



THE CITY OF KEY WEST

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Executive Summary

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TO: Jim Scholl, City Manager
THROUGH: Sarah Spurlock, Asst. City Manager
FROM: Scott Fraser, FEMA/CRS Coordinator
DATE: November 10, 2015
SUBJECT: Flood Mitigation Financial Consulting

ACTION ITEM: Commission approval of a task order through Arcadis Design & Consultancy to provide financial consulting services for property owners located within repetitive flood loss areas; a prerequisite toward improving the City's ranking with the Community Rating System, in the amount of \$25,500.

BACKGROUND:

During the mid-1960s, in the wake of several flooding disasters, flood insurance became largely unavailable across the nation. During 1968, this spurred Congress to create the National Flood Insurance Program (NFIP).

Three foundations have guided the NFIP from its inception: 1) Flood risk identification, 2) Floodplain management, and 3) Flood insurance. Its ultimate goal is to reduce future flood damage and a dependence upon federal disaster assistance resulting from flooding.

Carrying flood insurance was voluntary until Hurricane Agnes devastated the eastern seaboard during 1972. With few communities having joined the program and less than 100,000 policies issued, Congress acted to make flood insurance mandatory for mortgages backed by federal institutions – which is most of them. Federal disaster recovery assistance for flooding is also dependent upon communities with identified flood risks – such as Key West - participating in the NFIP; as are loans from federal agencies such as Housing and Urban Development (HUD) and the Small Business Administration (SBA).

Generally, flood insurance through the National Flood Insurance Program (NFIP) is considerably less expensive than obtaining flood insurance on the open market. NFIP coverage is only available within communities actively participating in the NFIP, which the City has done since the early 1970s.

The Federal Emergency Management Agency (FEMA) administers the NFIP. It partners with private insurance agencies to issue flood insurance policies.

The Community Rating System (CRS), is a program within the National Flood Insurance Program (NFIP), which awards communitywide discounts on flood insurance premiums for communities that exceed the minimal NFIP requirements. These discount levels are tiered percentages based upon achieving compliance with detailed criteria.

During the late 1990s, then City staff earned the community a 5% CRS discount. That discount was rescinded a few years later as those responsible for achieving the discount left the City's employ, with required annual maintenance of the CRS program falling by the wayside.

A decade of lax floodplain compliance followed, resulting in the City being considered by FEMA as "Not in Good Standing" with the National Flood Insurance Program (NFIP).

During 2006, FEMA performed an audit of the City's NFIP compliance. That audit resulted in eight pages of recommendations and list of some 57 properties of concern. The City failed to respond to those audit findings as required.

Through a change of City administration, those audit results went undiscovered until May 2010, when a new administration directed the city's FEMA/CRS Coordinator to make application to the CRS program. That application request was immediately denied, the audit history rediscovered and the "Not in Good Standing" status discovered.

It's taken five years, changes in city staff, research and response to several hundred specific FEMA inquiries, code enforcement actions, adoption of new flood ordinances and a retooling of the Building Department's application, review and approval processes to near an "In Good Standing" acknowledgement from FEMA.

Once FEMA notifies the City it is in good standing with the National Flood Insurance Program (NFIP), the City may make application to the Insurance Services Office (ISO) – which administers the CRS program for FEMA - to join the Community Rating System. An "In Good Standing" acknowledgement is expected later this year.

A CRS application and subsequent rating is based upon meeting prerequisites and achieving activity points within five specific categories/series:

200 Series: Community Profile/ Certifications	500 Series: Flood Damage Reduction Activities
300 Series: Public Information Activities	600 Series: Warning and Response
400 Series: Mapping and Regulations	

Within each category are specific elements, the completion of which accrue points leading to an improved CRS Class rating.

For each 500 points achieved, the community rating is elevated one class. Each increase in class rating results in a five-percent discount on most flood insurance policies communitywide. For Key West, each increase results in an annual savings of roughly one-half million dollars (See Attachment “A”; NFIP “What-If” rate class list).

City staff envision achieving a Class 7 rating, resulting in a 15% savings, presently equal to \$1.7m annually. As flood insurance rates continue to increase – as they most certainly will – the value of the discount increases respectively.

The NFIP is – in concept - a revenue-neutral program. Discounts awarded to CRS communities must be shared as increased costs to the others. Recent flood insurance reform legislation has spurred an unprecedented rush of communities to join or enhance their participation in the CRS program. Communities not participating in the CRS program will shoulder the additional cost of those discounts awarded to CRS communities.

The earliest a CRS application could reasonably be submitted would be October 2016. The State office of floodplain management maintains a prioritized list of the top 100 communities that would most benefit from joining the CRS Program. Monroe County tops this list, with the City of Key West ranking third.

PURPOSE AND JUSTIFICATION:

As a prerequisite to participating in the Community Rating System (CRS), for communities with 10 or more Repetitive Flood Loss properties, the community must map Repetitive Loss Areas and undertake an annual outreach project to all property owners with insurable buildings located within these areas ([CRS activity 502.a\(3\); Community Rating System Coordinator’s Manual FIA-15-2013](#)).

Forty-three Repetitive Loss Areas have been mapped throughout the city, encompassing 206 Repetitive Flood Loss properties. (Attachment “B”)

Within these 43 Repetitive Loss Areas, there are at least 1,232 insurable buildings, to which this outreach must be directed. The CRS program provides a template form letter, which in part, explains that these property owners may qualify for various flood mitigation funding opportunities.

Determining which interested property owners may be eligible for funding, analyzing potential grant applications, batching multiple applications, gathering engineering specifications and shepherding eligible homeowners through the federal application process can be a daunting labor-intensive project requiring specific expertise beyond the capabilities of homeowners and city staff.

This effort begins with Phase 1 – the subject of this task order - by reaching out to property owners in the Repetitive Loss Areas, identifying interested people, and validating eligibility. Subsequent phases two and three can't adequately be assessed until the results of Phase 1 are known.

Phase 1. Flood Mitigation Outreach, Applicant Engagement & Eligibility Determination

Phase 2. Pre-application Support: Site Assessments, Project Scoping, Cost Estimating

Phase 3. Technical Assistance and Facilitation of Application Development and Submittal

The CRS prerequisite for this element is to simply perform this outreach annually. Whether or not any buildings are subsequently mitigated would be the subject of additional application credits; yet no buildings need to be mitigated to achieve this prerequisite.

While this form of outreach would be an annual requirement once an improved CRS rating is achieved, this contractual mitigation cost wouldn't necessarily become an annual expense. Future costs may well be determined by the response to this initial effort by the affected property owners.

The City has an existing agreement with ARCADIS to provide financial consulting services for stormwater utility and solid waste concerns approved by the City Commission May 6, 2015 (Res. 15-162; Attachment "C"). Among its floodplain management staff is Joy Duperault who most recently served as the State's Floodplain Manager, and Frank McColm who served with the Florida Division of Emergency Management's flood mitigation section. Both Duperault and McColm have a wealth of knowledge and experience with both the CRS program and the federal flood mitigation funding process.

Flood mitigation grant applications succeed or fail based upon financial considerations. The required structurally specific cost/benefit analyses weigh: the history of flood damage claims, potential for future claims and structural value, compared to the costs of mitigation. Navigating the various federal grant application paths for flood mitigation requires an in-depth understanding of this specific process, accompanied by experience that develops a knowledgebase of which methods usually succeed or fail. ARCADIS staff have a wealth of knowledge and experience in this realm, where the financial evaluations drive successful applications.

Recommendation:

Approve this Task Order for flood mitigation financial consulting

Advantages:

- Assists owners of the most flood prone buildings in the City to pursue federal funding

Disadvantages:

- None

Financial Impact:

- The cost of this task order, \$25,500 is available in the 2015-16 Building Department budget for CRS Professional Services with a current balance of \$100,000.
- Ten of the 206 repeated flood damaged buildings are designed as Severe Repetitive Loss properties. As such, the City's costs related to these mitigation efforts are 100% reimbursable if those projects are approved for funding.
- Savings to the community with an improved CRS rating will range from 5-15% annually, which presently totals \$500k-\$1.7m annually.