

Unit 7: Substantial Improvement/ Substantial Damage



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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.**



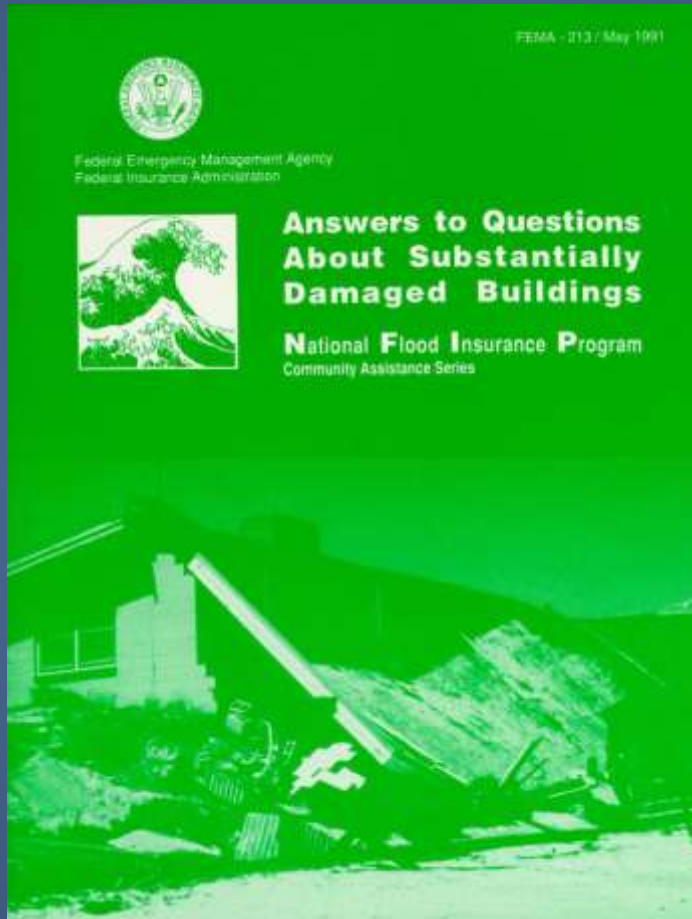
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Flood Damages the Joneses' Home

- 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.



FEMA Publication



**Answers to Questions
About Substantially
Damaged Buildings**

FEMA 213

May 1991



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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.



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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.**



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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



Item	Value 1	Value 2	Change
Bond	€1.424	1.936	-0.001
Bond	\$1.627	1.532	
Bond	\$1.996	1.75	
Bond	€2.189	2.146	+0.002
Bond	\$2.445	2.354	-0.003
Equity	\$1.736	2.63	-0.002
Equity	\$3.184	1.867	-0.011
Equity	\$3.328	3.424	+0.018
Equity	€3.054	3.579	-0.018
Equity	\$1.441	3.284	-0.055
Portfolio	\$1.786	1.55	-0.006
Acc.	€0.917	1.921	-0.007
(an)	\$1.364	0.987	-0.001
ies	\$0.842	1.467	-0.001
	\$2.141	0.906	-0.001
	€0.871	2.303	+0.001
	\$1.100	0.003	+0.001



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.



Note per Appraisals

- 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.



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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.



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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)**



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Funding Recovery After a Disaster

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



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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.



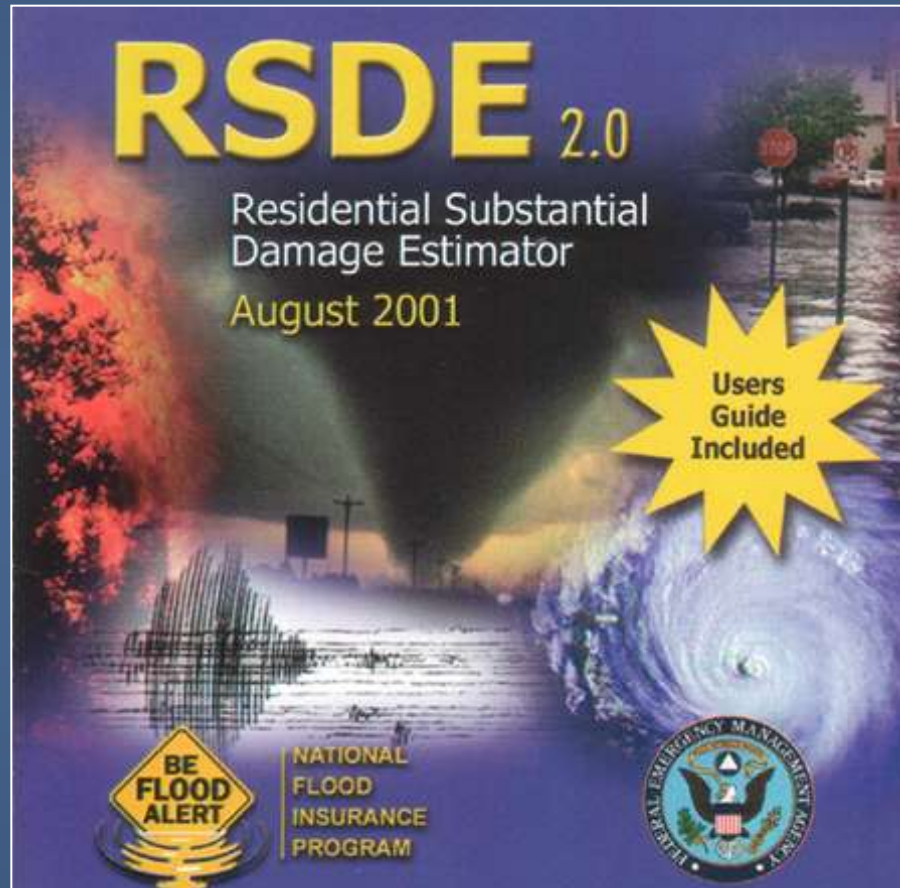
Types of Grants

- 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



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Residential Substantial Damage Estimator



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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.

