

# NFIP



National Flood Insurance Program  
Administered by FEMA

**Substantial Improvement  
and  
Substantial Damage**

# Definition Of Substantial Improvement...

Any reconstruction, rehabilitation, addition, or other improvements of a structure, the cost of which **equals or exceeds 50%** of the market value of the structure before the “start of construction” of the improvement.

# **...Definition of Substantial Improvement**

This term includes structures which have incurred “substantial damage”, regardless of the actual repair work performed.

# Definition of Substantial Damage...

Damage of **any origin** sustained by a structure whereby the cost of restoring the structure to its before damaged condition...



# ...Definition of Substantial Damage

...would **equal or exceed 50%** of the market value of the structure before the damage occurred.







# Substantial Improvement or Damage Does Not Include...

Any project for improvement of a structure to correct **existing violations** of state or local health, sanitary, or safety codes which have been **pre-identified** by the local code enforcement official and which are the minimum necessary to assure safe living conditions or...





# ...Substantial Improvement or Damage Does Not Include



Any alteration of an “historic structure”, provided that the alteration will not preclude the structure’s continued designation as a “historic structure.”

# Requirements for Substantial Improvement...

Substantially improved structures are considered **NEW CONSTRUCTION** and must meet all of the minimum building standards of the NFIP.

# **...Requirements for Substantial Improvement**

Must elevate (or floodproof) and meet other applicable program requirements!

Note: Only non-residential structures may be dry-floodproofed in lieu of elevation.

# **If the Structure is Substantially Damaged**

- It automatically becomes a substantial improvement & must be elevated (or “dry” floodproofed) to or above the BFE
- It must meet other applicable program requirements

# Other Program Requirements

- Foundation Openings
- Flood Resistant Materials Below the BFE
- Utilities Elevated or Protected
- Foundation is Anchored

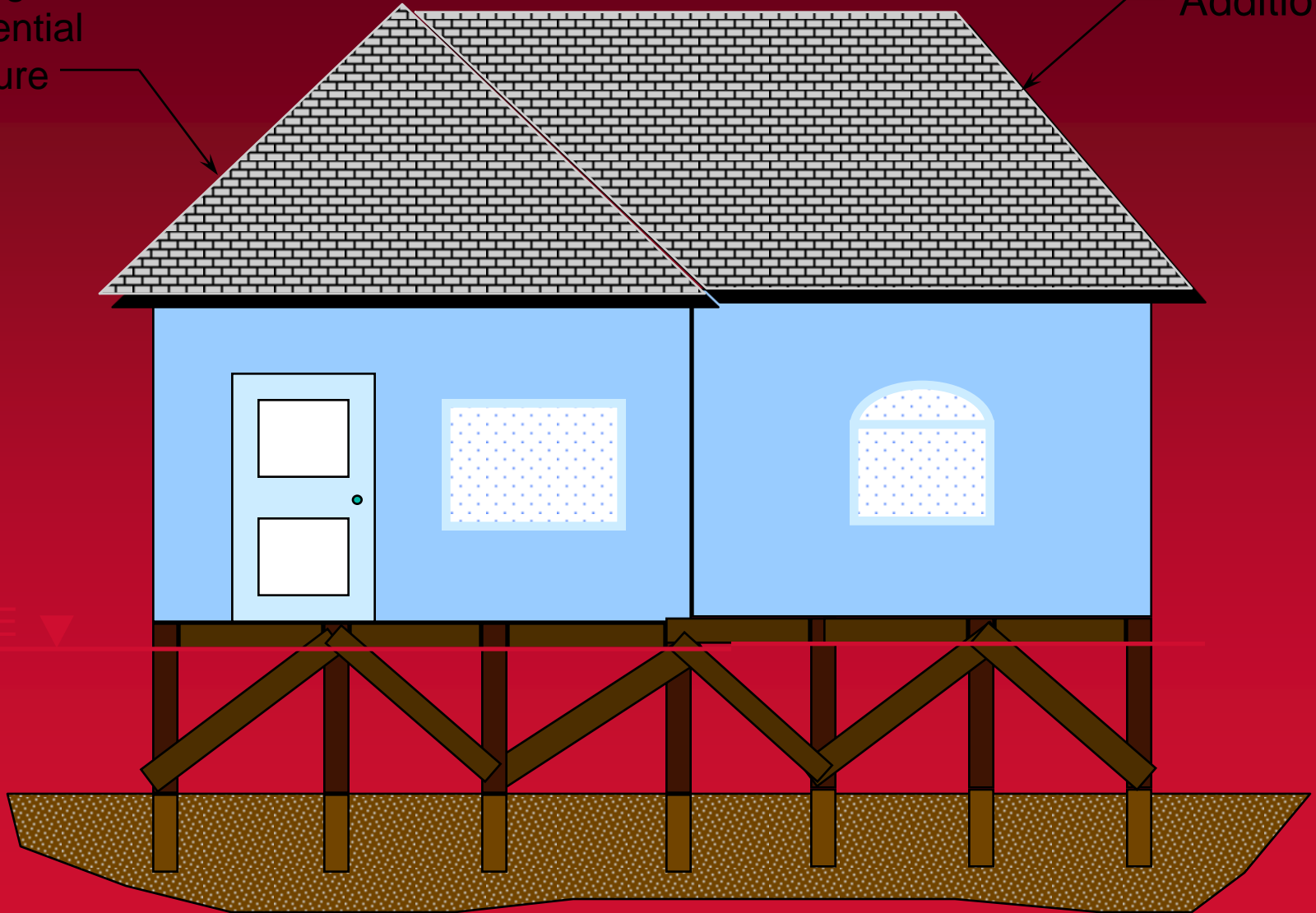
# A Note About Additions to Post-FIRM Structures

Whether substantially improved or not, all lateral additions to Post-FIRM structures located in the SFHA **MUST BE ELEVATED OR FLOODPROOFED TO OR ABOVE THE BASE FLOOD ELEVATION!**

# Lateral Addition to Post-FIRM Residential Structure

Existing Post-FIRM Residential Structure

Addition





# COMMUNITY RESPONSIBILITY

MUST ASSURE:



- Accuracy of improvement cost or actual repair/ damage value
- Consistent market value estimates

# Improvement Cost Excludable Items...

- Existing and pre-identified violations of state or local health, sanitary or safety codes
- Specifications
- Surveys
- Building Permits
- Plans

# ...Improvement Cost Excludable Items

- Septic Systems
- Wells/Water Supplies
- Landscaping
- Other items separate from or incidental to the improvement

# Estimation Methods...

“Improvement Cost and/or “Damage Value” can be determined in many ways:

- Itemized estimates from licensed contractors or professional estimators
- Damage estimates from NFIP claims data

# ...Estimation Methods

- Local officials with knowledge of local costs can make “qualified estimates”
- Marshall and Swift
- Standard Building Code Mean Construction Cost Data
- Building Inspection Departments

# ...Estimation Methods

- Emergency Management Agencies
- Tax Assessment
- Damage assessment field surveys
- Other State or Local Agencies

# Determining “Market Value”...

Acceptable Methods for determining “Market Value” include:

- Independent appraisals by a professional appraiser
- Detailed estimates of the structure’s actual Cash-Value



## ... Determining “Market Value”

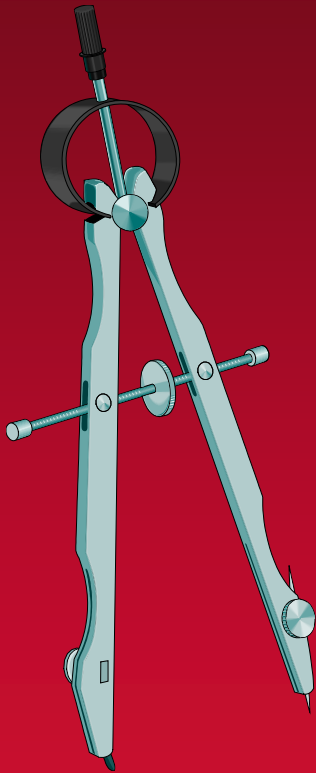
- Adjusted property appraisals used for tax assessment
- Value of structure from NFIP claims data
- Qualified estimates from tax assessor’s or building department’s staff



# Replacement Cost vs. Market Value

- Replacement Cost does not equal Market Value
- Replacement cost may be used to estimate market value only if depreciated

# Precision



As the ratio approaches 50%, greater precision is necessary on the part of the community permit official.

# A Note About Appraisals

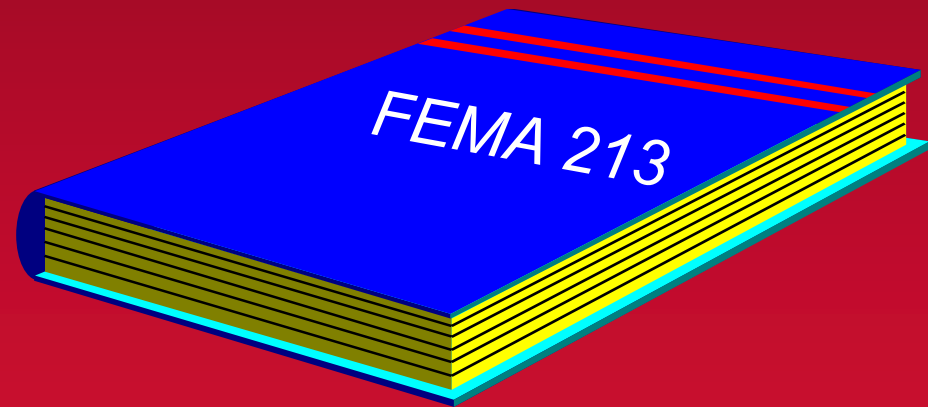
- Many individuals planning extensive improvements are required to obtain a certified appraisal for a construction loan
- Consider asking the applicant to obtain the appraisal “up-front” so you can make your substantial improvement evaluation before issuing the permit

# Recommendations

- Adopt a conservative method for determining market value and **APPLY IT CONSISTENTLY**
- If the applicant objects to your market value estimate, then give them the option of providing a certified appraisal
- Always review appraisals for “reasonableness”

# FEMA Technical Reference

“Answers to Questions About  
Substantially Damaged Buildings”,  
FEMA-213, May 1991



# FEMA Technical Reference

“Guidance on Estimating Substantial  
Damage; Using the NFIP Residential  
Substantial Damage Estimator”,  
FEMA-311, December 1998

