



SUBSTANTIAL IMPROVEMENT/SUBSTANTIAL DAMAGE (SI/SD)

Process & Methodology For 40- to 60-Percent Damaged Structures

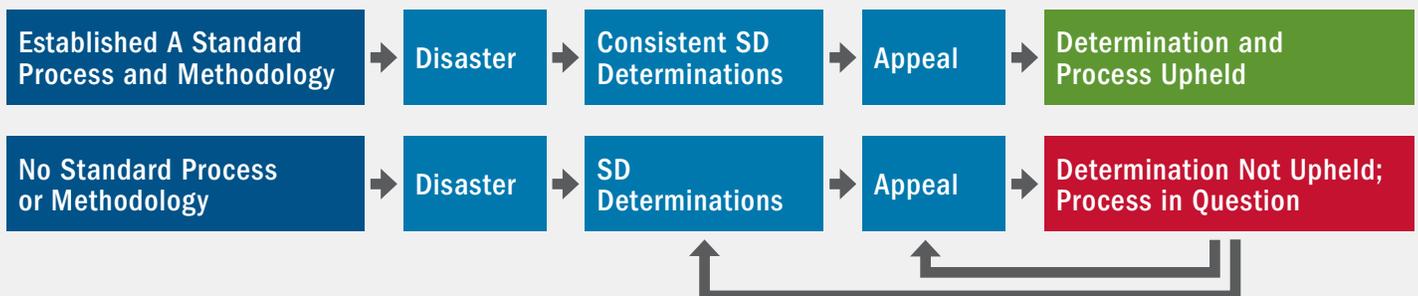
Structures located in Special Flood Hazard Areas (SFHAs) that are substantially modified (either damaged or improved) more than 50 percent are required to comply with local building and floodplain requirements. Local community officials (typically floodplain administrators) are responsible for substantial damage and improvement (SI/SD) determinations. These determinations are required for participation in the National Flood Insurance Program (NFIP).

After an event, substantial damage determinations are made by assessing damaged properties. Typically, preliminary evaluations are first completed to estimate the extent of damage to structures in the impacted area. Communities should have a process for making determinations for structures damaged between 0 and 40 percent, 40 and 60 percent, and 60 and 100 percent. After preliminary evaluations, communities should focus on inspecting structures estimated to be 40- to 60-percent damaged.

WHY FOCUS ON 40 TO 60% DAMAGED?
Substantial damage determinations can affect homeowners and communities in different ways. Structures estimated to be between 40 and 60% damaged may be controversial because they straddle the line of a determination. It is essential that your community has a standard assessment process in place. This will provide for defensible determinations.



Having a standard process for assessing 40- to 60-percent damaged structures will help your community manage these impacts.



CONSIDERATIONS WHEN DETERMINING YOUR PROCESS AND METHODOLOGY

CONSIDER...	HOW CAN THIS AFFECT YOUR DECISION?
Defensible Processes	<p>The SI/SD determinations must be consistently applied with the same process and methodology to structure owners before and after a disaster. The consistency of the process and how it is implemented impacts the number and validity of appeals.</p>
Determining Values	<p>Determining home values can be tricky. It is important to decide on the basis for assessments (market-rate value, tax assessed value, or otherwise) before the determinations begin. Assessments must be uniformly applied. This decision can significantly impact the validity of determinations.</p> <p><i>Example: if property values have not been recently reassessed, using tax assessed values may not produce an accurate determination.</i></p>
Compliance	<p>Once structures are declared substantially damaged, they must comply with the NFIP, State regulations, and local building codes and floodplain requirements. Enforcing compliance may require public outreach, additional staff time, and community resources, which can be challenging.</p> <p><i>Note: many communities have a cumulative clause for SI/ SD, accounting for investment over time. For instance, if a homeowner invests 30 percent of the home value one year and 25 percent the next, the community will determine the home to be more than 50 percent improved and the homeowner will need to bring the home into compliance.</i></p>
Elevation Certificates	<p>Elevation Certificates are the basis for determining if a homeowner must elevate their home. Often, inspectors and contractors do not fill in the required forms correctly. This can affect an SI/SD determination and should be accounted for in any process.</p> <p><i>Note: while Elevation Certificates are not required, they can be very useful.</i></p>
Varying Outcomes for Homeowners	<p>While some homeowners may request a substantial damage determination, others may not. This could lead independent appraisers to cater to the requests of the homeowner.</p> <p><i>Example: one homeowner may want a determination to qualify for Increased Cost of Compliance (ICC) coverage. Another homeowner may only have damage to a basement or porch, and a determination would require them to elevate their entire house.</i></p>
Foreclosure	<p>If the costs of compliance are too high, there may be a possibility of home foreclosure. This is an important consideration when deciding how to determine home values.</p>