March 9, 2017

The Honorable Sean Duffy
Chairman
Subcommittee on Housing and Insurance
House Financial Services Committee
2330 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver II
Ranking Member
Subcommittee on Housing and Insurance
House Financial Services Committee
2335 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Duffy and Ranking Member Cleaver:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud the Subcommittee for calling a hearing entitled "Flood Insurance Reform: FEMA's Perspective." We appreciate the Subcommittee exploring the issues facing the NFIP early this year in advance of the program's needed reauthorization before September 30, 2017. We strongly support the efforts of Congress to ensure the NFIP is functioning properly and continuing to reduce taxpayer funded disaster assistance for flooding.

For more than 20 years, the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) have partnered to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of nearly 170 state and local affiliates, NAA encompasses over 72,000 members representing more than 8.8 million apartment homes throughout the United States and Canada.

Like the broader real estate community NMHC/NAA understand that the future stability of the property insurance market and its ability to withstand the continued occurrence of catastrophic events must remain a top concern of our sector. With floods being the most common natural disaster in the United States, the NFIP ensures that affordable flood insurance is available at all times, in all market conditions for every at-risk rental property. These include more than just high-rise multifamily properties in urban centers and extend across every state to include rental homes of all sizes and types. Ensuring that all rental properties continue to have access to affordable, quality flood insurance through the NFIP is a top priority for our membership to not only protect their property investment but to help manage the increasing costs of providing housing that is affordable.

We acknowledge that the NFIP comes with its challenges and agree that further reforms are necessary to protect the long-term financial viability of the program. It took several catastrophic weather events to force the NFIP into negative fiscal standing and returning it to solid footing cannot happen overnight. We believe that many of the reforms included in both the Biggert-Waters Flood Insurance Reform Act and the Homeowner Flood Insurance Affordability Act of 2014 will help slowly return the program to solvency. To that end, outlined below are the multifamily industry's priorities as we move towards reform and reauthorization of the NFIP this year. We believe these proposals could offer significant improvements to the efficiency, affordability, and long-term health of the NFIP.

- **Long-Term Authorization** – Prior to the enactment of Biggert-Waters in 2012, the NFIP had been operating on a series of short-term extensions that began in 2008. The stop-gap measures continually created an environment of uncertainty

for multifamily property owners and managers who rely on this program for coverage in the absence of a high level of private sector participation. More broadly, during a time of economic recovery, real estate transactions across both the residential and commercial sectors could not legally be secured without this critical protection in place. NMHC/NAA strongly urge Congress to prevent disruption in the marketplace and pass a long-term reauthorization of the NFIP that maintains the government's backstop before it is set to expire on September 30, 2017. We also urge Congress to protect the ability of all property owners to enter the NFIP market should they so choose or should there be no private market readily available for sufficient, affordable coverage.

- **Mapping** - It is common for apartment owners to have their properties misclassified as being in high-risk flood zones, or Special Flood Hazard Areas (SFHA). Yet, the process for property owners to challenge those designations and the maps on which they are based is overly complex and financially burdensome. The onus is wrongly placed on the property owner to prove the maps inaccurate, incur engineering and surveying expenses and vast amounts of time to appeal under the current system. Inaccurate maps not only have financial repercussions for existing property owners but also have a chilling effect on development in inaccurately zoned areas, which is problematic in a time of a rental housing shortage. NMHC/NAA encourage Congress to provide sufficient resources to coordinate and build upon efforts such as the U.S. Geological Service's 3D Elevation Program (3DEP) that could provide increased accuracy to existing tools currently used to determine risk and premium levels under the NFIP. Additionally, we recommend Congress require FEMA improve the efficiency of the overall mapping process to reduce cycle time and costs and improve the mapping appeals process to make it more affordable, transparent, and less time-consuming for both communities and property owners.

- **Flood Risk Mitigation** –FEMA currently administers several mitigation grant programs in an effort to reduce damage, claims, and overall risk in the event of a natural disaster such as flooding. NMHC/NAA strongly support pre-disaster mitigation programs to lessen fiscal pressure upon the NFIP and taxpayers more broadly. That said, while apartment communities are not explicitly excluded from eligibility for existing FEMA funds, the grant programs are overwhelmingly focused on primary, single-family homes. Even further, FEMA has only recently focused attention on the importance of mitigation efforts for properties that cannot benefit from traditional mitigation techniques like building elevation. Consistent with the requirements under the Homeowner Flood Insurance Affordability Act of 2014, FEMA issued advisory guidelines to property owners on alternative methods of mitigation. Unfortunately, many of the recommendations made are impractical for apartment communities and the majority would not afford any flood insurance premium reduction despite the large cost of implementation. NMHC/NAA urge Congress to require FEMA to undertake further actuarial work and issue alternative guidance specific to multifamily property owners that is both realistic, cost effective and would result in premium reductions under the NFIP. Additionally, NMHC/NAA would ask that Congress direct FEMA to expand the focus of existing mitigation programs to better include multifamily properties or

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consider establishing a multifamily specific mitigation grant program to address the unique challenges faced by our property owners.

- **Business Interruption Coverage** –Property owners fortunate enough to be able to purchase flood insurance through the private sector also frequently purchase Business Interruption coverage to help restart operations and defray the financial impacts surrounding the relocation of business services, resident relocations, and other expenses. For those property owners who are unable to secure adequate or affordable private sector coverage, NMHC/NAA urge Congress to support the creation of Business Interruption Coverage as an additional policy option under the NFIP for multifamily and commercial policies. This coverage would allow property owners to resume normal operations more quickly and get residents back into their homes after a disaster in a timelier manner.

- **Streamline and Enhance the Efficiency of NFIP Policies**— Current mandatory purchase requirements require multifamily property owners secure coverage for each structure on their properties that lie in an at-risk flood zone. Often, this means that multifamily owners must secure a separate NFIP policy for multiple buildings throughout the same apartment community, all of which require separate deductibles and policy renewals. NMHC/NAA urge Congress to provide a property owner the option to secure just one "umbrella" NFIP policy with combined coverage for each of their at-risk structures on a given property or throughout their portfolio. This change would greatly streamline and enhance the business efficiency of using the NFIP.

- **Align NFIP Single Family & Multifamily Claim Reimbursement**— Currently commercial and multifamily property owners receive Actual Cost Value (ACV) for claim payments from FEMA while single-family homeowners receive Replacement Cost Value (RCV) for their losses. The discrepancy places commercial and multifamily property owners at a disadvantage because they often suffer the same, if not more, flood damage. NMHC/NAA encourage Congress to direct FEMA to move NFIP multifamily and commercial coverage from ACV to RCV claim reimbursement.

- **Foster a More Viable Private Flood Market**—NMHC/NAA believe that a more viable private flood insurance market would serve a benefit to both property owners through increased competition and enhanced market efficiencies while reducing financial demands on taxpayers. NMHC/NAA support passage of the Flood Insurance Market Parity and Modernization Act to bolster the private flood market. The bill would expand coverage options for at-risk property owners by clarifying that flood insurance offered by private carriers outside of the NFIP meets the mandatory purchase requirements in place today. Of particular note is the bill's language that ensures both private and NFIP coverage satisfies the federal government's requirement of "continuous coverage" and protects policyholders from seeing rate hikes should they wish to return to the NFIP coverage at a later date. NMHC/NAA encourage Congress to consider including the Flood Insurance Market Parity and Modernization Act in the overall flood insurance reauthorization package.

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- **Outline Multifamily & Commercial Specific Requirements**—The needs of multifamily and commercial property owners are substantially different than homeowners and condominium associations. Federal regulators should afford greater flexibility so that private flood policies can be tailored to the unique needs of each insured and allow for one policy for multiple properties and buildings, RCV claim coverage, Business Interruption coverage, and coverage for property outside of the building such as security fences, parking lots, and equipment. Until such time of enactment of the Flood Insurance Market Parity and Modernization Act, NMHC/NAA urge Congress to require Federal banking regulators to issue guidance to lenders that addresses the acceptability of private flood insurance coverage specific to multifamily and commercial properties and existing federal coverage requirements.

We thank you for the opportunity to present the views of the multifamily industry as you begin deliberations to reauthorize and reform the NFIP. The NFIP serves an important purpose and is a valued and necessary risk management tool for apartment owners and managers. We stand ready to support the efforts of Congress to make the necessary improvements to the program to ensure its long-term success.

Sincerely,

Douglas M. Bibby
President
National Multifamily Housing Council

Robert Pinnegar
President & CEO
National Apartment Association

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