



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
RICHARD A. LEOPOLD, DIRECTOR

June 19, 2008

ATTENTION COUNTY OFFICIALS

After the devastating effects of flooding, the first thing on everyone's mind is to get things back in order – repairing damaged sewage systems, providing safe drinking water, fixing roads, and helping people get back into their homes and businesses as soon as possible. Iowans often pride themselves on their quick response to disasters, and rightly so. However, there are some things you, as a county official, need to be aware of so that your county's participation in the National Flood Insurance Program is not put at risk. This is especially true when dealing with flood-damaged buildings.

Your county participates in the National Flood Insurance Program (NFIP) and, as a result, your residents can purchase federal flood insurance. They are also eligible for various federal loans and grant programs, including federal disaster assistance programs. To become eligible for the NFIP, your county agreed to regulate floodplain development, which includes the repair and reconstruction of flood-damaged buildings. Failure to carry out these requirements could lead to suspension from the NFIP and the denial of flood insurance and other federal benefits.

There are two key NFIP requirements for flood damaged buildings you need to be aware of:

- ◆ a Floodplain Development Permit is required for the repair and reconstruction of all flood-damaged buildings, and
- ◆ the buildings that are *substantially damaged* must be reconstructed to satisfy the requirements for new buildings (that is, they must be elevated or floodproofed).

There are no specific criteria for the repair of buildings which suffer "minor" damage, which makes the granting of a permit relatively easy. Buildings that have been "substantially" damaged must meet flood protection requirements which, in most cases, means the building's lowest floor must be raised to a level at least one foot above the 100 year flood level. Your floodplain ordinance defines a substantially damaged structure as one for which the cost of repair to its "pre-damage" condition is 50% or more of its pre-damage market value.

We recommend that your county do everything possible to identify structures that were damaged and require a permit application be filled out *before* repairs are made. It is very important that you document the cost of repairs versus the pre-damage market value, especially where the cost of repair and reconstruction will be significant. If this is not done, it could cause some big problems down the road.

Enclosed is a document titled "Methods for Determining Substantial Damage" that gives some guidance on how to calculate both "cost of repair" and "market value". Essentially, the cost of repair is the fair market value of all materials and labor required to restore the building to its pre-damage condition. If materials or labor are donated or discounted below normal market values, the value should be adjusted to an amount that would be equal to its normal market value. Items that can be excluded from the calculation of the cost of repair include: Plans and specifications, survey costs, permit fees, debris

removal (including hauling fees), landscaping, sidewalks, fences, sheds, and detached structures (including garages). The following are usually acceptable sources of repair cost information:

- ◆ National Flood Insurance Proof-of-Loss Statement or adjuster's worksheets
- ◆ Contractor's itemized repair estimates
- ◆ Building Department's cost of repair estimates

Market value is typically defined as the amount an owner would be willing, but not obliged to accept, and a buyer would be willing, but not compelled to pay. Of course, this value can be determined by an appraisal. However, many communities, as a matter of convenience, prefer to use the tax assessed value (minus the value of land and exterior improvements such as accessory structures, etc.). The assessed value may be adjusted upward to reflect the market value more accurately (for instance, if it is determined that market values in an area are 20% above average assessed values). Whatever method you use, the important thing is to be consistent.

The Department of Natural Resources has flood plain management regulations which require a permit for most kinds of development in the flood plain. Because your county has a detailed Flood Insurance Study that provides 100 yr. flood elevation and floodway information for most of the flooding sources, this Department delegated a portion of its flood plain management authority to your county when it approved your flood plain management ordinance. Therefore, your county can permit much of the development in your SFHA in lieu of this Department provided it satisfies the minimum criteria specified by your ordinance. Variances to these criteria require the concurrence of this Department. A sample Flood Plain Development Application/Permit form is enclosed for your use.

Because of the extent and severity of the damage to some of the communities affected, there will likely be pressure to grant variances from the elevation requirements of the ordinance. We highly recommend that variances not be granted except for those cases where compliance would result in exceptional hardship. The hardship that would result from failure to grant the requested variance must be exceptional, unusual and peculiar to the property involved. Economic or financial hardship alone is not exceptional enough to justify setting aside the county's regulations. Inconvenience, aesthetics, physical handicaps or personal preferences cannot, as a rule, qualify as exceptional hardships. All of these problems can be resolved through other means, without granting a variance.

A willingness to grant variances too easily is not looked upon favorably by the Federal Emergency Management Agency (FEMA) and can result in the county being sanctioned by the NFIP. Another problem that can result from the granting of a variance from the elevation requirements of the county's ordinance is the cost of flood insurance for the applicant. A substantially damaged structure loses its grandfather status as it applies to flood insurance rates and must be rated based on the elevation of the lowest floor in relation to the 100 yr. flood. A building with a basement below the 100 yr. flood level can easily have flood insurance rates of \$5.00 per \$100 of coverage. Since most lending institutions require flood insurance as a condition of a loan for a building located in a SFHA, a variance to the elevation requirements of the ordinance can easily cost the owner over \$1000 a year for flood insurance.

Also enclosed is a document explaining the NFIP's Increased Cost of Compliance coverage (ICC). Substantially damaged buildings that were covered by flood insurance at the time of the flood are eligible for up to \$30,000 in coverage that can be applied to the increased costs associated with complying with the elevation and floodproofing requirements of the county's flood plain management regulations.

If you have any questions regarding your flood plain management regulations or the NFIP, please contact Bill Cappuccio at (515)-281-8942 or Sandy Cox at (515) 281-4333.

Methods for Determining Substantial Damage

Substantial Damage Formula

The criteria for determine substantial damage is the ratio of the cost to repair the structure to its before damaged condition to the market value of the structure prior to the damage.

$$\frac{\text{Cost to Repair Structure}}{\text{Market Value of the Building}} \geq 50 \text{ percent}$$

Cost to Repair

The cost to repair the structure must be calculated for full repair to the building's before-damage condition, even if the owner elects to do less. The total cost must include the cost of donated labor and materials. It must also include the cost of any improvements that the owner has opted to include during the repair project.

1. Materials

The value placed on materials should be:

- Equal to the actual or estimated cost of all materials to be used or considered necessary in repairing all damages sustained by the building.
- No less than that required to restore the building to its pre-damaged condition.

Donated/Discounted Materials

- The value of donated or discounted materials should be adjusted to an amount equal to the estimated market rate.
- Adjustments and estimates should be made by the local permit official based on his/her professional judgment and knowledge of the local or regional cost of construction materials and servicing equipment.

2. Labor

The value placed on labor should be:

- Equal to the actual or estimated labor charge for repair of all damages to the structure.

Donated or Self Labor (Non-reimbursed Labor)

- The value of donated or self labor should be estimated based on applicable minimum-hour wage scales for the type of construction work that is done.
- The estimate should be made by the local permit official based on his/her professional judgment and knowledge of the local or regional wage scales.

Determining Cost

Sources

FEMA accepts the following sources for determining the cost to fully repair a damaged structure:

1. Itemized estimates made by licensed contractors or other professional estimators.
2. For insured structures damaged by floods, the monetary damage estimated by the NFIP claims adjustor (STRUCTURE only, not contents). Claims estimates should be primarily used as screening method to determine if a structure has been substantially damaged.
3. "Qualified estimates" made by local building permit department using professional judgment and knowledge of local and regional construction costs. Methods for making "qualified estimates" are prescribed in handbooks published by building-cost information services such as Marshall and Swift.
4. Building code valuation tables published by the major building code groups. These tables can be used for determining estimates for particular replacement items IF the type of structure in question is listed in the tables.
5. Damage assessment field surveys conducted by building inspection departments, emergency management or tax assessment agencies or other professional State or local officials. Such damage assessments should estimate the total monetary damage sustained to the structure.

Items to Include

The cost of repair after a flood that simply soaked the building will typically include the following structural items:

- Remove all wallboard and insulation
- Install new wallboard and insulation
- Tape and paint
- Remove carpeting and vinyl flooring
- Dry flood, replace warped flooring
- Replace cabinets in the kitchen and bathroom
- Replace built-in appliances
- Replace hollow-core doors
- Clean and disinfect duct work
- Repair porch flooring and front steps
- Clean and test plumbing
- Replace outlets and switches, clean and test wiring

Items to Exclude

Items which may be excluded include:

- Plans and specifications
- Surveying
- Permit fees

- Demolition or emergency repairs made for health or safety reasons or to prevent damage to the building
- Improvements or repairs to items outside the building, such as driveway, fencing, landscaping and detached structures.
- Historic Structures as defined in the community’s Floodplain Management Ordinance
- Correcting existing code violations

For a more detailed list of items to be included and items to be excluded, refer to Chapter 12, page 7 of the *Iowa Floodplain Management Desk Reference, 2008*. Also, refer to Chapter 12, pages 22-25 in the *Iowa Floodplain Management Desk Reference, 2008* for additional information on exempting historic structures and correcting existing code violations

Determining Market Value

For the purposes of determining substantial damage, market value pertains only to the structure in question. It does not pertain to the land, landscaping or detached accessory structures on the property. For determining substantial damage, the value of the land must always be subtracted.

Acceptable estimates of market value can be obtained from the following sources:

1. Independent appraisals by a professional appraiser
2. Detailed estimates of the structure’s Actual Cash Value (used as a substitute for market value based on the preference of the community)
3. Property appraisals used for tax assessment purposes (Adjusted Assessed Value may also be used as a screening tool)
4. Value of buildings taken from NFIP claims data (may also be used as a screening tool)
5. “Qualified estimates” based on sound professional judgment made by staff of the local building department or local or State tax assessor’s office.

Replacement cost may NOT be substituted for market value when determining whether a structure was substantially damaged.

Sources

Iowa Floodplain Management Desk Reference, January 2008

FEMA 213, Answers to Questions About Substantially Damaged Buildings, April 1991

FLOOD PLAIN DEVELOPMENT APPLICATION/PERMIT

Application # _____

Date _____

TO THE ADMINISTRATOR: The undersigned hereby makes application for a Permit to develop in a flood plain. The work to be performed, including flood protection works, is as described below and in attachments hereto. The undersigned agrees that all such work shall be done in accordance with the requirements of the (____ city/county____) Flood Plain Management Ordinance and with all other applicable county/city ordinances and the laws and regulations of the State of Iowa.

(Owner or Agent) (Date) (Builder) (Date)

(Address) (Address)

Telephone # _____ Telephone # _____

1. Location: _____ 1/4 _____ 1/4 , Section _____ , Township _____ , Range _____
Street Address: _____

2. Type of Development

Filling _____ Grading _____ Excavation _____ Routine Maintenance _____
Minor Improvement _____ Substantial Improvement _____ New Construction _____

3. Description of Development: _____

4. Premises: Size of site: ____ft. x ____ft. Area of Site: _____ sq. ft. Estimated cost: \$ _____
Principal Use: _____
Accessory Uses (Storage, parking, etc.) _____

5. Addition or modification to non-conforming use? Yes ___ No ___ Assessed value of structure \$ _____

6. Is property located in a designated Floodway (FW District)? Yes ___ No ___

IF ANSWERED YES, CERTIFICATION MUST BE PROVIDED PRIOR TO THE ISSUANCE OF A PERMIT TO DEVELOP, THAT THE PROPOSED DEVELOPMENT WILL RESULT IN NO INCREASE IN THE 100 YEAR (BASE) FLOOD ELEVATION.

7. Property located in a designated Floodway Fringe (FF), General Flood Plain (FP), or Shallow Flooding (SF) District?
Yes ___ No ___ If so, indicate which one: _____

a. Elevation of the 100 year (Base) flood (identify source if other than FIRM) : _____

b. Elevation of the proposed development site (natural ground): _____ MSL/NGVD

c.. Required elevation/floodproofing level for lowest floor: _____ MSL/NGVD

d. Proposed elevation/floodproofing level for lowest floor (including basement): _____ MSL/NGVD

e. Other flood plain information (identify and describe source) _____

THIS PERMIT IS ISSUED WITH THE CONDITION THAT THE LOWEST FLOOR (INCLUDING BASEMENT) OF ANY NEW OR SUBSTANTIALLY IMPROVED RESIDENTIAL BUILDING WILL BE ELEVATED AT LEAST 1.0 FOOT ABOVE THE 100 YR. (BASE) FLOOD ELEVATION. IF THE PROPOSED DEVELOPMENT IS A NON-RESIDENTIAL BUILDING, THIS PERMIT IS ISSUED WITH THE CONDITION THAT THE LOWEST FLOOR (INCLUDING BASEMENT) OF A NEW OR SUBSTANTIALLY IMPROVED NON-RESIDENTIAL BUILDING WILL BE ELEVATED OR FLOOD PROOFED TO AT LEAST 1.0 FOOT ABOVE THE 100 YR. (BASE) FLOOD ELEVATION.

8. Other permits required?

Iowa Department of Natural Resources: Yes___ No___ If yes, permit # _____

Date Received: _____

Corps of Engineers: Yes___ No___ If yes, permit # _____

Date Received: _____

Other: _____

All provisions of the City/County of _____, Flood Plain Management Ordinance (Ordinance Number _____) shall be complied with.

THIS PERMIT IS ISSUED WITH THE CONDITION THAT THE DEVELOPER/OWNER WILL PROVIDE CERTIFICATION BY A REGISTERED ENGINEER, ARCHITECT, OR LAND SURVEYOR OF THE "AS-BUILT" LOWEST FLOOR (INCLUDING BASEMENT) ELEVATION OF ANY NEW OR SUBSTANTIALLY IMPROVED BUILDING COVERED BY THIS PERMIT.

Plans and Specifications Approved this _____ Day of _____, 19____.

(Signature of Developer/Owner)

(Authorizing Official)

cc: Water Resources Section
Iowa Department of Natural Resources
Wallace State Office Building
East 9th and Grand
Des Moines, IA 50319

Increased Cost of Compliance Coverage

Since June 1, 1997, all structural flood insurance policies issued by the National Flood Insurance Program (NFIP) have included additional coverage called Increased Cost of Compliance (ICC).

The name of the coverage refers to those situations where the local flood plain management ordinance, or State regulations, require elevation or retrofitting of a building that has been “substantially damaged” by flood. A substantially damaged building must be reconstructed such that the lowest floor (including basement) is elevated or floodproofed to an elevation equivalent to 1.0 ft. above the 100 yr. frequency flood. Under the ICC, the flood insurance policy will not only pay for repairs to the damaged building, but will also pay up to \$30,000 towards the cost of complying with the flood plain regulations. This coverage is available for any flood insurance claim (satisfying the requirements listed below) and is not dependent on the community receiving a Presidential Disaster Declaration.

Allowable mitigation measures under ICC include elevation, floodproofing (for non-residential buildings), relocation and demolition, or any combination thereof. It is up to the property owner to decide which measures to use, provided they comply with the applicable State or community flood plain regulations.

For example: ICC coverage can be applied to the costs of demolishing a flood damaged structure and elevating the building if it is rebuilt at another location, provided the elevation or floodproofing measures satisfy the applicable State and community requirements. It can also be applied to the cost of relocating the building to a location outside the Special Flood Hazard Area (SFHA).

The requirements for filing an ICC claim are as follows:

- The building was covered by a flood insurance policy prior to the damage occurring.
- The building was damaged by flood.
- The building is located in a Special Flood Hazard Area (SFHA) as identified by the community’s Flood Insurance Rate Map (FIRM).
- When the claim is filed with the insurance agent, it must be accompanied by a “substantial damage determination” letter from the community’s flood plain ordinance administrator (a sample letter is included on the opposite side). The insurance agent must activate the ICC claim by submitting the substantial damage determination letter to the NFIP.
- The Community must be in the Regular Program of the NFIP

* A “substantially damaged” building is one for which the cost to repair to its “pre-damage” condition is 50% or more of its pre-damage market value. The cost of repair is the fair market value of all materials and labor required to restore the building to the pre-damage condition.

Sample Substantial Damage Letter

Jean Q. Homeowner
123 Main Street
Anywhere, Iowa

Dear Ms. Homeowner,

The [city or county] of [Anywhere, Iowa] has a floodplain management regulations which it enforces as a condition of its participation in the NFIP. These regulations requires that a substantially damaged structure located in the special flood hazard area, as identified by the [city's or county's] Flood Insurance Rate Map (FIRM), must be reconstructed in compliance with the requirements of these regulations.

The [city or county] has determined that your home, located at [123 Main Street] is inside the boundary of the special flood hazard area and has sustained substantial damage as the result of the flood event occurring on [date(s) of flood event]. The term "substantial damage" means damage of any origin sustained by a structure whereby the cost of restoring the structure to pre-damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.

The [city or county] will not issue a floodplain development permit to repair your home until a reconstruction proposal is provided for your substantially damaged home that is adequate to bring the structure into compliance with the requirements of the floodplain management regulations.

If your home was insured with a NFIP flood insurance policy, please provide a copy of this letter to your flood insurance agent. This substantial damage letter is the evidence required by the NFIP for a flood insurance policyholder to become eligible to claim benefits of the Increased Cost of Compliance (ICC) coverage. ICC provides for a claim payment to be used by the policyholder for the increased cost of reconstruction required for a substantially damaged home to comply with the floodplain management regulations. ICC benefits are only available to flood insurance policyholders and only if the substantial damage was caused by flood.

Please contact me at [telephone] to discuss the floodplain management ordinance requirements. If you wish to discuss this in person, please call to arrange a convenient time for your visit. Thank you.

Sincerely,

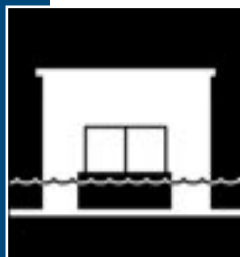
[Floodplain Administrator's Name]
[Title of Official]

Reduce Future Flood Losses

Comply with your community's building codes and floodplain ordinances to reduce future flood losses. You can use ICC to help pay for any of these mitigation solutions:

- Elevating above the flood level in your community.
- Relocating to a new site.
- Demolishing the building.
- Floodproofing (non-residential buildings only).

Ask community representatives to help you package ICC benefits with disaster and mitigation assistance grants, low-interest Small Business Administration loans, or other Federal funds to help build a safer future for you and your family.



ICC Helps to Ensure a Safer Future



John Smith's \$110,000 home was flooded by Tropical Storm Allison so badly that the repair estimate totaled \$63,525. After receiving the

estimate, John and the local building official decided that elevating his home was the best way to meet the floodplain ordinance and prevent future damages.

John's agent filed an ICC claim after he obtained a proof of loss, a detailed repair estimate, and a substantial damage declaration on John's home. To start the project, Allright Insurance Company gave John \$10,450 (half the total cost of elevation) to begin the elevation of his home; the final payment of \$10,450 was paid after the work was completed.

For more information on ICC coverage, call your insurance company or agent, or call the NFIP at 1-800-427-4661.

Also, visit FEMA's Web site at <http://www.fema.gov/nfip> for valuable guidance to help you reduce losses from future floods, fires, and other disasters.



National Flood Insurance Program Increased Cost of Compliance Coverage

Creating a Safer Future



FEMA

Flood Insurance Includes an Additional Way to Help You Rebuild.

Increased Cost of Compliance, or ICC, coverage is part of most Standard Flood Insurance Policies. Claims for ICC benefits are filed separately from your claim for contents or building loss.

If eligible, you can collect up to \$30,000 to help cover the cost of bringing your home or business into compliance with floodplain ordinances. If your building has been repeatedly or severely damaged by flooding, your local floodplain ordinances may require you to make changes to the property. You can use ICC benefits to help pay for these required improvements.

Are You Eligible to File an ICC Claim?

You are eligible to file for ICC if your community floodplain administrator determines one of the following:

- Your property is “substantially damaged.” This means that your community says the cost to repair your flooded building is 50% or more of its pre-disaster market value.
- Your property sustained “repetitive damage.” This term applies to homes or businesses that were damaged by flooding twice in the past 10 years, where the cost of repairing the flood damage, on average, equaled or exceeded 25% of the property market value at the time of each flood. Also, there must have been flood insurance claim payments for each of the two flood losses, and the community’s floodplain management ordinance must have a repetitive loss provision.

Increased Cost of Compliance Claim Process

Policyholder	Adjuster/Claims Representative	Local Building Department
1 Report flood loss to insurer.	2 Estimate flood damage and tell policyholder he/she may be eligible for ICC benefits.	3 Determine building “substantially damaged” or a “repetitive loss.” Provide written determination to policyholder.
4 Provide the building department’s written determination of substantial damage or repetitive loss to the adjuster.	5 Set up an ICC claim file: Obtain damage and market value information on building from policyholder. For a repetitive loss building, get previous claim information. Verify that the flood-related damage for the current building claim supports community information.	Discuss mitigation options that will comply with floodplain regulations. Issue necessary building permits for mitigation measures.
6 Obtain a signed contract that details costs to perform the mitigation activity and give it to the claims representative.	7 Provide Proof of Loss form to the policyholder for a partial payment.	
8 Provide Proof of Loss and copy of community permit(s) to the adjuster in order to receive the first portion of the ICC claim money.	9 Provide initial ICC claim payment to the policyholder.	
10 Complete the mitigation measure within 2 years from the date of loss.		
12 Provide a copy of Certificate of Occupancy to the insurer.	13 Make final ICC claim payment upon receipt of Certificate of Occupancy.	11 Inspect completed mitigation work and issue a Certificate of Occupancy or other written evidence that the work is compliant with floodplain management ordinances.

Note: When participating in a community-sponsored, FEMA-funded mitigation project, the policyholder may assign ICC benefits to the community to integrate into the project. The community then becomes responsible for submitting all of the appropriate paperwork.

Sequence of events may vary.