



City of Virginia Beach

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July 17, 2015

The Honorable William D. Sessoms, Jr., Mayor
and Members of City Council

Subject: Community Rating System Policy Report

Dear Mayor and Councilmembers:

Attached you will find a policy report produced by our working group for Sea Level Rise and Recurrent Flooding. The primary authorship was Planning and Public Works with review by all membership of the workgroup. I would like to initiate the application process for Virginia Beach and, subject to your comments and review, I would like to proceed. I am providing this information so that you can familiarize yourselves with the program and share your thoughts. I look forward to your input. Should you have any questions please contact DCM Dave Hansen.

With Pride in Our City,

James K. Spore
City Manager

JKS/s

Attachment



City of Virginia Beach

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INTER-OFFICE MEMORANDUM

DATE: June 30, 2015

TO: James K. Spore, City Manager

FROM: Dave Hansen, Deputy City Manager
Doug Smith, Deputy City Manager

SUBJECT: Community Rating System Policy Report

Attached you will find a copy of the recently completed staff policy report regarding the National Flood Insurance Program's Community Rating System (CRS). This was jointly authored by the departments of Planning and Public Works and was reviewed and edited by the newly created City Manager's Working Group on Sea Level Rise and Recurrent Flooding.

As you will see, the recommendation is to begin the application process to join the CRS. This will not be without consideration of the requirements for FEMA compliance. In order to progress along the CRS class scale which determines the total premium discount for certain flood insurance policyholders. Of the Virginia Beach 24,107 flood insurance policies through the NFIP, only 12,291 policyholders (51%) will become eligible for a CRS discount if the City elects to comply with the FEMA requirements.

Preliminary assessment by staff of the CRS requirements indicates that the City could join CRS as a Class 9 or 8 community based upon actions, policies, and procedures already in place. This represents an excellent start. Administration of this program will require an additional FTE which can serve as our working group executive and contribute to the severe repetitive loss home elevation team effort.

City staff appreciates the opportunity to continue auctioning initiatives which will directly mitigate sea level rise and recurrent flooding. Much effort is underway on multiple fronts and this policy report is one of those initiatives.

Enclosure (1)



City of Virginia Beach

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DEPARTMENT OF PLANNING
DEPARTMENT OF PUBLIC WORKS

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BUILDING 2
2405 COURTHOUSE DRIVE
VIRGINIA BEACH, VIRGINIA 23450

INTER-OFFICE MEMORANDUM

DATE: June 25, 2015

TO: Dave Hansen, Deputy City Manager
Doug Smith, Deputy City Manager

FROM: John Fowler, Department of Public Works
Clay Bernick, Department of Planning and Community Development

SUBJECT: Community Rating System Policy Report

At your request the Departments of Planning and Public Works have collaborated in the development of a staff policy report that outlines the merits and risk of the City's participation in the National Flood Insurance Program's Community Rating System (CRS). A draft was provided to the members of the City SLR/RF committee at its May meeting and has been reviewed by those members. A copy of the final draft of the policy report is enclosed for your review and consideration.

The policy report recommends that the City begin the application process to join the CRS Program by completing the following steps:

1. Finalize the development and adoption of the 2016 Regional Hazard Mitigation Plan.
2. Review and update the repetitive loss list to reflect mitigated properties.
3. Finalize all other actions needed for compliance with the NFIP.
4. Upon completion of steps 1-3 schedule a Community Assistance Visit with FEMA for the purpose of obtaining a Letter of Compliance for the City's floodplain management program.

The above steps will take approximately one year to complete at which time the decision as to whether the City should formally make application to join CRS would be made. Once the Letter of Compliance is received, Virginia Beach has 6 months to officially apply to join the CRS program should it ultimately desire to do so. It should be noted that, on average, an application to join the CRS takes between 18 and 24 months to become effective. The Planning Department's Environment and Sustainability Office will lead the effort towards obtaining the Letter of Compliance and preparation of the CRS application.

Enclosures (1)

June 12, 2015

Policy Report:

An Analysis of the Costs and Benefits Associated with Participating in FEMA's Community Rating System

1. Background

a. CRS Overview

The National Flood Insurance Program's (NFIP) Community Rating System (CRS) was created in 1990 to provide certain flood insurance policy holders with modest reductions in premiums in return for the local government implementing and funding actions that exceed minimum NFIP participation requirements. As stated in the Federal Emergency Management Agency (FEMA) CRS Coordinators Manual, few, if any, of the CRS activities will produce premium reductions equal to or greater than the cost (to the local government) of their implementation. Nevertheless, participation in the CRS program does offer benefits to some flood insurance policy holders in the form of premium reductions. Accordingly, this policy report outlines the merits and risks of the City of Virginia Beach electing to participate in the CRS Program.

Participation in the CRS is voluntary. Under this program, floodplain management activities are divided into four broad categories: (1) Public Information, (2) Mapping and Regulations, (3) Flood Damage Reduction, and (4) Flood Warning and Response. Points are awarded in each category for activities a community is implementing. Every 500 points a community earns improves its rating by one class, and insurance premiums in Special Flood Hazard Areas (SFHAs) are discounted an additional 5%. The CRS class determines the total premium discount, which ranges from 5% for a Class 9 community to a maximum of 45% for a Class 1 community.

Currently, twenty-one communities in Virginia participate in the CRS. Of those twenty-one communities, four are a Class 9, eleven are a Class 8, four are a Class 7, and two (Alexandria and Fairfax County) are a Class 6. In the Hampton Roads area, the following communities participate:

Community	Class
Gloucester County	7
James City County	7
Hampton	8
Poquoson	8
York County	8
Norfolk	9
Portsmouth	9

In addition, the City of Chesapeake is in the process of applying to join the CRS program and the City of Norfolk is in the process of applying to upgrade its class rating.

b. Flood Insurance Costs

The City of Virginia Beach currently has 24,107 flood insurance policies through the National Flood Insurance Program. Of these policies, 12,291 policy holders (51%) are eligible for a CRS discount. Of the remaining policy holders, 11,266 policies are for "Preferred Risk Policies" (PRPs), written for properties located outside the Special flood Hazards Areas (SFHA) and 550 are "Minus Rated"

policies, written for properties whose finished floor elevation is below the base flood elevation . Neither PRPs nor minus rated polies are eligible for CRS discounts. If Virginia Beach qualified to join the CRS program as a Class 8 community it would allow premium reductions totaling \$853,813.

Recently, flood insurance rates for Virginia Beach residents have been rising. From February 2013 to November 2014, the average flood insurance premium for all policies in Virginia Beach increased by 11%. This trend is expected to continue for the foreseeable future. Due to implementation of the Biggert-Waters Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA), all policy holders will experience premium rate increases beginning on April 1, 2015, with an average rate increase of 19.8%. Participation in the CRS program by the City would help offset some of these increases. Individual flood insurance premium increases as a result of HFIAA are limited to 18% per year, and do not include surcharges or the Federal Policy Fee. Exceptions to the 18% limit are non-primary homes, severe repetitive loss properties, and substantially damaged or improved Pre-Firm structures with a subsidized rate, which will increase at 25% until they reach their full risk rate.

2. Considerations

a. CRS Rating

Preliminary assessment by staff of the CRS requirements indicates that the City could join the CRS as a Class 9 or 8 community based on the actions, policies, and procedures already in place. This would provide residents a 5-10% discount on their flood insurance premiums. No points were given for CRS activities that would take a substantial change in workload or process or major revisions to an ordinance or plan that would require public support and City Council adoption.

b. Steps/Process VB would need to take to join

To participate in the CRS program, there are three new requirements that Virginia Beach must meet to be eligible to participate.

- 1) Designate a CRS coordinator -** This is the person responsible for coordinating the collection of information needed for making the initial application, performing the ongoing activities for recertification and verification, and communicating with the CRS representative regarding the CRS program. This position and the attendant responsible would be located in the Planning Department because the majority of the program requirements are planning related.
- 2) Participate in the annual recertification and 5-year verification visit -** The recertification package is due in August every year, and can be submitted electronically, while the verification visit is an in-person, one or two day visit with the community's assigned CRS representative that is scheduled up to a year in advance.
- 3) Undertake required activities for Repetitive Loss Properties -** Communities with more than 10 repetitive loss properties (Virginia Beach has over 500) are required to participate in several activities related to their repetitive loss properties. They are as follows:
 - Review the repetitive loss list every five years and submit any changes using the Repetitive Loss Update Worksheet
 - Prepare a map of repetitive loss areas (*this is already part of the Regional Hazard Mitigation Plan) (Note: All buildings in a mapped repetitive loss area must be shown, not just buildings identified as repetitive loss properties.)

- Review and describe the causes of flooding in the repetitive loss areas (*this is already part of the Regional Hazard Mitigation Plan)
- Prepare a list of addresses for all properties with insurable buildings in designated repetitive loss areas
- Prepare a floodplain management plan with goals and actions related to repetitive loss properties or a repetitive loss area analysis for repetitive loss areas (*the Regional Hazard Mitigation Plan satisfies this requirement,)
- Implement an annual outreach project to the properties in the mapped repetitive loss area that have insurable buildings, and include a copy of that project with the annual CRS recertification application.

***Note:** The existing Regional Hazard Mitigation Plan may not satisfy the requirements of Activity 510 in terms of process, content, and adoption; however, the Hampton Roads Planning District Commission is in the process of updating the Regional Hazard Mitigation Plan with adoption slated for late 2016. This updated plan is being designed to meet all CRS program requirements for a Floodplain Management Plan. If the City were required at some point in the future to develop a separate Flood Plan Management Plan or a Repetitive Loss Area Analysis, the undertaking would be complex and expensive, and current levels of funding and staffing are not adequate to perform this effort.

c. Organizational

The main departments involved in City participation in the CRS include Planning, Emergency Management, Public Works, Parks and Recreation, and Com IT. Planning would be the lead department to develop the CRS application and manage the CRS program if the City is accepted into the program.

d. Staff Time

Additional staff time would be required to coordinate the CRS program and provide the required information. Currently, none of the communities in Virginia participating in the CRS have a full-time staff member solely dedicated to running their program. However, the City of Hampton has requested a full time flood plain manager for the last two budget cycles. To develop a better understanding of the additional staff time required for gathering information and preparing the annual report, several other communities in Region III were contacted. Their responses ranged between 8% to 25% of their time (0.08 to 0.25 full time employees (FTE)) (see chart below).

Name	Time Estimate	Number of Policies
Hampton	3 months, while doing other things	11,080
Norfolk	1 month	12,277
Ocean City, MD	10-15% dedicated	26,930

Using the amount of time spent to conduct the preliminary CRS program analysis and the responses of other CRS participants, it is estimated that Virginia Beach, given its large geographic area and number of policy holders, would require, at a minimum, 0.25 FTE to maintain participation in the CRS on an annual basis, with additional staff time required every five years to prepare for the

verification visit. The majority of the time needed for these activities would be divided between the Planning Department and the Office of Emergency Management.

The above analysis represents the minimum staff effort required. To effectively implement, maintain, and improve Virginia Beach's CRS rating status, one full time staff position (1 FTE) should be created that would be designated as the City's CRS coordinator, and the additional available staff time outside of CRS activities could be used to support the City's other Emergency Management and NFIP program requirements. This approach would ensure maximum effective management of the CRS program while not detracting staff time from other existing critical functions.

e. Community savings

As a Class 9 or 8 community, Virginia Beach residents in the SFHA would receive a 5 or 10% discount on their flood insurance premiums. Over time, it is anticipated that Virginia Beach could progress to a Class 7 or 6 community by making minor modifications to existing programs, policies and processes, earning residents in a SFHA a 15% or 20% discount on their flood insurance premiums, respectively. The table below details the expected total savings for Virginia Beach for each class rating:

Class	Total Community Savings
6	\$1,707,625
7	\$1,234,443
8	\$853,813
9	\$473,192

If Virginia Beach is able to join the Community Rating System as a Class 8 community, expected savings would total \$853,813. Based on an analysis by Ron Berkebile and Paul Harris, City Economists, it is estimated that of the \$853,813, \$462,666 will be directly spent in Virginia Beach by residents receiving those savings, of which \$166,275 will be reintroduced back into the community as wages for Virginia Beach workers and \$145,831 will be spent in Virginia Beach by Virginia Beach businesses.

f. Costs and Benefits

Communities should develop and implement activities that best address their local flood problems, rather than selecting activities to maximize CRS points. CRS activities typically do not produce premium reductions equal to or greater than the cost of their implementation. In considering whether to undertake a new CRS activity, a community must consider all of the benefits the activity will provide (not just insurance premium reductions) in order to determine whether an activity is worth implementing. It should be noted that many of the activities that Virginia Beach currently implements to address local flood problems are eligible for varying amounts of CRS points.

No fee is currently charged for a community to apply for participation in the CRS. The only costs the community incurs are those to implement creditable CRS program activities and the staff time needed to document those activities and prepare for and participate in the recertification process and verification visits. The cost to participate in the CRS would include 1 FTE and printing and postage in order to implement community outreach activities, prepare the required mapping, and the initial application and annual recertification package.

Should the CRS program requirements become more stringent in the future, particularly in regards to Severe Repetitive Loss Properties mitigation, the cost to the City could substantially increase to maintain ranking and program eligibility. This scenario is discussed further under the heading "risk" below.

There are many benefits to participating in the CRS. Most of them cannot be measured in direct dollar terms, so it is impossible to conduct a strict numerical comparison of the benefits with the costs of implementing the credited activities. The benefit that attracts most people to the CRS is the reduction in flood insurance premiums for certain residents and businesses.

g. Risk

- 1) The greatest risk posed by participating in the CRS program is the potential for the City to be required to mitigate repetitive loss and severe repetitive loss properties in the future – and ultimately all properties in SFHAs. Mitigation can take several forms, including acquisition, relocation, or elevation. Indeed, the current City Hazard Mitigation Plan includes a goal to acquire, relocate, or elevate repetitive loss properties. Thus far, the FEMA grant funded effort has been modest; however, a more robust effort is occurring in the private market. Through permitting records, there have been over 60 demolitions of Pre-FIRM residential structures in the SFHA over the last 5 years, which qualify for CRS credit.

Under the current CRS manual, any points awarded to the City for mitigation will be reduced by 75% if Federal funds are used; an indication of the cost transfer intent. Of more importance is the potential for acquiring, relocating, or elevating repetitive loss properties to become mandatory in the future for continued participation in the CRS program; it would not be the first time that a Federal Program ratcheted down on the initial requirements. Because the CRS program is not regulated by the Code of Federal Regulations, FEMA is free to change the program requirements at any time.

It should be noted that to receive CRS points for any building acquired and/or relocated outside the SFHAs (this does not include elevations), the property must remain vacant. Considering Sea Level Rise and the predicted increase in the frequency of severe storms, the number of repetitive loss properties, and even the number of properties located in SFHAs, will likely increase over time; thus, the potential liability, should the CRS program rules change, to the City for acquiring, relocating, or elevating properties will likely increase over time as well.

- 2) Activity 510 Flood Plan Management Planning is a mandatory activity for participation. To receive credit, communities can either prepare a Floodplain Management Plan or a Repetitive Loss Area Analysis. The City needs to confirm with FEMA/CRS that the existing Regional Hazard Mitigation Plan meets the requirements of a Flood Plain Management Plan in terms of process, content and adoption. If the existing plan does not meet these requirements, Virginia Beach would need to wait until the 2016 Regional Hazard Mitigation Plan is adopted to move forward with application to the CRS. The City simply does not have the resources (staff or funding) to develop a standalone Floodplain Management Plan or Repetitive Loss Area Analysis should that be required at some point in the future. Additionally, development and adoption of a plan does not fully satisfy the requirements for Activity 510. As part of the annual CRS recertification process, the City must provide an annual status report documenting progress towards implementing the plan goals.

- 3) If the City qualifies to participate in the CRS program, it needs to be recognized that it will likely join as Class 8 or 9 community. Without a modest increase in resource allocation (including staff time), the City is unlikely to be able to progress to a higher class level.
- 4) Should the City elect to participate in the CRS program and subsequently finds that it cannot sustain that participation (for whatever reason), it will find itself in the position of increasing flood insurance premiums for the affected policy holders. This is not a good position to be in, no matter how valid the reason for no longer participating.

In short, participating in the CRS program invites the Federal government to have a larger regulatory role in City floodplain management, City flood control efforts, City actions on building in SFHAs, City policy towards repetitive loss properties, and other internal City processes such as building permit records. One view of the CRS program is that FEMA, in effect, transfers the cost of future losses to the local government and in return provides modest premium reductions for certain flood insurance policy holders. The City is in no way required to participate in the CRS program, but if the City ultimately elects to participate, it needs to staff the effort with at least one additional FTE, which would meet the FEMA requirement for the establishment of a CRS Program Coordinator.

3. Recommendations and Next Steps

Over the next year, Virginia Beach should begin the process of applying to join the CRS by finalizing the development and adoption of the 2016 Regional Hazard Mitigation Plan, reviewing and updating the repetitive loss list to reflect mitigated properties, and finalizing all actions needed for compliance with the NFIP. Following these steps, a Community Assistance Visit would be scheduled with FEMA for the purpose of obtaining a Letter of Compliance for the City's floodplain management program. Once the Letter of Compliance is received, Virginia Beach has 6 months to officially apply to join the CRS program. If the City decides to apply for and is accepted into the CRS program, a new full-time employee should be added to the Planning Department's budget for the 2016/2017 fiscal year to fulfill the role of CRS Coordinator. By following this process, Virginia Beach could officially apply to join the CRS program in late 2016. It should be noted that, on average, an application to join the CRS takes between 18 and 24 months to become effective.