

Substantial Improvement/Damage

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Agenda

- **Definitions**
- **Existing code violations**
- **Evaluation formula for SD/SI**
- **Market value and appraisals**
- **Resources**
- **Questions**





Substantial Damage:

Damage of **any origin** sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.

Structures in the SFHA receiving damage from any origin are subject to compliance with your state and community floodplain regulations.

Substantial improvement

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:



Definition Exemptions

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**

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

Correct existing cited violations

The work must be:

- Limited to that necessary to correct an existing violation. This means that only work that is directly required for correction can be excluded from the costs of the proposed improvement or repair. All other work must be counted in the estimation of costs.
- Required to correct an existing violation. This means the condition considered in violation pre-dates the application for a permit (or the date of a damage event) and, importantly, an official who has the authority to enforce the community's health, safety, and sanitary codes must have prior knowledge of the condition and must have verified that it constitutes a violation.
- Required to correct an existing violation. Violations of a community's health, safety, and sanitary represent threats to public health and safety. Such conditions are considered violations only if they have been identified as violations. The mere presence of a condition that does not conform to current codes does not qualify as a violation.



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Evaluation

$$\frac{\textit{Cost of repairs or improvement}}{\textit{Market value of structure}} \geq 50\%$$



Market Value

-
- **Independent appraisals by a professional appraiser**
 - **Replacement cost only with depreciation**
 - **Tax assessment information (without the value of the land)**

Be consistent.



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Market Value - Appraisals

- **The local official is responsible for examining a professional appraisal of market value to determine that it is reasonable for the specific characteristics of the building and to check that it does not include the value of land, land improvements, and accessory buildings.**
- **The market value of a non-residential building does not include the value of the use or occupancy.**
- **If there is cause to question the appraisal (for example, if it appears to overvalue the structure), the local official may request that another appraisal be provided . (FEMA P-758, page 4-13)**

Resources

- **FEMA P-758 – Substantial Improvement/Substantial Damage Desk Reference, May 2010**
 - https://www.fema.gov/sites/default/files/2020-07/fema_nfip_substantial-improvement-substantial-damage-desk-reference.pdf
- **FEMA 213 – Answers to Questions About Substantially Improved/Substantially Damaged Buildings, August 2018**
 - https://www.fema.gov/sites/default/files/2020-07/fema_p213_08232018.pdf
- **Title 44 of the Code of Federal Regulations (“44 CFR”) Section 60.3**
 - <https://ecfr.io/Title-44/Section-60.3>



Questions?

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