

FEMA's 50% RULE & HOW IT MAY AFFECT YOUR PROPERTY

The Federal Emergency Management Agency (FEMA) has established rules pertaining to the Substantial Improvement of a building. Buyers need to be aware that any not FEMA compliant building that is to be remodeled, renovated or improved – when that project cost is 50% or more of the building value – will have to be brought into compliance with the National Flood Insurance Program (NFIP) standards. Project costs include structural costs, finished materials, built-in appliances, flooring, interior finishes, overhead & profit on the job. The cost of permitting is not included.

ANSWERS TO FREQUENTLY ASKED **“50% RULE/FEMA” QUESTIONS**

1. What is the 50% Rule?

The 50% Rule is a National Flood Insurance Program (NFIP) regulation which states that structures whose lowest living floor does not meet or exceed the current required Base Flood Elevation (BFE) + 2 feet of freeboard specified on the Flood Insurance Rate Map (FIRM) may not be substantially improved.

2. What is Substantial Improvement?

Substantial improvement is any reconstruction, rehabilitation, addition, or other improvement of a structure, the cost of which exceeds 50% of the market value of the structure before the start of construction of the improvement.

3. What is Market Value?

Market value is the assessed value or depreciated appraised value of the structure. The City of Treasure Island determines market value in one of the following ways:

1. Pinellas County Property Appraiser's Improvement Value for the structure only, or
2. Provide an independent appraisal prepared and certified by a Florida Licensed Real Estate Appraiser.

4. Are there any projects that do not count towards the 50% Rule?

There are only 2 cases in which the cost of improvements may not apply towards the 50% Rule:

1. Any improvement of a structure to correct existing violations of state or local health, sanitary, or safety code specifications which have been identified by the local code enforcement official prior to the application for permit and which are the minimum necessary to assure safe living conditions (this does not include repair to a substantially damaged building).
2. Any repair, rehabilitation or addition constituting substantial improvement to a designated historic structure may be exempt, but the owner must receive in writing approval from the Florida Bureau of Historic Preservation office that the structure will maintain its historical integrity and historical classification.

5. Do maintenance projects count towards my 50%?

Yes, if the maintenance project requires a Building Permit from the City of Treasure Island.

6. Can I enclose the area underneath my home and make it into habitable space?

No, if the area is located below the BFE + 2 feet that was in effect at the time the home was built. This area below BFE + 2 feet can only be used for parking of vehicles, storage and limited access.

7. How is the value of an improvement determined?

The City of Treasure Island uses a form "Valuation & Cost of Work" that must be completed and signed by the contractor or the owner-builder. With the submittal of this form are copies of the construction contract, any subcontractor bids and any materials purchased by the property owner for the project (light fixtures, appliances, paint, etc). The City will then evaluate the cost of improvements and determine if they are fair and reasonable.

8. Is the cost of an improvement discounted if the owner does the work or the materials are donated?

No. The value placed on materials must equal the actual or estimated cost. The value placed on labor must be estimated based on applicable hourly wage scales for the type of construction work.

9. Are there any items that can be excluded from the cost of improvement?

Items that should not be counted toward the cost of repair include plans, specifications, survey, building permit fees and other items separate from or incidental to the repair or improvement of the structure. Improvements to the land, such as driveways, pools, seawalls, etc. are not included in the 50% Rule value.

10. How do I find out the required BFE for my property and what does it mean?

Base Flood Elevations (BFE), which have been determined by FEMA, is the 1% annual chance of flooding. The 1% annual chance flood is the flood that has a 1% (1 out of 100) chance of occurring in any given years. The base flood, which is also informally referred to as the 100-year flood, is the national standard used by the NFIP and all Federal agencies for the purposes of requiring the purchase of flood insurance. You may contact the City of Treasure Island Building Department at 727-547-4575 ext. 239 for additional information.

11. How do I find out the elevation of the lowest floor of my house?

In order to determine what elevation a structure was built at, you will need an Elevation Certificate. You may contact the City of Treasure Island Building Department at 727-547-4575 ext 230 to see if there is an elevation certificate on file. If an elevation certificate is not on file, you will need to contact a state registered land surveyor to provide an updated elevation certificate for you.

12. Do I need flood insurance?

Yes, all of Treasure Island is located in a Special Flood Hazard Area. Flood insurance is required for all properties with a Federally backed mortgage. There is a 30-day waiting period for new flood insurance policies.

13. Why should an owner suffer what seems to be a penalty for upgrading and/or improving a structure?

The underlying principal for counting the extra costs associated with the more expensive materials, labor, or design is the added real property that would be located in a special flood hazard area and that would be at risk to flood damage. It should be noted that in some form, the Federal Government (the NFIP, FEMA, or various disaster assistance programs) would likely be obligated to pay a portion of or all future damage to these more expensive improvements. In addition, structures located in a special flood hazard area that are not elevated to or above the BFE pose threats to the health and safety of the occupants of these structures. Over time it is not only important to protect the property of the existing structures through substantial improvement, but also to protect the health and lives of the public citizens that occupy them.

14. What if the City of Treasure Island did not participate in the NFIP?

There are several consequences if the City did not participate in the NFIP. The biggest consequence is that flood insurance through the National Flood Insurance Program would not be available for any buildings, including residential and commercial, located within the City of Treasure Island. If someone wanted to obtain flood insurance, they would have to go through a private insurance company. Few companies offer flood insurance. As a result of non-participation in the NFIP, there would be no Federal grants, loans, or mortgage insurance for structures located in a Special Flood Hazard Area. Federal disaster assistance would be unavailable following a declared disaster. Owners of buildings with conventional loans would also be required to notify buyers or lessees that the property is in a Special Flood Hazard Area and that Federal disaster relief is not available in a declared disaster.