



FEMA

June 12, 2009

Dear Floodplain Administrator:

As a participating community in the National Flood Insurance Program (NFIP), the provisions of your local floodplain management ordinance are very important, especially during a **period of disaster recovery**. The enforcement of the substantial improvement/damage requirements contained in the NFIP regulations frequently becomes a major concern when serious damages result from a flood. In particular, many community officials and property owners have questions about the issuance of floodplain permits for the repair of damaged structures.

As you know, participation in the NFIP is contingent upon the local adoption and enforcement of adequate floodplain management regulations that meet or exceed the NFIP minimum criteria. The local floodplain management ordinance and the NFIP regulations are intended to prevent the unwise development or redevelopment of structures within the floodplain. The requirements found in local floodplain management regulations are designed to mitigate future losses of life and property during times of flooding. Failure to enforce these measures will jeopardize the community's continued participation in the NFIP and will affect future Federal assistance.

In our continued outreach effort, Region VI, with the assistance of your State NFIP Coordinator, has created three new fact sheets on Substantial Improvements/Substantial Damage, along with a list of additional resources. This package contains a copy of the fact sheets, a resources list, a review flowchart, a flood insurance brochure, and a Flood Fact Sheet for your State.

The Local Elected Officials Mitigation Fact Sheet was created to assist you, as the floodplain administrator, in getting support from your administration with this important and often challenging issue. The Residents and Business Owners Mitigation Fact Sheet is designed to assist with citizen outreach on the need to be informed about the specific standards that apply to their structures located within the floodplain. We encourage you to share the enclosed fact sheets with your chief local elected officials and your citizens. You may use the enclosed fact sheet as it is, with colored paper or in a format of your choice.

Floodplain Administrator

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I hope this information is useful in explaining the substantial improvement/damage requirements of the NFIP to the leadership and residents of your community. If you have any questions regarding this information, contact your NFIP State Coordinator or FEMA Region VI Mitigation Division.

Copies of the enclosures are available online on the following State NFIP Coordinator's websites.

www.floodplain.ar.gov

<http://floods.dotd.la.gov>

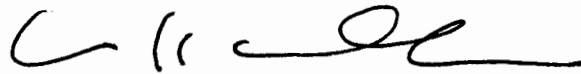
www.owrb.ok.gov

<http://www.nmdhsem.org>

<http://www.twdb.state.tx.us/wrpi/flood/flood.htm>

If you unable to reach these documents online and you would like to have an electronic version of the enclosures, please contact Tamara Hansen at (940) 383-7322, Tamara.Hansen@dhs.gov.

Sincerely,



Ross Richardson, Chief
Floodplain Management and
Insurance Branch

Enclosures

cc: NFIP State Coordinators
State Floodplain Managers Associations
FEMA Region VI Specialists



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Substantial Improvement/Substantial Damage for Floodplain Administrators Mitigation Fact Sheet

Substantial Improvement/Substantial Damage are **everyday issues**, not just post-disaster; and they **apply to all buildings in the floodplain**. In order to participate in the NFIP, local communities must adopt and enforce adequate floodplain management regulations that meet or exceed the agency's minimum criteria. In return for the adoption and enforcement of these regulations, FEMA makes flood insurance available throughout the community.

These regulations require that damaged structures and alteration/repair permit applications be reviewed to determine if the threshold for substantial improvements/damage has been reached. The determination process includes a review of:

1. The cost to repair a damaged building to its pre-damaged condition, and
2. The cost of all proposed additions/improvements.

If the structure is deemed to be substantially improved/damaged, it must be protected using the current local floodplain management regulations.

Substantial improvement means any reconstruction, rehabilitation, addition, or other improvement of a structure, the cost of which equals or exceeds 50 percent of the market value of the structure before the "start of construction" of the improvement. This term includes structures which have incurred "*substantial damage*", regardless of the actual repair work performed. The term does not, however, include either:

- (1) Any project for improvement of a structure to correct existing violations of state or local health, sanitary, or safety code specifications which have been identified by the local code enforcement official and which are the minimum necessary to assure safe living conditions or
- (2) Any alteration of a "historic structure" provided that the alteration will not preclude the structure's continued designation as a "historic structure".

Compliance with the National Flood Insurance Program's (NFIP) substantial improvement/damage rule is important because enforcing this rule can help communities mitigate future losses of life and property during times of flooding. Failure to enforce these measures can jeopardize the community's continued participation in the NFIP and ability to qualify for federal assistance following a disaster.

Local floodplain management regulations and NFIP regulations are intended to prevent development or redevelopment within the floodplain without adequate mitigation measures. The ordinances and regulations require the following:

- Substantial damage exists when the cost of restoring a structure to its pre-damaged condition equals or exceeds 50 percent of the structure's pre-damage market value, regardless of the cause of the damage.
- Development permits must be obtained for all proposed construction or other development, including post-disaster repairs, within the identified flood hazard areas of the community. Development is defined as any man-made change to improved or unimproved real estate, including but not limited to buildings or other structures, mining, dredging, filling, grading, paving, excavation or drilling operations, or storage of equipment or materials.
- All new construction, substantial improvements, or restoration of substantially damaged residential structures shall have the lowest floor (including basement) elevated to or above the identified base flood elevation (BFE), which is developed using scientific data and engineering studies. It is the level water would be expected to reach in a flood that has a 1 percent chance of occurring in any year, also called the 1-percent-chance flood.
- All new construction and/or substantial improvement of *non-residential* structures shall either have the lowest floor (including basement) elevated to or above the identified BFE or be designed so that the area below the BFE is watertight with walls that are impermeable to water and are capable of withstanding hydrostatic and hydrodynamic pressures.
- Encroachments including fill, new construction, substantial improvements, substantial restoration or other developments are prohibited within an adopted regulatory floodway if it is determined that the encroachment would result in any increase in flood levels within the community during the occurrence of the 1 percent or 100-year flood.

Floodplain management regulations are designed to mitigate future losses of life and property.

Additional Information:

For more information, visit FloodSmart.gov and FEMA.gov or contact the FEMA Region VI, Floodplain Management & Insurance Branch at 940-898-5127.

For general flood insurance questions, call 1-800-427-4661 or contact your insurance company or insurance agent.

To protect property with a flood insurance policy, call your insurance agent or call 1-800-427-2419 to find an agent near you.

Training inquiries should be directed to FEMA Region VI, Mitigation Division, Floodplain Management & Insurance Branch at (940) 898-5127.



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Substantial Improvement/Substantial Damage for Local Elected Officials Mitigation Fact Sheet

One of the types of development local elected officials promised to regulate when their community enters the National Flood Insurance Program (NFIP) is improvement and/or repairs to substantially improved/damaged buildings.

This fact sheet provides you, as a local elected official, with quick reference information on the topic. For an in-depth discussion, please refer to the FEMA document entitled *Answers to Questions about Substantially Damaged Buildings (FEMA 213)*.

WHY

When a building will be substantially improved or has been substantially damaged, the owner will be reconstructing a significant portion of the structure and may be expending large sums of money. This is the time to improve the building to protect it from flood damage. By ensuring these damaged structures are rebuilt in a manner that reduces their risk to flooding, you are helping to protect your citizens from future flood damages. In addition, a substantially improved structure may experience a change in its flood insurance policy rating. By requiring the building to be elevated or flood proofed, you reduce the cost of flood insurance for the property owner.

WHEN

Improvements are proposed – Whenever additions, alterations, and or repairs are proposed for a building, you must determine whether the cost exceeds the substantial improvements threshold. This is determined by comparing the cost of the improvements to the current market value of the building before the improvements occur. If the cost of improvements equals or exceeds 50% of the market value, then the structure is considered substantially improved.

Damage Occurs - Whenever a building is damaged, whatever the cause, you must determine whether the cost of restoring the structure to its pre-damage condition exceeds the substantial damage threshold. This is determined by comparing the cost of restoring the structure to its pre-damage condition to the market value of the building before the damage occurred. If the cost of restoration equals or exceeds 50% of the pre-disaster market value, then the structure is considered substantially damaged.

WHERE

Any **damaged** building located in a Special Flood Hazard Area (SFHA), as mapped on your community's Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM), must be evaluated to determine whether it is substantially damaged. Proposed **improvements** to any building located in the SFHA must be evaluated to determine if the structure will be substantially improved

WHO

It is the responsibility of the community's permit official to assure that all applicable cost and value information is accurate. However, you may require the permit applicant or owner to provide you with the necessary information to make the determination

HOW

To complete the process, you must know how to determine whether a structure is substantially improved or damaged, and how to treat the structure once you determine that it is substantially improved or damaged. *Specific guidance for determining substantial damage and substantial improvement is found in FEMA's Answers to Questions About Substantial Damaged Buildings (FEMA 213).*

ICC

Increased Cost of Compliance (ICC) is a possible funding source for bringing the substantially damaged building into compliance with your community's regulations and making the "substantially damaged" structure less vulnerable to flooding. For structures in the regulatory floodplain with standard policies through the National Flood Insurance Program, up to \$30,000 in coverage may be available over and above the claims payment for damages caused by flooding. The funds can be used for elevation, relocation, or demolition. For non-residential structures ICC funds can also be used for flood proofing.

In some cases, owners may have the opportunity to assign their ICC payments to their community for inclusion in community-sponsored mitigation programs, primarily funded by state and federal agencies.

ADDITIONAL INFORMATION

Answers to general flood insurance questions are available from local floodplain administrators, the National Flood Insurance Program (1-800-427-4661), and insurance companies and agents.

Information and technical assistance is also available at www.fema.gov and www.floodsmart.gov. Or you can contact FEMA Region VI, Mitigation Division, Floodplain Management & Insurance Branch at (940) 898-5127.

Insurance agents can provide information about purchasing policies. Referrals to agents who sell policies are available at 1-800-427-2419.



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Substantial Improvement/Substantial Damage for Residents and Business Owners Mitigation Fact Sheet

National Flood Insurance Program (NFIP) Regulation Background Information

In order to participate in the National Flood Insurance Program (NFIP), local communities must adopt and enforce local floodplain management regulations that meet or exceed the NFIP's minimum criteria. By participating in the NFIP, property owners throughout the community will be able to purchase flood insurance, and disaster assistance will be available throughout your community.

These regulations require the local community to 1) evaluate damaged structures and 2) review permit applications for additions, alterations, and/or, repairs; in order to determine if the threshold for substantial improvements or substantial damage has been reached.

Frequently asked questions about “substantial improvement” and “substantial damage” issues

What is substantial improvement?

A building is considered to be substantially improved when the cost of reconstruction, rehabilitation, addition, or other improvement of a structure, equals or exceeds 50 percent of the market value of the structure before the “start of construction” of the improvement.

This term includes structures which have incurred “***substantial damage***”, regardless of the actual repair work performed. The term does not, however, include either:

- (1) Any project for improvement of a structure to correct existing violations of state or local health, sanitary, or safety code specifications which have been identified by the local code enforcement official and which are the minimum necessary to assure safe living conditions or
- (2) Any alteration of a “historic structure” provided that the alteration will not preclude the structure's continued designation as a “historic structure.”

What is substantial damage?

A building is considered to be substantially damaged when the total cost of repair equals or exceeds 50 percent of the pre-damage market value of the structure. Land value is excluded from this determination.

My house is been declared substantially improved, what does this mean to me?

In order to improve or repair your house it will have to meet the minimum elevation requirements in your local floodplain management regulations.

Do property owners have to meet certain requirements if they want to rebuild a substantially damaged structure?

The local community's regulations specify rebuilding standards for a substantially damaged structure. When a community participates in the NFIP, it must have and enforce a floodplain management ordinance that helps to protect lives and property from future floods. Reducing future losses helps keep flood insurance premiums down. The ordinance requires owners of damaged structures to obtain a floodplain development permit from their local government before they rebuild.

How do I determine the elevation of my house?

The elevation of your house is documented by a surveyor or other authorized person on an Elevation Certificate (FEMA Form 81-31). Check with your local floodplain administrator to see if there is an elevation certificate on file for your house.

What happens if a residence is determined to be substantially damaged?

Owners must then comply with their community's floodplain management ordinance should they choose to rebuild. In some cases, a building may need to be elevated, retrofitted, or changed to comply with the ordinance and reduce future flood losses.

In some instances owners may voluntarily request to be included in a community-sponsored acquisition program primarily funded by state and federal agencies. However, a request to be included in such a program is not a guarantee that there will, in fact, be a program or that there will be funding to acquire all properties whose owners request acquisitions.

What happens if your community fails to enforce its local floodplain management ordinance?

Failure to enforce these measures can jeopardize the community's continued participation in the NFIP and ability to qualify for federal assistance following a disaster.

Where can I get more information?

- For general flood insurance questions, call 1-800-427-4661, or contact your insurance company or insurance agent.
- For more information, visit FEMA.gov and FloodSmart.gov
- To protect your property with a flood insurance policy, call your insurance agent or call 1-800-427-2419 to find an agent near you.

Additional Resources:

FEMA Publications call 1-800-480-2520

- Answers to Questions About Substantially Damaged Buildings – FEMA 213 (5/91)
- Repairs, Remodeling, Additions, and Retrofitting – Tech Fact Sheet 30 (8/05)



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SUBSTANTIAL IMPROVEMENT/SUBSTANTIAL DAMAGE RESOURCE LIST

FEMA CDs

- RSDE 2.2
- RSDE In Your Community
(See enclosed order form)

FEMA Publications

- Answers to Questions About Substantially Damaged Buildings – FEMA 213 (5/91)
<http://www.fema.gov/library/viewRecord.do?id=1636>
- Repairs, Remodeling, Additions, and Retrofitting – Tech Fact Sheet 30 (8/05)
http://www.fema.gov/rebuild/mat/mat_fema499.shtm
- Summary of Coastal Construction Requirement and Recommendations – Tech Fact Sheet 2 (8/05) http://www.fema.gov/rebuild/mat/mat_fema499.shtm
- NFIP Summary of Coverage (5/91)
<http://www.fema.gov/library/viewRecord.do?id=3011>
- IS-9 Managing Floodplain Development through the National Flood Insurance Program – Unit 8. Substantial Improvement and Substantial Damage
<http://www.floods.org/Certification/is9/unit8.pdf> or
<http://www.fema.gov/library/viewRecord.do?id=2108>

Other Publications

- Louisiana Floodplain Management – Fact Sheet –Special Edition on Substantial Damage (9/08)
- Texas Quick Guide (2008)
http://www.tfma.org/associations/5819/files/2008_Texas_Quick_Guide_.pdf
 - Page 50 – Planning to Improve Your Floodplain Building?
 - Page 51 – What about after damages?
- Arkansas Quick Guide (2005)
 - Page 44 – Planning to Improve Your Floodplain Building?
 - Page 49 – What about after damages?
- Louisiana Floodplain Management Desk Reference
http://www8.dotd.la.gov/lafloods/documents/2008_Desk_Ref.pdf
 - Section 13 – Substantial Improvement Rules

- Section 14 – Substantial Damage Rules
- Oklahoma’s Floodplain Management 101
<http://www.owrb.ok.gov/hazard/fp/guidebook/index.php>
- New Mexico Quick Guide (2005)
<http://www.nmfma.org/> click on “Certification Home”
 - Page 42– Planning to Improve Your Floodplain Building?
 - Page 43 – What about after damages?
- Ohio – NFIP Substantial Damage Determination, A guide for local official (2007)
http://www.dnr.state.oh.us/Water/FloodPlains/S_Damage_06/tabid/3521/Default.aspx
 - Page 11 – Sample News Release, Letters, and Tags
- ASFPM – NAI Toolkit
http://www.floods.org/NoAdverseImpact/NAI_Toolkit_2003.pdf
 - Page 42-43 – Count Improvements Cumulatively
 - Page 85 – Higher Regulatory Standards Matrix

SUBSTANTIAL IMPROVEMENT/SUBSTANTIAL DAMAGE FLOW CHART

