



SUBSTANTIAL IMPROVEMENTS AND DAMAGES



DID YOU KNOW?

For pre-FIRM structures:



- After an event or disaster, it is the community's responsibility to assess residential damage before residents can begin repairs.
- This includes any type of event, not just a flood event.
 - Tornado, fire, hurricane...
- If damage meets or exceeds 50% of the market value, the home must be elevated to the current Base Flood Elevation (BFE).



SUBSTANTIAL DAMAGE


- Substantial Damage
 - *Damage of any origin sustained by a building when the cost of restoring the building to its pre-damaged condition would equal or exceed 50% of the market value of the building before the damage occurred.*





  **DID YOU KNOW?**

For pre-FIRM structures:



- If a homeowner plans to improve their home 50% or more of the market value, they are required to elevate the home to the current BFE.



  **SUBSTANTIAL IMPROVEMENTS**

- Substantial Improvement
 - *Any rehabilitation, addition, or other improvement of a building when the cost of the improvement equals or exceeds 50% of the market value of the building before start of construction of the improvement.*



Substantially damaged structures are automatically considered substantially improved regardless of the actual work performed.


  **LOCATION IN REGULATIONS**


- Language used throughout the Flood Damage Prevention Court Order (44 CFR 60.3)
 - *New construction or substantial improvement*
 - Ex: Permit Procedures


Article 4, Section C(1)(a):


Elevation of the lowest floor (including basement) of all new and substantially improved structures



	<h2 style="text-align: center;">WHO MAKES THE DETERMINATION?</h2>
	<ul style="list-style-type: none"> ● The Floodplain Administrator or permit official is ultimately responsible. <ul style="list-style-type: none"> ○ Assures that the market value is reasonable ○ Assures cost estimates are reasonable ○ Can require the permit applicant to provide appraisals and construction cost estimates 


	<h2 style="text-align: center;">SUBSTANTIAL DAMAGE/IMPROVEMENTS</h2>
	<ul style="list-style-type: none"> ● Exemptions <ul style="list-style-type: none"> ○ Improvement of a building to correct existing violations of State or local health, sanitary, or safety code specifications identified as the minimum specifications necessary to assure safe living conditions. ○ Alterations to historic buildings as defined by the NFIP.



	<h2 style="text-align: center;">INTENTION</h2>
	<ul style="list-style-type: none"> ● Compromise between two extremes: <ol style="list-style-type: none"> 1. Prohibition of all investment to a structure in a flood hazard area which does not meet minimum FEMA requirements. 2. Allowing structures to be improved in any fashion without regard to the flood hazard present.


	<h3>COMPLIANCE OF A SUBSTANTIALLY IMPROVED STRUCTURE</h3>
	<ul style="list-style-type: none"> ● Must meet FEMA and local ordinance requirements for new construction. ● Must be elevated to at least the BFE (or above if community requires) OR floodproofed for non-residential structures.


	<h3>NON-COMPLIANCE OF A SUBSTANTIALLY IMPROVED STRUCTURE</h3>
	<ul style="list-style-type: none"> ● The structure becomes post-FIRM (even if it was pre-FIRM). ● Insurance is actuarially rated and could be thousands of dollars.


	<h3>TYPES OF SUBSTANTIAL IMPROVEMENT STRUCTURES</h3>
	<ul style="list-style-type: none"> ● Rehabilitations that do not affect the outside dimensions of the structure ● Additions that increase the square footage of a structure ● Reconstruction of a damaged, demolished or razed, or new structure on the old slab


	DETERMINING DAMAGE AND COST



	BASIS FOR DETERMINING SUBSTANTIAL DAMAGE
 <p>“Cost of Repair” includes ALL costs necessary to fully repair the structure, including labor.</p>	



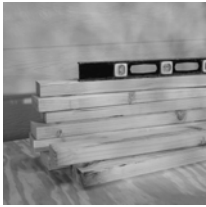
	MARKET VALUE
	<ul style="list-style-type: none"> ● Pertains to the structure only: <ul style="list-style-type: none"> ○ Does not include land, contents, landscaping, and detached structures. ● Acceptable appraisers <ul style="list-style-type: none"> ○ Professional real estate appraiser ○ Tax appraiser (for Screening Tool) ○ NFIP Adjuster (for Screening Tool) ○ Local permit officer ○ Actual cash value



	<h2 style="text-align: center;">TAX APPRAISAL AS A SCREENING TOOL</h2>
	<ul style="list-style-type: none"> ● How old is the appraisal? ● Are land values listed separately? ● Are there statutory levels that would limit the value to a lesser percentage of the actual, fair market value? ● May have to suffice in post disaster situation when no other data is available and the number of permit applications is overwhelming



	<h2 style="text-align: center;">REPLACEMENT COST VS. MARKET COST</h2>
	<ul style="list-style-type: none"> ● Replacement cost is the cost of constructing the structure at today's building costs. ● Market costs include the depreciated value of the structure. ● Replacement costs can be used, but it should be adjusted downward to account for the age of the structure being replaced.



	<h2 style="text-align: center;">ORGANIZATIONS THAT CAN ASSIST IN DETERMINING "REASONABLENESS"</h2>
	<ul style="list-style-type: none"> ● Building Officials Code Administrators International (BOCA) ● International Code Council (ICC) ● International Conference of Building Officials (ICBO) ● National Association of Home Builders ● Consumer Reports Books ● American Society of Appraisers (ASA) ● Marshall & Swift, Inc.




 	<h2 style="text-align: center;">ADDITIONAL IMPROVEMENTS</h2>
	<ul style="list-style-type: none"> ● If, after a flood, a homeowner decides to make additional improvements beyond repairing the damage, these improvements are included in the basis for determining substantial improvement.
	<p>For example, a \$100,000 house receives \$30,000 in damage. It is not substantially damaged. The owner decides to add \$25,000 in non-flood related improvements. The total improvement is now \$55,000. The house is now considered to be a substantial improvement.</p>

 	<h2 style="text-align: center;">VALUE OF DONATED OR DISCOUNTED LABOR AND MATERIALS</h2>
	<ul style="list-style-type: none"> ● The fair market value of materials and labor must be used in the determination of substantial improvement.
	

 	<h2 style="text-align: center;">ITEMS NOT TO INCLUDE IN THE VALUATION OF REPAIRS OR IMPROVEMENTS</h2>
	<ul style="list-style-type: none"> ● Plans ● Specifications ● Permit Fees ● Surveys ● Appraisals

 	<h2 style="text-align: center;">INCREASED COST OF COMPLIANCE</h2>
	<p>If damage occurs due to a flood:</p> <ul style="list-style-type: none"> ● A building is eligible for ICC if it is in a floodplain and the community Floodplain Administrator determines that the building has been damaged by flood whereby the cost of restoring the building would equal or exceed 50% of the market value before the damage occurred.

 	<h2 style="text-align: center;">INCREASED COST OF COMPLIANCE</h2>
	<ul style="list-style-type: none"> ● For NFIP policyholders only. ● Up to \$30,000 available to help pay the costs to bring the structure into compliance. ● Filed separately from the flood damage claim. ● Activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities). ● Work must be complete within 2 years.

 	<h2 style="text-align: center;">HOW DO MATERIALS BEHAVE AFTER A FLOOD?</h2>
 <p><i>Consider not only the immediate, obvious damage but the future, as well, in the assessment.</i></p>	<ul style="list-style-type: none"> □ Flooring and laminate adhesives may not show immediate degradation. □ Wood may continue to warp, split, and discolor. □ Flooring may be scratched by debris as other materials removed. □ Insulation may mold.



DAMAGE DIRECTLY RELATED TO FLOOD DEPTH






SHEET ROCK REPAIRED IN 4-FOOT VERTICAL SECTIONS






EVIDENCE OF DAMAGES ON THE STREET






POST DISASTER PERMITS

- Permits are still required and will need to be processed in a short period of time.
- Acceptable damage estimators:
 - Licensed contractors
 - NFIP Claims Adjuster (Structure only)
 - Local building department
 - Building Code Valuation Tables
 - Field damage surveyors acting with the permit official




COMMUNITY DEFINITIONS OF SUBSTANTIAL IMPROVEMENTS



- Some communities have defined substantial improvement to be cumulative over the life of the structure.
- Other communities have lowered the threshold for determining substantial improvement.



RESIDENTIAL SUBSTANTIAL DAMAGE ESTIMATOR (RSDE)





RSDE 2.0
Residential Substantial
Damage Estimator

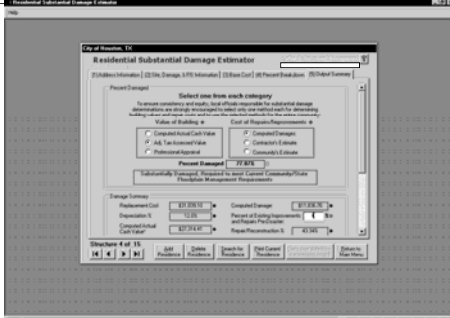




RSDE OVERVIEW

- Provides a consolidated application to estimate substantial damage of residential buildings.
- Assists state and local officials in using FEMA-accepted approaches to estimate the value of a building and determine costs to repair/reconstruct a building.
- Designed to accommodate single-family residences and manufactured homes.






OUTPUT SUMMARY











ENSURING COMPLIANCE

 	<p>Dear Property Owner:</p> <p>___Insert Community Name___ participates in the National Flood Insurance Program (NFIP). All communities that participate in the NFIP have adopted locally enforced flood damage reduction regulations. These regulations contain standards for new, substantially damaged and/or substantially improved structures in identified Special Flood Hazard Areas (100-year floodplains). In accordance with these regulations, ___Insert Community Name___ conducted substantial damage determinations for all structures built in the Special Flood Hazard Area prior to ___Insert Community Name___ Initial Flood Insurance Rate Map. Based on this inspection, your property has been substantially damaged.</p> <p>A substantially damaged structure is one that has damage that equals or exceeds 50 percent of the market value of the structure. To maintain our community's participation status in the NFIP, and ensure that your future flood risk is reduced, your structure must be brought into compliance with local flood damage reduction regulations. Please contact ___Insert Name of Local Floodplain Administrator___ to discuss options for bringing the structure into compliance and to obtain a local flood hazard area permit for this work. If you choose to contest this determination, please provide a contractor's estimate of all repairs and improvements, and/or a recent appraisal of the market value of your structure.</p> <p>There are several funding sources available to help pay for the cost of bringing your structure into compliance. If you have a flood insurance policy, your structure may be eligible for Increased Cost of Compliance (ICC) funds. ICC provides up to \$30,000 to relocate, elevate, demolish or dry floodproof structures that must comply with local flood damage reduction regulations. If the event that damaged your structure results in a Presidential disaster declaration, Hazard Mitigation Grant Program (HMGP) funds become available to mitigate flood-prone structures. Please contact this office for additional details on possible funding sources including: Flood Mitigation Assistance (FMA), Pre-Disaster Mitigation (PDM), Repetitive Flood Claims (RFC) and the Severe Repetitive Loss Pilot Program.</p> <p>Failure to bring this structure into compliance is a violation of local flood damage reduction regulations. Section ___Insert Violation and Penalties Section # of local floodplain regulations___ contains possible ramifications for failure to comply. Failure to comply will also result in much higher flood insurance premiums for you and/or future owners of the property.</p> <p>Please contact ___Insert Name of Local Floodplain Administrator___ at ___Insert Phone Number___ to discuss this matter further. Thank you for your cooperation during this difficult recovery period.</p> <p>Sincerely,</p> <p>Name of Local Floodplain Administrator, Title</p>
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SAMPLE
LETTER



 	<h2>SECTION 1316</h2>
	<ul style="list-style-type: none"> ● Provides for the denial of flood insurance coverage for any property which the local authority declares to be in violation of local floodplain management regulations. ● In the case of a declared 1316: <ul style="list-style-type: none"> ○ The property may be difficult or impossible to sell. ○ The market value of the property may fall. ○ The cost of suffering flood damage without insurance may be too great a risk for the property owner.

 	<h2>SECTION 1316</h2>
	<ul style="list-style-type: none"> ○ Lending institutions holding the property's mortgage may threaten to foreclose. ○ Any permanent reconstruction will be denied disaster assistance. ● Intended for use primarily as a backup for local enforcement actions.



44 CFR 73.3

- Community must:
 - Clearly declare that the property is in violation of a cited law, regulation or ordinance.
 - State that the public body making the declaration has authority to do so and a citation to that authority.
 - Provide evidence that the property owner has been provided notice of the violation and the prospective denial of insurance.

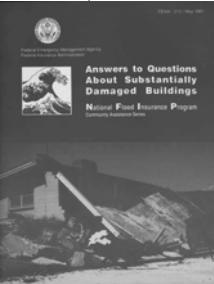



POINTS TO REMEMBER

- A homeowner:
 - cannot begin repair to the home until the community has assessed the damage.
 - must bring home to current code if remodel meets or exceeds 50% of market value.
- The community is responsible for making the 50% determination.
- If proper elevation is not required, the homeowner's insurance will sky-rocket, and the community will be out of compliance with the NFIP.

FOR MORE INFORMATION



- FEMA Publication 213 – *Answers to Questions About Substantially Damaged Buildings*
