



Federal Emergency Management Agency

Region IV

1371 Peachtree Street, N.E. Suite 700

Atlanta, GA 30309

NATIONAL FLOOD INSURANCE PROGRAM

THE 50% RULE

SUBSTANTIAL DAMAGE Pre-FIRM buildings must be elevated if damaged by any cause for which repair costs are 50% or more of the value of the building. This is a "hidden cost" that actually reduces the value of the structure. Most homeowners never know about this until it happens to them. Ask Saga Bay, Florida! Damage can, occur from flooding, fire, earthquake, wind, or man. This applies to all buildings in a flood hazard area, regardless if tile building has flood insurance.

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

SUBSTANTIAL IMPROVEMENT When a Pre-FIRM building 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% or more of the building value, the building must be elevated, etc., just like "substantial damage". "Total costs" means all structural costs, as well as all finish materials, built-in appliances, hardware, in addition to profit and overhead. The substantial improvement rule is a hidden potential cost that the buyer needs to be aware of.

BUILDING VALUE Building value = market value of structure only. Land and exterior improvements are excluded, e.g. swimming pool, pool enclosure, landscaping, paving, etc. Market value = assessed value or properly-depreciated appraised building value. The assessed value may be adjusted upward to reflect the market more accurately. Replacement cost can only be used if properly depreciated. Certified appraisals must be based on the comparable sales method. The land and value must be deducted and it must be equal to or greater than that established by the County Assessor. The building value must be fairly depreciated to reflect the age of the building and the deterioration of building components.

COSTS TO BE INCLUDED The construction costs to be calculated for both substantial damage and improvement include both structural and finish labor and materials. This includes lighting fixtures, built-in appliances, interior moldings, paneling, tiling, wall-to-wall carpet over sub flooring, 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 50% Rule. [see attached lists]

WHEN MAPS ARE REVISED Substantial Damage and Substantial Improvement can affect Post-FIRM buildings, too! If the FIRMs are revised, and the flood elevations increased, many Post-FIRM buildings may be affected. The 50% 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. All additions to a Post-FIRM structure must be elevated to or above the current BFE, whether they are "substantial" or not.

SUBSTANTIAL IMPROVEMENT/DAMAGE NOTICE TO PROPERTY OWNERS

Rebuilding your Home/Business after the storm? Adding on? Renovating? Or remodeling your home/business?

Here's information YOU need to know about ***the 50% Rule***.

If your home or business is below the 100-year flood elevation, City of South Pasadena has flood damage prevention regulations that may affect how you remodel, renovate, or add on to you building. If your home or business sustained structural and/or interior damage, these regulations may affect how you rebuild. These laws are required by the National Flood Insurance Program to protect your lives and investment from future flood damages. Your community must adopt and enforce these laws in order for federally-backed flood insurance to be made available to community residents and property owners.

Save yourself time, aggravation and money. **Please read the following information:**

SUBSTANTIAL DAMAGE means damage of any origin sustained by a structure whereby the cost of restoring the structure to it's before damage condition would equal or exceed 50 percent of the market value of structure before the damage occurred. (Note: The cost of the repairs must include all costs necessary to fully repair the structure to it's before damage condition.)

SUBSTANTIAL IMPROVEMENTS means any reconstruction, rehabilitation, addition, or other improvement of a structure, the cost of which equals or exceeds 50 percent of the market value of the structure before the "start of construction" of the improvement.

If a building is "substantially damaged" or "substantially improved", it must be brought into compliance with *City of South Pasadena* flood damage prevention regulations, including elevating the building to or above the 100-year flood elevation.

City of South Pasadena, following national Flood Insurance Program requirements, has the responsibility to determine "substantial damage" and "substantial improvement" and has implemented the following procedures to do so:

- 1.) City of South Pasadena will estimate Market Value by using the tax assessment value of your structure (excluding the land), plus 15%. Example: Structure Assessment value x 115% = Estimate Market Value. **If you disagree with this estimate of Market Value, you may hire a state licensed appraiser and submit a comparable property appraisal for the depreciated value of the structure.*
- 2.) You must obtain and submit to City of South Pasadena a detailed and complete cost estimate for the addition remodeling, reconstruction or for repair of all the damages sustained by your home/business, prepared and signed by a licensed general contractor. The contractor must sign an affidavit indicating that the cost estimate submitted includes all damages or all improvements, not just structural. (see copy attached.)

City of South Pasadena will evaluate the cost of improvements or repairs and determine if they are fair and reasonable. For damage repairs, pre-storm prices and rates will be utilized. The cost of improvements or repairs does not include items not considered a permanent part of the structure. (i.e., Plans, Surveys, Permits, Sidewalks, Pools, Screens, Sheds, Gazebos, Fences, etc.) (-see attached copy.)

- 3) If your home/business is determined to have "substantial damage" or is proposed to be "substantially improved", then an Elevation Certificate must be submitted to City of South Pasadena to determine the lowest floor elevation. Garages and carports are not considered to be the "lowest floor".

- 4) If the lowest floor is below the 100-year flood elevation, the building must be elevated to or above that level. Likewise, all electrical and mechanical equipment (heating and cooling, etc.), bathrooms, and laundry rooms must be elevated to or above the 100-year flood level. Only parking, building access and limited, incidental storage is allowed below the flood level. Non-residential buildings may be "flood proofed" instead of being elevated.
 In the lowest floor, electrical and mechanical, equipment, laundry and bathroom are already above the 100-year flood elevation, the building can be repaired and reconstructed without further modifications.
- 5) Building plans must be prepared to show how the building is to be elevated. If located in a V-Zone, Coastal High Hazard Area or if a non-residential structure is to be "flood proofed", these plans must be prepared and certified by a registered professional engineer or architect. Certificates for this purpose are available from the Building Official.
- 6) Following a presidential disaster declaration, the Small Business Administration may make loans available for both homes and businesses for purposes of elevating the structure to or above the 100-year flood, elevation. Proof of "substantial damage" from *City of South Pasadena* is required.

Per City of South Pasadena ORDINANCE NO. 2005-03 (Re: Prohibited Phasing & Timeframes)

AN ORDINANCE OF THE CITY OF SOUTH PASADENA, FLORIDA, AMENDING THE CITY CODE OF ORDINANCES DEALING WITH FLOOD DAMAGE PREVENTION TO ADD SECTION 108-22 CLARIFYING THE MEANING OF PHASING AND ADOPTING A PRESUMPTION THAT IMPROVEMENTS MADE WITHIN ONE YEAR OF THE COMPLETION OF ANOTHER IMPROVEMENT ARE PART OF THE ORIGINAL IMPROVEMENT, PROVIDING AN EFFECTIVE DATE.

WHEREAS, buildings that are substantially improved (50% of the value of the existing structure) must be elevated (residential) or flood proofed (commercial) and therefore many property owners seek to make the maximum improvement possible without exceeding 50% in order to avoid having to elevate or flood proof their buildings; and

WHEREAS, the enforcement of the Flood Damage Prevention provisions of the City Code is the responsibility of the City's building official, however the Federal Emergency Management Agency (FEMA) evaluates the performance of the City and flood insurance rates and even the availability of flood insurance is dependent upon FEMA's assessment of the City's enforcement; and

WHEREAS, FEMA issues technical bulletins that give local enforcement officials guidance in interpreting and enforcing rules such as the 50% rule. **FEMA's bulletin on the 50% rule strictly prohibits the phasing of an improvement in order to defeat the purpose of the 50% rule. This includes prohibiting the splitting of a renovation project that exceeds the 50% threshold into multiple permits in order to avoid being considered a substantial improvement;** and

WHEREAS, determining whether renovation projects are being phased requires a subjective determination and can be difficult to enforce without a specific adopted timeframe; and

WHEREAS, **the adoption of a one (1) year time frame providing that any further improvements undertaken within one (1) year of final inspection of the previous improvement shall be presumed to be phase two of the same project, establishes a more objective standard and will be easier to enforce;** and

WHEREAS, there are legitimate circumstances under which two improvements made within a single year are not part of a single phased improvement such as when a structure that has been improved is subsequently damaged by an Act of God and repairs are required;

NOW, THEREFORE, BE IT ORDAINED by the City Commission of the City of South Pasadena, Florida:

SECTION 1. Section 108-22 of the City Code of Ordinances is hereby created to read as follows:

108-22 RULES FOR DETERMINING WHAT CONSTITUTES A SUBSTANTIAL IMPROVEMENT. The Building Official shall rely upon technical bulletins, training materials and letters of interpretation issued by FEMA and the Florida Department of Community Affairs in determining whether or not a substantial improvement has been made or substantial damage has occurred.

A. Phasing Projects to Defeat 50% Rule Prohibited:

1. In determining whether additional repairs, reconstruction or improvements constitute a substantial improvement any previous repair, reconstruction or improvements to the same building or structure made within the previous 12 months shall be presumed to be phases of a single project and the total cost of all such projects shall be compared to the value of the building before the first improvements was made. The only exception to this rule is when an act of God occurs within a year of completion of a project and the combined cost of the previous project and the necessary repairs would exceed 50% of the value of the structure before the first improvement. For example a renovation project that costs 40% of the value of the structure is completed in February 2005 and in September 2005 a fire in the structure requires a repair the cost of which is 15% of the value of the structure prior to the February renovation. The repair cost will not be treated cumulatively with the February renovation since the repairs are necessary as a result of an act of God that was not foreseeable at the time of the initial project. No additional work beyond the storm repair will be permitted until after February 2006. In this case any project proposed before September 2006 will be treated cumulatively with the storm repair cost and the 50% shall be calculated using the value of the structure immediately prior to the storm damage.

2. Applications for building permits that seek to construct improvements that are designed in a manner that anticipates further improvement at a later date must include the price of the entire future improvement in calculating whether or not they constitute a substantial improvement, regardless of the fact that entire project is not being permitted. For example, the installation of plumbing to accommodate plumbing fixtures to be added at a future date, the installation of wiring for lighting fixtures that are not part of the permit, the over-sizing of air conditioning units to accommodate future expansion, the overbuilding of foundations and walls or ceilings to accommodate additional stories.

B. Exempt Improvements. In determining whether a renovation is exempt from the substantial improvement calculation as an item that is needed to comply with existing state or local health, sanitary or safety code specifications the building or structure must have been issued a notice of violation or a citation by the City or Pinellas County before application for a building permit was made. Modifications to a structure required as a result of other voluntary improvements are not exempt. For example if a homeowner is remodeling a kitchen and the building code requires the upgrading of the home's electrical panel the cost of the improvement is not exempt from the substantial improvement calculation.

IMPORTANT NOTE ON DONATED MATERIALS AND VOLUNTEER LABOR

In accordance with federal and state regulations, you must **include the value** of any donated materials and volunteer labor in your cost estimate. The current market value of all donations and the current average hourly rate for volunteering **does apply** towards the "50% Rule" discussed in this document. To determine the value of donated materials, please use the "pre-storm" normal retail cost for each item donated. For volunteer labor, determine the normal "pre-storm" hourly rate charged for the trade. For instance, ask your contractor what he would normally have charged per hour for framing if volunteers will be assisting your with framing, then estimate the number of hours of volunteer work you will use during the project, and include the amount on your Cost Estimate form.

ITEMS TO BE INCLUDED

(Please check off each line)

ALL STRUCTURAL ELEMENTS INCLUDING:

- Spread or continuous foundation footings and pilings
- Monolithic or other types of concrete slabs
- Bearing walls, tie beams and trusses
- Wood or reinforced concrete decking or roofing
- Floors and ceilings
- Attached decks and porches
- Interior partition walls
- Exterior wall finishes (e.g., brick, stucco or siding) including painting and decorative moldings
- Windows and doors
- Re-shingling or re-tiling a roof
- Hardware

ALL INTERIOR FINISH ELEMENTS, INCLUDING:

- Tiling, linoleum, stone or carpet over sub-flooring
- Bathroom tiling and fixtures
- Wall finishes (e.g., drywall, painting, stucco, plaster, paneling, marble or other decorative finishes)
- Kitchen, utility and bathroom cabinets
- Built-in bookcases, cabinets and furniture
- Hardware

ALL UTILITY AND SERVICE EQUIPMENT, INCLUDING:

- HVAC equipment
- Repair or reconstruction of plumbing and electrical services
- Light fixtures and ceiling fans
- Security systems
- Built-in kitchen appliances
- Central vacuum systems
- Water filtration, conditioning or recirculation systems

ALSO:

- Labor and other costs associated with demolishing, removing or altering building components
- Overhead and profit

ITEMS TO BE EXCLUDED

Plans and specifications

Survey costs

Permit fees

Debris removal (e.g., removal of debris from building or lot, dumpster rental, transport fees to landfill and landfill tipping fees), and clean-up (e.g., dirt and mud removal, building dry out, etc.)

Items not considered real property such as: throw rugs (carpeting over finished floors), furniture, refrigerators, appliances which are not built-in, etc.

OUTSIDE IMPROVEMENTS, INCLUDING:

Landscaping

Sidewalks

Fences

Yard lights

Swimming pools\spa

Screened pool enclosures

Sheds

Gazebos

Detached structures (incl. garages)

Landscape irrigation systems

Docks and Davits

Seawalls

Driveways

Decks

ITEMS REQUIRED TO EVALUATE YOUR APPLICATION

APPLICANT MUST SUBMIT ALL OF THE FOLLOWING (please check off each item):

1. **Completed and signed application** for substantial damage/improvement review (included in this package).
2. **Elevation certificate** if property is located above base flood elevation.
3. **Property Owner's Substantial Damage or Substantial Improvement Affidavit** signed, notarized and dated (included in package).
4. **Contractor's Substantial Damage or Substantial Improvement Affidavit** signed, notarized and dated (included in package).
5. **Estimated Cost** of reconstruction/improvement form (included in package) and all required backup. Include subcontractor's bids and itemized cost lists (see footnote on Cost Estimate Form).
7. Copy of **construction contract**. If the owner is the contractor, submit all subcontractor bids to document the cost estimate.
6. This **checklist**.

**APPLICATION FOR SUBSTANTIAL DAMAGE
OR SUBSTANTIAL IMPROVEMENT REVIEW**

Property Address: _____

Property Owner's Name: _____

Property Owner's Address: _____

Property Owner's Phone Number: _____

Contractor's Name: _____

Contractor's Address: _____

Contractor's Phone Number: _____

Flood Zone _____

Base Flood Elevation _____

Lowest Floor Elevation _____

FIRM panel Number _____

Datum _____

Elevation of Lowest Horizontal Structural Member (**V-Zone**) _____

Check one of the following:

I **am** attaching a State Certified Appraiser's report, valuing the structure at: _____

I am **not** attaching a State Certified Appraiser's report and I accept the use of the valuation of my property that has been recorded by the County Property Appraiser's Office.

SIGNATURES:

Property Owner: _____ Date: _____

Contractor: _____ Date: _____

**PROPERTY OWNER'S
SUBSTANTIAL DAMAGE OR
SUBSTANTIAL IMPROVEMENT AFFIDAVIT**

Property Address: _____

Contractor's Name: _____

Property Owner's Name: _____

Property Owner's Address: _____

Property Owner's Phone Number: _____

I hereby attest that the list of work and cost estimate submitted with my Substantial Damage or Substantial Improvement Application reflects **ALL OF THE WORK TO BE CONDUCTED** on the subject structure including all additions, improvements and repairs and, if the work is the result of Substantial Damage, this work will return the structure at least to the "before damage" condition and bring the structure into compliance with all applicable codes. Neither I nor any contractor or agent will make any repairs or perform any work on the subject structure other than what has been included in the attached list.

I UNDERSTAND THAT I AM SUBJECT TO ENFORCEMENT ACTION, WHICH MAY INCLUDE FINES, IF ANY INSPECTION OF THE PROPERTY REVEALS THAT I, OR MY CONTRACTOR, HAVE MADE REPAIRS OR IMPROVEMENTS NOT INCLUDED ON THE ATTACHED LIST OF REPAIRS OR THE APPROVED BUILDING PLANS.

See attached itemized list.

STATE OF _____

COUNTY OF _____

Before me this day personally appeared _____, who, being duly sworn, deposes and says that he/she has read, understands, and agrees to comply with all the aforementioned conditions.

Property Owner's Signature

Sworn to and subscribed before me this _____ day of _____, 20__.

Notary Public State of _____

My commission expires _____

**CONTRACTOR'S
SUBSTANTIAL DAMAGE OR SUBSTANTIAL IMPROVEMENT AFFIDAVIT**

Property Address: _____

Contractor's Name: _____

Contractor's Company Name: _____

Contractor's Address: _____

Contractor's Phone Number: _____

Contractor's State Registration or Certification Number: _____

Contractor's Pinellas County Construction Registration Number (if applicable): _____

I hereby attest that I, or a member of my staff, personally inspected the subject property and produced the attached itemized list of repairs, reconstruction and/or remodeling which are hereby submitted for a Substantial Damage or Substantial Improvement Review. The list of work contains **ALL OF THE WORK TO BE CONDUCTED** on the subject property. If the property sustained Substantial Damage, this list of work will return the structure to at least its condition prior to damage and bring the structure into compliance with all applicable codes. I further attest that all additions, improvements or repairs proposed for the subject building are included in this estimate and that neither I nor any contractor or agent representing me will make any repairs or perform any work on the subject structure other than what has been included in the attached list.

I UNDERSTAND THAT I AM SUBJECT TO ENFORCEMENT ACTION, WHICH MAY INCLUDE FINES, IF ANY INSPECTION OF THE PROPERTY REVEALS THAT I, OR MY CONTRACTOR, HAVE MADE REPAIRS OR IMPROVEMENTS NOT INCLUDED ON THE ATTACHED LIST OF REPAIRS OR THE APPROVED BUILDING PLANS.

See attached itemized list.

STATE OF _____

COUNTY OF _____

Before me this day personally appeared _____, who, being duly sworn, deposes and says that he/she has read, understands, and agrees to comply with all the aforementioned conditions.

Contractor's Signature

Sworn to and subscribed before me this _____ day of _____, 20____.

Notary Public State of _____
My commission expires _____

Cost Estimate of Reconstruction / Improvement

Application Date _____

Address _____

This cost estimate of reconstruction/improvement must be prepared by and signed by the contractor or by the owner if the owner acts as the contractor. Owners who act as their own contractors must estimate their labor cost **at the current market value** for any work they intend to perform.

| | Sub-Contractor Bids | Contractor or Owner Estimates | Contractor or Owner Estimates |
|--------------------------------|-----------------------------|---|-------------------------------|
| | Bid Amounts (see note D") | Material Costs | Labor Costs |
| 1 Masonry | | | |
| 2 Carpentry Material (rough) | | | |
| 3 Carpentry Labor (rough) | | | |
| 4 Roofing | | | |
| 5 Insulation and Weatherstrip | | | |
| 6 Exterior Finish (Stucco) | | | |
| 7 Doors, Windows & Shutters | | | |
| 8 Lumber Finish | | | |
| 9 Hardware | | | |
| 10 Drywall | | | |
| 11 Cabinets (Built-in) | | | |
| 12 Floor Covering | | | |
| 13 Plumbing | | | |
| 14 Shower / Tub / Toilet | | | |
| 15 Electrical & Light Fixtures | | | |
| 16 Concrete | | | |
| 17 Built-in Appliances | | | |
| 18 HVAC | | | |
| 19 Paint | | | |
| 20 Demolition & Removal | | | |
| 21 Overhead & Profit | | | |
| Subtotals: | | | |
| | Total Estimate Cost: | <i>(all three subtotals added together)</i> | |

- A) A copy of the signed construction contract must accompany this estimate.
- B) Subcontractor bids may be used for any material and/or labor cost breakdown. **INCLUDE** donations and volunteer labor.
- C) If any amounts appear in the "Sub-contractor" column, a copy of each signed and dated bid must accompany this form.
- D) Cost backup must be provided for every line item entry. If any amounts appear in the "Sub-contractor" column, a copy of **each signed and dated bid must accompany this form**. For all other costs, you must list the quantity of materials to be installed and their unit cost on a separate sheet that references the line number. For example, the backup documentation may contain a section called "Drywall to be installed (line 10)":

| | <u>This sheet (line 10)</u> | <u>Separate Sheet</u> |
|------------|-----------------------------|--|
| Materials: | 2,000.00 | 1,000 sq ft 1/2" Drywall @ \$2.00/sq ft = \$2,000.00 |
| Labor: | 320.00 | 16MH to hang Drywall @ \$20.00/MH = \$320.00 |