

Resolution No. 7

Date: June 17, 2017
City: Washington, DC

NAHB Resolution

Title: FEMA's "50% Rule" for Substantial Improvement/Damage Repair
Submitted by: Stephen Albert

WHEREAS, many homeowners who wish to renovate, remodel, maintain or repair their homes discover that the National Flood Insurance Program (NFIP) limits the allowable amount of work that can be done if their homes are located within the 100-year floodplain;

WHEREAS, the NFIP's "50% Rule" requires that if the costs of any "substantial improvement" to a structure within the 100-year floodplain, including reconstruction, rehabilitation, addition, or other improvement exceeds 50% of the market value of the building, that structure must be brought up to current floodplain management standards;

WHEREAS, the Federal Emergency Management Agency's (FEMA) regulations direct the state/local officials to determine if a project meets the "substantial improvement" threshold by comparing the cost of the improvement with the market value of the building and allows state and local officials to determine a project meets the 50% mark if the cumulative total of all projects on the structure over a specified period of time exceeds the trigger;

WHEREAS, the cost of the project means all structural costs, including all materials, labor, built-in appliances, overhead, profit, and repairs made to the damaged areas of the building worked on at the same time;

WHEREAS, in identifying those elements that are to be included in determining project cost, FEMA specifically distinguishes a building's structural elements from its interior finishes and utility service equipment;

WHEREAS, structural project costs are those related to the essential functions and soundness of the building and specifically include foundations/footings/pilings, monolithic/concrete slabs, bearing walls/tie beams/trusses, floors/ceilings, interior partition walls, and attached decks/porches, among others;

WHEREAS, interior finish and utility service equipment costs are generally those associated with dispensable, non-structural, more easily replaceable items that may commonly be associated with maintenance and repair projects, such as built-in bookcases, cabinets, countertops, appliances, HVAC, light fixtures/ceiling fans, wall finishes, windows, doors, security systems, and more;

WHEREAS, this broad inclusion of building elements that have no bearing on the structural integrity of a building, coupled with the ability to count multiple projects, can make the cost of a

modest renovation or repair project exceed 50% of the home's market value for many homeowners, thereby triggering the need to elevate the home to, or above, the applicable Base Flood Elevation or Design Flood Elevation;

WHEREAS, the 50% Rule's elevation requirements are inherently costly, inefficient, burdensome, and ill-suited to be applied to the aged housing stock, impeding necessary and desired renovations, repairs, and maintenance; relegating thousands of homes to disrepair and/or tear-down status; and subjecting low-moderate income earners, retirees, and the elderly to bear the brunt of the rule's rigid requirements;

WHEREAS, removal of the interior finish and utility service equipment costs from FEMA's list of Substantial Improvement/Damage structural cost factors and limiting the determination to a per project basis would more realistically reflect the costs to improve a structure, without undermining the integrity of the underlying purposes of the 50% rule;

WHEREAS, more realistically accounting for the costs associated with substantial improvement, can encourage and facilitate necessary repair, maintenance and renovation activities and ensuring thousands of homes remain appealing to and viable for the next generation of home buyers, thereby contributing to healthy home sales and commerce;

NOW, THEREFORE, BE IT RESOLVED that National Association of Home Builders (NAHB) urge Congress and FEMA, in implementing the 50% Rule, to limit the calculation of project cost to only those structural elements necessary to the structural integrity of the building;

BE IT FURTHER RESOLVED that NAHB urge FEMA to:

1. Allow local floodplain managers and others tasked with administering FEMA's 50% Rule to exclude interior finish and utility service equipment costs in calculations supporting implementation of the 50% Rule; and
2. Discourage local jurisdictions from counting multiple projects to trigger the 50% threshold.

Please note: This resolution was submitted after the deadline and will require a two-thirds majority vote for approval by the Board of Directors.

Board of Directors Action:

APPROVED

Executive Board Action:

Recommends Approval

Resolutions Committee Action:

Recommends Approval

Construction, Codes & Standards Committee Action:

Recommends Approval

State and Local Government Affairs Committee Action:

Recommends Approval

NAHB Remodelers Board of Trustees Action:

Recommends Approval

Federal Government Affairs Committee Action:

Recommends Approval