

July 14, 2017

The Honorable Mike Crapo  
Chairman  
U.S. Senate Committee on Banking,  
Housing, & Urban Affairs  
239 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Sherrod Brown  
Ranking Member  
U.S. Senate Committee on Banking,  
Housing, & Urban Affairs  
713 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown,

The undersigned groups, representing the commercial and multifamily real estate industry, are pleased to provide you with proposals to improve the National Flood Insurance Program (NFIP), which we hope you will consider as you draft reauthorizing legislation. Thank you for your important work on this issue. Set to expire on September 30 of this year, the NFIP ensures that businesses and residences throughout the country are able to recover from flooding and continue contributing to the economy.

Our organizations appreciate your work to foster a flood insurance market and NFIP program that is sustainable, affordable, and responsible to owners of all types of real estate. Outlined below are six points of clarification and improvement to the NFIP that we urge you to include in the final version of any reauthorization bills.

- **Maintain the commercial “opt-out” provision as passed by the House Financial Services Committee in H.R. 2246, the Taxpayer Exposure Mitigation Act.** The provision would remove the federal mandatory purchase requirement for commercial and multifamily properties while retaining the NFIP program as an option for commercial and multifamily property owners who choose to obtain coverage through the NFIP or cannot access coverage through the private markets. Removing the federal mandatory purchase requirement has the potential to allow both commercial and multifamily property owners to secure access to flood coverage that better fits their needs through more flexible coverage terms.
- **Include optional business interruption coverage.** When a commercial or multifamily building shuts down due to flooding, owners are without the cash flow necessary to cover payroll and expenses, hindering efforts to reopen the business or return residents to their home, and compounding the negative economic effects of a flood. Adding the option to purchase up to \$100,000 in business interruption coverage through the NFIP would provide property owners with the peace of mind that they would be able to focus on getting their businesses up and running and their residents back into their properties immediately following a flood.
- **Multiple structure coverage under one policy.** A small business, apartment community or other commercial property may have several buildings across different lots or several structures on one property. In either case, the property owner must obtain one NFIP policy for each building even if the flood risk does not vary among them. This is complicated and costly, and the NFIP should permit multiple buildings to be covered under one policy as is typical in the private market.

- **Help FEMA develop more accurate mapping.** The “National Flood Insurance Program Mapping Fairness Act of 2017” takes some important steps towards improving the flood mapping process under the NFIP, but further improvements are needed. To accomplish accurate maps with a more workable appeals process for property owners, the Federal Emergency Management Administration (FEMA) should adopt the recommendations of the Technical Mapping Advisory Council, including:

  - Moving toward structure-specific flood maps to improve their accuracy upfront and minimize the number of Letter of Map Amendments (LOMAs);
  - Taking advantage of mapping advances like Light Detection and Ranging (LiDAR) so policyholders can complete one LOMA for many buildings using a single elevation certificate
  - Several states, like Minnesota, have effectively demonstrated this approach and are collecting LOMAs for whole neighborhoods at once rather than surveying property by property;
  - Expanding the pilot studies to provide mass LOMAs (one LOMA for many buildings, as FEMA has supported); and
  - Lessening the financial and bureaucratic appeals process faced by communities and property owners.
  
- **Develop more effective pre-flood mitigation.** The mitigation options available to commercial and multifamily structures are often expensive, and implementing mitigation measures does not reduce their insurance rates. The “Flood Risk Mitigation Act of 2017” provides for changes to the NFIP mitigation programs and policies for residential properties, but fails to address the needs of commercial and multifamily structures. FEMA guidance and grant programs should include a wider set of mitigation strategies that are appropriate for these structures and reflected in the insurance rate tables. Specifically, they should do the following:

  - Expressly authorize small businesses and apartment firms with pre-FIRM commercial buildings to access FEMA mitigation grant programs;
  - Allow commercial and multifamily building owners access to mitigation grant dollars BEFORE a property floods, when mitigation is most cost effective and dollars go further;
  - Expand upon existing FEMA guidance for commercial and multifamily property owners that cannot benefit from traditional mitigation techniques such as building elevation and ensure that recommendations put forward provide a clear return on investment via NFIP rate reductions;
  - Raise the amount of the Increased Cost of Compliance (ICC) coverage in the NFIP policy for commercial and multifamily properties to \$125,000 and remove the additional coverage from the \$500,000 structural limit; again, commercial and multifamily building owners are willing to pay for optional coverage above the base level/rate for an actuarial price; and
  - Expand ICC and Flood Mitigation Assistance mitigation programs to include nontraditional mitigation that is appropriate for commercial and multifamily buildings.

- **Replacement cost value for commercial and multifamily structures.** Commercial and multifamily property owners pay for coverage as homeowners do, but only receive the actual cash value – i.e., the replacement value minus depreciation – for both the structure and contents. Adding NFIP options for full replacement coverage could help level the playing field between large and small business, and encourage more property owners and renters to purchase flood insurance where there is not a federal requirement.

Thank you for your attention to this important issue, and for your consideration of the points we raise. A strong NFIP, with reforms to help commercial and multifamily property owners first prevent flooding, then reopen or reoccupy and resume business quickly, is one that protects jobs and economy. As representatives of the commercial and multifamily building industries, we look forward to continuing to work with you to reauthorize and improve the NFIP before it sunsets this year.

Sincerely,

Building Owners and Managers Association (BOMA) International  
CCIM Institute  
Council for Affordable and Rural Housing  
Institute of Real Estate Management  
International Council of Shopping Centers  
Mortgage Bankers Association  
NAIOP, The Commercial Real Estate Development Association  
National Affordable Housing Management Association  
National Apartment Association  
National Association of Housing Cooperatives  
National Association of Real Estate Investment Trusts®  
National Association of REALTORS®  
National Multifamily Housing Council  
The Real Estate Roundtable

cc: Members of the U.S. Senate Committee on Banking, Housing, & Urban Affairs