

# INTERGOVERNMENTAL ADVISORY #14



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## Acquisitions

### Why Acquisition/Buyout?

FEMA knows that it can be difficult for people to leave a precious home- even a home severely damaged by a disaster. Many communities and people have considered such an action, and they've rebuilt their lives and created new memories in safer places.

Since 1993, participating communities have purchased more than 20,000 properties as to prevent future damages. FEMA encourages all homeowners in affected communities to be sure they get all the information they need about buyouts so they can make the best decision for their families and their communities.

### How Buyouts Work

It is important to understand that FEMA does not buy houses directly from the property owners. Acquisition or Buyout projects, while 75 percent funded by FEMA, are administered by the State and local communities. The State and local communities work together to identify areas where buyouts make the most sense. Individuals may not apply directly to the State, but the community may sponsor an application on their behalf. Buyouts are an important way to reduce the risk of future disasters. Money is limited and in most cases, the amount of money set aside for mitigation cannot meet all the mitigation needs following a disaster. States prioritize mitigation programs with input from the communities.

Property acquisition is one of many forms of hazard mitigation but it is the most permanent form. It removes people from harm's way forever. In a property acquisition project, the community buys private property, acquires title to it, and then clears it. By law, that property, which is now public property, must forever remain open space land. The community can use it to create public parks, wildlife refuges, etc. but it cannot sell it to private individuals nor develop it. Property acquisitions work the same way as any other real estate transaction. Property owners

who want to sell their properties will be given fair prices for them. It is a terrific opportunity for people who live on or near hazard areas to get to safer ground.

## **Fair Compensation**

Communities may offer homeowners who agree to participate in a buyout project up to the fair market value of the home BEFORE the disaster struck. A licensed appraiser hired by the community determines the fair market value.

## **Voluntary Participation**

Buyouts are strictly voluntary. No homeowners are ever forced to relinquish their property. Homeowners who decide not to participate in the buyout may need to take risk reduction measures, such as elevating their homes.

## **The Steps of a Buyout**

Homeowners do not apply to FEMA for a buyout. Buyouts are not part of the disaster application process and are not part of disaster assistance.

1. An application for assistance is prepared by local officials with input from the community and those homeowners with destroyed or severely damaged properties. The local officials will have been notified by the State of what the State's priorities are or other special restrictions decided upon by State officials.
2. The State receives and reviews the application and submits those deemed appropriate to FEMA for approval. FEMA reviews the applications to ensure they follow the rules, are environmentally sound, and are a cost-effective use of funds.
3. Once FEMA gives its approval, the State begins the acquisition process. The communities actually conduct the purchase and title transfer. Then the buildings are removed or destroyed by the community, and the land is cleared.

Since a buyout is not a simple matter and requires a great deal of education and community input- it does not happen overnight. It may take months for a State and the affected communities to submit and agree to buyout proposals. Once a homeowner accepts a buyout offer, though, the average closing takes about 45 days.

## **Costs the Community Will Pay**

If you choose to sell your property, the community will pay the costs usually associated with real estate transactions, including the appraisal, title search, and if necessary, lot survey. The community will also pay the closing costs. The property owner will be responsible for any mortgages, liens, etc., against their property...just like any other real estate sale.

Also, like any other real estate sale, you will be responsible for the moving costs and other costs associated with renting or buying new property. Since property acquisition relies on voluntary participation, the government does not pay any relocation costs. However, there are exceptions for any tenant who is displaced by an owner's decision to sell, and for owners whose income level might preclude them from affording other housing.

## Duplication of Benefits

Because federal funds are used to acquire property, FEMA cannot duplicate the benefits paid by one program with benefits from another source. This means that FEMA will require the community to subtract from the purchase price the amount of other assistance the individual property owner might receive for the same purpose. This assistance includes flood insurance and grants that are available to individuals. However, if the property owner has receipts showing that the money was spent for its intended purpose (for example, repairing the home to make it livable again) the community will not subtract that amount documented by receipts.

## Advantages and Disadvantages

Individual property owners will want to weigh the advantages and disadvantages of property acquisition. The advantages of property acquisition include:

- Peace of mind because it reduces, if not eliminates, most of your future risk
- Fair compensation generally based on the pre-flood market value of your home
- A chance for a new start
- A means of recovery that is more advantageous than repair grants or loans
- An opportunity to recoup at least partially your financial investment in a property that has lost value

On the other hand, property acquisition has its disadvantages. These may include:

- Loss of roots
- Despite efforts to compensate individual property owners fairly, property acquisition may not make them "whole" again

The process can be lengthy. Property acquisition is not an overnight solution. Applying for funds, waiting for approval, transferring funds, conducting appraisals and closings, etc., take time, especially if the project involves many properties.

If you have questions or need additional information, please contact the Office of Intergovernmental Affairs at the Essex Junction, VT Joint Field Office (JFO) at **(802) 662-8652**.