

The Takeaway

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Property Buyouts After Natural Disasters

The Economic Implications for Texas Residents

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The State of Texas is prone to a myriad of natural disasters—hurricanes, tornados, floods, wildfires—that adversely affect its residents and have significant financial impacts ranging from minor repairs to complete loss of property. When the damage is severe, the most practical solution can be a public buyout of private property. This brief highlights economic and public policy implications of Texas municipalities purchasing property from residents living in areas repeatedly damaged by natural disasters.

The U.S. government began several home buyout programs in the 1990s. Since then Texas has received more federal disaster mitigation funding than any other state in the United States.¹ In 2019 alone, there were 14 natural disasters in the United States that caused over \$1 billion in damage with seven of those disasters affecting Texas.² Figure 1 shows the number of disasters declared by the Federal Emergency Man-



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WHAT'S THE TAKEAWAY?

Texas experiences the most natural disasters in the U.S.

48% of Texans have difficulty finding affordable housing.

Policies are needed to ease the hidden costs associated with home buyout programs:

- Grants supporting regular updates to municipal floodplain maps,
- State emergency home buyout financing options, and
- Property tax protections for displaced homeowners.

agement Agency (FEMA) in each Texas county since 1953. Harris County leads the state with 33 declarations while Dallam, Lipscomb, Loving, and Ward County counties share the lowest number of declarations at seven. The most costly disasters in Texas since the 1950s have been from hurricanes, floods, high winds, and fires.³

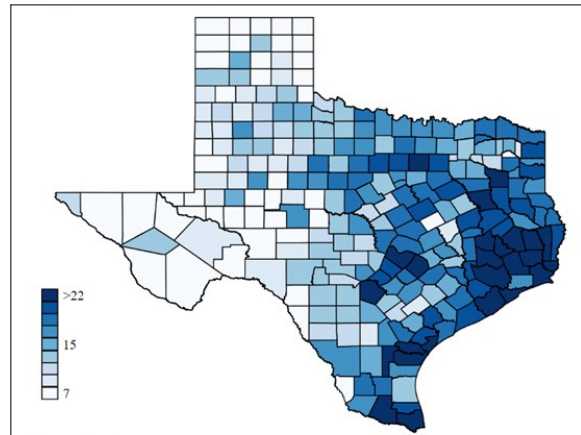
Home buyout programs primarily apply to flooding. People tend to either rebuild or sell their property after fires, tornados, and hailstorms because the probability of a reoccurrence in the same place is relatively low and unpredictable. Frequent property damage or complete loss from flooding is more predictable with updated floodplain maps. FEMA maintains accessible floodplain maps for homeowners and government officials to review, although they are not entirely reliable as they do not account for population growth and land development—leaving homeowners unaware of potential risks.⁴

EXISTING POLICY

To seek a property buyout or acquisition after a disaster, homeowners must apply to their municipal government housing authority. If the application is approved, the local government has the property appraised and offers acquisition based on the fair market value of the property.

Home buyout programs vary by municipality. Large cities, such as Dallas and Austin, may have the budget capacity for regularly buying properties damaged by floods, but rural and suburban communities like Lampasas and Denton may have to rely more on state and federal aid. In Texas, home buyout programs are carried out by local governments with the Texas General Land Office (GLO) serving as an

Figure 1: Number of Federally Declared Disasters by Texas County, 1953-2019



Source: Federal Emergency Management Agency, 2019

intermediary between the municipalities and the federal government by managing federal disaster mitigation grants allocated to eligible communities. Harris County leads the nation in successful home buyouts with over 3,100 acquired properties since 1985.⁵

The GLO is the agency responsible for managing the state's property buyout funds, with strict distinction between buyouts and acquisitions. Properties that undergo a buyout are demolished and designated as uninhabitable land. These properties often turn into empty lots and green spaces, such as parks or flood barriers. Property acquisitions in Texas differ as they allow for local governments to repurpose the land for future development with more resilient housing or green space.⁶ Figure 2 demonstrates how the GLO's property buyout and acquisition process is structured.

In addition to home buyout programs, the state relies on its Economic Stabilization Fund (ESF), which is primarily funded by taxes and fees collected from the oil and gas sector, as a savings account for financing disaster mitigation projects in emergencies.

Figure 2: GLO Buyout and Acquisition Process

Source: Texas General Land Office, 2020

HIDDEN COSTS

The property buyout process has significant hidden costs that homeowners and municipalities incur. First, the overall process of property buyouts often takes years. In many cases the lengthy wait period forces homeowners to choose to repair their property, rather than wait for federal buyout funds. This creates a recurring financial problem as subsequent disasters may cause new damage requiring additional repairs.⁷ Essentially, it is a time-money issue where the homeowner is either forced to live in substandard living conditions or make improvements.

Second, when homeowners (and renters) seek relocation, they may be faced with higher acquisition costs just to maintain a similar quality of life. A poll by the Texas Lyceum found that 48% of all Texans and 64% of renters have difficulty finding affordable housing.⁸ Since some government financial incentives require residents to relocate within the city, those affected must decide whether to continue to live in high-risk areas or move to safer, less affordable locations.⁹

POLICY RECOMMENDATIONS

In 2019, the 86th Texas Legislature passed several laws allocating state monies for municipal disaster mitigation efforts, but none specifically addressed home buyouts. There are a few policy changes that could help make property owners and municipalities more resilient to disasters.

Finance local floodplain surveys: Use some of the roughly \$3 billion from the Texas Infrastructure Resiliency Fund and the Flood Infrastructure Fund as disaster mitigation grants to support communities in regularly updating floodplain maps—especially rural and suburban communities that do not have the fiscal capacity to do so. Thousands of Texans are at risk because they reside in homes located in floodplains, and regular map updates will ultimately save the state money.

Advance finance local disaster mitigation: Texas should provide municipal property buyout financing through the state ESF and require municipalities to reimburse the ESF with interest calculated at local government investment pool rates. This proposal will expedite local recovery efforts, remove Texans from high-risk properties, and maintain ESF solvency. After Hurricane Sandy in 2013, New Jersey found using non-federal monies from their ESF allowed the state to speed up recovery efforts while homeowners waited on federal disaster funds for buyouts.¹⁰

Provide financial protections for relocating homeowners: Municipalities or state government should explore home buyout policies that protect homeowners in the event they are required to relocate. For example, the property taxes for relocating homeowners could be capped, thus reducing the financial burden of relocation. This may also reduce the impact of post-disaster market shocks on the local economy as homeowners would be in-

centivized to relocate within the same community. To reduce the long-term fiscal burden on the local government, a phased-in market rate property tax adjustment can be put into place, based on years of ownership or resale value.

CONCLUSION

While buyout programs mitigate disaster damage costs homeowners might otherwise incur, these policies have hidden economic costs that directly and indirectly affect homeowners, renters, and municipalities. Developing a long-term solution to this complex issue involves updating local floodplain maps across Texas; implementing homeowner friendly property tax schemes; and providing state emergency home buyout financing options. Each of these actions could potentially limit local government's fiscal obligations and make Texas homeowners more resilient.

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Notes:

- ¹ National Aeronautics and Space Administration (NASA, 2017). Natural and manmade hazards in the State of Texas. https://nisar.jpl.nasa.gov/files/nisar/NISAR_Applications_Hazards_Texas.pdf
- ² NOAA National Centers for Environmental Information (2020). U.S. Billion-dollar weather and climate disasters. <https://www.ncdc.noaa.gov/billions/>
- ³ FEMA, 2019. <https://www.fema.gov/data-visualization-disaster-declarations-states-and-counties>
- ⁴ Korte, L. & Jin, C.H. (2019). After Harvey surprised thousands with unexpected flooding, new law aims to better inform homebuyers. *Texas Tribune*, <https://www.texastribune.org/2019/08/22/texas-law-requires-buyers-to-disclose-flood-risks/>
- ⁵ Harris County Flood Control District (2020). Home Buyout Program. <https://www.hcfcfd.org/hurricane-harvey/home-buyout-program>
- ⁶ Texas General Land Office (2020). Local buyout and acquisition. <https://recovery.texas.gov/local-government/programs/local-buyout-acquisition/index.html>
- ⁷ Kinder Institute for Urban Research (2018). Case studies in floodplain buyouts: Looking to best practices to drive the conversation in the Houston region. <https://kinder.rice.edu/research/case-studies-floodplain-buyouts-looking-best-practices-drive-conversation-houston-region>
- ⁸ Texas Lyceum Poll, 2020. <https://www.texaslyceum.org/lyceum-poll-3>
- ⁹ Greer, A. & Binder, S.B. (2017). A historical assessment of home buyout policy: Are we learning or just failing? *Housing Policy Debate*, 27(3), 372-392.
- ¹⁰ FEMA, 2015. https://www.fema.gov/media-library-data/1447357426269-e95b4a3f2805922a9b8b0fde5f91789f/01_3years-long_3years-strong_web-rev.pdf

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