Determining Substantial Damage and Improvement Workshop

New Hampshire Floodplain Management
Office of Energy and Planning

For the New Hampshire community officials

Prepared by
Staff at JFO
For Declaration
DR-1812-NH
DR-1815-ME

Local Government Center
25 Triangle Park Drive
Concord, New Hampshire
March 18, 2009
Review of the important definitions

- Forget what you think you know
- We function on a different plain

Floodplain
Definitions you must know

• Lowest Floor
Definition of Lowest Floor

“...means the **lowest floor of the lowest enclosed area**, including basement. An unfinished or flood resistant enclosure, usable solely for parking of vehicles, building access or storage in an area other than a basement area is not considered a building’s lowest floor, **provided** that such enclosure is not built so as to render the structure in violation of the applicable non-elevation design requirements of this ordinance.”
Lowest Floor Elevations
Slab Foundation
Lowest Floor Elevations
Basement Foundation
Lowest Floor Elevations
Crawl-Space Foundation

Vent Opening (typical)
FEMA Lowest Floor Guide

• See handout “Insurance Agent’s Lowest Floor Guide”
  • This is a part of the Flood Insurance Manual
  • Over 50 diagrams illustrating what is the lowest floor
Development Standards

For all A Zones

lowest floor

Base flood Elevation
BFE

?
Expiration extended until 3/31/09
Minor Changes are being made
See Handout
**DIAGRAM 7**

All buildings elevated on full-story foundation walls with a partially or fully enclosed area below the elevated floor. This includes walkout levels, where at least one side is at or above grade. The principal use of this building is located in the elevated floors of the building.

**Distinguishing Feature** – For all zones, the area below the elevated floor is enclosed, either partially or fully. In A Zones, the partially or fully enclosed area below the elevated floor is with or without openings** present in the walls of the enclosure. Indicate information about openings in Section C, Building Elevation Information (Survey Required).
Definitions you must know

- Lowest Floor
- Substantial Damage
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% of the market value of the structure before the damage occurred.

Photo by Lou Sidell
Substantially Damaged?

From the New Hampshire State Floodplain Management Coordinator, Jennifer Gilbert

Photo by Brigitte Ndikum-Nyada
Importance of reading the FIRM

- Insurance rating Insurance agents
- Permitting Federal, State & Local
- Grants & Federal E.O. 11988
- Lenders Banks, S&Ls, SHA, SBA
  - Determinations are made by horizontal control only
Definitions you must know

- Lowest Floor
- Substantial Damage
- Substantial Improvement
**Substantial Improvement**

Means any reconstruction, rehabilitation, addition, or any 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 actual repair work performed.
The term does not, however, include either:

(a.) 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
Substantial improvement does not include...

(b) Any alteration of an “historic structure” provided that the alteration will not preclude the structure’s continued designation as an “historic structure”, and a variance is obtained from the board of appeals.
Definitions you must know

• Lowest Floor
• Substantial Damage
• Repetitive Loss
Repetitive Loss

• A structure that has suffered flood damage on 2 occasions that equal or exceed $1,000 each within any rolling 10 year period.

• 48,000 properties currently insured meet that definition (2004)

• Over 122,000 properties nationwide (2006)

• Over 10,000 RL’s have exceeded 2 or 3 losses that cumulatively exceed the building value.

• They cost the NFIP approx. $200,000,000 annually (2004)
Repetitive Loss Properties

- Of the 4,400,000* properties currently insured, only 1% are RL properties (2004)
- Expected to account for 25 to 30% of the Claims losses (2004)

Severe Repetitive Loss (SRL) is defined as:

• (a) That has at least four NFIP claim payments (including building and contents) over $5,000 each, and the cumulative amount of such claims payments exceeds $20,000; or

• (b) For which at least two separate claims payments (building payments only) have been made with the cumulative amount of the building portion of such claims exceeding the market value of the building.
Severe Repetitive Loss

• For both a and b above, at least two of the referenced claims must have occurred within any ten-year period, and must be greater than 10 days apart.
• $3,500,000,000 paid out in claims for Severe Repetitive Loss Properties
• 6,000 properties nationwide meet the definition of SRL
“Answers to Questions About Substantially Damaged Buildings”

FEMA-213, May 1991
Definitions you must know

- Lowest Floor
- Substantial Damage
- Substantial Improvement
- Market Value
Definitions

• If the feds do not define it in the law or the regulations, use a standard dictionary
Market Value

The International Association of Appraising Officers
http://www.iaao.org/

The most probable price (in terms of money) which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
Market Value

The buyer and seller are typically motivated;

Both parties are well informed or well advised, and acting in what they consider their best interests;

A reasonable time is allowed for exposure in the open market;

Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto;

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
CAUTION

BE CONSISTANT in:

• Your process of review
• Your acceptance of information as to type and criteria
Definitions you must know

- Lowest Floor
- Substantial Damage
- Substantial Improvement
- Market Value
- Increased Cost of Compliance
Increase Cost of Compliance

- **Increased Cost of Compliance.** Coverage for expenses that a property owner must incur, above and beyond the cost to repair the physical damage the structure actually sustained from a flooding event, to comply with mitigation requirements of State or local floodplain management ordinances or laws. Acceptable mitigation measures are elevation, floodproofing, relocation, demolition, or any combination thereof.
ICC

• Up to $30,000 for flood mitigation
• Substantially Damaged, or
• Repetitive Loss
  • Twice in 10 years
  • Average loss equaled or exceeded 25% of the market value
• Must have had flood insurance claims for each of the two flood losses
• **Community’s FPM regulations have Repetitive Loss language**
If your home or business is damaged by a flood, you may be required to meet certain building requirements in your community to reduce future flood damage before you repair or rebuild. To help you cover the costs of meeting those requirements, the National Flood Insurance Program (NFIP) includes Increased Cost of Compliance (ICC) coverage for all new and renewed Standard Flood Insurance Policies.

For more information about the NFIP and flood insurance, call 1-800-427-4661, or contact your insurance company or agent.

For an agent referral, call 1-888-435-6637
TDD 1-800-427-5593

Definitions you must know

- Lowest Floor
- Substantial Damage
- Substantial Improvement
- Market Value
- Increased Cost of Compliance
- Pre-FIRM
Pre-FIRM

Pre-FIRM Building. A building for which construction or substantial improvement occurred on or before December 31, 1974, or before the effective date of an initial Flood Insurance Rate Map (FIRM).
Pre-FIRM

- Pre-FIRM buildings are those built before the effective date of the first FIRM for a community. This means they were built before detailed flood hazard data and flood elevations were provided to the community and usually before the community enacted comprehensive regulations on floodplain regulation. Pre-FIRM buildings can be insured using "subsidized" rates. These rates are designed to help people afford flood insurance even though their buildings were not built with flood protection in mind.
# Federal Emergency Management Agency
## Community Status Book Report
### NEW HAMPSHIRE
#### Communities Participating in the National Flood Program

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<tr>
<th>CID</th>
<th>Community Name</th>
<th>County</th>
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<th>Init FIRM Identified</th>
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A Areas of 100-year flood; base flood elevations and flood hazard factors not determined.

A1 Areas of 100-year shallow flooding where depths are between one (1) and three (3) feet; average depths of inundation are shown, but no flood hazard factors are determined.

A2 Areas of 100-year shallow flooding where depths are between one (1) and three (3) feet; base flood elevations are shown, but no flood hazard factors are determined.

A3 Areas of 100-year flood; base flood elevations and flood hazard factors determined.

A9 Areas of 100-year flood to be protected by flood protection system under construction; base flood elevations and flood hazard factors not determined.

B Areas between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths less than one (1) foot or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flood. (Medium shading)

C Areas of minimal flooding. (No shading)

D Areas of undetermined, but possible, flood hazards.

V Areas of 100-year coastal flood with velocity [wave action]; base flood elevations and flood hazard factors determined.

V1 Areas of 100-year coastal flood with velocity [wave action]; base flood elevations and flood hazard factors determined.

NOTES TO USER

Certain areas not in the special flood hazard areas (zones A and V) may be protected by flood control structures.

This map is for flood insurance purposes only; it does not necessarily show all areas subject to flooding in the community or all planimetric features outside special flood hazard areas.

For adjoining map panels, see separately printed Index To Map Panels.

INITIAL IDENTIFICATION
MARCH 22, 1974

CONVERSION TO REGULAR PROGRAM
JULY 2, 1979
Post-FIRM

A building for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later.
Questions

• NFIP Overview?
• Definitions and Acronyms?
• Anything else so far?
Determination of Substantial Improvement
Permitting Process

• Does your permit application reflect the provisions of your ordinance?
• Do the ask the right questions that will ensure the regulations will be met?
• The Decision Tree
A, AI-30, AE and AH Zones [Not in Floodway]

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<th>New Development</th>
<th>Existing Development</th>
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- New Development
- Existing Development
- Post-FIRM
- Pre-FIRM

- Minor Permit
  - Fill
  - Grading
  - Paving
  - Dredging
  - Other

- New Construction
  - Value more than 50% Substantial Improvement
    (Does your ordinance provide for cumulative improvements?)
  - Flood Damage Resistant Materials
    Adequately Anchored

- Value less than 50% Minor Permit

- Residential or Non Residential on crawl
  - Elevate top of lowest floor one foot above bfa
  - Any area below lowest floor not on fill must have hydraulic openings of one square inch for each square foot of footprint.

- Residential or Non Residential slab or basement
  - Elevate top of lowest floor (including basement floor) one foot above bfa
  - Any area below lowest floor not on fill must have hydraulic openings of one square inch for each square foot of footprint.

- Residential or Non Residential on fill
  - Elevate top of lowest floor one foot above bfa
  - Any area below lowest floor not on fill must have hydraulic openings of one square inch for each square foot of footprint.

- Non Residential Floodproofed
  - Floodproofing Certificate must accompany Permit
  - Application signed and sealed by P.E.
Authority To Regulate Floodplains

• You are enforcing the local jurisdiction’s regulations—not FEMA’s.

• Local regulations for reducing flood loss receive authority granted to municipalities by the States.

• Inherent in the right to enact regulations is the duty and authority to administer and enforce them.
Who makes the determination?

- Who is the decider?
- At what level is the decision made?
  - The community derives its authority from the State
  - The community has an agreement with the Feds
  - Community determines who shall administer the codes
- Does your state have a mandatory building code?
Other Code Concerns

• States and local jurisdictions that have adopted one or more of the codes in the International Code Series® (I-Codes) are cautioned that these codes have provisions for buildings in flood hazard areas, including provisions related to substantial improvement and substantial damage.

• The pertinent codes for New Hampshire are:
  • 2006 International Building Code® (IBC)
  • 2006 International Residential Code® (IRC)

• The codes reference the nationally recognized standard produced by the American Society of Civil Engineers, *Flood Resistant Design and Construction* (ASCE 24)
Some Comments About State Model Ordinances

- State provided Model Floodplain Management Ordinances are intended as a starting point for communities.
- Based on the maps, the Models are tailored to fit each community’s needs, with limited optional language.
- Communities may consider more restrictive standards than the minimum standards.
Code differences

• IRC and NFIP both require decisions regarding Substantial Improvement however:
• NFIP places the burden on the Local Official for the determination
• IRC places the burden on the Board of Appeals.
• Consult your community’s counsel for guidance in your situation
Where to go to get help

• Each State has a designated State Coordinating Agency for the NFIP, with an individual identified as the NFIP State Coordinator Jennifer Gilbert. State Coordinators provide a link between the Federal government and local levels of government that have responsibilities related to floodplain management.

• Additional assistance may be sought from Regional Office of FEMA in Boston.

• State Hazard Mitigation Officer
Who makes the determination?

Community’s responsibility

See FPM regulations in 44CFR 59.22(b)(1)

(1) Appoint or designate the agency or official with the responsibility, authority and means to implement the commitments made in paragraph (a) of this section

(2) Designate the official responsible to submit a report to the Administrator concerning the community participation in the Program, including but not limited to development and implementation of floodplain management regulations
Who makes the determination?

- Adoption of minimum NFIP requirements [see 44CFR Parts 59.2, 60.1]
- Permits required for “development”
  - 60.3(b)1.
- Development standards adopted
  - Require new construction and Substantial Improvement meet elevation requirements 60.3(b)4 and 60.3(c)2.
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 community’s floodplain ordinance.
Application Processing and Construction

Applicant Prepares Application

Incomplete Application Returned

Noncompliant Proposal Returned

Deny the Application

Application Submitted to Community

Record Submission and Collect Fees

Check Application for Completeness

Check Application for Technical Compliance*

Approve or Deny the Application

Issue the Permit

Begin Construction

Construction Violations*

Corrections

Perform Field Inspections*

Issue Certificate of Occupancy/Completion

* Key points when internal coordination is critical
Applicants Responsibility

• Do you offer a pre-application meeting with potential applicants?

• Advise those for which you think it may be a Substantial Improvement or if it is a Substantial Damaged building that they must provide you with the appropriate information for you to make an appropriate decision.
Making the determination

• When to make the determination
  • As soon as possible – but not until you have the needed information to do so.

• Does your permit applications ask the right questions?
  • Do you ask the estimated cost of the improvements?
  • Do you ask for the market value of the structure?
  • Do you ask for a breakdown on labor and materials?
# Flood Hazard Development Application

**Community Name, Your State**  
*(All applicants must complete entire application)*  
*[60.3(e)]*

Application is hereby made for a Flood Hazard Development Permit as required under Article II of the Floodplain Management Ordinance of **Community Name**, Maine, for development as defined in said ordinance. This permit application does not preclude the need for other municipal permit applications. *[Article II, also, NFIP Reg. Part 60.3(a)(1)]*

| Owner: ___________________________ | Address: ___________________________ |
| Phone No.: ______________________ | Address: ___________________________ |
| Applicant: ______________________ | Address: ___________________________ |
| Phone No.: ______________________ | Address: ___________________________ |
| Contractor: _____________________ | Address: ___________________________ |
| Phone No.: ______________________ | Address: ___________________________ |

**Legal Description**

Is this part of a subdivision? □ Yes  □ No  
If yes, give the name of the subdivision and lot number:

Subdivision: ___________________________  
Lot #: _______

Tax Map: ___________________________  
Lot #: _______
Asking the questions

Tax Map: _________________________________________ Lot #: __________

Address: ________________________________________

        Street/Road Name

Zip Code: _________________________________________

        Town/Zip Code

General explanation of proposed development:

_________________________________________________

Estimated Value of Proposed Development: $_______ [Necessary to administer Substantial Improvement requirements or Accessory]

Proposed Lowest Floor elevation [for new or substantially improved structure]: Article III H 3.

OTHER PERMITS

Are other permits required from State or Federal jurisdictions? □ Yes □ No

If yes, are these other permits attached? □ Yes □ No □ Not Applicable

Federal and State Permits may include but are not limited to: ME/DEP/Natural Resource Protection Act, Site Location of Development Act, Metallic Mineral Exploration, Advanced Exploration and Mining; USACE/Section 9 & 10 of the Rivers and Harbors Act/ Section 404 of the Clean Water Act; Federal Energy Regulation Commission.

SEWER AND WATER

Sewage Disposal: □ Public □ Private [Article III F., Article VI C. & D., and NFIP Reg. Part 60.3(a)(6)]

□ Existing □ Proposed □ Not Applicable

Water Supply: □ Public □ Private [Article III F., Article VI E., and NFIP Reg. Part 60.3(a)(5)]

A - 1
Asking the questions

LOCATION

Flooding Source (name of river, pond, ocean, etc): ________

☐ V1-30 Zone  ☐ VE Zone  ☐ A-E Zone  ☐ A1-30 Zone  ☐ A Zone  ☐ AO Zone  ☐ AH Zone [Needed to administer Ordinance]

☐ FRINGE  ☐ FLOODWAY (2 width of floodplain in A Zone) [Needed to administer Article VI]

Base Flood Elevation (bfe) at the site _______ NGVD [Required for New Construction or Substantial Improvement]

Lowest floor elevation of proposed or existing structure _______ NGVD [Required for New Construction or Substantial Improvement]

If proposed development is in an AE or A1-30 Zone and cross section data is available in the Flood Insurance Study, please note the nearest cross section reference letter and elevation of base flood at nearest cross section above and below the site. [Recommended but not required by FFMO]

Cross Section Letter

Above Site _______  Above Site _______

Below Site _______  Below Site _______

Basis of unnumbered A Zone bfe determination: ________ [NFIP Reg Part 60.3(b)(4)]

☐ From a Federal Agency:
  ☐ USGS  ☐ USDA/NRCS  ☐ USACE  ☐ Other

☐ From a State Agency:
  ☐ MDOT  ☐ Other

☐ Established by Professional Land Surveyor

☐ Established by Professional Engineer
  ☐ HEC/RAS  ☐ HEC II  ☐ HY 7  ☐ TR20  ☐ TR55  ☐ Quick-2
  ☐ Other

☐ Highest Known Water Level

☐ Other (Explain) _______

VALUE

If the development involves work on an existing structure, enter the Market Value of existing structure before improvements:

$ _________ [Needed to administer Substantial Improvement requirements]
Why is the determination needed?

• 60.3(b)(4), (c)(2), (d)(1), and (e)(1) require substantial improvements be elevated if residential.
• 60.3(b)(4), (c)(2), (d)(1) require substantial improvements be floodproofed if not elevated for non-residential structures.
How to make a determination

• Mark will provide the mechanics and details of a determination with the RSDE portion after lunch.

• For now the most important part is the following formula:
Determining Substantial Improvement

Cost of Improvement ≥50% Market Value of the building

Building improvement is $52,000

Current Market Value of structure is $100,000

52% or ≥50%

Since the value of the improvement exceeds the value of the structure it is a Substantial Improvement
Determining Substantial Damage

Value of Damages ≥ 50%
Market Value of the building

Value of the Damages is $52,000
Current Market Value of structure is $100,000

52% or ≥50%

Since the value of the improvement exceeds the value of the structure it is a Substantial Improvement.
How to make the determination

• Where can you find the information you need?
• Does your ordinance allow you to bill the applicant for additional information?
• Are you allowed to hold the permit until you get the information you need to make the decision?
Items to be included in damage determinations:

- **All structural elements including:**
  - Foundation footings and pilings
  - Monolithic or other types of concrete slabs
  - Bearing walls, tie beams and trusses
  - Wood or reinforced concrete decking or roofing
  - Floors and ceilings
  - Attached decks and porches
  - Interior partition walls
  - Exterior wall finishes (e.g. brick, stucco, or siding) including painting and decorative moldings
  - Windows and doors
  - Reshingling or retiling a roof
  - Hardware
Items to be included in damage determinations:

All interior finish elements, including:

- Tiling, linoleum, stone, hardwood or carpet over subflooring.
- Bathroom tiling and fixtures
- Wall finishes (e.g. drywall, painting, stucco, plaster, paneling, marble, or other decorative finishes)
- Kitchen, utility and bathroom cabinets
- Built-in bookcases, cabinets, and furniture
- Hardware
Items to be included in damage determinations:

All utility and service equipment, including:

- Heating, ventilating, and air conditioning equipment
- Repair or reconstruction of plumbing and electrical services
- Light fixtures and ceiling fans
- Security systems
- Built-in kitchen appliances
- Central vacuum systems
- Water filtration, conditioning, or recirculation systems
Items to be included in damage determinations:

Also:

- Labor, profit, and other costs associated with repairing building components.

(If it is hard wired or hard plumbed, it is counted.)
What not to include

- Appraisals based upon income potential
- Land
- Landscaping
- Driveway
- Septic and tile field
- Contents unless built in
- Fees for architectural and engineering plans, specifications, survey and building permits
- Demolition costs associated with clean-up, debris removal, and preparation of the site
What not to include

- Structural fill for elevating the building
- Plug-in type appliances such as washers, dryers, stoves, refrigerators, window air conditioners, or
- Dehumidifiers.
- Detached structures such as garages, gazebos, and sheds
- Fences, sidewalks, and yard lights
- Swimming pools
Word of caution!

Substantial damage is determined regardless of the actual cost to the owner. You must figure the true cost of bringing the building back to pre-damage condition using qualified labor and materials obtained at market prices.
Some wild examples

• The window replacement and roof shingles exceed the value of the Camp
• My brother-in-law had the windows from another project they tore down
• My church is furnishing the labor
The scary question!

• What do you do when the project is $\frac{3}{4}$ done and the cost exceeds 50%?

$$
$$$, “[{(##&@A?!@+$<+_-*-^%$~)}]”

😊

Have a nice day
Discuss some wild examples

• Labor
• Materials
• What about procedures?
  • Progress estimates
    • Pros and cons
• What happens if?
  • If they don’t have flood insurance?
  • If they underestimated the cost?
Resources to Help

The following are an effort to give you the lead on proven resources to help you when dealing with:

- Substantial Improvements
- Substantial Damage
- Repetitive Losses
- Increased Cost of Compliance
- Residential Substantial Damage Estimator
General Reference

- Answers to Questions about Substantial Damage
- Unit 8 of a Study Guide and Desk Ref
- Lowest Floor Guide
- RSDE Software and Training Video
- FEMA is developing a SISD Desk Ref
Screening Tools

- Claims adjuster monetary damage est.
- Cost estimates by owner & documentation
Acceptable Sources of Cost Information

- Itemized actual costs - materials and labor
- Estimated of materials and labor that are prepared by licensed contractors or professional construction cost estimators
- Building valuation tables by building code organizations & cost estimating manuals/tools for professional building-cost estimating services. (i.e. Marshal Swift, RS Means)
- “Qualified estimates” by local officials using local/regional construction costs
Market Value

Most accurate and reliable

• Appraisals by professional appraisers
  - Use standard practices
  - Qualified to appraise the type of property
  - Licensed in state the property is located.
Market Value

Should be required:

• Estimating methods yield a percent close 50%
• If applicant disagrees with community’s determination developed using estimating methods.
• Explicitly written in community’s floodplain regs or required by other local/state codes
Market Value

Adjusted assessed value – best used as a screening tool

- Usually an adjustment factor is necessary because the assessed values cannot be used as direct equivalent for market value. Local officials should consult with the authority that prepares the assessment.
Market Value

Some limitations:

- Appraisal cycle – how often are they done?
  - When was the last appraisal?
- Land values – need to be separate from structure(s)
- Assessment level – established ratio between the assessor’s full cash value and the true fair market value.
Market Value

Actual cash value/replacement – screening tool

- Actual cash value – cost to replace building on the same parcel with new building of like-kind quality less age-depreciation, use, neglect, and damage.
  - Most situation ACV is a reasonable approximation of market value.
Market Value

- Replacement cost value does not account for depreciation and thus likely overestimates market value
  - Construction cost information are available to support estimating the replacement of cost of a building (e.g. Marshall & Swift, RS Means)
Market Value

Qualified Estimates

Developed by a qualified local official who has sufficient experience and professional judgment on which to base estimates. Estimates should be based on best available information.
Flood Insurance Implication on Determinations

Pre-Firm vs. Post FIRM
Pre-FIRM vs. Post-FIRM

- Quick Review of definitions
  - Pre-FIRM includes structure prior to the FIRM
  - Post-FIRM includes structure after the FIRM
    - Includes substantial improvement
    - Substantial Damage

- Rating is different
  - Pre-FIRM is subsidized by those with Post-FIRM policies
  - Post FIRM is actuarial
Pre-FIRM vs. Post-FIRM

- Substantial Improvements or Substantial Damage to a Pre-FIRM structure will reclass the structure to Post-FIRM
- It will be rerated with actuarial rates
- If non-compliant lowest floor – WOW! The rates can go as high as $25/$100.
Repetitive Loss Structures

- Special rating
  - Actuarial review by separate rating
  - When offered Mitigation programs do it or face higher rates
What is ICC?
(Coverage D)

It is additional insurance to assist the building owner with meeting the additional costs of bringing a non elevated building into compliance by either elevating the building or making it floodproof if it is a non residential building.
Who can get it?

- It is only available via a flood insurance policy (Coverage A)
  - Coverage A is “building” coverage
- Which is only available in NFIP participating communities
- Coverage is MANDITORY
  - Except for:
    - Emergency Program
    - Condominiums
    - Group Policies
    - Appurtenant structures
ICC coverage cont.

- When does it pay?
  - ONLY After a **flood** loss
- What qualifies for a payout
  - If the local floodplain administrator determines the structure to be substantially damaged by a flood.
  - Must be damaged in single event at or above 50% of the before damage market value.
ICC coverage cont.

- ICC Born out of the 1994 NFIP Reform Act
- How Much?
  - Up to $30,000
- What does it cover?
  - The cost of mitigation measures that will reduce flood risk
ICC coverage cont.

- What mitigation measures?
  - Elevation
  - Floodproofing (only for non-residential structures)
  - Relocation
  - Demolition
    - Or any combination of the above
ICC coverage cont.

- When does it pay?
  - ONLY After a **flood** loss

- What qualifies for a payout
  - If the local floodplain administrator determines the structure to be substantially damaged by a flood.
  - Must be damaged in single event at or above 50% of the before damage market value.
Or, If the community has Rep Loss provisions, additional possibilities exist

- Damaged by flood twice in the past ten years and insured with flood insurance
- On average the damages were $\geq 25\%$ of the market value at the time of each flood,
Increased Cost of Compliance

- **Policy Holder’s Role:**
  - Report Loss
  - Provide adjuster’s report to community
  - Provide contract’s signed contract with $ est.
  - Provide Proof of Loss and permit to insurance company for 1st portion of claim
  - Complete mitigation measure
  - Provide Certificate of compliance to insurance company
Increased Cost of Compliance

- Adjuster’s/Claims Reps role
  - Est. flood damage and inform policy holder of possible eligibility for ICC
  - Set up file
    - Damage and market value of structure
    - verify that damage claim info supports community information
- Provide Proof of Loss form to insured
- Provide claim payments to insured
Increased Cost of Compliance

- Code Officer/Building Insp./FPM administrator’s role
  - Determine if substantially damaged or repetitive loss and provide written determination to policy holder
  - Discuss mitigation options and FPM requirement to applicant
  - Issue appropriate permits
  - Inspections
  - Certificate of Compliance
The key roles assumed when applying for ICC coverage are summarized below.

### Key Roles Assumed Within the ICC Claims Process

<table>
<thead>
<tr>
<th>Policyholder</th>
<th>Adjuster/ Claims Representative</th>
<th>Building Department/ Floodplain Administrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Report flood loss to insurer.</td>
<td>2. Estimate flood damage and tell policyholder he/she may be eligible for ICC benefits.</td>
<td>3. Determine building “substantially damaged” or a “repetitive loss.” Provide written determination to policyholder. Discuss mitigation options that will comply with floodplain regulations. Issue necessary building permits for mitigation measures.</td>
</tr>
</tbody>
</table>
| 4. Provide the building department’s or local floodplain administrator’s written determination of substantial damage or repetitive loss to the adjuster. | 5. Set up an ICC claims file:
- Obtain damage and market value information on structure. For a repetitive loss structure, get previous claim information.
- Verify that the flood-related damage for the current building claim supports community information. | |
| 6. Obtain a signed contract that details costs to perform the mitigation activity and give it to the claims representative. | 7. Provide Proof of Loss form to the policyholder. | |
| 8. Provide Proof of Loss and copy of community permit(s) to the insurance company in order to receive the first portion of the ICC claim money. | 9. Provide an initial ICC claim payment to the policyholder. | |
| 10. Complete the mitigation measure. | 11. Inspect completed mitigation work and issue a Certificate of Occupancy or Compliance or other written evidence that the work is compliant with floodplain management ordinance. | |
| 12. Provide a copy of Certificate of Occupancy or Compliance to the insurer. | 13. Make final ICC claim payment upon receipt of Certificate of Occupancy or Compliance. | |
ICC

• What happens if?
  • If they don’t have flood insurance?
Local official’s flood Insurance Implications

• Be consistent and compliant in your actions because your actions can impact the insurance rates owners pay

• If your practice and administration of the regulations are compliant and consistent there is minimal liability exposure on the community
RSDE VIDEO

- Intro by Jennifer
- Awesome stuff!
Response to Video

• Has anyone used RSDE?
• What about consistency?
• What about letters following a flood?