

What Does “Substantial Damage” Mean?

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The term “substantial damage” applies to a structure in a Special Flood Hazard Area – or floodplain – for which the total cost of repairs is 50 percent or more of the structure’s market value before the disaster occurred, regardless of the cause of damage. This percentage rule can vary among jurisdictions.

The decision about a structure being substantially damaged is made at the local-government level, generally by a building-department official or floodplain manager.

For communities that participate in the National Flood Insurance Program (NFIP), substantial damage determinations generally are required by local floodplain-management ordinances. These rules must be in place for residents of a community to purchase flood insurance.

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 means the building is substantially damaged.

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.

If a building in a floodplain is determined to be substantially damaged, it must be brought into compliance with local floodplain-management regulations:



- Owners who decide to rebuild may 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 need to flood-proof their buildings.

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.

Property owners who have a FEMA flood-insurance policy and a substantially damaged building in a Special Flood Hazard Area may be able to use additional funds from their 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.

In some rather rare cases, substantial-damage determinations can lead to a buyout process, wherein 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 floods.

For more information, contact your local floodplain administrator, FEMA's National Flood Insurance Program (800-427-4661) or your local insurance agent. If you use TTY, you can call NFIP at 800-427-5593. You can also email FloodSmart@dhs.gov to request information in a language other than English. More information is available at <https://www.fema.gov/> and www.floodsmart.gov.

