

## Environmentally Sensitive Ways to Maintain and Protect Forest Health and Limit Exposure

### Recommendations:

- **Fuel Treatments**
  - Continued funding similar to the Wildfire Risk Grant Reduction Program
  - Increased use of prescribed fire using more flexible smoke permitting procedures including waiver and monitoring pilot program
    - Pilot would augment traditional prescribed burn programs
    - Need clarification on the entity(ies) that will be responsible for the prescribed burns and partnerships [work group product]
  - Advancements in the use of biomass
  - Review defensible space prescriptions and support landscape level treatments
  
- **County Ordinance** on Defensible space to reduce fuel load
  - Counties that adopt such an ordinance are eligible for grants to help fund the collection and disposal of cleared vegetation as well as to help fund education, inspection and compliance assistance activities
  - Additional grants could also be focused specifically for landowners in these counties with vegetation removal activities
    - *The reason I'm changing this is that I don't think we want to promote a policy that would exclude landowners from existing grants if their local government refused to adopt such ordinances...*

## Environmentally Sensitive Ways to Maintain and Protect Forest Health and Limit Exposure

- **Prescribed Fire**
  - Waive smoke management requirements over next two years
    - For pile burns
    - For broadcast burns
  - In Exchange, require
    - Extensive public notice
    - Education efforts, designed to minimize exposure to smoke
    - Air quality monitoring to determine impact
  - Extend smoke permits for three years
    - Many years there isn't suitable weather
- **Best Management Practices (BMP's)** Suggest when/where appropriate for private property owners
- **Disseminate existing watershed vulnerability assessments** that identify wildfire risk threats to water providers and local government entities
  - For consideration in future land use decisions
  - To protect existing water quality

## Building and Activities in WUI

### DRAFT Recommendations:

- **Building Codes &/or zoning requirements**

- Legislation or Exec Order encouraging/supporting County Governments to develop codes
- The state should identify and support federal efforts to create financial incentives for states to adopt and enforce statewide model building codes
- Federal Safe Building Code Incentive Act
  - Introduced in both chambers
  - incentivizes states to adopt stronger building codes
- Statewide initiative for ignition resistant building and defensible space
- Support the enactment of building codes in WUI counties that require, for new construction and remodels:
  - the maintenance of defensible space and erosion control BMPs near structures.
  - the use of fire-retardant materials for all structures.

## Building and Activities in WUI

- **Zoning regulations**

- Require counties to adopt a WUI code governing new construction and modifications
  - Enforcement tools for counties (WUI building codes may be one option for enforcement of D-space)
  - The code would apply to applications submitted to the county for a building permit for construction of
    - new residential, commercial, industrial
- (Oregon/Florida/California Models)
  - Look at recommendations in the FL and CA models in addition to what is in the CA model
  - Require County Governments to establish risk zones (Oregon requirement)
  - Work with home owners who reside in zones to proactively treat property
  - If a home owner fails to mitigate for wildfire risk and a fire comes they can be held partially liable
  - Make resident responsible for removing excess vegetation and in some cases creating fuel breaks.
  - Homeowners meeting these obligations are relieved from cost recovery liability if a fire were to ignite on their property.

## Building and Activities in WUI

### • Partnerships

- Develop programs for local, state and federal officials to more closely partner with the ins industry and other community stake holders to implement model community fire mitigation standards
  - Examples:
    - Citizen Education
    - Public Outreach
    - Mitigation Assistance
    - Building Codes
  - Colorado Rebuilds Fire Adapted Communities
    - Implemented last fall with statewide partner buy-in
    - Should further develop out this partnership model
    - The program included bringing in community business partners such as Lowes to hold weekend community workshops in fire impacted areas (Jefferson County, Fort Collins, Colorado Springs).
  - Identify other coalition and business community partners that can bring the mitigation, safe building message to the public in unique ways.
  - Firewise
    - has begun targeting youth audiences to engage them in property and financial preparedness efforts such as the May 4, Day of Service.
      - We recommend programs that bring Colorado youth/schools into the wildfire mitigation effort.
        - For example, creating a home inventory or developing an evacuation plan are projects that lends themselves to an teen initiative that motivates families to take steps to protect themselves.
  - Developing a “best practices” for mitigation and community protection and helping communities customize and implement Firewise practices should be a primary goal of the task force partners.

## Building and Activities in WUI

### • Mitigation

- Insurance is often the financial incentive to do individual property mitigation
- Colorado mitigation income tax credit
  - There is a lack of knowledge about this
- the task force should identify and inform the public on what financial assistance and mitigation expertise is currently available to them
- The task force should also examine other potential avenues of public assistance, such as grants and federal initiatives.
- Don't "reinvent the mitigation wheel" and work with already established wildfire stakeholder groups to further develop community protection education and mitigation programs.
- Wildfire Mitigation Audit
  - Pattern this Audit after the Home Energy Rating System Audit
  - Make it mandatory if it is in a designated WUI area
  - Put a "financing" package together so that the availability of funds to perform the mitigation is available to assist in getting the work done
  - Pattern it after the Septic System Certification program implemented by the Tri-County Health Department. Make completion of the identified mitigation steps a requirement prior to transferring legal title to the subject property
  - For new home construction, make this Audit a mandatory submission to obtain a building permit, said mitigation to take place along with construction of the improvements. Must be done before transfer of title can take place
  - Tie this in with insurance coverage / premiums
- Proactive Regulatory Actions
  - Require all new construction in these high risk zones to complete defensible space standards on the property before a certificate of occupancy would be issued. Certification would be required.
  - Make a title transfer dependent upon the certification the property meets certified defensible space standards
    - If the property does not meet defensible space standards, a mitigation plan would be prepared, implemented, completed and certified before the property transfer could be consummated

## Building and Activities in WUI

- Fees
  - Fire Prevention or Assessment Fee on Residences within a Designated Area
    - Fees generated would be used to fund a variety of fire prevention services including brush clearing along roads, evacuation routes and open space.
    - Assess said fees through property tax, not insurance premiums. All pay property tax.
    - Wildfire Property - Tax Assessment
      - a simpler and more direct method of properly placing a good portion of the risk of owning a property located in the WUI upon the shoulders of the property owners would be through Real Property Tax Assessments.
      - This concept would create a wildfire risk assessment on homes located in the high risk areas identified in risk maps prepared by the Colorado State Forest Service.
      - The revenues generated through this assessment could be used for prevention, mitigation, suppression and other emergency services associated with wildfire in these high risk zones.
      - Exemption
        - Landowners could qualify for an exemption from this assessment by submitting a certification that defensible space requirements have been implemented on the property
  - Real Estate tax mill levy assessments
    - could be applied against the assessed value of real property as follows:
      - GENERAL WUI ASSESSMENT: This assessment would be a non-removable risk assessment placed upon a property that is identified as being in a designated WUI.
      - COUNTY WUI ASSESSMENT: This assessment would be a risk assessment placed upon a property that would be able to be lowered and/or removed based upon the quality of the wildfire risk reduction efforts of the County in which the property is located.

## Building and Activities in WUI

- PROPERTY WUI ASSESSMENT: This assessment would be a risk based assessment placed upon a property that would be able to be lowered and/or removed based upon the property having a mitigation inspection performed by a certified WUI Mitigation Inspector, followed up by the issuance and completion of a Mitigation Plan, designed to lower the risk of a wildfire to the subject property.
- Benefits
  - To place at least some of the burden of owning a property in the WUI directly upon those who own the property
  - To encourage mitigation on both the County and individual property levels to lower wildfire damage as much as possible.
  - To not make mitigation mandatory for current property owners. If an owner chooses not to do mitigation on their property, then they will continue to pay the increased property taxes.
  - To give financial benefit to individual property owners for doing mitigation efforts, and to also provide for an "income stream" created from the lowering of their real estate taxes, to help pay for the cost of said mitigation.

## Building and Activities in WUI

### o Additional Information

- It is proposed that the amount of the real estate taxes that can be reduced through mitigation efforts be of such magnitude that the reduction is somewhat relative to the monthly payments necessary to fund said mitigation. The writers' rough estimate of an average mitigation plan is \$5,000 per property. If that were to be funded through a private loan source (for example, through the obtaining of an FHA Title 1 Home Improvement Loan) at 6% for a 5 year term, the payments per month on said loan would be approximately \$100 per month. As an example, on a \$300,000 actual value home, at 7.96% of value as the "Assessed Value", and a combined mill levy of 150 mills for all three levels of risk assessment, the increase in property taxes per year would be \$1,800. If the mill levy reduction due to both County and property mitigation efforts were to eliminate 100 mills of assessment, the property taxes would drop by \$1,200 per year, which would offset the monthly payment of \$100 per month on the mitigation loan. Please understand that these are estimates of what could be reality, but it gives an example of how this financial structure could work.
- The distribution of the money that comes into the County through the increase in Real Estate Taxes needs to be carefully considered, with detailed accounting for those funds, where they go, and how they are to be used all as part of whatever mechanism is ultimately decided upon as the best way to accomplish this recommendation.

## Risk Assessment Through Mapping

### DRAFT Recommendations

- Use Colorado Wildfire Risk Assessment Portal (WRAP) for disclosure and assessments
  - The existence of the Risk Maps through the Colorado State Forest Service provides the foundation for determining if a property is located in a designated WUI. If it is determined that this is the case, then that determination will trigger a required DISCLOSURE, similar to what a real estate agent discloses in listing a property for sale that is in a designation Flood Plain that requires flood insurance. This disclosure then puts any potential purchaser of the property on notice that the purchaser is contemplating the purchase of a property that has an added risk due to its location being in a WUI.
  - The disclosure not only makes sure that the purchaser is going in to the acquisition of the property knowing of the wildfire risk, but also of the financial burden(s) of higher real estate taxes, possibly higher insurance premiums, and higher maintenance of continued mitigation during the time the property is owned. Additional disclosures provided by the insurance industry on the need to be careful in carrying the right amount of insurance, etc, would be able to be provided to any potential purchaser at this time.

## Insurance Market Place

### DRAFT Recommendations

- House Bill 13-1225
  - there will be significant administrative, operational and employee/agent/consumer educational challenges
  - The task force should work to develop educational follow up to HB-1225 to help Colorado property owners understand the changes in homeowners' insurance laws and reinforce the need to protect themselves financially through maintaining adequate insurance.
- Insurance Reforms
- all insurance companies that work with homeowners in risk zones are united in their efforts to require customers to mitigate
- Or, homeowners are eligible for lower ins rate if they comply with defensible space recommendations
- Ins Companies would have to partner with Forestry Agencies to inspect and provide tech support for homeowners.
- Create a State insurance program patterned after the National Flood Insurance Program
  - Start with the web site: [www.coloradowildfirerisk.com](http://www.coloradowildfirerisk.com) as a resource to identify properties in the WUI that are at risk. Improve as may be possible
  - Use this site to locate and print Maps that show the property location and the forest fire risk assessments that are shown on the Risk Maps that can be generated on the site
  - Determine what risk level is required before a Mitigation Audit is performed(or require it on all properties in the WUI)
  - Make the fact that the property is located in a wildfire risk area a matter that is researched at the time of listing of a property for sale, disclosed in the Seller's Disclosure, and flagged by a Listing Real Estate Broker in the listing information
  - Or, treat this much like the Lead Based Paint program, with a Disclosure that is required for all properties, but that then discloses the risk of buying a property in the WUI to prospective buyers
- Require insurance providers to perform policy reviews with homeowners every 5 years to determine appropriate coverage levels

## Insurance Market Place

- Minimize current subsidizations
  - With the combination of the Risk Maps and the Mitigation Audit, then have insurance companies that insure properties in the WUI do either a special WUI Insurance Policy, or an endorsement to a Homeowner's Insurance Policy to provide protection in the WUI
    - Have owners of properties in the WUI be required to have this additional insurance, and to pay the increased premium for said coverage
    - The higher the risk is, as determined through the Risk Maps and mitigation done to the property, the higher the premium
    - Have a portion of the insurance premium to be charged for this additional coverage go to the State of Colorado and/or the County in which the property is located, to offset the cost of forest fire prevention, fighting, and clean up
- Mitigation Programs
  - Insurance companies currently have fire mitigation programs in place that require individual property owners to take scientifically proven, and fire-official recommended steps, to reduce their risk and maintain insurance. These mitigation requirements are part of individual companies underwriting guidelines.
  - It is essential to allow companies to maintain their own underwriting and inspection processes—a state program that interferes with the ability to assess and manage risk on a company-by-company basis will have dire consequences for insurance availability in the WUI.
  - The industry has over the past two years funded and partnered with state stakeholders on the Colorado Wildfire Ready Campaign that mixes TV/web, earned media, social media and public outreach leveraged through partner distribution channels including, insurance companies mailing targeted letters to customers in the WUI. This high profile effort encourages financial/property preparedness. This public/private campaign should be viewed as a proven public education model and expanded in the future.
  - There has been no mention of property insurance in this proposal. It is believed that if these recommendations were to be implemented, the results would create an environment where insurance for WUI properties would be more readily available at lower rates than are currently available. This would be a natural outcome of reducing wildfire losses through an active wildfire reduction

## Insurance Market Place

management system, and not require any special action from or through the insurance industry. For properties where mitigation is not done, insurance procurement difficulties would most likely continue.

DRAFT

## Insurance Market Place

### Insurance Industry Response to Recommendations

- Fee-Based Program to off-set WUI costs
  - There were several recommendations made with varying iterations, but the overall theme was to create a fund paid by an assessment on insurance policies within the WUI to offset costs of mitigation, suppression and other wildfire related expenses. There was also some discussion of attaching this assessment to property taxes with the opportunity for citizens to be able to “opt-out” of the fee for proper mitigation on their property. Specifically the insurance portion of the discussion was focused on limiting subsidization by homeowners not in the WUI for the increased cost of those in the WUI. One of the cautionary notes discussed by the task force is a substantial assessment to homeowners insurance in the WUI could actually create a disincentive to purchase insurance.
  - Fee-based programs are not untested. It is currently under discussion in California. California will be discussed in greater detail during the June meeting and it is critical the task force closely examine the California experience to gather information about potential pros and cons of such an approach.
- Creating WUI Identification and Mitigation Programs
  - Again this was discussed in some detail during the May meeting. Most notable is that many insurers already have mitigation inspection programs and work closely with forest officials in implementing those programs. It is critical to the health of the insurance marketplace to allow for companies to maintain their individual inspection programs and underwriting guidelines.
  - Another taskforce recommendation is to provide discounts to homeowner who have completed necessary mitigation as insurance often provides the financial incentive for mitigation. However, from an insurance perspective it is counterintuitive to provide a discount in a high risk area where mitigation is often necessary to simply be able to maintain insurance coverage. Mandating discounts could cause rates that are inadequate and do not accurately reflect the risk. Mitigation measures such as creating defensible space must also be done on an ongoing basis, so tying an insurance discount to these types of temporary actions is not feasible and

## Insurance Market Place

would not incentivize property owners to continue to maintain mitigation. The reality in today's insurance marketplace mitigation is necessary in order to be able to obtain and maintain appropriate insurance coverage. Discounts, although well intentioned, could send the wrong message to consumers.

- Creation of a WUI-specific Insurance Product
  - This issue was the focus of some robust discussion during the May meeting and will likely be a centerpiece of future discussions. Parallels were drawn between the National Flood Insurance Program and a WUI-specific product. However, unlike flood, fire (including wildfire) is currently covered as part of a standard homeowners insurance policy. A critical element of this discussion going forward is understanding HB 1225 which is aimed at addressing the concerns raised by homeowners affected by recent wildfires in Colorado.
  - Colorado has a healthy insurance market, especially when compared to other catastrophe prone states. As a result there are several private insurers that offer unique products intended to provide more individualized coverage including to those living in the WUI. For example, there are companies whose homeowners insurance policies provide private firefighters who focus on protecting their home in the case of a wildfire.
  - The National Flood Insurance Program model would be extremely challenging to replicate for broader homeowners insurance coverage or fire specific perils. Even though it provides coverage for flood, the protection is still highly limited--high deductibles, limited coverage amounts, separate policies for contents and structure, no real basement coverage. There is also the problem that the only property owners who would likely purchase a WUI-based insurance product are people living in high risk areas, so the fund would not be able to adequately spread the risk to make it affordable or likely maintain adequate funds to pay out catastrophic claims. The majority of homeowners still don't buy flood coverage (even though it is our most common natural disaster) unless it is required by a mortgage, and then often buy the lowest amount because it is expensive if you are in a risky area.

## **Recommendation Questions:**

For each recommendation that you are considering, please answer the following questions. We largely addressed the first question in our discussion of which recommendation to retain on the list in the previous meeting (June 17). However, if the work group reaches a different conclusion, please note that in response to the threshold question.

### **Threshold Question:**

Should this recommendation be kept on the list? Y/N?

### **Four Policy Questions**

1. Details of how this recommendation should be implemented.
2. Is funding required? If so, what is the proposed funding source?
3. Does this recommendation require a change to existing law?
4. Does this recommendation require a change to existing regulations?