

History, Context & Need for Increased Flood Risk Disclosure in Virginia

Virginia Housing Commission, Affordable Housing and Landlord/Tenant Law Workgroup, June 5, 2024

Grace Rogers, Manager, Climate Resilient Coasts & Watersheds, Environmental Defense Fund
Mary-Carson Stiff, Executive Director, Wetlands Watch





Overview



Climate resilient and healthy communities and ecosystems along coasts and rivers thrive with water, and are safe, equitable and prosperous places to live, work and play.

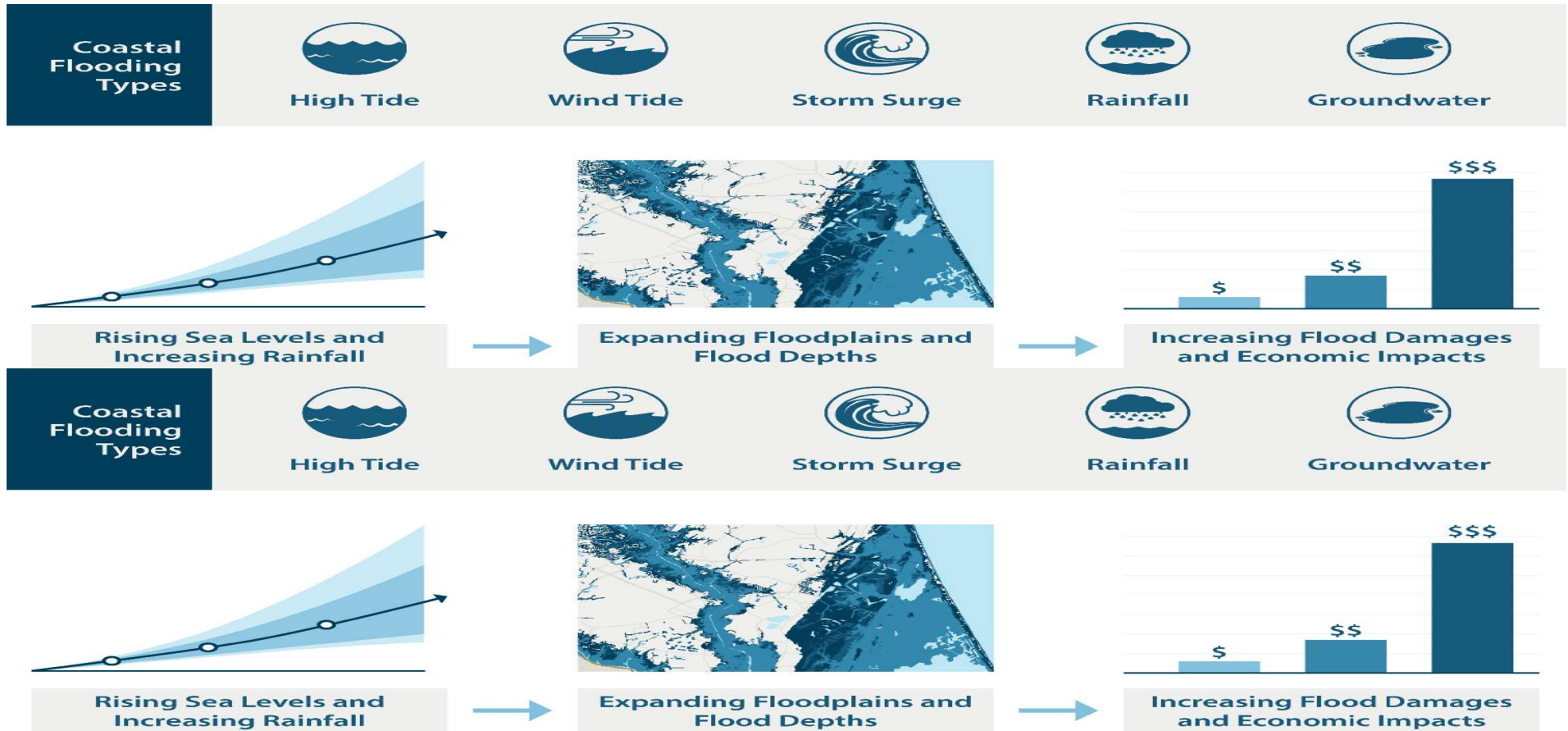


A photograph of a coastal residential area. In the foreground, there is a concrete seawall or curb along the edge of a body of water. Behind the wall, there is a dense line of coastal vegetation, including shrubs and grasses. In the background, several houses are visible, including a prominent white two-story house with dark shutters and a red brick house. Large trees with green and yellowing leaves are scattered throughout the scene. A utility pole with power lines is visible on the right side. The sky is clear and blue.

We work where land, communities, and water meet to conserve nature in a changing climate.



Flood risk is increasing across Virginia



And it's not just a coastal issue



CLIMATE CHANGE | OCTOBER 2, 2023

Climate Disasters Threaten to Widen U.S. Wealth Gap

About one in five U.S. counties are both socially vulnerable and highly exposed to natural disasters, which could “compound existing inequities,” the Department of the Treasury says in a new report

AVERY ELLFELDT, E&E NEWS



Flood damage in Buchanan County called ‘apocalyptic’

by Megan Schnabel July 14, 2022

All are safe but there’s a long clean-up ahead.



15 months after a flash flood devastated parts of Southwest Virginia, state aid is on the way

by Susan Cameron October 13, 2023

Dozens of homes in Buchanan and Tazewell counties were damaged or destroyed in July 2022. The General Assembly approved \$18 million in funding to help residents rebuild; Del.



NATURAL DISASTERS | FEBRUARY 6, 2023

Disasters Displaced More Than 3 Million Americans in 2022

More than three million adults were forced to evacuate their homes in the U.S. in the past year because of hurricanes, floods and other disasters, according to the Census Bureau

THOMAS FRANK, E&E NEWS

Costs of flood damages are increasing rapidly

- One inch of water in a home can cost \$10k - \$27k
- 8 flood events since 2017 each caused over \$1B in damages
- Congressional Budget Office estimates:
 - In 2020, expected average annual flood damages to homes with federally-backed mortgages was \$9.4B
 - Jump to \$12.8B by 2050
- Flood risk & costs are not borne equally
 - Formerly redlined neighborhoods have a 25% greater chance of flooding
 - Census tracts with >20% Black residents will see average annual flood losses increase at double the rate of tracts <1% Black residents

Past action on flood disclosure

2021 General Assembly passed HB 2320 / SB 1389

- Real Estate Board form added “actual knowledge” of a “repetitive risk loss structure”
 - Two insurance claims over \$1,000 within a 10-year period
- Form also references how to find information about flood zone, flood insurance, accessing the Virginia Flood Risk Information System (VFRIS)

Challenges of current flood disclosure

- Considers past flood insurance claims (not actual flood history)
- FEMA data privacy rules (enforcement nearly impossible)
- Clock resets after 10 years (can fall off with property turnover)
- Waiver to disclose full flood risk and information still difficult to access

The result: Virginia homebuyers are unaware and underinsured relative to their actual flood risk

The Housing Commission has an opportunity to make a difference

Key Elements of HB 863



1. Flood Mapping & Flood Zones

Current status: §55.1-703 Includes waiver to disclose flood zone; information about where buyers can find flood risk info is included in Real Estate Board's form and website as of 2021 (buyer beware)

The National Flood Insurance Program (NFIP)

- Map – Special Flood Hazard Areas (SFHA) – “100 year flood”
- Regulate – Localities adopt stronger standards to participate and can manage risk outside mapped areas; floodplain management administered & enforced at locality level
- Insure – Government-backed flood insurance (limited private options)

Virginia Flood Risk Information System (VFRIS)

DCR VFRIS - Virginia Flood Risk Information System

Home Map Help & Downloads

Find address or place

Flood Tool Layers Legend

Annual Flood Risk:
Minimal Risk
This Location has minimal risk of flooding
[Learn More about Special Flood Hazard Areas \(SFHA's\)](#)

Flood Map Info
FEMA's Flood Map: [View](#) | [Download](#)
Map Effective Date: 9/16/2010
Contacts: [View](#)

Community
Community: FAIRFAX COUNTY
CRS Class: 6
Policy Discount %: 20
CID: 515525
Flood Insurance Study: [View](#)

Structure Info
Approximate Elevation (ft): 299.953
No structure information was found at this location. The structure data used by VFRIS is updated periodically but does not include all structures in the Commonwealth

Watershed



Flood Mapping & Flood Zones: Challenges

- Virginia Flood Risk Information System (VFRIS) has improved, but more data inputs and map updates needed
- FEMA is working to update flood maps, but still behind
- Local governments struggle with enforcement of higher regulations
- Public awareness is low
- All taxpayers bear the costs of flood recovery, not just flood victims

2. Actual knowledge of flood history & past damages

Current status: §55.1-708.2 Seller must only disclose status of a repetitive risk loss property

But sellers have access to information prospective buyers do not:

- FEMA does not share repetitive loss data with anyone except owner
- Home inspections only reveal defects the inspector can see
 - Repaired flood damage isn't noticeable
 - Inspections can be waived
- If a home floods once, it will likely flood again



2. Actual knowledge of flood history & past damages

Undisclosed flood risk is expensive! 2022 actuarial study found cost of flood damages:

- \$36k over 30-year mortgage in North Carolina
- \$50k over 30-year mortgage in New Jersey

Disclosure needed:

- Informed decision-making is the cornerstone of a free market system
- Sellers are uniquely positioned to disclose past flood history

3. Flood insurance & claims history

Current status: §55.1-703 Information about where buyers can find flood risk info is included on Real Estate Board's form and website (buyer beware); form provides information about flood insurance and accessing the NFIP as of 2021

- Homeowner's insurance does not cover flood damages
 - Flood insurance required for mortgages in SFHA
 - No mortgage / outside SFHA = no insurance requirement – but doesn't mean your property won't flood
- Over \$744M in claims paid by the NFIP in Virginia since 1976
 - Virginia Beach has \$102M+ in claims; Roanoke & Salem total \$36M+; Fairfax \$16M+ and Richmond \$11M+
 - Average payout ranges under \$30k (Richmond) to nearly \$50k (Buchanan)

3. Flood insurance & claims history

- Flood insurance helps property owners and communities recover, although recovery doesn't happen equally
- Insurance can generate community-scale cost savings
 - Adopting a stronger state disclosure law could save communities across Virginia money on insurance policies through the Community Ratings System (CRS)





Flood insurance & claims history: Challenges

- Not enough people know about flood insurance or why they should consider purchasing a policy
- Increased disclosure would increase flood insurance uptake & generates cost savings for insurance policyholders, particularly in CRS participating communities
- There are affordability concerns around insurance access and flood insurance may not make people whole after a flood

Climate Risk & Insurance



A photograph showing a flooded residential area. In the foreground, a large, muddy river flows rapidly. In the background, several houses and cars are visible, some partially submerged or surrounded by floodwater. The scene is hazy, suggesting a recent heavy rain event.

“Climate change is real. We can’t raise rates fast enough or high enough.”

*Bill Montgomery
Chief Executive, Celina Insurance Group*

Climate change is already impacting financial markets

- Insurers' losses are increasing, including in Virginia
- Some are beginning to leave the state, cancel existing policies, or restrict new policies
- Potential ripple effects throughout the housing market and broader economy





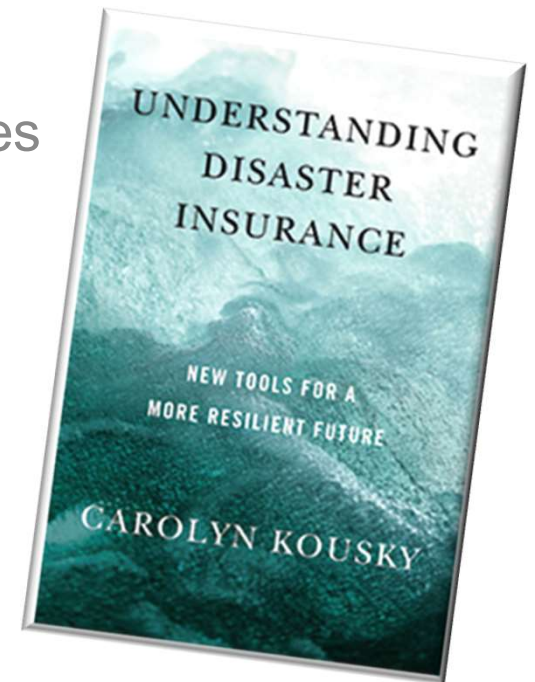
"At least three carriers, just in Virginia Beach, have stopped writing policies in certain areas."

*Kelly Gau, Operations Manager
Goosehead Insurance - The Torcia Agency*



EDF's research on climate risk & insurance

- Estimated unpriced flood risk of the US housing market to between **\$121 and \$237 billion** (2022)
- Innovative NYC parametric insurance pilot (2023)
- More coming soon:
 - Estimating value of ecosystem services for flood risk reduction and damage mitigation
 - Assessing how climate impacts are impacting locality budgets and fiscal planning across the Mid-Atlantic





“[Climate risk is] certainly impacting how we’re thinking about mortgages and what we need to do.”

*Kristy Fercho
Head of Mortgage Lending, Wells Fargo*

Biden Administration regulatory updates

- Federal Flood Risk Management Standards finalized at HUD
- HUD property transactions now require disclosure of:
 - Flood zone, if insurance is required, elevation of structure, past insurance claims, dams/levees impacting structure
- HUD-financed rental properties require disclosure to tenants of:
 - Flood zone, if flood insurance is available for personal property



Virginia Needs a Proactive Approach



Virginia is behind other states on disclosure



- 2019: Texas
- 2023: New York & New Jersey
- 2024: Florida, Maine & Vermont

Other buyer beware states with increased flood disclosures: Alaska & North Dakota

Non-legislative updates to real estate disclosure forms: North Carolina & South Carolina

Flood disclosure should be part of the solution

- Climate risk is increasing across Virginia & already impacting markets
- Robust flood disclosure helps build awareness for consumers

And – we need to build more affordable, climate-ready housing in Virginia





Thank you

grogers@edf.org
mc.stiff@wetlandswatch.org