



## **Facts on Metro Nashville's Development of a Hazard Mitigation Home Buyout Program in Response to the May 2010 Flood**

### **June 3, 2010**

#### **Summary:**

- The Metropolitan Government of Nashville is currently working to develop a Hazard Mitigation Home Buyout Program that will be administered by Metro Water Services with assistance from the Flood Recovery Team.
- Metro Nashville has determined that homes located in the floodway that sustained damage greater than 40% will be the first priority for the Hazard Mitigation Home Buyout Program.
- The final list of properties that fit this criteria (and will be offered to participate in the initial phase of the buyout program) is nearly complete. AMEC, an engineering firm contracted by Metro Water Services, has been conducting detailed assessments of all flood-damaged properties in the floodplain for the last two weeks.
- As soon as the list of eligible properties is finalized, those homeowners will receive a letter of interest in the mail. These letters are expected to go out in the next 14 days. Signing a letter of interest does not commit a homeowner to selling his/her property.
- Homeowners will also be notified of community meetings that will be held near their neighborhoods to allow them to meet with Metro Water staff face-to-face and have their questions answered.
- Full-time project managers will be assigned to assisting eligible homeowners through the buyout process, including finding temporary housing as the buyout is completed.
- Metro must submit applications for all the home buyouts to TEMA and FEMA for review and approval. Depending on homeowner response, Metro should be prepared to submit its first applications by the end of June.
- However, the timeframe for moving forward with the home buyout program is not solely determined by Metro Nashville. TEMA has notified Metro Nashville that the

estimated timeline for completing any buyouts is at least 10 months. Metro Nashville is working with the Tennessee Congressional Delegation, as well as TEMA and FEMA, on ways to shorten this timeframe.

## **Overview:**

In response to the May 2010 flood, the Metropolitan Government of Nashville is currently working to develop a Hazard Mitigation Home Buyout Program to reduce the loss of life and property from any future significant flood event in Davidson County. The program will be administered by Metro Water Services with assistance from the Flood Recovery Team. The reason Metro Government is developing this program is two-fold:

1. By law, building permits cannot be issued to repair homes in the floodway that sustain significant damage during a flood (if they are non-compliant with current stormwater regulations). The *floodway* is the most dangerous part of the floodplain. It is the area closest to rivers or streams where water flows during a flood event. *Significant damage* is defined as damage exceeding 50% of the total value of the structure on a property. While homeowners who fall into this category may choose not to sell their property, a home buyout program gives those homeowners the ability to sell their property at its pre-flood value and relocate to another area.
2. The Federal Emergency Management Agency (FEMA) administers a Hazard Mitigation Grant Program, which provides funding to local and state governments to implement long-term hazard mitigation measures after a major disaster declaration. There are many forms of hazard mitigation, but as it relates to flood prevention, home buyout programs are the most desirable because they are permanent. Depending on the level of federal funds available, Metro Government has the opportunity, through this grant program, to purchase homes in flood-prone areas.

Metro Water Services has purchased 54 homes under a similar home buyout program over the last five years. All 54 homes previously purchased and removed would have been severely damaged during the 2010 flood.

All home buyouts are strictly voluntary. Homeowners cannot be forced to sell their property for hazard mitigation purposes, regardless of location. And by law, property that is acquired must be cleared and forever remain open space. Local governments are allowed to create public parks or wildlife refuges, but cannot sell the property to private individuals or develop it.

Metro Nashville must submit an application for all home buyouts to both the Tennessee Emergency Management Agency (TEMA) and Federal Emergency Management Agency (FEMA) for review and approval.

Metro Nashville would share the cost of the home buyout program with the state and federal government. The current cost share breakdown (subject to change<sup>1</sup>):

- 75% FEMA
- 12.5% TEMA
- 12.5% Metro

Eligible property owners who pursue a home buyout will be offered a price based on a standard real estate appraisal that considers the pre-flood fair market value of the property. Expenses usually associated with real estate transactions, including the appraisal, title search, closing costs, and if necessary, lot survey, will also be paid for as part of the buyout. The property owner will be responsible for any mortgages and liens against their property, just like any other real estate sale.

Also, like any other real estate sale, homeowners 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.

### **Developing the Application:**

Before an application can be submitted to TEMA and FEMA for the home buyouts, Metro Nashville must determine:

1. What is the criteria for properties to qualify for the Hazard Mitigation Home Buyout Program based on their location within the floodplain and the amount of damage sustained during the recent flood

FEMA's Hazard Mitigation Grant Program allows local governments to develop buyout programs for homes located within the 100-year floodplain. It is up to the local government to set the specific criteria for the homes that will be eligible.

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<sup>1</sup> U.S. Senator Lamar Alexander has proposed federal legislation that would change the cost share breakdown to 90% FEMA, 5% TEMA and 5% Metro. The legislation has already passed the Senate and is pending in the House of Representatives.

Metro Nashville's first priority will be to offer buyouts for residential properties that are located in the floodway (the most dangerous part of the floodplain) and sustained damage exceeding 40% of the total value of the structure on the property. This includes homes that are not allowed to rebuild to pre-flood conditions (because they sustained damage greater than 50% of the total value), and homes that are just below the threshold of what's considered "significantly damaged." These are the homes that are most at risk for loss of life and property during a future flood event. There will be some exceptions to this criteria. Homes that are contiguously located to a large number of homes that meet the criteria may also be offered a buyout in order to avoid isolating individual parcels.

Depending on the level of federal funds available, Metro Nashville may pursue other homes in the floodway at a later time. However, because the available funding for a second wave of buyouts is still uncertain, any property owner that is eligible to receive a building permit is encouraged to begin rebuilding and not wait to be offered a buyout. Homeowners can apply for building permits online at [www.nashville.gov/flood](http://www.nashville.gov/flood) or call the Codes Department at (615) 862-6500.

**NOTE: Homeowners using FEMA assistance to help pay for rebuilding their home should keep all receipts related to the rebuilding so that those expenses can be accounted for should a buyout be offered later<sup>2</sup>.**

2. Based on the criteria set, how many properties would be eligible for the home buyout program

Based on preliminary assessment data, 11,680 properties were damaged to varying degrees during the flood. Of those, approximately 4,180 residential properties are located in the floodplain with 792 located in the floodway (the most dangerous part of the floodplain). The majority of properties located in the floodway sustained damage less than 40% of the total value of the structure on the property. Approximately 200 properties are located in the floodway and sustained damage greater than 40%, meaning about 200 properties will qualify for the initial phase of the Hazard Mitigation Home Buyout Program (or less than 2 percent of all 11,680 properties damaged during the flood).

Detailed property assessments of all flood-damaged properties in the floodplain have been underway for the last two weeks by AMEC, an engineering firm contracted by Metro Water Services. Once the detailed property assessments are complete, the exact number of properties that will qualify for the initial Hazard Mitigation Home Buyout Program will be known.

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<sup>2</sup> More information about why keeping receipts is important can be found online at <http://www.fema.gov/government/grant/mitmeasures/buyoutdob.shtm>.

3. How many eligible homeowners are interested in participating in the program

Once the list of properties eligible for the Hazard Mitigation Home Buyout Program is finalized, Metro Water Services will be mailing letters of interest to the homeowners. These letters are expected to go out in the next 14 days. Interested property owners will be able sign and return the letter of interest to Metro Planning who will compile the information. A template letter will also be posted online for download. Submitting a letter of interest will be the first step in the buyout process. Signing a letter of interest does not commit a homeowner to selling his/her property. Until a real estate transaction is complete, a homeowner may change his/her mind about participating in the home buyout program at anytime. Collecting letters of interest will simply allow Metro Nashville to gauge how many properties will be included in the initial buyout application.

In addition to receiving a letter of interest, eligible homeowners will also receive information in the mail on how to contact a project manager who can assist them through the buyout process, including finding temporary housing as the buyout is completed. Two project managers are currently being hired to work full-time on assisting homeowners with the Hazard Mitigation Home Buyout Program. Homeowners will also be notified of community meetings that will be held near their neighborhoods to allow them to meet with Metro Water staff face-to-face and have their questions answered.

4. How our local government would fund its portion of the buyout costs (including matching existing federal dollars for buyout)

Metro Water Services and the Finance Department are exploring all potential sources of local funds and will be prepared to submit a funding package to the Metro Council for approval in line with the first applications being completed.

5. Which sources of federal funding are available to be used (as part of FEMA's portion of the buyout costs)

Various sources of federal funds can be used for buyouts based on the circumstances of individual property owners, including income level, insurance and history of repetitive flood damage. The state and federal government favor applications that make the most use out of all available funds, and so Metro Nashville is carefully determining how to maximize all existing and potential federal funding sources. The availability of federal funds may be impacted by pending federal legislation, and additional congressional action may be required to make additional sources of funds available to Metro Nashville.

**Timeframe:**

Based on the information required to develop the home buyout application, Metro Nashville will be prepared to submit its first applications for the Hazard Mitigation Home Buyout Program by the end of June. (This timeframe will be dependent on homeowner response.)

However, the timeframe for moving forward with the home buyout program is not solely determined by Metro Nashville. TEMA has notified Metro Nashville of the estimated timeline for the Hazard Mitigation Grant Program and the timeline for other available mitigation grants. Based on these timelines, even after Metro Nashville submits its application, TEMA anticipates it will take at least 10 months before any buyouts are complete.

Metro Nashville is working with the Tennessee Congressional Delegation on ways to shorten this timeframe.