waters. Municipal bond ratings also could be downgraded. Moody's Investors Service, a credit-rating group, recently surveyed city halls in Norfolk, Portsmouth, Hampton and Virginia Beach about the effects of sea rise, flooding and storms on infrastructure, budgets and tax bases. Standard & Poor's has followed the economic impact of sea-level rise for nearly a decade.

Still, sea-level rise has yet to become a priority for the commercial real estate industry. "It's not on anybody's radar on the property management side," says Kathy Grubbs, senior vice president for property management at Harvey Lindsay Commercial Real Estate in Norfolk. "They're not seeing the effects of it. What you can't see, you don't worry about."

Grubbs, however, does not think the industry should bury its head in the region's proverbial sinking sand. A member of the Hampton Roads Green Building Council, she has attended conferences focusing on coastal flooding and is seeing a slow uptick in concern. "I think it will be, in the future, a very hot topic," she says. "It's starting to be more prevalent because we're seeing more seminars about it. The more people start to talk about it, the more our industry starts to realize it."

The Center for Sea Level Rise at Old Dominion University is trying to jumpstart the conversation. One of four regional pilot projects in the U.S. charged with addressing sea-level rise, the center wants government, business and community stakeholders to help craft plans for dealing with land use and municipal and economic impacts. "We need to start making better planning and investment decisions, and we need the commercial real estate community to be participants in this project," says Ray Toll, director of coastal resilience research at ODU and a member of the Governor's Climate Change and Resiliency Update Commission. "We don't have to immediately jump, but we need to start thinking how all this can work together."

State and local governments already have picked up the mantle, developing strategies to mitigate the effects of sea-level rise and increased coastal flooding. During the 2015 legislative session, the General Assembly approved a bill requiring localities in the Hampton Roads Planning District Commission to come up with comprehensive plans addressing sea-level rise and recurrent flooding. The assembly also passed measures

directing the Department of Conservation and Recreation to update the state's flood protection plan every five years and authorizing a study on groundwater and surface water consumption and sustainability.

Localities also are enacting new regulations. In Norfolk, where heavy rains regularly foreshadow flooding, city leaders are considering expanding the sea wall from downtown toward Old Dominion University. "If localities implement things like that, it could create value in a lot of real estate," says David France. He's a vice president with Kimley Horn and Associates in Virginia Beach, a design consulting firm that has worked with Hampton Roads cities, including Norfolk, Portsmouth and Hampton. The commercial real estate industry, he adds, is slowly realizing the effect sea-level rise could have on property throughout the region. "We're still on the cusp of this. It's not been tremendously impactful to commercial real estate as of yet, but it's headed in that direction."



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Industry leaders for the most part are paying attention, with the Hampton Roads Association for Commercial Real Estate leading the clarion call as it lobbies the General Assembly and local governments to address recurrent flooding. "We're becoming more aware that we've got problems," says Ann Crenshaw, an attorney with Kaufman & Canoles and president of HRACRE. "The more we find out, the question is how bad is it going to get and how fast?" The urgency grows when the prospect of companies bypassing Hampton Roads for areas less impacted by rising waters is factored into the equation. "There's an awareness that we need to tackle this issue to have successful economic competitiveness with other areas."

For now, though, concerns about potential flooding have not prevented businesses from venturing into Hampton Roads. "I've not heard about outside companies changing their plans," Crenshaw says. "I like to think that because the federal government, the state and localities are addressing the issues head on, there will not be reluctance to move here."

Robert Kerr, president of Kerr Environmental Services Corp., adds that state and municipal preemptive moves help allay companies' fears. "Businesses feel comfortable locating here because they know that localities are reacting proactively rather than reactively, and can accommodate new development," he says. "Localities in Hampton Roads get very positive feedback from businesses looking to expand in the area because they've been proactive."

The hitch comes when the costs to mitigate flooding are tabulated. "You can do the planning, but implementing it requires much more money," Kerr says. "That's where the urgency is — trying to figure out how to finance infrastructure improvements."

Michael Divaris, president of Divaris Real Estate Inc. in Virginia Beach, says his clients have not avoided the region because of flood concerns. "I don't think it has risen to the forefront of the selection process." He adds that developers do pay close attention to the proximity of potential sites to flood zones. "It's starting to play an important part in the decision making. More and more due diligence will be done on properties that are impacted."



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William King, president and CEO of Harvey Lindsay's industrial sales and leasing division, adds that flood concerns have hampered deals with firms seeking to locate data centers in the region. "Some of the data center companies have written off Hampton Roads because we're in a hurricane-prone area," he notes.

Overall, most of Harvey Lindsay's commercial projects are not in flood-prone areas. "I don't see it as one of the top two or three challenges we face," King adds. "It's really not been that big of a factor of the average type of development."

But that could change as more people in the industry understand the potential long-term threats of rising sea levels. "It's a matter of trying to educate people and let them know what the projections are for Hampton Roads," Grubbs says. "We have to learn how to live with sea-level rise."