

# SUBSTANTIAL DAMAGE QUICK REFERENCE

FOR NORTH DAKOTA FLOODPLAIN ADMINISTRATORS & BUILDINGS IN THE SPECIAL FLOOD HAZARD AREA

## OVERVIEW

Structures located in Special Flood Hazard Areas (SFHAs) that are substantially modified (either damaged or improved) more than 50 percent are required to comply with local building and floodplain requirements. As a community (county, city, township, or tribe) participating in the National Flood Insurance Program (NFIP), local community officials (typically floodplain administrators) are responsible for substantial damage and improvement determinations. While FEMA sets the minimum requirements, higher standards set forth by North Dakota Century Code (N.D.C.C.) Chapter 61-16.2 and the local community ordinance must also be met. This includes the requirement for new and Substantially Improved/Substantially Damaged (SI/SD) buildings to be elevated at least 1-foot above the base flood elevation. Local communities may also choose to incorporate a cumulative component or lower the SI/SD threshold. If that is the case, the community's value will replace the 50% minimum federal requirement for SI/SD compliance. The materials outlined in the SD Quick Reference are to assist communities in evaluating their existing processes and to guide them in enhancing existing SI/SD procedures, or developing new procedures.

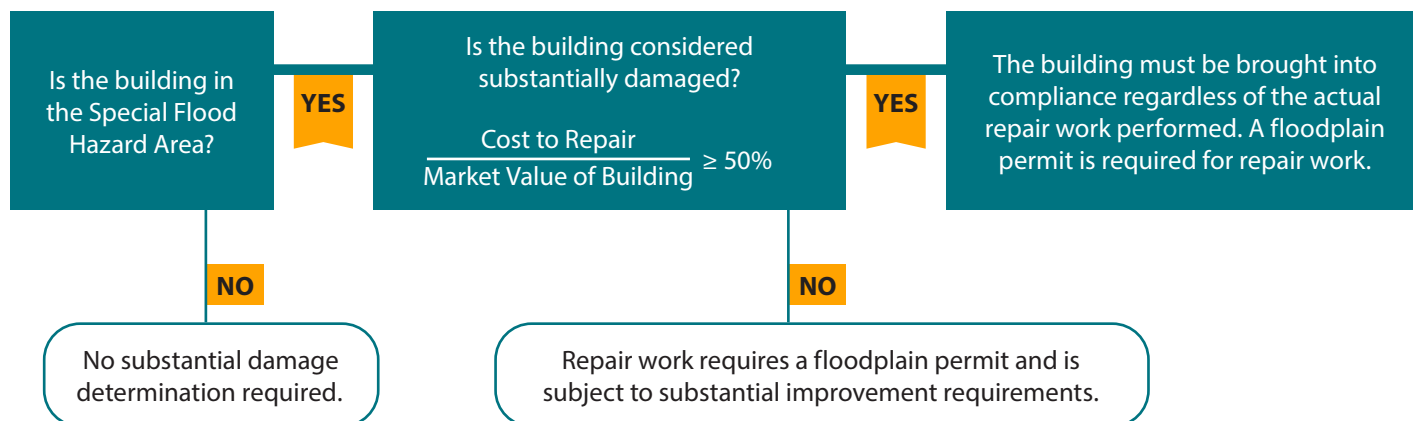
## SUBSTANTIAL DAMAGE REQUIREMENTS

**Substantial damage** is damage of any origin (fire, flood, tornado, etc.) sustained by a building where the cost of restoring the building to its pre-damage condition would equal or exceed 50% of the pre-damage market value of the building. Substantially damaged buildings are required to be brought into compliance with floodplain regulations.

The Floodplain Administrator's role:

1. Inform property owners of the substantial damage requirement associated with buildings in the SFHA.
2. Make a substantial damage determination on any damaged building in the SFHA regardless of the repair work a property owner proposes to do.
  - a. Review the cost to repair to pre-damage condition (request cost estimate from the property owner).
  - b. Obtain/review the pre-damage market value of the building, excluding value of land (request from property owner).
  - c. Divide the cost to repair by the market value of the building. If the result is greater than or equal to 50%, then the building is considered substantially damaged and must be brought into compliance with floodplain regulations.
3. Notify property owners of floodplain regulation requirements based on the substantial damage determination.

## SUBSTANTIAL DAMAGE DETERMINATION CHART





## IF DAMAGE HAS OCCURRED OR MAY OCCUR IN THE SPECIAL FLOOD HAZARD AREA

1. Send a notice to the property owner as soon as possible to inform them of the substantial damage requirement. Include an application for substantial damage review and a cost estimate of repair worksheet.
2. Inspect damaged properties (we recommend working with your Emergency Manager and others).
3. Collect and evaluate data submitted by property owner for substantial damage review.
4. Make substantial damage determination using the method outlined above.
5. Require compliance based on the determination and require floodplain permits, as necessary. Remember that a substantially damaged building must be brought into compliance regardless of the actual repair work a property owner plans to perform.

## ADDITIONAL CONSIDERATIONS

- **Flood insurance** has no bearing on substantial damage requirements. A building in the SFHA is subject to a substantial damage determination whether or not it carries flood insurance.
- **Cost to repair** calculation considerations (See FEMA P-758 Section 4.4):
  - Include removal of damaged materials (flooring, carpeting, wallboard, insulation, etc).
  - Include any alterations associated with the building's structural elements (interior and exterior).
  - Include cost of labor and contractor overhead/profits.
  - Exclude outside improvements and clean up (except building exterior improvements).
  - Exclude any cost associated with correcting existing code violations.
  - Materials should be valued at fair market value, even if donated, re-used, or recycled. Owner labor, volunteer or otherwise, should be valued at minimum wage or fair market value (but not less than minimum wage).
- **Market Value** pertains to the building in question before the damage occurred, excluding value of the land. The market value of the pre-damaged building can be determined through the tax assessor's office or a licensed appraiser (at property owner's expense).
- **Historic Structures** are exempted from substantial damage requirements so long as any repairs maintain the historic status of the building and take all possible flood damage reduction measures. A floodplain permit is required for improvements to historic structures in the SFHA.

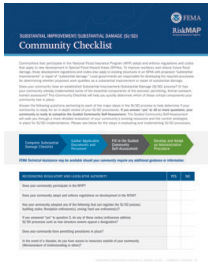
## INCREASED COST OF COMPLIANCE COVERAGE FOR NFIP POLICY HOLDERS

If a building is determined to be substantially damaged by a flood AND the building carries flood insurance through the National Flood Insurance Program, the building may qualify for Increased Cost of Compliance coverage. Under Increased Cost of Compliance, the flood insurance policy will not only pay for repairs to the flooded building, it will pay up to \$30,000 to help cover the additional cost of complying with the local floodplain ordinance. Local ordinances must comply with applicable federal and state requirements, including the need to elevate the lowest floor at least 1-foot above the base flood elevation (N.D.C.C. § 61-16.2-08).

## SI/SD TOOLS

The following tools are part of the SI/SD evaluation and procedural development package:

### Community Materials:



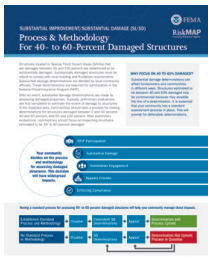
#### COMMUNITY CHECKLIST

This document is an initial check on how well the community is prepared to conduct the SI/SD process, i.e., what policies and ordinances are in place or missing. Communities must assemble and prepare materials before beginning the Guided Community Self-Assessment.



#### SUBSTANTIAL DAMAGE FUNDAMENTALS

This document provides the community with a high-level introduction to the SI/SD requirement of the National Flood Insurance Program.



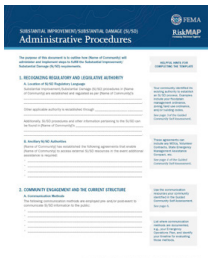
#### PROCESS AND METHODOLOGY FOR 40 TO 60% DAMAGED STRUCTURES

This a one-page, high-level document that explains the importance of establishing a standard SI/SD process and methodology, and it also highlights key considerations for communities developing the process.



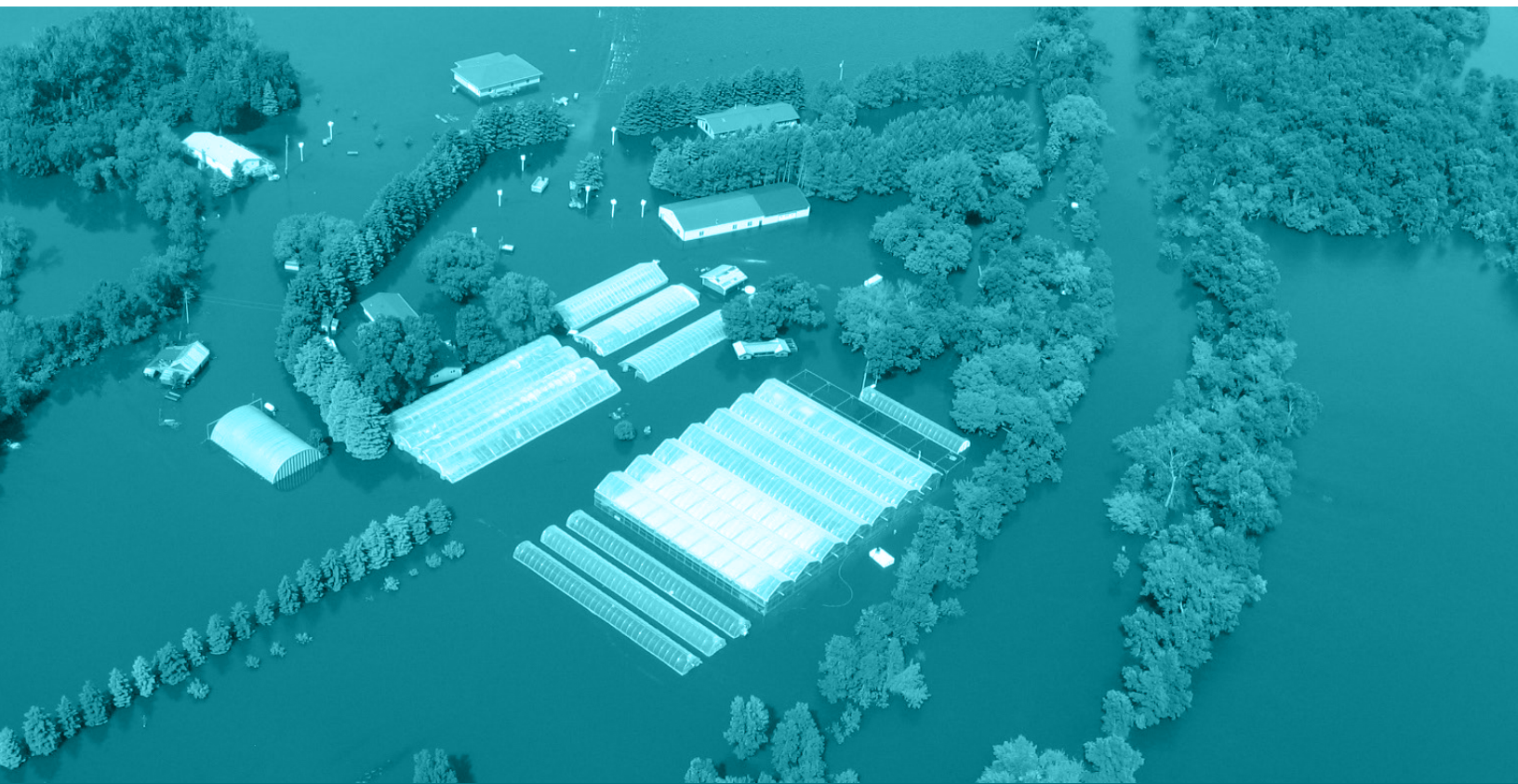
#### GUIDED COMMUNITY SELF-ASSESSMENT

This document walks a community through a detailed evaluation of the existing resources and current strategies in place for SI/SD implementation. The community will learn about potential gaps and opportunities to become more compliant.



#### ADMINISTRATIVE PROCEDURE TEMPLATE

The purpose of this document is to capture the decisions and resources identified during the Guided Community Self-Assessment and compile that input into a formal process document. The administrative procedure can be a standalone document, appendix to an Emergency Operations Plan (EOP), or otherwise integrated into the community's plans, procedures, and policies so that each community is prepared to meet SI/SD requirements consistently before and after a disaster.







For complete details on substantial damage requirements, see FEMA's Substantial Improvement/Substantial Damage Desk Reference Guide (P-758)

[www.fema.gov/media-library/assets/documents/18562](http://www.fema.gov/media-library/assets/documents/18562)

For SI/SD tools, go to Floodplain Management on the Water Commission's Website

[www.swc.nd.gov](http://www.swc.nd.gov)

For additional questions or to request more materials, contact FEMA Region VIII or the ND Water Commission at anytime.

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