



## **County Impacts Related to the Biggert-Waters Act of 2012**

### **OVERVIEW**

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) was enacted to remedy the NFIP's insolvency by phasing out subsidized insurance premium rates. NFIP flood map "grandfathering" will be phased out – beginning in late 2014 or later, policyholders will no longer have the option of using risk data from previous FIRMs that were in effect when their home or business was built. There will also be a gradual phase-out of subsidized rates on certain classes of properties to reflect true flood risks. Both of these provisions will result in rate increases for many policy holders over time. Owners of primary residences in SFHAs with subsidized rates will keep those rates unless or until the property is sold, the policy lapses, there is severe, repeated, flood loss, or a new policy is purchased. In addition, as FEMA continues to update its FIRMs, more low-lying areas may begin to face drastic premium rate increases in the future.

This is an issue that affects all 67 counties in Pennsylvania. According to an analysis completed by the Center for Rural Pennsylvania, when looking at just the number of subsidized policyholders, according to FEMA's records, the three counties with the highest number of subsidized policyholders are Bucks (2,315), Dauphin (1,983) and Lycoming (1,961). The three counties with the fewest number of subsidized policyholders are Sullivan (59), Forest (31) and Fulton (17). However, when comparing the percentage of subsidized policyholders to total policyholders at the county level, the counties with the highest percentage of subsidized policyholders are Cameron at 79 percent, followed by Schuylkill and Lycoming at 76 percent each, and Mifflin at 72 percent.

The Center for Rural Pennsylvania also found, based on data available for 49 of the state's 67 counties, 123 municipalities where at least 25 percent of their area is in a flood zone. Further, they noted that these municipalities generally shared certain characteristics, including a history of population decline, a mix of urban and rural characteristics, a large percentage of persons living alone, low homeownership rates, older housing stock, low housing values, lower household income and higher poverty rates (when compared to the statewide averages). In addition, the Center found that seven municipalities with the potential for considerable financial impact are Act 47 communities – that is, communities that have been declared financially distressed by the state's Department of Community and Economic Development.

Clearly, the impact goes much further than the significant, and in many cases, unaffordable, rate increases. As insurance rates rise rapidly in certain areas, counties are concerned that this will lead to a corresponding decline in property values and thus the tax base of local governments. Also, many property owners may want to sell their properties to get out from under the burden

of the increasing rates, but since selling properties with high annual insurance premiums is unlikely, people could walk away from existing mortgages, impacting both local economies and housing markets. As more homes and businesses become vacant, counties' property values are in turn impacted again.

If these homes cannot sell, or sell for lower prices, it also means less revenues from real estate transfer fees. It also means that the property tax burden necessarily shifts onto those properties not directly affected by the premium increases associated with BW-12, so that in reality, this issue has the potential to affect all Pennsylvanians in some way.

Several other counties have observed that there are a lot of people now required to obtain flood insurance, who did not need it in the past, due to the new maps. Also, as communities review the maps, along with changes proposed to the guidelines for establishing rates based on the maps, technical problems are being discovered with the accuracy of the maps, which adds to the financial impacts.

Following are examples of impacts in individual counties, as collected directly from counties, from media reports and from public testimony.

## **RATE INCREASES AND PROPERTY VALUES**

### **Allegheny County**

Allegheny County has estimated that BW-12 and mapping changes are likely to have a big impact on some of their municipalities. In particular, the municipalities along the river at the bottom of a watershed tend to be older, smaller, built-out municipalities that will be less able to absorb the cost if businesses relocate or people are unable to sell their property or will not move to the municipality because of high flood insurance costs. AlleghenyPlaces, the county comprehensive plan adopted in 2008, identified the impact of flooding on municipalities at the bottom of a watershed as an equity and diversity issue, precisely because these municipalities often have the least resources to cope with the impacts.

Media reports indicated that the cost for a policy from the National Flood Insurance Program for a three-story home in Oakdale Borough (a community of about 1,500 west of Pittsburgh) along Robinson Run Creek, purchased 16 years ago, was about \$200 per year, which later increased to about \$450 per year, and the next time the policy renews, is estimated to be about \$1,700 per year.

### **Berks County**

Many of the established industries in Berks County are near waterways, and the county is trying to get a handle on how this might influence business relocation decisions. Local economic development agencies have been advised of the issue.

### **Bradford County**

Senator Gene Yaw indicated he talked to a Bradford County homeowner who had seen his annual flood insurance premium increase from \$1,725 to \$23,296.

### **Cameron County**

Much of Cameron County has been newly designated as being in a flood zone, so that just about every area of the county is now included. Commissioners report that they have been inundated with calls from residents concerned that they may not be able to afford insurance. One local property owner saw his insurance premiums increase from \$587 annually to \$6,830, and another couple reported that their premium rose to nearly \$9,000 annually. In a rural area with low housing prices, \$9,000 is more than some families pay on their mortgages in a year. Although this extreme may not be the norm, the county notes that it is indicative of a big problem that does exist.

### **Centre County**

Reports from Centre County indicate that a number of people are calling the county saying they need to get flood insurance when they never had it before. One couple had bought a home in Coburn in 2007 because it was near a good fishing stream but was certified as never having flooded since being built in 1951. In 2009, though, FEMA mapped one corner of their home's wet basement, which only contained bathroom pipes, into a flood zone. The homeowners paid for an elevation survey and asked FEMA and local officials what they could do to get that corner out of the flood zone, but got conflicting advice and eventually gave up and bought flood insurance.

### **Clinton County**

In Clinton County, earlier reports of large jumps in some insurance premiums appear to be correct, based upon updates the county has been receiving from insurance agencies and representatives. The county believes the end to subsidized flood insurance is likely to have a strong impact on communities in general, as population shifts, property values and other factors come into play.

### **Cumberland County**

One couple living along the Condoquinet Creek and Susquehanna River in West Fairview, Cumberland County, bought their house in 2009 and started making \$1,600 in annual flood insurance payments. They have put their house on the market, and even though the house does not have a history of major flooding, interested buyers have been scarce, which their realtor believes to be related to the flood insurance premiums on the property.

Many homeowners are looking at premiums that may be nearly as much, or more, than their mortgage payments. For instance, a home in Duncannon, along the Susquehanna River, was listed for \$90,000 – but the potential buyer walked away after finding out that after the sale, flood insurance premiums on the house would rise to the \$4,700 per year, or \$391 month – as much as the principal and interest the buyer expected to pay on his mortgage.

### **Dauphin County**

A resident of Shipoke, a neighborhood of Harrisburg, noted that her flood insurance is already \$2,200 per year; as a widower living on a pension, she does not know what she will do if her insurance premium rates get any higher. Another homeowner who lives farther up the Susquehanna River noted that new houses in his area have to be built nine feet above ground, most on stilts, and his house cannot be retrofitted. To rise above the flood plain, which would help to lower his flood insurance premiums, his house would have to be completely torn down and rebuilt.

Collectively, Dauphin County has 10,544 homes in an area classified as high hazard flood (2,500 in the city of Harrisburg alone), which have a collective assessed value of \$1.57 billion. While none of these has asked yet for a reassessment of their home because of the flood risk, early estimates show that those high-risk homes could lose more than \$1 billion in assessed value, which would mean millions of dollars in lost property tax revenue for local governments. Local realtors report they are working with clients who are having a hard time selling their homes because the property is in a flood zone, and have raised concerns that the real estate market will become flooded with foreclosures and unsellable properties because rates are rising to a point that homeowners cannot afford to keep their homes.

### **Huntingdon County**

According to a recently re-drawn FEMA map, a creek winds along a paved road in Warriors Mark Township, a community of 1,800, that locals say does not exist. The maps, which were formalized in October 2012, showed the area in a "special flood hazard area," upgraded from a lower risk one that had not required coverage. No flooding has been experienced by residents, and a local geologist has said the rock under the soil in the area is fractured limestone, so that water swiftly drains and does not accumulate on the surface. Residents heard of the supposed stream when they received notices from their mortgage holders that they had 45 days to purchase flood insurance. Warriors Mark officials indicated they were unaware the maps would trigger such big changes in flood zone designations and insurance rates.

### **Jefferson County**

Following flooding in 2013, FEMA added several more businesses to the flood plain. It appears most business owners were unaware of this change, and when some of these businesses applied for loans, that was when they found out they were included in the flood plain – and the effect that would have on their insurance rates and on their loans.

### **Juniata County**

The revised flood maps have expanded affected properties significantly in Juniata County, with a conservative estimate of 15 percent new properties now located in a flood plain. As lending institutions start to require flood insurance of the many properties now included in the flood plain, the county planning office has been overwhelmed with calls. Also, many lending institutions are requiring flood insurance if any part of the property is showing in the flood plain, even though the buildings may not even be in or near the flood plain.

## **Lancaster County**

Lancaster County property owners paying flood insurance on 705 policies, nearly half of the 1,435 policies written there, are paying or are estimate to soon be paying between 20 percent and 25 percent more per year. Forty properties in Manheim Borough are seeing or will see higher premiums, and Marietta Borough is concerned about approximately 130 properties along the Susquehanna River. In East Hempfield Township, the flood insurance premium for a property sold in 2013 jumped from \$2,400 to \$4,400.

## **Luzerne County**

In a February 17, 2014, letter to the editor to timesleader.com, Wilkes-Barre mayor Thomas Leighton and District A councilman George Brown, wrote, "From Solomon Creek to Mill Creek and all points in between, many city residents live in family homes that were handed down from generation to generation. Subsidies from the federal government kept flood insurance affordable for decades, but the Biggert-Waters bill removed those subsidies, which precipitated the escalating insurance costs. The federal government decided to no longer incentivize property development or ownership in "high-risk" areas; however, in many cases, such as Solomon Creek, these neighborhoods are only labeled high risk because long-promised, flood control and mitigation projects have been delayed. These homes are nestled in urban environments next to small creeks. We are not talking about lavish homes built on beachfront property."

## **Lycoming County**

Lycoming County has 53,000 parcels with 10 percent in the mapped floodplain. Several of the river communities have 30 percent or more of their boroughs in the floodplain; for instance, Jersey Shore Borough has 1,600 parcels, 800 of which are in the floodplain.

Homes purchased after July 6, 2012, have started to move to full actuarial rates with their annual renewal, and homeowners have started seeing their premiums soar from \$500 to \$800 per year to \$8,000 to \$10,000 per year. The rating, which is based on how far below the base flood elevation the house sits, is exacerbated by the fact that almost all of these homes have basements of some kind.

Homeowners and business owners who purchased a property with no knowledge of BW-12, are finding themselves unable to make the premium payment. One couple in Jersey Shore Borough bought a commercial property in 2012 for \$330,000, saw her premium skyrocket from \$2,861 to \$40,000. The president and CEO of the Muncy Bank & Trust Company has estimated that annual flood insurance premiums on a \$100,000 home now could be in the \$10,000 range, and has heard of small business owners now facing annual flood insurance rates of \$20,000 to \$40,000, which many will find to be unaffordable.

The bank official also said they have not financed any properties in the county since October 1, 2013, and is not aware of any sales of property in the floodplain. Since October 1, 2013, there are reports of buyers leaving the closing table when flood insurance rates were quoted. The biggest shock came to homeowners and business people who purchased in good faith after July

6, 2012, only to find out the premium quoted upon renewal after October 1, 2012 was 1,000 percent higher than the quote they received at their original closing.

Regarding property values, in one community with almost half its property on the floodplain on the river, the average residential assessment is \$75,000, with no discernable difference, on average, between the floodplain properties and non-floodplain due to the infrequency of flooding (every 40 to 50 years). If the residents appeal their assessments in the face of rising flood insurance premiums, and they were reduced by 50 percent due to the collapse of the real estate market in the floodplain, the revenue to the community would be significantly reduced. Depending on the case made for a reduction in the assessed value, the community could lose 25 to 50 percent of its tax base. The property owners in the floodplain would realize very little tax savings when compared to their premium increases, and non-floodplain residents would see a substantial tax increase.

Citing uncertainties created by the impact of BW-12, the Lycoming County commissioners in mid-January suspended the countywide reassessment which had been about halfway completed when BW-12 began to take effect. , Lycoming County was half way through a County wide reassessment when BW 12 began to roll out. In reaching this decision, the commissioners noted that reassessments are meant to re-establish valuation fairness and consistency among all real estate tax parcels, which will not be possible until there are firm ground rules for the 5,355 properties in the county's floodplain.

### **Potter County**

Potter County officials have heard from residents in the newly-adjusted "A" levels of the flood plain who received bills at the beginning of January that were much higher than last year's, in some areas as much as 1,000 percent higher, in excess of \$6,000 annually. The bills were due at the end of January.

### **Somerset County**

In Somerset County, several examples of rate increases have been provided to county officials. One homeowner's original loan of \$98,000 required \$859 in annual flood insurance premiums, which covered the full amount of the loan. However, with the changes under BW-12, that \$859 now only covers \$6,900 worth of the loan; to get the coverage on the entire loan, the premium increased by \$6,364 to an annual total of \$7,223. In addition, the commercial customers are also dealing with the same issues as private homeowners.

A local realtor also has shared a story of a home that had been on the market in Kantner, along the Stony Creek River, in 2012 and 2013. In 2012, the flood insurance premium on the home was \$400, but after the flood map changes, the insurance went to \$1,600, even though only one inch of the basement qualified the home as being in the flood plain. The homeowner was unable to sell the home and decided to rent it because of his inability to sell it. Residents have also voiced concern as to what this all means to their property value.

In addition, Somerset County officials are hearing from residents who would like to pursue an elevation certificate to demonstrate they are not in the flood plain under new FEMA maps, which can cost anywhere from \$500 to \$1,500 and does not guarantee that flood insurance can be purchased at an more affordable rate.

### **Tioga County**

Tioga County officials report that flood insurance premiums for one business will go from \$5,000 per year to \$95,000 per year.

### **Union County**

About three percent of the total tax parcels are being affected, although in one historic downtown along the Susquehanna River that was built long before flood maps, the impact is much greater.

### **Venango County**

Under the old flood rate maps of 1977, Venango County had 2,049 properties that fell into the floodplains, and as of January 16, 2014, under the new FIRMs, the county now has 5,238 properties that fall within the new floodplains. Since Venango County is mostly a rural setting, many of those properties are vacant woodlots or farm fields, but in some cases these mapping changes have caused redesign and more detailed planning of new construction and planning for development. Some of the county's cities were founded in floodplains years ago and those are the areas that see the greatest impact from the new FIRMs. Oddly enough, the number of structures located within the floodplain from the previous 1977 FIRMs and the 2014 FIRMs stayed basically the same throughout Venango County, with some structures staying in and others coming out of the floodplains. That results in certain individuals who have never had to buy flood insurance before now receiving notices from their mortgage companies stating that they now have to purchase flood insurance. Many of these properties in Venango County are lower income houses such as mobile homes and/or recreational cabins located along creeks and rivers.

## **MAPPING ISSUES**

### **Berks County**

The Berks County GIS and planning department personally reviewed every panel for new FEMA flood maps that were sent in paper form in 2011. They had created an eight-page spreadsheet that contained all of the errors found on the panels, many of which were errors in spelling, three municipalities that were not labeled correctly resulting in the wrong maps being sent to each of those municipalities for initial review, as well as road name errors and other issues with piped streams showing up on the preliminary plans as new flood zones.

In addition, the county had an issue in 1999 where Felix Dam in Muhlenberg Township was breached by heavy rains from Tropical Storm Floyd. In 2007, the dam was removed completely. The township addressed this in a formal letter to FEMA, and received a response nine months

later which in the opinion of the GIS and planning department staff acknowledges that FEMA is aware of such changes to this area, but there is no federal funding to study these impacts in more detail. Therefore, FEMA will continue to use data that is incorrect and will put this area in an inventory of "engineering needs" for consideration of future funding. The response from FEMA further suggests that the municipality or county could designate funds for the project. In the meantime, the result is inaccurate flood mapping for those landowners along the banks of the Schuylkill River.

Following is part of FEMA's response to Muhlenberg Township: "The scope of work for this countywide revision entailed redelineation of floodplain boundaries for all detailed flood studies using the effective Hydrologic and Hydraulic analyses and new topographic data. This process is a cost-effective method to achieve floodplains which are more consistent with the latest ground elevations, but it doesn't account for hydraulic changes which would impact the previously determined Base Flood Elevations (BFEs). When changes to the hydraulic conditions of an existing flood study are performed (such as a dam breach or new road construction), there is a requirement to submit the data to FEMA in support of a Letter of Map Revision (LOMR). Our records do not show any LOMR submittals for this area. At this time, there is no federal funding to study the impacts of the removed dam and revise the BFEs in your area. Therefore, the flood hazards presented on the preliminary DFIRM will remain, only the Felix Dam symbol and label will be removed for the finalized DFIRM. We will record Felix Dam in an inventory of engineering needs for consideration for future funding; and at any time, we welcome municipal or county agencies to acquire and present funding that would support a revision to the flood hazard information based on the removal of Felix Dam."

To demonstrate the personal impact of these inaccuracies, the county shared that it has received numerous calls from a landowner in this area who has been added to the flood hazard zone as of July 3, 2012. This landowner is the original landowner and built their house on this particular piece of property out of the flood zone, a claim which is supported by 2001 FEMA GIS data. The new FEMA flood zone data shows that the property is now in the flood hazard zone, and the landowner claims that the breach/removal of Felix Dam added approximately 30 feet of land to their property that was once under water. This homeowner has been in contact with FEMA, the municipality and now the county and still has no resolve, and so either has to pay the resulting flood insurance premium or take a large amount of money out of his own pocket to fund a LOMR because FEMA does not have the funding to do an accurate study.

### **Huntingdon County**

In the previously mentioned case of Warriors Mark Township, FEMA said homeowners could provide information in an appeal. On an individual basis, residents would likely have to pay from \$1,000 to \$5,000 per household, or more, depending on the extent of the surveys or engineering studies needed for their appeal. While the Huntingdon County planning office had wanted to a larger appeal to remove the whole area in question on Dry Hollow Road, such an exercise would generally cost \$15,000 to \$20,000 at a minimum. Not only is that cost prohibitively expensive for a small community, the process of proving the area should not be in a flood zone, despite the favorable geology and the fact that there is no water along Dry Hollow Road, is daunting as well.



## **Juniata County**

In reviewing its maps, Juniata County has found questionable flood plain mapping in most of their municipalities, and noted that the comment they hear most often is “that little run is dry most of the year and has never flooded.” Real-world high water marks have also been compared to the models used to estimate flood potential and significant discrepancies have been found. The county further reports they have been told by surveyors that they have been turning down work for elevation certificates because there are no available benchmarks near some of the properties in question and the cost would be prohibitive for the property owner.

## **Tioga County**

Tioga County noted what appeared to be a classification error on the FEMA floodplain maps in which objects on the levee (e.g. a type of vegetation) may have obscured the LIDAR beams used to map the topography and created gaps in the digital representation of the levee, thus allowing water to flow through holes in the levee in the hydraulic model which did not, in reality, exist. This error may have then put large areas of developed land in a higher risk category than what was realistically necessary.

The county has also noticed areas of their maps which were not checked for real-world accuracy. Discussions with the FEMA mapping contractor for their county revealed that, for the most part, the zones were strictly based on new topography findings with no corresponding hydraulic studies done on the subject streams or bodies of water. In other words, a stream could now have very little water flowing through it and yet it would be considered the source of surrounding flood hazard zones because only topography has been accounted for non-existent stream flowage. The exact opposite case could occur where stream flow could be greater and the potential for flooding could exceed the flood zones created solely based on topography. Other anomalies have also been discovered which have no explanation – such as a flood zone existing on a slope steep enough that it is essentially a cliff.

Further, the county’s GIS office noticed that there were land features that were not being represented in the preliminary maps from FEMA, and that the contractor for FEMA was not using all the LIDAR point data in creating their models. On asking what classifications of data were used to create the models, the county learned there were only six of the 29 classifications used . Combined with the lack of updated hydrology studies, this has also resulted in some unrealistic flood plains. This information was shared with FEMA, who requested to have a licensed surveyor collect X,Y, & Z points along with metadata of the findings from the surveyor. This data was submitted to FEMA with the recommendation the whole county mapping be re-addressed because of the lack of using the complete classification data. The response to this request was that since the appeals period had ended in Tioga County, only those areas that already had active appeals could be re-addressed and potentially re-mapped. Essentially, if a community wanted any new study the financial burden was and is 100 percent on the community to prove otherwise what FEMA has represented as flood plain.

## **FLOOD CONTROL STRUCTURES**

There has been some question as to whether the data models used for mapping will exclude flood control structures not built and approved by the Army Corps of Engineers – even though these “unaccredited” structures may have no history of faultiness. Flood maps they have reviewed include data models that calculate flood risk and will push water through an area as if no levee exists – again, even though a historically dependable structure may have held back water with no known problems since its construction. Others have heard that some of their unaccredited levees will not pass the test. In Cameron County in particular, there have been questions as to whether the levee protecting the town of Emporium will be recognized as structurally sound.