



Substantial Damage Fact Sheet for Residents and Business Owners

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 floodplain development permit applications for repairs in order to determine if the threshold for substantial damage has been reached.

Frequently asked questions about “substantial damage” issues

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 engineer 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 www.fema.gov/r6-mitigation-division 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.
- Contact the Arkansas Natural Resources Commission Floodplain Management staff at 501-682-1611.

ADDITIONAL INFORMATION REGARDING FLOOD DAMAGED PROPERTIES

The flooded building is located outside of the FEMA 100 year (1 percent annual chance) floodplain without substantial damage¹

A building permit is required but no floodplain development permit is needed. A detailed repair estimate from a qualified licensed contractor, architect or engineer must be submitted to determine if the property has substantial damage.

The flooded building is located outside of the FEMA 100 year (1 percent annual chance) floodplain with substantial damage¹

A building permit is required but no floodplain development permit is needed. A detailed repair estimate from a qualified licensed contractor, architect or engineer must be submitted to determine if the property has substantial damage. Substantial damage to the property triggers a requirement to bring the entire structure into compliance with the current building code.

The flooded building is located within the FEMA 100 year (1 percent annual chance) floodplain without substantial damage¹

Both a building permit and a floodplain development permit are required. A detailed repair estimate from a qualified licensed contractor, architect or engineer must be submitted to determine if the property has substantial damage.

The flooded building is located within the FEMA 100 year (1 percent annual chance) floodplain with substantial damage¹

Both a building permit and a floodplain development permit are required. A detailed repair estimate from a qualified licensed contractor, architect or engineer must be submitted to determine if the property has substantial damage. Substantial damage to the property triggers a requirement to bring the entire structure into compliance with the current building code and current floodplain development code.

¹Substantial damage shall mean damage that is 50% or greater of the appraised value of the improvements taken from the Sebastian County Assessor's Office. The value of the land is not included in determining if the property has substantial damage.



Substantial Damage Mitigation Fact Sheet for Floodplain Administrators

Substantial Damage is a post-disaster issue that **applies that to all buildings in the floodplain whether or not the property owner has flood insurance.**

In order to participate in the NFIP, local communities must adopt and enforce floodplain management regulations that meet or exceed the NFIP 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 repair permit applications be reviewed to determine if the threshold for substantial 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 damaged, it must be protected using the current local floodplain management regulations.

Substantial damage means the cost to repair, reconstruct, rebuild, or rehabilitate the structure equals or exceeds 50 percent of the market value of the structure before the “start of repair.” *This determination does not depend on the repairs being made.* Only on the assessment that the cost to repair would equal or exceed 50% of the market value.

Donated materials and labor do not decrease the estimate. Instead, the fair market value of the materials and labors must be included in the substantial damage determination.

Substantial damage does not, however, include correction of 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.

Compliance with the NFIP substantial 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.
- Floodplain development permits must be obtained for all post-disaster repairs within the identified flood hazard areas of the community.
- All 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.

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

Additional Information:

ANRC Floodplain Management at (501) 682-1611 or www.floodplain.ar.gov

FloodSmart.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.



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 repairs to substantially 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 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 damaged 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

Whenever a building is damaged, *whatever the cause and whether or not the owner has a flood insurance policy*, 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 Insurance Rate Map (FIRM), must be evaluated to determine whether it is substantially damaged.

WHO

It is the responsibility of the community's floodplain administrator to assure that all applicable cost and value information is accurate. However, you may require the floodplain development 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 damaged, and how to treat the structure once you determine that it is substantially damaged. Specific guidance for determining substantial damage is found in *FEMA's Answers to Questions About Substantial Damaged Buildings (FEMA 213)*. Your State NFIP Coordinator is also available to provide assistance.

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 State NFIP Coordinator Whit Montague (501-682-1611), 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/r6-mitigation-division 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.