Buyout Factsheet

HUD's Office of Disaster Recovery is excited to release Part 1 of its Buyout Factsheet Series. This series describes buyout activities funded through HUD's Community Development Block Grant Disaster Recovery (CDBG-DR) funds.

What is a Buyout?

HUD provides flexible CDBG-DR funds to help cities, counties, and states to recover from Presidentially declared disasters. Communities can use these funds for a variety of recovery activities, including acquisitions.

A "buyout" is a particular type of property acquisition, which is intended to reduce risk from future hazards by removing a structure from a floodway, floodplain, fire zone, or other Disaster Risk Reduction Area (DRRA). This fact sheet helps CDBG-DR grantees quickly access available resources to implement a successful and compliant buyout project.

Is a Buyout Different Than an Acquisition?

Buyouts require the permanent removal of properties from high-risk areas and differ from traditional acquisition projects in that they impose strict land use management after a structure is removed. Residential, commercial, agricultural, undeveloped, and/or vacant properties are all eligible for buyouts.

As outlined in the Federal Register Notices, only acquisitions that meet the buyout definition are subject to the land use restrictions. A key factor in determining the difference is whether the intent of the purchase is to reduce the risk of property damage from future hazards in a floodway, floodplain, fire zone, or a DRRA.

What are the Pros and Cons of a Buyout?

The benefit of a buyout is the permanent removal of risk to people and structures in known hazard areas. However, drawbacks can include a potential reduction of the tax base and loss of community identity as structures also hold cultural value. It is essential to first conduct citizen outreach to determine if a buyout program is appropriate for your community based on considerations such as repetitive loss properties, history of disaster impacts and/or expressed owner interest.

What are Eligible Uses of the Land Post-Buyout?

Properties purchased through a buyout program may not be redeveloped other than: (1) a public facility that is open on all sides and functionally related to a designated open space (e.g., a park, campground, or outdoor recreation area); (2) a rest room; or (3) a flood control structure that the local floodplain manager approves in writing before the start of construction. After the purchase of the land through a buyout, the acquiring entity may not apply to receive Federal disaster assistance in future Presidentially declared disasters that impact this property. The owner may, however, lease the land to other parties for compatible uses as outlined in this paragraph.

For all other acquisition projects that are not buyouts, grantees have more flexibility in how to redevelop the land, however they cannot use the pre-disaster Fair Market Value as allowed with buyouts. For non-buyout acquisitions, the purchase price must be consistent with cost principles in 2 CFR 200 and based on the property's post-disaster Fair Market Value.

Resources

Below is a list of existing resources located on the HUD Exchange related to buyouts. Please note that not all the resources are applicable to all CDBG-DR funds, so it is important to always review the applicable Federal Register Notice on HUD.gov.

Trainings
- URA the HUD Way

Recorded Webinars
- Buyouts: Program Design, Intake, Coordination and Allowable End Uses
- Buyout Program Guidance and Best Practices
- Planning and Implementing Buyouts: Pre- and Post-Disaster
- Coordination Between HUD CDBG-MIT/CDBG-DR and FEMA Mitigation Programs
- Planning and Implementing Buyout Programs

Toolkits
- Disaster Recovery Buyout Program Toolkit
- Citizen Participation and Equitable Engagement Toolkit

Guidance
- Crosscutting Federal Requirements Applicable to the CDBG-DR Funds