



FEMA

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HURRICANE HARVEY

FAQ

National Flood Insurance Program: Substantial Damage

Q: What is substantial damage?

A: Substantial damage applies to an affected building in a Special Flood Hazard Area – or floodplain – for which the total cost of repairs is 50 percent or more of its market value before the disaster occurred, regardless of the cause of damage. This percentage could vary among jurisdictions.

- For example, if a structure's market value before the damage was \$200,000 and repairs are estimated to cost \$120,000, that structure is substantially damaged. Land value is excluded from the determination.
- For communities that participate in the National Flood Insurance Program, substantial-damage determinations are required by local floodplain-management ordinances. These rules must be in place for residents of a community to purchase flood insurance through NFIP.

Q: Who determines if a property is substantially damaged?

A: The decision about a structure being substantially damaged is made at a local government level, by a building official or floodplain manager. If the property is determined to be substantially damaged:

- The building must be brought into compliance with local floodplain management regulations.
- The owner might choose to demolish the building.
- Owners who decide to rebuild will need to elevate their structures or change them in some other way to comply with those local floodplain regulations and avoid future losses.
- Owners of non-residential structures may have the option to flood-proof their buildings.

Q: How is substantial damage determined?

A: Some officials may not make a visual inspection but will rely on contractor estimates or NFIP claims information or simply conclude that any flooding over "x" feet has caused substantial damage. That information helps property owners decide whether to repair or replace a damaged

dwelling, and whether additional work will be needed to comply with local codes and ordinances, such as elevating a structure in a floodplain.

Q: What should I keep in mind before beginning repair or rebuilding work?

A: All property owners should check with local building officials to determine if permits for repair are required before beginning the work. Depending on local codes and ordinances, there can be serious consequences for not complying with the permitting process.

Q: Will my insurance help in complying with local ordinances?

A: Property owners who have a flood insurance policy through NFIP and a substantially damaged building in a Special Flood Hazard Area may be able to use additional funds from their flood insurance policy (up to \$30,000) to help defray the costs of elevating, relocating or demolishing a structure. For more information on this provision – known as Increased Cost of Compliance – contact your insurance agent.

Q: I heard that the government might buy my damaged structure. True?

A: In some cases, substantial-damage determinations can lead to a property-acquisition process, in which a community may choose to offer to purchase and demolish properties. This can be complicated and time-consuming, but it has been a successful method of avoiding even higher and more frequent costs in subsequent disasters, especially flooding events.

Q: Where can I get more information about substantial damage?

A: Contact your local floodplain administrator. You can also email FloodSmart@dhs.gov to request information in a language other than English. Information also is available at www.fema.gov, www.floodsmart.gov and www.fema.gov/texas-disaster-mitigation.

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