

National Flood Insurance Program (NFIP)
Community Rating System (CRS) Participation
Considerations for Virginia Beach

CRS program overview: With a stated goal of encouraging practices that lead to reduced flood damage claims, the NFIP created CRS in the early 1990s. All NFIP participating communities are eligible to electively participate in CRS. In the briefest of summaries, as a reward for the participating community programming and executing activities above and beyond the base requirements of NFIP, the homeowners within the community who carry flood insurance are granted a premium discount, in five percent increments depending on how far the participating community exceeds the base requirements.

There is a base set of enhanced program requirements to maintain minimum eligibility for CRS. Each progressive five percent increment of premium discounts require adoption of defined additional measures by the host community. The base set of enhanced program requirements contain a number of fairly easy to achieve measures: code changes to place additional restrictions on development; a proactive flood control program; enhanced outreach; and, greatly enhanced reporting to NFIP.

There is one base requirement for CRS participation that is viewed as a poison pill: the community must have a program in place to “address” any Repetitive Loss (RL) property within their boundary. A RL property is a flood-insured property that has experienced flood damage resulting in at least 2 NFIP claim payments over \$1,000 each within any 10 year period.

CRS eligibility impacts: Aside from the more restrictive development measures, whose impacts would be felt directly by the development community, it is probable that the existing flood control program in our CIP, with tweaks or a small amount of additional funding, could satisfy the CRS base requirements for proactive flood control. The additional administrative functions for outreach and reporting could be accomplished with one additional FTE, although some reporting requirements cannot be met without significant changes in document retention policies.

The requirement to proactively address RL properties, in terms of impact and cost, overshadows all of the other base requirements combined. CRS rules require that the RL properties are either protected from future flooding, or, the property is to be purchased by the participating community, demolished and left as open space – never to be built upon again.

There are over 500 RL properties in Virginia Beach, in three basic categories: oceanfront at Sandbridge (75 properties); tidally adjacent (Bay Island, Lynnhaven Colony, etc. – the majority of the remainder of RL properties); and, a small group of ‘outliers’ who flood for either system inadequacies or localized issues (Rosemont Forest, The Lakes, Lake Placid).

The oceanfront homes in Sandbridge received their RL status prior to 1998, when, in the absence of a beach replenishment program, damage occurred with frequency. Very few of these properties have experienced flood damage since the beach replenishment program began in 1998. Two important policy issues come into play. First, once a property is designated as RL it always remains an RL property until the NFIP deems it to be mitigated. Second, FEMA does not accept beach replenishment as an approved method to prevent flood damage. Accordingly, the rules, regulations and policies for continued CRS eligibility would require that the City of Virginia Beach have a program in place to systematically purchase these oceanfront homes (that haven’t been damaged for more than a decade), demolish them, and leave the properties as open space.

There is no cost effective method to prevent future flooding for the tidally adjacent RL properties – short of tide gates at Lynnhaven and Rudee Inlets. Elevating these properties, raising the homes, might be technically feasible, and might be approvable to retain CRS eligibility, although the cost to elevate as many as 350 properties is daunting. FEMA’s preferred method to address these properties is to have the participating community acquire and demolish them.

It is anticipated that FEMA would accept a long term program to address our RL properties, similar to the BRAC encroachment program – “\$X per year to systematically either protect or eliminate RL properties”. Excluding the Sandbridge 75, the cost to address as many as 350 tidally adjacent RL properties, either through elevation or acquisition, is likely to range from \$30M to \$50M. If FEMA would accept a long horizon for this program, the cost to comply might be acceptable at \$2M per year, with a proviso that the City addresses the willing property sellers systematically, as funding allows. An ancillary and not insignificant cost to the City is the loss of tax base.

CRS business case: There are three participants affected by a decision to participate in CRS: FEMA’s NFIP; the participating community (City of Virginia Beach); and our citizens who carry flood insurance. NFIP foregoes a percentage of premiums in exchange for reduced risk. Presumably this makes sense for them.

The City of Virginia Beach would bear the additional administrative costs for CRS participation (1 FTE+), and the cost of complying with the RL condition. The RL compliance program could conceivably be approved at a level of \$2M per year as a negotiated agreement; total and strict compliance with the requirement has an upper limit total cost in excess of \$30M (if we cannot get the Sandbridge 75 excluded, the upper limit exceeds \$100M).

Our landowners who carry flood mandatory insurance, about 15% of our property owners, would receive a 5% to 15% reduction in flood insurance premiums, if the City remained eligible for CRS. NFIP premiums in Virginia Beach currently average about \$500 per year, but are trending up and some of the high risk (Severe Repetitive Loss) properties are paying in excess of \$3,000 per year. A 15% reduction in premium could yield as much as \$450 per year in savings for some high-risk property owners, but the average would likely be less than \$80 per year for the majority of the mandatory flood-insured properties.

It should be noted that a 15% reduction is very optimistic; of 1,400 CRS communities (of 26,432 that participate in the NFIP) nationwide, less than 400 are able to achieve this level of premium reduction for their flood-insurance carrying property owners. In all likelihood, our ceiling is a 10% premium reduction. Norfolk and Portsmouth have been participating in CRS for a number of years and have only been able to achieve a 5% reduction for their policy holders. Hampton has achieved a 10% reduction. The maximum discount in the CRS program is 45%; only one participating community in the country has achieved this level: Roseville, CA.

It should also be noted that almost 12,000 of the approximate 26,000 policies written for Virginia Beach property owners are voluntary policies: they are carrying flood insurance even though their structure is not mapped as being in a flood hazard area. These policies are granted preferred policy status and premiums, and are not eligible for any premium reduction, no matter what level of compliance with CRS the community achieves.

As there is no direct benefit (cost support) to the City of Virginia Beach, given the significant cost to the City in comparison to a relatively small benefit for a small fraction property owners, staff has not supported or recommended CRS participation.