

TESTIMONY ON IMPACTS OF THE
BIGGERT-WATERS FLOOD INSURANCE REFORM ACT OF 2012

PRESENTED TO THE
SENATE ENVIRONMENTAL RESOURCES AND ENERGY COMMITTEE
AND
SENATE BANKING AND INSURANCE COMMITTEE

BY

Frances W McJunkin, CFM
Deputy Director Planning and Community Development
County of Lycoming
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BIGGERT-WATERS FLOOD INSURANCE REFORM ACT OF 2012

Lycoming County has 53,000 parcels with 10% in the mapped floodplain.

Several of our river communities have 30% or more of their boroughs in the floodplain. Jersey Shore has 1600 parcels, 800 are in the floodplain.

These communities were built in the 1800's through the mid 1900's. In Lycoming County, 90% of the buildings in the floodplain were built prior to joining the National Flood Insurance Program. 50% of those structures were built in the 1800's, 25% built during the post WWII building boom.

Lycoming County and our municipalities have participated in post disaster mitigation projects, acquiring over 175 parcels, including two Mobile home parks equaling 50 homes located in worst damage causing watershed.

Our commitment to hazard mitigation, floodplain management, and working with FEMA to manage our floodplain mapping is extensive. We are committed. But now we face a threat as damaging to our residents as flooding.

Biggert Waters pulled the curtain back from the flood insurance program. In 1967 flood insurance was too expensive and rare for the average resident. This rate increase is due to treating the Pre Flood Insurance Rate Map properties the same as properties built according to the municipality's flood plain ordinance.

Barring complete repeal of the act, we need to consider what steps are available to our residents to reduce flood insurance rates and help the residents reduce damages due to flooding. To this end, we need to catalogue the various types of housing stock we have in our floodplains, check the elevation of these homes, and prioritize which houses can be easiest to elevate above the base flood elevation and, or eliminate the basements. The single biggest problem we have in our flood plains are the basements in nearly all of our housing stock. Basements can easily collapse during a flood due to hydrostatic pressure. This can happen with as little as one foot of water around the foundation. How much it would cost to engineer the removal of a basement and elevate the house is the first thing we need to understand.

Currently flood insurance has an increased cost of compliance rider in order to bring the house into compliance with the floodplain regulations, if it is damaged more than 50% of structure value. This is a god send to those residents and can help to significantly lower their future damages and insurance rates. Unfortunately, the house has to suffer substantial damage before this is available. In this case we wait until a large payout is made and then mitigate the situation. Also, FEMA mitigation programs focus almost entirely in the worst case damages and there is no path for the rarely damaged homes to mitigate. Finally, the old rates were such that

it did not make financial sense for the property owner to make any changes. The new rates, however, are completely changing the equation.

Recently I reviewed homes which sold in the floodplain in Lycoming County during the last quarter of 2013. This is when most significant effects of BW 12 rolled out. Although we saw a significant drop in sales and had many reports of sales lost at closing, we did see sales. Of the properties provided to me by our Assessment office, one was bought out under Lee HMGP, 9 were located in townships and had obvious mitigation efforts or were situated on elevations above the floodplain. Of these, the average sale price was 49% above the assessed value. The remaining 8 were in the floodplain, without mitigation efforts, and sold between 10 to 50% below assessed value. Although the numbers are sparse, the benefits of mitigated properties are noticeable.

So how do we as Pennsylvania provide a path for mitigation actions which would reduce damages as well as premiums?

If we could develop a loan bank for these residents, similar to Penn Vest's on lot septic system loan program, we could help the residents begin to remedy their situation. A home built to the floodplain management ordinance, and with little probability of being damaged, does not lose its value. Working with communities to develop a strategy to help the residents and keep the character of the borough is a plus.

So, here we are. Our flood plains are exactly the same as they were in 1971. The only difference is the business districts are moving out of the boroughs. Homes that flooded in 1889, flooded again in 1936, and then in 1972 are still vulnerable. I concur with Commissioner Wheeland that we must understand our housing stock and develop a plan to move forward. There is a path out. That path is helping residents lower premiums by reducing damages.