CITY OF NEWPORT BEACH
COMMUNITY DEVELOPMENT DEPARTMENT
BUILDING DIVISION

BUILDING CODE POLICY

Effective Date	Subject	Policy No.
3/1/2012 *Revised: 5/25/2012* *Revised: 3/25/2013* *Revised: 3/11/14* Revised: 10/30/2014	Substantial Improvement Floodplain Management	NBMC 15.50 *(Part 1)*

The purpose of this policy is to provide guidelines in determining compliance with the City of Newport Beach Floodplain Management Ordinance (Newport Beach Municipal Code 15.50). Properties that are located in the Special Hazard Flood Zones areas and require a building permit for alterations and additions must demonstrate the minimum top of slab elevation for interior living areas shall be at least EL 7.6 feet North American Vertical Datum of 1988 (NAVD), in compliance with the National Flood Insurance Program (NFIP) Table 6-1a Compliance Matrix; OR, demonstrate the improvements do not meet the definition of *Substantial Improvement.* Projects that are deemed new construction must meet a minimum top of slab elevation of EL 9.0 NAVD (NBMC Section 20.30.060).

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

To determine if the applicant's proposed project meets the definition of *Substantial Improvement,* a calculation must be completed to determine if the Cost of Work divided by the Market Value is greater than 50% (Fig. 1).

$$\frac{\textit{Cost of Improvement}}{\textit{Market Value of Building (Depreciated)}} \geq 50\%$$

- Fig. 1 -

Different methods may be used to determine both the Cost of Work and Market Value.

Determining Cost of Work

The Cost of Work may be calculated using the following common methods (cost of appliances are not included in the estimate):

1. Cost estimate provide by a licensed general contractor;
2. Cost estimate provided by an experienced professional in cost estimating; or
3. City of Newport Beach Building Valuation Table.

Determining Market Value

The Market Value of the property may be calculated using the following common accepted methods:

1. A market appraisal completed by a professional appraiser;
2. Actual Cash Value: the cost to replace a building on the same parcel with a new building of like-kind and quality, minus depreciation due to age, use, and neglect. (The value of land is not included in this calculation)

Professional Appraisal or Valuation

A professional appraiser, with the proper MAI designation and experience, may determine the market value of a property. It is important to understand that Market Value does not include the value of land and site improvements (landscaping, driveway, detached accessory structures, etc.). Any value associated with the location of the property is attributed to the land, not the building.

Using Actual Cash Value

For the purposes of determining the "Actual Cash Value" the depreciated value of the existing structure shall be used as follows:

1. "Current value of the structure" means the existing structure square footage multiplied by the cost per foot average value less the depreciated amount. See attached Depreciation Schedule.
2. The depreciation amount shall be calculated by multiplying the "Current value of the structure" by the depreciation percentage listed in the attached Depreciation Schedule published by FEMA P-784, *Substantial Damage Estimator*. Previously remodeled areas and additions to the structure shall be depreciated for the total age of the structure, as if it was original construction.

Determination of Substantial Improvement

All projects located in a Special Hazard Flood Zones must meet the EL 7.6 feet NAVD requirements or provide a calculation of Substantial Improvement as follows:

1. Staff shall review any open permits and include their value in the calculation in the *Substantial Improvement Cost Determination* form. The form shall be reviewed by a supervisor.
2. The *Substantial Improvement* calculation must be completed and placed on the plans. The calculation shall be reviewed by a supervisor.
3. Staff shall review the calculation and verify whether the proposed project is less than or greater than 50% as shown in Fig. 1. If the project calculation is over 50% than it will be deemed a Substantial Improvement. The *Determination of Substantial Improvement* form must be completed and signed by the Chief Building Official. If the project is less than 50% than the *Notice of Less Than Substantial Improvement* form must be completed.

Appeals

Determinations of Substantial Improvement may be appealed to the Building and Fire Board of Appeals (Board) when it is alleged there is an error in any requirement, decision, or determination. The applicant must file a completed Request for Appeal form and pay the associated fee.

Variance

The Building and Fire Board of Appeals shall review and decide requests for variances. The Board shall consider all technical evaluations, and standards listed in NBMC Section 15.50.180. The Applicant must complete a Planning Permit Application pay the associated fee.

Approved By: Seimone Jurjis

Seimone Jurjis PE, CBO - Chief Building Official

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The information below is to be used when determining Actual Cash Value.

COST OF CONSTRUCTION

Average cost per foot to construct a residential dwelling = $300.00
Average cost per foot to construct a residential detached garage = $150.00

DEPRECIATION SCHEDULE

A. Excellent Condition (new 0-3 Years):

These homes are kept in brand new condition; Typically homes only remain in this condition for a few years since owners do not constantly replace components (exterior walls, roofing) required to keep the home in this condition. Homes in this condition are generally only 3 percent depreciated.

B. Good Condition:

These homes are well maintained without overt signs of wear and no obvious maintenance needed, but the structural components have clearly aged. The depreciation of homes in good condition varies based on the age of the structure, but top out at approximately 20 percent, as follows:

0 to 5 years = 3 percent	15 to 20 years = 14 percent
5 to 10 years = 7 percent	20 to 25 years = 17 percent
10 to 15 years = 11 percent	25+ years = 20 percent

C. Average Condition:

These homes are maintained to a certain degree, but some repairs are visibly needed. The structure components are still functional and maintaining the structure's life expectancy; however, some may require replacing in a few years. Structures in average condition typically are not depreciated more than 30 percent.

0 to 5 years = 5 percent	20 to 25 years = 23 percent
5 to 10 years = 9 percent	25+ years = 27 percent
10 to 15 years = 13 percent	30+ years: 30 percent
15 to 20 years = 18 percent	

Referenced from: FEMA P-784, Substantial Damage Estimator

Table 6-1a. Compliance Matrix (A Zones)

Types of Work	Building is Pre-FIRM	Building is Post-FIRM
Rehabilitation (renovate or remodel), not SI	Compliance not required	Work shall comply and shall not be allowed to make the building non-compliant with any aspect of the building that was required for compliance
Rehabilitation (renovate or remodel), SI	Building required to comply	Work shall comply and shall not be allowed to make the building non-compliant with any aspect of the building that was required for compliance (see Note below table)
Lateral addition and Rehabilitation, SI	Addition required to comply; building required to comply	Addition required to comply; building required to comply (see Note below table)
Lateral addition, not SI	Addition not required to comply	Addition required to be elevated to at least the elevation of the existing lowest floor
Lateral addition, SI, not structurally connected	Addition required to comply; building not required to comply	Addition required to comply
Lateral addition, SI, structurally connected	Addition required to comply; building required to comply	Addition required to comply; building required to comply (see Note below table)
Vertical addition above building, not SI	Compliance not required	Work shall comply and shall not be allowed to make the building non-compliant with any aspect of the building that was required for compliance
Vertical addition above building, SI	Building required to comply	Work shall comply and shall not be allowed to make the building non-compliant with any aspect of the building that was required for compliance (see Note below table)
Repair foundation, not SI	Compliance not required	Repairs shall comply and shall not be allowed to make the building non-compliant with any aspect of the building that was required for compliance
Repair foundation, SI	Building required to comply	Building required to comply (see Note below table)
Replace/extend foundation, SI (including "elevate-in-place")	Building required to comply	Building required to comply (see Note below table)
Repair damage, SD	Building required to comply	Work shall comply and shall not be allowed to make the building non-compliant with any aspect of the building that was required for compliance (see Note below table)
Reconstruct new building on existing or new foundation, SI	Reconstructed building required to comply	Reconstructed building required to comply (see Note below table)

Note: If a map revision has resulted in a higher BFE, a post-FIRM building must comply based on the new BFE.