

## **Appendix E**

### **Repetitive Flood Loss Mitigation Strategy**

# Town of Hamilton

## Repetitive Loss Mitigation Strategy Report

June 2005

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The Skagit River is somewhat unique in that the Federal standards for classifying a floodway are only clearly met from Sedro-Woolley east. In the Skagit River delta, there are very complicated and unusual conditions, such as dikes, influence of the Samish River, and other factors that do not qualify this area as a classic floodway (excepting the waterside of diked areas that begin near the City of Burlington). For this reason, the properties that are being identified for mitigation with the Hamilton relocation program will first include those properties from Sedro-Woolley east.

The repetitive loss mitigation strategy is applying a comprehensive regional approach to flood hazard mitigation, utilizing the Skagit County Natural Hazard Mitigation Plan as the framework for action. The program under development will be updated at least annually, with major five-year updates under the multi-jurisdictional Skagit County Natural Hazard Mitigation Plan, as required for federally funded programs.

### Historic Flood Damage Data Analysis

The scope of the repetitive loss problem is being clearly identified for all floodway properties located upriver from Sedro-Woolley. Between Sedro-Woolley and Concrete, 305 developed, permanent residential properties have been identified as intersecting the Skagit River floodway, as defined by Army Corps of Engineer maps. This figure will increase as relocation parameters and area are expanded and analyzed in greater detail. Other information being collected includes the total number of lots having recreational vehicles, seasonal use authorization, agricultural site with existing farmhouses and the location and condition of structures.

Within the town of Hamilton, it has been conservatively estimated that 200 parcels have a floodway designation. Of this total, at least 77 have a permanent residence and 28 are manufactured homes. Table: 1 summarizes the classification and breakdown for parcels analyzed for Hamilton. Of these 105 residential structures, one quarter (25 in total) were identified by damage evaluation teams as having sustained obvious flood damage during the October 2003 flood event.

**Table: 1**

Neighborhood Code	Total Parcels	FEMA Repetitive Flood Loss	Flood Damaged	Pre-FIRM
FLOODWAY; RES	77	14	8	45
FLOODWAY; OTHER IMPROVEMENTS HOUSEHOLD, SFR, INSIDE CITY	15	2	2	0
FLOODWAY; MOBILE/MANF. HOME	28	5	8	12
FLOODWAY; NO IMPROVEMENTS HOUSEHOLD, SFR, INSIDE CITY	63	0	0	0
Other	17	3	0	9
<b>TOTALS</b>	<b>200*</b>	<b>24</b>	<b>18</b>	<b>66</b>
* These are very conservative figures and do not account for platted lots with residences or improvements on leased land				

Homes constructed before the threat of flood was fully understood and before FEMA Flood Insurance Rate Maps were available for an area are a top priority for mitigation. These homes, called “Pre-FIRM” (pre-Flood Insurance Rate Map) For Hamilton, all homes built before December 1, 1981 are considered Pre-FIRM. Of the 100 parcels identified as “Floodway Residence” and “Floodway Mobile/Manufactured Home”, over half (53 residences) have been positively identified as Pre-FIRM. This figure will increase as other neighborhood codes are further analyzed.

### **Repetitive Loss Structures**

The National Flood Insurance Program defines a repetitive loss property is any insured property, which the National Flood Insurance Program has paid two or more flood claims of \$1,000 or more in any, given 10-year period since 1978 and for which the cost to repair, on average, equals or exceeds 25% of the market value of the structure at the time of each flood loss<sup>1</sup>. These properties represent a significant drain on the National Flood Insurance Program and are a top priority for mitigation. In Hamilton, FEMA has identified 22 repetitive loss homes. Another 56 homes have been identified for unincorporated Skagit County, with 28 located in the area between Sedro-Woolley and Concrete. These figures do not include properties affected by the October 2003 flood event. This data is still pending from FEMA and will be incorporated as soon as it becomes available.

FEMA-identified repetitive flood loss residences include only those properties that are participating in the National Flood Insurance Program. This population represents only a fraction of the overall number of properties across Skagit County that experience repetitive flood losses. This FEMA information is being used to identify areas with flood-affected properties. Once mapped these properties serve as a “bulls-eye” around which mitigation efforts will radiate.

### **Flood Mitigation Database and Mapping**

A database is under development that captures relevant parcel and flood information that is available, such as ownership, land use designation, parcel size, assessed valuation, permit history, age of residence, base flood elevation, elevation certificate, history of flood damage, insurance status, insurance benefits paid in previous flood events, and other information necessary for prioritizing properties for purchase and to track activity with each parcel over time.

Information is being assembled from the Skagit County Assessor, County and Hamilton Building Departments, Skagit County Geographic Information Services, Skagit County Public Works, Skagit County Department Emergency Management, FEMA Mitigation Division and National Flood Insurance Program and others.

Information-sharing between local, state and federal agencies is essential to program planning. Information that is protected under the Privacy Act is treated with care to ensure compliance. At present, the Skagit County Community Rating System and Hamilton Town Planner are authorized to receive sensitive FEMA National Flood Insurance Program information on benefits paid to property owners. Access to this information is important to building the business case for the program. This information, however, must remain confidential so as not to violate Privacy Act restrictions. It is recommended that only certain program staff obtain authorization

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1. FEMA NFIP Dwelling Form – Standard Flood Insurance Policy, Coverage D – Increased Cost of Compliance, 3.a.1 – Eligibility.

to work with this information and that security measures be put into place so that no proprietary information become available to the public.

The database is for internal program use only and will not be available in the Skagit County web site, or other public domain. In order to respect the privacy of all property owners, no owner names will be publicized and no site-specific proprietary information will be made public. Data will most often be consolidated for the purpose of providing an overview of activities and monitoring progress. Parcel numbers are used when site-specific, publicly available information is required.

Hamilton Public Development Authority staff and Skagit County Geographic Information Services are working closely to develop and populate the database. In addition, Skagit County Geographic Information Services staff are providing Hamilton Public Development Authority staff with access to mapping software and training in order to facilitate program monitoring, mapping needs, and to respect Privacy Act restrictions on select flood insurance claim information.

Skagit County Geographic Information Service is translating select database information into a Flood Mitigation Mapbook. Attached is a sample of initial Mapbook Series that illustrates information for Hamilton and the Skagit River floodway between Sedro-Woolley and Concrete. This visual quickly enables mitigation planners to identify areas of interest and prioritize parcels for inclusion in the purchase and transfer of development rights program. Mapbook information is drawn from repetitive flood loss data provided by FEMA and includes damage between January 1978 and January 2003, the Hamilton flood damage assessment log, and the Skagit County Assessor. Initial parcel information mapped includes single-family and multi-family homes, mobile homes, and property zoned for recreational vehicles. Repetitive flood loss data that includes the 2003 flood event will be added when this information is obtained from FEMA. Additional data elements to be added include:

- Loss information tracked by the NFIP,
- Elevation certificate detail,
- Uninsured flood loss property detail (year built, condition, available loss information),
- Occupancy information (owner/tenant, household size, income, flood insurance status).

This work is being coordinated with the countywide Natural Hazard Mitigation Planning Committee. The database and Mapbook form the basis for program evaluation by providing baseline information that is essential to:

- Justify the town relocation site Urban Growth Area acreage request submitted on the Comprehensive Plan update.
- Validate the need countywide for a viable relocation option for floodway residents.
- Identify property owners and tenants for education and outreach activities.
- Track TDR program progress when the relocation site is development-ready.
- Monitor NFIP compliance under the Community Rating System.
- Promote strategic residential acquisitions and transfer of development rights.
- Facilitate creative open space reclamation activities.
- Submit FEMA floodway map update requests that reflect the changing course of this wild and scenic river.

Examples of performance measures that will be used to monitor and evaluate the program include:

- Change in the number of parcels designated “Floodway: No Improvements”, “Floodway: Residence” and “Floodway: Mobile/Manufactured Home”.
- Change in relocation site development and corresponding elimination of floodway development rights.
- Change in the number of flood claims paid by the National Flood Insurance Program.
- Change in the flood response and recovery costs incurred by local, state, and federal agencies.

### **Post Disaster Inspection & Enforcement**

The Hamilton Public Development Authority is working with local building officials and Skagit County Emergency Management to:

- Develop a post-disaster inspection process for all natural hazards that utilizes the standardized methodology developed by the Applied Technology Council, including rapid evaluation procedure, rapid evaluation damage assessment, posting procedures for buildings, and detailed evaluation and posting of flood-damaged buildings that provide a more consistent determination of structure damage.
- Maintain the countywide database of floodway structures and repetitive loss floodplain structures that has been initiated during this start-up phase of planning.
- Define a consistent approach to be used for post-disaster permit requirements and substantial damage determination.
- Pursue a consistent approach to enforcing recreational vehicle prohibition as permanent dwelling units through notification of highway-ready requirements and annual inspection, or removal during the flood season. Enforcement will be monitored using the existing countywide database system. Recreational vehicle site information will be added and maintained, and code amended as needed to improve countywide consistency.

Next steps with the post disaster inspection element of the Hamilton Public Development Authority program are to:

- Develop a recruitment plan for inspection team.
- Work with Skagit County Emergency Management on project details such as administration procedures, funding for training, equipment, and materials, and identification badges.
- Establish and fund training based upon Applied Technology Council manual #45 (and those for other natural disasters such as earthquake).
- Review and finalize procedures for disaster event response.
- Reach consensus on necessary database elements for monitoring, and coordinate information management with Skagit County GIS.
- Collaborate with Skagit County Public Works and Skagit County Emergency Management on sponsorship of annual field exercises and for Flood Awareness Week programming.

## **Recreational Vehicles**

Recreational vehicle occupancy regulations under Washington State law supersede FEMA standards. Under FEMA standard 44 CFR 60.3(c)(14), recreational vehicle placed on a site in the floodplain may remain for fewer than 180 consecutive days, or meets the elevation and anchoring requirements for manufactured homes, or is fully licensed and ready for highway use; meaning that it is located on its wheels or a jacking system, is attached to the site only by quick disconnect type utilities, and has no permanently attached additions. The purpose of this requirement is to prevent recreational vehicles from being permanently placed in the floodplain unless they are as well protected from flooding as a manufactured home. State law, however, prohibits residences from being located in the floodway.<sup>2</sup> The State and FEMA agree that recreational vehicle parks can be an acceptable use of the floodplain, particularly when flooding occurs during seasons when these facilities are not in use, between October and May, for example.<sup>3</sup>

The Hamilton Public Development Authority seeks consistency with address of recreational vehicle occupancy on a countywide basis. Hamilton and Skagit County have comparable codes regulating Recreational Vehicles. The question of how to administer the prohibition on use as permanent dwelling units needs to be addressed. Skagit County Code, Section 2 - Recreational Vehicles, states<sup>4</sup>:

- (a) Recreational vehicles shall not be used as permanent dwelling units.
- (b) When located in flood hazard areas designated as A, A1-10, A12, A14, A16, A18, A21-22, V1, V4, AO, and AH, the vehicle shall:
  - i. Be on site for fewer than 180 consecutive days; or
  - ii. Be fully licensed and ready for highway use, be on its wheels or jacking system, be attached to the site only by quick disconnect type utilities and security devices, and have no permanently attached additions.

Hamilton's Ordinance #186 contains comparable language. Administration of the Ordinance has proved challenging for town officials aware that many low-income residents have no other affordable housing options available. Because the community is so small, everyone knows who resides in a recreational vehicle, unlike Skagit County where recreational vehicles are widely scattered and often not visible from traveled roads. Provision of affordable housing with the new town site will enable strict enforcement of existing floodway Ordinances to occur without undue negative impacts being brought upon Town residents. For this reason, the Town has focused heavily on this "ready to evacuate" approach, and recreational vehicles sustained no damage during the 2003 flood event.

## **Benefit Cost Analysis**

### **Hamilton Floodway Buyout Project Observations**

Benefit cost analysis was conducted by FEMA on Hamilton repetitive flood loss properties during Spring 2004. The purpose of this analysis was to prequalify properties for acquisition with FEMA Flood Mitigation Assistance grant funds awarded to the Town of Hamilton. Details on this acquisition program are available in the Emergency Buyout Final Report being provided

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2. RCW 86.16.041 (2)(a)

3. FEMA new "Study Guide and Desk Reference for Local Officials" (FEMA-480)

4. Skagit County Code - General Standards 14.34.160

to FCAAP Program Manager, Chuck Steele and FMA Program Manager, Martin Best. The following assumptions were used by FEMA for this analysis:

- National Flood Insurance claims payments information only was used with no additional damage data applied.
- Fair Market Value - 130% Assessor's Market Valuation
- For contents - 50% of Building damage due to inundation for 3 to 6 days during flood events.
- 100-year flood event assumes a total loss (Fair Market Value + 5% for other costs) and contents is 50% of Fair Market Value, not total costs.
- Project closing & other costs – \$18,000
- Inflation Calculator was used to bring past damage costs to current values
- Useful project life – 100 years
- Base year of costs – 2004
- Discount Rate – 7%
- FEMA Disclaimer: The results produced by this analysis are neither conclusive evidence that a proposed project is cost-effective, nor a guarantee that a project is eligible for any government grant for whatever purpose.

Funds awarded for Hamilton flood mitigation and town relocation planning were made available contingent upon the purchase and removal of up to four repetitive loss homes in Hamilton. Five properties were identified as having a benefit to cost ratio that supported acquisition under the acquisition grant. Property owners were offered a Fair Market Value of 130% Assessed Market Valuation. This offer proved insufficient to entice participation in the acquisition program from any homeowners.

It was determined that independent appraisals would provide a Fair Market Value more consistent with property owner needs and expectations. Approval to conduct appraisals was obtained from four of the five property owners. Table: 2 summarizes the variance in Fair Market Value figures generated using the FEMA-derived 130% Assessed Value formula and independent appraisals.

**Table: 2**

<b>FEMA-derived 130% Assessed Value</b>	<b>Appraised Value (Sales Comparison)</b>	<b>Difference in Fair Market Value</b>
\$58,630	\$102,000	-74%
\$70,980	\$105,000	-48%
\$44,850	\$70,000	-56%
\$73,840	\$135,000	-83%
\$54,210	Withdrew program interest	

The FEMA-derived 130% Assessed Value formula was used to determine overall cost effectiveness of the Hamilton buyout project. FEMA Flood Mitigation Assistance program funds require that the benefit cost ratio for both individual properties and the overall project remain favorable. FEMA Flood Mitigation Assistance program representatives determined that use of the higher independent appraisal Fair Market Value figures reduced the project cost

effectiveness and eliminated properties from qualifying for acquisition.

For Hamilton property owners, the use of independent appraisal values was necessary for the following reasons: mortgage debts were found to exceed the lower offer based on 130% Assessed Value, and real property constitutes the primary asset available to residents to reestablish themselves out of harms way. Lenders were encouraged to consider the short sale of mortgages. This would reduce property owner liens and make the lower purchase offer more attractive. Lenders however, determined that the value of the floodway properties did not warrant short sale.

Of the five original properties considered, one was successfully purchased and removed. Two key factors contributed to this successful buyout:

1. Following the 2003 flood event, the home was determined substantially damaged by local officials, and the lender opted to short sale the mortgage debt for the claim paid by the homeowner's flood insurance policy. Elimination of the mortgage enabled the property owner to accept a Fair Market Value lower than the appraised amount, even with the insurance claim reduced from the offer as a duplication of benefits.
2. Late in negotiations, FEMA also determined that residences identified as substantially damaged automatically become cost-effective for purchase, and are not subject to qualification under the FEMA benefit cost analysis.

This traditional acquisition program has presented significant challenges both in qualifying Hamilton properties for purchase, and in meeting the financial needs of property owners. Important lessons learned from this valuable exercise include the:

1. Importance of applying a different approach to property purchase and resident relocation with the Hamilton Public Development Authority program.
2. Value in working with lenders on the short sale of mortgages for properties sought for purchase with federal and state funds. It is appropriate that lenders choosing to extend mortgages on residences located in the floodway and other Special Flood Hazard Areas share in financial losses incurred with such high-risk loans.
3. The importance of establishing a reliable and consistent method for determining substantial damage. The Hamilton Public Development Authority program offers a means for identifying and prioritizing properties for purchase before the crisis of a flood occurs. It also provides a funding mechanism that encourages the purchase and removal of flood-prone properties prior to a flood event. The processes being developed also equip the community and funding programs to respond quickly following a flood event with a prescribed plan for permanent mitigation of targeted flood-damaged residences that more equitably distributes the cost of flood recovery.

### **Benefit Cost Analysis Recommendations**

A next step for the Hamilton Public Development Authority is to enlist a contracted financial analyst to assess the benefit to cost for the purchase and transfer of development rights program concept.

Guidelines presented in the FEMA *Scope of Work for Acquisition of Flood prone Properties* (January 2005) provide a good basis for evaluating program cost effectiveness. The purpose of this analysis is to determine if multi-million dollar investment in the Hamilton Public Development Authority program, from local, state, and federal sources can be demonstrated as a

net positive use of public funds. Some important considerations from this FEMA document include:<sup>5</sup>

- Net *social benefits* and total costs (both Federal and local share), as opposed to the benefits and costs to the Federal government, should be the basis for evaluating project cost-effectiveness. Therefore, all social benefits would be considered for minor structural flood control projects, not just benefits for repetitive loss properties.
- The benefits of acquiring property are equivalent to the avoided damages, losses, and casualties that would occur if the residents continued to occupy the structures. For example, if the project area has been flooded 10 times, and the roads, public utilities, and homes have been repaired or replaced each time, then clearing the project area and using it as an open space will remove the need to repair and replace these structures in the future. Examples of common benefits include avoided (or reduced) are:
  - Damages to the residences and contents, including public buildings, commercial structures, and residences, as well as damage to nearby roads and other infrastructure serving.
  - Displacement costs incurred by residents living elsewhere while homes are repaired.
  - Displacement costs incurred by residents living while homes are repaired.
  - Emergency response costs for police, fire, and other public services when the residences are flooded.
  - Removal of debris from streets and public areas such as municipal parking lots and recreational areas.
  - Loss of utility services to the residences, as well as repairs to damaged utilities.
  - Economic losses resulting from displacement of commercial or light industrial uses of the structures.
  - Deaths and injuries. Casualty benefits cannot be counted for flooding, except in flash flooding or dam failures, because residents are usually given sufficient warning time to evacuate their homes. The Mitigation BCA Toolkit provides current statistical values for deaths, major injuries, and minor injuries.
- “Multiplier” effects cannot be counted, such as an indirect or secondary benefit. For example, if the open space area created following property acquisition attracts visitors, the economic benefits to the community from the visits cannot be counted, as they are not a direct effect of the project.
- Project costs should include a reasonable, itemized estimate of all costs associated with the acquisition and demolition of the structure (negotiated purchase price of the structure, moving-related costs, appraisal fees, permits, demolition costs and debris removal, site restoration to green space and standard real estate costs for deed filing, title search, and title insurance).

### **Opportunities For Increasing Public Value Through Program Alignment**

The FEMA National Flood Insurance Program and FEMA buyout programs are like the harbor buoys signaling the route to safe mooring. When anchored individually, they work well by preserving most sailors from unseen danger. When they work together, however, these

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5. Section 2.6.2 - Preparing the BCA. FEMA *Scope of Work for Acquisition of Flood prone Properties* (January 2005).

complementary red and green beacons charter the safest channel for speedy passage of boats from harms way. In this same fashion, if FEMA programs were aligned, they might guide the safe passage of many more floodway populations to out of harms way; and add tremendous public value to the mitigation efforts of local communities.

This potential opportunity is exemplified by the comparison of two Hamilton buyout project experiences. Both homeowners wanted very much to relocate out of the floodway, and were prequalified by FEMA for participation. *Homeowner-A* was found to have mortgage debts that exceeded the offer determined by FEMA to be cost effective using the Fair Market Value formula of 130% assessed value. The FEMA Fair Market Value offer was considerably lower than provided with independent appraisals (Table: 3). Lenders approached to consider the short sale of mortgage debts for the FEMA Fair Market Value offer were not persuaded to accept the losses. In turn, FEMA determined that the higher appraised values rendered the purchase no longer cost effective.

**Table: 3**

Owner	130% Assessed Value	Sales Comparison Appraisal	Fair Market Value Difference
A	\$70,980	\$105,000	-32%
B	\$58,630	\$102,000	-43%

*Homeowner-B* had the benefit of their lender requiring that the flood insurance payment be applied to short sale their mortgage. At the time, owners were left both without a mortgage and without any insurance money to reestablish themselves. In the long run, however, this has proven to be a much-preferred way to promote the removal of floodway homes in a manner both cost effective for the mitigation programs and equitable for the homeowner. It also has the added benefit of providing a disincentive to lenders selling first and second liens against such high-risk properties. Table: 4 provides a comparison of these two buyout experiences. When the FEMA Fair Market Value formula of 130% assessed value failed to entice any of the qualified property owners, a value higher than the original offer but lower than the assessed value was found by FEMA to remain cost effective for the only two homeowners who remained interested in pursuing a buyout. In the end, only one home was successfully purchased.

Table: 4	Homeowner	
	A	B
FEMA Offer (between the formula and appraised amount)	\$96,400	\$92,200
Mortgage Debt	\$0	\$101,750
Duplication of Federal Benefits Paid	\$53,280	\$0
Balance for Homeowner Reestablishment	\$43,120	(\$9,550)
<b>Acquisition Outcome</b>	<b>Success</b>	<b>Failure</b>

Closer program alignment, could lead to successful reestablishment of more residents out of harms way, and permanent removal of more floodway home liabilities that are costly for the response and recovery programs of FEMA, the state, and local jurisdictions. For example, the FEMA National Flood Insurance Program Increased Cost of Compliance benefit, in collaboration with FEMA buyout programs provide an excellent venue for making more buyouts cost effective for both riverine floodway homeowners and funding programs. At present, this benefit provides qualifying property owners with up to \$30,000 above their insurance benefit to bring a home into compliance with local flood mitigation regulations. This benefit may be used

toward home demolition, on-site elevation, or moving a structure elsewhere on the same parcel but outside of the floodway. This provides the incentive and the means for flood insurance policyholders to comply with floodplain management regulations. At present the FEMA National Flood Insurance and buyout programs function independently. Table: 5 and Table: 6 provide two theoretical buyout scenarios that apply these programs in a coordinated approach using *Homeowner-B* information.

**Table: 5**

<b>Scenario #1</b>	Expense	Revenue
<b>Mortgage Debt</b>	\$101,750	
<b>Buyout Funding Sources</b>		
Flood Insurance Benefits Paid for Replacement		\$46,400
Increased Cost of Compliance (ICC)		\$30,000
FEMA Contribution (130% Assessed Value)		\$70,890
Duplication of Federal Benefits Paid		\$0
Removal Costs Paid by Homeowner with ICC	\$30,000	
Totals	\$131,750	\$147,290
<b>Balance for Owner Reestablishment</b>		<b>\$15,540</b>

With Scenario #1, the flood insurance damage claim paid is combined with the maximum Increased Cost of Compliance insurance benefit. As a flood insurance policyholder, this represents the owner contribution to the buyout and removal of the home. A FEMA buyout program might contribute the Fair Market Value amount based upon 130% assessed value, or another formula approach. In this manner, the owner would benefit by having title and debts on the flood loss home removed, and a stipend to assist with reestablishment to another equitable living situation. The National Flood Insurance program would benefit from the elimination of future benefits being required by the repetitive flood loss property. The FEMA buyout program would benefit from permanent mitigation of a floodway liability. The general public benefit from having lower emergency response and recovery costs expended to maintain the costly status quo in flood-prone riverine areas.

**Table: 6**

<b>Scenario #2</b>	Expense	Revenue
<b>Mortgage Debt</b>	\$101,750	
<b>Buyout Funding Sources</b>		
Flood Insurance Benefits Paid for Replacement		\$46,400
Lender Short Sale of Mortgage Debt		\$55,350
Assessed Value of Land		\$14,800
Increased Cost of Compliance (ICC)		\$30,000
Duplication of Federal Benefits Paid		\$0
Removal Costs Paid by Homeowner with ICC	\$30,000	
Totals	\$131,750	\$146,550
<b>Balance for Owner Reestablishment</b>		<b>\$14,800</b>

Scenario #2 requires negotiation of a mortgage short sale with lenders. For homes with damage estimates determined by insurance adjusters to exceed 50% of the home's market value, lenders might receive the full replacement cost paid to a homeowner by the insurer. Depending upon the short sale agreement, the FEMA buyout program might contribute as little as the Assessed Value of the land only. The Increased Cost of Compliance insurance benefit would be applied toward home demolition, and homeowners again would have a stipend to assist with reestablishment.

This scenario seems the most equitable in that lenders share with homeowners and public programs in the cost of high-risk floodway investments.

### **Effective Use Of Limited Funds**

One objective of this repetitive loss mitigation planning process has been to identify barriers to successful mitigation and to begin to consider alternatives. Through the Hamilton Acquisition project important questions have come to light that are shaping the overall Hamilton Public Development Authority program approach. Some of the questions under consideration by proponents of this mitigation program include:

- Is the use of flood insurance benefits for home repair effective?
- The additional insurance benefit (Increased Cost of Compliance) of \$30,000 can be used only to demolish a flood damaged home, elevate a flood damaged home, or move a flood damage home to another area of the same property buy out of the floodway. Can this benefit be altered so that it may be applied to move a flood damaged home to another piece of property, or toward construction/purchase of a home on another piece of property out of harms way, in tandem with a FEMA buyout project?
- Can homeowners and lenders be encouraged/required to negotiate short sale mortgage debts using flood insurance benefits and in tandem with buyout projects?
- How best can insurance benefits be coordinated with mitigation programs in order to leverage the greatest net positive impact for the Hamilton Public Development Authority program?

### **Beyond Traditional Buyouts**

In addition to pursuing opportunities under existing insurance and buyout programs, the Hamilton Public Development Authority is preparing a purchase and transfer of development rights. The program will build on successful interjurisdictional models that exist in Whatcom County and the City of Burlington, and will:

- Provide a flexible mechanism for removing population, structures, environmental hazards, and development rights from across the Skagit River floodway.
- Provide property owners with the choice to sell or relocate that is financially and socially desirable.
- Create an alternative that addresses the needs of properties that do not qualify for mitigation under traditional buyout programs.
- Require the permanent extinguishing of development rights in every case.
- Support conservation easements in some places to allow for on-going agriculture and recreational uses.
- Address habitat and riparian corridor restoration and enhancement.

### **Development Rights**

Residential building rights are permitted for a lot, parcel or area of land impacted by the floodplain in Skagit County.<sup>6</sup> Development rights are considered as interest in real property. Under the Hamilton Public Development Authority program property owners will demonstrate the development potential of land with consideration will be given to relocation opportunities.

Flexibility in program design will make the choice to sell or relocate development rights financial and socially desirable for floodway property owners. All options will include the

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6. Skagit County Natural Hazards Mitigation Plan (Section II – Page 35)  
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permanent extinguishing of development rights in the floodway. In some locations, imposing a conservation easement may prove beneficial, thus allowing for on-going agriculture or recreational uses. Other concepts being considered include habitat and riparian corridor restoration and enhancement. During the next planning grant funding cycle the Purchase/Transfer of Development Rights program will be detailed, building on successful interjurisdictional models that exist in Whatcom County and between the City of Burlington and Skagit County.

### **Sending & Receiving Areas**

The sending area is where development rights are extinguished and structures permanently removed under the Purchase/Transfer of Development Rights program. This area encompasses developed, partially developed, or undeveloped residential parcels located within the floodway as identified by the Hamilton Public Development Authority. The receiving area to be developed as a new Hamilton town site encompasses land that will be owned by the Hamilton Public Development Authority and is available for urban development under the Washington State Growth Management Act. This area is the proposed town relocation site identified with the attached maps. This area may be expanded as needed to accommodate program participation as long as it complies with the Growth Management Act.

### **Funding Strategy**

Implementation of a repetitive flood loss mitigation strategy necessitates the use of fair market values that enable property owners to reestablish themselves to an equitable living situation out of harms way. The traditional acquisition program attempted was found too restrictive to be effective for Hamilton. Alternatives are being investigated that will equitably meet both the mitigation program and property owner needs.

The Purchase/Transfer of Development Rights program under development will take a more panoramic perspective to acquisitions by offering each owner the opportunity to sell their development rights at fair market value to the Public Development Authority. The program goal is to enable as many property owners as possible to participate by specifically addressing the barriers to successful relocation. Examples of barriers include excessive property owner debt, lack of flood insurance, low-income status of residents, and escalating property values elsewhere in the County that reduce options for reestablishment in an equitable living situation.

The Hamilton Public Development Authority has decision-making authority with the Purchase/Transfer of Development Rights program. The Cedar River Group is being approached to assist with preparation a comprehensive program. This consulting firm has recently developed a Transfer of Development Rights program for the City of Burlington that is serving as a template for this program. A task force will work closely with the contractor to establish a valuation method for the sale of relocation area lots, develop effective buyout procedures that include the options of transfer of development rights, purchase of development rights, or a fee in lieu of transfer of development rights. This program will be fair and equitable to floodway residents in terms of comparability of relocation site and benefits. Program details and financial analysis will be available early in 2006. Some of the basic funding concepts being developed include:

- Sale of receiving area property at market rate with revenues managed by the Hamilton Public Development Authority.
- Use of a Density Transfer Fee that charges for residential development in the receiving area in lieu of the transfer of development rights being provided directly by a developer.

A development rights bank will need to be established in order to administer such transactions so as to ensure that the development rights of a sending area parcel are subsequently removed, as mandated by the program.

- Grant funds for low-income and affordable housing will be pursued from the federal department of Housing and Urban Development, state department of Community, Trade, and Economic Development, and local sources to establish multi-family and high density housing clusters as part of the development strategy to address the significant need for local availability of these housing options.
- A section of the receiving area will be reserved for a Land Trust to ensure that a proportion of residences remain affordable for buyers.
- All revenues from the sale of receiving area property will be reinvested into the administration of flood mitigation program elements and to supplement traditional acquisition program funding sources.

One final note...residential developers have already approached Town of Hamilton staff with enthusiasm for the receiving area development concept. A funding strategy for the program, however, cannot be implemented until the Hamilton Public Development Authority has secured ownership of the relocation site.