NY Rising Housing Recovery Program: Co-Op/Condo Program, and Rental Properties Program

Flood Insurance Requirements for Condominium and Cooperative Unit Owners

December 3, 2014

How may flood insurance requirements apply to you?

If you are seeking assistance for acquisition and construction purposes for your unit and your condo or cooperative building is located in a Special Flood Hazard Area (also known as the 100-year floodplain), your unit must be covered by a flood insurance policy that is maintained in perpetuity.

If you own a condo unit and receive assistance for reimbursement or repair for your individual unit, you will be required to obtain and maintain flood insurance and sign a covenant to be attached to the deed of your property.

If you are a cooperative unit owner, you cannot purchase flood insurance which provides building coverage for your individual unit under the National Flood Insurance Program (NFIP) since you do not have a real estate interest in the unit. As a result, in order for you to receive assistance for your individual unit, your cooperative board must obtain flood insurance which covers your individual unit. If your cooperative board fails to obtain insurance, you will be ineligible for our program.

What is included under acquisition or construction?

Financial assistance for acquisition and construction purposes means any form of financial assistance which is intended in whole or in part for the acquisition, construction, reconstruction, repair or improvement of any building, and for any machinery, equipment, fixtures, and furnishings contained or to be contained in that building.

What level of flood insurance are you required to obtain and maintain?

You required to obtain and maintain flood insurance in an amount at least equal to the development or project cost (less estimated land cost). The project cost includes both the Federally-assisted and the non-Federally assisted portion of the cost, including any machinery, equipment, fixtures, and furnishings. If the Federal assistance includes any portion of the cost of any machinery, equipment, fixtures, or furnishings, the total cost of that item must also be covered by flood insurance.

Why is a covenant required on your property?

In addition to the requirement to obtain and maintain flood insurance, you are required to notify in writing at the time of the transfer of the property ALL subsequent buyers of the property of the requirement to maintain flood insurance. Placing a flood insurance restrictive covenant on the property ensures that ALL future property owner(s) are notified of flood insurance requirements and the requirement to keep the property insured by a flood insurance policy.

Who must sign the flood insurance covenant?

If you are a condo unit owner, you will be required to sign the covenant.

If you are a cooperative unit owner, your cooperative board must sign the covenant as the cooperative board will be required to obtain and maintain flood insurance. Since you do not have a real estate interest in your individual unit, you cannot encumber the property with a covenant- only the building owner with a real estate interest in your unit may sign the flood insurance restrictive covenant.