Unit 7: Substantial Improvement/
Substantial Damage
Objectives

At the end of this unit, you should be able to:

- Define substantial improvement and substantial damage.
- Identify NFIP requirements related to substantial improvement and substantial damage.
Flood Damages the Joneses’ Home

- Following several days of torrential rain, Ireland Creek flooded.
- Flooding in the Jones home was 6 feet, and the home is now uninhabitable.
- Local residents recall a storm 70 years earlier that resulted in similar flood levels.
- The Floodplain Manager now believes the estimated BFE was too low.
Substantial Improvement vs. Substantial Damage

- Substantial improvement: Cost to rebuild/improve a structure in the floodplain, whether damaged or not = More than 50% of market value prior to work start.
- Substantial damage: Cost of post-damage repair = More than 50% of pre-damage market value.
Substantial Improvement/Damage Conditions

A substantially improved or substantially damaged structure must be:

- In the floodplain.
- Noncompliant with current floodplain standards.
- Formally declared substantially improved or damaged by community authority.
NFIP Program Keystone

Apply local floodplain ordinance for new construction to:

- Substantial improvements to undamaged structures.
- Repair/reconstruction of substantially damaged structures.
Community Responsibility

Community:

- Only entity that can make a substantial improvement/substantial damage determination.
- Must assure:
  -Accuracy of improvement cost and actual repair/damage value.
  -Consistent market value estimates.
Included in Substantial Improvement

- Reconstruction
- Rehabilitation
- Addition
- Other Improvements

Substantial improvement of any structure in the floodplain, whether damaged or not, is considered new construction under the local floodplain ordinance.
Not Included in Substantial Improvement

- Improvement to correct existing violations of State or local codes that are the minimum necessary for safe living conditions, including:
  - Health codes
  - Sanitary codes
  - Safety codes
- Alteration of a “historic structure”
Excludable Items

- Existing violations of State/local health, safety, and sanitary codes (as cited previously)
- Specifications
- Surveys
- Building permits
- Plans
Excludable Items

- Septic systems
- Wells/water supplies
- Landscaping
- Other items separate from or incidental to the improvement
Estimating “Improvement Cost” or “Damage Value”

- Itemized estimates from licensed contractors or professional estimators
- Damage estimates from NFIP claims data
- “Qualified estimates” by local officials who know local costs
- Marshall & Swift (national construction industry guide)
- Standard Building Code
Estimating “Improvement Cost” or “Damage Value” (Continued)

- RS-Means construction cost data
- Building inspection departments
- Emergency management agencies
- Tax assessments
- Damage assessment field surveys
- Other State or local agencies
Methods To Determine “Market Value”

- Independent appraisals by a professional appraiser
- Uniform Residential Appraisal Report: Depreciates value by age/construction quality
- Detailed estimates of the structure’s Actual Cash Value
- Value of structure from NFIP claims data
- Qualified estimates from tax assessor’s or building department staff
Replacement Cost vs. Market Value

- Replacement cost does not equal market (actual cash) value.
- Replacement cost may be used to estimate market value only if depreciated.
Need for Accuracy

- Ratios between 40% and 49% merit a second look.
- The community should require precise determination methods for close calls.
Many property owners planning extensive improvements must obtain a certified appraisal for a construction loan.

Consider asking applicants to obtain the appraisal “up front” so you can make a substantial improvement evaluation well in advance.

Review all appraisals for “reasonableness.” An independent appraisal may be necessary.
Recommendations

- Adopt a conservative method for determining market value.
- Apply the method consistently.
- If the applicant objects to the estimate, allow the option to provide a certified appraisal.
- Develop an appeals process for disagreements on appraisals.
Substantially Damaged Structure

- **Repair/rebuilding:**
  - Automatically becomes a substantial improvement.
  - Must meet current design requirements of the local ordinance.
  - Must meet other applicable requirements.

- **Structures in the SFHA damaged by fire, tornado, or any other cause are subject to substantial damage ordinance provisions.**
Flooding Events

- Presidentially declared flooding disasters
  - Local government/State declare state of emergency.
  - Governor requests Federal assistance.
  - President declares designated counties for specific categories of disaster assistance.
  - Individuals, local governments, and other eligible applicants apply to FEMA for assistance.

- Nondeclared flooding events:
  Often cause substantial damage to structures.
Post-Disaster Role of the Floodplain Manager

- Coordinate with the Emergency Services Director.
- Develop a substantial damage assessment plan.
- Coordinate with the State NFIP Coordinator and State Hazard Mitigation Officer.
- Develop a plan to provide ongoing information about the status of substantial damage.
- Note flood levels, and document high water marks.
After a Flood or Other Disaster

- Act quickly before rebuilding begins.
- You usually can target potential substantial damage: Pre-disaster planning will help focus your efforts.
- If needed, get help performing substantial damage surveys.
- Ask FEMA to provide a crash course on substantial damage.
FEMA Publications

- Repairing Your Flooded Home, FEMA 234
- After a Flood: The First Steps (Brochure, L-198)
- Guidance on Estimating Substantial Damage: Using the NFIP Residential Substantial Damage Estimator, FEMA 311
- For other publications: http://www.fema.gov/library/prepandprev.shtm#mit
Mitigation Grant Programs

Before a disaster:
- Pre-Disaster Mitigation-Competitive (PDM-C)
- Flood Mitigation Assistance (FMA)

Following a declared disaster:
- Hazard Mitigation Grant Program (HMGP)
Funding Recovery After a Disaster

- HMGP
- FMA
- Increased Cost of Compliance (ICC) coverage
- Small Business Administration (SBA) loans
- Community Development Block Grant (CDBG)
PDM-C Grants

- Nationally competitive program with awards based on ranking factors and evaluation criteria.
- Grants for plans or projects.
- For natural hazards, but multi-hazard plans may include non-natural events such as terrorism.
- FEMA-approved local mitigation plans are required for project grant funding.
PDM-C Grants

- Funding by fiscal year.
- Awarded without reference to State allocations or quotas.
- Local governments: Apply through their States.
FMA Grants

- Targeted to reduce the number of repetitively flood-damaged structures.
- Funded through the National Flood Insurance Program (NFIP).
- Include grants for planning, projects, and technical assistance.
- Approved plans required as a condition of project grant funding.
- $20 million annual appropriations.
HMGP Grants

- Available after Presidentially declared disasters.
- HMGP funding: Based on a percentage of total disaster costs, currently 7.5%.
- Require FEMA-approved mitigation plans.
- 7% of available funding can be used for planning activities.
Types of Grants

- Planning grants for the development of “local-level” multi-hazard mitigation plans (PDM-C and HMGP)
- FMA Flood Mitigation Plans
- Project grants for activities such as:
  - Acquisition/elevation
  - Hurricane shutters
  - Safe room construction
  - Seismic retrofit
Residential Substantial Damage Estimator
The Joneses Face Substantial Damage Requirements

- The Floodplain Manager:
  - Obtains technical assistance from the Corps of Engineers.
  - Requires the Joneses to elevate an additional 4 feet.
- The Joneses now understand the site’s risk, but do not know how to pay for elevation.