



ENGINEERING DIVISION

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DETERMINATION OF SUBSTANTIAL IMPROVEMENT STATUS FOR BUILDING PROJECTS IN THE FLOODPLAIN

3/25/08

The following guidelines have been prepared to assist owners of property located in Federal Emergency Management Agency (FEMA) Special Flood Hazard Areas (floodplain) who are planning improvements to their home, commercial or industrial buildings. If the value of the improvement project cost is found to be 50% or more of the value of the structure, then the project must comply with FEMA Regulations and City Flood Damage Prevention Ordinances (Title 12, Chapter 12.42). The full City ordinance can be found at <http://ordlink.com/codes/menlopark/index.htm>.

VALUE OF THE STRUCTURE

The City requires that an appraiser or estimator licensed in the State of California determine the value of the structure. The appraiser shall use the "Cost Analysis" method to determine the value of the structure as if it were to be replaced in kind, in new condition. The appraiser shall then apply a depreciation factor to account for the age of the structure and its loss of value due to physical deterioration and functional obsolescence. The depreciation factor used by the appraiser should conform to recognized appraisal industry standards and is subject to review, along with the appraisal, by the City or its consultant.

The as-is value of site improvements should include only items directly associated with the structure itself. Each structure should be appraised separately and compared to the cost of improvements proposed for that structure. The City or its consultant will review the appraisal for reasonableness and whether the square foot value is consistent with recent improvement project costs within the City.

Owners who are attempting to determine a structure value before submittal of their application may use \$300 per square foot as a preliminary estimate of the value of their structure, less 20% for depreciation. However, an appraisal will still be required with the building permit application and plans.

VALUE OF THE IMPROVEMENT PROJECT

In the case of small projects (under \$75,000), the City will accept the project valuation submitted on the building permit application, or \$300 per square foot, whichever is greater, as the value of the proposed improvements. For projects larger than \$75,000, the applicant should use the form on page 4 to calculate the value of the improvements.

As the ratio of project cost to structure value approaches 50%, greater levels of accuracy in establishing these values are required. If the project cost is more than 40% of the value of the structure, the City will require a detailed estimate from a California licensed general contractor. The contractor shall include a certification, made under penalty of perjury, that the information provided is correct and accurate. The cost estimate for the project shall be consistent with the approved plans and is subject to the review and approval by the City or its consultant.

The estimate and certification, if required, shall be submitted along with the building permit application and plans.

The following items may be excluded in determining the value of the improvement project:

- Plans, specifications, survey costs and permit fees;
- Debris removal, including dumpster rental, transport fees to landfill and site cleanup;
- Items not considered real property such as appliances and furniture not built-in, (e.g., stoves, throw rugs);
- Outside improvements including landscaping, sidewalks, fences, yard lights, swimming pools, screened pool enclosures, sheds, gazebos, detached structures (including garages) and irrigation systems.

Use prevailing wages for the particular type of construction proposed even if the owner plans to do the work, or if volunteer labor will be used. Use the value, as if purchased today in a normal market transaction, of donated or discounted materials.

Project costs for improvements completed within the 12-month period before submittal of a building permit application shall be included in the cost of the current project. Project phasing shall not be used as a means to avoid compliance with FEMA regulations.

DETERMINING WHETHER THE PROJECT IS A SUBSTANTIAL IMPROVEMENT

If the value of the improvement is 50% or more of the value of the structure, the City will deem the project a Substantial Improvement. If this is the case, the project shall include improvements that will bring the structure into compliance with FEMA regulations and City ordinance. For a list of standards see the ordinance Chapters 12.42.51 and 12.42.52 <http://ordlink.com/codes/menlopark/index.htm>.

The City may provide a preliminary decision on whether the improvement is substantial before the building permit application and plans are submitted. However, a final decision cannot be made until after review of the plans, appraisal and cost estimate. Be sure that the project cost estimate includes all items shown in the plans.

ITEMS REQUIRED FOR SUBMITTAL

1. Completed building permit application
2. Appraisal or estimate showing the value of the structure
3. Completed *FEMA Substantial Improvement Determination Worksheet*
4. If *Worksheet* shows project cost is more than 40% of structure value,
 - a. Detailed cost estimate from a California licensed general contractor
 - b. Contractor's certification form
5. Elevation Certificate stamped and signed by a California licensed surveyor, if the project is a substantial improvement.
6. Plan set

RATIONALE

Even if a project is not deemed substantial, owners should keep in mind that flood insurance for properties in compliance with, or exceeding, current FEMA regulations is far less expensive. Lenders of federally funded mortgages require additional insurance for properties within a Special Flood Hazard Area. Over the course of a 30-year mortgage savings of \$30,000 to \$50,000 may be realized for a homeowner who's house meets or exceeds FEMA regulations for floodplain construction.

Buildings in compliance with FEMA standards, along with their contents, may suffer significantly less damage during flooding. The height, venting, anchorage and materials requirements all serve to improve the likelihood that the structure will resist flotation, collapse and lateral movement during a flood event. Emergency response and life-saving personnel can do their work faster and more safely in a crisis when the surrounding structures are in compliance with FEMA regulations.



FEMA SUBSTANTIAL IMPROVEMENT DETERMINATION WORKSHEET

Project Address: _____

Building Permit Number: _____

Flood Zone Designation: _____

<i>Value of Existing Structure (Replacement cost new, less depreciation)</i>	Value New	Value Depreciated
Existing Structure-Pre FIRM (built before February 4, 1981) Depreciated value of Pre FIRM structure	\$0.00	\$0.00
Existing structure- Post FIRM (built after February 4, 1981) Depreciated value of Post FIRM structure	\$0.00	\$0.00
A. Total Value of Existing Structure (per attached appraisal dated _____, 200__)	\$0.00	\$0.00

Depreciation Deduction Used (in percent)

Year Structure Was Built

Area of Structure (in square feet [SF]) (edit if necessary)

Value per square foot of Structure (in dollars)¹ \$

Value of Proposed Improvements

Room/Structure Main House	Cost per SF	Area (SF)	Value
Proposed Addition ¹	\$0	0	\$0.00
Bathrooms Remodel (65% of ¹)	\$0	0	\$0.00
Kitchen Remodel (65% of ¹)	\$0	0	\$0.00
Attached Garage (17.5% of ¹)	\$0	0	\$0.00
Bedroom Remodel (50% of ¹)	\$0	0	\$0.00
New roof structure (25% of ¹)	\$0	0	\$0.00
Common Living Space Remodel (50% of ¹)	\$0	0	\$0.00
Windows, Doors, New Siding (17.5% of ¹)	\$0	0	\$0.00
B. Total Cost/Value of Proposed Improvements of Main House:			\$0.00
C. Total Cost Detached Garage(if applicable) (17.5% of ¹)	\$0	0	\$0.00
D. Total Cost Detached Accessory Bldg-Storage (if applicable) (17.5% of ¹)	\$0	0	\$0.00
E. Total Cost Detached Accessory Bldg-Living Space (if applicable)¹	\$0	0	\$0.00

Determining Whether the Improvement is Substantial

SUBSTANTIAL IMPROVEMENT DETERMINATION = B/A (Note: If > 0.5, then Proposed Improvement is a Substantial Improvement)	#DIV/0!
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City Official:

Date: