



May 1, 2023

ATTENTION COMMUNITY OFFICIALS

The recent and ongoing Mississippi River flood event might have resulted in serious damage to some of the structures located in the Special Flood Hazard Area (SFHA) identified on your community's Flood Insurance Rate Map (FIRM). Please note there are some things you, as a community official, need to be aware of so that your community's participation in the National Flood Insurance Program is not put at risk.

Because your community participates in the National Flood Insurance Program (NFIP), your residents can purchase federal flood insurance and are eligible for the various federal loan and grant programs. To become eligible for participation in the NFIP, your community agreed to regulate development in the SFHA identified by the community's FIRM. This includes the repair and reconstruction of damaged structures, whether the damage was caused by flood, wind, fire, or other origin. 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 the repair of damaged structures in the SFHA that you need to be aware of at this time:

- A Floodplain Development Permit is required to repair and reconstruct all damaged structures (including factory-built homes) in the SFHA. A sample [Floodplain Development Application/Permit Form](#) is attached for your use.
- The structures that are "*substantially damaged*" must be reconstructed to satisfy the requirements for new structures (that is, they must be elevated or floodproofed).

There are no specific criteria for repairing structures that suffer "minor" damage, which makes granting a permit relatively easy. However, structures that have been "substantially" damaged must meet flood protection requirements. In most cases, the structure's lowest floor must be raised to a level at least one foot above the Base (i.e. 100-year) Flood Elevation. 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 community do everything possible to identify damaged structures within the SFHA and require a permit be obtained 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 result in big problems down the road. A sample [Building Damage Calculation Worksheet](#) is attached for your use.

Also attached 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:

- 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 10% above average assessed values). Whatever method you use, the important thing is to be consistent.

Although the FIRM provides Base Flood Elevation information for some of your community's flooding sources, the Iowa Department of Natural Resources (DNR) has not delegated its floodplain management authority to your community. Therefore, a Floodplain Permit is still required from the Iowa DNR for most types of floodplain development. For this reason, we suggest that anyone needing a permit for the repair of a substantially damaged building be directed to obtain a Floodplain Permit from the Iowa DNR before a local permit is issued. Assistance from the Department can be requested at: floodplain-help@dnr.iowa.gov or (866) 849-0321.

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 community'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 community being sanctioned by the NFIP. Another problem that can result from the granting of a variance from the elevation requirements of the community's ordinance is the cost of flood insurance for the applicant. A substantially damaged structure loses any eligibility it might have for subsidized flood insurance rates and must be rated based on the elevation of the lowest floor in relation to the base flood. A building with a basement below the Base Flood Elevation 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 an SFHA, a variance to the elevation requirements of the ordinance can easily cost the owner over \$5,000 a year for flood insurance.

If you have any questions regarding your floodplain management regulations or reviewing and approving repairs to substantially damaged structures, please contact either:

Ken Bouma: (515) 725-8352, ken.bouma@dnr.iowa.gov

Jason Conn: (515) 725-8333, jason.conn@dnr.iowa.gov

Methods for Determining Substantial Damage

Substantial Damage Formula

The criteria for determining 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

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, 2014*. Also, refer to Chapter 12, pages 21-23 in the *Iowa Floodplain Management Desk Reference, 2014* 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 (May 2014)
 - https://www.iowadnr.gov/Portals/idnr/uploads/water/floodplain/nfip_deskreference.pdf
- FEMA P-758 213, Substantial Improvement / Substantial Damaged Desk Reference (2010)
 - https://www.fema.gov/sites/default/files/documents/fema_nfip_substantial-improvement-substantial-damage-desk-reference.pdf

Building Damage Calculation Worksheet

Property Address:					Building Type:		
<div style="display: flex; justify-content: space-between;"> FIRM Panel: Flood Zone: BFE: </div>					<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <input type="checkbox"/> Residential <input type="checkbox"/> Commercial <input type="checkbox"/> Agricultural <input type="checkbox"/> Other: </div> <div style="width: 45%;"> <input type="checkbox"/> Government <input type="checkbox"/> Non-Profit <input type="checkbox"/> Accessory </div> </div>		
Market Value Determination			Check Value Used	Cost of Repair Determination			Check Value Used
Professional Appraisal				Contractor's Estimate of Damage			
-Professional Market Appraisal:			<input type="checkbox"/>	-Contractor's Estimate:			<input type="checkbox"/>
Adjusted Tax Assessed Value				Flood Insurance Statement of Loss			
-Tax Assessed Value:				-Statement of Loss Amount:			<input type="checkbox"/>
-Factor Adjustment:				Community's Estimate of Damage			
-Adjusted Tax Assessed Value:			<input type="checkbox"/>	-Community's Estimate:			<input type="checkbox"/>
<div style="text-align: center;"> $\text{Percent Damage} = \frac{\text{Cost of Repair}}{\text{Market Value}} \times 100 = \text{_____} \times 100 = \text{ } \boxed{\text{ }} \%$ <p>If the "Percent Damage" is equal to or greater than 50%, the building is substantially damaged.</p> </div>							
<input type="checkbox"/>	This building is substantially damaged and therefore must be elevated such that the lowest floor (including basement) is at least 1 foot above the BFE.						
<input type="checkbox"/>	This building is <u>not</u> substantially damaged. This building can be repaired without having to elevate						
<input type="checkbox"/>	The elevation of the lowest floor of this building (including basement) is _____, which is above the BFE at this location. Therefore, this building is properly elevated and may be reconstructed at its existing elevation						
Reviewed By:						Date:	

Flood Plain Development Application/Permit

Application/Permit# _____

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 (Enter City/County Name) Flood Plain Management Ordinance and with all other applicable city/county ordinances and the laws and regulations of the State of Iowa.

Owner/Agent: _____

Street Address: _____ Phone: _____

City/State/Zip: _____ Email: _____

Builder: _____

Street Address: _____ Phone: _____

City/State Zip: _____ Email: _____

Project Location: $\frac{1}{4}$ _____ $\frac{1}{4}$ _____ Section _____ Township _____ Range _____

Latitude: _____ Longitude: _____ County: _____

Project Street Address: _____

City/State/Zip: _____

Type(s) of Development

☐ Filling

☐ New Construction

☐ Routine Maintenance

☐ Excavation

☐ Grading

☐ Substantial Improvement

☐ Minor Improvement

☐ Other (describe below)

Development Description

Size of Site (ft x ft): _____ Area of Site (sq. ft.): _____ Estimated Cost (\$): _____

Principal Use: _____

Accessory Uses (Storage, parking, etc.): _____

Addition or modification to non-conforming use: ☐ Yes ☐ No Assessed value of structure (\$): _____

Is property located in a designated Floodway (FW District)? ☐ Yes ☐ No

IF "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.

Is property located in a designated Floodway Fringe (FF), General Flood Plain (FP), or Shallow Flooding (SF) District?

☐ Yes ☐ No If "Yes", indicate which one: _____

Elevation datum used : ☐ NAVD88 ☐ NGVD29 ☐ Other (describe): _____

Elevation of the 100 year (Base) flood (ft): _____ Source: _____

Elevation of the proposed development site (natural ground) (ft): _____

Required elevation/flood proofing elevation for lowest floor (ft): _____

Proposed elevation/flood proofing level for lowest floor (including basement): _____

Other 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 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 FLOODPROOFED TO AT LEAST 1.0 FOOT ABOVE THE BASE FLOOD ELEVATION.

Other Permits Required

Iowa DNR Flood Plain Permit	<input type="checkbox"/> Yes <input type="checkbox"/> No	Permit # _____	Date Received: _____
IDNR Sovereign Lands Permit	<input type="checkbox"/> Yes <input type="checkbox"/> No	Permit # _____	Date Received: _____
US Army Corps of Engineers	<input type="checkbox"/> Yes <input type="checkbox"/> No	Permit # _____	Date Received: _____
ESA Compliance Clearance	<input type="checkbox"/> Yes <input type="checkbox"/> No	Permit # _____	Date Received: _____
Other	<input type="checkbox"/> Yes <input type="checkbox"/> No	Permit # _____	Date Received: _____

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 Date _____

Signature of Owner/Agent: _____ Date: _____

Signature of Authorizing Official: _____ Date: _____

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]



FEMA

Fact Sheet

Federal Insurance and Mitigation Administration

Increased Cost of Compliance Coverage

The National Flood Insurance Program: Building Smarter and Safer

Increased Cost of Compliance (ICC) coverage is one of several resources for flood insurance policyholders who need additional help rebuilding after a flood. It provides up to \$30,000 to help cover the cost of mitigation measures that will reduce flood risk. ICC coverage is a part of most standard flood insurance policies available under the Federal Emergency Management Agency's (FEMA's) National Flood Insurance Program (NFIP).

Reducing Future Damage

ICC coverage provides payment to help cover the cost of mitigation activities that will reduce the risk of future flood damage to a building. When a building covered by a Standard Flood Insurance Policy suffers a flood loss and is declared to be substantially or repetitively damaged, ICC will pay up to \$30,000 to bring the building into compliance with State or community floodplain management laws or ordinances. Usually this means elevating or relocating the building so that it is above the base flood elevation (BFE). Non-residential structures may also be floodproofed. ICC coverage applies solely to buildings and only covers the cost of the compliance measures undertaken. It is filed separately from the normal flood insurance claim.

Determining Who is Eligible

In addition to being insured under the NFIP, a building must meet one of two conditions to be eligible to receive ICC coverage; it must have been either 1) determined to be substantially damaged or 2) meet the criteria of a repetitive loss structure.

- Substantial damage is the determination by the community that damage due to flood has equaled or exceeded 50 percent of the value of the building. When repaired, the building must meet local

floodplain management ordinances. If the total damage from flooding is less than 50 percent of the market value of the building, ICC coverage is not available.

- Repetitive loss means that a building covered by flood insurance incurred flood-related damage two times over a period of 10 years, and that the cost of the repairs was, on the average, at least 25 percent of the market value of the building before the damage occurred each time. This applies only if the community has adopted a repetitive loss provision in the local floodplain management ordinance, and a flood insurance claim must have been paid in both cases. The combined damage total must be 50 percent of the value of the building before the damage occurred, but it need not be evenly distributed. So, if the damage was 35 percent of the value of the building in the first event and 15 percent of the value of the building in the second event, the policyholder would qualify for ICC coverage.

FINDING ADDITIONAL POLICYHOLDER INFORMATION

FEMA encourages flood insurance policyholders whose homes are damaged extensively by flood to ask their claims adjusters or insurance agents about ICC coverage.

People can get more information online at:

<http://www.fema.gov/library/viewRecord.do?id=3010>

or by calling their insurance agents.



National Flood
Insurance Program

Meeting Compliance Standards

ICC coverage can help pay for four different types of mitigation activities to bring a building into compliance with the community's floodplain management regulations:

- Elevation is the most common means of reducing a building's flood risk. The process consists of raising the building to or above the BFE. While NFIP policy only requires the lowest floor of the building to be raised to the BFE, some States and communities enforce a "freeboard" requirement, which mandates that the building be raised above the BFE to meet the community's flood protection level.
- Floodproofing applies only to non-residential buildings. For a building to be certified as floodproof, it must be watertight below the BFE – the walls must be substantially impermeable to water and designed to resist the stresses imposed by floods. Floodproofing techniques include installation of watertight shields for doors and windows; drainage collection systems, sump pumps, and check valves; reinforcement of walls to withstand floodwater pressures; use of sealants to reduce seepage through and around walls; and anchoring the building to resist flotation, collapse, and lateral movement.
- Relocation involves moving the entire building to another location on the same lot, or to another lot, usually outside the floodplain. Relocation can offer the greatest protection from future flooding; however, if the new location is still within the Special Flood Hazard Area (SFHA), the building must be NFIP-compliant, meaning it must be elevated or floodproofed (if non-residential).
- Demolition may be necessary in cases where damage is too severe to warrant elevation, floodproofing, or relocation; or where the building is in such poor condition that it is not worth the investment to undertake any combination of the above activities. All applicable permits must be obtained prior to demolishing the building. The property may be redeveloped after demolition is complete, subject to all applicable Federal, State, and community laws and requirements.

Using ICC in Concert with FEMA Mitigation Grants

In some cases, individual policyholders can take advantage of Federal grant money to supplement the cost of mitigation activities. Policyholders can assign their ICC benefits to their community and enable the community to file a single claim on behalf of a community mitigation project. FEMA will count the ICC claim monies as non-Federal matching funds when applying for mitigation grants, because ICC coverage is a direct contract between the policyholder and the insurer. The community can then use FEMA mitigation grant funds to help pay for any additional portion of the cost of elevation, floodproofing, relocation, or demolition that is more than the ICC claim payment. It is extremely important for policyholders and community officials to work closely together at every stage of this process. Individual participation in a FEMA-funded community mitigation project is voluntary and the community is required to provide mitigation funds to any property owner whose ICC payment was counted towards the matching funds.

For More Information

For obtain more information on ICC coverage, visit:
<http://www.fema.gov/library/viewRecord.do?id=3010>.