



FEMA

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.