
BUYOUT PROGRAM

Program Overview

Grantees can use CDBG-DR funds to buy properties, both commercial and residential, in a target area with the intent to demolish the structures and create park amenities, open space, or flood storage/overflow areas. Such programs are typically part of a multi-pronged approach to community revitalization that includes relocation of residents and businesses in addition to business development activities. Buyout programs are especially effective in communities that have endured multiple disasters in the same neighborhood in the recent past, or sustained severe damage where there is high risk of additional disasters, such as a 100-year flood plain. These programs can help reduce the impact of future disasters while encouraging targeted revitalization efforts and public spaces.

The typical steps in a Disaster Recovery Buyout Program¹ are illustrated below. Each grantee's program will look slightly differently depending upon local needs, capacity and goals.



Program Design Considerations

A successful Buyout Program relies on two strong pillars: a well-conceived buyout process and a planned revitalization effort. This document details the steps only for the buyout process, however when designing the buyout process, the grantee must have a firm grasp of the revitalization effort – its goals, priorities, locations and timeframes – so that appropriate incentives can be put in place to encourage buyout participants to resettle in the revitalized areas. This means having clear objectives for the buyout area as well as a plan for resettlement of the buyout participants and the revitalization of other areas that will attract households to stay in the community now and in the future. There must be an area that is appropriate for relocation, with adequate housing and business development opportunities. If such opportunities do not exist, there must be a plan for construction, development, and economic

¹ For an example of a Buyout Program, see the program description for the [Grand Forks Residential Buyout Program](#).

incentives to develop the area. The plan must extend beyond resettlement to a long-term vision for a healthy, vital community – 5, 10, and 20 years into the future.

Key design considerations for a buyout program are summarized below.

- **Encourage resettlement, not out-migration.** Communities that use a buyout strategy will want to maintain their tax base and therefore, need to retain a high percentage of residents, businesses, and industries located in the buyout area. Buyout amounts must be structured to provide adequate incentives to participate in the buyout and resettle in the targeted revitalization areas, yet not provide windfalls to participants. The program must have a strong marketing and outreach component to ensure that the program’s benefits and incentives are well communicated to property owners in the buyout area.
- **Recognize the economic impact of buyouts on adjacent neighborhoods.** Property owners in areas adjacent to the buyout areas will see changes in the value of their properties as the buyouts, demolition, and redevelopment occur. These changes may be positive or negative, depending on the market and the nature of the redevelopment in the cleared space. Planners should consider possible approaches to ensure that the surrounding areas retain their value and remain attractive to homeowners and businesses.
- **Consider the entire built environment, not just residential properties.** Buyouts will affect commercial and industrial properties in addition to residential ones. The design must consider the conditions and appropriate incentives to ensure that commercial and industrial properties can and will participate in the program and relocate to the desired areas. The grantee may need to consider relocation and disaster recovery economic development programs for business owners who leased, and did not own space in the buyout area.
- **Voluntary participation is critical to success.** The redevelopment of the buyout area into a public space will only succeed if a sufficient number of property owners participate. Planners should consider what the necessary participation level is (e.g. for flood storage, 100% participation may be necessary, whereas for a recreational area, there may be some flexibility to design around remaining properties.) They should consider their options for encouraging participation and alternative designs in cases where property owners will not relocate.
- **CDBG-DR funds must be closed-out.** Historically, CDBG-DR appropriations require grantees to complete a close-out process. As this may prove quite difficult and taxing on staff to meet this requirement once all programs using CDBG-DR funds are complete, HUD highly recommends closing out programs on a rolling basis. Initiate the close-out process once all funds for each specific program are drawn down, the national objective has been met, and program requirements are complete.

Implementation Strategies

The exhibit below walks through the key steps in the implementation of a Disaster Recovery Buyout Program. For each step it details critical success factors, common obstacles, and strategies used by successful grantees to address these obstacles. It also identifies recommended resources a grantee may wish to create, per step, to develop a successful program. Finally, there are five tools, identified under “Buyout Implementation Tool” that provide sample language a grantee may edit and adopt to suit their program needs. Each Tool may be found in subsequent documents provided in this Toolkit. The strategies and resources are not exhaustive and, depending on the disaster recovery situation, may not be applicable to every grantee’s situation.

Step 1: Define the Program's Geography and End Use

Critical Success Factors	<p>The buyout program must have a clear plan for both the buyout area – its boundaries and end use – as well as for resettlement. A strong program will have:</p> <ul style="list-style-type: none"> • Clear delineation of the buyout area • Appropriate end use that meets community needs for public space and a CDBG national objective • Identification of areas targeted for resettlement • A plan for revitalization of areas targeted for resettlement
<p>Potential Obstacle</p> <p>Boundaries of the buyout area are challenged by property owners.</p>	<p>Strategy</p> <p>Prior to the program roll-out and marketing, hold numerous public meetings detailing specific data, such as historical flood data and maps demonstrating the extent and degree of disaster damage over time. Communicate the continued costs to homeowners, businesses and the grantee in the buyout area, surrounding neighborhoods, and larger community. Benefits of the buyout and resettlement must be clearly and continually communicated, as discussed below under Step 2.</p>
<p>Potential Obstacle</p> <p>End use for the buyout area is not clearly defined or communicated.</p>	<p>Strategy</p> <p>Because “open space” means different things to different people, the end use of the buyout area may not be clear to the community or even the program planners. Options might include open fields, gardens, sports or recreational facilities, or a flood storage area. Develop a set of FAQs detailing answers to common questions such as: Will it be open to the public? In what capacity? What if a property owner chooses not to participate?</p>
Resources	<ul style="list-style-type: none"> • Set of maps demonstrating the extent and degree of disaster damage overtime • FAQs for general public
Buyout Implementation Tool #1	Program Guidelines

Step 2: Market the Program

Critical Success Factors	<p>Intense marketing efforts are needed at the beginning of the program to achieve a ‘tipping point’—if a sufficient number of people opt in to the program, others will be persuaded. To market the program successfully, the grantee must:</p>
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	<ul style="list-style-type: none"> • Actively engage with property owners in the buyout area – residential and business – both one-on-one and as a group • Clearly present benefits of the buyout and advantages of resettlement in target areas • Address needs and concerns of residential and non-residential property owners, and tenants
Potential Obstacle Outreach does not reach all intended beneficiaries of the program.	Strategy Program materials and efforts may focus on homeowners, while overlooking the businesses that must also relocate. The grantee should ensure that: <ul style="list-style-type: none"> • Program materials are developed for all audiences and address their specific needs and concerns • Staff and partners who actively market the program must be prepared to speak with businesses about what the program offers them and the benefits and supports available to them if they relocate to a targeted area
Resources	<ul style="list-style-type: none"> • Buyout Program Outreach/Marketing Plan • Marketing Materials

Step 3: Conduct Intake & Verify Documents

Critical Success Factors	A grantee must collect necessary information from all participants to document their eligibility and determine their buyout amounts. As properties and owners are already identified in order to accomplish Step 2 above, the intake process is concentrated on verifying ownership and collecting information to support the determination of the buyout amount and incentives. For this process to be successful, a grantee should: <ul style="list-style-type: none"> • Provide support to beneficiaries that may have lost all documentation in the disaster • Established phased deadlines and, if necessary, provide higher incentive levels for those opting into the program at earlier phases • Create a dispute resolution process if property ownership is in question
Potential Obstacle Application process can discourage participation and create an undue burden on intended	Strategy Develop an application intake process that is easy for potential applicants to complete. Strategies for a quick accessible intake process include:

beneficiaries.	<ul style="list-style-type: none"> • A web-based application • Providing mobile application and case management services for intake specialists to be present in the buyout area on evenings and weekends • Public information meetings and clinics that help homeowners assess needs, gather information needed to apply for assistance, and explain program rules and requirements. Involve government officials, bank representatives, and legal aid in these meetings. • Hire, or train, culturally- and disaster-sensitive intake specialists
Potential Obstacle Intake specialists are ill-prepared for the social service needs of applicants.	Strategy Buyout program participants have suffered a disaster and now their property is identified as an area for demolition. At times, these events may cause emotional distress. Grantees should have on-call local social service agencies to provide support to applicants.
Buyout Implementation Tool #2	Application for Businesses

Step 4: Determine Buyout Amounts & Check for Duplication of Benefits

Critical Success Factors	Buyout amounts must be perceived to be fair by participants, but cannot allow for overcompensation or duplication of benefits. The determination of benefit must: <ul style="list-style-type: none"> • Provide sufficient benefits to incentivize program participation • Ensure that there is no duplication of benefit • Adhere to a transparent approach to calculating the award • Provide an explanation of the buyout amount to participants in a plain language way that ensures comprehension
Potential Obstacle Buyout amounts plus resettlement incentives can result in windfalls for individual property owners.	Strategy The buyout determination must take into account all relevant factors including: <ul style="list-style-type: none"> • Property value, as determined by an appraisal • Benefits received from other programs and insurance • Other program incentives such as purchase assistance on the relocation property • Business income and other losses incurred by a commercial property

Resources	<ul style="list-style-type: none"> • Protocol for award determination • Award determination letter
Buyout Implementation Tool #3	Award Calculation Methodology (Advanced)

Step 5: Purchase the Property & Relocate the Participants (if applicable)

Critical Success Factors	<p>The relocation of property owners is critical to the resident retention and community revitalization goals of the program. To be successful, the program must:</p> <ul style="list-style-type: none"> • Persuade participants to stay in the community and relocate to the targeted areas • Provide a continuum of options to participants that allow them to participate
<p>Potential Obstacle</p> <p>Property owners may not have clear plans or be in a position to make an immediate decision about relocation.</p>	<p>Strategy</p> <p>Provide flexibility in program timing and a range of support and incentives to allow property owners the time they need to develop their own plans and to support them in the relocation when they are ready. Support and incentives can include:</p> <ul style="list-style-type: none"> • Relocation funds • Rental assistance • Downpayment and mortgage assistance • Business planning support • Financial counseling
<p>Potential Obstacle</p> <p>City's rights are not protected at closing.</p>	<p>Strategy</p> <p>To ensure that the city's rights as the future landholder are protected, the program should have strong legal documents that outline items such as:</p> <ul style="list-style-type: none"> • The condition a property owner must leave the property in • A clear marketable title received by the City (all liens, mortgages and other encumbrances should be satisfied at the time of closing) • Move-out deadlines with clauses consistent with municipal squatter ordinances • Disclosure affidavits for unseen or non-permitted property damage (e.g. underground tanks)
Resources	<ul style="list-style-type: none"> • Legal Documents for Property Purchase

	<ul style="list-style-type: none"> • Relocation Plan
Buyout Implementation Tool #4	Relocation Voucher Guidelines

Step 6: Conduct Clearance and Demolition

Critical Success Factors	<p>Demolition and clearance requires planning to address the inevitable logistical challenges as properties are vacated. Clearance and demolition should:</p> <ul style="list-style-type: none"> • Proceed in a timely fashion • Be consistent with environmental regulations • Support the end use of the property
<p>Potential Obstacle</p> <p>Timing of demolition may result in properties standing vacant for a significant period of time.</p>	<p>Strategy</p> <p>The grantee may want to take advantage of economies of scale, demolishing multiple adjacent properties at once. Some properties may stand vacant for a time while others remain occupied. As vacant properties can cause health and safety issues, the grantee must meet all health and safety codes for properties in its portfolio, such as boarding all units and providing necessary security.</p>
<p>Potential Obstacle</p> <p>Demolition of industrial and large scale commercial properties requires special considerations.</p>	<p>Strategy</p> <p>When dealing with industrial and large scale industrial properties, the grantee may have to address issues of contamination, hazardous materials, or other environmental issues. The grantee must engage contractors with appropriate qualifications. State environmental department may be able to offer support.</p>
<p>Potential Obstacle</p> <p>Program participants want to salvage materials from the property.</p>	<p>Strategy</p> <p>On occasion, a program participant may want to salvage materials from the property during the demolition process or salvage the entire structure and only sell the lot. Grantees should allow these instances on a case-by-case basis.</p>
Resources	<ul style="list-style-type: none"> • Demolition RFP and Contract
Buyout Implementation Tool #5	Demolition Checklist