Vermont's Tropical Storm Irene

Buyout Program: 2011-2021

An Overview and Recommendations

TRORC
Two Rivers-Ottauquechee
REGIONAL COMMISSION

TRORC thanks our partners in this project.

TRORC's work on buyouts would not have been possible without many local, state, and federal partners. The able assistance of Bob Ennis, Grant Manager, was critical. The TRORC lead for this project and the author of this report was Kevin Geiger, Senior Planner.

The bulk of funding for buyouts came from FEMA and was handled by Vermont Emergency Management. Lauren Oates, State Hazard Mitigation Officer, was the lead on that funding. TRORC handled CDBG-DR funding from HUD as well as state VHCB funds, both granted from Vermont's Agency of Commerce and Community Development. Ann K. Kroll, Director of Grants Management, was instrumental at ACCD.

Finally, thanks to all the owners that had the fortitude to stick with selling their property through all the paperwork, and the many town officials that decided that town ownership of the site was the best option and the rest would work itself out. Steve Libby at the Vermont River Conservancy also took part in a few sites.

Background

Background is important. The antecedent conditions in terms of inter-organizational relationships, staff capacity, previous flood history, and funding programs were all parts of the success or failure of the state's post-Irene buyout program.

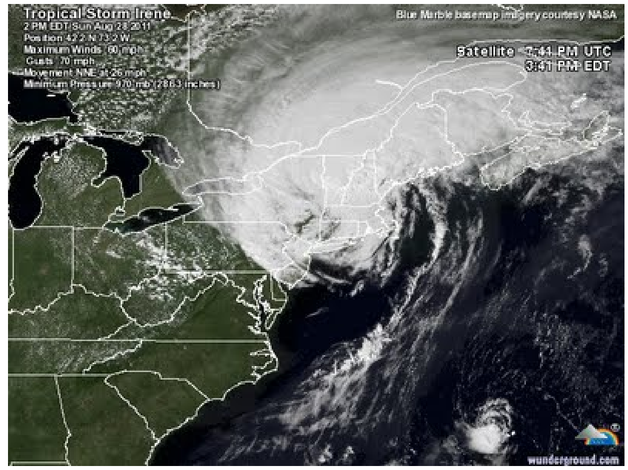
The Two Rivers-Ottauquechee Regional Commission (TRORC) is one of 11 regional planning commissions (RPCs) in Vermont, covering 30 towns in east-central Vermont in parts of Orange, Windsor, Rutland, and Addison counties. TRORC provides a wide variety of technical assistance to its member towns, and also has annual contractual agreements with some state agencies. County government is essentially nonexistent in Vermont, and the closest analogy for RPCs in much of the nation is probably county planning offices, although in Vermont all land use is regulated locally and not at the RPC level. At the beginning of the buyout program, TRORC had 9 staff, two of whom had just started working at the office. Staff had training and experience in Geographic Information Systems, Incident Command System, land use planning and regulation, transportation planning, water quality, and federal grants management.

Prior to Tropical Storm Irene, TRORC had working relationships with its member towns on a variety of fronts, the most applicable being HUD Community Development Block Grant (CDBG) administration, emergency planning, and transportation. TRORC helps towns apply for and manage CDBG grants (usually smaller grants for ADA access, planning studies, or economic development). This set the stage for us to be able to manage disaster related CDBG-Disaster Recovery funds. The Vermont Community Development Program (VCDP), which is the state program that handles CDBG funds, was also very comfortable with us and encourages towns to use us as grant administrators.

TRORC had also long been under contract to the Vermont Division of Emergency Management (VEM) through the federally-funded Emergency Management Performance Grant (EMPG) program. Under EMPG, TRORC had assisted towns with hazard mitigation plans, disaster exercises, training, and recovery efforts on several small, presidentially declared flood events. We had a first name basis with many towns' emergency crews and local emergency management directors. Two weeks before Irene we had fortuitously met with local emergency managers to review recovery actions in the aftermath of a mock large flood event. Through our work with VEM, we were also familiar with the FEMA post-disaster Hazard Mitigation Grant Program (HMGP), though more for upsizing culverts than for buyouts.

TRORC also had a longstanding program of working under contract to the Vermont Agency of Transportation (Vtrans) under the state's Transportation Planning Initiative (TPI) that is funded by FHWA. Our work there includes regional efforts, but most relevant to post-Irene was our previous work with town road crews on disaster recovery, basic transportation planning and maintenance. We had inventoried many towns' culverts and helped them to apply for and then administer transportation infrastructure grants. We also had working relationships with town executive authorities (Selectboards and Town Managers).

All of the above 'pre-positioning' of relationships made our work in the aftermath of Irene much easier and more productive. The literal day after the storm, we would not be cold-calling unfamiliar staff in towns, talking to state agencies we barely knew, or getting a handle on unfamiliar programs. Though we had never used it in such a way, we had a system in place with all the pieces of a buyout program.



Tropical Storm Irene when centered on Vermont

Tropical Storm Irene struck Vermont on Sunday, August 28, 2011, with several inches of rain on saturated soils. TRORC staff had been on notice about the storm's approach and had participated in statewide conference calls for the previous two days, so staff were somewhat prepared, but the storm's impact was still surprising. The rain was both substantial and quick, with generally 4-7" falling late overnight Saturday into Sunday, and a few spots getting over 8". Although every river in Vermont flooded, the majority of the damage was in the central to southeast quadrant of the state, with significant damage in the TRORC region. A detailed account of the event by the National Weather Service can be found at https://www.weather.gov/media/btv/events/Top5_2011.pdf.

Immediate Post-Storm Actions

It became obvious through personal experiences by staff on Sunday that Irene was a devastating flood and largely not a high wind event. Streams were roaring past houses, pictures were appearing on social media of state highway damage, and the State Emergency Operations Center (SEOC) was in full swing, only to have to be evacuated due to flooding. Some wind damage had occurred, but power was generally out instead due to flooded substations and power poles that had been toppled by erosion.

On Sunday as the rain was still falling, TRORC began emergency operations in response to the storm. On Monday, August 29, we had moved office operations to full-time recovery work by staff, suspended virtually all other activities, and were working with our state partners realigning existing TPI and EMPG funding to support our immediate efforts. The TRORC office was without power just a few days, but a landline was working and staff could work remotely and in the field. Staff began working at least 12 hour shifts and would work through the first few weekends. Such work was expensive and having the EMPG and TPI funding at hand to support operations was essential while the situation was still very active. This was critical preparatory work for the months ahead.


Road failure during storm

Within the first few days, TRORC was contacting our towns by whatever means possible and gathering preliminary disaster information from towns on damage to infrastructure. Several state bridges were damaged beyond repair and the major east-west route in the middle of the state (US 4) was impassable as well as the main north-south state highway (VT 100). Hundreds of miles of local roads were washed out, and some communities had no formal road access except by ATV or helicopter. Internet and cell coverage were not available in places.

TRORC staff went into the field with special Vtrans permission and proper gear (hardhats, safety vests, amber strobes), sometimes documenting state highway damage before even Vtrans was able to get there. Staff were also going out with town crews to document local road damage and attend public meetings. Other staff were assigned to work night shifts in the relocated SEOC in Burlington, Vermont. This detailed, hands-on involvement was critical as we formed a picture of the damage – what emergency personnel call 'situational awareness'.

A Presidential Major Disaster Declaration (FEMA DR-4022) was made on September 1, 2011 for all 14 counties in the state for Public Assistance (PA), and an Individual Assistance (IA) Declaration was made for 12 counties. Over 7 million dollars in IA damages (312 residences with major damage, including 85 destroyed) and 11 million dollars in PA damage were estimated in the initial Preliminary Damage Assessment (PDA). The PDA was able to be done almost immediately (versus the usual few weeks after the event) as FEMA already had a functioning Disaster Field Office (DFO) in the state from earlier spring storms. (FEMA-supported damages would eventually be documented at over 23 million dollars for IA and 210 million dollars for PA, and over 3,000 structures were tallied as damaged.)

Thinking of Buyouts

Within a week after Tropical Storm Irene, it was clear that many structures in the region had suffered serious or total damage, at times having been totally washed away with no buildable lot remaining. This was not immediately communicated by towns as they were busy at the municipal level trying to reestablish communications and make roads passable, but it was obvious as staff toured the region, and as we heard what was happening at the state level. Only after the first few days were we actively seeking residential damages. Vermont 211, VEM, towns and other sources were providing some numbers on damage, and it became clear that our region had the most damage of any in the state and that no one was collecting detailed damage to buildings on a state level.

It also became clear that affected residents were starting to look for some ray of hope amidst their tragedy. The vast majority of damaged homes did not have flood insurance. TRORC staff knew from previous disasters that Hazard Mitigation Grant Program (HMGP) funding would be available *eventually*, and that HMGP funds could be used to buy out or elevate damaged homes if it was cost beneficial. Elevations are useful for slower inundation flooding, but our damage was mostly due to flood flows that had ripped houses off of foundations or simply scoured the house site and left it riverbed. Elevations were at best a recipe for a dangerous rescue in the next flood. For this reason, we started to look at buyouts in a serious way from early on.

House undermined by lateral erosion from Irene

The Federal Emergency Management Agency (FEMA) was able to respond unusually fast to Irene since, as noted above, it already had a DFO in state due to flooding earlier in the year. FEMA also was aided by a major disaster declaration for the state just days after Irene hit. FEMA was able to quickly start public outreach about registering for Individual Assistance. Coordinating with VEM, we were not able to get personal information on specific sites from FEMA, but we were able to get FEMA's total numbers of damaged structures by town, and this provided another avenue of trying to get a good picture of the scope of residential damages.

Two weeks after Irene it was obvious that thousands of buildings had been impacted but that only hundreds were seriously damaged (having 'substantial damage' or were at imminent risk of collapse). TRORC staff culled through disparate reports and worked with fellow RPCs and VEM to find out the exact address of the heavily damaged structures (both within our region and statewide) and compile owner contact information as we began to create our first master list of potential buyouts.

Beyond HGMP

Starting at about a month after Irene hit, we were getting a good master list, nicknamed "Mothership", of buyout properties and potential costs. We used town tax assessments to ballpark purchase prices, and then added expenses for demolitions. Keeping this all in an Excel spreadsheet was critical as we could constantly have a handle on expected total costs, 75% HMGP share, and what match funding was needed. The file also contained the site's physical address, the town name and contact information for the point person in each town, landowner name and contact information, whether the site was in a mapped flood zone, whether the structure was historic, commercial versus residential, and primary or secondary residence. Eventually this file would grow to a complex set of linked tables that tracked costs, had a checklist of forms, and maintained the status of the buyouts. Though our program only had roughly 100 buyouts in it originally (and would finish at 154), the associated paperwork fills three tall file cabinets.

Given the magnitude of Irene, we knew within a few months that there would be sufficient HMGP funding to meet buyout needs, and that HMGP would use pre-flood value as the purchase price. However, this program would only provide 75% funding and would require willing towns and landowners. With a very few exceptions, towns would be the buyer of sites. Towns had three main concerns – they did not want to lose taxable property, they did not want to provide any match funding, and they did not want to have an administrative burden. There is no real way to avoid loss of taxable property, but we pointed out that in many cases that property was lost permanently anyway. We also assured towns we could cover their costs at 100% by using owner equity to cover all match. FEMA 100% management costs up to 2% of the projects would help defray their administrative costs, but most importantly was that TRORC would be handling the bulk of the paper and providing guidance.

Besides purchase of the properties, towns would also be responsible for costs leading to purchase (title, appraisal, closing, deed restriction, etc.) and subsequent to purchase (asbestos testing, demolition, and site stabilization). That typically runs about $30,000 per home. With the only source of match being landowner equity, that meant that a buyout of a $170,000 home would have a total cost of $200,000 and a HMGP grant of $150,000. Since the town was recouping all of its costs (estimated at $30,000), that only would leave $120,000 for the owner (a 60% recoupment of value, not 75%). As we gathered potential owners, this was the best we could be offering. Still, it was better than other options.

Dealing with owners personally was very important, and we talked directly with most of the potential buyout owners as soon as we could as we did not want them to either simply walk away and lose all equity, sell the house at a bargain rate, or to double down and rebuild in a dangerous location. Towns were generally amenable to abating property tax payments on seriously damaged structures, and most banks provided some relief to owners with mortgages by deferring payments or stopping interest on the loan during the buyout process. Still, we know of owners that simply abandoned their home, others sold damaged homes for a fraction of the value, and some rebuilt. A few rebuilt only to suffer more flood damage a few years later and then enter the buyout program.

TRORC staff held outreach meetings with individual potential buyout applicants in concert with VEM staff so we could cover the minutiae of both the CDBG-DR and HMGP programs at once. More common were meetings with individual town Selectboards, which were also attended by interested owners from the town. These could be emotional meetings as owners were desperately seeking solutions to their plight. In nearly all cases, Selectboards were very understanding and willing to undertake the buyouts so long as the town did not shoulder any of the cost. <u>This level of on-the-ground personal outreach was needed for Selectboards to have comfort and trust in a new process that they could sense was going to be complicated.</u>

Due to the size of Irene, and then Sandy, special federal funding was available, especially CDBG-Disaster Recovery funding. This was critical as we knew this funding could provide the missing 25% match funding for HMGP (given CDBG funds' unique ability to act as non-federal match), allowing owners to possibly recoup 100% of their pre-flood value. Without this critical match, the number of successful buyouts across the State post-Irene would have been significantly lower. Additionally, the later changes to FEMA's cost-benefit analysis that had any home in a mapped flood area with a total buyout cost of $276,000 or less be automatically cost-beneficial was very helpful.

Eventual park facility on a buyout site

With our growing detailed picture of buyout needs, we were able to use this to lobby the state for buyout match to be made part of the state's unmet needs plan for CDBG-Disaster Recovery funding to HUD. Since we also were looking for some incentive for towns to participate, we successfully sought for a portion of the recovery funds to be available to create simple parks on some buyout sites. The CDBG-DR funding also could be used to provide brownfields work at the few commercial buyout sites (not allowed as an HMGP cost), as well as cover our staffing costs as we delivered the buyout program. We had gathered income data as we went, and so were able to ballpark the eventual low and moderate income (LMI) benefit for HUD, although 'urgent need' was also used for non-LMI households.

Standing up the Buyout Program

As mentioned above, EMPG funding to TRORC was critical to support our work as we fully fleshed out the details of what a buyout program would entail and then as we developed the buyout program. Since a lot of legwork had been done in advance, including staffing up, there was no real lag time between when CDBG-DR funds were in place with the state via a grant agreement with HUD, and when some of the funds were subgranted to TRORC, fifteen months after Irene struck. This also roughly coincided when the first of several rounds of HMGP grant applications submitted to FEMA were being approved. Our CDBG process largely mirrored the HMGP side and we would formally make subgrants to towns and begin our portion of the buyout process as soon as the HMGP grant was in place from the state (which we were copied on via email by the state). Speedy initial obligation of CDBG-DR funds was an aspect of our work that the VCDP program valued as they needed to show progress to HUD.

As TRORC operations had mostly returned to normal by late 2012, TRORC hired a special grant administrator with Excel experience to manage the buyout data and paperwork. This special position lasted 4 years and was absolutely necessary. Although often tried, organizations are not able to simply and successfully add on additional duties of post-disaster recovery to current staff. Two additional regular staff were also generally working at least half-time for several years on managing the grant.

Importantly, the subgrant of CDBG-DR funds to TRORC also included 2 million dollars in state Vermont Housing and Conservation Board (VHCB) funds. In some cases, CDBG-DR or VHCB funds had to fund the entire buyout as FEMA denied the HMGP application (for example, because the home was demolished ahead of the grant). In these cases, for programmatic reasons we used 75% of assessment as the purchase price (minus any duplication of benefits) and paid 100% of town costs.

The Buyout Process

It seems like buying out a flood damaged home should be easy – find out what it was worth, purchase the home, and clear the site. Of course, when dealing with two federal funding sources, both of which take several months to materialize, things get complicated. Below is the step-by-step process for each house we used in tandem with VEM. Prior to this the state had executed its CDBG subgrant to TRORC. In a small percent of the cases, HMGP funds were not used and sites were bought using CDBG funds only, or state-supplied VHCB funds, but the processes did not get much simpler.

1. Affected towns and their sites receive RPC assistance in submitting HMGP applications.
2. FEMA approves/awards the site-specific HMGP grant to the Vermont Department of Public Safety (DPS), which houses VEM. (Sometimes these grants had been applied for as a single site, but other times as multiple sites, usually broken up by whether the homes were historic or not.)
3. VEM sends TRORC a copy of the FEMA award.
4. At the request of VEM mitigation staff, DPS Finance division sends the Town the HMGP sub-grant agreement (contract).
5. The town executes and returns the sub-grant agreement to DPS Finance.
6. DPS Finance emails a copy of executed sub-grant agreement to TRORC (CDBG) program manager.
7. TRORC sends the Town the CDBG/VHCB sub-grant agreement and Town executes.
8. VEM notifies CDBG manager and schedules joint buyout kickoff call and forwards the Town the HMGP subgrantee (Town) Handbook, the Homeowner Handbook, and the required forms file.
9. VEM conducts the buyout kickoff call with the Town and TRORC.
10. The town (with TRORC and VEM presence if possible) will then:
    a. Meet with homeowner(s) and
        i. Collect duplication of benefits (DOB) information and receipts;
        ii. Collect credit information and receipts;
        iii. Instruct homeowner to sign HMGP and CDBG forms; and
    b. Order the property appraisal.
11. Once the town has collected all documents from #10, these are then forwarded via email to VEM and TRORC.

12. TRORC prints/scans documents as received.
13. Received documents are entered into a form tracking spreadsheet and weekly status report at VEM.
14. TRORC reviews all projects on a monthly basis.
15. Duplication of benefits (DOB) calculated:
    a. Copies of the Property Owner Questionnaire and Duplication of Benefits form and all receipts are scanned;
    b. Review of the DOB information submitted by the homeowner, review submitted receipts for eligibility, review the FEMA database for Flood Insurance Claims/Payments and the FEMA database for Individual Assistance (IA) payments; and
    c. Deduct any eligible receipts including flood insurance premium payments, if any (up to 5 years) from the total amount of DOB payouts which credit the homeowner(s) on their appraised home value.
16. Should there be any discrepancies in the DOB reviews, team members will work together to resolve the issue. This may include:
    a. Discussing eligible/ineligible receipts;
    b. Obtaining additional information for clarification on receipts by submitting a formal request for information (RFI) to the town and CDBG; and
    c. Discussing eligibility issues with FEMA and/or obtaining clarification from FEMA regarding their database.
17. Once all DOB is calculated, VEM will use the Offer calculation worksheet and draft the Voluntary Transaction Agreement using the appraisal and DOB and credit calculations.
18. VEM forwards the Voluntary Transaction Agreement and the Calculation Worksheet to TRORC.
19. TRORC confirms offer and verifies that all required documentation is completed and notifies VEM to proceed.
20. VEM forwards the Voluntary Transaction Agreement and the Calculation Worksheet to the Town.
21. The Town will present the appraisal, the Calculation Worksheet and the Voluntary Transaction Agreement to the homeowner. The homeowner is given a copy of the appraisal
22. If homeowner is in agreement,
    a. They will sign three original copies of the Voluntary Transaction Agreement
    b. The town will then execute the three original copies of the agreement and
        i. Forward one (1) signed original to the homeowner;
        ii. Forward one (1) signed original to VEM (who will then forward a copy to CDBG; and
        iii. Retain one (1) signed original for their records.

    c. The town will then forward a copy of the agreement to their attorney who will then request a title search, title insurance binder and all else necessary to implement the property transfer/closing.

23. If the homeowner is not in agreement, they may:
    a. Refuse offer by writing "Decline Offer" on Voluntary Transaction Agreement and leave program; or
    b. Appeal the appraisal amount (see appeal SOP)
        i. Once appraisal appeal SOP is complete return to step #17.
24. Once the Town receives from their attorney, they will forward to VEM and TRORC:
    a. Title opinion/insurance binder;
    b. Draft HUD 1 to include all settlements, closing costs, and breakdown of funding sources (many times towns recouped back taxes as part of settlements); and
    c. Draft deed with all FEMA deed restrictions as required. In the case of CDBG only use deed restrictions modeled on FEMA restrictions.
25. VEM and TRORC counsel will then confirm approval to proceed to closing at least two weeks away.
26. The Town will then coordinate with their attorney and the homeowner(s) and set the closing date for no earlier than 14 days from the notification.
27. The Town will then notify VEM and TRORC of the closing date.
28. Both agencies will process advance payments to the Town no earlier than 10 days and no later than 4 days from the scheduled closing date. (Advance payments helped with the large cash flow needed for closings in small towns.)
29. The Town completes the pre-closing vacancy inspection no earlier than 48 hours prior to closing.
30. The Town will receive the funds in their account and forward them to their attorney.
31. The Town attorney then conducts the closing and gives the homeowner and the Town a copy of the executed documents.
32. The Town prints or scans copies of the closing documents and the final filed deed and forwards to VEM and TRORC. VEM receives the copies then forwards 1 copy to FEMA and retains 1 copy for state records.
33. VEM provides town with model demolition RFP.
34. Town procures asbestos inspection.
35. Town includes asbestos report in RFP for demolition or hires abatement separately.
36. Demolition conducted and well closure report and abatement report filed with the Town as needed.
37. Town requests funding from state and TRORC for reimbursement of demolition costs with invoices and proof of payment.
38. TRORC and VEM perform compliance visits.
39. Project closed out and closeout letter sent.
40. FEMA/TRORC conducts compliance visit

Of course, the above process assumes everything goes *well*. Sites were bought in as little as ten months after grant award, but could easily take 2-3 years. Several projects that were applied for later or complicated took several years. Individual circumstances can throw a wrinkle into several of the steps. Any agency undertaking a buyout program should be aware of these. In our case, some, but not all, of these oddities included the following:

- Due to flood damage the owners of the site have moved without leaving a new address.
- Initial forms have to be signed by all owners and they are divorced and not talking with each other.
- The owner is dead, hospitalized, or in jail.
- The deed is not a warranty deed.
- The existing deed contains easements that are at odds with the planned deed restrictions.
- The town has a mortgage discharge filed on record but the bank does not, or vice versa.
- The bank is going to foreclose and has to be persuaded not to.
- The bank foreclosed and the new owner wants a buyout.
- The site's mortgage is greater than the pre-flood value and owner and bank have to negotiate (the owner has leverage to get forgiveness as the bank will do best under the buyout).
- The building turns out to have always been partially on a neighbor's lot.
- The building has a septic system or well shared with a neighbor who is not a buyout.
- The septic or well is unknown and has to be located first to decommission it.
- The site turns out to be contaminated and has to be remediated with CDBG funds prior to purchase.
- The site has a tenant that needs to be relocated.
- There is no access to the site as the river has made it into an island.
- The house is no longer on the lot but somewhere else.
- The home is jointly owned by several family members and it is easiest to get signed forms by meeting them all at their Thanksgiving family meal.

It would be much more efficient to run a buyout program where any issues getting in the way of a buyout were simply the applicant's problem, but remember they already have a problem in that they lost their home in a day. Many residents had just a few minutes notice to leave their home, a few literally getting out as the house capsized. They lost their mother's jewelry, the gun safe, the place they spent the last two years renovating, their classic Corvette, legal documents, or all the baby pictures. If the goal is truly to make all the buyouts happen that can, then staff will have to go the extra mile to ensure the needed paperwork gets done, and that can take a lot of time.

Issues/Lesson Learned

Issue #1:
Government programs are obscure to the public and need to become trusted. People believe you when they see you.

- ✓ **Recommendation #1**

  Be there. Though permitting agencies and grant managers are used to glacial speeds and may be more comfortable in offices, it is important to have forces in the field as immediately as life safety allows.

Issue #2:
Immediately following a disaster is not a great time to talk with people for any reason. They have just lost all of their belongings, home, and maybe even their car. If they are lucky they still have a job and a way to get there, and supportive friends and family with a spare room. If they are not as fortunate, they have to find a new place to live, have lost all of their important documents, are suffering from emotional trauma, and are alone. An important part of the recovery effort outside of VEM and TRORC was case coordination through the Vermont Agency of Human Services. AHS was able to bring in counselors and help with all of the other aspects that are linked to buyouts – where to move to, help with replacing clothing, emotional counseling, financial counseling, help getting replacement documents, etc. Though not part of our buyout program, this was essential work and should be coordinated with the buyout program.

All that remains of a home after Irene

- ✓ **Recommendation #2**

  Collaborate with social services so that buyout candidates are supported as much as possible with mental, physical, and financial health counseling; as well as with the practical aspects of restarting life. This assistance will enable the potential seller to be more stable, easier to meet and deal with, and not be in a rush to sell or make a bad financial decision.

Issue #3:
Residents need local/state/federal officials to act as a team, not a bunch of isolated programs.

- ✓ **Recommendation #3**

  Ensure "the government" acts as a unified force with a personal touch. All agencies must not just talk to each other, but push and pull information back and forth so that owners don't fall through the cracks and so that all recovery agencies have as much information as possible on the plight of families.

Issue #4:
Owners make post-flood decisions rapidly, often with a poor understanding of permitting requirements, how to conduct repairs, and financial risks. Irene struck Vermont in late August, a cool but pleasant time of year right before school had started. This generally avoided immediate mold problems and families did not have to juggle school and work schedules. Flood waters receded in a day so structures were not left submerged and were accessible, unless they were on unstable areas or had fallen into waterways. Floods at other times of year or places could create mold conditions rapidly, fill a home with floodwater for days, fill it with mud, or leave it buried in ice.

Regardless of all the above troubles, people with flood damaged homes must start making decisions. "Should we rebuild or not?" is a pressing question with limited information to base answers on. A home damaged by floodwaters may have had undermining of the foundation. If it is structurally sound and is to be repaired properly, wet sheetrock and insulation have to be ripped out as a home is gutted down to studs. Surfaces that came into contact with contaminated floodwater have to be cleaned. Owners may or may not be able to get any contractors to assess the situation. They may not realize the full extent of damage. Owners without mortgages may be surprised to learn they live in a mapped flood zone and would now need expensive flood insurance as part of a repair mortgage. Owners may not realize that local flood regulations require not just repairs, but expensive lifting of the structure if doing major repairs.

- ✓ **Recommendation #4**
  Ensure that local and state permitting agencies quickly (within days of incident) identify damaged structures and their owners, and inform owners of <u>all</u> permitting requirements, safety precautions, and best recovery practices. Vermont was able to field some technical recovery contractors to offer construction advice, and state fire marshals were able to assess buildings for safety. <u>Demolitions not ordered by the town as emergency measures are not advisable as it may make them ineligible for later HMGP grants.</u>

Issue #5:
Grant programs are complex and expectations can be too high.

- ✓ **Recommendation #5**
  Identify potential buyout applicants fast and let them know of buyout options, but do not oversell the process.

Issue #6:
Local officials need to be on board.

- ✓ **Recommendation #6**
  Have recovery officials meet immediately with municipal officials to explain buyout and recovery options. While a HMGP buyout might be best, and a small park a nice post-storm

reuse, it is also possible that a straight purchase by the municipality may be more advisable if the site would be used for a bridge relocation, stormwater control, or other infrastructure as part of recovery since FEMA forbids certain buyout reuses.

Issue 7:
A flood can leave someone homeless with a large mortgage debt on a home that at best needs thousands of dollars work to simply be buildable, and at worst is now simply a riverbed. It is in everyone's interest for the owner to not walk away as that may leave a blighted site for the municipality to reclaim, a building that the bank may or may not foreclose on, a ruined credit record for the owner, a speculative rebuilding in a dangerous location, or a complicated legal trail to even figure out who has title.

✓ **Recommendation #7**
Provide letters from buyout agencies to banks about the buyout process so they understand a buyout is a much better chance of mortgage repayment than foreclosure. Ensure owners keep documentation of all damage and repairs. Provide pro bono legal advice and financial counseling. Work with area banks to provide short term financing.

Issue #8:
Buyouts are not fast. Facing a pile of wet boards that was once a home it is tempting to walk away or sell for whatever you can get and move on with life. Being told that the government might buy your home in a year or two may provide hope, but does little to take care of cash flow needs to move into a safer home elsewhere right now.

✓ **Recommendation #8**
Create ways to get funds into owners' hands quickly.

A Case for a Disaster Recovery Authority

States, through special order or legislation can usually create special agencies/bodies with limited scope and funding. A Disaster Recovery Authority is recommended to be created in this manner in order to handle the recovery from a large disaster, create an organization with a single purpose, and solve cash flow issues for displaced owners. The organization could be staffed with people reassigned from their typical duty station or with temporary hires, but it will require dedicated staff, not simply staff that had additional tasks put on their already busy plate.

While a disaster recovery authority could have many tasks before it, we focus here on facilitating buyouts. The basic idea is that the authority would raise revenue through state-backed bonds or general funds. <u>These funds could then be used to essentially provide home equity-based recovery loans to owners of homes awaiting buyouts.</u> It should be noted that it is not uncommon for owners to forget that mortgages get paid off with buyouts and that the maximum they will walk away with is only their equity in the property, not the full value of the site.

After Irene, the Vermont Long-Term Disaster Recovery Group, Inc. was created as a 501c3 non-profit to collect and disburse funds from the Vermont Disaster Relief Fund (VDRF). One source of funding for this group came from special “I Am Vermont Strong” license plate sales. Three seats on its board are appointed by the Governor. The VDRF was able to raise several million dollars and still exists today. After Irene it made grants up to $20,000 to owners and renters for needed repairs, and it paid contractors or vendors directly so that what was purchased was never in doubt. This form of “mini-IA” assistance was critical for many people that did not qualify for a buyout. It is possible that this non-profit might also perform the needed role of lender for buyouts, but a special authority with bonding powers backed by the state might fare better. The creation of such an authority does not even necessarily require any initial funding, as the enabling statute can just be put in place, and then activated in time of need. It could be a statewide authority or one with limited geographic scope. For large urban areas, it could be on the municipal or county scale.

The amounts of recovery loans given to owners would not exceed the eventual buyout payout to them, and the loan would be recorded as a lien. The state (or county/city), as the loan backer, could decide how much exposure they wanted, perhaps up to 75% of the value of the homes (since if a home was owned outright and HMGP was the only buyout funding that is the maximum possible grant). Home values could be set by appraisal as is usual for loans, but using tax records would be faster. The recovery loan to the owner would then be repaid by them to the authority at time of closing. The authority would not make money, but it should not lose much money on the loans themselves either, if careful. It would obviously cost some for the authority to manage such a system, but there are also costs to hard hit areas if they fail to keep their citizens as stable and settled as possible. Recovery loans would help residents stay employed and paying taxes, keep their businesses open, and stay serving in their volunteer and civic roles. Though hard to quantify, the loss of residents that move away in terms of social and real costs must be high. To keep people in the affected area, recovery loans could be conditioned on residents staying in the area, and could even be used to make the financing available as part of a purchase of the replacement home.

Conclusion

HMGP funds, with the addition of CDBG-DR and VHCB monies were essential in saving over 150 households from financial hardship or ruin. The programs were also critical in making sure damaged properties were safely demolished and did not persist as blight and fire hazards, but were either returned to a natural condition or parks in some cases. Buying out sites precluded rebuilding and associated future flood risks to residents of the sites, potential future rescues by first responders, and damage to downstream infrastructure. In some cases, buyouts also created more flood channel capacity that will lessen the threat of flooding to adjacent sites.

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