

8 Fact Sheet

HOW ARE BUYOUT PROGRAMS USED?

Introduction

This fact sheet is a summary of a report written by Kinder Institute for Urban Research. Refer to *Case Studies in Floodplain Buyouts* for the full report.

Buyouts are a non-structural flood mitigation strategy that involves buying properties that are deep within floodplains and where the cost of acquisition and demolition is less than the cost of repeatedly repairing and rebuilding in areas that are flood prone. Other non-structural mitigation strategies include floodproofing buildings and land use planning, while structural strategies include channel widening or building new detention basins and dams.

Cities depend on federal grant programs from the Federal Emergency Management Agency (FEMA) and from the Department of Housing and Urban Development (HUD) to finance flood mitigation efforts. As disasters increase in frequency, home buyout programs are growing in popularity as a mitigation investment because they can be a cost-effective alternative to larger flood control infrastructure and can help reduce repetitive flood losses.

Advantages of Buyout Programs

Structural flood mitigation strategies alone are sometimes not adequate or most economical in removing people from harm's way and minimizing flood related losses. Where engineering solutions cannot mitigate the risk, buyouts allow families to be permanently removed from harm's way and on to higher ground. This eliminates the possibility of future flood related damages and costs to owners and to insurance.

Additionally, once the property is acquired, the structures can be demolished and the land must be used as open space detention or other flood mitigation projects in perpetuity. HCFCFCD enforces this through deed restrictions, and various mechanisms, depending on local regulation. This can amplify future savings by protecting even more properties around the bought out land. The creation of open space can also improve quality of life around it by offering more outdoor recreational space.

Challenges with Buyout Programs

While buyout programs continue to gain popularity among some circles, this mechanism still faces perception and buy-in issues in many communities. Incentivizing homeowners can be particularly challenging, partly because the process takes a long time. The amount of time it takes to get funding approved is reliant on the Federal Government, and the time frame can vary widely. Jurisdictions typically start the process (which can take over two years) of applying for and implementing those funds after they know the funding will be there. Indeed, the vast majority of buyouts cannot receive funding until after the president declares a major disaster, according to current policy.

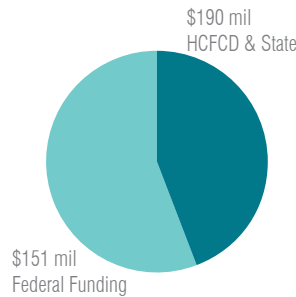
In other situations, residents may not want to volunteer for buyouts because of the economic cost of relocation and the social costs of breaking up a community or uprooting a family from a long-time owned home.

Compounding these challenges, many officials still prefer engineered solutions. This, along with other factors in county / state politics, could explain why between 1989 and 2016, only 41% of post-disaster mitigation funds were spent on buyouts by Harris County. Meanwhile, the Houston's Flood Czar, Stephen Costello, intends to use federal buyout funds to rebuild and elevate homes in the floodplain. This would require major deviations from the current policy, which intends to permanently remove homeowners from harm's way.

Case Study Quick Facts

Harris County Since 1985

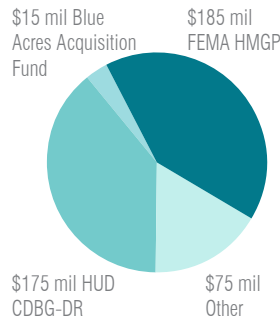
(total \$341 million)



- 2,075 structures purchased with FEMA grants
- 960 properties purchased with HCFCFCD funds
- 30 structures purchased with Corp of Engineers funds
- Total 1,060 acres restored to floodplain

New Jersey Blue Acres Since 2013

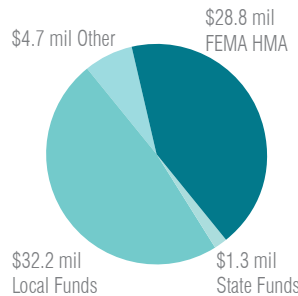
(total \$585 million)



- Offers made to 900 homes
- 678 families accepted offer
- Recently completed 600th Blue Acres Closing
- 460 homes have been demolished so far
- Completion of short sales or lender payoff approvals for 64 properties of owners underwater - total \$4.5 million debt forgiveness

Charlotte-Mecklenburg Since 1999

(total \$67 million)



- 400 properties acquired
- 185 acres restored to floodplain
- Estimated \$25 million in flood losses and \$300 million in future losses avoided

Key Policy Questions

- How can we support families in need during buyout and relocation?
- How can we minimize social and emotional impact on families?
- How can we reduce the length of time the buyout process takes?
- How can we approach buyouts strategically to acquire contiguous land and provide the optimum use for future flood mitigation?
- How can we raise more funds locally to respond more quickly with buyouts following floods?
- How can we improve consolidation of county and city buyout efforts?

Hazard Mitigation Assistance Program (HMA)

FEMA administers five subprograms through the HMA that help fund eligible mitigation projects. States are generally the eligible applicants. They solicit subapplications and provide subgrants to lower jurisdictions such as cities, counties, or metropolitan planning organizations. While the local jurisdictions ultimately manage the subgrants, states ensure accountability, administer subgrants, maintain program compliance and oversee financial and project management. The five subprograms include:

- **Hazard Mitigation Grant Program (HMGP)** is the largest and longest running program. It is applied for by States to distribute to local jurisdictions.
- **Pre-Disaster Mitigation (PDM)** is intended for use prior to a disaster. It is funded by annual Congressional appropriations.
- **Flood Mitigation Assistance (FMA)** is the most competitive program, aimed at reducing National Flood Insurance Program (NFIP) claims. It is funded by NFIP proceeds.
- **Repetitive Flood Claims (RFC)** is offered to NFIP participants whose property has flooded 2 or more times with a cost of more than \$1,000 each time in a rolling period of 10 years. A key difference with this program is it can fund 100% (rather than 75% in other programs) of buyouts for jurisdictions which cannot provide the 25% contribution
- **Severe Repetitive Loss (SRL)** is offered to NFIP participants whose property has flooded 4 or more times with damages worth more than \$5,000, or 2 or more times with damages worth more than the post-disaster property value.

Funds from all of these programs may be used for the costs associated with acquisition and demolition of properties in the floodplains. HUD also offers funds through the Community Development Block Grant - Disaster Recovery (CDBG-DR) program to support similar flood mitigation projects.

Communities across the US generally prioritize spending funds on non-buyout projects over buyout projects.

Requirements for HMGP Eligibility

FEMA requirements for property buyout eligibility are as follows:

- Property must be in an NFIP participating community with a FEMA-approved Hazard Mitigation Action Plan.
- Buyout program must undergo a benefit-cost analysis showing the estimated future cost of flood damage surpasses the cost of purchasing and demolishing the properties' improvements.
- Properties must have current flood insurance policies.

HMGP funds can pay for up to 75% (except for RFL, which can fund up to 100%) of hazard mitigation projects, including costs associated with the value of the improvements on the property, land, relocation assistance, demolition, and other costs associated with the project. The other 25% of funding must come from non-federal sources, including philanthropic or non-profit investment. In 2013, the benefits analysis was changed to include *ecosystem-based management*, meaning the program would integrate not just the economic benefit in flood hazard areas, but also ecological and environmental benefits.

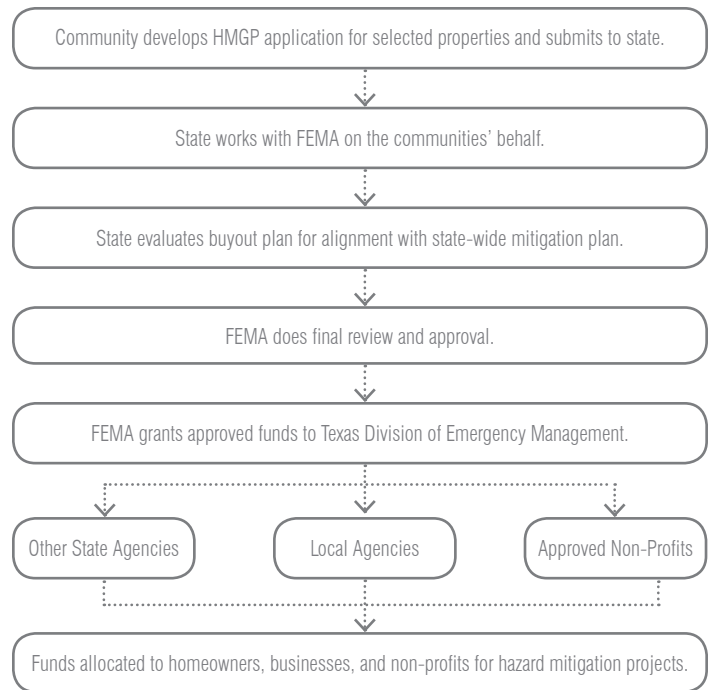


Figure 1 Basic Outline for Communities to Secure HMGP Funds

	Non-Buyout		Buyout	
	Median FEMA Contribution	Total FEMA Contribution	Median FEMA Contribution	Total FEMA Contribution
Harris County	N/A	N/A	\$6,679,388	\$149,575,348 100%
New Jersey	\$2,747,200	\$57,879,305 29%	\$9,157,506	\$143,683,764 71%
Charlotte-Mecklenburg	\$140,076	\$391,568 2%	\$1,668,728	\$22,105,061 98%
US Totals	\$545,970	\$1,376,394,390 51%	\$1,516,038	\$1,302,666,099 49%

Table 1 FEMA Buyout Funds from PDM, FMA, RFC, SRL

For More Information Visit

Kinder Institute for Urban Research
Kinder.Rice.edu

HCFCF Home Buyout Program
hcfcd.org/homebuyout

Greater Houston Flood Mitigation Consortium
HoustonConsortium.com