

## FEMA National Floodplain Insurance Program (NFIP)

# Determining Structure/Market Value and Improvement/Repair Costs

---

### Initial Screening Thresholds

IC = Improvement Cost

SV = Structure Value

- $(IC/SV) (100) \leq 40\%$                       *Not a substantial improvement*
- $(IC/SV) (100) \geq 50\%$                       *Is a substantial improvement*
- $40\% < (IC/SV) (100) < 60\%$               *A detailed evaluation is required if it is questionable within this range\**

\* The same improvement/repair cost estimate that was used for initial evaluation is used for the detailed evaluation.

---

### ➤ Acceptable Methods for Determining Structure/Market Value

- *Independent appraisals by a licensed appraiser utilizing the cost approach method including age/life depreciation.*
- *Three independent professional estimates by licensed contractors of the actual cash value of the structure and all other individual site improvements.*
- *Adjusted property appraisals used for tax assessment.*
- *Qualified estimates from tax assessors or building department's staff.*

Notes:

- *Market Value of the structure is estimated using the assessed value for tax purposes. Land value is not included in determining structure value and must be deducted.*
- *Replacement Cost does not equal Market Value.*
- *Replacement Cost may be used to estimate Market Value only if "depreciated" (Actual Cash Value)*

Definitions:

- *Replacement Cost – Cost to replace a structure having utility equivalent to one being appraised with modern materials and to current standards.*
  - *Depreciation – Loss of property value from age, physical deterioration or functional or economic obsolescence.*
  - *Actual Cash Value – Current cash value of structure after depreciation. Equals Replacement Cost minus Depreciation.*
  - *Market Value – The highest price which a property (including the land, structure and all site improvements) will bring in a competitive and open market under conditions of a fair sale.*
- 

### ➤ Acceptable Methods of Estimating Improvement/Repair Cost

- *Itemized estimates from licensed contractors or professional estimators*
- *Damage estimates from NFIP claims data*
- *Local officials with knowledge of local costs can make "qualified estimates"*
- *Marshall and Swift, Inc. Cost Estimating Publications*
- *Standard building code*
- *National Association of Home Builders Mean Construction Cost data*
- *Building inspection department data*
- *Emergency management agency data*
- *Tax assessment information*
- *Damage assessment field survey data*
- *Other state or local agency data*

### ➤ Sources for Building Cost Estimating Publications

*Improvement/repair cost is determined by reference to a building cost estimating guide recognized by the building construction industry. Acceptable sources are as follows:*

- *National Association of Home Builders*
  - *Consumer Reports Books*
  - *American Society of Appraisers*
  - *Marshall and Swift, Inc.*
-

**FEMA National Floodplain Insurance Program (NFIP)**  
**Guidelines for Construction Cost Estimates**

---

**Improvement Costs That Must Be Included**

- **All Structural Elements, including but not limited to:**
  - *Spread or continuous foundation footings and pilings*
  - *Monolithic concrete slab foundations*
  - *Bearing walls, tie beams, and trusses*
  - *Wood or reinforced concrete decking or roofing*
  - *Floors and ceilings, including insulation*
  - *Attached decks, stairways, and porches*
  - *Interior partition walls*
  - *Exterior wall finishes*
  - *Windows and doors*
  - *Roof sheathing*
  - *Roof re-shingling or re-tiling*
  - *Roof dormers*
  - *Balconies*
  - *Hardware*
  
- **All Interior Finish Elements, including but not limited to:**
  - *Floor cover such as tile, wood, vinyl, carpet, marble, etc.*
  - *Wall and ceiling finishes such as drywall, painting, stucco, plaster, wood paneling, marble, etc.*
  - *Kitchen, utility, bathroom and garage cabinets and counter tops*
  - *Built-in bookcases, cabinets, entertainment centers, aquariums, bars, wine racks, etc.*
  
- **All Utility and Service Equipment, including but not limited to:**
  - *HVAC equipment including ducting, boilers, chillers, etc.*
  - *Plumbing services including water heaters, sinks, fixtures, toilets, showers, tubs, etc.*
  - *Electrical services including light fixtures, ceiling fans, etc.*
  - *Built-in appliances including dishwashers, ovens, ranges, garbage disposers, trash compactors, etc.*
  - *Security and fire alarms, and fire suppression systems*
  - *Central vacuum systems*
  - *Water filtration, conditioning or recirculation systems*
  
- **Donated or Discounted Materials**
  - *The value of donated or discounted materials must be included at their full market value and estimated as though they were purchased during a normal market transaction.*
  
- **Self or Volunteered Labor**
  - *The value of self or volunteered labor must be estimated at prevailing wages for the appropriate type of construction wage scale.*
  
- **Miscellaneous Costs That Must Be Included:**
  - *Labor and other costs associated with demolishing, removing, or altering of building components*
  - *Overhead and profit*

**FEMA National Floodplain Insurance Program (NFIP)**  
**Guidelines for Construction Cost Estimates**

---

**Improvement Costs That May Be Excluded**

➤ **Costs of Improvements to Correct Existing Violations**

*Violations of state or local health, sanitary or safety codes may be excluded only if:*

- 1) *A regulatory official was informed and knew the extent of the code related deficiencies; AND...*
- 2) *The deficiency was in existence prior to the damage event or improvement.*

**Note:** *Only the “minimum necessary” to assure safe living conditions may be excluded from the improvement cost. For clarification, contact your FEMA planner and/or DWR Floodplain Management specialist.*

➤ **Debris Removal and Clean-up Costs**

- Debris removal
  - *Removal of debris from building or lot*
  - *Dumpster rental*
  - *Transport fees to landfill*
  - *Landfill dumping fees*
- Clean-up
  - *Dirt and mud removal*
  - *Building dry-out, etc.*

➤ **Outside Improvements**

- *Landscaping*
- *Sidewalks*
- *Fences*
- *Yard lights*
- *Swimming pools*
- *Screened pool enclosures*
- *Sheds*
- *Gazebos*
- *Detached structures, including garages*
- *Landscape irrigation systems*
- *Wells and septic systems*

➤ **Items Not Considered Real Property**

- *Throw rugs*
- *Furniture*
- *Refrigerators*
- *Other contents not connected/attached to, or part of, the structure*

➤ **Other Excludable Costs**

- *Plans and specifications*
- *Surveys*
- *Permit fees*