

FEMA Buyouts: The Good, the Bad, the Reality

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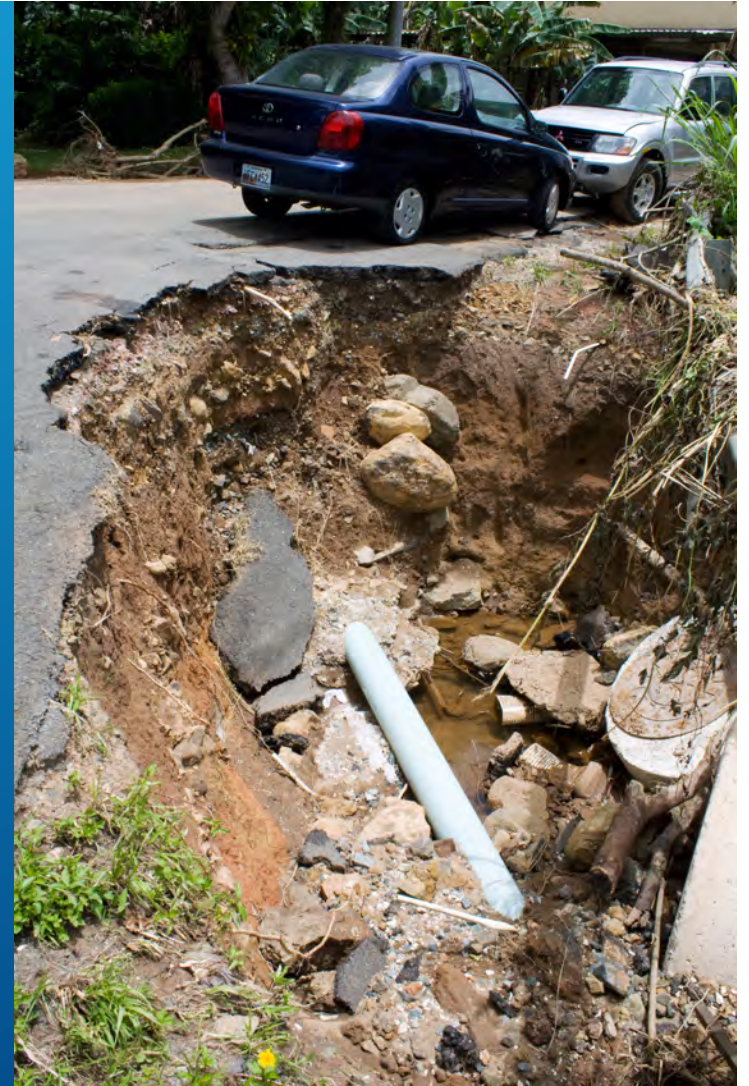
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“...There are some parcels that Mother Nature owns. She may only visit once every few years, but she owns the parcel and when she comes to visit, she visits...”

NY Gov. Andrew Cuomo in his 1/9/2013 State of the State speech

Water damage beyond inundation

- Debris impact
- Saturation
- Structural damage
- Erosion
- Loss of life



The many costs of floods

- To property owners
- To businesses
- To communities

Doesn't insurance cover it?

Severe repetitive loss (SRL)

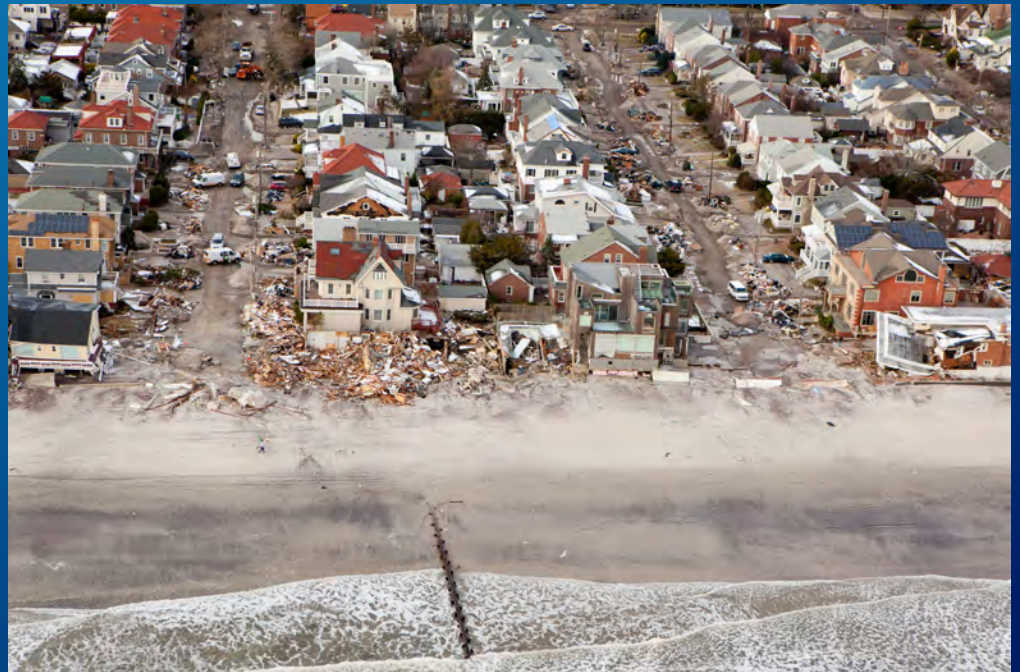
- 4 claims of \$5,000 or more within past 10 years, or
- 2 claims totaling 100% of the FMV of the structure within the past 10 years

Three goals of the NFIP

- Identify and map flood hazard areas
- Provide a framework for floodplain management regulations
- Make flood insurance available in communities participating in the NFIP

NFIP Basic Objectives

“Reduce the exposure to flood damages through the use of minimum standards for the placement and design of structures located in flood hazard areas.”



Floodplain management

- “Floodplain management is a decision-making process that aims to achieve the wise use of the nation's floodplains. ‘Wise use’ means both reduced flood losses and protection of the natural resources and function of floodplains.”

-NFIP Policy Index

Approaches to Floodplain Management

- Non-structural:

Modify human susceptibility to flood damage by avoiding hazardous or unwise use of floodplains

- Structural:

Develop projects that control floodwater

Approaches to Floodplain Management

Mitigation

- Avoiding the risk
- Minimizing the impacts of risks
- Mitigating the impacts of damages
- Accomplishing this in a manner to protect and enhance the natural environment

Mitigation techniques

- Floodproofing structures
- Elevating structures
- Relocating structures away from floodplains
- Demolishing damaged structures (buyouts)

Hazard Mitigation Grant Program

- Federal disaster assistance program
- Administered by PEMA in Pennsylvania
- FEMA provides 75% match to States to fund post-disaster hazard mitigation measures
- Overall Goal: Reduce vulnerability to natural hazards

Who can apply?

- State, County, and Municipal Governments
- Certain private non-profit organizations or institutions that own or operate a private non-profit facility
- Indian tribes or organizations

HMG funds many types of projects

- **Acquisition/Demolition or relocation of structures currently in hazard-prone areas**
- Flood-proofing or retrofitting to protect structures from future damage
- Retention Areas, debris basins, etc.
- Development of standards to protect new and substantially damaged structures from disaster damage

Buyouts/Acquisitions

- A permanent form of mitigation
- A voluntary program
- Fair Market Value (FMV)



Why acquisitions/buyouts?

- Cost to upgrade structures
- Severe Repetitive Losses (SRL)
- Community Rating System (CRS)

Eligibility

- Generally any structure in flood-prone areas
- SRL properties given higher priority
- Hazard Mitigation Plans are crucial



Steps of a buyout plan

- Application by local officials
- State review
- FEMA review:
 - environmental soundness
 - cost-effective use of funds
 - State/local acquisition process
 - Land cleared

What goes into an application

- **Basic Buyout application information:**
 - Homeowner/property information
 - Total project budget
 - Damage information
 - Photos, maps
 - Local Mitigation Plan information

Benefit Cost Analysis, Benefit Cost Ratio

- BCA – compares long-term avoided future damages to the cost of a project to determine cost effectiveness
- BCR – expresses cost effectiveness (>1.0)

project benefits (reduced risks)

total project cost

Example

An acquisition project has a total cost of \$100,000

BCA – Benefits of \$150,000 over 100 years.

BCR – Benefits divided by cost of project.

$(\$150,000 \div \$100,000) = 1.50$ (Passing BCR, >1.0)

Steps of individual home buyout

- Independent appraisal
- Owner and local community agree to price
- Closing
- Community clears the site
- Property designated as permanent open space

Costs the community will pay

- Appraisal
- Title search
- Survey
- Closing costs

Property owner is responsible for

- Mortgages and liens
- Moving costs

No duplication of benefits

- Deduct other benefits/funding coming from FEMA and non-FEMA sources
- Includes flood insurance
- Includes grants to individuals
- Some exceptions
- Program income defrays overall project cost

PEMA role and oversight

- Approve scope of work and budget
- Review bid specifications prior to advertising
- Review bids against project budget line items
- Grant or deny extensions for performance
- Project monitoring: quarterly site visit or conference call

Hazard Mitigation Grants: Community role

- Local administration of the grant
- Matching funds required
- Project management
- Documentation, accounting, reporting
- Properly close out project for full funding release

The acquisition/buyout

- Deeds contain restrictive language to preserve for open space, recreational use, or wetlands management in perpetuity per 44 CFR 209.10
- No new structures except:
 - Public facility open on all sides
 - Public rest room
 - Structure compatible with stated uses with prior written approval from FEMA Director

Effects on planning and development

- Tax base, in lieu of tax payments
- Rezoning
- Planning
- Appraised values

Why outreach matters (Darby Creek, PA)



Summarizing the process

- Local government is the applicant, not homeowners
- Must be voluntary participation
- Homes are demolished, land is owned by local government and must remain in “open space” use forever
- Some homeowner disaster assistance may be deducted from the final purchase price

Additional Resources

- “Property Acquisition Handbook for Local Communities” (FEMA-317) www.fema.gov
- “Hazard Mitigation Grant Program Desk Reference” (FEMA-345) www.fema.gov
- PA State Hazard Mitigation Officer: Tom Hughes
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