

June 12, 2017

The Honorable Jeb Hensarling
Chairman
U.S. House of Representatives
Financial Services Committee
2228 Rayburn HOB
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
U.S. House of Representatives
Financial Services Committee
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters,

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 markup reauthorizing legislation on Wednesday. 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.

- **Clarify the commercial “opt-out” provision and include a threshold requirement.** Section four of the “National Flood Insurance Program Policyholder Protection and Information Act of 2017” provides for an opt-out of the mandatory coverage requirement for commercial properties. Though this may make sense for high value properties that can afford to purchase flood insurance from the private market, without the insurance requirement many low- and mid-value properties in flood zones will forgo flood insurance coverage altogether, resulting in a much longer and more difficult recovery should they flood. A more tempered approach is to create a threshold above which properties can opt-out of the mandatory purchase requirement and below which they must continue to comply. A \$5 million threshold, matching the standard set by Fannie Mae’s Multifamily Mortgage Business for its Small Loans Program is a sensible option.
- **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 or apartment community 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,

American Resort Development Association
 Building Owners and Managers Association (BOMA) International
 CCIM Institute
 Commercial Real Estate Finance Council
 Council for Affordable and Rural Housing
 Institute of Real Estate Management
 International Council of Shopping Centers
 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. House of Representatives Financial Services Committee