

ALASKA STATE LEGISLATURE

SESSION

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SENATOR BERT K. STEDMAN

May 28, 2017

Maegan Bosak
Planning and Community Development
Director
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835

Re: National Flood Zone Insurance and Mapping

Dear Ms. Bosak:

These comments are directed at the National Flood Insurance Program (NFIP) in general, the application of NFIP in Southeast Alaska, and the specific process now underway in Sitka. My concerns are shared with property owners in Sitka, who are already experiencing problems with the NFIP, such as arbitrary and shifting maps of flood zones, costs to retain surveyors to prove elevation levels, etc., See, email from Matthew Donohoe, attached as Exhibit A.

My comments are an appeal and should be submitted to Region X of the Federal Emergency Management Agency (FEMA). In addition, I have been unable to access some of the information posted for the public, and request an extension of seven days to revise or provide additional remarks into the record for an appeal. (The "Preliminary Flood Insurance Rate Map Index 1 of 2" comes up as a "404 error" and unavailable, on the State of Alaska, Department of Commerce website, etc.)

Background:

The NFIP has been on the federal Government Accountability Office's "GAO" high risk list since 2006. This list provides Congress with information about programs at high risk for fraud, waste, abuse, mismanagement, or that need broad reform. "As a result of the program's importance, level of indebtedness to Treasury, and substantial financial exposure to the federal government and taxpayers, as well as FEMA's operating and management challenges, NFIP has been on our high-risk list since 2006." See, *GAO Report, National Flood Insurance Program*, February, 2016, GAO-16-190, excerpt attached as Exhibit B.

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The NFIP is authorized by Congress to operate through September 30, 2017. Draft legislation has been circulated to reauthorize NFIP for 10 years. “The GAO has recommended comprehensive reform covering six areas – outstanding debt, premium rates, affordability, consumer participation, barriers to private sector involvement, and NFIP flood resilience efforts ... FEMA owes the Treasury Department \$24.6 billion, including \$1.6 billion borrowed following a series of floods in 2016.” See, *Lawmakers float 10 year extension of NFIP*, Business Insurance, April 27, 2017, copy attached as Exhibit C. FEMA’s debt could cause insurance “rates to rise as much as 25% a year until the NFIP becomes “actuarially sound”. See, *America’s Flood Insurance System is Sinking*, MoneyWatch, April 11, 2017, copy attached as Exhibit D.

While the City and Borough of Sitka participates in the National Flood Zone and Insurance Program, the community:

“[h]as no history of flooding caused by stream overflows or coastal flooding due to storm-driven waves or tsunamis (tidal waves). A lengthy search of newspaper articles at both the Sitka library and Alaska Historical Library substantiated eyewitness reports of no serious flooding. After effects of the March 27, 1964 earthquake were in the form of surges, causing damage to the floating Tri-ways Marina. No shoreline flooding was recorded.”

Emphasis added. See, *Flood Insurance Study, City and Borough of Sitka, Alaska*, September 29, 2010, Federal Emergency Management Agency, Number 02220CV000A, copy attached as Exhibit E.

Communities can and have, elected to opt-out of the NFIP. See, *Many Wisconsin Communities Dropped Federal Flood Insurance*, Insurance Journal, June 17, 2008, copy attached as Exhibit F. In addition, legislation has been introduced to Congress in the past to give individual homeowners the opportunity to opt-out of the program without affecting the ability of a community to qualify for disaster assistance. See, *S. 1890, 110th Congress, 1st Session*, Senator Lott, copy attached as Exhibit G. (The concept of an individual opt-out should be revisited by Congress before reauthorizing the NFIP).

Participating Communities Lose Significant Authority And Control Over Zoning And Construction And Property Owners Are Significantly Impacted By The NFIP.

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Communities such as Sitka, that participate in the National Flood Zone and Insurance Program must meet certain federal minimum standards. Depending on the type of flood zone, federal minimums include:

- Requiring permits for construction and development in the community;
- Requiring all new construction and substantial improvements to existing buildings to meet federal minimum requirements for methods and means of construction, design, and materials;
- Requiring public utilities and facilities such as sewer, gas, electrical, and water systems to be located and constructed to minimize or eliminate flood damage;
- Requiring all new construction and substantial improvements of residential and non-residential improvements have the lowest floor, including basements, elevated to, or above the base flood level;
- Prohibiting encroachments, including fill, new construction, substantial improvements, and other development unless it has been demonstrated through hydrologic analyses that the encroachment would not result in any increase in flood levels within the community;
- Prohibiting all new construction located landward of the reach of mean high tide;
- Requiring all new construction and substantial improvements to be elevated on pilings and columns.

See, *44 CFR 60.3*, Copy attached.

[INSERT MORE ON LOSS OF LOCAL CONTROL]

Property Owners With Houses In A Floodplain Are Significantly Impacted By Insurance Rates.

Property owners within a federal designated flood zone are significantly impacted. Anyone in a 100 year flood zone must purchase flood insurance if they have a mortgage. Rates for federal flood insurance have been steadily increasing. The concern has been described as:

“[p]robably the greatest threat to our future economic development, the greatest threat to property values ... Property owners may be reluctant to make improvements because a mortgage of even \$1 would trigger a requirement for flood insurance. **Owners may even find that flood insurance will cost more than their property taxes. ... It looks like FEMA is trying overnight, to recoup some losses from other regions of the country.**”

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Emphasis added. *See, New FEMA Maps Add Thousands To Flood Zones*, Boston Globe, August 15, 2013, Copy attached as Exhibit H.

In Sitka, there has only been 5 paid claims since 1978 totaling \$21,130. (FEMA refused to break down claims information further citing confidentiality rules. My office has filed a Freedom of Information Act request to try and get the information) Copy attached as Exhibit I.

NFIP premium rates should reflect actual risk and should be reviewed and adjusted downward for communities and properties where there is little or no risk of flood claims.

Property Owners In A Flood Plain Will See A Significant Loss In Value.

Property owners within a floodplain will see property values significantly reduced with no compensation from the federal government. As one recent study found:

“In general, the estimation results indicate that the price of a residential property located within a floodplain is significantly lower than an otherwise similar house located outside the floodplain. On average, location within a floodplain lowers estimated sales estimated sales value \$11,598 which represents a 7.3 percent reduction of the average house sales price.”

See, Flood Hazards, Insurance Rates, and Amenities: Evidence From The Coastal Housing Market, Journal of Risk and Insurance, Vol. 75, Issue 1, Copy attached.

A home in Sitka designated as within a flood plain worth \$400,000 would see a reduction in value of \$28,000, with no compensation from FEMA.

Errors In Flood Zone Mapping

The Flood Zone maps do not account for Glacial Isostatic Adjustment (GIA) which is the rise or uplift of lands in Southeast Alaska. FEMA's fellow federal agency, the National Oceanic and Atmospheric Administration (NOAA) has documented GIA and the information is readily available to FEMA.

<https://tidesandcurrents.noaa.gov/sltrends/sltrends.html> The maps must be adjusted to lower the base level of flooding along Sitka's coastline to reflect the impacts of GIA over the period of time tied to the flood zone area. 100 year flood zone = adjustment for 100 years of GIA to lower the base line.

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Conclusion.

The loss of local control over zoning and construction standards, the lack of need for flood insurance as demonstrated by the low number of claims and a total of roughly \$20,000 paid out over a period of decades, and the significant impact on property values of homes in floodplains justify communities in Southeast exercising their authority to withdraw from the National Flood Insurance Program.

Sincerely,



Senator Bert Stedman

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