



Strengthening the National Flood Insurance Program (NFIP)

Fortifying the Nation's Flood Vulnerable Affordable Multifamily Housing stock

Today there are more than half a million units of affordable housing in the nation's floodplain.¹ In other words, more than 500,000 households – including families, seniors and people with disabilities – live within areas that the federal government has identified as at risk of serious flooding. In addition, recent years have brought home the lesson that other areas can be profoundly damaged by the kind of flooding produced by major events like Hurricane Katrina, Superstorm Sandy and the storms that faced Baton Rouge.

The need to protect these affordable homes is particularly great because of the housing challenges low and moderate-income Americans face. Currently, one out of four renter households in the U.S. spends more than half their income on rent.² Even worse, families struggling with housing costs have enormous difficulty recovering after a flood due to limited financial reserves, insufficient insurance and the loss of supportive services.³

There are two key actions that can help our country address these challenges. One is reducing flood risk for communities through strategic investment in mitigation and adaptation of housing infrastructure. The second is reauthorizing and strengthening the National Flood Insurance Program (NFIP) to protect its solvency and to better serve the communities that need its services. In this position statement, we have highlighted effective methods for accomplishing those goals, especially for multifamily housing, as NFIP comes up for reauthorization.

Enterprise Community Partners' Involvement in Flood Insurance

Enterprise is a national nonprofit that improves communities and people's lives by making well-designed homes affordable. Over 35 years, Enterprise has created nearly 470,000 homes, invested \$28.9 billion and touched millions of lives. We serve as a trusted advisor to government agencies, the financial industry, philanthropy, community-based organizations, and fellow nonprofits, granting funds, financing development, managing and building affordable housing. As part of our work to shape new strategies, solutions and policies to protect and strengthen low- and moderate-income communities, our Resilience initiative aims to ensure the nation's climate-vulnerable low-income communities can withstand direct and indirect impacts of extreme weather with a focus on flooding. We are committed to ensuring affordable homes and low and moderate-income communities can withstand the harmful impacts of flooding and extreme weather,

¹NYU Furman Center., Flood Zone Data US. <http://floodzonedata.us/>

²Bolton. M, et al., (2015). Out of Reach. <http://nihc.org/sites/or>

³ Ross. T. (2013). A Disaster in the Making: Addressing the Vulnerability of Low-Income Communities to Extreme Weather. <https://cdn.americanprogress.org/wp-content/uploads/2013/08/LowIncomeResilience-pdf>

and we have been active in disaster recovery and promoting affordable multifamily, as well as single-family, housing resilience around the nation. As a national leader in Low-Income Housing Tax Credit (LIHTC) syndication, our current portfolio includes over \$250 million of investments in affordable housing developments in flood-prone locations. These properties represent over \$500 million in total development costs, funded by federal, state, local, and private resources that are important to protect.

Strengthening the National Flood Insurance Program

The National Flood Insurance Program (NFIP) is a critical tool for repairing or rebuilding affordable homes after a flood event and is a critical tool to protect private and public investment in flood vulnerable communities. Enterprise supports reauthorization of the flood insurance program and strengthening important provisions of the program and at-risk affordable multifamily housing needs to be a key feature and priority of the National Flood Insurance program. We support the following principles to guide the reauthorization so it strengthens the NFIP and safeguards affordable multifamily housing:

1. **Maintain insurance affordability for affordable multifamily housing** by ensuring risk is reduced while spreading premium increases for affordable housing owners in an equitable manner. While we support efforts to bring premiums more in line with risk and make the NFIP more financially sound, we are concerned that increasing flood insurance costs will force owners of affordable housing properties to raise rents, exacerbating the shortage of affordable rental housing at a time where the nation is experiencing an affordable housing crisis.

Affordable multifamily properties funded the LIHTC program and other federal resources are prohibited by regulation from raising rents, often operate on small margins, and have limited operating reserves. Congress should consider the effects of raising insurance premiums on affordable multifamily housing properties, particularly smaller properties with only a few units across which to spread the cost of premiums. Some existing properties may not be able to absorb an increase in flood insurance premiums, and higher premiums would result in projects under development requiring significantly higher levels of public investment to make them feasible. To keep multifamily properties financially solvent and to allow for the development of new affordable housing, Congress should cap rate increases by applying a means-tested, sliding scale based on the number of units a property contains or cap premiums on a per unit basis. The Federal Emergency Management Agency (FEMA) should put special consideration into the treatment of properties that have both market rate and affordable units to account for the differences in those types of properties.

Currently insurance premiums can increase by as much as 25 percent a year, which causes rates to become unaffordable for many owners of affordable

housing. Many owners then choose not to purchase flood insurance, putting the home at risk should a flood event occur and possibly lowering the value of the home. Many rental projects underwritten with the LIHTC and other programs, for instance, often consist of smaller buildings and are sensitive to the high premiums because there are fewer units to spread the cost out. For instance, even a 1 percent premium on a \$500,000 policy covering a two-family structure would equate to \$2,500 per unit per year. In most parts of the country, this equates to approximately half of the typical, per unit amount spent for all operating expenses combined. These higher rates, in turn, substantially reduce affordability, increase risk the project will incur economic hardship, and impairs the ability to utilize private financing, in lieu of public sources, for future projects.

We support capping the premium rates for policy holders so that housing costs remain affordable and support a voucher or subsidy for homeowners with 1) a household income at or below 80 percent of area median income and 2) a demonstrable need, so that increased premiums would not pose a hardship. We also want to ensure this cost-share is also extended to rental households. Moreover, Congress should require FEMA to offer a 0 percent or low-interest loan to affordable housing owners to fund mitigation projects to reduce risk to properties and residents and to offer discounts on insurance premiums for properties taking such flood mitigation measures.

2. **Reduce flood risk of affordable multifamily housing.** The reauthorization should help multifamily buildings mitigate flood risk and reduce the NFIP's exposure to large financial claims. FEMA should:

- **Provide more funding for mitigation.** Congress should appropriate adequate resources so FEMA can provide funding and incentives that help building owners invest to reduce flood risks. FEMA's Pre-Disaster Mitigation (PDM) program is the only current source of federal support for city, state and tribal community climate mitigation efforts. Congress should not only expand funding for this program, it should encourage support for mitigating risk to multifamily housing.
- **Define and disseminate practical mitigation strategies for multifamily housing owners and offer to provide credit incentives for their NFIP policies.** Incentivizing property owners to mitigate, by providing a credit against their NFIP policy, would result in increased investment in building protection, workforce development and job creation, reduced risk and savings for the NFIP.

To support this effort, Enterprise has authored the "[Ready to Respond: Strategies for Multifamily Building Resilience](#)," a collection of 19 strategies for building owners to make their properties more resilient against the effects of extreme weather events.

- **Increase the amount of Increased Cost of Compliance (ICC) funding** available to multifamily housing owners after a flood event to ensure multifamily housing is rebuilt in accordance with current code and incorporates strategies that support its resilience to flooding. Currently all housing owners are allotted \$30,000 to make post-flood repairs and bring their buildings to current code, regardless of building size or typology, an amount that is woefully insufficient to rebuild multifamily housing, let alone pay for measures that improve resilience. We support increasing ICC coverage from the current \$30,000 to \$100,000 or more. Also, Congress should consider allowing ICC funds to be used to help homeowners mitigate current and future flood risks and ensure health and safety standards are met to properties in advance of a disaster.
- **Increase coverage limits for multifamily structures.** Enterprise has substantial experience in rebuilding multifamily housing in the Gulf Coast after Hurricane Katrina and other subsequent storms in the region. Many other properties we have financed and developed have been in a floodplain and therefore required NFIP coverage. The current NFIP coverage limit of \$500,000 per building is inadequate for most multifamily buildings. The current \$500,000 limit results in many properties being underinsured, and sometimes even in, convoluted designs intended to allow properties to be considered multiple structures and, therefore, qualify for more coverage. For these reasons, we support increasing the coverage limits for multifamily structures to at least \$1.5 million.
- **Develop accurate mapping of community flood plains.** Identifying location and exposure of communities to current and future flood risk is a key step for a housing developer, owner and renter to understanding the risk to their residential structure and enables them to identify corrective approaches to mitigating a facility's flood risk. Congress should authorize at least \$500 million in annual funding from FEMA to correctly map the current, and future, risk of communities and \$800 million to fund LIDAR mapping for the entire country while authorizing mapping partnerships with other public and private entities.

Enterprise believes that reducing flood risk in vulnerable properties and incentivizing multifamily building owner investment will yield significant long-term savings for the NFIP and will protect our nation's most vulnerable communities from the risks posed by a changing climate.