FEMA National Floodplain Insurance Program (NFIP)

Determining Structure/Market Value and Improvement/Repair Costs

Initial Screening Thresholds

\[ IC = \text{Improvement Cost} \]
\[ SV = \text{Structure Value} \]

- \((IC/SV) (100) \leq 40\%\) 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”
- 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.
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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
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