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* Revised: 05/12/2023	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 located in the Special Flood Hazard Areas (SFHA) and require a building permit for alterations and additions must demonstrate that the existing elevation of the lowest floor (including basement) is equal to or exceeds the Base Flood Elevation (BFE) plus one foot. In areas where the BFE is not mapped, the minimum elevation shall be determined in accordance with Newport Beach Municipal Code (NBMC) section 15.50.200(C)(1); OR, demonstrate the improvements do not meet the definition of *Substantial Improvement.*

Projects that require a building permit for new construction in the SFHA must meet the minimum elevation of the lowest floor (including basement) as defined above.

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 equals or exceeds 50 percent (Fig. 1).

$$\frac{Cost\ of\ Improvement}{Market\ Value\ of\ Building} \geq 50\%$$

Figure 1

The determination of the Cost of Work and Market Value of the building may utilize any of the following methods. The selected methods shall be similar in approach and consistent in their application of assumptions and level of detail.

Determining Cost of Work

The Cost of Work may be calculated using the following common methods. Refer to "Substantial Improvement/Substantial Damage Desk Reference," published by FEMA (FEMA P-758) for costs that must be included and may be excluded from the determination of substantial improvement for methods 1 and 2:

1. Cost estimate provided by a licensed general contractor;
2. Cost estimate provided by a professional construction cost estimator; or
3. City of Newport Beach Building Valuation Table.

Consideration of Discounted Materials or Owner and Volunteer Labor

Where materials or servicing equipment are donated or discounted below normal market values, the value should be adjusted to an amount that would be equivalent to that estimated through normal market transactions. Similarly, where volunteer or owner labor is used to complete the improvement project, the normal "market" value or "going rate" for labor must be included in the estimates of the cost of improvement.

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

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

Determine the "Actual Cash Value" of the building's depreciated value as follows:

1. Calculate the "Current value of the structure" by multiplying the existing structure square footage by the average cost per foot value less the depreciated amount.
2. Calculate the depreciation amount by multiplying the "Current value of the structure" by the depreciation percentage listed in the attached Depreciation Schedule. 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

Determine if a project constitutes Substantial Improvement as follows:

1. Staff shall review any permits for improvements, modifications, and additions to the building over at least 10 years 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

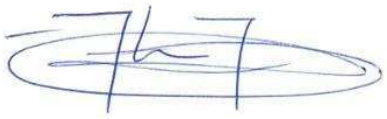
Substantial Improvement. The *Determination of Substantial Improvement* form must be completed and signed by the Chief Building Official. If the project is less than 50% than the *Notice of Less Than Substantial Improvement* form must be completed.

Appeals

Determinations of Substantial Improvement may be appealed to the Planning Commission when it is alleged there is an error in any requirement, decision, or determination made by the Floodplain Administrator or their designated representative. The applicant must file a completed Request for Appeal form and pay the associated fee [NBMC 15.50.180].

Variance

The Planning Commission shall review and decide requests for variances. The Commission 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: 

Tonee Thai, PE, CBO - Chief Building Official

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3/25/2013 Revised: 05/12/2023	Substantial Improvement Floodplain Management *(Depreciation Schedule)*	NBMC 15.50 *(Part 2)*

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

CURRENT VALUE OF THE STRUCTURE

Average cost per foot to construct a residential dwelling = $300.00
Average cost per foot to construct a residential attached or 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	

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.