



January 12, 2016

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
House Financial Services Committee
2440 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 Luetkemeyer and Ranking Member Cleaver:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud the Subcommittee for calling a hearing on “Opportunities and Challenges Facing the National Flood Insurance Program (NFIP).” We appreciate the Committee exploring the issues facing the NFIP early this year in advance of the program’s needed reauthorization by September 30, 2017. We 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, NMHC and NAA have partnered in a joint legislative program 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 is comprised of over 69,000 members representing more than 8.1 million apartment homes throughout the United States and Canada.

NMHC/NAA join the broader real estate community in understanding 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 along the East and West coasts of our country but extend across every state to include low-rise structures and even single family rental homes. Ensuring that all types of rental property 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.

Our industry acknowledges that the NFIP does not come without its challenges and we 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, several provisions described below 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. 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. **We, therefore, strongly urge Congress to prevent disruption in the marketplace and pass a long-term reauthorization of the NFIP that maintains the government's backstop well before it is set to expire on September 30, 2017.**

- **Mapping** - It has not been uncommon 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 they are based on is overly complex and financially burdensome. The onus is wrongly put on the property owner to prove the maps inaccurate and is forced to incur engineering and surveying expenses as well as spend 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. **We, therefore, encourage Congress to provide sufficient resources to appropriate federal agencies 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. Further, we urge Congress to improve the appeals process to make it more affordable, transparent, and less time-consuming for both communities and property owners.**
- **Flood Risk Mitigation** – The Federal Emergency Management Agency (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. While apartment communities are not explicitly excluded from eligibility for these 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 recently 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 would urge Congress to require FEMA to undertake further actuarial work and issue alternative guidance specific to multifamily property owners that is both realistic and cost effective. Additionally, NMHC/NAA would ask that Congress direct FEMA to expand the focus of existing mitigation programs to better include multifamily properties or consider establishing a multifamily specific mitigation grant program to address the unique challenges faced by our property owners.**

Not specific to multifamily but important to the overall preparedness of our nation in face of increased threats of flooding disasters is the need to invest more in pre-disaster mitigation efforts. According to the Government Accountability Office (GAO) most federal assistance for mitigation efforts is only available after a disaster occurs. Data shows that between 2011 and 2014, over \$3 billion was spent on post-disaster mitigation as compared to just \$222 million in pre-disaster mitigation efforts. While we'll never eliminate the need for post-disaster aid, **Congress should aim to reverse this and invest more in pre-disaster mitigation programming across all at-risk communities in an effort to drive down the number of NFIP claims and overall taxpayer liability.**

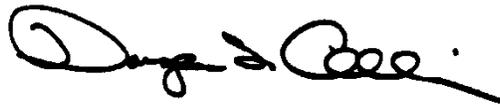
- **Business Interruption Coverage** – Offering the opportunity to allow additional coverage for loss of business due to serious flood damage, would permit a property owner to more quickly recover from an event. Property owners frequently purchase this line of coverage when property damage forces the relocation of business operations, resident relocations, and other expenses. **Therefore we encourage Congress to support this addition as part of the NFIP's reauthorization.**

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



Douglas S. Culkin, CAE
President & CEO
National Apartment Association