BUILT TO LAST: EXAMINING HOUSING RESILIENCE IN THE FACE OF CLIMATE CHANGE

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BUILT TO LAST: EXAMINING HOUSING RESILIENCE IN THE FACE OF CLIMATE CHANGE

Tuesday, May 4, 2021

U.S. House of Representatives,
Subcommittee on Housing,
Community Development,
and Insurance,
Committee on Financial Services,
Washington, D.C.

The subcommittee met, pursuant to notice, at 12:04 p.m., via Webex, Hon. Emanuel Cleaver [chairman of the subcommittee] presiding.

Members present: Representatives Cleaver, Velazquez, Sherman, Beatty, Green, Gonzalez of Texas, Maloney, Vargas, Lawson, Axne, Torres; Stivers, Posey, Huizenga, Zeldin, Steil, and Taylor.

Ex officio present: Representative Waters.

Chairman Cleaver. The Subcommittee on Housing, Community Development, and Insurance will come to order. Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. Also, without objection, members of the full Financial Services Committee who are not members of this subcommittee are authorized to participate in today's hearing.

As a reminder, I ask all Members to keep themselves muted when they are not being recognized by the Chair. The staff has been instructed not to mute Members, except when a Member is not being recognized by the Chair and there is inadvertent background noise. Members are also reminded that they may only participate in one remote proceeding at a time. If you are participating today, please keep your camera on. And if you choose to attend a different remote proceeding, please turn your camera off.

Today's hearing is entitled, "Built to Last: Examining Housing Resilience in the Face of Climate Change."

I now recognize myself for 4 minutes to give an opening statement.

Today, we will examine the effects of climate change on America's housing infrastructure, and within the jurisdiction of this subcommittee, the role of the Federal Government in mitigating, responding to, and recovering from weather events.

Climate change is the biggest existential crisis of our time. Scientific data demonstrates that the average global temperature is trending upward, and that more record-setting or near-record-temperatures are likely on the horizon.

According to the National Oceanic and Atmospheric Administration (NOAA), last year was the second-warmest year on record, behind 2016, and 10 of the warmest years on record have occurred since 2005. Rising global temperatures associated with widespread changes in weather patterns and scientific studies indicate that extreme weather events such as heat waves and large storms are likely to become more frequent or more intense with human-induced climate change.

The Federal Government estimates the occurrence and costs of weather and climate disasters, and last year set a new annual record for disasters, with 22 weather or climate disasters in the United States, exceeding $1 billion in losses.

And 2020 was the 6th consecutive year in which 10-or-more billion-dollar disasters have impacted the United States. As people in every State and Territory in the United States remain concerned about climate change impacts, the impetus is on Federal policymakers to be diligent in supporting resilient and prepared communities and to prioritize areas that are most vulnerable to climate risk, including low-income neighborhoods and communities of color. We will talk more about that when we get into the question-and-answer period.

I would now like to recognize the ranking member of the subcommittee, the gentleman from Ohio, Mr. Stivers, for 5 minutes.

But before I do, I want to just thank Ranking Member Stivers for the opportunity to work with him over the past few years. He has been on this committee since he was elected to Congress. I have enjoyed working with him, and I would like to thank him for his civility and his decency. I wish him much success in his new job. And we hope that you will remember us when you enter into the land of great wealth, opportunity, mansions, and expensive cars.

So, Ranking Member Stivers, you are now recognized for 5 minutes.

Mr. STIVERS. Thank you, Chairman Cleaver. I appreciate you calling this hearing today, and I appreciate the chance to chat with you. As you noted, on a personal note, it is a bittersweet moment for me, because this is my last hearing as the ranking member of this subcommittee before I leave Congress in a couple of weeks.

And as I reflect on my time in Congress, I am proud of the work we have done together, and there is a lot more to be done. So, I hope that all of you will continue to work on.

It is been an honor to work with you, Mr. Chairman, and the members of both the Majority and the Minority, I have enjoyed working with everybody. And the good news is I am just taking another job; I am not dying. So, I will still be around, and I plan to be in Washington a decent amount. And I still care about these issues.

Getting back to the topic of today's hearing on resiliency, I think it is important that we tackle the issue of making our housing stock as resilient as we can from natural perils. And I think it is really interesting to note that Congress has enacted two 5-year reauthorizations of the National Flood Insurance Program (NFIP) since 1994, only two, once in 2004 and once in 2012. There have been 16 short-term extensions since 2017. And I hope my colleagues will work in a bipartisan manner to actually get something done.

I know, last year, we negotiated a bipartisan bill that came out of this committee but didn't advance. And so, I am hopeful that you will continue the bipartisan efforts around resiliency. And the big part of that in this committee is the National Flood Insurance Program.

There is a lot we need to do, that I plan to talk to our witnesses about. We need to do a better job on the mapping—3D mapping is an imperative if we are going to figure out how to deal with resiliency, and we have to figure out how to deal with claims that are filed multiple times on the same property.

And I think there will be some ways to deal with that. I think mitigation is so important, and the mitigation efforts are really as important as what you do inside the Flood Insurance Program itself. So, I hope my colleagues will keep these issues in mind. There is a lot to do moving forward, and I look forward to being an outside ally that you can count on to continue to make things work and to move things forward.

I look forward to hearing from our witnesses today, Mr. Chairman. Thank you for your civility, thanks for your great partnership, and I look forward to working with you from the private sector—maybe I will be wearing a better suit, but I look forward to working with you on an ongoing basis.

Chairman CLEAVER. Thank you.

Mr. STIVERS. I yield back.

Chairman CLEAVER. Thank you, General Stivers. The Chair of the full Financial Services Committee, Chairwoman Waters, is not here at the moment. But I want to make sure all Members know that whenever she arrives, after the speaker who may be recognized at that moment, I will recognize the chairwoman for such time as she may consume.

And now, let's get on with the introduction of those who are going to be with us today as witnesses. Let me give Congressman Al Green the opportunity to introduce our first witness.

Mr. GREEN. Thank you, Mr. Chairman. I greatly appreciate this opportunity. Our first witness is a former City Council person who went on to be a State senator, who is now a county commissioner, and who is very well-learned and knowledgeable about these issues associated with Community Development Block Grant Disaster Recovery (CDBG-DR). I am honored to introduce and present to everyone, Commissioner Rodney Ellis.

Mr. RODNEY ELLIS. Thank you, Congressman Green.

Chairman CLEAVER. Yes. Let me introduce all of the witnesses, and then we will move toward the questions and answers after the chairwoman comes in.

We have also with us today: Ariadna M. Godreau-Aubert, executive director of Ayuda Legal Puerto Rico; Commissioner Andrew N. Mais of the Connecticut Department of Insurance, testifying on behalf of the National Association of Insurance Commissioners; Shelley Poticha, chief climate strategist for the Natural Resources Defense Council; and Stephen Ellis, president of Taxpayers for Common Sense.

We will proceed with the statements, beginning with Commissioner Rodney Ellis.

STATEMENT OF RODNEY ELLIS, COMMISSIONER, HARRIS COUNTY, TEXAS

Mr. RODNEY ELLIS. Thank you, Chairman Cleaver, Ranking Member Stivers, and distinguished members of the subcommittee. And thank you, Congressman Al Green, for your friendship over many years. I am proud to testify today.

My name is Rodney Ellis, and I represent about 1.1 million people in the third largest county in the country. The City of Houston is the County Seat of Harris County. We have a total population of about 4.6 million people in our County.

Harris County residents have long dealt with flooding and natural disasters due to our location near the Gulf of Mexico, and our flat topography that barely rises above sea level, however, climate change is now adding a new level of urgency by increasing the frequency of extreme weather events.

In 2017, Hurricane Harvey devastated this region. This hurricane dropped more than 50 inches of rain in some parts of Houston, causing more than 100 deaths, and resulting in $125 billion worth of damage in the Gulf Coast region.

Our residents are still dealing with the impacts of Hurricane Harvey. According to a University of Houston study, nearly 20 percent of the residents who were displaced by the storm are still in temporary housing. Natural disasters, such as Harvey, exacerbate pre-existing structural inequalities.

A study by Rice University and the University of Pittsburgh found that between 1999 and 2013, natural disasters increased Houston's racial wealth gap by $87,000. Time and time again, the poorest neighborhoods in Harris County are the hardest-hit during storms, floods, and other natural disasters, but they receive the least amount of resources to recover, rebuild, and build resiliency against the next flood.

The Federal cost-benefit ratio of flood standards for mitigation projects are based on property values rather than historical impact and ability to recover, which means low-income, oftentimes Black and Hispanic communities, like the Fifth Ward, where Congressman Mickey Leland and Congresswoman Barbara Jordan hailed from, have been passed over for Federal funding for years, despite extreme flood protection in the area.

This creates a cycle where those in higher-income neighborhoods get access to funding for new projects, while certain neighborhoods continue to suffer from disinvestment. By prioritizing property over people, areas of high-income values and fewer people are often selected over areas with larger populations living in expensive homes, even if they are at higher risk of flooding and greater damage, to protect people in those communities.

The State of Texas received $4.2 billion from the Department of Housing and Urban Development's Community Block Grant Mitigation Fund, which is administered by the State through our General Land Office, to address infrastructure and build and implement structural and non-structural projects, programs, and partnerships that reduce the risk and impacts of future natural disasters.

Although my County is very grateful for the sizable Federal investments, there are significant shortcomings in the administration of these programs, both at our level, on the State level, and the Federal level.

In the CDBG Disaster Recovery Programs, an Urban Institute report found that implementation challenges and slow timelines are a problem. On average, programs took about 4.7 years to complete across all activity types, and 3.8 years to complete across housing activities.

This is reflected in several-year delays at the General Land Office (GLO) in Texas of disbursement of funds to Harris County. The slow response from the State's GLO to allocate and disburse funds means that communities are desperately waiting for help to rebuild their homes and lives years after Hurricane Harvey.

Reducing the risk of harm from future floods requires bold control of infrastructure, policies, and regulations. Following Harvey, we successfully advocated on the County level for equity guidelines on how we disbursed flood infrastructure and recovery projects. We passed a $2.5 billion bond package, which was approved by our voters in 2018. When we prioritize the most vulnerable, our investments create a big impact and bring more benefits to more people.

As my written testimony has outlined, there are many challenges on the road to full recovery from Hurricane Harvey, and preparing for future storms that we know will come more frequently. But there are steps that this subcommittee and HUD can take to support communities like Harris County, and all across our country.

The Texas Government General Land Office needs more oversight, and so do we. It is a good thing for you to come back and ask, what are we doing with the money you gave us, to provide more transparent, comprehensive information on the way that the money is being disbursed through the CDBG Block Grant.

Mr. Chairman, I would like to submit a letter for the record as well from our Housing Office. And I will be more than happy to answer any questions. Thank you.

Chairman CLEAVER. Without objection, it is so ordered.

[The prepared statement of Commissioner Rodney Ellis can be found on page 40 of the appendix.]

Chairman CLEAVER. Thank you, Commissioner Ellis.

The Chair now recognizes Ms. Ariadna Godreau-Aubert for an oral presentation of your testimony.

STATEMENT OF ARIADNA M. GODREAU-AUBERT, EXECUTIVE DIRECTOR, AYUDA LEGAL PUERTO RICO

Ms. GODREAU-AUBERT. Chairman Cleaver, Ranking Member Stivers, and members of this subcommittee, thank you for the invitation to testify. I am Ariadna Godreau-Aubert, founder and director of Ayuda Legal Puerto Rico.

Since 2017, we have led legal support and advocacy efforts around disaster recovery on the Island. Almost 4 years of disasters bring us closer to a climate, housing, and infrastructure crisis that threatens the possibility of life in Puerto Rico—12 percent of the population has left in a decade, and 24 percent of our people live in high- to high-medium-risk zones, so addressing effective disaster planning and response in affordable or resilient houses is urgent.

Families who were not able to access FEMA, who were turned down or neglected—Tu Hogar Renace, a Sheltering and Temporary Essential Power (STEP) Program, was brought in to repair, rebuild, and relocate the CDBG-DR Program administered by our local Department of Housing. Between July 2019 and January 2020, 27,000 families applied, and as of today, only 900 houses have been repaired, and 45 have been rebuilt.

A new hurricane season starts in 26 days. We need disaster assistance to arrive quickly. We need guidelines to ensure coherent planning, equitable access to funds, displacement minimization and participation. We need flexibility.

Disaster assistance should not be a blind bet on possible outcomes, but a strategy towards sustainable recovery, and Federal and local governments share the responsibility to lead survivors to resiliency. We need CDBG-DR to be permanently authorized. The wait for allocation notices is excruciating; mitigation funds destined to Puerto Rico were made available almost 24 months after the appropriation.

Permanent authorization could also deter political actions to relay funds, such as those experienced by Puerto Rico, and that were grounded on a complete disregard for the lives of 3 million people on the Island. Permanent authorization could pave the way for agility, for modern policies, and it could provide a core set of guidelines to stop what is happening in Puerto Rico where significant restrictions are locally imposed.

Title clearance should never be a condition for disaster assistance. Half of the people in Puerto Rico lack a formal title. While local laws do not require a deed, and Federal disaster regulations provide a broad definition of ownership, FEMA's incorrect interpretation excluded 77,000 families from receiving assistance.

Ayuda Legal drafted an alternative title declaration, and we advocated for FEMA to stop barring assistance, and we won, but it was too late. FEMA's reluctance to notify applicants about their right to appeal and use of declaration, placed on the backs of nonprofits the responsibility to let survivors know about these rights. And we couldn't do it.

Later, the local Department of Housing decided to require titles to repair, rebuild, or relocate using CDBG-DR funds. Thousands of applications were transferred to an unnecessary, big, and costly title clearance program, delaying evaluations for months and even years. Eventually, we attained an Executive Order waiving title requirement to repair and rebuild, yet, the Department of Housing requires title to relocate.

With $1.1 million disbursed, only 2 titles have been registered. Proof of title has been an obstacle in California and North Carolina, as well, where recovery processes would benefit from clear and inclusive definitions of ownership. Title issues will not be solved by disaster programs or legal aid; they require policy changes at local levels.

Guidelines could also prevent displacements; despite mitigation funds, our CDBG-DR plan has an across-the-board prohibition to rebuild in flood zones. These families in flood zones are only able to relocate. These relocations are never voluntary. Four years after our disaster, our low-income families without a safe dwelling would have no choice but to relocate if the alternative is to receive no aid at all.

We need sensible relocation policies that account for the needs, wants, and human rights of communities. Relocation should never be the first option. We need mitigation and anti-displacement policies. Mitigation can be effective, save funds, and address climate change; yet, wrongly applied mitigation may also displace and worsen inequitable development.

Lastly, participation is essential for the success of recovery. Sustainable solutions require acknowledging the power and agency of local stakeholders. Regional civilian oversight committees facilitated by independent individuals, never Department of Housing staff, must be promoted, and coherent and participatory planning is equally essential.

One of the biggest obstacles for needs assessments and resilient housing infrastructure is that CDBG-DR planning programs have barely started, hardcore guidelines should instruct grantees to publish timelines, to publish progress reports, and to prioritize participatory planning.

A just recovery is not only needed, but it is possible. Thank you.

[The prepared statement of Ms. Godreau-Aubert can be found on page 55 of the appendix.]

Chairman CLEAVER. Thank you very much. Next, we will hear from Mr. Andrew Mais, commissioner of insurance for the State of Connecticut, who is testifying on behalf of the National Association of Insurance Commissioners. You are now recognized for 5 minutes.

STATEMENT OF ANDREW N. MAIS, COMMISSIONER, CONNECTICUT DEPARTMENT OF INSURANCE, ON BEHALF OF THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC)

Mr. MAIS. Chairman Cleaver, Chairwoman Waters, Ranking Member Stivers, and members of the subcommittee, thank you for the invitation to testify today; and thank you, Mr. Chairman, for speaking to our NAIC recently.

We do appreciate the subcommittee's efforts to focus on disaster risk reduction and resilience. Perhaps no sector is more attuned to and focused on disaster preparedness, and directly aware of its value, than the insurance sectors. State insurance regulators recognize that natural disasters take a considerable financial and emotional toll on Americans every year.

Climate risk contributes directly to a growing coverage gap between what the insurance industry can cover while balancing availability, and affordability in what is required. It is estimated that on a global basis, the insurance industry's share of natural disaster losses is only 36 percent of the total required, so mitigation is critical to help close that gap. We are working to find solutions to managing the catastrophic risk exposure in our respective States and, through the NAIC, have been engaged in those efforts for decades.

I serve as a member of the NAIC's Climate and Resiliency Task Force, and we are focused on five areas: pre-disaster mitigation; solvency; climate risk disclosure; innovation; and technology.

As part of those efforts, insurance regulators are participating in multi-agency stakeholder educational efforts on pre-disaster mitigation related to climate risk and incentivizing insurer recognition of enhanced building codes in underwriting and in pricing.

In March, the NAIC hosted a building code and mitigation workshop with State insurance departments, FEMA, insurance industry representatives, and consumer groups. Risk reduction and mitigation to protect consumers and reduce the losses paid by insurers are otherwise absorbed through Federal spending, which helps to maintain solvent insurance markets while keeping rates more affordable.

State insurance regulators were examining the potential solvency impact of insurers' exposure to climate-related risk, and we may consider enhancements to our regulator solvency tool to analyze and address and ensure its potential financial exposure to the physical and to the transition impacts of climate change. We are also focusing on climate risk disclosure and considering modifications to our existing at NAIC Climate Risk Survey to promote uniformity in reporting requirements.

In addition, we are considering innovative solutions to climate risk and resiliency directed at reducing, managing, and mitigating climate risks while closing insurance gaps in coverage for consumers.

And finally, we have established a workstream focused on the increasing use of technology to better assess and evaluate climate risk exposure, think of predictive modeling tools, for example.

The NAIC Center for Insurance and Policy Research has also been active in researching various aspects of resiliency. We recently held an event in coordination with the Insurance Institute for Business & Home Safety on the insurance implications of severe convective storms. And that included a live demonstration of the importance of building resilience standards.

State insurance regulators also have a collaborative relationship with FEMA, and we are jointly hosting resilience roundtables across the country on resilience priorities before, during, and after disaster events. Some States have formed a Regional Resilience Working Group with FEMA that is focusing on lessons learned from 2020, in advance of the upcoming hurricane season.

Further, we have established a FEMA–NAIC Advisory Group to coordinate resilience activities between State regulators and FEMA, and we, the NAIC and FEMA, are also working on a regional earthquake training exercise.

Last, but certainly not least, State insurance regulators recognize the pivotal role that flood insurance plays in preparedness and recovery. We urge Congress to pass a long-term NFIP reauthorization before it expires on September 30th, to provide certainty for policyholders. Reauthorization legislation should focus on ways to encourage investment in flood mitigation, and ensure consumers have access to multiple options for flood insurance products, and to help facilitate greater growth in the private flood insurance market as a complement to the NFIP.

And in conclusion, State insurance regulators share your support for investing in prevention and preparedness to help minimize the impact of natural catastrophes and economic loss, and pre-event disaster planning, effective mitigation, and rational building codes are crucial parts of the solution.

Thank you for the opportunity to testify today. And I would be pleased to answer your questions.

[The prepared statement of Mr. Mais can be found on page 67 of the appendix.]

Chairman CLEAVER. Thank you, Mr. Mais.

The Chair now recognizes Ms. Shelley Poticha, the chief climate strategist at the National Resources Defense Council (NRDC).

STATEMENT OF SHELLEY POTICHA, CHIEF CLIMATE STRATEGIST, NATURAL RESOURCES DEFENSE COUNCIL (NRDC)

Ms. POTICHA. Good afternoon, everybody. Chairman Cleaver, Chairwoman Waters, Ranking Member Stivers, and members of the subcommittee, thank you for the opportunity to testify today about housing and climate resilience.

My name is Shelly Poticha, and I am the chief climate strategist for NRDC, the Natural Resources Defense Council. NRDC is an international nonprofit environmental organization working to protect the world's natural resources, improve public health, and ensure a safe and sustainable environment for all.

The impacts of climate change—extreme heat, powerful storms, and sea level rise—are already impossible to ignore. We now, quite undeniably, live in a rapidly-changing world that will profoundly impact our nation and our society. Over the last several years, we have seen record-breaking hurricanes, floods, wildfires, and other climate-fueled disasters that have devastated communities and caused untold suffering for millions of Americans.

The impacts of climate change are here and they will continue to grow in severity and frequency, even under the most optimistic climate mitigation scenarios. Faced with this reality, we must prepare for a dramatically different future and ensure that we protect the people and communities who are most vulnerable. We must also think about how we make decisions and who is involved in making those decisions.

The complex and daunting challenges posed by climate change already exacerbate the intergenerational harms of racial and economic inequality. The people who bear the greatest burdens of climate change are too often also locked out of the decision-making that will shape the future of their communities.

I want to bring to the subcommittee's attention three actions to address issues at the intersection of equity, housing, and climate resilience that could form the basis of a new Federal direction.

First, support community-led development and fund community ownership; community-led development that is both equitable and sustainable is an approach that can be successfully employed, and it is critical to building lasting change. This approach, sometimes known as low carbon resilient development, brings together traditionally separate goals: reducing emissions; becoming more resilient to climate change; and economic and social development.

Projects coming out of the Strong, Prosperous, and Resilient Communities Challenge (SPARCC), use this approach, and have been creative with and by community leaders. They promote equitable transit, housing, and green infrastructure; they safeguard against displacement caused by gentrification; and they stimulate local microeconomies. SPARCC can provide a model for a more resilient future.

Second, in addition to fully funding CDBG, which targets historically disadvantaged communities of color with vital resources and technical assistance, Congress also needs to permanently establish, in statute, the Community Development Block Grant Disaster Recovery Program (CDBG-DR), and use it to model community-led, low-carbon development.

Because CDBG-DR is not permanently established in statute, each new authorization and appropriation requires HUD to go through a lengthy and time-consuming process of drafting and approving a new set of regulations. The result is, at best, a month-long delay between qualifying disasters and delivery of assistance. Why not embed the principles of community-led, low carbon resilient development into a permanent CDBG-DR, and raise the bar for recovery going forward?

Finally, reform the National Flood Insurance Program (NFIP). I urge the committee to quickly move forward to reform the National Flood Insurance Program. Much more than an insurance program, NFIP serves as a critical source of information for individuals and communities about flood history and flood risks. The right reforms could allow NFIP to be a lynchpin in our efforts to cope with the growing problems of flooding and sea-level rise that result from climate change.

But currently, it is a liability. We need an NFIP that provides low- and moderate-income people with affordable coverage, expands access to flood mitigation and relocation assistance, and grants homeowners, home buyers, and renters a right to know the flood history and risks associated with their current or prospective home.

President Biden's American Jobs Plan will create good-paying jobs, and build, preserve, and retrofit millions of homes to be more affordable and resilient. These are important steps toward building a more just, equitable, and climate-resilient future, and your committee can take it even further and make it sure to be the direction going forward.

I thank you for the opportunity to speak before the subcommittee today.

[The prepared statement of Ms. Poticha can be found on page 73 of the appendix.]

Chairman CLEAVER. Thank you, Ms. Poticha.

And finally, we will hear from Stephen Ellis, the president of Taxpayers for Common Sense. Mr. Ellis, you have 5 minutes.

STATEMENT OF STEPHEN ELLIS, PRESIDENT, TAXPAYERS FOR COMMON SENSE (TCS)

Mr. STEPHEN ELLIS. Thank you. Good afternoon, Chairwoman Waters, Chairman Cleaver, Ranking Member Stivers, and members of the subcommittee. I am Steve Ellis from the Taxpayers for Common Sense (TCS), a national nonpartisan budget watchdog. Thank you for inviting me.

TCS has worked on disaster-related issues on behalf of taxpayers for our entire, more than 25 years, of existence. And I have been involved in flooding issues dating back to my days as a young Coast Guard Officer dealing with the aftermath of the Great Midwest Flood of 1993.

These are critical issues for taxpayers, and the country needs smart public policy that protects people and property. The Congressional Budget Office estimates that hurricane winds and storm-related responses cost the U.S. economy $54 billion annually, including $34 billion in expected annual economic loss to the residential sector.

The expected annual cost to Federal taxpayers is estimated to be $17 billion. From Agriculture, to Defense, to Transportation, climate change impacts our entire Federal budget, but no area of spending so directly mirrors the escalating climate change crisis as disaster spending. On a cost-adjusted basis, billion-dollar disasters in the U.S. have increased from 2.9 per year, at an average cost of $17.8 billion in the 1980s, to 16.2 disasters per year, at an average annual cost of $121.4 billion from 2016 to 2020.

The Congressional Budget Office puts it rather succinctly: “Climate change increases Federal budget deficits, and that investment by the government or others in various types of mitigation or adaptation efforts could reduce the cost of climate change.”

One other truism of disasters is that they have a disproportionate impact on poor and minority populations. In many cases, these individuals don’t have savings to rely on while they rebuild, they may have lost their transportation to work, and their place of business may have been destroyed as well. Because of historically discriminatory policies or a need for lower housing costs, these individuals are often situated in less desirable, more vulnerable, high-risk areas.

They may not be able to repay loans made available after disasters, or provide sufficient funds of their own to tap Federal programs. There are roughly 5 million NFIP policies, but there are well over 100 million housing units in the United States. More people need to purchase flood insurance. After 2016’s extraordinarily heavy rainfall event in Baton Rouge, the average homeowner with flood insurance coverage received $86,500 to rebuild their home. The average person without flood insurance received only $9,100 in disaster assistance.

Programs such as CDBG-DR should take into account the needs of disadvantaged populations and ensure that they have access to the benefits, but also the tools to mitigate, adapt, and prespond to future disaster events, to make them less costly and impactful. While it varies by situation and peril, we know that every dollar spent on mitigation can save as much as $6 or more in post-disaster response.

Regardless of need, NFIP has subsidized rates since its inception 50 years ago. More than 25 percent of properties in the Program pay subsidized or grandfathered rates. NFIP has helped fuel a development boom in high-risk areas simply by making it more affordable to take on flood risks, and housing does not occur in a vacuum; as areas develop, infrastructure follows with roads, bridges, water, electric, and sewer, and all of these intensify along with residential development.

The NFIP has exacerbated exposure to climate change. At the same time, it is negatively impacted by it, as storms increased in frequency, as sea levels rise, this increases the cost of the Program, and it also increases demand for CDBG-DR. The best way to reduce the rate for flood insurance for property owners and taxpayers is to reduce the risk.

It is not about artificial caps that hide the real risks to people, but about finding ways to fund mitigation either at the property or the community level. If a property owner is unable to afford the premium, means-tested assistance outside the rate structure should be provided.

FEMA's new Risk Rating 2.0 promises to better price actual risks for properties by incorporating more data and flood variables to determine actual risks for properties. In theory, this will reduce some of the cross-subsidies that have plagued the program. CDBG-DR is supposed to supplement existing disaster-related authorities. Specifically, these funds are for long-term recovery, including restoration of infrastructure and housing, and economic revitalization, but also future disaster mitigation activities.

Since 1992, nearly $90 billion has been appropriated to the Program. While there is some program direction, in reality there is a great deal of leeway granted to HUD and the implementing States and communities. Flexibility is an important part of the program, but stability and predictability are also critical to successfully meeting program goals.

TCS supports the committee's efforts to statutorily authorize the CDBG program. Climate change, its impacts, NFIP and CDBG-DR are critical issues, not just for their budget and taxpayer impacts, but for society as a whole. Federal policies must promote realistic and responsible solutions to climate change, including targeting investments that lift innovative solutions and reflect the needs and experiences of low-income and minority communities.

The goal must be to develop risk management and mitigation strategies to enable communities, infrastructure, and industries to become more resilient, face less risk, and better adapt to future mitigation costs and damages of climate change.

Thank you for very much for the opportunity to testify, and I am happy to answer any questions you may have.

[The prepared statement of Mr. Stephen Ellis can be found on page 49 of the appendix.]

Chairman CLEAVER. Thank you, Mr. Ellis, for your testimony.

The Chair now recognizes the Chair of the full Financial Services Committee, Chairwoman Maxine Waters of California.

Chairwoman WATERS. Thank you very much, Chairman Cleaver, for convening this hearing on the need to improve the resiliency of our country's housing infrastructure in the face of climate change.

In recent years, the United States has experienced more frequent and intense natural disasters attributable to climate change, displacing tens of thousands of people and costing hundreds of billions of dollars in damage. I have been working across Congresses, now with Members on both sides of the aisle, to reform the National Flood Insurance Program.

And I am looking forward to passing further reforms, as well as making a significant investment in our nation's affordable housing stock, by passing the Housing is Infrastructure Act, as part of President Biden's American Job Plan.

So, I want to thank you so very much for the attention you are giving to this issue. And I yield back the balance of my time.

Chairman CLEAVER. Thank you, Madam Chairwoman.

We will now begin with questions, and I will kick off the questioning.

Mr. Ellis, you have experience in a number of offices throughout your career in Austin, the Capital, and then in Houston, and in Harris County. Will you give me your opinion of the response to those disasters that you have witnessed from FEMA and HUD, and do you think that there are times in which their requirements and regulations collide?

Mr. RODNEY ELLIS. Thank you, Mr. Chairman. The biggest challenge that I have seen has been that HUD money is tied to low- to moderate-income (LMI) households, but most other Federal money that we get related to disasters has a cost-benefit ratio in it. So on our level, even after Hurricane Harvey, we passed a record bond issue; we try to address some of our own problems, and we leverage it with money from you all on the Federal level.

And when we go to FEMA, when we go to the Army Corps of Engineers, they are generally following a cost-benefit ratio analysis. I can understand why one would say we ought to protect, in the case of Houston, our port and our medical center are downtown, but even in my rural communities and counties I talked to around the country, the cost-benefit of racial language is such a big problem.

That means in Houston, we spend all of our time chasing Federal dollars, most of it from mitigation, that has a cost-benefit ratio language in it. So even when you give us money through HUD to rebuild these communities, they are the ones that flood first. There are some rules, that when it comes through our General Land Office, is limiting the size of bedrooms, so in the neighborhood I grew up in, it is a two-bedroom home, five people in it, one bathroom, and they expanded it over time. If that house get flooded, under GLO's rules, they would say, if there are only two people left in the house, you can't go back and do a three-bedroom home, you can only build a two-bedroom home.

So, some low-income households decide, I will live with the mold. In the case of my parents, because of discrimination, they had to move into a poor Black neighborhood to get a Federal guarantee. So, the only wealth that my 99-year-old father had to pass on to, in my case, my sister, was his home. And that is a real challenge.

We appealed it to HUD, the previous HUD administration denied it, and the City of Houston decided to take local funds to make up for that extra bedroom for many of those low-income communities. But that is a big problem.

We are hoping, with help from you, and maybe with the new leadership at HUD, that we can get that changed. But the cost-benefit ratio, I can't stress enough, is the biggest challenge I see.

Chairman CLEAVER. Why did HUD deny it? What was the rationale that they gave you?

Mr. RODNEY ELLIS. The best analysis that I can come up with is, they were thinking if you have a limited amount of money, you could spread it out to more households. When we talked to them, that was their rationale. So we said, we will take other Federal money to make up for it. I know those low-end communities.

Mr. Chairman, some of them haven't gone to Board review. And also, like my dad's, if he flooded, he would just live with the mold instead of giving up that extra bedroom and bathroom, because that is his only wealth to pass on.

So, it has been a big problem. And HUD told me they hadn't seen that anywhere else in the country. They have not required it. I just think that the Land Office was trying to be protective, but sometimes we in government want to offer more help than people are willing to take.

Chairman CLEAVER. Thank you for being here with us.

Mr. Stivers, the ranking member from Ohio, is now recognized for 5 minutes.

Mr. STIVERS. Thank you, Mr. Chairman.

First, I would like to request unanimous consent to enter into the record three statements: one from the Manufactured Housing Institute; one from the National Association of Mutual Insurance Companies; and one from the Reinsurers Association of America.

Chairman CLEAVER. Without objection, it is so ordered.

Mr. STIVERS. Thank you. And my first question is about mitigation. I think we will be in a much better position, going forward, if we can do something about mitigation.

I want to ask you, Mr. Ellis, if you can go into a little depth; you talked a little bit about mitigation, but it seems to me that there is little incentive for mitigation efforts because the Federal share of these disasters has gone up. Back in 1955 during Hurricane Diane, the Federal Government only covered about 6 percent of the disaster's total costs. As part of Superstorm Sandy, the Federal Government's exposure was 77 percent.

So, it seems like there is little incentive to enact mitigation. What can we do to focus on mitigation so that we can reduce the exposure before these disasters strike, Mr. Ellis?

Mr. STEPHEN ELLIS. I am assuming that is me, as you said, "Mr. Ellis."

Mr. STIVERS. Yes. That is you.

Mr. STEPHEN ELLIS. Okay, I'm just making sure. You are absolutely right, Congressman, that their Federal share of disasters has grown dramatically, and it is even more recent than—you mentioned Diane. As recently as Hurricane Hugo in 1989, less than 30 percent of the total cost was borne by the Federal Government. So, it has skyrocketed in recent decades.

And certainly, part of it is having an enticement of pricing. And we get into this about flood insurance, particularly, and about artificially lowering rates; it serves as a disincentive to mitigation. And we recognize that even if you have a lower rate, the flood doesn't think you are on a different floodplain. It floods you just like what your real rate would be.

Essentially, you want to make sure that people have incentives to mitigate, and that there are opportunities and instructions for mitigation as well. And so, those are really critical elements, but if you flood with cash, then you need to make sure you are directing that cash in appropriate ways.

Mr. STIVERS. Thank you. And one follow-up question, Mr. Ellis. The National Flood Insurance Program statute requires that FEMA set premiums based on the risks involved, but the National Flood Insurance Program still uses the same rating methods they have used for the last 50 years. I know that FEMA is doing something to address this, and I am curious as to what kind of technology should they use, whether it is 3D mapping or other things as they address the real risks involved to charge actuarially sound premiums?

Mr. STEPHEN ELLIS. Thank you, Congressman Stivers. Yes, it is true that FEMA is using basically the same methodology that they have always used on NFIP, but they are doing, as I mentioned in my testimony, Risk Rating 2.0, trying to take in increased data. I think that everybody on the panel and on the committee can agree that the mapping needs to address—needs to be better, and needs to use better technologies, and more up-to-date technologies.

And then, we need to communicate that risk to people, because right now there are many cases where people don't really even recognize the level of risk that they face. That is one tool of risk communication, and we have seen States like North Carolina, for instance, that have gone leaps and bounds beyond what FEMA has been able to do to provide that information to homeowners, where they can understand not just their relative risks, but their future risks from storm events, even as they are occurring.

Mr. STIVERS. And one follow-up question, one of the biggest problems in the National Flood Insurance Program is the multiple-claim properties. How should we deal with properties that have had three or four claims? What should we do to move forward to what appears to be one of the biggest problems in the system?

Mr. STEPHEN ELLIS. It is interesting to me, Congressman, that they seem to keep coming up with different terms. There is Repetitive Loss Properties, then Severe Repetitive Loss Properties, Extreme Repetitive Loss Properties. Clearly, this is an issue that has to be dealt with, and in some cases—Congressman Blumenauer back in 2004 was mentioned on the reauthorization at that time. He had the, "Two Strikes and You're out of the Taxpayer Pocket" Act.

And he was basically trying to put more pressure on property owners to mitigate, or basically to communities to do buyouts and relocation in a structured and thoughtful manner.

Mr. STIVERS. Thank you. I yield back, Mr. Chairman. Maybe we will do a second round. I have lots more questions, but thanks for the time. I yield back.

Chairman CLEAVER. Thank you, Mr. Stivers.

The Chair now recognizes Chairwoman Waters for 5 minutes.

Chairwoman WATERS. Thank you very much, Mr. Chairman. I do appreciate that.

I am going to direct my question to my old, long-time friend, Commissioner Ellis, politician par excellence, thank you for being here today.

I heard what you voiced your concern about, and that sounds as if it is just bureaucracy with a lack of understanding about how to treat the support that they give to families and their homes following a hurricane or a disaster, and that is kind of bureaucracy at its worst. But I want to ask you a little bit about what I experienced after Hurricane Katrina. I worked to hold St. Bernard Parish accountable and ensure Federal housing funds would not be used to enact a discriminatory policy that prohibited the construction of multi-family housing post-Katrina.

Policies such as Blood Relative Ordinance—I don't know if you have ever heard of this—prevented St. Bernard Parish homeowners from renting to anyone who was not a blood relative. In the aftermath of the various disasters and weather events in Texas, how has Harris County worked to present a disparate impact on communities of color that are seeking to rebuild and recover from natural disasters?

Yours didn't sound like, necessarily, discrimination; it just sounded as if it was ill-informed individuals who handle the policy following a disaster. Have you seen any signs of direct discrimination?

Mr. RODNEY ELLIS. Chairwoman Waters, thank you for the question, and for your years of leadership.

I went to Xavier in New Orleans, so I am well familiar with some of those schemes that were going on in Louisiana. In Texas, at the end of the day, that smaller bedroom policy has had a disparate impact on communities of color. I don't think the intent had anything to do with someone being Black or Brown, but the effect has because it has been those neighborhoods that had done it the most.

I would encourage you all in Congress to make sure you give us the oversight, ask the hard questions. I think HUD sent all kinds of smoke signals to the State saying, ditch that idea, but they didn't want to step in and make them do it. Just the respect, I guess, for local control, which I am for, other than, "I am all for States' rights until the State is wrong." I have a problem with that. But it would be well worth looking into what we do.

And so much of what we do on the mitigation front, despite all of the great money that comes from HUD, most of the money in our region, for mitigation, to rebuild, to protect housing investment has come through FEMA, the Corps of Engineers, and we all spend our time with our money chasing other Federal dollars for that cost-benefit ratio.

So, how we get rid of it? My colleagues at the county level, on all sides of the aisle, tell me we ought to ditch it, protect your downtown, the airport, but just recognizing more than somebody's wealthy home. The house I live in now, instead of the house I came out of, but just providing [inaudible].

Chairwoman WATERS. Thank you so much. I am very pleased that Congressman Cleaver has taken such a leadership on these kinds of issues. I will do everything that I can to support him, and we really want to do it right. And this is a moment in history where we have an opportunity to do it right. So, thank you so very much for being here today.

And, Chairman Cleaver, I yield back the balance of my time.

Chairman CLEAVER. Thank you, Madam Chairwoman.

The gentleman from Florida, Mr. Posey, is now recognized for 5 minutes.

Mr. POSEY. Thank you, Mr. Chairman,

Mr. Ellis, can you please tell us what your research shows about the role of building codes in achieving flood and storm resilience, and how these measures are being adopted, the best way they are being adopted by various States?

Mr. STEPHEN ELLIS. Sure. Thank you very much, Congressman.

Building codes are critical to, basically to resilience, and so, having resilient housing. And it is something that, while it is a State issue, and it is something that needs to be determined at the State level, and use strings from the Federal Government, as far as encouraging stronger building codes, encouraging better building back after a disaster. And so, nobody has to take the Federal dollars if they don't want to.

But that is critical because taxpayers are investing in these areas, and so you want to make sure that all of those investments are protected, and that all of those people are protected. We are not doing anybody any favors if we are subsidizing construction that isn't actually going to be protective when inevitable disaster strikes them.

Mr. POSEY. Okay. Also, Mr. Ellis, our Federal response to flooding is scattered over several agencies, the Army Corps of Engineers, FEMA, NRCS, and during disasters, even HUD. Do you believe we could benefit from a cross-cut flood mitigation budget that allows Congress to see how the different agencies contribute to flood solutions, and pick the best responses and pare back on the less-effective programs?

Mr. STEPHEN ELLIS. Congressman Posey, I am all about more data being available, and being able to understand how the $4 trillion is being spent across the whole Federal budget.

Certainly in this area where it is very critical, and we throw a lot of money post-disaster, it is really important to understand how those funds are being allocated. And we do have different stages of disaster response.

Have a disaster relief fund that kicks in right after a disaster. You have the Corps, once they get that they have additional funds, right, immediately, and then they often get more funds and supplementals, and then similarly to HUD. And so, understanding how that money is being allocated increases the confidence of the taxpayers that their money is being spent wisely. And that is critical because we are appropriating such huge sums. So, I think something like that would be a tremendous asset, Congressman Posey.

Mr. POSEY. Thank you very much.

Commissioner Ellis, what have been the flood mitigation projects, all the promise of preventing flood damages? And so adapting properties to reduce flood damages, building flood control projects, and even moving people out of harm's way can all help. Please tell us how Harris County approaches the flood mitigation, and share with us how we could encourage others to maybe do the same thing?

Mr. RODNEY ELLIS. Thank you, Congressman. We have done two things in Harris County that I think the rest of the nation should look at. One, with the money we put up, we did come up with equity guidelines on how we are going to spend the money, but it is challenging to follow them because we can't attract as much Federal matchup as we would like to.

The other thing we did was we probably passed the strictest building standards in the country. My county engineer says they are the strictest, but I was in Florida at a conference and a colleague challenged me on that. We called it Atlas 14. But you have to build them higher. Now that we know, a 500-year flood—I am 67, and I have lived through three 500-year floods in the last 10 years, but it does drive up the costs of construction, but it was the right thing to do.

And then, we tied funding to partners of the city, and surrounding counties to adopting the same build expanders. And so far, most of them have done that with strong bipartisan support.

Mr. POSEY. Smart. Thank you.

Mr. Mais, you represent our State insurance commissioners. Can you assess for us how an enlarged role for private flood insurance regulated by the States could improve our nation's flood insurance, and how we should resolve the repetitive loss of properties in moving to an enlarged private flood insurance presence compared to the NFIP?

Mr. MAIS. Thank you, Congressman. I appreciate the opportunity to discuss this. And, by the way, if I could also say that mitigation—just to throw my two cents in here—is something that we, as State insurance regulators, are very concerned with, and we are very supportive of. It is a bit like my father used to tell me, you have to fix the roof before it starts raining.

But we do think there is a huge, a significant role for private flood insurance, and at the NAIC, we have been collecting data and the role of private flood insurance has been increasing. We do look forward to working with Congress to enable an even greater role for private flood insurance.

And one way to do that, for instance, with the NFIP, if you enable people to leave without losing their subsidies, so they can test the market, or that they are able to get and [inaudible] bring this proposal on the development fund for time that they left the NFIP. All of this will help improve the attractiveness of private flood insurance, and I think, overall, reduce the cost of insurance.

Mr. POSEY. Thank you so much. My time has expired. And I yield back, Mr. Chairman.

Chairman CLEAVER. Thank you.

The gentlewoman from New York, Ms. Velazquez, is now recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. And thank you for this timely hearing.

Ms. Godreau-Aubert, I would like to address my first question to you. Puerto Rico's CDBG-DR Action Plan has an across-the-board prohibition for rebuilding in flood zones. What type of problem does this present to LMI communities? What alternatives are there? And what would a sensible relocation plan look like?

Ms. GODREAU-AUBERT. Thank you, Congresswoman Velazquez, for the chance to answer this question.

Different from other jurisdictions, Puerto Rico is an island. So the impact of climate change, sea level rise has a very direct impact on the people living, particularly in flood zones, in coastal zones. These communities, for several historic reasons, going back to slavery, are low-income and Black communities which are deeply affected by across-the-board prohibitions.

We are talking about 250,000 homes that are in flood zones in Puerto Rico. Relocation is not possible within the geography of Puerto Rico. If we don't have a sensible relocation policy that, for example, includes an inventory of available housing, that eliminates the discrimination against people with formal titles, which is almost half of the population, and that also accounts for climate migration, not only in the short term, but also in the long run of the island.

Ms. VELAZQUEZ. Thank you. And Ms. Godreau-Aubert, as you mentioned in your testimony and your previous answer, 69 percent of the inhabitants of Puerto Rico are homeowners, yet many lack formal titles here, which makes it more difficult for them to access FEMA aid. How was your organization able to help homeowners overcome their lack of a formal title?

Ms. GODREAU-AUBERT. FEMA denied approximately 77,000 applications of families in Puerto Rico, and neglected assistance snowballs and grows exponentially. What we are seeing right now is that constant discrimination against people with formal title, once again, hinders the rights of Black, low-income communities, which, because of access to justice, because of cultural patterns, and because the process is very complex and slow, are not able to access assistance.

As I said in my—

Ms. VELAZQUEZ. Let me ask you, what other steps can FEMA and HUD take to help make it easier for home owners without formal titles to have their claims recognized?

Ms. GODREAU-AUBERT. FEMA regulations already state the definition of owners that does not require registry or a title deed. We need HUD and CDBG-DR programs to adopt this kind of definition.

Ms. VELAZQUEZ. Okay. Thank you.

Mr. Mais, since 2017, we have reauthorized the National Flood Insurance Program a total of 16 times on a short-term basis. I have called for reauthorizing the program for as long as 10 years. As you know, the Program is once again set to expire at the end of September. Can you explain why a long-term reauthorization of the NFIP, on a bipartisan basis, is so important?

Mr. MAIS. Thank you, Congresswoman.

And let me just say here, I am going to go back to the idea of a mitigation plan, because what this does is it enables people—this is what insurance is all about—we are going to pay some now so that we can be sure if something happens, we are covered. That is the way we, as insurance regulators, look at various insurance programs, including the NFIP.

The NFIP, as you mentioned, has had a number of short-term reauthorizations. I am a homeowner, and I actually am a homeowner with an NFIP policy, and it makes it difficult to plan. You just don't know what is going to happen, how long this is going to be in place, and who should go after this.

So that reliance on short-term authorizations, or reauthorizations, I think has created a tremendous amount of uncertainty for consumers. And that includes businesses that rely on flood insurance. And you also have to—or certainly we keep in mind the fact—I have been in this business for a while, and people don't understand that flood insurance policies take effect after 30 days. It is hard enough convincing people to get the policies. Thank you.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. I yield back.

Chairman CLEAVER. The gentlewoman yields back.

The gentleman from Wisconsin, Mr. Steil, is now recognized for 5 minutes.

Mr. STEIL. Thank you very much, Mr. Chairman. I appreciate you holding today's hearing.

I have to say, though, I look forward to the Majority allowing us to be back in person. Across-the-board in D.C., we are spending money like drunken sailors, pretty darn inefficiently. We can't even do it in person. And so, I hope the Majority brings us back in person. I am excited to talk about today's topic as well, albeit virtually.

So, let's dive in with the short amount of time. There has been a lot of discussion surrounding the National Flood Insurance Program reauthorization, and how are we going to really ultimately keep rates in check. I am sympathetic to homeowners who are concerned about their ability to bear higher rates. And really, to me, that is why it is important when we are looking at how we do this.

Now that we are talking about lowering risks, we heard Mr. Mais talk about his support of mitigation funding, possibly private flood insurance. I have seen some people's write-ups here in their formal testimony, who support that as well, which brings me to a pretty significant concern in the draft of the NFIP reauthorization that is attached to today's hearing.

As I read this, it puts in place a 9-percent increased cap, and in my reading of this, that applies to all property, including second homes and severe, repetitive loss. And so, my concern is that someone in Janesville, Wisconsin, is going to be on the hook to subsidize somebody's second home on the ocean, or some fancy pants vacation home, and we are putting taxpayers in Kenosha, or Janesville, or Racine on the hook for this. That is one.

And then two, when you set a flat cap of 9 percent, one of my concerns is that we are going to discourage homeowners from taking steps to mitigate themselves from high-risk properties, in particular.

And so, Steve Ellis, if I can address a question to you in particular, as it relates to a 9-percent cap for fancy pants, second homes on the ocean—and I am not talking about people who are struggling to get by; we are talking about people who are buying second properties. Do you think that there is a moral hazard being created by this draft legislation as currently written?

Mr. STEPHEN ELLIS. Absolutely, Congressman, I think that is one of the issues that is true in flood insurance, regardless, is that there are some moral hazard issues and not pricing risk appropriately, and having subsidies that are already in the program.

And I talk in my written testimony about tremendous cross-subsidies that exist where you have people in—and I can't say specifically in Janesville or Racine, but these are counties with lower property values and lower deciles, actually the five bottom deciles are actually subsidizing properties in the top two deciles, and that is documented by the Government Accountability Office. And having a 9-percent cap, which has it, from what the cap was under the previous legislation, which is 18 percent, is going to discourage some of the mitigation activities, and is also going to stifle the private market, which will be better for taxpayers to move some of this risk off of the taxpayers and into the private sector, which is eager to take on that risk, in many cases.

Mr. STEIL. Yes. We have some beautiful property in the State of Wisconsin. And I encourage you to come on up to our State. But I can tell you, it is not the pricey property that you are going to get in oceanfront, second homes in California, along the coast, just from a cost standpoint.

So, I am concerned about putting Wisconsin taxpayers on the hook for these second homes, along the coast for people who should otherwise be able to bear that burden on their second property.

To shift gears slightly, we are talking about the moral hazard, if we can, Mr. Ellis. If we go back and just kind of look over history, we see a significant shift of this risk to the Federal Government. In my research, with Hurricane Diane in 1955, the Federal Government came in with about 6 percent of the total cost; now you get up to Katrina, and you get to 50 percent; in 2008, the Federal Government gets up to 69 percent; Superstorm Sandy in 2012, we are up to 77 percent. We can see where the trend line is going here.

Can you share a little bit of your view here as to the moral hazard of, we are putting all of this burden on the Federal Government, what that does from a mitigation standpoint at the individual, at the local, and at the State level?

Mr. STEPHEN ELLIS. Everybody has to have skin in the game, Congressman. And if you don't have that, then it is a disincentive to actually do the mitigation, to do the hard work. And we would certainly want to see States and communities prepare for these inevitable disasters. We know they are going to occur, and we should have a sliding scale of disaster assistance, in our opinion. And then also have strings that are trying to encourage States and localities to have their plans in place and be ready to go right after the disaster ends.

Mr. STEIL. I appreciate your feedback.

Mr. Chairman, I appreciate you having this hearing. I look forward for all of us to be, hopefully, in person discussing these important topics in the near future. And with that, I will yield back.

Chairman CLEAVER. Thank you, Mr. Steil.

The gentleman from California, Mr. Sherman, is now recognized for 5 minutes.

Mr. SHERMAN. Thank you. I guess I am here just to epitomize beachfront property in California. I think Mr. Steil has a point that the Federal Government is absorbing more and more of the costs of natural disasters. But if he thinks that is going to change, I have been here for a long time, and I have never seen more than a handful of Members vote against a disaster relief bill.

I have seen some of the most conservative, wouldn't-pay-a-penny-for-anything libertarians vote for disaster bills. And so, it is in our interest to make sure that uninsured losses are kept at a minimum, because whatever uninsured losses there are—if it happens to just one or two people, they are going to absorb the cost—but if it is a natural disaster that is in the headlines, I don't think even the gentleman from Wisconsin is going to walk to the House Floor and vote against the disaster relief bill.

We have given local control on all of the most important issues affecting housing. We now have a circumstance where, in my city, it seems to cost about $700,000 to build an apartment unit. We have building standards, where, if the building is not resilient, it is as, as Mr. Steil points out, going to be the Federal Government bearing the cost.

And then finally, there is one area that I think is significant enough that we should override local control, and that is the need to have recharging stations available, particularly to those who live in apartment buildings. We can't get people to buy electric cars if they can't recharge them at home, and "home" for everybody is not a single-family house with a three-car garage.

For an awful lot of Americans, it is a carport where the landlord hasn't put in an electric charging station. So at least if every apartment building and everything you paid for parking structures at work have recharging, we might get to the President's objective of electric cars.

I have a question for Mr. Mais. Most flood insurance policies are, of course, underwritten by the NFIP. There are more than 5 million property holders nationwide, and the NFIP is the nation's largest single-line insurance with nearly $1.3 trillion in coverage. Unless reauthorized by Congress by September 30th of this year, the authority to provide new flood insurance will expire. And the NFIP's authority to borrow from the Treasury will be cut from $30 billion to $1 billion.

Over 20,000 communities across the country participate in the NFIP, and over 5 million policyholders rely on it. Can you explain what happens to those communities and families who would no longer have access to the National Flood Insurance Program? And how would this lapse affect the communities in which they live?

Mr. MAIS. Thank you, Congressman. It is difficult for me to project what will happen across the nation, but I can tell you what we have heard over the past few years, as the NFIP has been up or been close to not being reauthorized. And we go back to that issue of uncertainty. People do need the certainty that they will have the insurance coverage to protect what will be, in many cases, their single most important asset. This is what they are going to be passing down to their children.

And there is no doubt that there is a growing private market over the past. In 2019, for instance, we had $526 million in direct written premium in the private market, which is up $100 million from the year before, and the earned premium was less than that, which means the market is growing. I think that is just taking stock.

But what that tells us compared to the fact that the NFIP had approximately, at its current rates, almost $3.5 billion of earned premium in 2018, is that it does represent a significant portion of the market. And that is why we are asking for that long-term reauthorization.

Mr. SHERMAN. Thank you. The final comment I want to make is, you can argue for this kind of flood insurance program, or that kind of flood insurance program, but what you can't argue is that doing it before the last minute is better for the country. We don't want to take people into July and August not knowing what their situation is, especially if they are trying to sell their home. And I yield back.

Chairman CLEAVER. Thank you, Mr. Sherman.

The gentleman from Texas, Mr. Taylor, is now recognized for 5 minutes.

Mr. TAYLOR. Thank you, Mr. Chairman. And I will echo my colleague from Wisconsin's 1st District that I wish we were meeting in person, particularly because I would get the chance to greet in person my good friend and colleague from the Texas Senate, Commissioner Ellis. It is great to see you here with us today. I appreciate your insights and your expertise.

I wanted to go into something that I learned about in the State legislature, this thing called actuarial soundness. So, if you charge less than what you need to make a product, eventually you go out of business, unless the government kicks in some money.

I think I heard the number, $90 billion. Let's see, who said that, that would be the Republican expert. Can you speak to the—over what period of time has the Federal Government kicked in $90 billion into the flood program?

Mr. STEPHEN ELLIS. Sure, Congressman Taylor. The $90 billion is the Community Development Block Grant Disaster Recovery Program. And that chipped in after Hurricane Andrew and a couple of other storms, Omar and Ike in 1992, so basically, from 1993 forward has been that $90 billion.

Mr. TAYLOR. So are we charging an actuarially sound flood insurance premium at the present time?

Mr. STEPHEN ELLIS. No, sir. The flood insurance program is created to have built-in subsidies. If your structure was built before the flood insurance rate map, or before the program was created, then you have a subsidized rate. If the zones change because of climate change or whatever, or a development nearby, and you shift from being a lower-risk zone to a higher-risk zone, you get to keep your rate.

The fact that the Program can borrow from the Federal Government also is a significant subsidy, particularly considering that it is underwater, and it has borrowed almost $40 billion from the taxpayer, to date. So, it is not an actuarially sound program. You could argue that was not the intent initially, but we are in a different place than we were in 1968. We have much better technology and soundness, and we need to be developing and improving the program so it is not as much of a burden on taxpayers.

Mr. TAYLOR. And I guess that is what I would ultimately drive for, trying to create an actuarially sound program that stands on its own, and that is in the interest of the taxpayers, and is also in the interest of the rate payers. When you set up an actuarially unsound program, eventually the taxpayers get tired of paying for that, and they end up ditching the ratepayers on the side of the road. And I don't want to see that happen. I want to see a program that is functional. But I think, mathematically, we set it up to be non-functional, and I think that is going to take some work to really work through that.

Ms. Godreau-Aubert, just on Puerto Rico, when I hear about people owning properties without a clear title, my heart goes out to those people. That is a really tough spot to be in. And as a former State legislator, I kind of think, gee, that is something that the Puerto Rico legislature should fix.

Do you need a Congressman from Texas to go and fix this for you? I would hope that you guys were working on that in Puerto Rico and you can ultimately solve this problem.

Ms. GODREAU-AUBERT. Hopefully, in fact, we used the example from Texas to develop the sworn statement and to make the lobbying process for the CDBG-DR alternative title declaration. What we need is basic clear guidelines stating and mandating local governments not to require formal titles. As I said, it is basically a waste of disaster aid funds to be using this money to try to push title clearance processes that may last for years and have no results.

Mr. TAYLOR. And I guess my concern is that if the Federal Government makes it easier for people without clear title to get access, then it disincentivizes your legislature from fixing this problem, which is obviously bigger than this, right? This is one piece of a much bigger problem, because there is the transfer issue, there are property and casualty insurance issues, there are lending issues. And not having clear title is a very small piece, unfortunately. It is obviously enormous that the people have this problem.

And I am not in any way—as I said, I am very sympathetic to this problem, but I worry that if we fix this particular piece of it, okay, we don't have to worry about it. But really, I think it is incumbent on the legislature in Puerto Rico to actually go ahead and fix this. And I appreciate you following Texas' example.

Mr. Ellis, it was great to see you.

Mr. Chairman, I yield back.

Chairman CLEAVER. Thank you. The gentlewoman from Ohio, Mrs. Beatty, is now recognized for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman. I am glad to be here, and glad to see everyone on Zoom. And like my colleague, Congressman Steil, and I believe Congressman Taylor, I, too, would like for us all to be in the room. So maybe if everyone gets vaccinated, that would be helpful for our leadership to move us back into that. I am a big proponent of the vaccination for a whole lot of reasons, mostly based on data and statistics.

But with that said, let me thank all of our witnesses for being here today and providing their testimony.

My first question is for you, Commissioner Ellis. And thank you for being here, and it's nice to see you again. I saw you in the last Congress as you came before our Oversight and Investigations Subcommittee.

We have heard about some of the devastation that has happened across the country. And we know over the last years, we have seen record-breaking floods, and fires, and hurricanes, of untold suffering. And we know that affects the least of us the most. We know that there is a national shortage already of an estimated 7 million affordable rental homes for extremely low-income renters across this country.

And the lack of affordable housing disproportionately affects communities of color. The shortage is greatly exacerbated when we have any one of these natural disasters.

For example, after the devastation brought by Hurricane Katrina, the housing authorities of New Orleans reported having close to 2,000 public housing units for low income people, and that was 3,000 less than what they had expected prior to the hurricane. That is why I strongly support Congressman Green's priority for one-for-one replacement of affordable housing units in his CDBG-DR proposal.

Commissioner Ellis, can you briefly describe for us any issues that Harris County has had with replacing affordable housing units after Hurricane Harvey?

Mr. RODNEY ELLIS. Thank you, Congresswoman, and it's good to see you again.

We have had tremendous problems. Congressman Taylor and I were in the legislature together in Texas, and Texas even had a rule for low-income housing credits, when Congressman Taylor and I were there, that your State senator and your State house member had to sign off, and you would get credits towards getting low-income housing credits if they signed the letter.

And on the Senate side, with Congressman Taylor's support, we got rid of that. But on the House side, we couldn't. And it is a big problem because of the, "not in my backyard (NIMBY)" issue. In fact, since I am no longer in the State Legislature, I can admit, sometimes I would write a letter opposing low-income housing credits, and then call the department head and say, you don't have to put your name on the ballot, put it in. And if they put that into law, you couldn't stop it, but it is a big problem, because of that issue and the fact that most of us around the country rely on the Federal Government, or incentives by virtue of the Federal Government to do affordable housing.

George Floyd is from the Cuney Homes right across from Congressman Green's alma mater, Texas Southern University. It initially was not built for Blacks, it was for Whites only, and it is the oldest housing project in Houston. We have to face issues on what we do there. You can't even have central air in it because it is just so old.

But then the challenge is that plenty of developers want to take it down. My mentor, Congressman Leland, put in Federal legislation with, back then, Congressman Frost out of Dallas, and Congressman Taylor, to block developers from taking over affordable housing near downtown. But it is always a challenge because of the NIMBY issue.

I hope that in addition to the legislation you made reference to, Congressman Green and Chairwoman Waters, obviously, and you, Mr. Chairman, as well have advocated, you ought to put some incentives in that and get us to help on the local level. When I was on the city council, we put up some money, about $20 million every 5 years in the capital improvement program. I am hoping my county does that as well.

As one of your colleagues made a reference to earlier, it is all their money, but it is not fair for us to always put it on you. We ought to take some of that heat for affordable housing as [inaudible].

Mrs. BEATTY. I am going to stop you, because I think my clock is running down.

And I want to ask our witness, Ms. Poticha, can you briefly explain the economic effects of a natural disaster on low-income communities, as opposed to a beach town field, and this is reflected on the [inaudible].

Ms. POTICHA. Should I continue to answer, or—

Chairman CLEAVER. Yes. Please proceed, Ms. Poticha, with the answer.

Ms. POTICHA. Okay, great. The economic implications of disasters on low-income households are profound. Most low-income households actually live in rental housing, so they are at the whim of the apartment building owner, or the owner of the home to retrofit these units. And, we really do need to get much more proactive in the way that we think about addressing climate change and the impacts on low-income households.

Mrs. BEATTY. Thank you. And thank you, Mr. Chairman. I yield back.

Chairman CLEAVER. The gentleman from Texas, Mr. Green, is now recognized for 5 minutes.

Mr. GREEN. Thank you very much, Mr. Chairman. You have absolutely hit a home run with this hearing.

I am also very grateful to Mrs. Wagner, because she and I have worked together on the CDBG-DR Disaster Relief bill, and the CDBG-DR bill is something that we hope to get passed again. We passed it in the House in the last session.

I thank you, Mrs. Beatty, for your very kind words. I always appreciate being in hearings with you, and you spoke quite well. I can compliment you for your many, your many ways that you get things done. Thank you.

Now, let me talk quickly about a couple of things. The first is, I have a commissioner in Fort Bend County who has called something to my attention, and he has indicated to me that in Fort Bend County, they have levees.

These are FEMA-certified levees, Mr. Chairman, and he indicates that these levees protect them from flooding, and it is his position, and I tend to agree with him, that if these levees are protecting from flooding, and they are certified by FEMA, he believes that the cost for the flood insurance should be reduced, because the risk is being reduced by the levees, and the cost should be directly proportional to the risk. If the risk goes down, then the cost should go down.

So I am going to ask, Ms. Poticha, would you please give some comments on this?

Ms. POTICHA. I think that these are very good questions, Congressman. And we should be modulating the cost and the insurance coverage based on actual risk. I think often, we have really underestimated the risk. We hear now all the time about hundred-year flood zones and we are having floods in those areas every 5 to 8 years.

So we have to not only update our information and make sure that it actually takes into account the risk of much more extreme and more frequent storms, but we also need to understand that the old ways that we have been looking at this are just not working anymore. Even in an area that might be protected by a levee, we have seen those levees fail. So, we should be really focused on the actual risks to the community and ensure that it is protected.

Mr. GREEN. Thank you very much. Let me do this, Mr. Chairman. I am going to offer for the record, a document, a communique from this commission, Commissioner Ken DeMerchant, who has some additional 12, 13 points that I think would be worthy of our consideration. So, I would like to place this in the record. And I would like to continue with another issue, understanding that—

Chairman CLEAVER. Without objection, it is so ordered.

Mr. GREEN. —there will be more that we will do and talk about as it relates to the issue that he has called to our attention.

Right now, Commissioner Ellis, you have had some concerns with reference to the CDBG-DR funds getting to you. HUD has recommended that we change the system. The HUD OIG has indicated that we codify the process so that we don't reinvent the wheel every time there is a disaster. And I would like to get your response in terms of how codification could be of great benefit to the recipients of the funds, if you would?

Mr. RODNEY ELLIS. Congressman, thank you. I think it would be helpful as long as there is appropriate congressional oversight of what we do, and making sure that in any guidelines that are codified, the equity is replete as part of the process. And equity has to be more than just a six-letter word. Obviously, on my level we would prefer if you do a direct allocation to us so we don't have to argue about the administrative costs with our State partners, but the key is guidelines that have equity.

And I will close with this: When HUD was created, LBJ wanted the direct allocation, cities and counties wanted the block grant approach, but oftentimes they have not, we have not been as equitable in how we spend the money. The HUD money was directed for the most vulnerable among us. That is why it was created.

Mr. GREEN. Just as a quick follow-up, I am sure you are concerned about the timely manner in which the funds are received. That has been a problem, I think. And I agree with you, direct allocation would work. We are attempting to put together a means by which that can take place, and I believe that it is doable. We have done it before. Hopefully, we can put this into some sort of codified language and make it permanent.

Finally, with reference to my next opportunity to talk about this, I will yield back my time today. Thank you very much.

Chairman CLEAVER. Thank you, Mr. Green.

The gentlewoman from New York, Mrs. Maloney, is now recognized for 5 minutes.

Mrs. MALONEY. Thank you, Mr. Chairman. And thank you all for your testimony on this very important topic. This hearing touches on the intersection of two crises which are being felt acutely in my City of New York: the climate crisis; and the affordable housing crisis. Climate change is one of the single most pressing threats facing New Yorkers, this country, and the global community, and our most vulnerable communities are bearing the brunt of the consequences.

As we look to building back better, we must do so with a focus on climate justice and climate resiliency. For New York City, that means investing in a green future for New York City's public housing.

To celebrate Earth Day this year, I gathered with climate activists and New York City Housing Authority (NYCHA) residents to discuss efforts to invest in climate solutions while also addressing our affordable housing crisis. The Green New Deal for public housing introduced by my colleague, Ms. Ocasio-Cortez, would help us achieve this by investing up to $180 billion over 10 years in sustainable retrofits that target urgent maintenance repairs, improvements to residents' health and safety, and the elimination of carbon emissions.

It also provides funding to electrify all buildings, add solar panels, and secure renewable energy sources for all public housing energy needs. In short, it will make Federal housing cleaner, safer, and greener.

Ms. Poticha, do you believe that the Federal Government should include carbon reduction and climate resiliency when we invest in affordable housing?

Ms. POTICHA. Thank you Congresswoman. I appreciate the question. And I really appreciate your vision for a more comprehensive set of solutions, because what we know—the science tells us that even if we go full bore on making our communities as resilient as possible, we are still going to be facing the impacts of climate change, and affordable housing is so essential to be a key role in our response, because these are the people who are the most vulnerable. They are the most vulnerable to harm when their home doesn't have tight windows, air comes in, moisture builds, they get asthma, and they are sent to the hospital.

But they are also more vulnerable due to an inability to have a really stable home, so the more that we can connect climate resilience and affordable housing as one issue that really, I think, is the place that we should be.

Mrs. MALONEY. As a follow-up, will the failure to invest in climate resiliency lead to the loss of more housing units, contributing to the affordable housing crisis in our nation?

Ms. POTICHA. Absolutely. Thank you very much. I think that what we have seen of the community is housing that has not been kept up to standards. These are the most vulnerable households to an extreme weather event, or hurricane, or a big wind event, and if we start to lose those housing units, we are starting to really see a catastrophe in our communities.

Mrs. MALONEY. And in your written statement, you mentioned two action items we can take to address equity housing and climate resiliency: one, supporting community-led development; and two, funding community ownership. I recently introduced the Affordable Housing Preservation Act with Representative Omar, and the legislation will establish a $200 million grant program run by HUD that would support nonprofits in their efforts to create and preserve affordable housing options by developing cooperatives for low-income homeowners.

This legislation seems to align with your prescription of supporting community-led development and funding community ownership. Can you elaborate on how these two principles are important for addressing climate equity and housing?

Ms. POTICHA. Yes. Thank you for that question. Community-led development and funding community ownership really help ensure that communities can continue to reverse the legacy of disinvestment and segregation from our policies, and instead, allow people to lead the response in their own way. They want the agency to be able to design their futures.

Mrs. MALONEY. Thank you. My time has expired. I yield back.

Thank you so much, Mr. Chairman, for calling this important hearing. And to all of the panelists, thank you.

Chairman CLEAVER. Thank you, Mrs. Maloney.

Mr. Vargas of California, you are now recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman. First, I want to thank you for holding this hearing. I think it is been an excellent hearing and very provocative in many ways.

I also want to thank, and I would be remiss if I didn't thank General Stivers for his service, both to the Military and to the Congress. You really are an asset and we will miss you deeply. Everyone respects you deeply. Thank you.

I also would like to meet in person. And I again would echo the same remarks as Mrs. Beatty, get vaccinated. Mr. Taylor, tell your colleagues, please, get vaccinated so we can meet in person again. I think it is important, and it is also science.

And since I mentioned science, it is interesting—for many years, I have argued the point of climate change with my colleagues on the Republican side, and I would always, unfortunately, get to the point where they would make the point about cows flatulating, and how that also is climate change.

Well, the reality is that it is not climate change, it is an existential threat, and we have to do something about it. And I think that now we are all taking it seriously—I hope we are, and that we are going to do something about it. There is also something else that came up here that I think we have to take seriously, which is not building in areas that we know are going to be prone to flooding and also fires. Fires haven't been mentioned. Here in California, we are building more and more in fire-prone areas, and it just does not make sense.

So, those are moral hazards when we allow people to do—and I heard the testimony that in Puerto Rico and other places, it is very poor people who are oftentimes in these floodplains. And that is true, but also you have along the coast here in California, as was mentioned, some very expensive homes that should not have been built right along the coast.

In fact, oftentimes when I was on the coast, Commissioner, I would vote against building the rock walls and all of these other things, and these things that would prevent the houses from falling into the ocean, because the reality is that the cliffs erode, and that is how we get the sand to replenish our beaches, so some of these things are just natural.

But I do want to ask, because I think it is an important thing, why do we continue to allow the building in these dangerous places? I think a lot of us would agree that it is important not to do that. And it is controversial because on both sides, there is reason to be against it or in favor of it.

Ms. Poticha, why don't I ask you that? Why do we allow that, or should we?

Ms. POTICHA. Thank you, Congressman Vargas. That is a really great question. And it is probably the central conundrum of this issue.

We have a tradition in the U.S. of local control, and letting communities make their own decisions, and yet often the science is telling us that the way that we built in the past is not going to do us very well going forward. So, we really do need to create incentives to move people out of harm's way, and make them more resilient.

And I applaud your experiences on the California Coastal Commission. I think it is a very challenging issue. And maybe the only real way to do that is through creating a carrot that is so sweet and tasty that it promulgates change.

Mr. VARGAS. Okay. Commissioner Ellis, I don't know you, but you are very well-respected, obviously, by everybody. That is a tough question. How about you? I know that you know a lot of places that, I imagine, people don't want to move, but they probably should. What should we do?

Mr. RODNEY ELLIS. Congressman, I think it is a lack of political will to do it. And obviously, if we talk about neighborhoods where they have more money, it is more affluent, with political clout, it is even more difficult, a separate issue. But we run highways through neighborhoods and take out poor areas all the time.

Mr. VARGAS. Yes.

Mr. RODNEY ELLIS. There ought to be some equity there when we do it, and there ought to be some consequences. The carrot approach does work, but at some point you have to have a little bit of a stick. And by the way, I represent the energy capital of the world, and I know if we want to remain the energy capital, that means we have to diversify.

Mr. VARGAS. Sure.

Mr. RODNEY ELLIS. And the resources [inaudible] but, look, it is a lack of political will, and we ought to stop it and we have to take control.

Mr. VARGAS. Would anyone else like to comment in my last 35 seconds?

Ms. GODREAU-AUBERT. Certainly. Thank you for the question, Mr. Vargas.

In Puerto Rico, we are not asking for people to live in risk zones. What we are saying is that relocation should never be the first option. To clarify, the scope of CDBG-DR, if you are a person living in a flood zone and you don't have a formal title, circumstance is that usually come together, they have no options, no incentives, no aid under CDBG-DR because of locally imposed guidelines.

What we are saying is that mitigation is often unequal. So, we are promoting tourism, hotel buildings, and at the same time we are to saying to people, you can't live there. So, we are asking for equitable mitigation and sensible relocation and incentives policy.

Mr. VARGAS. Thank you very much.

Mr. STIVERS. Would the gentleman—I know the gentleman is almost out of time. Would the gentleman yield for one second?

Mr. VARGAS. I am out of time. But I will certainly yield to you, General, of course.

Mr. STIVERS. I would just ask, since you are the third Member who has brought it up, that the Members of the Majority go to the chairwoman and ask her to survey to see who has been vaccinated. I don't think that any Members on either side of the aisle on this committee have not been vaccinated.

And maybe we can meet in person again, if the chairwoman would be willing to survey the Members to see who has been vaccinated. I believe the Members on either side of the aisle have in fact been vaccinated. So after having that come up a couple of times, I figured I would just put in that plug. It is the last—

Mr. VARGAS. Will you come back for it, General?

Mr. STIVERS. —time I can say something like that. I yield back to the gentleman.

Mr. VARGAS. Thank you very much. I yield back.

Chairman CLEAVER. I will deliver those comments, Mr. Stivers, to the chairwoman.

The gentleman from Florida, Mr. Lawson, is now recognized for 5 minutes.

Mr. LAWSON. Thank you, Mr. Chairman. And thank you for holding this hearing.

My question is going to be for the whole panel, for each one of them to comment on it. In 2018, the Trump Administration did not activate the FEMA Disaster Housing Assistance Program after Hurricanes Harvey, Irma, and Maria. The program provided direct rental assistance and case management for lower-income residents displaced by the disaster.

Sixty percent of fire victims were denied FEMA assistance monthly—after Harvey, just 26 percent of the people who applied for FEMA's small business administrative assistance had been approved, according to a December 2017 survey. Navigating assistance can be hard for anyone, but especially for impoverished victims of a storm.

Should the FEMA Disaster Housing Assistance Program be activated? And how can the government improve the approval rate for low-income residents who have been negatively impacted by the natural disasters? And that is for the whole panel. Does anyone on the panel want to respond?

Mr. RODNEY ELLIS. If I may, this is Rodney Ellis out of Houston, Harris County. I think, yes, it should be activated. I think as much as you can do to encourage direct allocations to those local communities so we don't have to fight with our State partners over administrative fees—who should administer it. And I think it would be wise to call us back in, and explain what we do. Give us some deadlines, and if we don't meet them, ask us to explain why.

Mr. STEPHEN ELLIS. Congressman Lawson, just to respond to your question, I am not super familiar with the program, but I would say that when an affected governor goes to the President and asks for a major disaster declaration, and it releases the DRF funds, other programs in FEMA should be tapped. That is something that would make sense to me.

But then also, I think that this is an area where, when you talk about the approval rate and working with people, these are people who, in the best of times, are going to have, potentially, some difficulty applying for funds. And when you put a disaster on top of it, it is a much more challenging situation, and so I think that that is also a place where the Federal Government has to step beyond and try to provide assistance to people to apply for these funds and work through them.

And lastly, just one thing that is kind of my separate little axe to grind, and I will be very brief, is that when you have an aviation disaster, we have a commission that goes and looks at what happened, analyzes it, and comes out with a report. We have major disasters, tens of billions of Federal dollars, and there is no after-action, sort of review of this. What should we learn? What should we apply? How can we make sure that when another—like after Rita, you had Harvey. What did we learn to make sure that we don't have that similar situation and would do better responding to disaster the next time around?

Ms. POTICHA. Congressman, this is Shelley Poticha from the Natural Resources Defense Council. And, yes, we should put forth, unlock housing assistance, rental assistance. And let me just put a little bit of data to the question. The impact on wealth inequality in natural disasters is profound. Black households lose an average of $27,000 in wealth after a natural disaster, Hispanic households are estimated to lose $29,000 per household, and at the same time, White households gained $126,000 in wealth. And that really affects renters more than homeowners. So, we have to put people at the center of this response and center racial equity.

Ms. GODREAU-AUBERT. I think that open data is also a big part of this process. One of you already said that knowing and learning about the mistakes from the past could be incredibly useful. In our case, learning reasons for denials, basis for denials was extremely hard. And we have to present several Freedom of Information Act (FOIA) requests just to realize that ownership, or the lack of an official address were some reasons.

Also, we think that in the aftermath of a disaster, requesting people to access that application only using the internet, or only using a telephone when there is no light and no telephones—

Mr. LAWSON. Mr. Chairman, I yield back. But this is a big issue, especially in Florida, where we have a lot of hurricanes, and something needs to be done about that. I agree with Mr. Ellis, and everyone who has spoken on this. But this is a big issue that we need to resolve. We do it for everybody else, but we don't do it for people in need, losing all of their income and everything else because of these hurricanes.

With that, I yield back, Mr. Chairman.

Chairman CLEAVER. Thank you, Mr. Lawson.

The gentlewoman from Iowa, Mrs. Axne, is now recognized for 5 minutes.

Mrs. AXNE. Thank you, Mr. Chairman. And thank you to the witnesses for being here.

I am glad we are having this hearing actually, so that we can better protect people's homes from disasters and climate change, which of course my colleague just mentioned in his own district, and we are seeing it here, of course, in Iowa.

The UN released a report earlier this year, finding that natural disasters are occurring 3 times more often than they were just 40 years ago. And in the last 2 years, boy, have I seen homes in my district devastated by major flooding along the Missouri River, and by a derecho that brought 140-mile-per-hour winds here across Iowa and the Midwest. So, I tend to look at resiliency in terms of a couple of categories: how we build homes; and where we build them.

To start with how we build them, Ms. Poticha, can you talk about some of the long-term benefits of using modern building codes and methods?

Ms. POTICHA. Thank you, Congresswoman. I appreciate that question because we do want to see as a result of these conversations, higher standards in the way that we build our homes and buildings. And that is not only to make sure that, say, the roof doesn't blow off when a big wind comes through, but it is also to make sure that everyday living is healthier, particularly for low-income households and renters.

We know that incidents of asthma are much higher in Black and Brown low-income communities. When a building doesn't have full enclosure, which actually also reduces energy use, and helps us mitigate climate change, when we have water infiltration, health incidents are much, much higher. So, there are multiple wins when we start to think about improving our building standards.

Mrs. AXNE. Thank you for that. And I appreciate you bringing up the health aspect of that. Do you possibly know how much people could save just on energy efficiency improvements?

Ms. POTICHA. Congresswoman, are you asking if they make their home energy efficient, how much do they save?

Mrs. AXNE. Correct. How much could the average family be saving if we pushed for energy efficiency across this country and individual's homes, any help with that?

Ms. POTICHA. Thank you for that question. I think it varies across the country, and I can get you much more detailed information, but what we found is that households are saving up to 20 percent of their monthly bills if they weatherize their homes, which is a lot of money.

Mrs. AXNE. That is a lot of money. Thank you for that. I think it is pretty clear that there is a heck of a lot of room for improvement there in helping American families reduce their expenses through more energy-efficient homes.

I am wondering, Mr. Mais, are those improvements something that is, or should be, included in insurance rates?

Mr. MAIS. Thank you, Congresswoman. And yes, as insurance regulators, we support whatever efforts can be made to incentivize mitigation and to increase resilience, reduce the damage that any catastrophe can cause. And this is something we have been working on. As I mentioned, we had a recent workshop with the Insurance Institute for Business & Home Safety (IBHS), trying to look at cost-benefit metrics as we look at what it takes to be able to have resilient housing.

It is important, I think, if we look at—forget Congress—I think it is important for Congress to do what it can to incentivize States, help FEMA to fully fund its mitigation program, so take a homeowner, so a homeowner like myself, the NAIC did a study, did a survey that was published at the beginning of April, and they asked homeowners, just your regular, average homeowners across the country; would they be willing to invest their own money to protect against—to mitigate any damages, to increase resiliency, and perhaps to get a reduction in their insurance costs?

And if you take a look at it, you will be stunned at how many homeowners wanted to do that. I think the need is there, the understanding is there, and we, as insurance regulators, are working with industry and working with academics to see what we can do to ensure that these building codes are done as strongly as possible to preserve the housing stock, and that any savings are recognized by those households who actually take advantage of resiliency measures.

Mrs. AXNE. Thank you. And quickly, I want to get in here, with my colleague, Mr. Lawson's, same kind of thinking there. I have folks who are still waiting to make sure that they can get their funding and get bought out in this district. Are there ways that you all think we could better serve constituents through FEMA?

Chairman CLEAVER. Mr. Mais, the time is up, but go ahead and respond.

Mr. MAIS. Yes, if that was directed at me, I am perhaps not the person to answer that as a State insurance regulator. That is a Federal issue. It is an issue of Federal policy, and I just don't feel it is within my purview as a State insurance regulator to respond to it.

Mrs. AXNE. Any other folks on the panel who would like to respond?

Mr. RODNEY ELLIS. This is Rodney Ellis. Any additional money that goes into the buyouts would be helpful. Voluntary buyouts help to give the people a price that would incentivize them to make a move.

Mrs. AXNE. Thank you.

Chairman CLEAVER. Thank you, Mrs. Axne.

The gentleman from New York, Mr. Torres, is now recognized for 5 minutes.

Mr. TORRES. Thank you, Mr. Chairman. The destruction of property at the hands of climate change is as much a human disaster as it is a natural disaster, decisions about the design, construction, and siting often determine the extent of the property damage caused by a climate event.

Take as an example, the varied impact of California's 2018 wildfires. In 2008, California established rigorous building codes, and 51 percent of the properties built after 2008 went undamaged during the wildfires. By contrast, only 18 percent of the properties built before 2008 went undamaged.

Furthermore, according to a 2020 FEMA study, the adoption of the International Building Code and the International Residential Code saves $1.6 billion a year. Is there anyone on the panel who knows what percentage of States and localities have adjusted their building standards to meet the International Building Code and the International Residential Code?

Ms. POTICHA. Congressman Torres, this is Shelley Poticha. I would be happy to get back to you with that information. I don't have it at my fingertips right now.

Mr. TORRES. And should the government—now I have a policy question—mandate adoption of the International Building Code and the International Residential Code as a condition of receiving Federal funds when it comes to the expenditure of Federal funds on infrastructure, particularly housing?

Ms. POTICHA. Are you directing that at me?

Mr. TORRES. Yes.

Ms. POTICHA. Okay. We need to get everyone to adopt these more stringent codes, because not only is it essential to drive down energy use in existing buildings, it is the most cost-effective way of reducing climate pollution. And until we have a common set of standards, and even the ability of some jurisdictions to take further action beyond—I do work in San Jose, which has adopted a very aggressive building code standard, net zero, and we need to do this in order to meet our climate challenge. I can't state how urgent this is.

Mr. TORRES. And is there anything else that the government can do to ensure the sustainable and equitable design, construction, and siting of housing?

Ms. POTICHA. I think that—

Mr. STEPHEN ELLIS. May I respond? Oh, sorry.

Ms. POTICHA. Please, go ahead, Steve.

Mr. STEPHEN ELLIS. Congressman, I think that it really, if you look at how much money is going out the door from the Federal Government, there needs to be greater strings attached. Essentially, the communities, and the homeowners, and the States have to do their part as well, if they are expecting Uncle Sam and citizens around the country to do their part.

I have no problem tying strings to Federal assistance, to actually have stronger building codes, and build back in ways that are more resilient and less vulnerable. I think that is a critical area. And if a community or if an individual does not want to do that, don't take the money.

Mr. TORRES. But apart from the adoption of the International Building Code, and the International Residential Code, what strings should be attached to the expenditure of Federal funds?

Mr. STEPHEN ELLIS. Well, a lot of it comes down to planning and being ready for these inevitable disasters. And the one thing that you find is that if you already have a plan in place of, okay, when the disaster occurs, we are going to buy out these particular properties, or we are going to do this particular mitigation action, you have an opportunity, a tragic opportunity, but an opportunity, nonetheless, to remake your community and make it less vulnerable.

So, we should have been requiring certain plans and policies to be in place. And we should be rewarding communities and States that do more, with more assistance, and trying to drag along the laggards.

Ms. POTICHA. If I could just build on that, I would also say that communities need resources to engage with leaders in the community to get ahead of a disaster and plan in a proactive way. That is why I focus on community-led low carbon development, because if you have an ability to get the community engaged in order to prevent the damage that is likely to happen, that can do a lot.

Mr. TORRES. And then quickly, I don't know if I have time, but if you could just—both HUD and FEMA have recovery funds programs. What has been your experience with each of those programs in terms of the ability to access the funds, and the flexibility around the expenditure of those funds?

Commissioner, I will direct the question to you.

Mr. RODNEY ELLIS. Congressman, thank you. I was going to say, on the International Building Codes, make sure that there is flexibility. We got 50 inches of rain from Harvey in Houston, and that may not be the case everywhere in the country.

But, look, as much as you can give a direct allocation with accountability, it helps. What we have run into in Houston is us disagreeing with our State partners, and then sometimes, the government actually wants extra money to balance that budget on administrative fees. And then, we don't get administrative fees, but we take it from low-income people, so we can administer the program that somebody is looking over our shoulder on. That is a great question.

Chairman CLEAVER. Thank you, Mr. Torres.

The gentleman from Texas, Mr. Gonzalez, is now recognized for 5 minutes.

Mr. GONZALEZ OF TEXAS. Thank you, Mr. Chairman.

My question is for Mr. Ellis. Mr. Ellis, the Fair Housing Act (FHA) protects people from discrimination when they are renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities. In the aftermath of disaster, several States have been sued over their inequitable or discriminatory allocations of disaster recovery funds, which were found to be in violation of the FHA.

For example, in 2014, the State of New Jersey settled for $240 million after a HUD investigation found that Black and Latinx residents were disproportionally denied recovery and building assistance, and that the State had not conducted sufficient outreach to communities of color, low-income people, and people with limited English proficiency.

Mr. Ellis, how does Harris County work with the State of Texas to ensure that fair housing planning and disaster recovery planning go hand-in-hand?

Mr. RODNEY ELLIS. Congressman, thank you. It is a big challenge. We have asked our legal department, we have tasked them with making sure that they try and root out any vestiges of discrimination. I mentioned earlier that in Texas, we still have that requirement in State law that you give points based on whether or not local officials sign off on putting housing in certain neighborhoods.

So, it is a big problem, and a big issue there. I don't think there is as much sensitivity on the State level as there is in local communities. But look, I welcome the renewed interest in fair housing on the Federal level, particularly from the new Secretary of HUD. I think it is a good thing, even for those of us who want to do the right thing, it is a challenge in certain neighborhoods. And it is good when we can say, "You tell us we have to do it or we will get sued."

Mr. GONZALEZ OF TEXAS. Yes. What does Harris County's latest assessment of fair housing show are the biggest impediments to fair housing, and where does the County work to mitigate those issues in the administration of CDBG funds?

Mr. RODNEY ELLIS. Well, start with that requirement that you have to get signoff from other elected officials. It is also a big challenge for us in disputes with our State partners on this one-bedroom, two-bedroom policy.

If you go in and a house had three bedrooms built, and there are only two people left in it, it is the largest investment that family has, and GLO is taking the position that you can only go back with two bedrooms. The City of Houston decided to put local dollars up to match it. We have not done that at the County level.

We have to go back and appeal to HUD to overrule the GLO on it. I mentioned earlier, when your colleagues asked, why were they doing it—I think the chairwoman asked—I think it is because they were worried there wouldn't be enough funds to go around. But it is a big problem in Harris County and in other areas.

Another big problem for us is protecting the investments you all have given us in housing. We assume in our region that we get about a billion dollars for the City of Houston, and a billion dollars for the County for housing. We have assumed we should get a comparable amount out of CDBG mitigation funds to go and protect that housing. So, there are a lot of challenges there. Any oversight you all give us, Congressman, and any questions you all ask of HUD, and also of the GLO, will be helpful.

Mr. GONZALEZ OF TEXAS. Thank you. And I yield back. Thank you so much.

Chairman CLEAVER. Thank you, Mr. Gonzalez. And let me thank all of our witnesses for their testimony today. This has been a very enlightening hearing.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 2:07 p.m. the hearing was adjourned.]

APPENDIX

May 4, 2021

Written Testimony of Harris County Commissioner Rodney Ellis

U.S. House of Representatives
Committee on Financial Services,
Subcommittee on Housing, Community Development and Insurance
May 4, 2021

Chairman Cleaver, Ranking Member Stivers, and distinguished members of the Subcommittee on Housing, Community Development, and Insurance, thank you for providing the opportunity to testify today at the Housing, Community Development and Insurance Subcommittee hearing entitled "Built to Last: Examining Housing Resilience in the Face of Climate Change.

Harris County is the third largest county in the United States, by population, and home to over 4.6 million residents. I represent Precinct 1 which is located within Harris County and contains most of the City of Houston, as well some unincorporated areas within the county.

The Challenges of Housing Resilience in Harris County

Harris County is prone to flooding due to a flat topography that barely rises above sea-level and frequent high intensity rain events. Our region is also growing rapidly, and in the last quarter-century, the greater Houston area has added a million people and its commercial development has removed wetlands that could soak up storm water runoff.[1] In addition to population growth, we are also dealing with the reality of climate change.

In 2017, Hurricane Harvey devastated our region. Harvey dropped more than 50 inches of rain on some sections of the Houston area. Nationally, Harvey resulted in $125 billion in damage and more than 100 deaths, directly or indirectly.[2] In the Texas Gulf Coast area, more than four in ten residents in the area reported that their home was damaged.[3] In Harris County alone, more than 120,000 structures were flooded by unprecedented rainfall.[4]

Residents in Houston and Harris County have yet to fully recover from Hurricane Harvey. According to a University of Houston study, nearly 20% of the survey respondents who were displaced by the storm are still in temporary housing.[5] The same survey found that only one-fifth (20.7%) of the respondents whose properties suffered damage due to Harvey Hurricane

[1] NBC News. Why Does Houston Flood So Often and Heavily?
[2] University of Houston. Hurricane Harvey, Three Years Later. Summer 2020. https://uh.edu/hobby/harvey/docs/hobby_school_harvey_survey_report_3.pdf
[3] Kaiser Foundation. An Early Assessment of Hurricane Harvey's Impact on Vulnerable Texans in the Gulf Coast Region. December 2017. https://files.kff.org/attachment/Report-An-Early-Assessment-of-Hurricane-Harveys-Impact-on-Vulnerable-Texans-in-the-Gulf
[4] Harris County Flood Control District. Harris County Has Never Seen a Storm Like Harvey https://www.hcfcd.org/About/Harris-Countys-Flooding-History/Hurricane-Harvey.
[5] *Ibid.*

received and accepted a buyout offer from the government. Over 10% of respondents received an offer but did not take it, and 69.2% did not receive a buyout offer.[6]

Absent leadership and decisive action, climate change will put our people, and especially our most vulnerable people, at higher risk. Data published in the Proceedings of the National Academy of Sciences suggest that in areas such as Houston, storms previously considered to have a 500-year recurrence frequency (0.2% risk) are now considered to be 5-year (20% risk) storms.[7] This means that we can anticipate more frequent and more severe storms and flooding to devastate Harris County.

Disparate Impact on Low-Income Communities of Color

Low-income and communities of color bear the greatest burden from our unsafe infrastructure. Natural disasters such as Hurricane Harvey compound the burden of structural racial inequity. Black and Hispanic residents and those with lower incomes are more likely to report being negatively affected by disasters and less able to recover. These disasters are making existing inequities worse—a study by Rice University and the University of Pittsburgh found that between 1999 and 2013, natural disasters increased Houston's racial wealth gap by $87,000.

Historic discrimination and residential segregation have led low-income communities to live in flood-prone areas.[8] Many of the houses that flooded during Harvey were located in flood prone areas and were located in underserved communities. Houston's historically Black neighborhoods, such as Fifth Ward, which is near Buffalo Bayou and two major freeways, saw severe damage due to the storm, including damage to hundreds of homes and apartments. According to Census data, this neighborhood is also one of the regions poorest. The median household income was $20,326 in 2017—roughly half the statewide median.[9] Beyond the physical danger, living in flood-prone areas obstructs residents' access to affordable flood insurance and loans to rebuild [10] which leads to deferred maintenance practices, further diminishing area homes from successfully emerging from future storms. Our most vulnerable residents are the first to suffer and the last to recover from the ever increasing disasters brought on by climate change.

While the situation is dire, there are two concrete steps that can start to reverse the cycle of discrimination and devastation. First, the federal government can reverse the cost-benefit analysis that determines where much of the federal funding for flood control is spent in localities.

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[6] *Ibid.*

[7] Jim Blackburn, Rice University's Baker Institute for Public Policy, Living with Houston Flooding (December 2017), https://www.bakerinstitute.org/media/files/files/68acbe10/bi-pub-livingfloodinghouston-120617_kF7klri.pdf

[8] Mustafa Santiago Ali, Environmental Racism is Killing Communities of Color. Climate Change Will Make it Worse (July 28, 2020), https://www.theguardian.com/commentisfree/2020/jul/28/climate-change-enviromental-racism-america.

[9] Texas Observer. In Houston's Fifth Ward..." July 2020.www.texasobserver.org/in-houstons-fifth-ward-the-storm-never-stops/

[10] Mustafa Santiago Ali, Environmental Racism is Killing Communities of Color. Climate Change Will Make it Worse (July 28, 2020), https://www.theguardian.com/commentisfree/2020/jul/28/climate-change-enviromental-racism-america.

Second, the federal government can increase oversight of recovery funds authorized after Hurricane Harvey to assure that they do not perpetuate past inequities.

Cost-Benefit Analysis

In Harris County, we have seen how systems and policies can have an adverse impact on our most vulnerable residents. After decades of neglect, lower-income areas and communities of color in flood-prone areas still experience home and street flooding with nearly every hard rain. These Harris County communities have been passed over for years due to an inequitable federal cost-benefit-ratio that prioritizes flood mitigation projects based on property value, which serves those who live in higher-income neighborhoods, rather than those with the most need. Under this formula, areas with higher property values and fewer residents are prioritized over areas with larger populations living in less expensive homes, even when danger and risk of floods are higher. Cost-benefit analysis unfairly prioritizes property over people.

Families living in the Halls and Greens Bayou watersheds, which includes northeast neighborhoods in Harris County that are primary Latino and Black around Aldine, East Little York/Homestead, Mesa/Tidwell, Eastex-Jensen and others, deserve answers. The Harris County Flood Control District has identified flooding as a “persistent hazard” for people along Halls Bayou; it can flood with just six inches of rain. This persistent, chronic flooding has left thousands families locked in a cycle of vulnerability, struggling to recover from one flood while bracing for the next. But the watershed has never qualified for desperately needed federal dollars because of the discriminatory effect of the federal formula; it will receive funding for projects now only because of a Harris County Flood Bond that local voters passed overwhelmingly in August 2018. The Water Resources Development Act (WRDA) of 2020 included a directive to the United States Army Corps of Engineers to increase the emphasis of “other social effects in project evaluation,” and that is an important first step. These other social effects can and should include consideration of economically disadvantaged communities’ need for flood risk reduction projects, the number people’s lives that could be protected, and the number of structures protected with a project--instead of the value of structures protected, in order to incorporate equity into the federal decision making process.

CDBG-MIT Funding from Hurricane Harvey

The State of Texas received $4.2B from U.S. Department of Housing and Urban Development’ (HUD) Community Development Block Grant Mitigation (CDBG-MIT) funds to address infrastructure, build and implement structural and non-structural projects, and to implement programs to reduce the risks and impacts of future natural disasters.[11] These HUD funds, administered by the Texas General Land Office, specifically target assistance to neighborhoods that have at least 50% Low and Moderate Income (LMI), with a preference for 70% LMI neighborhoods. A significant portion of our LMI communities reside within the Greens and Halls watersheds in Harris County, which have substantial drainage infrastructure needs and make

[11] Texas General Land Office. State of Texas CDBG Mitigation Action Plan: Building Stronger for a Resilient Future. January 2020.

them a perfect match for HUD funds. These funds would assist Harris County with hundreds of millions of dollars of infrastructure improvements slated for these areas.[12]

In the months following Hurricane Harvey, FEMA awarded the State of Texas approximately $820 million for the Hazard Mitigation Grant Program (HMGP). This program provides 75% future risk to lives and property from natural hazards. The amount of funding available is allocated using a sliding scale formula based on the percentage of funds spent on Public (PA) and Individual (IA) Assistance for a presidentially declared disaster. Counties and cities impacted by Hurricane Harvey were able to apply for these funds, which are managed by the Texas Division of Emergency Management (TDEM). In total, Harris County and the City of Houston received approximately 40% of total HMGP funds available. Unfortunately, the same approach was not followed for the CDBG-MIT funds. CDBG-MIT allocations were not given directly to impacted entities like Harris County, but rather to the states.

To date, four years after Hurricane Harvey, the Texas GLO has not disbursed any of the CDBG-MIT funds. Moreover, the GLO's funding competition guidelines and the State CDBG-MIT Action Plan cap any one entity at a total grant of $100 million for the first round of Hurricane Harvey funds.[13] Instead of allocating based on estimated need, as was done with the HMGP funds, the Texas GLO appears on track to arbitrarily cap awards. This has an adverse effect on Harris County, which likely has the highest population of any applicant and whose residents suffered the most from Hurricane Harvey. We stand ready to work with the Texas GLO and hope there is time to address this inequity in the GLO's formula.

Shortcomings of the Federal CDBG-DR Program and State Response

While sizable federal investments have been made, there are significant shortcomings in the administration of the Community Development Block Grant-Disaster Recovery, both at the state and federal level. The slow response from the State to allocate and disperse the funds has had an adverse impact on communities who were—and in some cases still are—desperately waiting for assistance to rebuild their homes and lives. An Urban Institute report found implementation challenges within the CDBG-DR program's timelines; on average it took 4.7 years to complete across all program activities and 3.8 years to complete across housing activities.[14] This is reflected in the State's delay to disburse funds to Harris County, through the GLO.

Furthermore, HUD includes a narrow focus on "pre-storm" conditions for rebuilding homes, which ignores the fact that many families have suffered damage from previous storms.[15] In

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[12] When adding the four HMGP projects, the City of Houston was awarded and the buyout funds awarded to County totals approximately 40% of the program. Once TDEM approved the projects/buyout the projects had to have a favorable benefit to cost B/C ratio to qualify.

[13] Texas General Land Office. GLO Mitigation Funding Competitions. https://recovery.texas.gov/mitigation/competitions.html

[14] Office of Policy Development and Research. United States of Housing and Urban Development (HUD). Housing Recovery and CDBG-DR: A Review of the Timing and Factors Associated with Housing Activities in HUD's Community Development Block Grant for Disaster Recovery Program. January 2021.

[15] HUD. Docket No. FR-5696-N-06. Second Allocation, Waivers, and Alternative Requirements for Grantees Receiving Community Development Block Grant (CDBG) Disaster Recovery Funds in Response to Hurricane Sandy. https://www.hud.gov/sites/documents/5696-N-06_CDBG-FRNOTICE.PDF

addition, the GLO's State Action Plan states that the rebuilding of homes is based on the number of people living in the home at the time of the flood. The GLO has a practice of reimbursing higher income families for the full amount of out of pocket expenses without comparing household size to bedroom count, but imposing the household size versus bedroom comparison on mostly low-income, minority and elderly populations that qualify for a full rebuild. For example, if a homeowner has a 4 bedroom/3 bath at the time of application of assistance, but only has a 2 person household, Harris County can only reconstruct a 2 bedroom house for the homeowner according to the GLO's policy. I, along with the Harris County Community Services Department, worked on a waiver request regarding this issue, but it was denied by the GLO. Many of the homes that suffered damage in flood prone areas are owned by seniors, and these homes are often their single most important financial asset. This is a social equity issue that causes a decrease in the home value and equity in the home thus impacting intergenerational wealth when elders pass down smaller and lesser value homes to the next generation.

Also, certain duplication of benefits policies at the federal level places our most vulnerable residents at a disadvantage. Numerous nonprofit, private, and governmental agencies provide a wide range of assistance after a disaster strikes. Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288) requires federal agencies providing disaster assistance to ensure that individuals and businesses do not receive disaster assistance for losses for which they have already been compensated.[16] The combination of any type of disaster assistance can cause duplication, thus prohibiting residents from receiving more than one form of public assistance regardless of their need. This is an issue that we hope HUD can address.

Harris County's Response

2018 Flood Bond and CDBG-MIT Applications

Reducing the risk of future floods requires new flood control infrastructure, as well as new policies and regulation. Following Hurricane Harvey, I along with my colleagues, successfully advocated for equitable investment in flood control infrastructure and disaster recovery in vulnerable communities through a $2.5B bond approved by voters in 2018. This gave under-served communities their first opportunity to receive real flood mitigation. The Bond Order, approved by our Commissioners Court, explicitly required a process for the equitable apportionment of the $2.5B Flood Bond to reduce flood risk.

Under the new equitable guidelines, which were also approved by Harris County Commissioners Court, flood projects are to prioritize the following for implementation:

1. The number of structures that will benefit from the project, not the value of the structures.
2. The probability that the community will flood again.
3. Using the Social Vulnerability Index from the Centers for Disease Control, each community will be assessed risk for loss of life during the disaster and slower recovery time after a disaster.
4. The efficiency of the project will be calculated by the number of structures that will receive a flood damage reduction compared to the project costs.
5. Projects that are partially funded by outside sources.

[16] Congressional Research Service. Lindsay, Bruce. SBA and CDBG-DR Duplication of Benefits in the Administration of Disaster Assistance: Background, Policy Issues, and Options for Congress. July 2016.

6. Projects that will be the most cost effective to maintain.
7. Projects with minimal environmental impact.
8. Projects with the most recreational and environmental enhancement benefit.

The 2018 Bond program commits Harris County to do its part in providing flood protection to its residents. Harris County and the Flood Control District submitted a total of just over $900M in CDBG-MIT grant applications to the GLO. The projects in these applications would bring benefits to some of the most vulnerable LMI areas in the County, which have also historically experienced some of the worst flooding.

It is relevant to note that Harris County has funding in its 2018 Bond program to advance projects in these areas by engaging with the public, performing preliminary engineering, and making some right-of-way acquisitions so that once GLO awards are made, the County is much closer to 'shovel ready' status and can quickly progress to construction. This is an important strategy as there are timelines to spend these funds; for example, half of the $4.2B in the CDBG-MIT program must be spent in 6 years. Harris County wants to do our part to not only meet this timeline, but also to bring much needed relief to our residents as quickly as possible. Our efforts are at risk if the State of Texas does not administer the CDBG-MIT funding efficiently and equitably.

CDBG-DR Housing Program

Harris County's CDBG-DR Housing program is underway, and in the second year of a five year contract. Harris County has provided 251 households with homeowner reimbursements, expending its original $15 million allocation. Other notable updates from Harris County are:

- The Texas General Land Office has increased the reimbursement program by an additional $25 million and $10 million in future amendments to serve an additional 949 households who are on the County's waiting list.
- 184 households are in the construction phase for home repair and reconstruction and all homes are expected to complete by December 2021. The total allocation is $30 million for the Homeowner Assistance Program, a rehabilitation and reconstruction program.
- Harris County has nine of eleven housing developments underway to construct new and improved rental units for a total of over $180 million, with a goal is to add 1,660 affordable renter units to Harris County.

Improving Drainage and Building Standards

As a nation, we are currently underinvesting to prepare for the impacts of extreme weather events, even though these federal investments have proven to be a wise use of taxpayer dollars. In fact, the nation can save $6 in future disaster costs for every $1 spent on pre-hazard mitigation.[17] Pre-disaster mitigation can include elevating homes and roads in flood-prone areas, making structures wildfire resistant, or supporting nature-based defenses like living shorelines. In recent decades, Harris County and the City of Houston have focused on improving drainage and building thousands of detention ponds and increasing flood mitigation detention

[17] Pew Trust. Every $1 Invested in Disaster Mitigation Saves $6. January 2018. https://www.pewtrusts.org/en/research-and-analysis/articles/2018/01/11/every-$1-invested-in-disaster-mitigation-saves-$6

requirements. Post Hurricane Harvey, Harris County modified the requirement for home construction to be elevated one to two feet above the 500 year floodplain. This is greater than the minimum standard of one foot above the 100 year floodplain established by FEMA as part on the National Flood Insurance Program. This provision accounts for mapping uncertainties and future climate change.

Harris County's Home Buyout program

In the mid 1980's the Harris County Flood Control District (HCFCD) created the Home Buyout program. The program is a key part of Harris County's plan to increase the County's overall resilience to future flooding by buying out properties in areas that have previously flooded. Following Hurricane Harvey, the Home Buyout program saw more than 4,000 volunteers; 1,600 homes approved at more than $516 million through multiple grant programs; 645 homes purchased; and another 667 homes in the buyout process.

CDBG-DR Relocation & Buyout Program Outcomes	$194,010,829 – housing $13,297,872 - Commercial	395 owners and 450 tenants	395 owners and 450 tenants are in process	Program has 156 owner files submitted to GLO

Source: Harris County Community Services, Administrative Data

While we are making progress on equitable flood protection at Harris County, it is vital that federal government funding be available to complement our efforts.

Call to Action

As this testimony has outlined, there are many challenges on the road to providing resilient housing and flood protections to our most vulnerable communities. However, there are important steps this subcommittee and HUD can take to support Harris County and other similar communities along the Gulf Coast that are prone to major rain events.

Most importantly, I urge this subcommittee to provide oversight of the State of Texas's General Land Office (GLO) to make sure that federal disaster recovery funds are used as they were originally intended by Congress.

Overall, there is a need to restructure infrastructure programs to direct resources to historically under-invested areas. The National Economic Development (NED) plan, which requires a high Benefit to Cost Ratio (BCR) analysis to justify federal investment in flood risk reduction projects, ultimately ignores the more economically distressed and rural communities across the United States. This results in projects prioritized in high-income areas simply because home values are higher. The administration should develop a new formula that directs resources towards urgent infrastructure needs in low-income communities.[18]

I support additional federal investments in flood and other disaster relief with adequate oversight to ensure that communities hit the hardest by natural disasters receive their fair share. Legislation

[18] https://www.houstonchronicle.com/opinion/outlook/article/Opinion-4-ways-Biden-can-address-racial-inequity-15982052.php]

such as the Chairwoman's Housing is Infrastructure bill would provide additional funding for the Community Development Block Grant-DR program. Representative's Al Green's legislation, the *"Reforming Disaster Recovery Act of 2019" (H.R. 3702),* includes important measures to improve the program and establishes safeguards and tools to ensure that federal recovery efforts reach all impacted households, including those with the lowest incomes who often suffer the worst during disasters and have the fewest resources to recover afterward.[19]

Conclusion

Natural disasters, paired with historical inequality, have produced a disaster recovery system that often excludes low-income communities and communities of color, while offering an advantage to property owners in wealthier communities. In our community, there are already discriminatory efforts underway to strip people's voting rights, and the health care safety net for uninsured residents through the Texas' 1115 Medicaid waiver. We have an opportunity to address the natural disasters that we know will only become a greater challenge for our residents, and I urge this Committee to support policies that increase transparency, efficacy, and accountability in our federal disaster recovery programs.

I want to thank Chairwoman Waters, Chairman Emmanuel Cleaver, Members McHenry and Stivers, and my friend and colleague, Congressman Green for inviting me to testify today.

[19] National Low Income Housing Coalition. Reforming Disaster Recovery Act" Passes House of Representatives with Bipartisan Vote. November 2021.

Appendix

State of Floodplain Regulatory Resilience for Harris County as of May~~,~~ 2021:

Over the last two years, Harris County has adopted the strictest floodplain regulations in the country, with the goal of protecting both current and future residents of the County alike.

Internal Actions Taken By Harris County

After Hurricane Harvey, Harris County recognized that immediate action was needed for new land development in Harris County to mitigate the effects of higher rainfall rates. As a result, Harris County has instituted the following changes:

- Greater volumes of detention are provided by land developers to offset their new development's impact on other, existing development.
- New structures are constructed to a higher elevation than before to lessen their risk of flooding (e.g. floor elevations constructed 36" above the mapped 500-year elevation for critical facilities, compared to previous elevations constructed36" above the mapped 100-year elevation).
- Structures in the 500-year floodplain are considered in need of elevation, not just structures in the 100-year floodplain.
- Homes and other structures are required to be at a higher elevation if they are being substantially improved.
- Stronger, more resilient foundations are required for elevated homes in areas of higher risk.
- Warnings are provided on official platting documents when homes are being constructed in floodplain areas.

If not for the unprecedented rate and severity of storms hitting Harris County, measures such as these would only be undertaken when new floodplain maps are adopted. However, Harris County could not wait until that time. To wait would mean even more damage to the County's most vulnerable populations. Thus, Harris County took immediate action to become more flood resilient now.

Necessary Regional Effort

The rules above apply for Harris County's regulatory jurisdiction, which is over the approximately 2 million residents of unincorporated Harris County. However, Harris County knows that flooding and flood impacts do not respect political boundaries. Therefore, on May 19, 2020, Harris County Commissioners Court adopted a policy stating that any political entity draining to Harris County that did not adopt ordinances or regulations to protect others from flooding prior to December 2020 would become ineligible for new partnership projects with Harris County. Harris County further provided assistance to any local government that wished to update their regulations or ordinances to become more flood resilient. As of May 1, 2021, fourteen such local governments updated their regulations/ordinances to become a more flood resilient. Harris County continues to work with many other jurisdictions to encourage regional flood protections for our greater region.

TAXPAYERS for COMMON SENSE

Testimony of Steve Ellis
President, Taxpayers for Common Sense

U.S. House of Representatives
Committee on Financial Services
Subcommittee on House, Community Development and Insurance
hearing
"Built to Last: Examining Housing Resilience in the Face of Climate Change"

May 4, 2021

Good morning, Chairman Cleaver, Ranking Member Stivers, members of the subcommittee. I am Steve Ellis, President of Taxpayers for Common Sense (TCS), a national non-partisan budget watchdog. Thank you for inviting me to testify at this hearing on housing resilience in the face of climate change and legislative proposals regarding the National Flood Insurance Program (NFIP) and the Community Development Block Grant – Disaster Recovery (CDBG-DR) program. TCS has worked on disaster related issues on behalf of taxpayers for our entire twenty-six years of existence and I've been involved in flood issues dating back to my days as a young Coast Guard officer dealing with the aftermath of the Great Midwest Flood of 1993. These are critical issues for taxpayers and the country needs smart public policy that protects people and property.

The timing of this hearing is notable considering the first named storm of the extremely active 2020 Atlantic hurricane season appeared on May 16th. The year included a total of 30 named storms, a record. This was on the heels of years of increasing billion-dollar disasters. The Congressional Budget Office estimates that hurricane winds and storm-related funding cost the U.S. economy $54 billion annually including $34 billion in expected annual economic losses to the residential sector. The expected annual cost to federal taxpayers is estimated to be $17 billion.[1]

Like my fellow witness, the Natural Resources Defense Council, Taxpayers for Common Sense is allied with SmarterSafer, a coalition in favor of promoting public safety through fiscally sound, environmentally responsible approaches to natural catastrophe policy. The groups involved represent a broad set of interests, from free market and taxpayer groups, to consumer and housing advocates, to environmental and insurance industry groups.

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[1] Congressional Budget Office. "Expected Costs of Damage From Hurricane Winds and Storm-Related Flooding." April 2019. https://www.cbo.gov/system/files/2019-04/55019-ExpectedCostsFromWindStorm.pdf

For more than a decade the coalition has advocated reforms to federal disaster policy and in the National Flood Insurance Program that ensure the program is smarter and safer for those in harm's way, the environment, and for federal taxpayers.

Climate Change

I would like to first turn to climate change. From agriculture to defense to transportation, climate change impacts our entire federal budget, but no area of federal spending so directly mirrors the escalating climate change crisis as disaster spending. On a cost-adjusted basis, billion-dollar disasters in the U.S. have increased from 2.9 per year at an average cost of $17.8 billion in the 1980s to 16.2 disasters per year at an average annual cost of $121.4 billion from 2016-2020.[2] The Congressional Budget Office puts it rather succinctly, "Climate change increases federal budget deficits." And that, "Investment by the government or others in various types of mitigation or adaptation efforts could reduce the costs of climate change."[3]

Federal floodplain policy and management has enabled unwise development that ironically contributes to catastrophic events. For instance, the flood insurance program subsidizes construction in risk- and disaster-prone areas, making it economically "safe" to build in medium-and high-risk areas by removing the costs of such decision-making. Before Hurricane Katrina in 2005, the federal flood insurance program never borrowed more than $1.5 billion from the U.S. Treasury and loans were repaid with interest. Since the 2005 storms, the program has borrowed more than $35 billion.

One other truism of disasters is that they have a disproportionate impact on poor and minority populations. In many cases these individuals don't have savings to rely on while they rebuild, they may have lost their transportation to work, and their place of business may have been destroyed as well. Because of historically discriminatory policies or a need for lower housing costs, these individuals are often situated in less desirable, more vulnerable, higher risk areas. They may not be able to repay loans made available after disasters or provide sufficient funds of their own to tap federal programs.

As I will discuss, we have long called for means-tested premium assistance to help more homeowners obtain flood insurance. There are a little more than 5 million NFIP policies, but there are well over 100 million housing units. To put the need for flood insurance into perspective, according to FEMA, after 2016's extraordinary heavy rainfall event in Baton Rouge, the average homeowner with flood insurance coverage got $86,500 to rebuild their home, the average person without flood insurance got only $9,100 in individual disaster assistance.[4]

In addition, programs such as CDBG-DR should take into account the needs of disadvantaged populations and ensure that they have access to the benefits, but also to tools to mitigate, adapt, and

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[2] National Oceanic and Atmospheric Administration National Centers for Environmental Information. "U.S. Billion-Dollar Weather and Climate Disasters (2021)." https://www.ncdc.noaa.gov/billions/

[3] Congressional Budget Office. "Budgetary Effects of Climate Change and of Potential Legislative Responses to It." April 27, 2021. https://www.cbo.gov/publication/57019

[4] Taxpayers for Common Sense. "Weekly Wastebasket: Another Hurricane Season Begins." June 1, 2018. https://www.taxpayer.net/infrastructure/another-hurricane-season-begins/

pre-spond to future disaster events to make them less costly. While it varies by situation and peril, we know that every dollar spent on mitigation can save as much as $6 or more in post-disaster response.[5]

To be sure, the challenges both the NFIP and CDBG-DR attempt to address would still exist absent climate change. There would still be disasters – a member of the De Soto expedition documented a great flood of the Mississippi River in the mid-16th century for instance. But clearly climate change exacerbates those challenges.

For 50 years, the flood insurance program has helped fuel a development boom in high-risk areas simply by making it more affordable to take on flood risk. And housing doesn't occur in a vacuum. As areas develop infrastructure follows with roads, bridges, water, electric, and sewer; these all intensify along with residential development. The NFIP has exacerbated exposure to climate change. At the same time it is negatively impacted by it. As storms increase in frequency, as sea levels rise, this increases the costs to the program. It also increases demand for CDBG-DR.

The Committee provided discussion drafts of long-term reauthorization of NFIP as well as authorization legislation for CDBG-DR. I would like to comment on those two programs and the draft legislation.

NFIP

It is important to understand the context of how the nation got into the flood insurance business. After years of ad hoc disaster aid being meted out by Congress, the NFIP was established in 1968 to create "a reasonable method of sharing the risk of flood losses through a program of flood insurance which can complement and encourage preventative and protective measures."[6] The program was to make up for a perceived lack of available flood insurance. But even at that time Congress was warned that it was playing with fire. The Presidential Task Force on Federal Flood Control Policy wrote in 1966:

> A flood insurance program is a tool that should be used expertly or not at all. Correctly applied it could promote wise use of flood plains. Incorrectly applied, it could exacerbate the whole problem of flood losses. For the Federal Government to subsidize low premium disaster insurance or provide insurance in which premiums are not proportionate to risk would be to invite economic waste of great magnitude.[7]

In a little over 15 years, NFIP has been forced to borrow nearly $40 billion from taxpayers to pay off claims, so I think it's pretty clear that this "tool" was not used expertly and that the waste issue has come to fruition.

NFIP has subsidized rates in the program virtually since its inception, regardless of need. FEMA estimates more than 25 percent of properties in the program pay subsidized or "grandfathered" rates,

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[5] National Institute for Building Sciences. "Mitigation Saves: Mitigation Saves Up to $13 for Every $1 Invested."2021.nibs.org/files/pdfs/ms_v4_overview.pdf

[6] P.L. 90-448

[7] U.S. Task Force on Federal Flood Control Policy. "A Unified National Program for Managing Flood Losses." August 1966. P 17. http://www.loc.gov/law/find/hearings/floods/floods89-465.pdf

where the flood zone designation has changed.[8] Even with the properties that are paying supposedly risk-based premiums, the fact that the program can borrow from the Treasury is a built-in subsidy. The Government Accountability Office (GAO) has documented large cross-subsidies, many of which benefit high-income homeowners.[9] They found that over 78 percent of subsidized properties in NFIP are located in counties with the highest home values (the top three deciles), while only five percent of subsidized properties are in counties with the lowest home values (the bottom five deciles).[10] This represents a real challenge to the program's sustainability.

The best way to reduce the rate – for property owners and taxpayers – is to reduce the risk. It's not about artificial rate caps that hide the real risk to people, but about finding ways to fund mitigation either at the property level or at the community level. If a property owner is unable to afford the premium, means-tested assistance outside the rate structure should be provided.

The discussion draft of the NFIP reauthorization legislation authorizes the program for another five years, getting past the annual or even monthly fights. Unfortunately, it misses on many other marks. The demonstration program on affordability is a good start, although the mandated report on implementation should be submitted earlier than in five years so it can inform subsequent reauthorization.

But on the flip side, the proposed repeal of the surcharge imposed by Grimm-Waters – a surcharge that was implemented to pay for the repeal of elements of Biggert-Waters – will create more costs for taxpayers. Halving of the cap on premium increases intended to bring some policyholders rates closer in line to their risk is also a step backward. It would go from 18 percent to 9 percent. Redefining average historical loss year so that it excludes catastrophic loss years will misrepresent the true costs of the program. The average historical loss year is used to set premiums in an effort to try to ensure they help offset costs to taxpayers. Not including catastrophic loss years doesn't mean they didn't happen and that they didn't cost taxpayers. The legislation also waves the magic debt-cancellation wand without even reducing the $30 billion borrowing limit - a ridiculously high amount.

The legislation also includes provisions for modernizing mapping and several mitigation measures TCS would support.

As the committee knows, FEMA has launched a new effort to better price actual risk for properties. The new program, Risk Rating 2.0, is supposed to start for new properties and policies in October and for existing policyholders next year. According to FEMA, they worked with public, private, and nonprofit organizations to incorporate more data and flood variables to determine actual risk to properties, and it will be updated annually. In theory, this will reduce some of the cross-subsidies that have plagued the program. In addition, FEMA predicts that 23 percent of policyholders will see an average decrease of $86 a month and 66 percent will see an increase of less than ten dollars and another seven percent an

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[8] Congressional Research Service. "National Flood Insurance Program: The Current Rating Structure and Risk Rating 2.0." January 25, 2021. https://fas.org/sgp/crs/homesec/R45999.pdf
[9] Government Accountability Office. "Flood Insurance: More Information Needed on Subsidized Policies." July 2013.
[10] U.S. Government Accountability Office. July 2013. Flood Insurance: More Information Needed on Subsidized Properties. (Publication No. GAO-13-607). Retrieved from: http://www.gao.gov/assets/660/655734.pdf

increase of less than $20 per month. Four percent will see an increase of more than $20 per month, but those are for high value homes in high-risk areas. This adheres to the existing rate caps.[11]

CDBG-DR

CDBG-DR was first created in 1992 after Hurricanes Andrew, Iniki, and Omar to supplement existing disaster-related authorities to help communities rebuild after major disasters. Specifically, these funds are for long-term recovery, including restoration of infrastructure and housing and economic revitalization, but also future disaster mitigation activities. Since it was first created, nearly $90 billion has been appropriated to the program.[12]

While there is some program direction, in reality there is a great deal of leeway granted to the Housing and Urban Development (HUD) Secretary and the implementing states and communities. Flexibility is an important element of the program, but stability and predictability are also critical to successfully meeting program goals. The program lacks its own statutory authorization. Congress turns to CDBG-DR after major disasters, appropriating funds and directing HUD to implement. In turn, HUD governs the program through Federal Register notices. As you might imagine, the CDBG-DR implemented by the George W. Bush Administration HUD after Hurricane Katrina is different than the one implemented by the Obama Administration HUD after Superstorm Sandy, which is different than the one implemented by the Trump Administration HUD after Hurricane Harvey. This lack of continuity delays implementation and, ultimately, delivery of critical funds. Furthermore, the lack of organic authorization for this program stymies effective accountability and oversight.

For instance, after Superstorm Sandy the then-winding down Recovery Act Transparency (RAT) Board was tasked with tracking Sandy-related spending. In conversations with the RAT board, TCS found that their ability to track spending was severely hampered by funding not tagged as Sandy spending. Now, this issue was beyond the CDBG-DR program, but roughly $16 billion of the appropriated funds were for CDBG-DR, by far the largest chunk of the disaster supplemental. Accountability and transparency are key to program credibility with taxpayers as well as critical for program adjustment and adaptability to future disasters.

TCS appreciates the committee's efforts to statutorily authorize the CDBG-DR program and is supportive of these efforts. After any major disaster there is a balancing act between quick response and appropriate allocation of funds. Too often, haste makes waste. FEMA's Disaster Relief Fund is there for initial response. There are also Small Business Administration low interest disaster loans as well as funding often provided to appropriate agencies such as the U.S. Army Corps of Engineers and the Forest Service. CDBG-DR is about the long game and rebuilding communities in ways that make people less vulnerable to future disasters. Each disaster is an opportunity – a tragic opportunity, but an opportunity nonetheless – to make communities more resilient and to pre-spond to future disasters.

That said, the timeline in the discussion draft is quite extended. HUD is given 60 days to allocate the funds to various grantees who have 90 days to come up with a plan to use those funds. HUD is then given 60 days to approve or disapprove the plans and, if disapproved, an additional 15 days to provide

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[11] Federal Emergency Management Agency. "Risk Rating 2.0 is Equity in Action." https://www.fema.gov/sites/default/files/documents/fema_rr-2.0-equity-action_0.pdf

[12] U.S. Department of Housing and Urban Development. "CDBG Disaster Recovery Grant History 1992-2021." https://files.hudexchange.info/resources/documents/CDBG-DR-Grant-History-Report.pdf

their reasoning for disapproval and ways to amend the plan to obtain approval. That kicks off a 45 day period where the grantee can revise the plan. That is a total of 270 days. We would urge the committee to find ways to trim that timeline. For instance, it doesn't make sense that after spending 60 days determining to disapprove a plan that it would take an additional 15 days to tell the potential grantee why. The pre-certification process in the legislation makes sense and would significantly reduce the timeline and provides an incentive for states and communities to plan for inevitable disasters.

We would also urge that rather than one large disbursement to a grantee that funds be meted out over time as benchmarks are met. This will serve to provide incentives to proceed and also allow course corrections over time. TCS also supports the Inspector General oversight measures and the requirement that information about use of CDBG-DR funding be provided to the public on a monthly basis. Further, the best practices report required by the legislation makes sense, but it should be something that is periodically revisited and updated. Lastly, we are concerned that the timeline before clawing back unused funds is too generous, as much as 10 years for regular projects and more than 12 years for mitigation.

Conclusion

I want to thank you for inviting me to testify today. Climate change, its impacts, NFIP, and CDBG-DR are critical issues not just for their budget and taxpayer impacts, but for society as a whole. Federal policies must better promote realistic and responsible solutions to climate change including targeted investments that lift innovative solutions and reflect the needs and experiences of low-income and minority communities. The goal must be to develop risk management and mitigation strategies that enable communities, infrastructure, and industries to become more resilient, face less risk, and can better adapt to and mitigate future costs and damages of climate change.

To that end, I urge the House Financial Services Committee to pursue solutions to these issues in a bipartisan manner as has been done in the recent past. In countless areas across government, this has proved to be the only method to achieve durable and lasting solutions to our challenges. Thank you again, and I'm happy to answer any questions you might have.

May 4, 2021

United States House of Representatives
Committee of Financial Services
Subcommittee on Housing, Community
Development, and Insurance
2129 Rayburn House Office Building
Washington DC 20515

Re: Testimony of Ariadna Godreau Aubert, Founder and Director of Ayuda Legal Puerto Rico

Chairwoman Maxine Waters, ranking member Patrick McHenry and members of the House Financial Services Subcommittee on Housing, Community Development, and Insurance, thank you for your invitation to present this testimony. My name is Ariadna Godreau Aubert, founder and executive director of Ayuda Legal Puerto Rico (ALPR), a nonprofit organization that provides free legal support to low-income families in Puerto Rico. Since hurricane María made landfall on September 20, 2017, ALPR has led legal support and advocacy efforts around disaster assistance and recovery funds in Puerto Rico. We provide support to thousands of disaster survivors each year and nurture this work with policy analysis and recommendations to transform housing and recovery processes that are fundamentally unequal.

Three years of disasters have brought us violently closer to a climate, housing, and infrastructure crisis that threatens the possibility of life in Puerto Rico. As the most recent Census data shows, nearly 12% of our population has left in the last decade.[1] The impact of a global climate crisis in our geography means more severe weather events, sea-level rise, severe flooding, and droughts. With 24% of our population living in high to high/medium risk zones[2] and at least 245,586 houses located on flood plains[3], addressing the need for effective disaster planning, response, and recovery, as well as the urgent demand for

[1] Census Bureau, Preliminary Results (2020).
[2] CDBG-MIT Action Plan, p. 332.
[3] PRDOH estimates, based on FEMA applicants located in the 100-year flood plain. CDBG-DR Action Plan, p. 34.

affordable and resilient housing infrastructure is crucial. Most of all, the government has an outstanding debt to ensure safe dwelling and resilient communities to survivors of multiple disasters.

Addressing the consequences of multilayered crises require deep structural changes to how we plan, prepare and mitigate for disasters, including disaster aid and recovery assistance. Within the United States, jurisdictions like Texas, New Orleans, California and New Jersey share this reality. We need disaster assistance to arrive quickly, with clear guidelines and standards of use, accessibility, assessment and compliance. We need flexibility to address regional challenges. We need accountability to ensure coherent planning, equitable access to funds, displacement minimization, and real and effective public participation throughout the entire process. FEMA, CDBG-DR, CDBG-MIT, and other recovery funding programs should never be a blind bet on possible outcomes, but a strategized road towards long-term sustainable just recovery.

Federal and local governments share the responsibility to lead survivors to resiliency. We join others who support drastic revisions to federal disaster policies that include a CDBG-DR permanent authorization and the standardization of minimum guidelines to ensure a just, agile, and adequate use of recovery funds. Also, we demand accountability and action from both the federal agencies and the government of Puerto Rico, for the obstacles that have impeded recovery to start.

Puerto Rico Post-Disaster

The need for affordable resilient housing infrastructure has exponentially grown as the consequences of disasters remain unattended. Hurricane María destroyed 786,000 houses in Puerto Rico. According to local government estimates, the infrastructure costs related to the impact of this major disaster ascend to nearly $100 billion. More than 1.1 million requests for assistance were submitted to FEMA. Nearly 58% of applications and 75% of the appeals were denied. Two thirds of the families that received assistance to repair their homes received awards of less than $3,000. In February 2020, it was estimated that 15,000 to 18,000 families were still living under blue tarps.[4] According to FEMA assessments, the seismic events that started in December 2019 and that continued throughout the first half of 2020, affected 52,370 houses. At least 630 of those were severely damaged or destroyed. These events mostly impacted the Southern

[4] CDBG-MIT Action Plan, p. 333

coast of Puerto Rico. Some of the municipalities in this zone are part of coastal and mountainous geographies besieged by high poverty rates, some of the highest unemployment rates, housing insecurities, and environmental harms.

Hurricanes, earthquakes, and pandemics do not occur in a vacuum. Puerto Rico has been affected by an unsustainable public debt and austerity since 2006. Socioeconomic fragility has a direct impact on the plausibility of resilience amidst disasters. High poverty rates (+43%), together with a low labor force participation rate (<40%) mean that families have no reserves to prepare, mitigate, and address housing insecurity in the aftermath of a catastrophic event. Added to the shutdown of schools, health services and the privatization of essential services, the looming housing insecurity is a backdrop to disasters. Nearly half of those who rent or have a mortgage use at least 30% of their income to afford their house[5]. Between 2017 and 2020 - throughout three catastrophic events- 12,800 houses were foreclosed[6]. According to the PRDOH, nearly 16,000 people are waitlisted to access public housing and another 10,000 families await a Section 8 voucher. At least 2,535 people are homeless[7]. As per the American Community Survey, 388,523 houses remain vacant[8].

In recent years, the PR administration has shown a commitment to addressing climate change through the approval of legislation and the creation of a climate change expert committee[9]. This commitment has proven to be questionable, as executive orders, declaring states of emergency regarding infrastructure[10] and waiving permit and environmental analysis[11], can only bring forth increased environmental harm. Additionally, the continued investment in the visitor's economy schemes, which promotes tourist developments in coastal zones, is worrisome.

CDBG-DR & CDBG-MIT Recovery as of today

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[5] American Community Survey, 1 year estimates (2019)
[6] Puerto Rico Office Financial Institutions Commissioner., 2018-2020 Mortgage Delinquency Report / (2018-2020)
[7] Puerto Rico Department of Family, Homeless People Census (2019)
[8] American Community Survey, 1 year estimates (2019)
[9] PR Law 33-2019, "Ley de Mitigación, Adaptación y Resiliencia al Cambio Climático de Puerto Rico"
[10] PR Executive Order 2021-24 (2021)
[11] The Fiscal Oversight and Management Board, imposed by the Puerto Rico Oversight, Management, and Economic Stability Act of 2016 has also advocated to waive environmental protection.

On February 23, the government of Puerto Rico appointed the PRDOH to manage almost $20 billion in CDBG-DR funds. Several organizations, entities, and public officials, including ALPR, reacted to this decision by pointing out the agency's incapacity to manage these funds and the need to incorporate municipal governments as decision makers and fund managers in the recovery process, among other concerns. The first version of the Draft Action Plan[12] as well as a faulty participation process forebode a complicated recovery process.

Families who were not able to access FEMA repair assistance, who were turned down or neglected by Tu Hogar Renace - FEMA Sheltering and Temporary Essential Power (STEP) Program in Puerto Rico - were brought into the Repair, Rebuild and Relocate (R3) CDBG-DR program as a last resort to secure housing assistance. With an allocation of $3,289 billion, it is the biggest and probably most significant program within the CDBG-DR Action Plan. Between its opening date in July 2019 and the closing of the application process, 27,070 families requested R3 assistance. As of today, the outcomes of this program are disheartening and expose bigger systemic federal and local flaws. A small portion of the applicants have received a written determination on their cases. Only 904 homes have been repaired and 45 houses have been rebuilt.[13]

Through this testimony, I would emphasize on the following:

1. Lack of permanent authorization of CDBG-DR programs slows down recovery and enables politics of exclusion.
2. Clear CDBG-DR guidelines regarding the eligibility of owners, displacement, climate migration, contractors' accountability, and public participation are essential to guarantee equitable access, agility, and effectiveness of recovery funds put towards resilience housing infrastructure.
3. Codification of CDBG-DR and the minimum requirements for the elements listed above should respect the flexibility and agency of the local government and stakeholders - particularly at community levels- to adapt and influence the use of recovery funds based on their needs, wants, and human rights. The local government must never act to restrict the accessibility of recovery funds.
4. The local government shares a responsibility to remove self-imposed policy obstacles that impede and hinder the best use of CDBG-DR, CDBG-MIT, and other recovery funds. These

[12] Puerto Rico Disaster Recovery Action Plan, Draft for Public Comment (May 10, 2018)
[13] Ayuda Legal Puerto Rico, Request for Public Information (20 April, 2021)

boundaries have a disparate impact on historically marginalized populations and must be addressed on current and future allocations of recovery funds .

I. Lack of permanent authorization of CDBG-DR programs slows down recovery and opens the door for politics of exclusion

Proposed legislation and OIG reports have stressed the need for a permanent authorization of CDBG-DR funds[14]. We endorse this position.

The wait for allocation notices, published guidances, and waivers is excruciating for grantees and survivors on the ground. The NLIHC has estimated that the timeline for Congress to approve disaster-recovery funding may range from weeks to eight months[15]. The time to adopt allocation notices also adds up. In the case of Puerto Rico, as the most recent OIG report states, the allocation notice was made available, "23 months and 19 days after the corresponding appropriation and 146 days after the statutory deadline"[16].

The obstacles imposed on Puerto Rico by the former presidential administration are grounded on colonialism, racism, and a complete disregard for the lives and well-being of the three million people living on the Island. This adds up to previous OIG findings on FEMA's mismanagement of the commodity distribution process in response to hurricanes Irma and Maria, as well as to many concerns voiced in federal fair housing complaints on how the recovery processes left behind low income and black communities, disabled mothers of minors, and other groups. Questions on how and if these findings will lead to specific actions to remedy the impact of unjust recovery processes in the population of Puerto Rico still remain.

As Enterprise Community Partners have advised before "[t]his ad hoc system results in different requirements and waivers for different grantees, confusion and frustration among grantees, and

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[14] HR 3702, S. 2301

[15] National Low Income Housing Coalition and Fair Share Housing Center. Fixing America's Broken Disaster Recovery System Report: Part One Barriers to a Complete and Equitable Recovery

[16] Office of the Inspector General. Review of HUD's Disbursement of Grant Funds Appropriated for Disaster Recovery and Mitigation Activities in Puerto Rico (April 20, 2021), p. 21.

inconsistent and unfair disaster recovery outcomes across grantees"[17]. The permanent authorization of CDBG-DR could pave the way for model policies to guide programs, policies, and systems. It could provide a core minimum of guidelines regarding ownership, displacement, climate migration, contractors and accountability, and public participation. Absent these guidelines, it is only through lengthy advocacy and complaint processes at PRDOH, OIG and FHEO levels that we can push for adjustments that usually arrive too late and fail to provide adequate and agile recovery assistance to a survivor. Model guidelines could provide a best practices catalogue for grantees, presenting a uniform yet flexible manner to address the needs of their LMI communities.

II. The local government needs to act now and HUD can facilitate this process

The findings of the OIG are important, but they do not overshadow the unmet responsibility of local government. In ALPR's experience leading disaster legal response and advocacy since 2017, the majority of the restrictions come from local officials and local public policy decision makers.

Title clearance should never condition disaster assistance

As we have reiterated on several occasions, a title deed cannot be a condition to safe housing and recovery. Requiring a deed or other formal legal documents as sole proof of ownership penalizes and disparately impacts impoverished and historically vulnerable survivors.

Around 69% of the inhabitants of Puerto Rico are homeowners.[18] This proportion is higher than other jurisdictions. Yet, ownership does not mean having a formal title. According to PRDOH estimates, half of the population of Puerto Rico lacks a formal title. Nothing in Puerto Rico's laws and regulations require homeowners to register their properties. Lack of formal documentation also responds to socioeconomic elements such as lack of access to justice, insecurity of tenure, and land rescues grounded on the unmet need for housing. In the aftermath of hurricanes Irma and María, nearly 77,000 families were excluded from receiving assistance because of their inability to prove ownership. This exclusion was possible due

[17] Enterprise Community Partners. Senate Legislation Introduced to Permanently Authorize the Community Development Block Grant- Disaster Recovery Program (July 30, 2019).

[18] American Community Survey, 1-year estimates (2019)

to FEMA's incorrect and restrictive interpretation of its own regulations, which support a flexible interpretation of who is recognized as a homeowner.[19]

ALPR researched and drafted a sworn statement form to allow owners without title to prove their ownership through alternate documentation. This form did not require notarization, since, in Puerto Rico, a notary is a specialized attorney and thus, notarization translates into a costly process for low income individuals. In June 2018, almost 8 months after hurricane María, a group of advocates were able to finally move FEMA to accept the sworn statement. It was too late. FEMA's reluctance to notify applicants about their right to appeal and use the sworn statement, placed on the backs of nonprofits the responsibility to let applicants know and provide them with the tools. Thousands of families might have lost the possibility of receiving immediate and much needed assistance for their homes.

We soon realized that the CDBG-DR Action Plan included exactly the same requirement: repair, rebuild, and relocation assistance was conditioned to formal ownership. Thousands of applications were put on hold and transferred to a title clearance program, delaying eligibility evaluations for months and years. The Action Plan assigned $44 million to the Title Clearance Program (TCP). This program was never made available to public comment. After the public participation process, PRDOH added to the Draft Action Plan, which HUD finally approved on July 29, 2018. The program prioritizes title clearance for properties built on PRDOH lands and has no clear guidelines on how to address the complex title issues, such as inheritances and informal tenure, which form the majority of cases.[20] To date, after almost 18 months since the TC program started and more than $1.1 million disbursed, only 2 titles have been registered at the Property Registry. The position of ALPR then and reiterated now by the failure of this program, is that this initiative will not solve the "title issue" but delay urgently needed assistance.

The PRDOH needed to strike down a major barrier that everyone knew was going to stop assistance. Instead, they reinforce barriers by refusing to accept a version of the sworn statement and demanding people provide several notarized statements before sending them to the TCP. Early in the process, officials of the companies hired by the PRDOH asked ALPR for probono help to complete these notarizations. We refused.

[19] 44 FR 206.111
[20] CDBG-DR Program Guidelines Title Clearance Program May 27, 2020 (V.2) Pp. 22-32

It was not till mid 2020, by the approval of an Executive Order, that the title requirement started eroding. While repairs and rebuilding are now exempt of formal title requirements, program participants still are required to through the title clearance program. Further, PRDOH is yet to remove the condition clears title condition from relocation awards. Ironically, those with a clear title, but whose home is still mortgaged, may not access relocation assistance either, because PRDOH requires them to pay off the mortgage debt before they receive relocation for assistance.

We have presented several alternatives to the PRDOH, including access to temporary rental assistance to families eligible for relocation, endorsing purchase option agreements conditioned on eventual title clearance, and adopting a standard of proof in accordance to our legal framework, accountability needs and social reality.

"Formal" ownership should not be an added obstacle for a low income family trying to survive the aftermath of a disaster. It must be noted that lack of clear ownership eligibility criteria has also been an obstacle for disaster survivors in New Orleans, California and North Carolina.[21] CDBG-DR and MIT and every other federal disaster aid needs clear guidelines on proof of ownership based on flexible criteria, such as those stated on 44 FR 206. Doing so would speed up assistance and allow for local careful consideration of public policy options that could address informal tenure in a definitive and just manner.

It is our position that individual legal strategies do not offer an effective solution to this issue. It can take years to solve a title through the courts. We must also warn against attempts to condition federal funds to Puerto Rico to changes on the property management systems, real property assessments, and title clearance, as proposed by the Office of Management and Budget as per the recent OIG report. We agree with those who consider these requirements to be out of HUD's legal authority. HUD's role is not to regulate or assess the property systems of state jurisdictions. Clearing titles in Puerto Rico requires structural policy changes and it is the role of the local legislature to act to identify real solutions.

III. Climate justice, climate migration and the need for a comprehensive anti-displacement policy

[21] Fixing America;s Broken Disaster Housing Recovery System, p. 9.

Flooding is the most frequent and costly natural hazard in the United States. Identifying diverse, sustainable, and cost-effective mitigation alternatives is essential for communities' resilience in the face of future disasters, achieve economic development, and ensure a just recovery. Within a climate-crisis and as experience in the geography of an island in the Caribbean, mitigation of flood zones needs to be a transversal. As stated above, the CDBG-MIT Plan states that 24% of the population lives in high or high-medium risk zones. While several communities and groups have challenged the adequacy of FEMA flood Maps, relocation or no assistance cannot be the only options for families living in these geographic areas.

Puerto Rico CDBG-DR Action Plan still has an across-the-board prohibition to rebuild in flood zones. The CDBG-DR Plan states that people living in flood zones would not receive assistance to substantially repair or rebuild their homes. Their only option would be relocation. This without further consideration to the possibility to **mitigate.** While under no circumstances we would like to have people living in risk zones, absent a mitigation assessment, a sensible relocation plan, an adequate, affordable housing inventory, and a participatory process, relocation should always be the last option.

Nevertheless, the 4th Amendment of the CDBG-DR Action Plan included an important advocacy win: "Participants who are awarded relocation, but who do not wish to relocate immediately, may defer accepting the R3 Program award to allow for the participative development of a housing mitigation program under the CDBG-MIT Program."[22] While relocation moratoriums are crucial, it is equally important to ensure coherence between single housing and community mitigation initiatives within the CDBG-MIT Plan. This will depend on the adoption of a clear displacement minimization policy.

We differ from the PRDOH position stating that relocations are always voluntary. Almost four years after the disaster, a low-income family without a safe dwelling would have no choice but to relocate if the only alternative is to receive no aid at all. We should also keep in mind that relocation would only be an option if the family has a "perfect" title. If that is not the case, and most times it is for low-income families in coastal flood-prone areas, there is no alternative for them.

While the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (URA)[23] may protect displaced individuals, the limited scope of its protection demands actions. ALPR reiterated the need to

[22] CDBG-DR Action Plan, 6th version, p. 132
[23] 42 USC 5301, et seq.

adopt internationally acknowledged standards to mitigate displacements. These criteria include access to information, consultation and participation. We also demand a sensible and human rights-based relocation policy that accounts for the needs of individuals and families, as well as to the threat posed by checker-boarding, the lack of essential services in different municipalities, and destruction of already fragile social tissues. While prohibiting rebuilding in flood prone areas would leave thousands of low income families in insecure dwellings or forcibly displaced, other measures such as new construction moratoriums on coastal and flood zones could be a measure of adaptation and mitigation sensible to housing needs and climate change.

We agree with HUD when the agency recognizes that the first time appropriation of mitigation only CDBG funds may pose challenges to grantees in aligning their mitigation strategies and activities with their obligation to use most of their CDBG-MIT funds to benefit low-moderate income people and to use the funds in the most impacted and distress areas resulting from a disaster.[24] Mitigation strategies are effective, save recovery funds[25], and provide a unique opportunity to be in a better position to face climate change. Wrongly applied, these initiatives may worsen the impact of an already inequitable recovery on low income, black, and other historically vulnerable communities. Transparency and participation in planning may lead the way to integrate mitigation plans at community, municipal and local levels, as well as to ensure a coherent use of diverse sources of mitigation funds, such as US Army Corps of Engineers and FEMA's Hazard Mitigation Assistance Grants.

IV. Accountability is key

Since the summer of 2019, we have voiced concerns about the lack of accountability of contractors hired to manage the R3 program. ALPR receives constant legal assistance requests from people who have never received a single written notification on their cases. Instances of project managers being constantly replaced, of non-responsive officers, of people made to sign English-language and/or complicated contracts in 24 hours or less without having a chance to read them carefully or seek legal advice, are constant for applicants served by all of the companies contracted by the PRDOH. When we recommended adopting best practices for contractors, and to make them visible and available for the general public's consultation, we were answered with a social media post mandating "values." **See figure 1, attached.** As

[24] 84 FR 45839
[25] National Institute of Building Science. Mitigation Saves.

legal responders who attest to the multiple harms committed by negligent disaster assistance services providers and aware of the millions of dollars invested on this endeavor, we were appalled.

Clear HUD guidelines dictating best practices, contractor monitoring procedures, and the publication of reports that include information of the work completed and in progress, as well as data on complaints, is important. Most of all, a clear guidance requiring clear timelines on when should the grantee answer, process and adjudicate applications should be incorporated. While we understand that recovery processes must remain flexible and may have a degree of uncertainty, it is not possible to demand accountability from contractors who lack basic timeframes to act upon applications.

V. Participation, coherent planning, and the respect of local decision-making capacity

Public participation is essential for the success of mitigation and resilient housing infrastructure efforts. Ensuring local and regional solutions requires acknowledging the agency to local stakeholders - particularly community-based organizations- to influence the recovery process. Because it is a long-term process that extends well beyond the grant's timeline, capacity development and engagement of local actors such as community-based organizations and nonprofits is necessary.

ALPR, together with other groups, advocated for Regional Civilian Oversight Committees able to ensure participation throughout the planning, approval and implementation of CDBG-DR and CDBG-MIT funds. One year and a half after the allocation of funds, a version of this Committee was acknowledged by the PRDOH, one lacking actual engagement, guidelines or participatory standards. Moreover, the Committee is facilitated by a PRDOH official who also assesses contractors compliance. We celebrate the inclusion of Citizen Advisory Committees in the CDBG-MIT Allocation Notice. Yet, it is our position, in accordance to HUD and Enterprise Community Partners recommendations, that the Committee must be facilitated by an independent person able to communicate with impartiality. **The impartial facilitator, the acknowledgement of the capacity of this Committee to serve as watchdogs of the recovery process, and the need to produce periodic reports could be part of the model guidelines produced by HUD.**

We also warn against the approval of measures that hinder the recovery process and that erode the limited political power acknowledged to the people of Puerto Rico in the federal arenas. The recovery czar should have never been an option.

Lastly, participation is intimately related to planning and data. Coherent, participatory and transparent planning is essential. One of the biggest obstacles for needs assessment and housing infrastructure is the fact that planning programs within CDBG-DR have barely started. The PRDOH handpicked a private subrecipient for the Whole Community Resilience Program that had no previous experience or capacity to lead a critical planning. Although this program initiated at the end of 2019, assessments or data on the impact of this program remain unavailable. Yet, planning should be the basis of other critical decisions such as the coherence of programs, the evaluation of housing plans on historically vulnerable communities, relocation plans, the need for temporary measures to protect survivors throughout rental assistance, and budget and compliance assessment. Similarly, open data is needed segregated to include race, gender, disability, age, and other demographic information that could help develop a real profile of who is benefiting from recovery and who is left behind. HUD core guidelines should instruct grantees to publish timelines, progress reports, and to prioritize participatory planning as a basis for recovery.

Just recovery is possible.

Thank you again for the opportunity to participate in this hearing.

Testimony of

Commissioner Andrew N. Mais

Connecticut Insurance Department

On Behalf of the National Association of Insurance Commissioners

Before the

Subcommittee on Housing, Community Development, and Insurance

U.S. House Committee on Financial Services

Regarding:

Built to Last: Examining Housing Resilience in the Face of Climate Change

May 4, 2021

Introduction

Chairman Cleaver, Ranking Member Stivers, and members of the subcommittee, thank you for the invitation to testify today. My name is Andrew Mais, and I serve as the Commissioner of the Connecticut Insurance Department. I am also the Secretary-Treasurer of the National Association of Insurance Commissioners (NAIC).[1]

We appreciate the subcommittee's efforts to focus on the importance of catastrophe preparedness and response and look forward to discussing the ongoing work of state insurance regulators and the NAIC. It is important to hold hearings such as this one to focus on strategies to improve disaster resiliency and ways in which insurance can help reduce risks associated with natural disasters.

Insurance Regulators Are Engaged on Disaster Preparedness, Resiliency, and Response

Perhaps no sector is more attuned to and focused on disaster preparedness, and directly aware of its value, than the insurance sector. State insurance regulators recognize that natural disasters take a considerable financial and emotional toll on Americans every year. Each year's disaster season comes with unique challenges for regulators and insurers, and no area of the country is immune. According to the National Oceanic and Atmospheric Administration (NOAA), in 2020, the U.S. experienced a new annual record of 22 weather and climate disaster events, each with losses exceeding $1 billion in damages. 2020 is the sixth consecutive year in which 10 or more billion-dollar weather and climate disaster events have impacted the United States. [2] These statistics underscore the importance of developing strategies today to better manage and mitigate the natural catastrophic events of tomorrow.

Insurance regulators across the country are working to find solutions to manage the catastrophic risk exposure in their respective states and, through the NAIC, we have been engaged in these efforts for decades. I serve as a member of the NAIC's Climate and Resiliency Task Force, which was formed last year to serve as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues. This body builds on existing efforts to address the economic consequences of natural disasters, including efforts to mitigate their toll. Our current work is focused on five areas: pre-disaster mitigation, solvency, climate risk disclosure, innovation, and technology.

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[1] As part of our state-based system of insurance regulation in the United States, the National Association of Insurance Commissioners (NAIC) provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.
[2] NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2021). https://www.ncdc.noaa.gov/billions/, DOI: 10.25921/stkw-7w73

Our pre-disaster mitigation workstream is participating in multi-agency stakeholder educational efforts on coverage gaps and pre-disaster mitigation related to climate risks and to incentivize insurer recognition of enhanced building codes in underwriting and pricing. In March, the NAIC hosted a building code and mitigation workshop that included 19 state insurance departments, the Federal Emergency Management Agency (FEMA), state emergency management agencies, insurance industry representatives, and consumer groups.[3] This workshop was one of many forums to coordinate public-private partnerships for risk reduction and resiliency. Building codes and mitigation are important risk management tools to promote risk reduction, public health, and safety. Risk reduction and mitigation protects consumers and reduces the losses paid by insurers (or otherwise absorbed through federal spending), helping to maintain solvent markets while keeping rates more affordable. It is estimated that for every dollar we invest in mitigating against future natural hazards we save six dollars. The cost of not investing is significant. In 2020, according to a report from Aon, global insured losses derived from natural disasters reached $97 billion, with weather-related disasters accounting for 99% of that number. Roughly 36% of global economic losses were covered by insurance. The United States accounted for 76% of the total.[4]

Second, we have a workstream focused on examining the potential solvency impact of insurers' exposures, including investments, to climate-related risks. This workstream may consider enhancements to regulator solvency tools, to analyze and address an insurance company's potential financial exposure to both the physical and transition impacts of climate change.

Third, we have established a workstream on climate risk disclosure, which is considering modifications to our existing NAIC Climate Risk Survey to promote uniformity in reporting requirements. For many years, through the California Department of Insurance, the NAIC has issued a Climate Risk Disclosure Survey, which collects information from more than 1,200 insurers capturing more than 70% of the U.S. insurance market and provides insurance regulators with insight into how insurers assess and manage climate risks. This workstream has been considering modifications to the NAIC Survey to better align with Task Force on Climate-related Financial Disclosures (TCFD).

Fourth, we have established a workstream considering innovative solutions to climate risk and resiliency directed at reducing, managing, and mitigating climate risk while closing insurance gaps in coverage for consumers.

Finally, we have established a workstream focusing on the increasing use of technology to better assess and evaluate climate risk exposure such as predictive modeling tools, primarily catastrophe

[3] https://content.naic.org/climate-resiliency-resource.htm
[4] https://www.aon.com/global-weather-catastrophe-natural-disasters-costs-climate-change-2020-annual-report/index.html

models used for wildfire, hurricane, flood, and earthquake among other perils. Technology is already playing an important role in the underwriting and claims processes, and we expect that to accelerate. We hope our work will enhance the strength of the sector and help ensure insurance consumers are protected from some of the economic and physical effects of climate change.

In addition to our Climate and Resiliency Task Force, I also serve as a member of the NAIC's Catastrophe Insurance Working Group, which developed a State Disaster Response Plan last year that provides a template for state insurance departments to use when assisting consumers and provides guidance to insurers and other licensees.[5] We also developed a Post Disaster Claims Guide to help consumers understand what to do after a natural disaster damages their property, as well as how to prepare and take preventive measures to limit impact.

The NAIC understands the challenges related to disaster recovery and coordinates with state insurance departments across the country to help affected communities and to support state efforts. The NAIC Disaster Assistance Program provides support to commissioners with data calls, consumer assistance call centers, and regulator assistance in the aftermath of a disaster.[6] For example, in the aftermath of Superstorm Sandy, the NAIC set up a call center to support the affected states as they responded to a high volume of calls to the insurance departments. Staffed by regulators from other states, the call center represented the collaborative strength of our state-based system. Volunteer regulators spent close to 460 hours handling more than 850 calls, ensuring consumers had access to information and resources immediately following the storm.

The NAIC also serves as a member of the Financial and Banking Information Infrastructure Committee (FBIIC), which facilitates the sharing of information among federal and state financial regulators, particularly in response to incidents impacting the financial sector's infrastructure, including natural catastrophes. During catastrophes, the NAIC actively engages in FBIIC daily calls to provide the state insurance perspective and report on actions taken in response to the disaster, which helps develop a shared situational awareness across the financial sector and its regulators.

The NAIC's Center for Insurance Policy and Research (CIPR) has also been active in researching various aspects of resiliency and disaster preparedness. In fact, we just concluded an interactive event in coordination with the Insurance Institute for Business and Home Safety (IBHS) on the insurance implications of severe convective storms, which included a live demonstration of the importance of building resilience standards. CIPR also maintains a state resiliency map (https://content.naic.org/cipr_resiliency_map.htm) which includes disaster and resilience information tailored to the unique perils confronted in different regions. A comprehensive

[5] https://content.naic.org/sites/default/files/inline-files/idrp_10222020-Fillable.pdf
[6] https://content.naic.org/sites/default/files/inline-files/NAIC%20Disaster%20Assistance%20Program_0.pdf

compendium of NAIC publications and resources on resiliency and disaster preparedness is available on our website (https://content.naic.org/cipr_resiliency_map.htm).

Partnership with Federal Emergency Management Agency (FEMA)

State insurance regulators also have a collaborative relationship with FEMA and have partnered together on education and training for insurance agents and coordinated to develop a NFIP reference guide for state insurance departments. As noted above, FEMA played a key role in our building code workshop, and the NAIC is hosting Resilience Roundtables with FEMA across the country, which has involved 28 states thus far. These events are focusing on how FEMA, state insurance departments, and the NAIC can work better together on resilience priorities before, during, and after disaster events. The NAIC has also signed a memorandum of agreement with FEMA allowing for more formal collaborative efforts. For example, FEMA Region 4 states (AL, FL, GA, KY, MS, NC, SC, TN) recently formed a FEMA-State DOI Resilience Working Group that will meet monthly and is focusing on lessons learned from 2020 in advance of the 2021 hurricane season. FEMA will also be presenting at the NAIC Insurance Summit in June to discuss Risk Rating 2.0. Further, the NAIC's Catastrophe Insurance Working Group has formed a FEMA-NAIC Advisory Group and the NAIC is working with FEMA Region 10 (AK, ID, OR, WA) on an earthquake training exercise.

Importance of Long-Term Reauthorization of the National Flood Insurance Program (NFIP)

State insurance regulators recognize the pivotal role that flood insurance plays in preparedness and recovery and are engaged in outreach efforts to educate consumers and help encourage higher take-up rates. The devastating effects of storms and the widespread lack of flood coverage underscore the need for continued efforts between the public and private sector to raise awareness about the importance of flood coverage.

The NAIC developed guiding principles for NFIP Reauthorization for Congress emphasizing the importance of long-term reauthorization/reforms, encouraging greater private market growth to help provide consumers with additional choices for flood insurance products, and increasing investment in mitigation planning. While the NAIC does not have a position on any NFIP reauthorization bills at this time, we appreciate that Chairwoman Waters' draft bill includes some provisions from our NAIC guiding principles, including ensuring that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without penalty, including not losing any subsidy they previously had with the NFIP, as well as language to ensure that consumers receive pro-rata refunds when they cancel a NFIP policy midterm to switch to a private policy. We also appreciate the increased funding authorizations for mitigation.

Insurance regulators support the inclusion of mitigation discounts, such as premium discounts or insurance rate reductions to persons who build, rebuild, or retrofit their properties to better resist flood events, and allowing individuals to set aside funds in a tax-preferred savings account for disaster mitigation and recovery expenses. We also support federal legislation, such as the Catastrophe Loss Mitigation Incentive and Tax Parity Act of 2019, that would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants to help provide greater incentives for homeowners to take action to protect their homes from natural disasters. These actions along with building and maintaining structures that incorporate mitigation strategies have the potential to reduce future program losses and improve the financial condition of the program.

Finally, we support legislative reforms to ensure accurate flood mapping and increased transparency around developing and updating flood maps. Any reauthorization legislation should include strategies to increase flood insurance take up rates, including facilitating opportunities to educate consumers about flood insurance policy options, and encouraging the purchase of flood insurance for those outside of special flood hazard areas.

Conclusion

In conclusion, state insurance regulators appreciate the subcommittee's attention to disaster preparedness and mitigation. Insurance is critical as insurance claim payments are the economic catalyst that restarts an affected region in the aftermath of a natural catastrophe. However, insurance is not a complete answer to our nation's resilience in the face of catastrophic natural disasters. As experience repeatedly shows, pre-event disaster planning, effective mitigation and rational building codes are crucial parts of the solution. It is important to think about catastrophe proposals so that solutions to these interlaced problems are not crafted in isolation. Developing a broad approach that recognizes the roles of the private market, the states, and the federal government, will result in a comprehensive solution that benefits all consumers.

Thank you for the opportunity to testify today and I would be pleased to take your questions.

Testimony of Shelley Poticha
Chief Climate Strategist
Natural Resources Defense Council

Before the U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing, Community Development, and Insurance

Hearing Entitled:
Built to Last: Examining Housing Resilience in the Face of Climate Change
May 4, 2021

Chair Cleaver, Ranking Member Stivers, and the members of the Subcommittee:

Thank you for the opportunity to testify today about housing and climate resilience. My name is Shelley Poticha, and I am the Chief Climate Strategist for NRDC (Natural Resources Defense Council). NRDC is an international, non-profit environmental organization working to protect the world's natural resources, improve public health, and ensure a safe and sustainable environment for all.

Summary of Testimony

The impacts of climate change – extreme heat, powerful storms, and sea-level rise – are already impossible to ignore. We now—quite undeniably—live in a rapidly changing world that will profoundly impact our nation and our society. Over the last several years, we have seen record-breaking hurricanes, floods, wildfires, and other climate-fueled disasters that have devastated communities and caused untold suffering for millions of Americans. And sea levels could realistically rise between three and six feet by the end of the century, posing an enormous threat to the cities and communities along our coastlines.

The impacts of climate change are here, and they will grow in severity and frequency, even under the most optimistic climate mitigation scenarios. We must fundamentally change our policies to prepare for a dramatically different future and to ensure we protect the people and communities who are most vulnerable. But we must also think about how we make decisions and who is involved in making those decisions. The complex and daunting challenges posed by climate change are already exacerbating the intergenerational harms of racial and economic inequity. Yet, the people who bear the greatest burdens of climate change too often are locked out of decision-making that will shape the future of their communities. That is neither acceptable nor right.

While the challenges are great, so are the opportunities to address these legacy issues as part of our efforts to enhance the nation's resilience to the impacts of climate change.

To fully take advantage of that opportunity, we must first remember that people are the ultimate beneficiaries of our actions and bear the cost of our inaction. The nation must chart a course that provides all people, regardless of race or economic status, the ability to live in a safe and prosperous community.

The challenge that communities face with the increasing likelihood of severe climate impacts is matched by growing inequality. These two challenges go hand in hand. Unless we begin to change our practices, historic patterns of development will be reinforced for people and communities already experiencing housing, economic, or energy insecurity. In order to do so, it is also necessary to adopt new ways of making decisions. Community-led low carbon resilient development is one approach that NRDC believes can be successfully employed and relied upon. Community-led low carbon resilient development brings together three traditionally separate goals: reducing climate change emissions (mitigation), resilience to climate change (the adaptation side of climate change policy), and economic and social development.

This means establishing new paradigms for community development and decision-making that are inclusive, directly involve the community members who are at greatest risk and have the most to lose, and that can provide them meaningful input on the options that will be available and the agency to choose the options that are best for them and their community.

We urge the committee to quickly move to reform the National Flood Insurance Program (NFIP). The NFIP should be a lynchpin in our efforts to cope with the growing problems of flooding and sea-level rise that result from climate change, but in its current form, NFIP is a liability. Much more than an insurance program the NFIP is responsible for creating flood risk maps that ever architect, engineer, and planner use for the siting and design of almost every construction project; establishes minimum land use criteria that serve as the floor for local building and zoning codes in 22,000 communities; and should serve as a critical source of information for individuals and communities about flood history and flood risk. We need NFIP to provide low- and moderate-income people with affordable insurance coverage, expand access to flood mitigation and relocation assistance, and grant homeowners, home buyers, and renters a right to know the flood history and risks associated with their current or prospective home.

We also need to make overdue changes to several policies critical to housing in the United States. We urge the committee to support legislation to fully fund the Community Development Block Grant Program (CDBG) and create a Community Stewardship Program to enable community-based development organizations to purchase and redevelop properties through collective ownership of local assets to fuel a more just-sustainable development.

The CDBG Program's funding has been cut 80 percent since its creation, and should b increased to a minimum of $15 billion annually. The CDBG Program should include a significant carve-out to establish a Green CDBG fund to pilot initiatives dedicated to low carbon resilient development in communities.

We also need to permanently establish in statute the Community Development Block Grant-Disaster Recovery (CDBG-DR) program. Originally envisioned as a program that would only be utilized occasionally for truly catastrophic events, this disaster recovery program is now employed almost every year to provide federal aid for longer-term disaster recovery, rebuilding, and resilience efforts. Because CDBG-DR is not permanently established in statute, each new authorization and appropriation requires the Department of Housing and Urban Development (HUD) to draft and approve new regulations for each individual authorization and appropriation. The result is, at best, a months-long delay between the qualifying disaster and delivery of assistance.

HUD should update the agency'sEnvironmental Justice Strategy, which was last revised in 2016, to ensure that accountability to community voices and priorities are met.[1] HUD should invest more resources to ensure state and local government compliance with community participation required by Section 104(a)(2) of the Housing and Community Development Act. HUD also should finalize an updated plan focusing on the following areas: meaningful engagement of community-based organizations in the decision-making process; clear processes for filing environmental justice complaints to HUD; clear guidance and protections related to displacement; and better training for HUD staff on environmental justice issues.

Finally, NRDC urges the committee to make changes to the nation's weatherization programs. These programs deliver critical assistance to lower-income people that helps make their homes more energy-efficient, lowers their utility bills, and reduces their water and energy usage overall and therefore increases their community's resilience.

I thank you for the opportunity to speak before the Subcommittee today.

People over Property

The conventional approaches to describing and addressing housing, resilience, or disaster recovery focuses on properties, rather than people. This is because, in every city and small town across the country we've established a pattern of urban and community development that prioritizes the value of property over people. We've created a national model of property-led development rather than Human Development.

All the common metrics we use to measure growth and progress in our cities betray our emphasis on seeing the built environment abstracted from data showing actual improvements in people's lives. We focus on the financial cost rather than the human cost.

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[1] HUD, 2012-2015 Environmental Justice Strategy, http://portal.hud.gov/hudportal/documents/huddoc?id=envjustice.pdf, March 30, 2012.

Statistics on real estate values, insurance policies, and damage claims, dollars-worth of damage to buildings and infrastructure, the number of storms that cause in excess of a billion dollars in losses, the costs of recovery all have one thing in common: they focus on damage to properties and fail to capture the short- or long-term harms to people who live on those properties.

This disconnect is partly because property damage is easy to see and to track, unlike the ripple effects of housing insecurity, chronic respiratory illnesses associated with poor housing quality, or the accumulating mental health burden of repeated disasters.

When these property-centric data influence our post-disaster plans and the allocation of funds, communities that have been historically devalued continue to be devalued. Too often, when low-income communities or communities of color are prioritized for large infrastructure improvements in housing, transit or parks, it is often implemented in ways that lead to gentrification and displacement.[2] This is because the target of development remains property as a means of extractive value and wealth creation for the few. This contributes to the widening equity gap, leaving people with even fewer options to decrease their vulnerability before disaster strikes, and less than their fair share of the recovery resources after their lives are upended.

Racism compounds this reality. Since the founding of this country, we have consistently valued some groups over others. The devaluing of Black lives and communities they live in has resulted in disparities of their property values and pollution burdens. A 2019 University of California, Berkeley, study of eight cities, for example, found that residents of historically Black neighborhoods are more than twice as likely than white families to visit emergency rooms for asthma-related treatment due to the legacy of redlining.[3] And a 2007 study prepared for the United Church of Christ's Justice & Witness Ministries points to race as the biggest predictor of whether a community in the United States will be affected by toxic pollution from a landfill, power plant, highway or incinerator.[4]

In addition to contributing to higher levels of vulnerability and unequal allocation of resources to address these vulnerabilities, discriminatory practices like redlining, which led to segregation and disinvestment in communities, are also exacerbated by climate change.

A recent study by the real estate company Redfin.com found that redlining has led to higher percentages of Black families living in areas at greater risk of flooding compared to homes in more affluent, non-redlined areas (see Figure 1). According to Redfin Senior Economist Sheharyar Bohari, "Decades of segregation and economic inequality shoehorned many people of color—especially Black Americans—into living in neighborhoods that are more vulnerable to climate change." He also stated that "The cycle continues today. As climate change fuels rising

[2] Cash, Chapple, Depsky, Elias, Krnjaic, Manji, Montano, "Climate Change and Displacement in the US – A Review of the Literature, April 2020. http://www.sparcchub.org/wp-content/uploads/2020/04/Climate-and-Displacement-Lit-Review-6.19.2020.pdf

[3] https://news.berkeley.edu/2019/05/22/historically-redlined-communities-face-higher-asthma-rates/

[4] http://d3n8a8pro7vhmx.cloudfront.net/unitedchurchofchrist/legacy_url/491/toxic-wastes-and-race-at-twenty-1987-2007.pdf?1418423933.

sea levels and powerful storms, many of these neighborhoods lack the funding for the infrastructure upgrades necessary to combat flooding."[5]

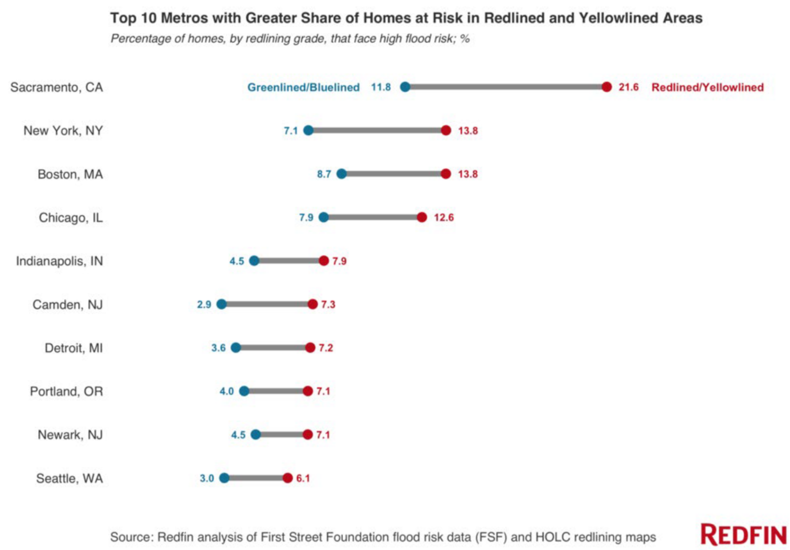

Figure 1. A recent study by Redfin found that a higher percentage of homes in formerly redlined areas are at greater risk of flooding compared to non-redlined areas.

In focusing on people, we create the opportunity to empower communities and involve them in creating integrated strategies that promote equity, improved health outcomes, and climate resilience. This centers on redefining a national framework for community development and public infrastructure, demonstrating the value of amplifying investments in connected housing, disaster mitigation and resilience, transit, green space, and other infrastructure so their benefits can be realized equitably. Just as the problems of the climate crises, global pandemic, economic instability, and racial injustice are interwoven, our solutions must be as well.

Disasters are widening the equity gap in the United States

Many factors contribute to wealth inequality and inequity. But research conducted by Drs. Junia Howell and James R. Elliot found that "natural hazard damages also play an important, growing,

[5] Lily Katz, "A Racist Past, a Flooded Future: Formerly Redlined Areas Have $107 Billion Worth of Homes Facing High Flood Risk—25% More Than Non-Redlined Areas," Redfin.com, March 14, 2021, https://www.redfin.com/news/redlining-flood-risk/.

and largely hidden role, especially along the lines of race, education, and homeownership." [6] According to the NAACP, "Communities of color and other frontline communities are more likely to live in hazard-exposed areas and have fewer resources to invest in risk-reducing measures."[7] Absent consideration of these social inequities, which often cause frontline communities to experience an unequal ability to prepare for and to protect against disasters, the ability to build resilient communities will be greatly hindered.[8]

A 2019 study by the Urban Institute found similar evidence of how disasters contributed to growing inequities in society and how economic hardships fall hardest on families who are already living in a financially precarious situation.[9] This research found that disasters contribute to "negative impacts across most measures of financial health, including credit scores, debt in collections, bankruptcy, credit card debt, and mortgage delinquency and foreclosures." These effects are not short term, but linger and can even grow over time. Even factors like individuals' credit scores suffer. People living in communities of color see their credit scores drop an average of 31 points, while in majority white communities credit scores decreased an average of 4 points after disasters. Similarly, the Federal Housing Authority found that mortgage default rates jumped significantly in Florida and North Carolina, following Hurricanes Irma and Florence, respectively.[10]

Community Development and Inclusive Decision-Making

The converging crises of climate change, global pandemic, economic instability, and racial injustice require an intersectional approach to solutions based on the work and experiences of locally led collaborative leadership that can reflect and address community priorities holistically. As demonstrated above, historically, within the community development sector, there have been laws, rules, and practices in planning and investment that have perpetuated injustice, hurting local economies, public health, and the environment. In working with community organizations across the country, we've experienced the many ways the community development sector must radically change its approach to community-led development for more equitable results. [11]

To change this approach, five and a half years ago, the Strong, Prosperous and Resilient Communities Challenge (SPARCC) was created as an initiative of NRDC, Enterprise

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[6] Howell and Elliot, "Damages Done: The Longitudinal Impacts of Natural Hazards on Wealth Inequality in the United States," *Social Problems*, August 2018, https://academic.oup.com/socpro/advance-article/doi/10.1093/socpro/spy016/5074453.
[7] Lorah Steicheny and Jacqueline Patterson, NAACP Environmental & Climate Justice Program, "In the Eye of the Storm: A People's Guide to Transforming Crisis and Advancing Equity in the Disaster Continuum," 22 (2018) *available at* https://www.naacp.org/climate-justice-resources/in-the-eye-of-the-storm/
[8] *Id.*
[9] Ratcliffe, Congdon, et al., *Insult to Injury: Natural Disasters and Residents' Financial Health*, Urban Institute, April 2019, https://www.urban.org/research/publication/insult-injury-natural-disasters-and-residents-financial-health.
[10] *Flood Insurance Coverage of Federal Housing Administration Single-Family Homes*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, March 30, 2020, p. 18, https://www.huduser.gov/portal/sites/default/files/pdf/MDRT-Flood-Insurance-Coverage-of-FHA-SFH.pdf.
[11] Center for Community Health and Evaluation. April 2020. http://www.sparcchub.org/wp-content/uploads/2020/04/sparcc-year-three-evaluation.pdf

Community Partners and the Low Income Investment Fund. SPARCC's goal is to rethink community development work through the lenses of racial equity, health, and climate. Our vision in the long term is to influence the way metropolitan regions grow, invest, and build through cross-sector approaches that benefit low-income people and communities of color. National and local organizations from Atlanta, Chicago, Denver, Los Angeles, Memphis, and the San Francisco Bay Area joined together to use flexible grant funding, technical assistance, and a community of practice to support innovative solutions that advance racial equity, build a culture health, and respond to our climate crisis. The initiative brings together residents, community advocates, business owners, artists, and experts in community investment, public health, public policy, climate resilience in unique collaborations that challenge assumptions and biases. Using a mix of philanthropic, private, public and non-profit resources, vital community-led projects that promote mass transit and green infrastructure, safeguard against the displacement caused by gentrification and stimulate local micro-economies have been created. All done within an equity framework.

This work demonstrates two principles that frontline and community-based organizations have championed for years: Community power drives change and inclusive decision-making matters. Equitable and inclusive engagement has been proven to create more effective and equitable solutions, increase the likelihood that a project receives community support, help to build community skills, increase trust in community governance, build trust across different perspectives and create opportunities to discuss issues in the community.[12]

We must re-center the place from which we start conversations about how best to address housing needs. Community decision-making in local projects is critical to successful integration of climate resilience into community-owned projects and to ensuring that sustainability is not value engineered out of achieving equitable development. SPARCC demonstrates that community power and leadership is one of the most powerful examples of transforming city policies and practices, but this collaborative approach to partnerships with communities leading the work is critically under-resourced and undervalued. Federal dollars should more explicitly support community-based organizations and leadership in local government projects, with an emphasis on supporting smaller organizations tied to the social fabric of a community and dedicated to social and racial equity.

Solutions at the Intersection of Address Housing and Climate Resilience

We want to bring to the Subcommittee's attention a few key actions that it should take to address issues at the intersection of equity, housing, and climate resilience.

- Support community-led development and fund community ownership
- Build a national scale framework to address housing + climate + infrastructure impacts

[12] Mariia Zimmerman, 2019, "Inclusive Investment Starts with Equitable Community Engagement." http://www.sparcchub.org/wp-content/uploads/2019/09/EECE-V4.pdf

- Permanently Authorize HUD's CDBG-DR program
- Reform the National Flood Insurance Program
- Fund weatherization and neighborhood retrofits

Supporting community-led development

Without deliberate effort to prioritize community-led development, new infrastructure and housing investment will not alter the pattern of housing inequity.[13] Nor will providing more funding to an issue without explicit focus on keeping people housed in safe and sustainable locations of their choosing. A holistic vision for funding housing stability includes providing federal resources to community-based partners to acquire and steward land for long-term affordability. To do this, equity needs to be elevated federally, including listening to the local vision to fund anti-displacement measures, infrastructure, healthy housing, parks and fair paying jobs.

Specifically, intentional effort should be made for meaningful engagement, including allocating budgets directed to community-based engagement. Funding could be explicitly allocated for coordinated planning to address risk and advance community goals across sectors. Funding resources like CDBG-MIT and FEMA's Building Resilient Infrastructure and Communities program are beginning to address this need by emphasizing planning and capacity; however, incentives are needed to ensure states and localities take advantage of this opportunity.[14]

In addition, integrating equity into federal programs and actions requires a strong commitment to affordable housing and community-serving needs like jobs and other amenities. Both the data and lived experiences shows that an inequitable approach to green investments for large-scale developments can lead to gentrification and displacement. Access to high-quality parks, green infrastructure, and energy-efficiency investments have significant and long-lasting positive benefits that are well-documented. Numerous studies have shown that green revitalization initiatives can increase property values and further real estate speculation, contributing to physical and cultural displacement for low-income residents in the neighborhoods.[15] These investments must be undertaken with affirmative protections to reduce the risk of inadvertent exclusion and harm for those who these investments are intended to benefit.

The federal government plays a key role in ensuring that funds can be accessed and aligned for community use. It is important to integrate resources to work across sectors to achieve multiple

[13] Institute on Metropolitan Opportunities. "American Neighborhood Change in the 21st." April 2019. https://www.law.umn.edu/sites/law.umn.edu/files/metro-files/american_neighborhood_change_in_the_21st_century_-_full_report_-_4-1-2019.pdf

[14] Natural Resources Defense Council (NRDC), "NRDC Comments on North Carolina Proposed CDBG-MIT Application" December 2019, https://www.nrdc.org/resources/nrdc-comments-north-carolinas-proposed-cdbg-mit-application.

[15] Rigolon and Nemeth, "Green Gentrification or Just Green Enough? Do Park Location, Size, and Function Affect Whether a Place Gentrifies or not?" July 2019 https://journals.sagepub.com/doi/abs/10.1177/0042098019849380?journalCode=usja

community benefits. Government funding is often siloed but this could be improved with a coordinated approach to address housing and climate. One study of the D.C. Metro rail system and surrounding housing impacts suggested that housing subsidies like LIHTC, Section 8 Project Based Rental Assistance, or Community Development Block Grants specifically in transit zones can serve as one way of preserving affordable housing near transit. But tax incentives are only one piece of the equation. Proactive actions are required to prevent displacement. This includes acting to acquire land for affordable housing before transit or other green investments is announced and land values rise is another strategy to promote neighborhood affordability. For example, TriMet, a transit agency in Portland, acquired and banked land adjacent to a light rail expansion and then dedicated it to subsidized housing; developing and leveraging transit money and federal funds. The $24 million Denver Regional TOD fund made a similar strategic land acquisition.

In another example, to address the Los Angeles River revitalization and the impact of green infrastructure investments on the chronic affordable housing and homelessness crisis in that city, a group of non-profit organizations, public agencies, and community groups formed the Los Angeles Regional Open Space and Affordable Housing Collaborative. The mission is to remedy green gentrification and create a new model of development to eliminate displacement and ensure that low-income communities have holistic access to nature. The collaborative is focused on bringing together the joint development of parks and open space and incorporating anti-displacement and equitable parks policies in funding and financing measures. This includes working with organizations including community land trusts and supporting the acquisition of land that is both climate resilient and retains affordability in the long term.

Federally, COVID-19 relief funds, including CDGB grants and FEMA recovery dollars have been identified to support acquisition and rehabilitation of distressed properties or underutilized land in combination with existing local funding and financing sources. CDBG-MIT funding were identified to reduce energy burden and mitigate risk from future disasters for low-income renters.

Fund Community Ownership

Communities lose a substantial amount of affordable housing to real estate speculators who have the resources to buy and hold housing and then sell high when the market recovers. This exacerbates the cycle of housing being controlled by investors with limited interests in promoting equitable, climate resilient and affordable housing. Creating a mechanism for more local and affordable ownership by equity-focused organizations not only would respond to the accelerating pace of evictions as the COVID-19 pandemic continues, but also to the long-standing racial and systemic inequities in the housing markets faced by low-income, Black, brown, Indigenous and other communities of color to due to blight and displacement pressures and accelerated environmental and climate vulnerabilities.

With the historic investment in housing called for by President Biden in the American Jobs Plan, the nation could commit itself to supporting long-term affordability and community ownership.[16] This would support greater local ability to keep renters and tenants in place, allow homeowners to keep their homes, support small landlords and small business owners in targeted neighborhoods.[17] Creating and funding a community stewardship program through HUD would provide dedicated funding to community-based development organizations and small shared-equity organizations like community land trusts to purchase and redevelop properties and acquire land, through collective ownership of local assets to fuel a more just-sustainable development.

Funding this type of resource is not new. The Neighborhood Stabilization Program (NSP), enacted in the Housing and Economic Recovery Act (HERA)[18] of 2008 laid the groundwork for this type of funding. It moved resources to the public sector and private non-profit actors to quickly acquire and control property that housed low- and moderate-income families and businesses. This included financial assistance for home purchasers, rehabilitation and redevelopment, and establishment and operation of land banks. These policies are crucial to a full and complete recovery in our communities, but we can do more.

In the first round of NSP, for example, Baltimore and Detroit relied more heavily on using funds for demolition of abandoned, vacant, and blighted properties. Many were torn down with limited planning focused on an equitable redevelopment in collaboration with the Black communities who suffered from years of discrimination and disinvestment. A new program focused on community stewardship must account for these lessons and include racial equity accountability mechanisms that are community led. This requires funding small community-based organizations and shared-equity organizations like community land trusts with limited ability to access funding that can contribute to local control of assets, making critical healthy housing upgrades, provide deep and long-term housing affordability and through resident-led leadership, develop mechanisms that can contribute to wealth building.

Community ownership is a necessary part of the long-term response to our housing crisis. By equitably centering people in communities and holding stewardship as a principle, we also have an opportunity to grow in a more sustainable way-- for people and the planet.

Fully fund HUD's Community Development Block Grant Program (CDBG), Establish a Green CDBG Fund and Permanently Authorize HUD's Community Development Block Grant – Disaster Relief (CDBG-DR) program

The CDBG program was enacted in 1974 to provide block grant funding for community development programs. The program assists urban, suburban and rural communities to improve housing and living conditions and expand economic opportunities for low- and moderate-income

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[16] Fact Sheet: The American Jobs Plan, March 31, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/
[17] Strong Prosperous and Resilient Communities Challenge (SPARCC). "Strengthening Communities Through Long-Term Community Stewardship" March 2021. http://www.sparcchub.org/wp-content/uploads/2021/03/SPARCC-Long-Term-Community-Stewardship-3.4.2021.pdf
[18] Housing and Economic Recovery Act of 2008. https://www.congress.gov/110/plaws/publ289/PLAW-110publ289.pdf

persons. CDBG helps create jobs through the expansion and retention of businesses and is an important tool for helping local governments tackle serious challenges facing our communities. Counties use the flexibility of CDBG funds to partner with the private and non-profit sectors to develop and upgrade local housing, water, infrastructure and human services programs. Counties rely on the flexibility of CDBG funds to meet each community's particular development needs.

Having safe, healthy, and affordable housing options is long understood as integral to ensuring sustainable livelihoods, access to quality education, and public health. Now we are beginning to realize the critical role of housing in addressing climate change. This section highlights the significant and varied ways in which policies that support housing affordability and equity can actively contribute to climate action and provide more resilient homes for families.

The interaction of housing and transportation policy can create incentives or disincentives in choices on the location of housing and their proximity to jobs and social life activities. The outcome of these choices greatly impacts the scale of emissions from the transportation sector based on the location and transit options available to workers and families.

Undoing the legacy of racial segregation requires a fully funded CDBG program to target historically disinvested communities of color that have suffered from long-standing systemic issues of racial injustice and economic inequality.

Within the CDBG program, a Green CDBG fund should be established to pilot initiatives and create best practice tools for low carbon resilient community development. We can no longer attempt to develop communities and alleviate poverty in ways that might increase emissions or contradict our climate goals. Ensuring no one is left behind means we must create new methods of development that support and enhance people's livelihoods while reducing the harmful emissions that cause climate change and disruption.

HUD's CDBG-DR program can be a vital resource to assist low-income communities and BIPOC communities recover post-disaster. However, the program is established on an ad hoc basis, which burdens those communities with long wait times and complicated bureaucratic hurdles. As such, Congress should codify HUD's CDBG-DR program in statute, permanently authorize it, and direct HUD to establish a standard framework of requirements and processes for future disasters.

Congress has appropriated nearly $90 billion in CDBG-DR funding since 1992.[19] In the absence of a standing authority to provide disaster-related funding, HUD has governed these near-annual appropriations via dozens of different Federal Register notices—sometimes with multiple notices for a single disaster. As noted by Enterprise Community Partners, "this ad hoc system results in

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[19] HUD, "CDBG-Disaster Recovery Grant History 1992 - 2019," June 20, 2019, https://files.hudexchange.info/resources/documents/CDBG-DR-Grant-History-Report.pdf.

different requirements and waivers for different grantees, confusion and frustration among grantees, and inconsistent and unfair disaster recovery outcomes across grantees."[20]

As Congress provides more disaster recovery funds to HUD, it becomes increasingly important that this program have formal regulations so that recovery funds can get from HUD and into communities faster and be administered more effectively. The 2018 HUD OIG audit found that administering CDBG-DR funding with multiple Federal Register notices presented challenges to grantees and led to delays; the audit report stated that codifying CDBG-DR and creating a permanent program would "(1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner."[21]

Similarly, a March 2019 Government Accountability Office (GAO) report found that, "[w]ithout permanent statutory authority and regulations such as those that govern other disaster assistance programs, CDBG-DR appropriations require HUD to customize grant requirements for each disaster in Federal Register notices—a time-consuming process that has delayed the disbursement of funds."[22] The timing issue is illustrated by the August 2019 publication of FR-6109-N-02, "Allocations, Common Application, Waivers, and Alternative Requirements for Community Development Block Grant Mitigation Grantees." These rules and waivers for grantees were released 1 year, 6 months, and 14 days after the associated appropriation in February 2018.

NRDC supported H.R.3702 - Reforming Disaster Recovery Act of 2019, which the House Financial Services Committee unanimously approved, and welcomes its reintroduction this session.

Reform the National Flood Insurance Program

The current structure of the National Flood Insurance Program (NFIP) is inadequate to address the reality of climate change, and the NFIP does not provide equitable and just assistance to those who need it most. The program's focus on rebuilding in the aftermath of a flood can contribute to people being trapped in a home that floods repeatedly, because the insurance coverage only provides assistance to rebuild in the same location.[23] People who may want to escape the painful cycle of flooding and rebuilding find that the NFIP often perpetuates that cycle, wasting government and private resources. Further, the program is based on a biased

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[20] Alexander Williams, "Senate Legislation Introduced to Permanently Authorize the Community Development Block Grant – Disaster Recovery Program," Enterprise Community Partners, July 30, 2019, https://www.enterprisecommunity.org/blog/senate-legislation-introduced-to-permanently-authorize-CDBG-DR.

[21] HUD OIG, "HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program," p. 1.

[22] GAO, "Better Monitoring of Block Grant Funds Is Needed," GAO-19-232, March 2019, https://www.gao.gov/assets/700/697827.pdf.

[23] We recognize that the Flood Mitigation Assistance Grants are also a program of the NFIP. These grants are generally targeted to mitigating repeatedly flooded homes, with an eye towards eliminating future damage claims and financial liabilities of the NFIP.

assumption that everyone has the ability to choose where they live. It is blind to the legacies of redlining and segregation, which forced many people of color into high-risk flood areas.

The NFIP must be reauthorized by September 30. We have an opportunity to make NFIP more "climate-smart", more equitable, and more just to ensure people and communities – especially the most vulnerable among us - are able to protect themselves from flooding.

Affordability of coverage

The NFIP's current method for discounting insurance premiums is unrelated to a property owner's or renter's income level. Instead, the majority of subsidized insurance policies are for older buildings that pre-date the NFIP and their communities' first flood insurance rate maps (FIRM). Ensuring that flood insurance coverage is affordable for low-to-moderate homeowners and renters is essential could help with near-term recovery.

FEMA found that half of the households located in the 100-year floodplain and without NFIP coverage are considered low-income. The median income of households without flood insurance is only $40,000. [24] Thus, those that can least afford to pay for flood insurance also can least afford to be without it given their high level of risk.

A legacy of racially discriminatory housing practices has, on average, channeled low-income and BIPOC people into areas vulnerable to flooding without their consent or knowledge of those risks. Maps of historical housing discrimination show how neighborhoods that suffered redlining in the 1930s face a far higher risk of flooding today. "Across 38 major U.S. metros, more than $107 billion worth of homes at high risk for flooding were located in historically redlined (and yellow-lined) neighborhoods. That's 25% more than the value of homes at high flood risk located in parts of the city deemed desirable—that is, white neighborhoods."[25] Further, a recent study of Hurricane Harvey found Black and Hispanic flood victims carried flood insurance at lower rates than whites.[26]

In addition, homes purchased with an FHA mortgage located in or near high-risk flood areas are "very exposed to flood risk" because a large number of FHA-backed homes are not covered by flood insurance.[27]

As policy premiums transition to rates that reflect actual flood risk, the already existing equity gap in NFIP coverage will likely expand. Low-to-moderate income households could be "priced

[24] Federal Emergency Management Agency, An Affordability Framework for the National Flood Insurance Program, April 17, 2018, https://www.fema.gov/sites/default/files/2020-05/Affordability_april_2018.pdf
[25] Kriston Capps and Christopher Cannon, "Redlined, Now Flooding," Bloomberg (March 15, 2021) *available at* https://www.bloomberg.com/graphics/2021-flood-risk-redlining/
[26] Liz Hamel, et. al., An Early Assessment of Hurricane Harvey's Impact on Vulnerable Texans in the Gulf Coast Region, December 2017, https://files.kff.org/attachment/Report-An-Early-Assessment-of-Hurricane-Harveys-Impact-on-Vulnerable-Texans-in-the-Gulf
[27] *Flood Insurance Coverage of Federal Housing Administration Single-Family Homes*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, March 30, 2020, https://www.huduser.gov/portal/sites/default/files/pdf/MDRT-Flood-Insurance-Coverage-of-FHA-SFH.pdf.

out," either choosing to continue to forgo coverage or drop existing coverage if the cost becomes too burdensome.

Congress must act to create a means-tested affordability framework to address this growing flood insurance gap amongst low-to-moderate income households. For example, Congress could provide subsidies based on income level. Homeowners with an income below the Area Median Income (AMI) could receive a discount on coverage or a voucher for coverage.

While insurance is important to help recover from a flood, it obviously can't prevent flood damage, or the loss of possessions, the struggles of rebuilding their homes and lives, missed work and school days, potential health impacts from mold and waterborne toxins, and the trauma of living with a disaster. The high cost of recovery is an essential reason that insurance be more to equitable and timely to more vulnerable homeowners, renters and communities to decrease their exposure to flooding.

Any means-tested affordability mechanism must be coupled with providing low-to-moderate income households greater access to mitigation assistance. Requiring greater mitigation assistance, in addition to more affordable insurance premiums, is an equitable way to assist low-to-moderate income households. Reducing a home's exposure to flooding not only will better protect residents, but also reduce the long-term cost of insurance for the homeowners.

Right to know your own home's risk

Homeowners and renters should have a right to know what FEMA already knows about their property's history, including flooding potential. Similarly, homebuyers should have a right to know what a seller knows, and renters should have a right to know what the leasor of a property knows. However, getting access to this information can be exceedingly difficult, and this needs to change.

In too many states, home buyers are kept in the dark about a property's vulnerability to floods, as NRDC and Columbia University's Sabin Center for Climate Change Law found when it reviewed all 50 states' real estate disclosure laws. [28] In nearly 25 of states, there are no statutory or regulatory requirements that a seller disclose a property's history of flood damages to a buyer. Sellers are also not required to disclose whether the property is located in a floodplain.

[28] Natural Resources Defense Council, Climate Resilience: How States Stack Up on Flood Disclosure, https://www.nrdc.org/flood-disclosure-map

Figure 2: Twenty-eight states have no requirements to disclose past flood damages or require inadequate levels of disclosure to homebuyers. Few, if any, states require that renters receive this information. Louisiana, Texas, Mississippi, Oklahoma, and Tennessee have among the most comprehensive disclosure laws in the nation.

As part of NFIP Reform, Congress should consider a requirement that States should have disclosure laws that ensure that persons selling a property disclose the following information:

- Whether the home has ever been damaged by a flood and the extent of damage;
- Whether the home is located in a floodplain and, if it is, the flood zone classification (100-year or 500-year) of the property and the source and date of this information; and
- Whether the seller and/or previous owners ever received federal disaster aid that would require all future owners to obtain and maintain flood insurance on the property and, if they have, the type of aid and amount received.

Beyond disclosure by property owners, the NFIP must also improve the information that it makes available to both home buyers and homeowners. This should include any history of flood insurance coverage, damage claims paid, and whether there is a legal requirement to purchase flood insurance because of past owners' receipt of federal disaster aid. This is information that Federal Emergency Management Agency should have if a property was ever covered by the NFIP. Chairwoman Waters' National Flood Program Reauthorization Act of 2021 would put in place a system by which FEMA, as well as certain private flood insurance providers, would be required to share this information with residents of properties.

More options for moving out of harm's way

Repeatedly flooded properties are a significant problem for the NFIP. Between 1978 and 2007, the number of repeatedly flooded properties increased by 5,188 per year, but only about 500 per year were mitigated over the same period. [29] The number of repeatedly flooded properties is growing ten times faster than efforts to mitigate these properties.[30]

For Severe Repetitive Loss Properties (SRLP), the figures are even more striking.[31] As of May 2018, the nation's approximately 37,000 SRLPs accounted for more than 10 percent of all the damage claims paid out by the program, despite representing less than 1 percent of NFIP policies.[32] These properties, the most flood-prone structures insured under the NFIP, have flooded about five times each, on average.

Today, thousands of households flood multiple times. In the coming decades, millions of families and homeowners will face the chronic risk of flooding as sea levels rise and rivers flood more frequently due to climate change.[33]

Currently, the NFIP repeatedly provides homeowners with assistance to repair and rebuild in place, but minimal assistance to help homeowners who want to relocate somewhere safer. This needs to change.

Weatherization, energy efficiency, and extreme weather

Our homes and buildings are responsible for around 40 percent of all U.S. climate emissions, making household energy efficiency a key element to any successful climate strategy.

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[29] Department of Homeland Security Office of Inspector General, FEMA's Implementation of Flood Insurance Reform Act of 2004, p. 19, March 2009. Available at https://www.oig.dhs.gov/assets/Mgmt/OIG_09-45_Mar09.pdf.

[30] Rawle O. King, Cong. Research Serv., Federal Flood Insurance: The Repetitive Loss Problem 37, (2005), *available at* http://www.fas.org/sgp/
crs/misc/RL32972.pdf [hereinafter 2005 CRS Report]; Rawle O. King, Cong. Research Serv., The National Flood Insurance Program: Status
and Remaining Issues for Congress 20 (2013), *available at* https://www.fas.org/sgp/crs/misc/R42850.pdf [hereinafter 2013 CRS Report].

[31] An SRLP is a property has incurred flood-related damage--**(i)** for which 4 or more separate claims payments have been made under flood insurance coverage under this chapter, with the amount of each such claim exceeding $5,000, and with the cumulative amount of such claims payments exceeding $20,000; or **(ii)** for which at least 2 separate claims payments have been made under such coverage, with the cumulative amount of such claims exceeding the value of the insured structure.

[32] NRDC, Losing Ground: Severe Repetitive Flooding in the United States, https://www.nrdc.org/resources/losing-ground-severe-repetitive-flooding-united-states

[33] Hauer, Evans, and Mishra; "Millions projected to be at risk from sea-level rise in the continental United States"; *Nature Climate Change* 6, 691-695, April 2016. Available at https://www.nature.com/nclimate/journal/v6/n7/full/nclimate2961.html

But our homes are more than just consumers of energy. They are the places our families gather, our children grow and study, where our dreams are formed and where we go for comfort when they fail. As the experience of living under a pandemic has taught us, our homes do this because this is where above all, we should all feel safe and secure. But for too many families, home does not provide that security or safety.

Across the United States, there is a significant shortage of safe, healthy, energy-efficient, and affordable housing options for low-income residents. And while too many families experience these difficulties as cumulative and compounding burdens, our responses are often siloed and incapable of the cross-programmatic collaboration needed to maximize benefits.

Pairing weatherization and energy efficiency programs with healthy homes interventions can amplify non-energy benefits such as direct cost savings to families, job creation, and effectively address social determinants of health.[34]

Lower-income households and communities of color bear the brunt of substandard housing conditions, spend a larger percentage of their income on energy costs, and are disproportionately affected by the effects of extreme weather and climate change. This was illustrated by the recent Texas disaster, where low-income communities of color suffered disproportionate negative impacts of extended power and water outages.

Energy efficiency reduces both consumer and business utility costs and makes buildings more comfortable and resilient. A well-insulated building will stay cooler on the hottest days or warmer on the coldest days, even in the event of an extended power outage. Improved efficiency in buildings also is a crucial component to improving grid resilience and reliability. Efficient buildings are less demanding on the energy grid, reaping benefits at the times of highest consumer demand or during an extreme weather emergency.

To have the greatest impact on the grid, energy-efficient buildings should have electric appliances and equipment (which are often more efficient and emit less carbon and other pollutants than fossil-fueled furnaces, water heaters, and other equipment that burn the fossil fuels onsite), combined with demand flexibility. These interventions with specific attention to improving the health quality of a home by targeting four common health risks — asthma, falls, and exposure to extreme heat or cold — could save almost $3 billion dollars in avoided health harms over a ten-year period, according to a recent study by ACEEE.[35]

Programs such as Washington State's Department of Commerce's Weatherization Plus Health initiative combines energy and cost-saving weatherization improvements with measures that help to improve the home environments for children and adults who have asthma and other respiratory ailments.[36] It uses community health education partnerships for client recruitment,

[34] https://www.greenandhealthyhomes.org/wp-content/uploads/ghhi.pdf
[35] https://www.aceee.org/research-report/h2001
[36] https://www.commerce.wa.gov/growing-the-economy/energy/weatherization-and-energy-efficiency/matchmaker/weatherization-plus-health-wxh/

assessment, and intensive home education and follow-up. This strategy has been shown to reduce health risks and healthcare costs for at-risk families and should become the norm for weatherization rather than the exception.

However, three important challenges must be overcome to ensure these programs reach the most vulnerable and difficult to serve housing stock.

First, most existing weatherization, healthy home, and energy retrofit programs that focus on serving low-income families target homeowners. Most of the nation's lowest-income families are renters and live in properties that are not assisted or subsidized by federal dollars. Many of these properties are smaller multi-family units whose owners have limited capacity or resources to invest in rehabs or to participate in existing programs.

Secondly, multi-family properties, where the majority of the nation's lowest-income families live, are the least served by weatherization and energy retrofit programs. Reaching this underinvested market is critical to ensuring the long-term stability of families.

Finally, most energy and healthy home retrofit programs operate from a unit-by-unit perspective. Neighborhood or community scale retrofit programs that target all homes and buildings within a given geography can help create healthy, sustainable homes and see these effects spread throughout the wider community.[37]

Climate resilience is first and foremost about ensuring that people have healthy, safe, affordable homes to protect them from extreme weather and that won't contribute to our climate crisis by wasting energy. We need to invest in and enhance our existing weatherization infrastructure, but the effort shouldn't stop at home. Resilience also requires healthy, thriving communities and neighborhoods, and today we have an opportunity to build on the lessons already gained to provide new opportunities and security to American families.

There is an urgent need to enact federal policies to improve the resiliency of communities. Congress must center the solutions on people rather than property to include renters, not just homeowners while removing the barriers that historically devalue specific communities. The moment is now to advance transformative policies at the federal level.

In summary, President Biden has outlined a plan for America that will create good-paying jobs; and build, preserve, and retrofit millions of homes and commercial buildings to be more resilient while tackling the housing affordability and climate crisis. Coupled with reforms to National Flood Insurance Program, investment in a Green CDBG fund, permanently authorizing HUD's CDBG-DR program, supporting greater community-led development at the local level that incentives inclusionary practices – Congress has an opportunity to transform our communities into more just, equitable, and climate-resilient communities – built to last.

[37] https://silo.tips/download/community-energy-efficiency-retrofit-programs-a-national-survey

Statement for the Record
by the
The BuildStrong Coalition
for the
U.S. House of Representatives Committee on Financial Services
Subcommittee on Housing, Community Development, and Insurance
Hearing on
"Built to Last: Examining Housing Resilience in the Face of Climate Change"

Tuesday, May 4, 12:00 PM

Thank you for the opportunity for the BuildStrong Coalition to submit this statement for the record for the Subcommittee's hearing, "Built to Last: Examining Housing Resilience in the Face of Climate Change" and consideration of legislation to help strengthen America's homes and increase the community resilience against the catastrophic impacts of disasters. Chairman Cleaver and Ranking Member Stivers are to be commended for leading the committee in prioritizing housing and flood insurance, as well as the need for disaster mitigation and resilience investments, as a core component of the national conversation on resilient infrastructure and communities.

The BuildStrong Coalition, formed in 2011 to respond to an increasing number of severe disasters, is made up of a diverse group of members representing firefighters, emergency responders, emergency managers, insurers, engineers, architects, contractors, and manufacturers, as well as consumer organizations, code specialists, and many others committed to building a more disaster resilient nation. The BuildStrong Coalition has been a partner with Congress' work to investigate causes of, and devise the solutions to, the rising costs and impacts of disasters, in the U.S. We have been honored to present witnesses and participants in hearings, roundtables, and briefings to identify opportunities for policy changes that promote mitigation and the smart investment of federal resources to address our country's increasing number of severe and costly weather events, including informing several provisions of the Disaster Recovery Reform Act of 2018 (P.L. 115-254).

In the face of growing climate risk, we must be focused on what legislative changes and policy initiatives are needed to drive and appropriately incentivize smart mitigation and resilience activities and practices, while also removing the challenges and obstacles that may stand in the way or hinder the progress of disaster resilience. This committee knows all too well the critical need for timely and flexible resources for our hardest-hit communities not only to recover from disaster impacts, but also to prepare for and increase resilience against the next storm. You stand poised to drive one of the most important elements of this conversation for America's homes and ensure that residential resilience remains at the forefront on the infrastructure, COVID-19 recovery, and disaster assistance reform conversation. This Committee must take this opportunity to influence the overall national resilience strategy, including how residential resilience intersects with adaptation and responds to climate impacts, and is a core component of the national resilience conversation. This committee must fill a leadership role in addressing climate impacts by acting on legislation that incentivizes and provides resources to facilitate smart, climate-conscious behaviors and mitigation and make the tough calls to remove the moral hazards and policy impediments inhibiting decision makers from creating resilient systems and communities. The BuildStrong Coalition has developed the following policy recommendations and principles that are critical, supported by data and science, and should be included in the Committee's community resilience legislation.

I. Secure More Resources for Mitigation

Congress should increase the funding for residential retrofits and investments in resilience before the next disaster, climate impact, or catastrophic failure.

Mitigation saves lives, property, and taxpayer money. Mitigation also saves the environment. But the federal resources to help build state and local capacity and fund risk-reducing, cost-effective mitigation projects that harden homes and buildings and help individuals invest in residential resilience are woefully inadequate. The U.S. Department of Housing and Urban Development, in coordination with the Federal Emergency Management Agency (FEMA) and other Federal Agencies need more tools, and tools that can be leveraged together, to help impacted communities recover smarter and stronger and end the cycle of build, damage, rebuild.

And we know that this is a smart use of Federal resources that will save taxpayer dollars. Federal funding that promotes better land use, modern science applied to home construction, and increased mitigation measures can dramatically reduce the devastation brought by these disasters. Based on the findings of the National Institute of Building Sciences (NIBS):

- Adopting Model Building Codes Saves $11 per $1 Invested
- Federal Mitigation Grants Save $6 per $1 Invested
- Exceeding Codes Save $4 per $1 Invested
- Mitigating Infrastructure Saves $4 per $1 Invested

II. Drive Resilient Homes and Communities through Strong Building Codes

Congress should create incentives for building stronger and tie existing federal funding streams to the adoption and enforcement of strong, modern building codes, in order to better protect homes, families, and communities.

Individuals and communities are kept safe in times of disasters through the strength of their homes. This is particularly prevalent as we learn lessons from COVID-19 and begin to understand how to increase resilience to wildfires. Disaster-resilient and sustainable construction and the use of stronger building codes have been proven to save lives, reduce the damage of natural disasters, and protect the environment. Unfortunately, only a handful of states have adopted the most modern building codes, and many lack the resources to adequately implement codes. To help correct this paradigm at the federal level involves creating incentives that encourage state and local governments to adopt modern building codes, while simultaneously equipping communities with the tools and resources needed to carry out meaningful enforcement regimes.

III. Resilient Construction

Congress should require Federal programs to make risk-reducing, cost effective investments that promote resilient construction and home hardening.

Disruptions to our communities and homes due to disasters threaten lives and impede community recovery. By investing in the resilience of our housing and communities as a critical system, we can reduce, if not eliminate, the impact of disasters, allowing people to stay safe and continue with their daily routines, ultimately reducing the duration and cost of recovery. Through the application of the highest building codes, standards, and technologies and ensuring access to resources to invest in mitigation, we can ensure system-wide increases in resilience in homes and communities.

Disaster-resilient and sustainable construction and infrastructure is important to reduce the damage of natural disasters and protect the environment. This involves applying the highest codes and standards and leveraging resources to support and incentivize the adoption and enforcement of building codes and professional standards. This includes standards that strengthen materials against all hazards including wind, flood, seismic, and ice. Most importantly, all disaster recovery and mitigation projects should incorporate smart technologies to improve monitoring and distribution and require the use of resilient and non-combustible materials standards for structures in areas prone to wildfire.

IV. Incentivize Individual Investments in Resilience

Congress should incentivize investments in resilience through tax benefits, grant conditions, and easing administrative burdens.

In addition to more resources for mitigation and communities, both public and private entities need incentives to drive their investments in mitigation. Whether by supporting the creation of federal tax incentives that reward resilient behavior, the development of mitigation tax breaks, or other incentives, individuals and businesses will find it easier to invest in resiliency, including undertaking activities like retrofitting homes, if these resources are available. This would also foster private sector investment in mitigation through new financing opportunities. Targeted tax incentives and removing tax penalties will encourage resilient construction techniques to withstand damage from strong winds or flooding and prevent losses from wildfires and seismic events. Through these investments, homeowners and communities ultimately save money through tax savings and avoided recovery costs and losses in the next disaster. Further, federal agencies must reduce the complexity and administrative burden of their programs and allow different programs to come together in flexible, creative, and truly transformational ways.

VI. Build Capacity

Congress should ensure that state, local, tribal, and regional entities are given the tools and resources to increase capacity and capability to identify risks and hazards and mitigate those risks before the crisis occurs.

It is clear that for this country to be successful in enhancing our resiliency, we must focus on capacity building for state and local governments and turn to considerations of sustainability, adaptability, and creative financial instruments that can be leveraged to drive socially-responsible investments in resilience. State, local, and tribal governments must increase their ability to mitigate against all hazards. Accordingly, they must increase their ability to identify hazards and successfully implement these funds to accomplish selected risk-reducing projects. Increased engagement and education efforts on mitigation planning, program requirements, and opportunity awareness will enhance community resilience across all levels of government.

Further, regulatory controls must be loosened to facilitate and encourage public-private partnerships. Governments must work with the private sector to increase community and national resilience. The private sector is currently conducting high-level work throughout the resilience and mitigation arena and there is tremendous opportunity to utilize expertise and industry knowledge, take advantage of existing programs, identify best practices, and incorporate lessons learned from the private sector. By leveraging the private sector and encouraging and facilitating public-private partnerships, we can maximize available resources for the benefit of the entire country.

Conclusion

The BuildStrong Coalition calls on the House Committee on Financial Services Subcommittee on Housing, Community Development, and Insurance to take the next critical step to drive disaster resilience across the nation through legislation that would effectuate these policy ideals, changes in authority, development of incentives, and streamlining of assistance to serve our communities in an equitable and transformational way.

The BuildStrong Coalition and its members stand ready to partner with the Committee as it moves further develops and moves legislation driving mitigation and resilience against disaster and climate impacts. The compelling arguments for these policy changes are grounded in overwhelming science and evidence. We would be honored to present subject matter experts, data, and best practices, as well as participants in hearings, roundtables, and briefings. We are excited to join congressional leaders like you as we identify opportunities for policy changes that promote disaster resilience and the smart investment of federal resources to address our country's vulnerable homes and communities and the increasing number of severe and costly weather events. Together, we can help save the lives and homes of our citizens.

RAA

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REINSURANCE ASSOCIATION OF AMERICA

STATEMENT FOR THE RECORD

UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES

HEARING ON

"BUILT TO LAST: EXAMINING HOUSING RESILIENCE IN THE FACE OF CLIMATE CHANGE"

MAY 4, 2021

The Reinsurance Association of America (RAA) appreciates Chairwoman Maxine Waters, Ranking Member Patrick McHenry, Subcommittee Chairman Emanuel Cleaver, and Ranking Member Steve Stivers and other Committee on Financial Services (Committee) members' interest in the U.S. property casualty (re)insurance industry. Thank you for holding today's hearing entitled, "Built to Last: Examining Housing Resilience in the Face of Climate Change."

The RAA is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA also has life reinsurance affiliates and insurance-linked securities fund managers and market participants that are engaged in the assumption of property/casualty risks. The RAA represents its members before state, federal and international bodies.

The RAA applauds Chairwoman Waters and other Committee members' leadership and work toward improving America's housing and community resilience in the face of climate and natural disaster risks. We recommend including, in any legislation considered by the Committee, provisions to help improve housing resilience and to prioritize communities that are the most in need and most at risk of natural disaster(s). RAA also supports a long-term reauthorization of the National Flood Insurance Program (NFIP) and flood insurance reforms.

Climate Change and Natural Disaster Risks

The RAA has had a longstanding policy on climate change and is committed to working with policymakers, regulators, and the scientific, academic and business communities to assist in promoting awareness and understanding of the risks associated with climate change. A copy of RAA's policy can be found in Appendix A, which is attached to this statement. It is especially critical that at the federal, state, and local levels, the public sector in partnership with the private sector address significant natural disaster risks well in advance of the next significant flood, earthquake, or other devastating natural disaster event. Addressing these risks urgently is particularly important as the frequency, severity, devastation, and costs of many natural disasters continue to increase due to climate change.

In the financial services sector, property casualty insurers are the most exposed to natural disasters, especially those impacted by climate and weather. Within the insurance sector, reinsurers have the greatest financial stake in appropriate risk assessment. The industry is at great financial risk if it does not understand global and regional climate impacts, variability and developing scientific assessment of a changing climate. Integrating this information into the insurance system is an essential function. Insurance is a critical component for economic and social recovery from the effects of extreme weather and climate driven events. Open market insurance pricing is also a mechanism for conveying the consequences of decisions about where and how we build and where people chose to live. In this regard, it must be proactive and forward looking in a changing climate/weather environment.

Our industry is science based. Blending the actuarial sciences with the natural sciences is critical to providing the public with the financial resources needed to recover from natural catastrophic events. As the scientific community's knowledge of climate change continues to develop, it is important for our communities to incorporate that information into the exposure and risk assessment process and that it be conveyed to stakeholders, policyholders, the public and public officials that can or should address adaptation and mitigation alternatives. Developing an understanding about climate and its impact on various risks – for example, droughts, heat waves, the frequency and intensity of tropical hurricanes, thunderstorms and convective events, rising sea levels and storm surge, more extreme precipitation events and flooding – is critical to our role in translating the interdependencies of weather, climate risk assessment and pricing.

Climate-related and natural disaster risk exposure is broad-ranging. These risks are widespread, geographically diverse, and include a range of natural disaster perils impacting homeowners and renters, property owners, servicers, mortgage investors, taxpayers, and communities. It is important to ensure that these risk exposures are addressed and mitigated. Mitigation includes physical enhancements and insurance to better protect residential properties and other infrastructure against damage caused by natural disasters. For government programs, government-sponsored enterprises, private sector financial institutions, and taxpayers, financial mitigation also is important to protect against any mortgage credit default risk associated with natural disaster risk.

The RAA believes a variety of solutions should be used to improve housing and community resilience to the benefit of all those in the value chain of climate and natural disaster risk exposure. The RAA also believes that it is important to address geographic, natural disaster peril, and socioeconomic diversity. Some traditional solutions, like property insurance protections for homeowners certainly can and should be utilized, but new analytical capabilities that increasingly and intelligently can help reduce risk and direct resources to achieving that goal also should be pursued.

Investing in Resilience for America's Communities is Critical, Logical, and Smart

In December 2019, the National Institute of Building Sciences issued its "Natural Hazard Mitigation Saves" report, which was funded by the U.S. Department of Housing and Urban Development.[1] The report describes that federal disaster mitigation has saved $6 for every $1 invested since 1995 and other mitigation-related activities, such as updating building codes to ensure resilient structures, and investments can save between $4 and $11 for every $1 spent. According to NOAA, "Each state has been affected by at least $1 billion-dollar disaster since 1980."[2] There is demand, but the supply is inadequate.

Reducing the impact of climate and natural disaster risk in the first place, followed by other protections like traditional insurance and risk transfer, particularly to benefit low-income and minority homeowners and renters should be the top public and private-sector priority for climate and natural disaster resilience and risk management. That can be achieved by, first, identifying the communities that are most in need and most at risk of significant natural disasters. And second, it can be achieved by creating statutory and regulatory structures and incentives that direct public and private sector investments in infrastructure resilience.

This Committee and other committees in Congress are considering ideas to direct more public and private sector funds toward infrastructure resilience, which includes housing, in this way. The HUD housing programs, the U.S. Department of the Treasury's Capital Magnet Fund, and other federal programs should direct funding resources toward achieving housing climate and natural disaster resilience for "extremely low- and very low-income households" that face significant natural disaster risk and particularly that expose taxpayer-backed federal housing programs to climate and natural disaster risks.[3] In general, RAA recommends that the Financial Stability Oversight Council and all of its members prioritize climate and natural disaster resilience efforts for federally funded and federally-backed residential properties in these most in need and most at risk areas.

The RAA's Community Disaster Resilience Proposal

Low-income and minority neighborhoods are disproportionately impacted by natural disasters.[4] This fact should be a priority consideration for policymakers and the public and private sectors as we work to understand and address the climate and natural disaster-related risks facing communities across America. The RAA has developed an innovative approach to addressing climate and natural disaster resilience, specifically to improve infrastructure resilience in the face of natural disasters and address socio-economic disparities. The RAA urges Congress to include our proposal as part of the infrastructure legislation and other legislation that may be under consideration by this Committee and other committees in Congress.

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[1] https://www.nibs.org/projects/natural-hazard-mitigation-saves-2019-report
[2] https://www.climate.gov/news-features/blogs/beyond-data/2010-2019-landmark-decade-us-billion-dollar-weather-and-climate
[3] https://www.hudexchange.info/programs/htf/; https://www.cdfifund.gov/programs-training/programs/cmf
[4] https://www.americanprogress.org/wp-content/uploads/2013/08/LowIncomeResilience-2.pdf

The RAA developed an analytical tool and legislative proposal that aligns with the President's plan and congressional interests to rebuild America's infrastructure, enable green initiatives and smart building to address the impact of climate change, create needed jobs and fuel the economic recovery, support historically underserved communities where the need is often greatest, and provide sources of much-needed resilience project funding to states and localities. The RAA's data analytics tool utilizes publicly available data to very clearly, by county, congressional district, and census tract in each state, understand where natural perils, older housing stock, and disadvantaged populations converge.

We urge policymakers to use this information, particularly the Federal Emergency Management Agency (FEMA's) National Risk Index (NRI) supplemented with data from the U.S. Census Bureau's American Community Survey (ACS), to understand the U.S. landscape and pinpoint and prioritize communities that are most in need and most at risk of significant natural disasters, diversified by state, geography, and natural disaster peril.[5]

Appendix B of this statement includes examples from RAA's tool, visualizing how FEMA's NRI and data from the Census Bureau's ACS can be used to understand vulnerability and risk for each Congressional district.:

- California's 43rd Congressional District, represented by Chairwoman Maxine Waters;
- North Carolina's 10th Congressional District, represented by Ranking Member Patrick McHenry;
- Missouri's 5th Congressional District, represented by Chairman Emanuel Cleaver; and
- Ohio's 15th Congressional District, represented by Ranking Member Steve Stivers.

In addition, the RAA's proposal was favorably mentioned during a March 18, 2021, House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings, and Emergency Management hearing on "Building Smarter: The Benefits of Investing in Resilience and Mitigation."[6] Two witnesses, separately representing the Insurance Institute for Business and Home Safety and The Pew Charitable Trusts, expressed support for RAA's proposal as part of their testimony. The proposal also was discussed during the question-and-answer period of the hearing.

[5] https://hazards.geoplatform.gov/portal/apps/MapSeries/index.html?appid=ddf915a24fb24dc8863eed96bc3345f8; https://www.census.gov/programs-surveys/acs

[6] https://transportation.house.gov/committee-activity/hearings/building-smarter-the-benefits-of-investing-in-resilience-and-mitigation

In general, the RAA's proposal would create a federal structure that directs public and private-sector funding for resilience projects to communities most in need and most at risk from significant natural disaster(s). More specifically, it would:

1) Address the impact of climate change through data-driven analysis;

2) Establish community disaster resilience zones, or CDRZ, for communities most in need and most at risk of significant natural disaster(s); and

3) Direct and incentivize public and private-sector investment in the CDRZ to improve infrastructure resilience.

RAA's legislative proposal has a few core components to help achieve these objectives:

The first generally would codify, enhance, and utilize the FEMA's NRI data to find the intersection of risk, vulnerability, and low community resilience scores, as the basis to identify and establish the CDRZ that reflect diversity among the states by geography and type of peril, such as fire storm/wildfire, tornado, hurricane, flooding, ice storms, earthquake, wind, hail, and drought.

The second would, within CDRZ, coalesce a variety of funding mechanisms, providing a menu of financing enhancements and tax incentives that can focus federal, state, local, charitable, and private-sector investment in resilience projects. For example, to help fund resilience projects in CDRZ the proposal would establish:

- CDRZ taxable direct pay bonds, like Recovery Zone Economic Development Bonds, which were one of three types of Build America Bonds that Congress created in 2009 as part of financial crisis economic recovery legislation;

- CDRZ tax-exempt facility private activity bonds subject to a separate volume cap, like Recovery Zone Facility Bonds (also in the 2009 recovery legislation), and provide for life and property/casualty insurers' exclusion from proration for investments in these CDRZ bonds;
- Federal tax credits for community-level projects in CDRZ that are tradeable, transferrable, and do not expire, and allow proceeds from the sale of certified tax credits to be used to, for example, meet matching requirements for federally funded resilience projects;

- Federal transferrable tax credits for individuals for resilience improvements to housing in CDRZ; and

- Federal tax credits for charitable contributions for projects in CDRZ.

The third would prioritize, set aside, and unlock federal program funding to invest in resilience projects in CDRZ. This could include waiving, reducing, or allowing other forms of financing, such as the proceeds from the sale of tax credits mentioned above and in-kind and charitable donations, to qualify for matching funds for resilience projects in CDRZ. Allowing a variety of resources to contribute to and invest in resilience projects in CDRZ, as they relate to federal program matching fund requirements, could significantly unlock resources for CDRZ resilience projects. For example, with more flexibility to meet matching fund requirements, CDRZ resilience projects could more likely benefit from the Federal Emergency Management Agency (FEMA) Building Resilience Infrastructure and Communities Program (BRIC) program funding and funding from other programs that fall under the jurisdiction of this Committee.

Housing is Infrastructure

Given that the majority of federal housing programs fall under the jurisdiction of this Committee, it has an important leadership role to play in prioritizing and directing federal program funding toward housing resilience. Housing, especially affordable housing, that can withstand the most significant disaster(s) that communities across the country face is an investment in critical infrastructure. To that end, the RAA would like to thank Chairwoman Waters for including the following in her "Housing is Infrastructure Act of 2021" discussion draft legislation that was noticed by the Committee for its April 14, 2021, legislative hearing:[7]

- Including and coupling set aside funding for climate and natural disaster resilience with set aside funding for water and energy efficiency for each of eleven federally funded housing programs;

- Increasing the set aside funding for climate and natural disaster resilience and water and energy efficiency for each of eleven federally funded housing programs from 10 to 15 percent, amounting to almost $17 Billion of $113 Billion in federal funding set aside for these purposes;

- As part of an additional $70 Billion in funding for public housing, prioritizing applications that include climate and natural disaster resilience and water and energy efficiency plans; and

- Setting aside federal grant funds for housing in areas of persistent poverty.

The RAA would like to continue to work with the Chairwoman on the legislation and other legislation the Committee may consider so that it most impactfully can help communities that are most in need and most at risk of natural disaster(s) to become more resilient.

The Protection Gap, Insurance, and the NFIP

Natural Disaster Insurance Protection Gap

Homeowners and renters, property owners, mortgage investors, taxpayers, and communities face risks due to climate change, natural disaster risks, and the lack of insurance coverage or underinsurance of such coverage. There is a serious and significant natural disaster insurance protection gap in the United States. The U.S. Department of the Treasury's Federal Insurance Office's Federal Advisory Committee on Insurance (FACI) has a subcommittee that is dedicated to addressing it. Several RAA members serve on both the FACI and the "Subcommittee on Addressing the Protection Gap through Public-Private Partnerships and Other Mechanisms."

[7] https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=407532

During FACI's December 2019 meeting, the Subcommittee cited statistics to provide examples of the insurance protection gap in the U.S. and issued recommendations that FHFA should consider.[8] The National Association of Insurance Commissioners (NAIC) has published alarming statistics about the disaster insurance protection gap. For example, one NAIC statistic cited in the Subcommittee's presentation is that "Only 1% of properties outside of flood zones have flood insurance, yet half of U.S. floods occur in these areas." Various studies and reports, including a 2018 report by AIR Worldwide, have warned that the next big earthquake to impact California, likely by 2044, could result in $170 billion in total damage and almost half would be residential-related loss, $37 billion of which would be uninsured.[9] Given the likelihood of future, significant, and costly natural disasters throughout the U.S. and uninsured residential costs, it is important to have a coordinated effort and to close the insurance protection gap.

Congress, FEMA, the Treasury, the NAIC, other relevant federal agencies, state and local officials, and the private sector, including reinsurers, should determine a comprehensive strategy to identify and address the natural disaster insurance protection gap in the U.S. and the risks it poses to homeowners and renters, property owners, individuals, businesses, and federal programs and taxpayers – particularly as it relates to frequent and potentially severe perils, such as floods and earthquakes. It also is important to close the insurance protection gap, and Congress and federal regulators should help initiate efforts to close the insurance protection gap via traditional insurance and risk transfer. Congress and federal regulators can further facilitate a private market for flood insurance, potentially providing consumers with more flood insurance options. One way to achieve this is for the Federal Housing Finance Agency (FHFA) and HUD, for the Federal Housing Administration, to align their regulations and/or guidance for private flood insurance with those issued in 2019 by federal lending regulators.[10] (In 2020, HUD issued a proposed regulation to align its regulations and guidance with that of the 2019 federal lending regulators[11]).

Primary Insurance

Traditional insurance solutions – such as primary property insurance protection, including earthquake, wind, fire, and flood insurance – are critical for people, property, jobs, businesses, and communities to be resilient in the aftermath of natural disasters. That is especially true since federal disaster assistance is provided only when there is a federally declared disaster and typically results in a fraction of what insurance assistance can provide. For example, according to FEMA, in 2019, the average, annual flood insurance premium was $700 (about $58 per month) and the average claim payout was $53,000.[12] Meanwhile, in 2019, federal disaster assistance was capped at $34,900 with an average annual payment of $6,246.[13] Ensuring that the protection gap is bridged, and property insurance adequately covers the climate and natural disaster risk(s) involved

[8] https://home.treasury.gov/system/files/311/December2019FACI_ProtectionGapPresentation.pdf; https://home.treasury.gov/system/files/311/December2019FACI_ProtectionGapProposedRecs.pdf
[9] https://www.air-worldwide.com/Publications/Infographics/Who-Will-Pay-for-the-Next-Great-California-Earthquake-/
[10] https://www.fdic.gov/news/financial-institution-letters/2019/fil19008.html
[11] https://www.federalregister.gov/documents/2020/11/23/2020-25105/acceptance-of-private-flood-insurance-for-fha-insured-mortgages; https://www.hud.gov/press/press_releases_media_advisories/HUD_No_20_191
[12] https://www.fema.gov/data-visualization/historical-flood-risk-and-costs
[13] https://www.federalregister.gov/documents/2018/10/22/2018-22884/notice-of-maximum-amount-of-assistance-under-the-individuals-and-households-program; FEMA communication with RAA, 4/16/2021

are of utmost importance. Risk transfer products that protect each stakeholder from climate and natural disaster risks can play an important role.

Parametric Insurance

To supplement traditional insurance solutions – including to provide coverage for evacuation and to infuse liquidity quickly into a community to cover immediate post-disaster expenses – parametric insurance addresses the protection gap and enhances community resilience. Parametric solutions have been developed for earthquake, wind, fire, and flood risks. This coverage can be tailored to meet the needs of individuals, public entities, and lenders.

Risk Transfer

Risk transfer, including reinsurance, is a successful solution used by both the public and private sector including (re)insurers, financial institutions, federal and state programs, and government-sponsored enterprises, Fannie Mae and Freddie Mac. One notable example of a federal program's use of risk transfer is FEMA's Reinsurance Program. In the program's first year (2017), FEMA collected $1.042 billion to help pay the cost of NFIP losses and claims resulting from Hurricane Harvey. The coverage cost $150 million, and the program successfully renewed the subsequent year. This example is a true testament of successful private public partnerships. (Please see below for more detailed comments on the NFIP). The reinsurance industry also successfully has partnered with the California Earthquake Authority (CEA) on reinsurance protection for its earthquake risks as well as the recently created California Wildfire Fund, which also is administered by the CEA. Similarly, risk transfer has been an important part of the Florida Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund (FHCF) for many years.

National Flood Insurance Program

The RAA greatly appreciates Chairwoman Waters and Committee members for working on legislation to reauthorize the NFIP and to enact flood insurance and mitigation-related reforms. RAA supports a long-term reauthorization of the NFIP and reforms that:

- Continue to strengthen NFIP's financial framework and resiliency so that it can pay claims, particularly after catastrophic events;
- Remove impediments to consumer choice and confirm consumer protections; and
- Modernize the statute to give FEMA additional tools to encourage additional private market participation, including capital, in NFIP to benefit consumers and taxpayers.

From a reinsurance perspective, this statement highlights our top priorities for flood insurance reform. As a member, RAA also supports the SmarterSafer and BuildStrong coalitions' reform proposals, and RAA supports legislation to create a state flood mitigation revolving fund program (for additional information, please see Appendix C of this statement).

I. **Support NFIP Reinsurance Program.** We appreciate that the discussion draft bills under consideration during today's hearing preserve the FEMA's NFIP Reinsurance Program.[14] The RAA has long advocated for the NFIP to utilize the private market to help manage the financial burden of the NFIP's catastrophic flood risk by providing financial backing for the government's flood risk, protecting taxpayers, and helping the program to be more resilient and pay claims. In 2021, for the fifth consecutive year, FEMA has successfully administered its NFIP Reinsurance Program that transfers risk from the NFIP to the capital markets, specifically through reinsurance placements and a catastrophe bond issuance. As this statement previously mentioned, the benefits of FEMA's risk transfer program were made clear in the program's first year (2017), when FEMA collected $1.042 billion to help pay the cost of NFIP losses and claims resulting from Hurricane Harvey. The coverage cost $150 million, and the program successfully renewed the subsequent year. The amount FEMA collected helped pay NFIP policyholder claims, improved NFIP's financial viability, and protected taxpayers.

II. **Confirm Consumer Protections.** The RAA supports legislation from the 116th Congress (H.R. 1666) introduced by Representatives Kathy Castor (D-FL) and Blaine Luetkemeyer (R-MO) to amend the National Flood Insurance Act of 1968 (NFIA) to "consider any period during which a property was continuously covered by private flood insurance to be a period of continuous coverage, including for the purposes of NFIP subsidies."[15] In the previous two congresses, similar legislation had broad bipartisan support. In 2016, by a vote of 419-0, the House passed a similar provision as part of H.R. 2901 and, in 2017, by a vote of 58-0, the Committee passed a similar provision as part of H.R. 1422.

Flood insurance uncertainty for consumers, as it relates to continuous coverage and potential rate increases by the NFIP, are an impediment to consumers buying private flood insurance and limit consumers' choices. Insurance agents and brokers have stated that "...the risk of a substantial NFIP rate increase should the consumer later wish to return to the NFIP often makes insurance agents and brokers hesitant to recommend private flood insurance policies."[16] It is important that Congress and FEMA provide consumers with clarity about continuous coverage compliance so that current and future NFIP policyholders are confident that they have complied with the law's continuous coverage requirements by having an NFIP or private flood insurance policy. For example, if a consumer leaves the NFIP to secure a private flood policy with better coverage and a better price and later re-assumes an NFIP policy, so long as the consumer had continuous coverage, that NFIP policy should be at the same rate and terms as if the consumer had continuously maintained an NFIP policy.

III. **Modernize 1968 NFIA Part A Authority.** When enacted in 1968, over 50 years ago, the NFIA incorporated two approaches to providing consumers with flood insurance, Part A and Part B. As the private flood insurance market continues to develop with reforms Congress has made to Part B, particularly those enacted in 2012 and 2014, Congress also should modernize Part A of the NFIA and clarify that FEMA can use its authorities

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[14] https://www.fema.gov/flood-insurance/work-with-nfip/reinsurance
[15] https://www.congress.gov/bill/115th-congress/house-bill/1422?q=%7B%22search%22%3A%5B%22H.R.+1422%22%5D%7D&s=1&r=3
[16] https://financialservices.house.gov/uploadedfiles/hhrg-116-ba00-wstate-heidrickc-20190313.pdf

simultaneously with the Part B program. Re-purposing and modernizing the statutory language in Part A would give FEMA additional tools to partner with private insurers, facilitate the participation of private insurers in NFIP on a risk-sharing basis, further improve NFIP's viability, increase the NFIP's resources to pay claims, and increase flood insurance opportunities for consumers. Part A reforms also can lead to a stronger public-private partnership, give private insurers experience in underwriting flood risk, and help close the flood insurance coverage gap.

The Part A statutory language currently authorizes the FEMA Administrator (Administrator) to facilitate and assist the creation of a pool of insurers on a risk sharing basis with the Federal government to provide flood insurance through their network of agents and policyholder relationships. Under the statute, the Administrator defines the qualifications of insurers for the pool and risk capital to be provided. The Administrator is authorized to enter into a contractual relationship with the pool defining the insured risk to be retained and the government's risk through its reinsurance of the pool. Pursuant to the statute, the financial arrangement recognizes that the NFIP provides some subsidies to certain policyholders.

The current NFIP program, which is authorized under NFIA Part B, provides that the Federal government through the NFIP would fully bear the insured risk and that insurers could be retained as fiscal agents of the NFIP with no risk bearing role. (The recent exception to that is NFIP's Reinsurance Program referenced above.)

The RAA specifically recommends that Chairwoman Waters include as part of her discussion draft "National Flood Program Reauthorization Act of 2021" the amendment offered to the "National Flood Insurance Program Reauthorization Act of 2019" and withdrawn by Representative Blaine Luetkemeyer (R-MO) during the Committee's June 11-12, 2019, mark up.[17] The amendment language would: (1) Require FEMA to solicit ideas for risk-sharing demonstration programs; (2) Provide FEMA with authority, but not require it, to conduct risk-sharing demonstration programs; and (3) Make technical amendments to the National Flood Insurance Act of 1968 Part A authority, which FEMA can use for risk-sharing demonstration programs.

The above-mentioned reforms can further facilitate the development of a private flood insurance market and improve the viability of NFIP. The reinsurance market is interested and has the capacity to underwrite flood insurance risk, including extreme flood risk, in both the public NFIP program, private market, and any future public-private flood insurance partnerships. Actions taken in recent years by some states, such as Florida, have demonstrated the interest and benefits of private insurers assuming a broad cross-section of risk, and the same would result from the above flood insurance reforms. Reinsurers stand ready to partner with both the private- and public-sectors as the flood market transitions.

[17] https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=407747; https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=403829

Conclusion

The RAA looks forward to continuing to work with Chairwoman Waters, Ranking Member McHenry, Chairman Cleaver, Ranking Member Stivers, and other members of the Committee on legislation to improve America's housing and community resilience in the face of climate and natural disaster risks, to prioritize communities that are the most in need and most at risk of natural disaster(s), to close the insurance protection gap, and enact a long-term reauthorization of the NFIP and flood insurance reforms that facilitate the development of a private flood insurance market. Thank you for your consideration of our recommendations.

APPENDIX A

RAA
REINSURANCE ASSOCIATION OF AMERICA

RAA CLIMATE CHANGE POLICY

The world's climate is changing. An increase in the severity and frequency of extreme weather is impacting daily life for the global community. Mounting evidence from the scientific community makes it increasingly clear that climate change is having a significant effect on the world's social and economic risks and that it will continue to do so. The scientific evidence also strongly indicates that human behavior is having an impact on the climate, primarily through carbon emissions.

With a fundamental role in assisting individuals and businesses manage risk, it is prudent for the insurance industry to acknowledge the changing climate as well as the risks it poses to all areas of its business. Furthermore, policymaking and corporate strategies must also reflect measures for the mitigation of, and adaption to, climate change.

The RAA is committed to working with policymakers, regulators, and the scientific, academic and business communities to assist in promoting awareness and understanding of the risks associated with climate change.

Specifically, the RAA will take the following actions:

- In the scientific arena, promote research on climate change, including improvements in the capability to assess climate change and extreme weather events. We acknowledge the importance of enhanced national and regional forecasting. Additionally, recognizing our primary reliance on the scientific community for fundamental insights about climate change, the RAA and individual member companies will provide to the public, insurers and to policymakers our understanding of the likely impact of climate change, particularly the impact of extreme weather events on insurers and policyholders.

- Support climate change awareness for insurers and policyholders. Additionally, the RAA will work with regulators and industry to develop appropriate risk disclosure responsibilities of insurers.

- Support the efforts of RAA members and other private market participants to develop and offer financial products and services using risk-based pricing to assist in managing the financial risk associated with climate change and catastrophic risk. The RAA acknowledges the need to improve the evaluation of future risks associated with climate change as a part of the reinsurance risk assessment and capital management processes.

- At the state and national levels, the RAA will work with policymakers to support legislation to mitigate greenhouse gases and take steps to adapt to climate change through improved preventive measures and public initiatives to address the reduction of risks associated with climate change. These measures include natural hazard mitigation

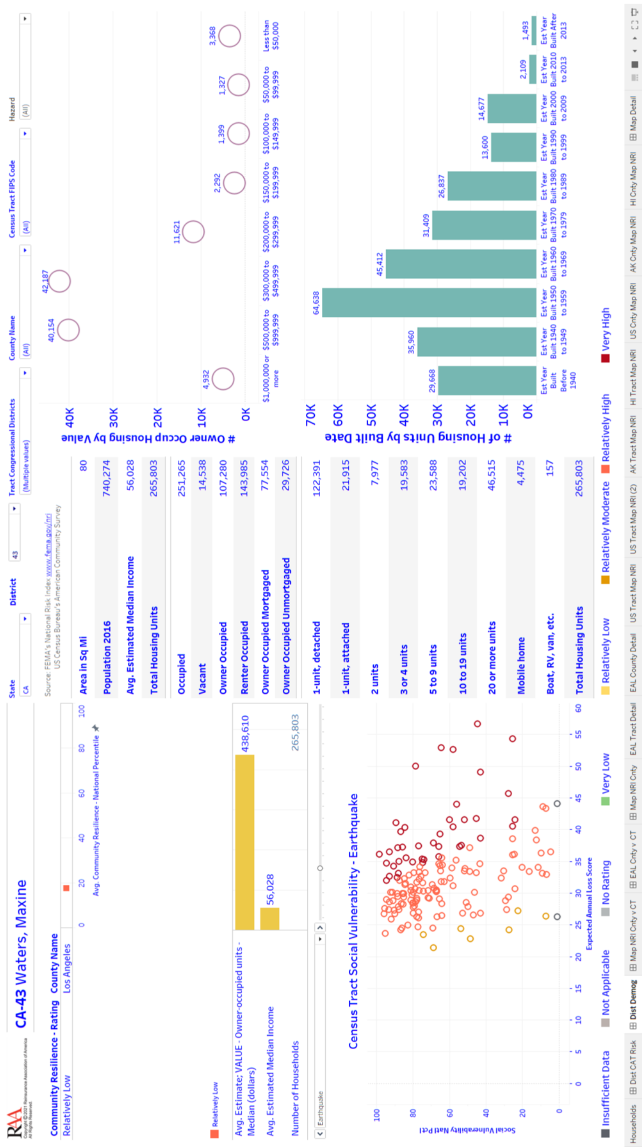
Adopted February 2008

through better land use planning, improved building codes, the use of structurally sound, environmentally friendly building materials, alternative energy sources and other appropriate means.

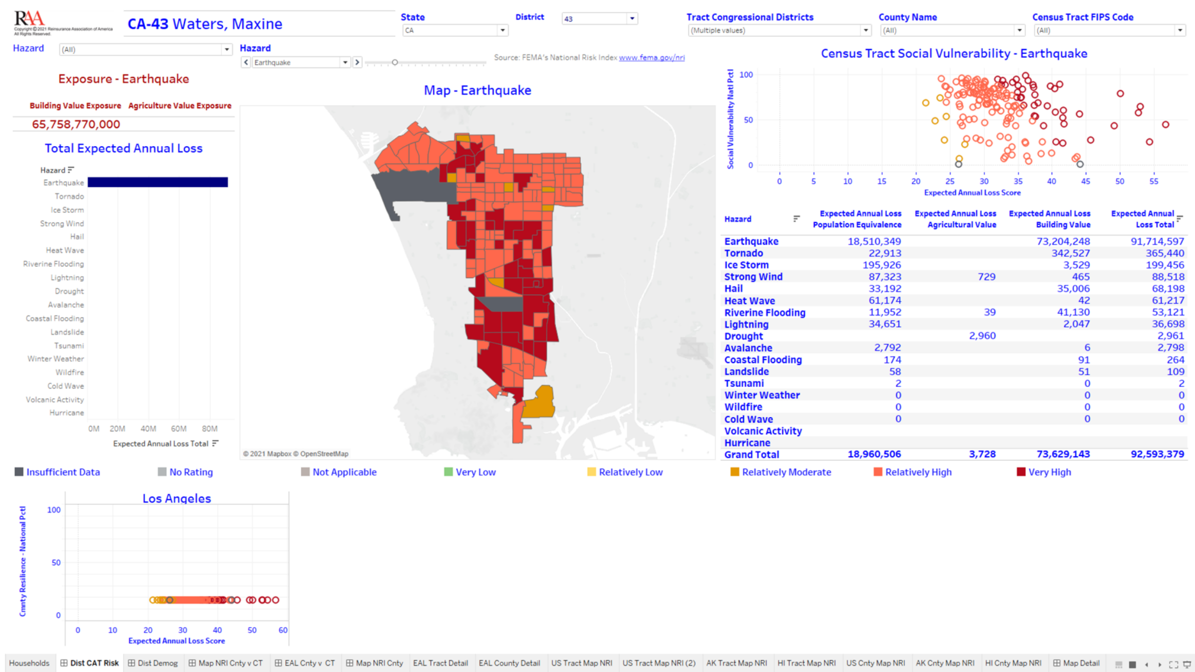
The RAA will also encourage each of its members to assess the impact of their business operations to analyze their contribution to climate change and to evaluate emissions reductions measures and improve their use of every efficient technologies.

Adopted February 2008

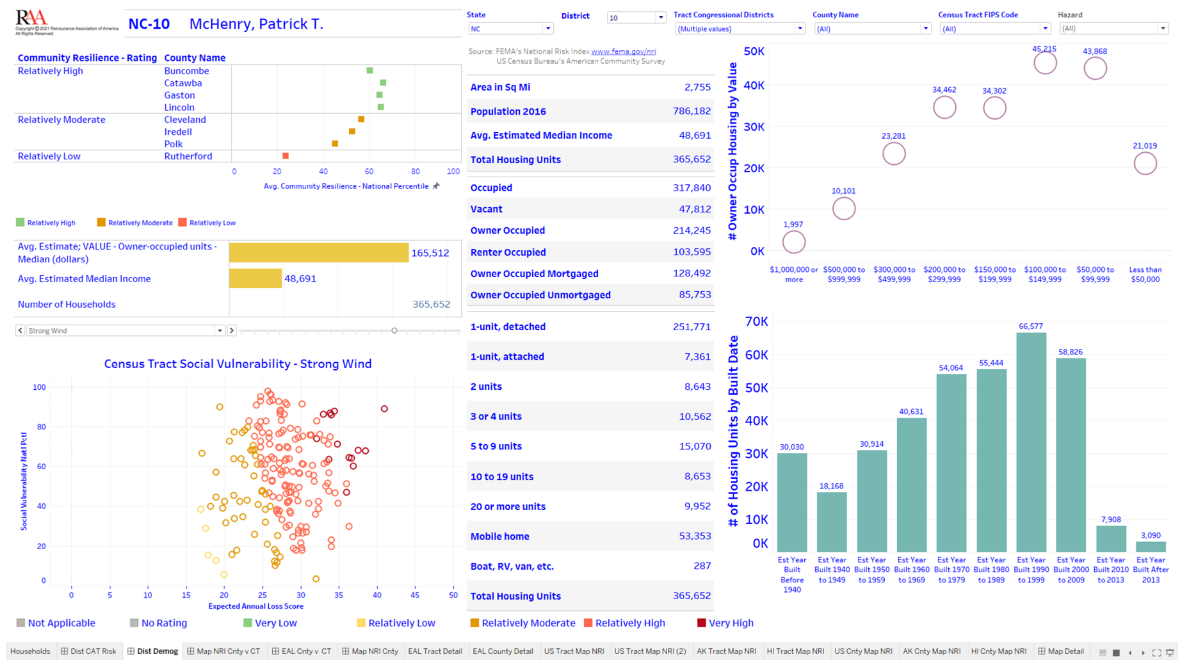
APPENDIX B



CA-43 Waters, Maxine
Community Resilience - Rating
Relatively Low
County Name
Los Angeles
Avg. Community Resilience - National Percentile
Avg. Estimate; VALUE - Owner-occupied units - Median (dollars)
438,610
Avg. Estimated Median Income
56,028
Number of Households
265,803
Census Tract Social Vulnerability - Earthquake
Social Vulnerability Natl Pctl
Expected Annual Loss Score
Source: FEMA's National Risk Index: www.fema.gov/nri
US Census Bureau's American Community Survey
Area in Sq Mi
80
Population 2016
740,274
Avg. Estimated Median Income
56,028
Total Housing Units
265,803
Occupied
251,265
Vacant
14,538
Owner Occupied
107,280
Renter Occupied
143,985
Owner Occupied Mortgaged
77,554
Owner Occupied Unmortgaged
29,726
1-unit, detached
122,391
1-unit, attached
21,915
2 units
7,977
3 or 4 units
19,583
5 to 9 units
23,588
10 to 19 units
19,202
20 or more units
46,515
Mobile home
4,475
Boat, RV, van, etc.
157
Total Housing Units
265,803
Owner Occup Housing by Value
of Housing Units by Built Date
Insufficient Data
Not Applicable
No Rating
Very Low
Relatively Low
Relatively Moderate
Relatively High
Very High



Hazard	Expected Annual Loss Population Equivalence	Expected Annual Loss Agricultural Value	Expected Annual Loss Building Value	Expected Annual Loss Total
Earthquake	18,510,349		73,204,248	91,714,597
Tornado	22,913		342,527	365,440
Ice Storm	195,926		3,529	199,456
Strong Wind	87,323	729	465	88,518
Hail	33,192		35,006	68,198
Heat Wave	61,174		42	61,217
Riverine Flooding	11,952	39	41,130	53,121
Lightning	34,651		2,047	36,698
Drought		2,960		2,961
Avalanche	2,792		6	2,798
Coastal Flooding	174		91	264
Landslide	58		51	109
Tsunami	2		0	2
Winter Weather	0		0	0
Wildfire	0		0	0
Cold Wave	0		0	0
Volcanic Activity				
Hurricane				
Grand Total	18,960,506	3,728	73,629,143	92,593,379


NC-10 McHenry, Patrick T.
State NC
District 10
Tract Congressional Districts (Multiple values)
County Name (All)
Census Tract FIPS Code (All)
Hazard (All)
Community Resilience - Rating
County Name
Relatively High: Buncombe, Catawba, Gaston, Lincoln
Relatively Moderate: Cleveland, Iredell, Polk
Relatively Low: Rutherford
Avg. Community Resilience - National Percentile
Avg. Estimate; VALUE - Owner-occupied units - Median (dollars) 165,512
Avg. Estimated Median Income 48,691
Number of Households 365,652
Strong Wind
Census Tract Social Vulnerability - Strong Wind
Social Vulnerability Natl Pctl
Expected Annual Loss Score
Not Applicable
No Rating
Very Low
Relatively Low
Relatively Moderate
Relatively High
Very High
Source: FEMA's National Risk Index www.fema.gov/nri
US Census Bureau's American Community Survey
Area in Sq Mi 2,755
Population 2016 786,182
Avg. Estimated Median Income 48,691
Total Housing Units 365,652
Occupied 317,840
Vacant 47,812
Owner Occupied 214,245
Renter Occupied 103,595
Owner Occupied Mortgaged 128,492
Owner Occupied Unmortgaged 85,753
1-unit, detached 251,771
1-unit, attached 7,361
2 units 8,643
3 or 4 units 10,562
5 to 9 units 15,070
10 to 19 units 8,653
20 or more units 9,952
Mobile home 53,353
Boat, RV, van, etc. 287
Total Housing Units 365,652
Owner Occup Housing by Value
$1,000,000 or more 1,997
$500,000 to $999,999 10,101
$300,000 to $499,999 23,281
$200,000 to $299,999 34,462
$150,000 to $199,999 34,302
$100,000 to $149,999 45,215
$50,000 to $99,999 43,868
Less than $50,000 21,019
# of Housing Units by Built Date
Est Year Built Before 1940 30,030
Est Year Built 1940 to 1949 18,168
Est Year Built 1950 to 1959 30,914
Est Year Built 1960 to 1969 40,631
Est Year Built 1970 to 1979 54,064
Est Year Built 1980 to 1989 55,444
Est Year Built 1990 to 1999 66,577
Est Year Built 2000 to 2009 58,826
Est Year Built 2010 to 2013 7,908
Est Year Built After 2013 3,090
Households | Dist CAT Risk | Dist Demog | Map NRI Cnty v CT | EAL Cnty v CT | Map NRI Cnty | EAL Tract Detail | EAL County Detail | US Tract Map NRI | US Tract Map NRI (2) | AK Tract Map NRI | HI Tract Map NRI | US Cnty Map NRI | AK Cnty Map NRI | HI Cnty Map NRI | Map Detail

RAA

NC-10 McHenry, Patrick T.

State: NC | District: 10 | Tract Congressional Districts: (Multiple values) | County Name: (All) | Census Tract FIPS Code: (All)

Hazard: (All)

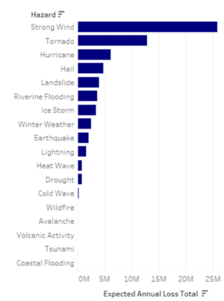
Hazard: Strong Wind

Source: FEMA's National Risk Index www.fema.gov/nri

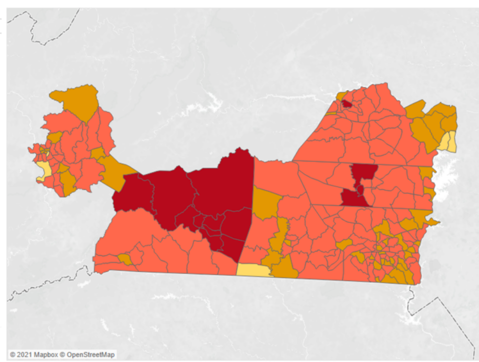
Exposure - Strong Wind

Building Value Exposure	Agriculture Value Exposure
85,748,992,000	361,067,578

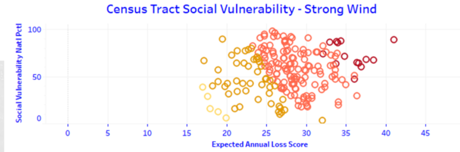
Total Expected Annual Loss



Map - Strong Wind

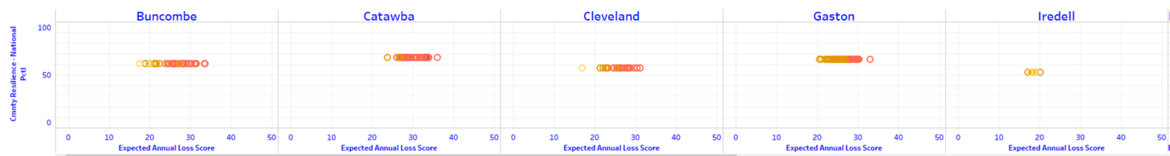


Census Tract Social Vulnerability - Strong Wind



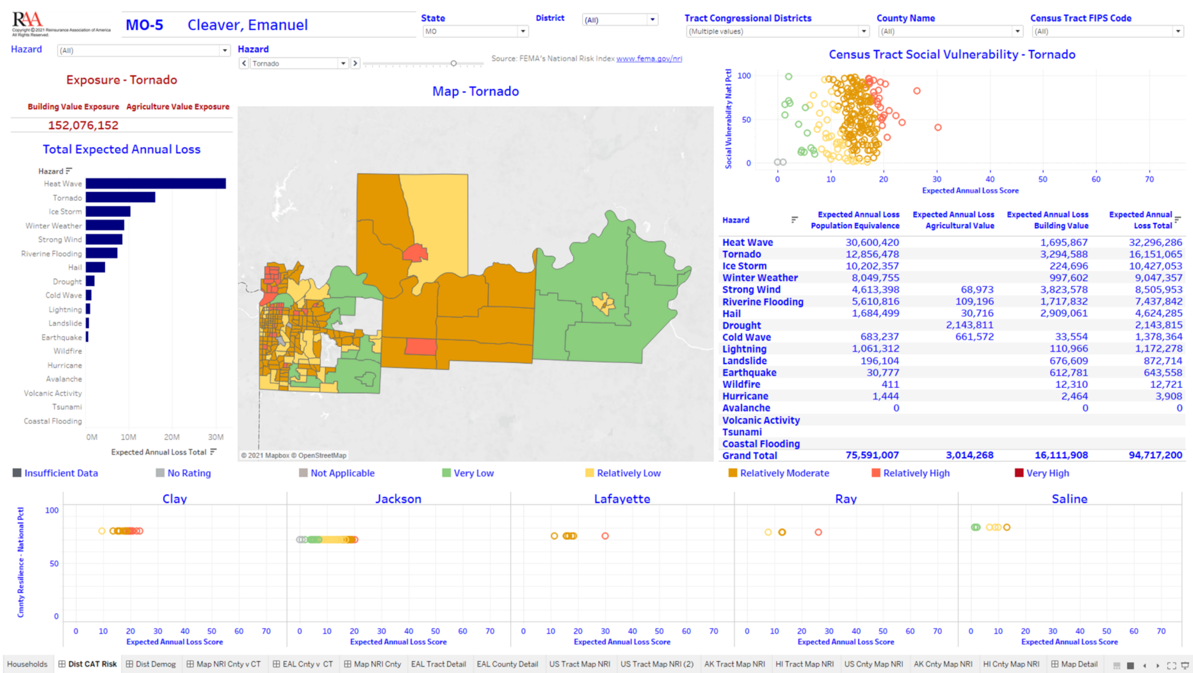
Hazard	Expected Annual Loss Population Equivalence	Expected Annual Loss Agricultural Value	Expected Annual Loss Building Value	Expected Annual Loss Total
Strong Wind	21,697,961	180,263	3,857,542	25,735,772
Tornado	5,900,952		6,873,633	12,774,585
Hurricane	44,889		6,139,474	6,184,363
Hail	2,270,709	576,331	1,901,875	4,748,923
Landslide	816,308		3,118,628	3,934,936
Riverine Flooding	802,996	89,547	2,717,910	3,610,454
Ice Storm	1,089,045		2,311,928	3,400,973
Winter Weather	545,091		1,978,724	2,523,815
Earthquake	51,718		1,987,054	2,038,772
Lightning	1,391,139		239,596	1,630,734
Heat Wave	807,710		2	807,712
Drought		756,924		756,923
Cold Wave	209,460	37,780	9,233	256,472
Wildfire	5,449		33,538	38,986
Avalanche	0		0	0
Volcanic Activity				
Tsunami				
Coastal Flooding				
Grand Total	35,633,428	1,640,845	31,169,135	68,443,419

No Rating | Not Applicable | Very Low | Relatively Low | Relatively Moderate | Relatively High | Very High



Households | Dist CAT Risk | Dist Demog | Map NRI Cnty v CT | EAL Cnty v CT | Map NRI Cnty | EAL Tract Detail | EAL County Detail | US Tract Map NRI | US Tract Map NRI (2) | AK Tract Map NRI | HI Tract Map NRI | US Cnty Map NRI | AK Cnty Map NRI | HI Cnty Map NRI | Map Detail


MO-5 Cleaver, Emanuel
State MO
District (All)
Tract Congressional Districts (Multiple values)
County Name (All)
Census Tract FIPS Code (All)
Hazard (All)
Community Resilience - Rating
Relatively High
County Name
Clay
Jackson
Lafayette
Ray
Saline
Avg. Community Resilience - National Percentile
Relatively High
Avg. Estimate; VALUE - Owner-occupied units - Median (dollars) 127,271
Avg. Estimated Median Income 50,846
Number of Households 381,550
Tornado
Census Tract Social Vulnerability - Tornado
Social Vulnerability Natl Pctl
Expected Annual Loss Score
Source: FEMA's National Risk Index www.fema.gov/nri
US Census Bureau's American Community Survey
Area in Sq Mi 2,539
Population 2016 808,384
Avg. Estimated Median Income 50,846
Total Housing Units 381,550
Occupied 336,420
Vacant 45,130
Owner Occupied 199,529
Renter Occupied 136,891
Owner Occupied Mortgaged 128,317
Owner Occupied Unmortgaged 71,212
1-unit, detached 260,923
1-unit, attached 19,369
2 units 9,878
3 or 4 units 16,498
5 to 9 units 19,717
10 to 19 units 18,223
20 or more units 31,046
Mobile home 5,712
Boat, RV, van, etc. 184
Total Housing Units 381,550
Owner Occup Housing by Value
$1,000,000 or more 1,039
$500,000 to $999,999 4,045
$300,000 to $499,999 13,357
$200,000 to $299,999 27,006
$150,000 to $199,999 31,669
$100,000 to $149,999 50,200
$50,000 to $99,999 51,011
Less than $50,000 21,202
# of Housing Units by Built Date
Est Year Built Before 1940 65,246
Est Year Built 1940 to 1949 24,291
Est Year Built 1950 to 1959 57,038
Est Year Built 1960 to 1969 57,135
Est Year Built 1970 to 1979 64,379
Est Year Built 1980 to 1989 35,687
Est Year Built 1990 to 1999 37,570
Est Year Built 2000 to 2009 33,838
Est Year Built 2010 to 2013 4,409
Est Year Built After 2013 1,957
Insufficient Data
Not Applicable
No Rating
Very Low
Relatively Low
Relatively Moderate
Relatively High
Very High
Households
Dist CAT Risk
Dist Demog
Map NRI Cnty v CT
EAL Cnty v CT
Map NRI Cnty
EAL Tract Detail
EAL County Detail
US Tract Map NRI
US Tract Map NRI (2)
AK Tract Map NRI
HI Tract Map NRI
US Cnty Map NRI
AK Cnty Map NRI
HI Cnty Map NRI
Map Detail



Hazard	Expected Annual Loss Population Equivalence	Expected Annual Loss Agricultural Value	Expected Annual Loss Building Value	Expected Annual Loss Total
Heat Wave	30,600,420		1,695,867	32,296,286
Tornado	12,856,478		3,294,588	16,151,065
Ice Storm	10,202,357		224,696	10,427,053
Winter Weather	8,049,755		997,602	9,047,357
Strong Wind	4,613,398	68,973	3,823,578	8,505,953
Riverine Flooding	5,610,816	109,196	1,717,832	7,437,842
Hail	1,684,499	30,716	2,909,061	4,624,285
Drought		2,143,811		2,143,815
Cold Wave	683,237	661,572	33,554	1,378,364
Lightning	1,061,312		110,966	1,172,278
Landslide	196,104		676,609	872,714
Earthquake	30,777		612,781	643,558
Wildfire	411		12,310	12,721
Hurricane	1,444		2,464	3,908
Avalanche	0		0	0
Volcanic Activity				
Tsunami				
Coastal Flooding				
Grand Total	75,591,007	3,014,268	16,111,908	94,717,200


OH-15 Stivers, Steve
Community Resilience - Rating
County Name
Very High
Relatively High
Relatively Moderate
Fairfield
Clinton
Fayette
Franklin
Madison
Pickaway
Ross
Athens
Hocking
Avg. Community Resilience - National Percentile
Avg. Estimate; VALUE - Owner-occupied units - Median (dollars)
Avg. Estimated Median Income
Number of Households
158,274
59,019
402,357
Census Tract Social Vulnerability - Hail
Social Vulnerability Nat'l Pctl
Expected Annual Loss Score
Not Applicable
No Rating
Very Low
Relatively Low
Relatively Moderate
Relatively High
Very High
State
OH
District
15
Tract Congressional Districts
(Multiple values)
County Name
(All)
Census Tract FIPS Code
(All)
Hazard
(All)
Source: FEMA's National Risk Index www.fema.gov/nri
US Census Bureau's American Community Survey
Area in Sq Mi 5,163
Population 2016 912,247
Avg. Estimated Median Income 59,019
Total Housing Units 402,357
Occupied 366,175
Vacant 36,182
Owner Occupied 234,502
Renter Occupied 131,673
Owner Occupied Mortgaged 158,678
Owner Occupied Unmortgaged 75,824
1-unit, detached 257,415
1-unit, attached 22,556
2 units 11,607
3 or 4 units 22,379
5 to 9 units 26,603
10 to 19 units 15,374
20 or more units 21,456
Mobile home 24,777
Boat, RV, van, etc. 190
Total Housing Units 402,357
Owner Occup Housing by Value
$1,000,000 or more 1,310
$500,000 to $999,999 6,788
$300,000 to $499,999 21,925
$200,000 to $299,999 44,931
$150,000 to $199,999 48,204
$100,000 to $149,999 52,974
$50,000 to $99,999 40,358
Less than $50,000 18,012
# of Housing Units by Built Date
Est Year Built Before 1940 59,414
Est Year Built 1940 to 1949 14,028
Est Year Built 1950 to 1959 37,036
Est Year Built 1960 to 1969 35,670
Est Year Built 1970 to 1979 54,873
Est Year Built 1980 to 1989 49,234
Est Year Built 1990 to 1999 77,180
Est Year Built 2000 to 2009 60,531
Est Year Built 2010 to 2013 10,191
Est Year Built After 2013 4,200
Households
Dist CAT Risk
Dist Demog
Map NRI Only v CT
EAL Only v CT
Map NRI Only
EAL Tract Detail
EAL County Detail
US Tract Map NRI
US Tract Map NRI (2)
AK Tract Map NRI
HI Tract Map NRI
US Only Map NRI
AK Only Map NRI
HI Only Map NRI
Map Detail

RAA

OH-15 Stivers, Steve

State: OH | District: 15 | Tract Congressional Districts: (Multiple values) | County Name: (All) | Census Tract FIPS Code: (All)

Hazard: (All)

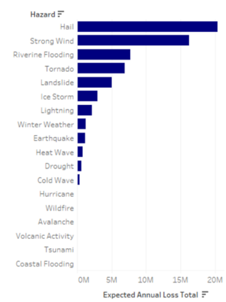
Hazard: Hail

Source: FEMA's National Risk Index www.fema.gov/nri

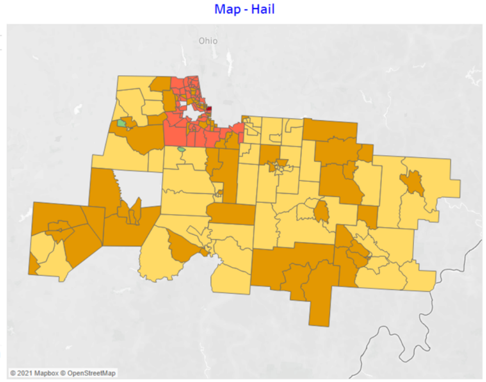
Exposure - Hail

Building Value Exposure	Agriculture Value Exposure
108,897,036,000	810,254,260

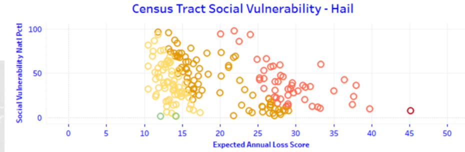
Total Expected Annual Loss



Map - Hail

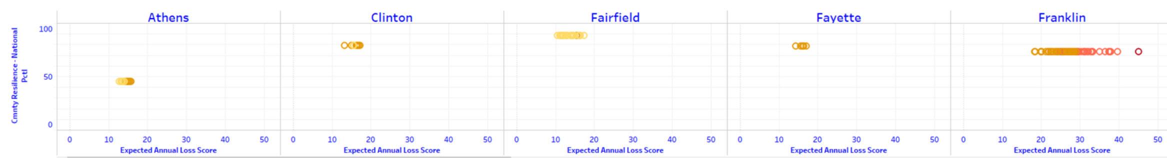


Census Tract Social Vulnerability - Hail



Hazard	Expected Annual Loss Population Equivalence	Expected Annual Loss Agricultural Value	Expected Annual Loss Building Value	Expected Annual Loss Total
Hail	3,910,961	270,674	16,189,954	20,371,588
Strong Wind	3,416,613	34,383	12,822,011	16,273,015
Riverine Flooding	5,110,343	154,199	2,461,407	7,725,953
Tornado	4,307,166		2,577,446	6,884,612
Landslide	1,155,176		3,846,606	5,001,782
Ice Storm	423,756		2,513,652	2,937,407
Lightning	2,117,223		55,286	2,172,509
Winter Weather	687,696		556,852	1,244,547
Earthquake	62,323		1,121,340	1,183,663
Heat Wave	775,967		27,555	803,522
Drought		653,798		653,798
Cold Wave	54,554	283,654	21,121	359,331
Hurricane	16,947		30,248	47,195
Wildfire	523		2,366	2,889
Avalanche	0		0	0
Volcanic Activity				
Tsunami				
Coastal Flooding				
Grand Total	22,039,249	1,396,708	42,225,844	65,661,813

No Rating | Not Applicable | Very Low | Relatively Low | Relatively Moderate | Relatively High | Very High



Households | Dist CAT Risk | Dist Demog | Map NRI Cnty v CT | EAL Cnty v CT | Map NRI Cnty | EAL Tract Detail | EAL County Detail | US Tract Map NRI | US Tract Map NRI (2) | AK Tract Map NRI | HI Tract Map NRI | US Cnty Map NRI | AK Cnty Map NRI | HI Cnty Map NRI | Map Detail

APPENDIX C

NATIONAL SUPPORT FOR THE STATE FLOOD MITIGATION REVOLVING FUND:

American Planning Association
American Rivers
American Society of Civil Engineers
Association of State Floodplain Managers
Consumer Mortgage Coalition
Ecological Restoration Business Association
Enterprise Community Partners
Insurance Institute for Business & Home Safety
National Institute of Building Sciences
Natural Hazard Mitigation Association
Natural Resources Defense Council
Property Casualty Insurance Association of America
Reinsurance Association of America
Smart Home America
St. Bernard Project
The Nature Conservancy
The Pew Charitable Trusts
Union of Concerned Scientists
U.S. Resiliency Council

THE PROBLEM

Flooding is the costliest and most common natural disaster in the U.S., claiming lives, damaging households and businesses, and straining government agencies that provide flood response and relief. Since 2000, flood-related disasters have cost over $750 billion. The federal government and states need to pursue more investment before disasters strike to help protect our communities and lower the cost burden on American taxpayers in future floods.

THE VALUE OF FLOOD MITIGATION

According to a 2018 report by the National Institute of Building Sciences, for every dollar spent on hazard mitigation, the nation saves $6. In the case of riverine flood, projects involving acquisition or demolition of flood-prone buildings save $7 for every dollar invested. The benefits come largely from avoided property damage, casualties associated with storms, and savings when businesses and communities quickly return to normal following a flood event.

Despite these findings, the federal apprpach to flood disasters continues to focus on response and recovery while underinvesting in preparation. In too many instances, infrastructure or homes are rebuilt as they were, only to flood again. Investments in pre-disaster mitigation have historically failed to meet demand, perpetuating this cycle of loss and repair. Although the federal government spent $277.6 billion from 2005 to 2014 on overall disaster assistance, the Federal Emergency Management Agency (FEMA) has spent just $600 million on its Pre-Disaster Mitigation grant program over the same time period.

NEEDED: A NEW FEDERAL-STATE PARTNERSHIP

The federal government can break the cycle of paying to repeatedly rebuild by increasing investments *before* disasters strike. FEMA and other federal agencies, however, cannot solve this problem alone. Localities and states are key decision-makers for policies that affect flood risk, with clear authorities to guide new development away from hazardous areas and enforce building standards that will protect lives and property.

A cost-sharing partnership, capitalized, in part, with federal monies administered by states, and tailored to unique local needs, could provide a long-term, self-sustaining source of financing for a wide range of projects. Since its inception in 1987, for example, the Clean Water State Revolving Fund has leveraged $41 billion in federal investments and 7.6 billion in corresponding state contributions for $118 billion in high priority water quality projects. The revolving loan fund model, also used successfully for drinking water treatment facilities, energy efficiency projects, and economic development, could address the nation's flood preparation needs as well.

THE SOLUTION

Legislation introduced in Congress for a State Flood Mitigation Revolving Fund program (S. 1507) would create a new partnership with states to provide low-interest loans for projects that save lives and dollars.

With federal backing and local engagement, this legislation would allow each state to select and implement the types of mitigation projects best suited to the unique flood hazards it faces. Projects supported by the individual state revolving funds could include elevations and flood proofing of public buildings, businesses, and residences; improvements to stormwater management; assistance to local residents who wish to move out of harm's way; or converting frequently flooded areas into open space amenities.

With billions of dollars and countless lives at risk, and following yet another year of record-breaking storms and floods, now is the time for Congress to act.

MORE SUPPORT FOR THE STATE FLOOD MITIGATION REVOLVING FUND:

CA

American Planning Association – California Chapter
American Planning Association – San Diego Chapter
California Coastkeepers Alliance
California Nevada Cement Association
Friends of the LA River
Greater Irvine Chamber of Commerce
Huntington Beach Chamber of Commerce
Klamath Riverkeeper
Los Angeles Area Chamber of Commerce
Los Angeles Waterkeeper
North Orange County Chamber of Commerce
Orange County Business Council
San Francisco Chamber of Commerce
Sequoia Riverlands Trust

GA

Altamaha Riverkeeper
American Planning Association – Georgia Chapter
Center for a Sustainable Coast
Coosa River Basin Initiative
St. Marys Riverkeeper
Georgia Association of Floodplain Management

IA

Food Bank of Iowa
Iowa State Association of Counties
Iowa Floodplain and Stormwater Management Association

ID

American Planning Association – Idaho Chapter
Association of Idaho Cities

IL

Association of Illinois Soil and Water Conservation Districts

MN

Minnesota Coalition for the Homeless

MO

Great Rivers Habitat Alliance
Great Rivers Greenway

NC

North Carolina Conservation Network
North Carolina Association of Floodplain Managers
North Carolina Housing Coalition

NY

Orleans County Chamber of Commerce
Regional Plan Association

PA

10,000 Friends of Pennsylvania
Pennsylvania Association of State Floodplain Managers

SC

Coastal Conservation League
Municipal Association of South Carolina
South Carolina Insurance Association
The Nature Conservancy of South Carolina

TN

Greater Nashville Regional Council
Nashville Civic Design Center
Tennessee Renewable Energy and Economic Development Council
Tennessee Small Business Alliance
The Housing Fund
Vanderbilt Engineering Center for Transportation and Operational Resiliency
Walk Bike Nashville

TX

Bay Area Houston Economic Partnership
Concerned Citizens of Texas
Cypress Creek Flood Prevention
Resource Environmental Solutions, LLC
Houston Northwest Chamber of Commerce
Lake Travis Fire Rescue
Resource Environmental Solutions, LLC
West Isle Property Owners Association
West Houston Association

WI

The Association of Wisconsin Regional Planning Commissions
League of Wisconsin Municipalities
The Wisconsin Land and Water Conservation Association
Wisconsin EMS Association
American Planning Association – Wisconsin Chapter

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May 3, 2021

The Honorable Rodney Ellis
1001 Preston St., 9th Floor
Houston, TX 77002

Dear Commissioner Ellis,

Our country's current disaster recovery process has been documented to widen the racial wealth gap after a disaster.[1] While this recovery process is tedious, difficult and exasperating for families of all income levels, my recommendations below will highlight specific changes that could be made to reduce the barriers for families at the lowest income levels, especially those families facing language, literacy, disability or technology barriers in addition to income barriers.[2] The following are four identified problems, with a brief narrative and a proposed solution.

As a caveat, most of my disaster recovery experience has occurred over the last four years, working primarily with funds from HUD passed down through the Texas General Land Office (GLO). The problems, descriptions and proposed solutions are shaped by my specific experience of working in disaster recovery during this time frame and with these specific partners.

<u>Problem</u>: The federal approach to disaster recovery treats each encounter with a federal agency or federally funded local agency as new event with the applicant.
<u>Description</u>: Low-income residents with the barriers referenced above must repeatedly gather documents, submit new applications, and establish that they are income eligible, often using different standards and different documents.
<u>Proposed solution(s)</u>: A common application should be used for the entirety of the disaster with applicants able to agree to have their submitted information, once verified, to be shared with

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[1] Junia Howell, James R Elliott, Damages Done: The Longitudinal Impacts of Natural Hazards on Wealth Inequality in the United States, *Social Problems*, Volume 66, Issue 3, August 2019, Pages 448-467, https://doi.org/10.1093/socpro/spy016.
[2] For example, permanent authorization by Congress of a HUD disaster recovery program, interagency collaboration, and a focus on human centered recovery rather than property damage recovery would go a long way toward assisting families of all income levels to recover.

other federal, state and local agencies doing disaster recovery. For families with incomes above a certain level, they could opt out of providing income information if they agreed to opt out of any program with income requirements, thus not clogging the system with high income verifications. For families with lower income, there should be a single, federal, nationwide system that families could allow federal, state, and local agencies as well as nonprofits to access to verify income eligibility. Such a system would allow a household to qualify once in a 12-month period of time, and use that qualification for all federal, state or local social services that were dependent upon income verification. Short of this centralized process, the federal government should allow income eligibility to be verified by documented participation in another income eligible program with the same income requirements.[3]

Problem: HUD's current duplication of benefits process disadvantages the lowest income residents.
Description: Take the example of a 70-year-old widow with a home with serious deferred maintenance. The home was livable until flooding from Harvey. The woman applies to FEMA and receives $1000, which is FEMA's estimate of how much damage was inflicted between the day before Harvey and the day after Harvey. However, $1000 is entirely insufficient to make the home livable, so the woman waits for the HUD CDBG-DR funds. Eighteen months later the funds arrive, the woman applies, and she is qualified for a new $190,000 home. However, she must first deposit the $1000 she received from FEMA. The problem is that money has been spent on necessities—food, electricity, medicine and other expenses. Further, the City or even a nonprofit is not able to reimburse the widow the $1000 or pay it directly to the City because doing so will create a further duplication of benefits.
Proposed solution: allow families under a certain income level (e.g. 50% AMI) to qualify for HUD CDBG-DR funding if the duplication of benefits is less than a de minimums amount (e.g. $5,000).

Problem: The federal disaster recovery system's focus on pre-storm condition ignores how the inequities from prior storms have compounded over time.
Description: In just the last 6 years, the widow above living in Houston may have been impacted by 8 federally declared disasters.[4] Each time a natural disaster occurs, the home is damaged a bit more, and each time that the federal response to recovery is inadequate the damage to the home compounds over time. For example, after Hurricane Ike, many low-income homeowners were not able to repair their homes with the funding from FEMA and for a variety of reasons such as the Duplication of Benefits problem above did not qualify for HUD CDBG-DR repair. In 2016,

[3] See for example the public programs list at https://houstonharrishelp.org/renters/. The Treasury-funded rental assistance program is limited to families at 80% AMI, and each of the listed public programs have the same income requirements. Rather than reestablishing their income with multiple documents, the family is able to simply document eligibility for one of the listed program (e.g. Medicaid).
[4] Memorial Day Floods (2015), Halloween Floods (2015), Tax Day Floods (2016), Fourth of July/Summer Floods (2016), Hurricane Harvey (2017), Tropical Storm Imelda (2019), COVID-19 Pandemic (2020), and Texas Winter Storm Uri (2021).

eight years after Hurricane Ike, our staff counted 1600 homes with tarps (or in many cases, what little remained of the tarp) on Houston roofs. Using a locally funded process that reduced paperwork and expedited the application process, the City replaced nearly 800 roofs in about a year. Each repair cost about $7,500. That was the good news. The other 800 homes could not be saved. Instead, they needed to be fully torn down and rebuilt for a cost of nearly $200,000. In the case above, ignoring how much of the deferred maintenance has resulted from our country's inadequate disaster recovery process left the widow with just a $1000 payment.
<u>Proposed solution(s)</u>: (1) Provide carveouts from the regulatory process for low dollar repairs like roof replacements that can have an outsized impact on preserving a home's integrity.
(2) Allow unaddressed damage from prior storms to be considered in addressing FEMA payout.
(3) Commit to a human-centered recovery process that ensures that each human recovers from the storm rather than focusing only on recovery of the built environment.

<u>Problem</u>: The GLO's refusal to rebuild to a minimum 3-bedroom standard creates a racial disparate impact on vulnerable resident in Houston.
<u>Description</u>: While the GLO's reimbursement program did not compare household size with number of bedrooms, the GLO's reconstruction program does this analysis and downsizes households like the widow above to a 2-bedroom home. The racial disparity occurs because most homes needing reconstruction are predominantly owned by poor and minority homeowners while homeowners qualifying for reimbursement are higher income and less likely to be minority. Additionally, this policy fails to account for the fact that many low-income households change household size as the circumstances of their extended family changes, with grandparents often taking in children, grandchildren, and other extended family members. Downsizing a home will also usually impact the only asset of any value the homeowner owns. Finally, downsizing a home ignores the fact that homes at this income level are often passed down from one generation to the next rather than being sold. Thus, the household size is almost certain to change, even if the home remains in the family.
<u>Proposed solution</u>: HUD should reverse the decision by the GLO not to fund the reconstruction of homes to at least a 3-bedroom standard as long as the pre-storm home had at least 3-bedrooms.

Thank you for your interest in helping to make the federal disaster recovery process fairer, more efficient, and more racially just.

Very truly yours,

Tom McCasland
Director