Flood, Rebuild, Repeat

Rob Moore, Water & Climate Team
Sea level rise will put NFIP (and people) underwater

- Primary emphasis of NFIP is on rebuilding ... multiple times ...
  (even when the owner would prefer a buyout)
  (even when it would be cheaper to offer a buyout, rather than pay more claims)

- Prolongs, rather than reduces, future flood risk

- Fails to incentivize people to move out of floodplains.

- Fails to dis-incentivize people from moving into floodplains.

- Based on false assumption:
  
yesterday’s flood risk = today’s flood risk = tomorrow’s flood risk
ISSUE BRIEF
SEEKING HIGHER GROUND: HOW TO BREAK THE CYCLE OF REPEATED FLOODING WITH CLIMATE-SMART FLOOD INSURANCE REFORMS

The National Flood Insurance Program (NFIP) was designed to help Americans recover from flood disasters, but it can also unintentionally trap homeowners who would prefer to move somewhere safer. Instead of moving, many policyholders find themselves rebuilding their homes again and again. Across the United States, more than 30,000 “severe repetitive loss properties” (SRLPs) have been covered under the NFIP. These properties have flooded an average of five times, according to FEMA data acquired by NRDC through a Freedom of Information Act request.

More and more Americans are living in areas that are vulnerable to flooding and sea level rise. In the face of rising flood risks and damages, the NFIP should provide homeowners the option of relocating. This issue brief proposes flood insurance reforms that would make it possible for the owners of repeatedly flooded homes to receive a buyout of their property after a flood, removing the uncertainty that surrounds FEMA’s existing buyout efforts. Under this proposal, homeowners would be able to voluntarily sign up for a buyout before the next flood occurs. If a flood substantially damages their home, FEMA would quickly provide funding that enables the local government to purchase the flood-prone property and convert it to open space while freeing the owner to relocate.

This year, Congress is debating the future of the NFIP. This presents a critical opportunity to make buyouts of flood-prone properties a more realistic option for more homeowners. With floods and flood damages on the rise, now is the time for climate-smart reforms to the National Flood Insurance Program.

In 1986, Olga McKissic purchased a split-level home in Louisville, Kentucky. Between 1997 and 2015, her home flooded four times with as much as 18 to 20 inches of water. Because Olga had flood insurance through the National Flood Insurance Program (NFIP), she was able to repair her home after each event.

While flood insurance helped pay for the cost of repairs and the cost of replacing some of Olga’s lost possessions, it could not compensate her for the repeated traumas of being flooded and the time she spent putting her life and her household back in order after each flood. In 2015, Olga decided to sell the house. She managed to find a buyer for her flood-prone home, but there was yet another flood and the sale fell through.

In the wake of the 2015 floods, the city of Louisville and the Metropolitan Sewer District created a program to purchase damaged homes. Under this program, damaged structures would be demolished and the land maintained as open space to ensure that flood-prone sites were not built on again. Because of limited funding, the Metropolitan Sewer District would not pay more than $100,000 per home. As Olga’s was worth more than $100,000, she did not want to sell for a low price, lose her equity in the property, and be left unable to purchase a comparable home elsewhere.

Later, the District decided to seek a grant from the Federal Emergency Management Agency (FEMA) to purchase more homes, including Olga’s, that could be valued at more than $100,000. But now, two years after the 2015 flood, that grant request to FEMA has yet to be approved, and Olga still owns a home that has flooded multiple times. The District has told her it can take years for FEMA to authorize funding to purchase flood-prone homes—a common complaint of communities that seek FEMA’s assistance to help owners of vulnerable properties to relocate.

Meanwhile, Olga continues to hope that she will receive an offer to purchase her home before it floods again.

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Homes that have had at least 4 NFIP damage claims

30,369

Typical time between flood damage claims

4 – 6 years

Average total damages incurred

$174,114

Average Property Value

$304,514
Less-expensive homes suffer greater relative damage

U.S. Population That Will Be Affected by Sea Level Rise (3 feet and 6 feet)

“Millions projected to be at risk from sea-level rise in the continental United States,” *Nature Climate Change*, April, 2016.
Blueprint of a Buyout

**FEMA (HMGP)**
- **role:** grant-maker
  - Announces funding availability
  - Reviews state applications
  - Awards grants
  - Closes out grant

**State Government**
- **role:** applicant
  - Solicits local projects
  - Conducts state-level reviews
  - Compiles application materials
  - Confirms plans for local projects
  - Oversees local projects
  - Closes out projects
  - Reports to FEMA
  - Submits documentation to FEMA

**Local Government**
- **role:** sub-applicant
  - Determines local interest
  - Conducts planning activities
  - Compiles sub-application materials
  - Confirms participation
  - Arranges for appraisals, transactions, demolitions, etc.
  - Owns and maintains property (in perpetuity)
  - Reports to state

**Homeowner**
- **role:** participant
  - Files NFIP claim
  - Makes repairs
  - Decides if interested in potential buyout
  - Decides whether to participate
  - Sells property

**NFIP**
- Issues NFIP payment

**Time (approx.)**
- 1 year
- 2 years
- 3 years
- 4 years
- 5 years
# Blueprint of a Buyout

## FEMA (HMGP)
- role: grant-maker
- Announces funding
- Reviews state applications
- Closes out grant
- Awards grants

## State Government
- role: applicant
- Solicits local projects
- Confirms plans for local projects
- Closes out projects
- Conducts state-level reviews
- Oversees local projects
- Submits documentation to FEMA
- Compiles application materials
- Reports to FEMA

## Local Government
- role: sub-applicant
- Determines local interest
- Confirms participation
- Owns and maintains property
- Conducts planning activities
- Arranges for appraisals, transactions, demolitions, etc.
- Compiles sub-application materials
- Reports to state

## Homeowner
- role: participant
- Files NFIP claim
- Decides if interested in potential buyout
- Makes repairs
- Decides whether to participate
- Sells property

## NFIP
- Issues NFIP payment

## Time (approx.)
- 1 year
- 2 years
- 3 years
- 4 years
- 5 years
Blueprint of a Conventional FEMA Buyout

**FEMA (HMGP)**
- role: grant-maker
  - Announces funding
  - Reviews state applications
  - Closes out grant

**State Government**
- role: applicant
  - Solicits local projects
  - Confirms plans for local projects
  - Closes out projects
  - Conducts state-level reviews
  - Oversees local projects
  - Submits documentation to FEMA
  - Compiles application materials
  - Reports to FEMA

**Local Government**
- role: sub-applicant
  - Determines local interest
  - Conducts planning activities
  - Compiles sub-application materials
  - Owns and maintains property (in perpetuity)
  - Conducts planning activities
  - Arranges for appraisals, transactions, demolitions, etc.
  - Reports to state

**Homeowner**
- role: participant
  - Files NFIP claim
  - Decides if interested in potential buyout
  - Makes repairs
  - Decides whether to participate
  - Sells property

**NFIP**
- Issues NFIP payment

**Time (approx.)**
- 1 year
- 2 years
- 3 years
- 4 years
- 5 years
Option 1: **Pre-Approved Guaranteed Buyout Via NFIP**

- Local Government, Homeowner, and FEMA agree to terms of purchase
- Determines local interest
- Conducts planning activities
- Confirms homeowner participation
- Arranges for appraisals,
- Decides if interested
- Decides whether to participate
- Agrees to appraisal
- Approves property's eligibility
- Local Government
- Determines final appraisal
- Reports appraised value to FEMA
- Homeowner
- Files NFIP claim
- Agrees on final appraisal
- FEMA (NFIP)
- Issues NFIP payment for full value of home
- Purchases Property
- Demolition Arranged
- FEMA notified of final purchase and demolition
- Owns and maintains property (in perpetuity)
- Sells Property

Years earlier

**Flood Occurs**

2 months
4 months
6 months
8 months

Time (approx.)
Potential Criteria for Eligibility

- Low and moderate income property owners
- Properties below some threshold e.g. < $250,000
- FEMA Administrator determines buyout is in best interest of NFIP
- Areas vulnerable to sea level rise
- Repeatedly flooded homes
- Areas with high numbers of repetitive loss properties
Option 1: **Pre-Approved Guaranteed Buyout Via NFIP**

- **Long-term Reduction in Flood Risk & Damages**
- **Property Value Guarantee**
- **Affordable Insurance**
- **Person Can Stay in Home in Near-Term**

**FEMA**
NFIP’s Increased Cost of Compliance Coverage

Home being elevated to comply with updated building codes. Crystal Beach, TX. Photo by Patsy Lynch/FEMA
Option 2: “Quick Buy” using NFIP ICC coverage

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<td>Demolition and Closing Costs</td>
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<tr>
<td>Total Cost to Community</td>
<td>$ 35,000</td>
<td>$ 5,000</td>
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</tbody>
</table>
Option 2: “Quick Buy” using NFIP ICC coverage

- Determines local interest
- Conducts planning activities
- Conducts initial appraisals

Local Government

- Approaches homeowner about buyout
- Conducts final appraisal of property
- Purchases Property
- Secures agreement to purchase
- Demolition Arranged
- FEMA notified of final purchase and demolition
- Owns and maintains property (in perpetuity)

Homeowner

- Files NFIP claim
- Agrees to appraisal
- Homeowner agrees to sign over NFIP damage + ICC claim
- Sells Property

FEMA (NFIP)

- Issues NFIP damage + ICC claim

Years earlier
Flood Occurs
2 months
4 months
6 months
8 months

Time (approx.)
Option 2: “Quick Buy” using NFIP ICC coverage
Severe Repetitive Loss Properties are the canary in the coal mine.

- We have tens of thousands now
- Potentially millions in the future
- We waste a lot of people’s time & money rebuilding what perhaps shouldn’t be rebuilt

Buyouts don’t have to take years…that’s just how we currently do it
SEVERE REPETITIVE LOSS PROPERTIES
1978-2018

36,774
Homes that have had at least 4 NFIP damage claims

4 – 6 years
Typical time between floods

$200,382
Average total damages incurred

$311,342
Average Property Value
Estimated additional funding needed: $30k ICC plus average claim

For these properties, an average claim plus $30K in ICC benefits would equal or exceed the reported value.
SRLPs: Total Amount Paid as a Percent of Reported Value

Claims for these **21,223 properties** exceed the buildings' value.

Cumulative claim amounts divided by building value, expressed as a percentage.
How many $$ in claims would we expect from a property in the next 20 years?
(assuming the same recurrence intervals and average loss amounts)
How do those expected claims relate to the building's current value?
(numbers >100% mean that the reported building value will be exceeded)