



## **Santa Cruz County Flood Control District Public Information Handout**

### Substantial Improvement and Substantial Damage

***SUBSTANTIAL IMPROVEMENT*** The purpose of the substantial improvement rule is to ensure that lives and increased investment in Special Flood Hazard Areas are protected from flooding. When a building in a Special Flood Hazard Area is proposed to be remodeled, renovated, rehabilitated, added to, or in any way improved, the proposed modifications must be evaluated for “substantial improvement.” If the total costs of improvement are 50 percent or more of the “market value” of the structure, then the lowest floor of the building must be elevated above the base flood elevation. “Total costs” means all structural costs, as well as all finish materials, built-in appliances, hardware, in addition to profit and overhead.

Substantial improvement requirements apply to two different types of structures:

1) Existing or “Pre-Flood Insurance Rate Map” structures that were present before Santa Cruz County joined the National Flood Insurance Program; and 2) New or “Post-Flood Insurance Rate Map” structures where there has been a map change resulting in more restrictive flood zone designations or increased base flood elevations.

***SUBSTANTIAL DAMAGE*** Pre-FIRM buildings within a Special Flood Hazard Area must be elevated if damaged by any cause for which repair costs are 50 percent or more of the “market value” of the structure prior to the damage occurring. This applies to all buildings in a Special Flood Hazard Area, regardless if the building has flood insurance. Most homeowners never know about this flood protection standard until it happens to them.

The costs of repair must be calculated for full repair to the “before-damage” condition, even if the owner elects to do less. The total costs to repair include both structural and finish materials and labor.

**MARKET VALUE** Pertains to the structure only. Land and exterior improvements are excluded, e.g., swimming pool, pool enclosure, landscaping, paving, etc. Market value equals the assessed value or properly-depreciated appraised building value. The assessed value may be adjusted to reflect the market more accurately. Replacement cost can only be used to estimate market value if properly depreciated. Certified appraisals must be based on the comparable sales method. Appraisals based on external or economic obsolescence are not acceptable. The land value must be deducted and it must be equal to or greater than that established by the Santa Cruz County Assessor. The building value must be fairly depreciated to reflect the age of the building and the deterioration of building components.

**WHEN MAPS ARE REVISED** Substantial Improvement and Substantial Damage can affect “Post-FIRM” buildings, too! If the Flood Insurance Rate Maps are revised and the flood elevations increase, then many Post-FIRM buildings may be affected. The 50 percent rule applies to them now as well! So, check the FIRMs, find out what flood elevation was in effect when the building was constructed, and what it is today. Unless there is a map revision, all additions to a Post-FIRM structure must be elevated to or above the current Base Flood Elevation, whether they are “substantial” or not.

**COSTS TO BE INCLUDED** The construction costs to be calculated for both substantial improvement and damage include both structural and finish labor materials including but not limited to: lighting fixtures, built-in appliances, interior moldings, paneling, tiling, wall-to-wall carpet over subflooring, built-in cabinets, etc. The cost to demolish undamaged building components must be established and included. Overhead and profit are also included, but not the cost of permits. Many of these costs are not normally calculated for purposes of a building permit, nor are they regulated as part of the Building Code. But, they must be calculated for compliance with the substantial improvement and damage flood protection standards.

**CUMULATIVE COSTS** Substantial Damage and Substantial Improvement are subject to a “cumulative” qualifier in Santa Cruz County’s Floodplain and Erosion Hazard Management Ordinance, No. 2001-03. This qualifier considers staged or phased improvements/repairs that cumulatively exceed the 50% threshold as substantial improvements requiring the structure to be brought up to current flood code! All separate permits for the same structure considered a single improvement and/or repair.