



Texas Flooding FAQ's on Substantial Damage

The purpose of this Fact Sheet is to briefly describe the Substantial Improvement/Substantial Damage (SI/SD) requirements of the National Flood Insurance Program (NFIP) for the repair or improvements of structures that have been damaged as a result of recent severe storms and flooding. These requirements are to protect the safety and property of homeowners.

1. Can I move back into my home before a substantial damage inspection has been performed?

Yes. There is no FEMA requirement that SD determination inspections must be performed prior to a property owner moving back into their home. Property owners are encouraged to contact their community for any additional information regarding occupying a flood damaged home. Property owners should only return to their homes after local officials have determined that it is safe to do so. If you are unsure if this determination has been made for your community, please contact them before you return. Communities participating in the NFIP are responsible for making determinations on whether the costs to improve or repair a damaged building have exceeded the 50 percent threshold (see question 3) of the building's market value and will be conducting inspections to make these determinations.

2. What is substantial improvement?

Substantial improvement, as defined in 44 Code of Federal Regulations 59.1 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 value of or actual cost of repair work- performed. The term does not, however, include either (1) 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 (2) any alteration of a 'historic structure', provided that the alteration will not preclude the structure's continued designation as a 'historic structure'."

3. What is substantial damage?

As defined in 59.1 of the NFIP regulations, a building is considered to be substantially damaged when: "damage of any origin is 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."

4. What is the community's responsibility if buildings are being improved or repaired after being damaged?

Communities are responsible for making determinations on whether or not the costs to improve or repair a damaged building or structure have exceeded the 50 percent threshold of the buildings market value. The SI/SD threshold is established in the definition in Question 3.

5. If a structure is substantially damaged, what must happen to the structure?

All structures that are determined to be substantially damaged are automatically considered to be substantial improvements, regardless of the actual repair work performed. In other words, if the cost necessary to fully repair the structure to its before damaged condition is equal to or greater than 50 percent of that structure's

market value before damages, then the structure must be elevated (or floodproofed if it is non-residential) to or above the level of the base flood, and meet other applicable program requirements

6. Are permits needed for repair and/or improvement of structures after a flooding event?

Yes. Permits are required for the repair and/or improvement of structures in the Special Flood Hazard Area (SFHA). In making a Substantial damage determination, the local official must consider the entire costs to repair or improve the structure even if the plan to repair or improve the structure will be performed in phases or at a later date.

If allowed by the local community, some activities may be performed by homeowners without permits in order to prevent further damage to the building from a flooding event. Examples of these activities are referenced in FEMA's guidance document *FEMA P-758 Substantial Improvement/Substantial Damage Desk Reference, Sections 4.4.2 and 4.4.7*. These activities include the disposal of damaged contents and carpeting; cleaning floors and walls; covering damaged roofs and windows. Many of these activities are considered clean-up activities, which are not typically included in the substantial damage calculations.

However, all costs that are intrinsically part of repairing and restoring the damaged building must be included. The repair and/or replacement of damaged components or improvements must be part of the SI/SD calculation. These include, but not limited to, materials and labor; structural elements and exterior finishes; interior elements such as floor finishes (e.g., wall-to-wall carpeting); utility and service equipment. These and other activities are referenced in *FEMA P-758 Substantial Improvement/Substantial Damage Desk Reference, Sections 4.4*.

Homeowners and communities should refer to the SI/SD *Desk Reference* as well as local ordinances to establish the entire list of what costs must be included and what costs can be excluded from the SI/SD determination. Homeowners must document, preferably through pictures or video, the activities that fall into this category and should work with their local community officials to determine what is acceptable.

7. If a structure is determined to be substantially damaged by the local building official, will a NFIP Increase Cost of Compliance (ICC) claim be available to policyholders?

ICC is available for structures that are substantially damaged by flood. However, ICC is only available within the total policy coverage limits. The maximum combined amount for both the ICC payment and the direct loss payment cannot be greater than the maximum limits of coverage for the type of building. The maximum coverage limit for ICC is up to \$30,000 toward elevation, demolition, relocation and floodproofing (nonresidential building only). As a result, if the additional flood insurance proceeds equal the maximum limits of coverage, ICC will *not* be available.

References:

FEMA P-758 - Substantial Improvement/Substantial Damage Desk Reference, May 2010:

<http://www.fema.gov/media-library/assets/documents/18562>

FEMA 213 – Answers to Questions about Substantially Damaged Buildings, Nov. 2018:

<https://www.fema.gov/media-library/assets/documents/169099>

For additional information: <https://www.fema.gov/TXmit>

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