

REPAIRS, RESTORATION, AND SUBSTANTIAL DAMAGE

to buildings in the Special Flood Hazard Area

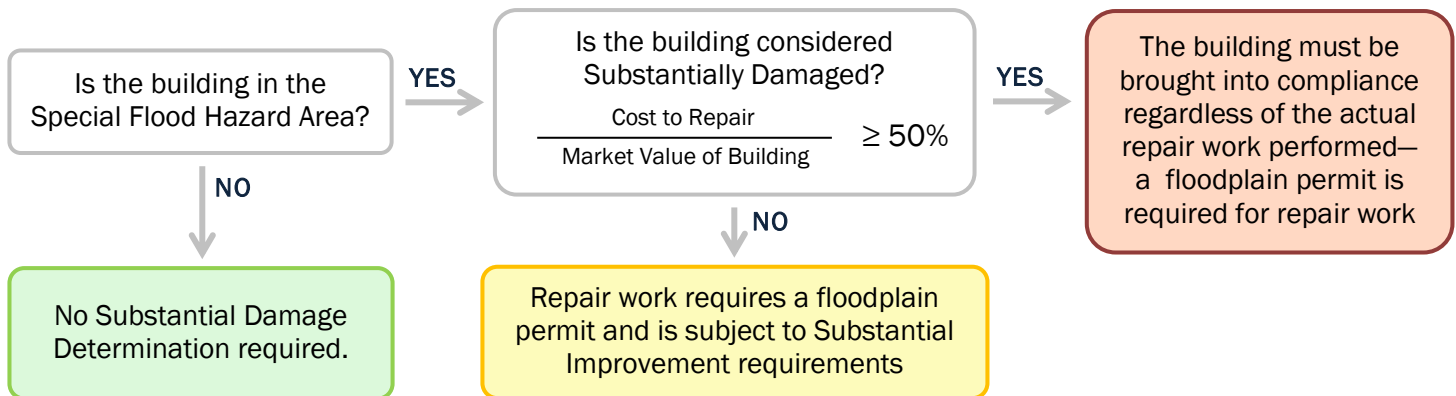
▶ SUBSTANTIAL DAMAGE REQUIREMENTS

Substantial Damage is damage of any origin (fire, flood, earthquake, 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 Special Flood Hazard Area.
2. Make a Substantial Damage Determination on any damaged building in the Special Flood Hazard Area 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 Building, excluding value of land (request from property owner).
 - c. Divide the Cost to Repair (a) by the Market Value of Building (b). 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.

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ADDITIONAL CONSIDERATIONS

- **Flood insurance** has no bearing on Substantial Damage requirements. A building in the Special Flood Hazard Area is subject to a Substantial Damage Determination whether or not it carries flood insurance.
- **Cost to Repair** calculations 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 Special Flood Hazard Area.

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.

DISASTER RECOVERY REFORM ACT (DRRA) 1206

Implemented through the Public Assistance (PA) Program to provide communities with resources needed to effectively administer and enforce state and locally adopted building codes and floodplain management ordinances for a period of no longer than 180 days after the date of a major disaster declaration.

MORE INFORMATION

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

www.fema.gov/sites/default/files/2020-08/fema_p_758_complete_r3_0.pdf

For property owner notification forms, go to DNRC's website:

[www.https://dnrc.mt.gov/Water-Resources/Floodplain/Disaster-and-Recovery](https://dnrc.mt.gov/Water-Resources/Floodplain/Disaster-and-Recovery)

For additional questions or to request more materials, contact Montana DNRC or FEMA at anytime:

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