

Flood Buyouts: Federal Funding for Property Acquisition

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Flooding is the [most frequent natural disaster](#) in the United States and [experts expect effects to intensify in the future](#). Buyouts offer one way to reduce flood risk. Unlike other approaches to flood mitigation, buyouts eliminate future losses by removing properties from areas at risk of flooding.

A [floodplain buyout](#) is a property acquisition in which a government agency purchases private property, relocates or demolishes any structures on it, and preserves the land as [open space](#) in perpetuity to restore and conserve [natural floodplain functions](#). The local government is responsible for maintaining parcels of bought-out land and buyout programs generally do not include funding for future design, maintenance, or use of bought-out land.

In the case of [property acquisition](#) and demolition, often using federal funding, a local or state government purchases flood-prone land and structures from willing sellers and demolishes the structures. Alternatively, state or local governments purchase land from willing sellers and assist the property owners with relocation to another site. If the new location is in a flood zone, the structure must meet the community's [building codes](#) (e.g., elevation above a certain height). In both cases, the bought-out land must be maintained as open space.

Federal Funding for Buyouts

Flood buyouts can be funded by several federal programs:

- Any of the Federal Emergency Management Agency (FEMA) [Hazard Mitigation Assistance](#) (HMA) grant programs: the [Hazard Mitigation Grant Program](#) (HMGP), the [Building Resilient Infrastructure and Communities Grant Program](#) (BRIC), the [Flood Mitigation Assistance Grant Program](#) (FMA), and the [Safeguarding Tomorrow Revolving Loan Fund Program](#);
- National Flood Insurance Program (NFIP) [Increased Cost of Compliance Coverage](#);
- FEMA [Public Assistance](#);

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- Department of Housing and Urban Development [Community Development Block Grant Disaster Recovery](#) (CDBG-DR) program;

and under some circumstances:

- Department of Agriculture [Natural Resources Conservation Service](#);
- [National Oceanic and Atmospheric Administration land acquisition](#) projects;
- [National Park Service land protection](#);
- [United States Army Corps of Engineers](#) flood risk reduction projects; and
- Department of Interior [Voluntary Community-Driven Relocation Program](#).

All FEMA-funded projects must comply with open space and other regulations in [44 C.F.R. Part 80](#). After the date of property settlement, no federal entity may provide [disaster assistance](#) to households or businesses [for any purpose with respect to the property](#). The property is not eligible for NFIP coverage for structural damage after the date of settlement, except for relocated bought-out structures.

Considerations for Congress

Length of Time for Buyouts

One of the biggest considerations for homeowners is the speed of the buyout. Some studies show that the average FEMA HMGP buyout project [takes over five years](#) from the start of the associated disaster to project closeout. However, property acquisition typically occurs before an acquisition program is closed out. According to FEMA, the average time to obligate HMGP funding is 19.5 months, with 80% of acquisitions approved in under two years and 93% in three years or less (**Figure 1**). The average time to obligate FMA-funded buyouts is 16 months.

Funding may be insufficient to buy out all of the properties requested, and volunteers on waiting lists may [return to their flooded homes as they wait](#) for a buyout. If they repair their flood-damaged house for habitability while waiting, they [may no longer wish to relocate](#). Longer buyout timelines may [restrict the opportunity for lower-income households to participate](#).

Challenges for Local Governments

Buyout programs may be controversial, even though they may reduce long-term flood risk. Buyouts may [reduce state and local income from property taxes](#), reduce housing stock, cause a decline in real estate values in neighborhoods with large numbers of vacant lots, create fears that low-income communities are being removed, or fragment communities through resident displacement and loss of neighborhood cohesion. In addition, the nonfederal [cost-share](#) requirement and the cost of maintaining open space may prove to be a disincentive for small or disadvantaged communities.

[FEMA-funded buyouts are entirely voluntary](#) and property owners cannot be forced to participate. Without full participation in a buyout program, some properties are acquired and converted while others are left to remain, creating a “checkerboard” effect with some properties surrounded by vacant or underutilized parcels. This may [create numerous problems](#), including blight, community fragmentation, difficulty with providing municipal services, and inability to restore full floodplain functionality.

For these reasons, buyouts are often a [politically unpopular option unless there is a particularly catastrophic event](#) that changes people’s willingness to move and creates unified state and local support for relocation.

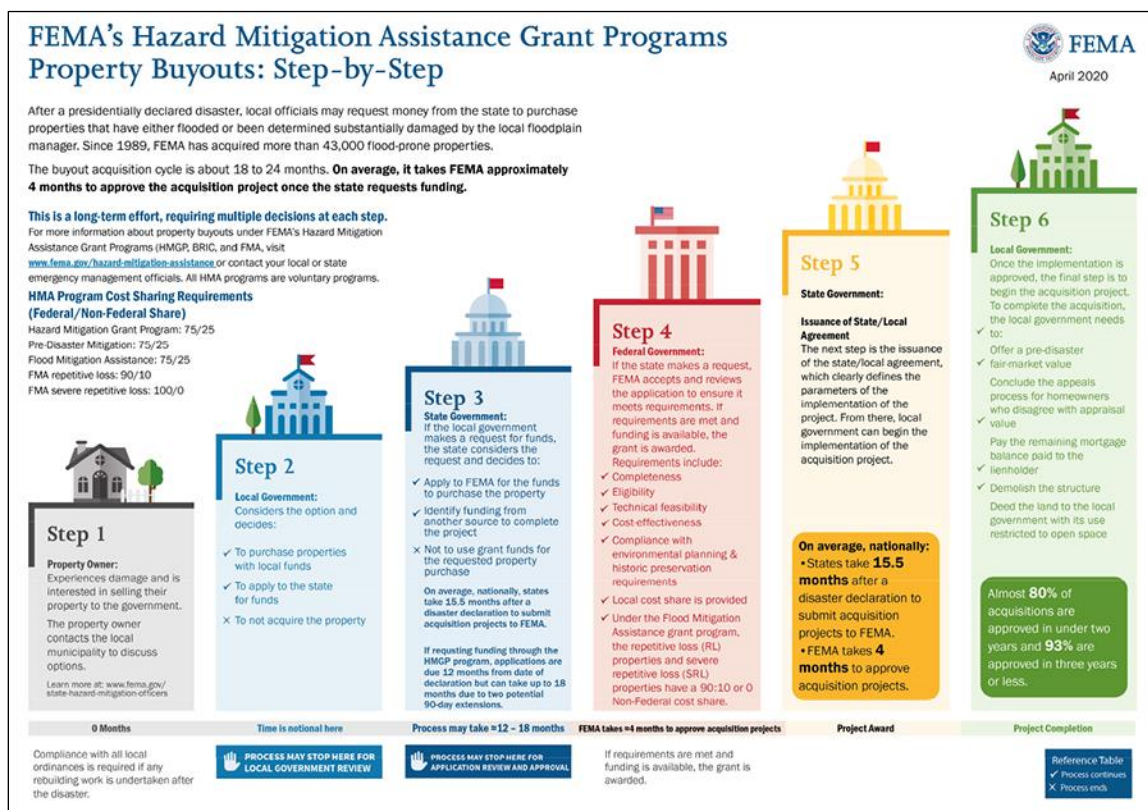
Policy Options

There are a number of policy options available to increase participation in buyout programs. FEMA could dedicate a special round of FMA or BRIC funding for buyouts, offer a higher federal cost-share for buyouts that relocate contiguous properties, or provide greater assistance to low-income communities for post-buyout maintenance. Homeowners are generally offered the pre-disaster fair market value of the property. Programs could incentivize participation by offering [higher payments to low-income residents](#) or [encouraging relocation in a lower-risk area](#).

One option to speed up buyouts could be to fast-track HMGP funding to be available immediately after a disaster for buyouts. Local governments could be reimbursed up to a specified percentage of total federal funding if they undertake buyouts immediately after a disaster, or FEMA could establish a pre-approval process. States and communities could pre-approve or guarantee buyouts to interested homeowners before a flood, or acquire homes and rent them back to owners or tenants for as long as the property remains habitable. For example, the federal government has used [life estates](#) to acquire property for its own use, such as national parks, allowing homeowners to remain for the rest of their lives or until they choose to leave. A similar approach could be used to encourage flood buyouts.

Federal agencies usually do not track the [new locations of households after a buyout](#), so it is typically not known whether households have moved to a less vulnerable location. Buyout programs could provide more assistance in the relocation process and greater emphasis on developing affordable housing in nonvulnerable locations.

Figure 1. FEMA's HMA Property Buyouts



Source: Provided by FEMA to CRS, April 8, 2022.

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