

DISASTROUS



Assignment

by Alison Teeman with

Michael Yovino-Young, MAI, SRA

Sunday October 20, 1991, was very hot and very dry, definitely not typical fall weather in the San Francisco Bay area. That day, six years of drought and strong offshore winds combined to create the most devastating urban catastrophe since the 1906 San Francisco earthquake.

The previous day I sat in Memorial Stadium and watched black smoke billow above the densely developed residential hills to the southwest. The University of California football team was being beaten by the University of Washington in a close game, and by nightfall what was called a small arson fire was reported as under control.

Strong winds and extremely low humidity rekindled the fire early the next morning. By noon the fire was roaring out of control, consuming a house a minute. From my back yard I watched the sky darken, as orange clouds, black debris and acrid smoke filled the air. The sky was so dark that the streetlights came on and drivers needed headlights.

I called friends who lived nearer the general fire zone

to learn that it was raging in a semi-wilderness canyon area. Our friends were more than a mile south of the fire and had a major ten-lane freeway serving as a firebreak between their neighborhood and the fire area. Less than an hour later they informed us they were evacuating and could they, their children and animals come to our house.

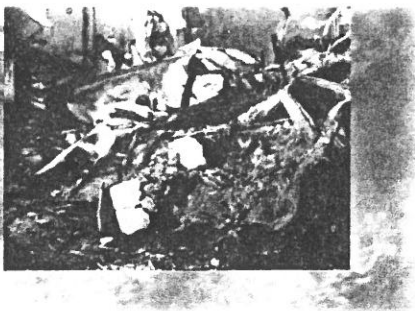
By midday Sunday, we were providing shelter to friends and animals. They booked into a hotel later in the day after we too were advised to be ready to evacuate. Our neighborhood was in the direction of the wind fanning the firezone. Television news and radio coverage detailed the devastation. We watched from our street, as homes, less than a half-mile away, exploded in flames.



Monumental Damage

An appraisal assignment was the last thing I was thinking about the next day. Our foremost concern was for the fate of our friends—where would they go and would their house still be there when the fires subsided. I was allowed to go “behind-the-lines” with the husband and

continued on page 20



Disastrous cont. from p. 19

the destruction was extraordinary. Entire neighborhoods were gone. Block after block of once luxurious homes were all but destroyed, as only chimneys and rubble remained.

Along with the homes was a loss of their belongings, including burned out automobiles with exploded gas tanks and melted engines, twisted bicycles and smoldering hot spots. The smoke choked everyone. Our friends' elegant 1930s Tudor style home was reduced to debris. He was too shocked to cry. I wasn't. Firestorm is an apt term for this level of destruction.

About 2,843 single-family homes and 433 apartments—a total of 3,276 residences—were destroyed. Another 307 homes were damaged in an area of 1,900 acres, roughly three square miles of steep hillsides and canyons. Twenty-five people died, 148 more were injured and two persons remain missing to this day. The "Oakland Hills Fire" is officially the worst urban fire in modern U.S. history with an estimated property loss of nearly \$1.8 billion, averaging more than \$500,000 per residence.

After the Firestorm

The fire was not yet controlled when the disaster agencies and insurance

companies began strategic planning; there was an immediate need to establish pre-fire market values. Within 48 hours of the first fire alarm, I was sitting in an emergency insurance office. The demands and concerns piled up: "How many appraisals can you deliver a day?" "We may need 500 or more." "We do not know yet how great our losses are ..."

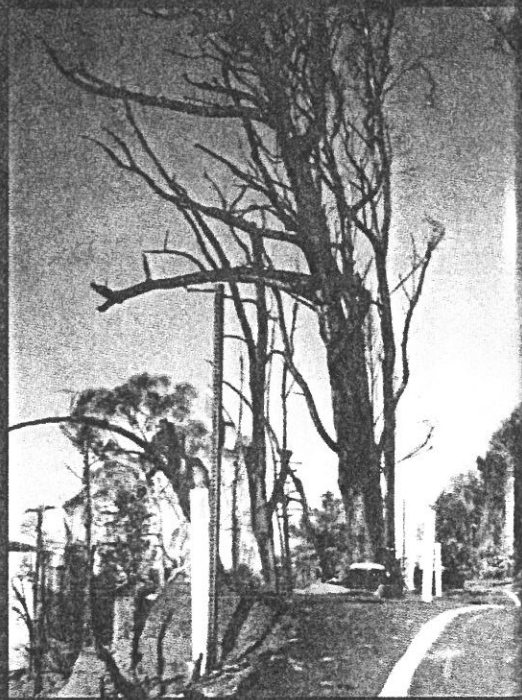
I run a small residential appraisal department within a "full-service" office, and we have the occasional fire loss and other insurance and casualty loss assignments. The disaster manager's pivotal question to us was "How quickly could we appraise all the properties destroyed?" Yet they could not answer their own questions; in the aftermath of a major disaster, the insurance companies were clueless how many of its insured properties had been destroyed. It would be days before the inventory of total and partial losses would be available.

At the time after the fires in 1991, I had a staff of four appraisers, plus myself. It was a busy fall with low interest rates and lots of refinancing work. We were quite busy, but the challenge of an assignment involving perhaps hundreds of appraisals of properties that no longer existed was more than I could resist. But how did we meet the challenge? We had to keep a basic level of services available for our regular clients, and so we decided that two appraisers would continue the regular workload and three of us would split the fire area between us. It divided fairly clearly into three market areas. We began immediately to clear our personal backlog to get ready for the onslaught.

Appraising Without a Model

The insurance representatives agreed to a basic URAR form report for each loss and a fee on a "per property" basis. The insurance company required a market value for the property, segregating land and improvements, prior to the date of loss. Replacement cost approach was necessary.

Our challenge then was to establish land values in an area that was almost fully developed and to value completely destroyed property that had little to no vegetation or landscaping left.



Because of the fires, lots that were formerly heavily wooded and secluded now had spectacular views.

There was no model for this type of appraisal assignment. I called appraisers in Santa Barbara and Santa Monica, Calif., where there had been other recent fires. They confirmed making six, eight or maybe up to 12 appraisals of destroyed houses but none knew of any appraisers taking on 100, 500 or 1,000 assignments all at once. No one had any concept of how to tackle the enormity of the assignment.



Laying the Groundwork

The insurance company wanted immediate action and practically "instant" value estimates, and yet this was very much a case of more haste less speed. Our clients wanted preliminary values, e.g., not less than \$X. We considered the assessed values, reviewed what we knew from public record information and provided some very basic estimates as requested, always looking over our shoulder at the then still relatively new dictates and strictures of USPAP. Do appraisers cross their fingers in such situa-



tions? We did.

We worked backwards. Usually the easy part of the assignment is the inspection, then the market research, and finally the problem of finding comparables and establishing values. We researched all the sales in the fire area and adjacent neighborhoods over the previous 12 months. We confirmed our data and reviewed our comparables. We could drive by and photograph only a few of them, as

so many were now destroyed. Then began the heart-wrenching task of establishing what the subject property consisted of. We needed the owners help for this task.

We prepared a homeowners' questionnaire that was designed to provide the information needed to complete the first page of the URAR form. This, along with a legal owners' authorization for access to county records, went to each homeowner. In almost all cases the county records provided a basic physical description and footprint for the improvements.

The insurance company adjusters met with the homeowners and completed the questionnaire. They returned these, often with notes as to additional information to follow, and the signed authorization forms in batches of five, 10 or 15 per day. Some owners were personally interviewed. Many tears were shed as they tried to recall specific details of their lost homes and, to some, the center of their family lives. Many had lived in these hills all their adult lives. We learned to be very patient and sensitive in these situations.

Working with Insurance Companies

The insurance companies had brought in disaster teams from all over the country and put them up in local hotels. Many had absolutely no local knowledge and were unfamiliar with local amenities and construction materials. They were incredulous at some of the quality factors in many of the custom-designed houses and could not comprehend a neighborhood that

might have had a house worth \$350,000, next door to one worth \$1,250,000. How could such expensive houses be built on such small, often steeply sloping lots, typically less than 7,500 square feet in size?

These insurance people worked 12 to 18 hour days and wanted to be home for the holidays (except for the single guys from Chicago who wanted to stay in warmer California for Christmas). They had already been on duty non-stop for over two months and would remain on the job for another three to four months.

Within days of starting on the job, our office was operating from 6:30 a.m. to 10 p.m. We hired extra clerical help to process paper work, and we set up a conference room with a video machine to view homeowners' tapes. Aerial photographs of the fire area were obtained to show before and after photos of the firestorm's awesome power to destroy homes, trees (small forests in some cases) and landscaping.

One positive result in all this devastation was that many lots now had prized views of San Francisco Bay that had been obscured for 10 to 20 years. The aerial photos were valuable in helping us review locational and topographical features. We were able to superimpose parcel maps to clearly locate cul-de-sacs and main through streets.

continued on page 46



Disastrous cont. from p. 19

The Challenging Tasks on Site

Within a few days we had a partial list of all our clients' properties. We planned to begin our site inspections by photographing each site, street-by-street, and to make the necessary site notes before too much was removed. Dangerous trees and chimneys were constantly being identified and removal of trees and power lines by emergency vehicles made access to many of the narrow roads very difficult. Meanwhile, winter rains added to the dangers, as many newly denuded hillsides started experiencing slides and mudflows.

Access to the fire area was restricted with police barriers and patrols, both because of dangerous conditions on the ground and the need to limit "sightseers." It was difficult to show the authorities that we were genuine and had a legitimate need to be in the area without hard hats or uniform jackets. We immediately rush ordered Lands' End jackets with our firm's name over the left breast.

Even with unrestricted access to the area, it was often difficult to identify the individual properties. As time passed the city spraypainted street numbers on each curb or sidewalk, but for the first weeks it was tough. Most familiar landmarks were gone, though every now and then a house would still be standing or a mail box with a number would be visible.

Completing the Appraisals

Our early data gathering included an appeal to all local appraisers to open their files relating to any houses that had been destroyed. Our office had multiple listing data going back 20-plus years, and many homeowners had refinanced in the 1980s so there was information available. Everyone cooperated and floor plans and physical data arrived daily. We sorted this into our three market areas and within



each area, alphabetically by street. Concertina files grew for each street. We commandeered a garage to hold all the newly expanding file boxes.

The first assignments we completed in full were those that our office had appraised in the six to twelve months preceding the fire. We had complete files, photos and almost contemporary data. We updated our market survey, reviewed land values and "punched out reports." We had 30 or 40 in this category and these appraisals went out to our clients within ten days after the fire.

We worked seven days a week through the next four months, completing the bulk of the assignments. There were perhaps 150 appraisals delayed for months due to lack of information, disputes between the insured and the insurance company, conflicting data on the destroyed resi-

dence, claims of house sizes, room counts, and custom features or materials that were obviously exaggerated or simply false.

The distinctions between "replacement cost" and "reproduction cost" became the source of many bitter disputes. Replacement cost might be based on a construction index of \$100 per square foot, whereas replication of architect-designed, custom homes built during the extravagant period of the 1920s might have cost \$200 per square foot or more in 1991.

Appraisals continued all through 1992. Disgruntled homeowners filed a few lawsuits, and we were called as expert witnesses. Appraisals by less-knowledgeable appraisers from out of the area, usually completely dependent on their client/property owner's descriptions and qualitative assertions, frequently resulted in very misleading valuations that had to be rebutted, often in arbitration proceedings. Through the two years following the fire, a total of nearly 2,000 appraisals were completed for a number of insurance companies and property owners. ▲

Primary author Alison Teeman is vice president of Yovino-Young, Inc. She has 18 years of residential appraisal experience specializing in luxury residential properties, construction defect cases and catastrophic damage events including earthquake, fire, earth movement and hillside failures. Teeman holds a LLB degree from University College, London, and was a Solicitor practicing in London before starting her appraisal career.

Michael Yovino-Young, MAI, SRA, is president of Yovino-Young, Inc. He has 38 years of appraisal experience and serves on the Appraisal Institute's International Relations Committee. He has extensive experience in property damage or loss valuation assignments.

photographs provided by Michael Yovino-Young, MAI, SRA