

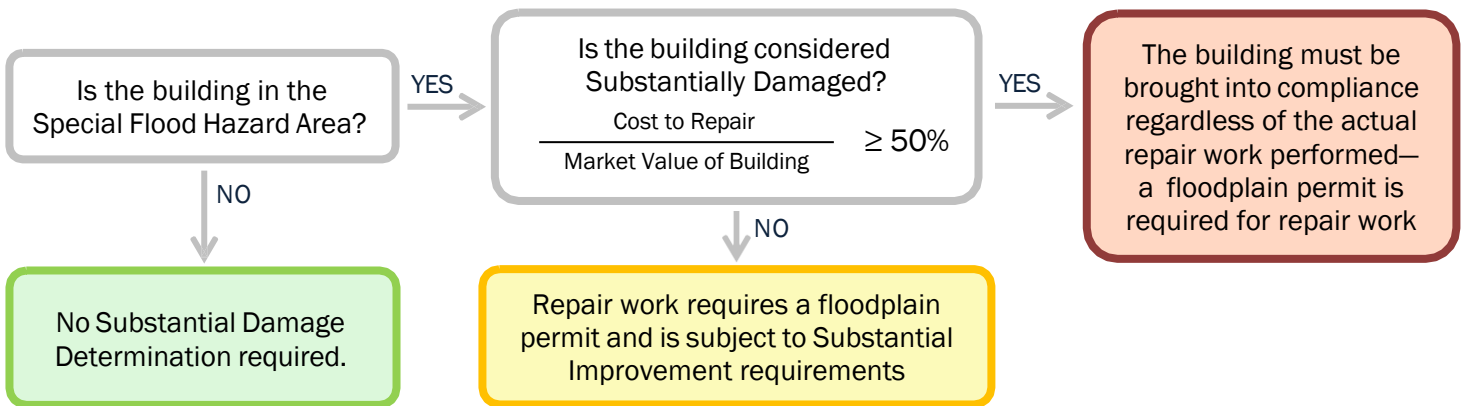
▶ SUBSTANTIAL DAMAGE REQUIREMENTS

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 local Zoning Administrator or 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 local flood hazard area review and a Cost Estimate of Repair worksheet.
2. Inspect damaged properties (we recommend working with other local officials, such as Emergency or Town Managers and others).
3. Collect and evaluate data submitted by property owner for a Substantial Damage review.
4. Make a final Substantial Damage Determination using the method outlined above.
5. Require compliance based on the final 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 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 community's assessors/listers or a licensed real estate appraiser (at property owner's expense).
- In most cases, *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. However, a floodplain permit is required for repairs or 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 pay for repairs to the flooded building, it will pay up to \$30,000 (up to the policy's coverage limit) to help cover the additional cost of complying with the local floodplain regulations.

▶ MORE INFORMATION

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

For more resources for local officials, please go to VTDEC's *After the Flood* website:



<https://dec.vermont.gov/watershed/rivers/river-corridor-and-floodplain-protection/after-a-flood>

For questions, please contact your local VT DEC Regional Floodplain Manager at:



https://dec.vermont.gov/sites/dec/files/wsm/rivers/docs/floodplain_mgr_regions.pdf