

# CDBG-DR Buyout Program

## Application Guide

*Understanding the CDBG-DR Buyout Application in one easy lesson*



- CDBG-DR Buyout stands for the “Community Development Block Grant – Disaster Recovery Buyout Program”
- CDBG-DR provides federal/state money to buy flood-damaged homes
- CDBG-DR Buyout Program is a voluntary buy-out program conducted through local government
- Local governments (county or municipal) have to apply through PEMA
- Homeowners go to their local government

**THAT'S WHERE YOU COME IN!**

The CDBG-DR BUYOUT is a state competitive grant program. That means, there is only so much money available and priority will be given to properties experiencing substantial damage and/or severe repetitive losses due to flooding. The best thing a community can do to get this money to buy-out flood-damaged homes is to produce and submit a CDBG-DR BUYOUT application that stands out from all other applications. The more detailed and complete the application is, the easier it is to review and the higher it will rank in the state and federal review process.

***Knowing how to complete a CDBG-DR BUYOUT application and doing a thorough job is important. That's what this guide is for: explaining what's involved in putting together a complete, eligible, and approvable CDBG-DR BUYOUT application.***

## ACQUISITION PROJECT – APPLICATION PACKET ITEMS

A completed application needs the following items:

### For the project

1. Basic application form (one per municipality/project)
2. Designation of Agent Resolution (one per municipality)
3. Local review and compliance letter (one per municipality/project)
4. Maintenance Agreement Certification (Acquisition projects only)
5. Maps—project site location, floodplain & quadrangular & FIRM
6. Other supporting Documentation (Directions, Photos, etc.)
7. Eminent Domain Waiver Letter

### For each property

8. Voluntary Participation Agreement (VPA) (one per deeded property)
9. Voluntary Transaction Agreement (VTA)
10. State Certified Appraisal (recommended)
11. Photographs; 1 per each side of structure + streetscapes (each property)
12. Substantial Damage Certification (if applicable) (must have substantial damage estimator documentation)
13. Hazardous Survey forms (each property)
14. Property information  
Information below – also fill in spreadsheet
  - Owner's name, current address, phone, social security #
  - Location of property: street address, Latitude & Longitude
  - Total living area in square feet – see spreadsheet
  - Date of construction
  - If rented, tenant list. Note: Both current tenants and anyone in residence at the time of flooding must be listed with current contact information.
  - Flood and past damage history (dates & dollars)

### *“Why is all this information necessary?”*

There are four parts to the answer: eligibility, environmental, historic, and compliance. Your information is needed in one or more of these parts for the state and federal review analysis.

The objective is to remove damaged homes out of the floodplain. All structures should be in the 100-year floodplain. The acquisitions generally must be of primary residences and **MUST** be voluntary. The municipality must have a mitigation plan. The project must also be included in that plan and meet one of the goals/objectives of that plan. These are some of the eligibility requirements.

All CDBG-DR BUYOUT projects must go through an environmental and a historical review before they can be approved for CDBG-DR funding. That is the reason for some of the maps, the photographs, and construction date information, etc. Latitude and longitude for each property is necessary so that the precise location for each can be determined, mapped and again located in the future. Handheld GPS (Geo-spatial Positioning System) units or some computer mapping software can help you provide this information. (See the Heading: Latitude & Longitude)

While it may not seem like it, the documentation for the CDBG-DR BUYOUT application is all vital and necessary for getting a buy-out project approved by PEMA.

At this point you should have looked over your “Enclosure List”, put your application package documents in order and read the cover letter and of course read to this part of your guide.

This guide should give you specific background information about each step of the project application in as much detail as we hope you will need. But again, should you have any questions, call PEMA.

**Don't forget, read through ALL of this guide and become familiar with ALL forms BEFORE doing anything! Stop and call PEMA with any questions at any time.**

## FORMS OF THE CDBG-DR BUYOUT APPLICATION

As you already know from the list of application items, there is more to it than just the basic application itself—so let's get some of the simpler forms out of the way first.

### **Designation of Agent Resolution**

This form may already be familiar to you. Each applicant municipality must have a local contact person who is responsible for the overall project from start to finish, called the *Applicant's Agent*. This person will be the primary point of contact between the applicant and PEMA. They must be appointed at a public meeting by a resolution of the governing body of the applicant organization. This person also takes on the fiscal responsibility for the project. Normally, all that is required is to fill in the information in the top section and complete the certification box at the bottom.

### **Local Review and Compliance Letter**

All CDBG-DR BUYOUT projects must comply with all local municipal codes, ordinances and regulations. In addition, they cannot adversely affect low income or minority individuals. The local subdivision where the project is located must also attest to these assurances on their letterhead.

The CDBG-DR BUYOUT application packet contains a sample assurance letter which applicants can adapt for their project. The letter should come from the local governing body or official on their letterhead and be addressed to the applicant's agent, or the applicant's agent can address it to PEMA from the municipality and on their letterhead.

### **Maintenance Agreement Certification Letter**

All grantees are required to provide assurances that following demolition, the property will be maintained as greenspace in perpetuity. Requirements for sub-applicants include reporting on open space status every three years. This form will also need to be signed and included in the application package on the municipality's letterhead. An example is included and will need to be on the municipality's letterhead.

## THE BASIC CDBG-DR BUYOUT APPLICATION FORM

The basic CDBG-DR BUYOUT application is the heart of the project documentation. The basic application is nine pages long. General instructions for completing the basic application are attached to the application. Most of the form is self-explanatory, and your “General Instructions” will cover the application in more detail, but let's highlight and explain a few areas. Starting on the first page.

Gray Section – PEMA will fill this part out.

Some other tips on page one (1) of the basic application:

- Section I – Project Title – very important (see general instructions)
- Number of properties (you will be listing all property addresses in cover letter)
- Don't forget to enter the total project cost from page 5
- Section II.A – This is the applicant community information
- Signature of Applicant Agent – we need it on file for fiscal verification
- Section II.B – Correct directions are very important so we can visit you
- Alternate contact-person MUST be cognizant of project

On pages two (2) and three (3):

- Section III – Phased projects
- Section IV.C – An acquisition project is an independent solution
- Section IV.F – Flood and damage history, VERY IMPORTANT – THE MORE SPECIFIC INFORMATION YOU HAVE, THE BETTER!
- Additional documentation – Newspaper articles etc. are helpful to document your flood damages.
- Section IV.H – the answer should be “NO” – the CDBG-DR BUYOUT is a voluntary participation program for any applicant. NO one, municipality or property owner alike, can be told to or made to participate. But they can let you know it is available.
- IV.I – Indicate which Hazard(s) that this project addresses.

On page four (4): Section V. Project location. Pinpointing your project's site(s) exact location is very important for your review – use & mark maps

### **MAPS**

You need to attach all available maps, (municipal map, floodplain map, (FIRM), that show the location of project site and in addition a Parcel map showing the individual acquisition properties. You also need a topographical (quadrangular) map showing the location. PEMA can help you with that if you need help. Attach information on the D-FIRM if applicable.

See General Instructions for more information.

- Latitudes & Longitudes – also include this information on your maps with marked locations. Again this is so we can locate this property at a later date.

**Photographs, Substantially Damaged Properties Form and Elevation Certificates will be addressed later in this guide**

### **DIRECTIONS**

We will need detailed directions to the municipal office and to each specific project location. Project managers and reviewers will need to visit you and do a field site visit. They will also be used for the Fiscal Briefing and closeout site visit.

## COST ESTIMATES

**This is the single most important page in a CDBG-DR BUYOUT application** – how much will your acquisition/demolition project cost and how much money are you asking for? Verify activities are eligible BEFORE preparing estimate.

To properly complete this page you need to carefully consider all of the costs you will incur in buying and demolishing properties and reclaiming the site as open space. A number of the main project line items are listed in Section IV.B on this page, and there is room for additional items.

Cost estimates must be line itemized and should also include detailed estimates of various cost item categories, such as labor, materials, equipment, subcontractor costs, including the management costs. Sub-applicants must provide an explanation and documentation showing how the cost estimate was developed and the basis for each cost element used.

**There are NO additional Sub-grantee funds**, so all management costs **MUST** be a line item in order to recoup these costs.

**Accuracy is MOST critical here. Underestimate the cost and you may not have enough to buy all the houses or finish demolition and site reclamation.**

With that in mind, here are a few tips.

The cost of buying homes is obviously going to be the largest single cost, and thus, is where the largest miscalculation of project costs can occur. The best thing an applicant can do to ensure the accuracy of the home purchase costs is to have the fair market value of the homes in the project determined by a State Certified Appraiser. **While not required** during the application period, a state certified appraisal **is required** to set the home purchase price for all **approved** projects. The appraiser should be advised to separate the fair market value of the land and the fair market value of the residential structure in the appraisal. Once the fair market value is set by state certified appraisal, that cost is fixed—under the CDBG-DR BUYOUT, the fair market value is the pre or post-flood value of the property, whichever is higher?

A state certified appraisal will cost money that, if selected as the benchmark for valuing homes, will have to be spent upfront by the applicant (or homeowner) before their project is even submitted. If their project is approved, the appraisal costs are reimbursable as project expenses. If the project is not approved, the applicant (or homeowner) will be responsible for the appraisal costs. Still, it is the best way to determine property value and insure that you will have enough funds to complete the project. If you rely on tax assessments you stand a chance of not having enough money to finish the project.

- **Don't forget to add closing costs!** These are costs generated by settlement and are eligible costs, too. Be aware they do not cover any of the homeowner's normal daily bills, such as water, sewer, electric, etc. these are still the responsibility of the homeowner.
- Taxes are pro-rated to the date of settlement. Homeowner legal costs for settlement are part of the project costs.
- Demolition and re-stabilization costs. Demolition and disposal costs should take into account such costs as utility, disconnections of sewer and water, and disposal of construction of hazardous waste (asbestos). Land restoration and stabilization cost generally refer to the grading and re-seeding of sites and other activities used in returning them to *open space* use. While these locations can be used for recreation, gravel parking surfaces, parks, and playgrounds if properly planned (within CDBG-DR guidelines and Federal Register Notices) and PEMA approved, these additional conversion costs are NOT eligible.
- Legal costs can also be tricky. Buying and selling property, title, and lien searches, title insurance, all take time and require legal assistance. The applicant's solicitor can help determine these costs. Also closing costs can include the homeowners' legal closing costs.

Again, ALL management costs used for activities that are in the daily management of the project **MUST** be listed in the cost estimate as a separate line item under "project management".

REMINDER: Specific and very detailed information MUST be on the reimbursement form to get these funds and must be eligible management activities. The narrative should describe the specific activities covered, personnel requirements, bookkeeping, hiring project manager, reporting and monitoring, and other costs (audits) for which the sub-applicant will use the management funds. Be sure to have sufficient funds to cover closeout management activities (fiscal reconciliations, providing documentation, etc.)

### **Documentation**

**If appraisals are used to establish the value of the property, include a copy of each appraisal with your application to document cost. Appraisals document costs and also provide valuable property information, not to mention additional photos. Certified appraisals are eligible project costs and can be reimbursed by the CDBG-DR BUYOUT only after a project is approved. Remember to have the appraiser annotate the value of the land and the value of the residential structure in the appraisal.**

If using Tax assessments, a copy for each property must be included, but use of this is discouraged as it may not be reflective of current or pre-storm fair market value.

### **Salvage**

Salvage of re-useable structures can be part of an agreement with a demolition contractor to reduce overall costs. Demolition costs can be estimated by contracting potential contractors and solid waste disposal sites. However, municipalities MUST conform to laws regarding bidding procedures in the selection of a contractor. If an applicant chooses to use municipal labor and equipment for demolition or site restoration they will be subject to the federal force account allowance rates if they seek reimbursement for those activities under CDBG-DR BUYOUT. You will receive more information at your Fiscal Briefing.

**Caution:** When *manufactured homes* are in an acquisition project and the project has already “bought” the manufactured home. The manufactured homes or the trailer it sits on CANNOT be re-sold as salvage. This is now Federal property and must be demolished.

### **Tenant Displacement Issues – More information At Fiscal Briefing**

In the case of the acquisition of a rental property where tenants are displaced, the federal Uniform Relocation Act (URA) requires that the costs of such relocation be included in the project. These costs can be considerable and are based on a special formula. If you need the URA information, please notify PEMA immediately. For budgeting, we have found that a reasonable “rule of thumb” is to include \$6.-8000.00 for each tenant in the project. DCED, your County Housing or Redevelopment Authorities or the county Housing and Urban Development agency (HUD) should be able to assist in determining this cost, and in finding suitable rental property to meet this Federal requirement. This cost can be shown in Section VI.B under Other (please specify).

Once the CDBG-DR BUYOUT project total cost is calculated, enter this total in Section VI.A (top of page 5) in the space provided.

Finally, the TOTAL project cost should be entered in Section I. On page 1.

Lastly, the applicant community must specify if their share (\_\_\_ %) of the project funds is in cash or in-kind service, if applicable, or another source if applicable.

In some cases, many municipalities include a resolution dedicating the local share of the project cost and stating their intent to apply for CDBG-DR BUYOUT funds. Such a resolution must be adopted at an announced public meeting.

Section VI.C for continuing maintenance costs refers to the cost of maintaining this project site for one year after the CDBG-DR BUYOUT project is completed. This should only be a minor amount for lawn mowing, raking, etc., and should not be included in the project cost total for Section VI.B. It is used for analysis only. State who will provide that maintenance.

Again, a Maintenance Agreement Certification MUST be signed for acquisition projects.

That completes the section of project cost development for the CDBG-DR BUYOUT application.

Now on to Sections VII and VIII (page 6):

## **PROJECT WORK SCHEDULE**

Section IX on page 7 asks you to propose a “task and time” work schedule for your project. A good outline by breaking the tasks into 1 or 2 month intervals should be sufficient.

- Normally, a CDBG-DR BUYOUT project has twelve (12) months from the time of approval to be completed. You need not go into great detail here.
- The **first three months** can include purchase offers, title work, meetings with owners, setting closing dates, etc.
- The **second phase (three months)** is for closings of properties, bids for demolition, etc.
- The final three months can be for demolition, site restoration, and project close-out activities. A simple, reasonable and straightforward plan is all that’s required. See Addendum 1 for a sample work schedule for acquisition projects.

## **ENVIRONMENTAL AND HISTORICAL REVIEW**

Another important section is on Page 8 and is the beginning of the required reviews each project must go through prior to final approval. Letters to the Army Corps of Engineers and PENNDOT to verify they are NOT planning to have a future project in your project’s area will be sent by PEMA. For section “A”, a check mark next to *100-year floodplain* or floodway, this MUST be checked to be eligible. For sections “B”, “C”, you will have to determine the appropriate answers locally.

**Hazardous Materials** - **ALL** property owners must fill out a form for the specific target property. (For more information see Hazardous Materials under “Acquisition Projects”)

For section 2, **Historical Issues**, please read carefully and check all that apply.

This section is very important, especially if your project includes structures 50 years or older. All such structures must be reviewed by the State Historic Preservation Officer (SHPO), (via the letter in the NEPA folder on the CD) after being selected for funding by PEMA. Your response from the SHPO needs to be forwarded to PEMA as soon as you receive it. The more information (including good photos) you give us, the faster this portion is reviewed for final approval.

Section 3, Environmental **Justice**, “A” & “B” are where your local Review & Compliance letter is needed. Complete your answer. If you held any public meetings, also add that information here.

## **PROJECT COMPLIANCE ASSURANCES**

The last page of the basic application form has four sections: Code Compliance, Regulatory Compliance, National Flood Insurance Program (NFIP), and Voluntary Participation.

The proposed project must meet all local codes, ordinances and regulations. The applicant municipality must be a NFIP participant and the project area must be within the 100-year floodplain. It would be helpful to know if you are participating in CRS.

## **NEPA LETTERS – National Environmental Policy Act & PENNDOT-Army Corp of Engineers**

FEMA and PEMA will provide these letters of Compliance. These letters provide documentation that your site(s) of your project will not impact any area you are not aware of. (Game, forests, animal& plant species, future roads and other projects, etc.)

**The OVERALL project information is now completed. You are almost finished, specific information for your type of project, still needs to be provided.**

**We will now discuss the project specific final forms. We have also added additional information for you.**

## **“ACQUISITION PROJECTS”**

### **Individual Property Information – Homeowners**

We have to collect and complete the individual owner and property data for each structure in the acquisition. Basic data on each property has to be collected for the reasons cited earlier. That is, to:

- Determine eligibility
- Conduct environmental and historical reviews

In order to do this in an organized, efficient way for you and the reviewer, we have created and included a “Property Spreadsheet”.

### **Voluntary Participation Agreement Forms**

Other important facts that need to be provided are included on the property owner’s voluntary participation form. Some of the information is used to meet requirements and are documented on a single-page form, titled “*Voluntary Participation Agreement* (Form 7).” This form combines some of the necessary property information and the property owner’s voluntary participation signed statement.

Most of the information requested on this form is self-explanatory, however, several items require some additional comments. About 2/3 of the way down the form, we ask for the total living area in square feet. The living area is defined generally as all the typical living space in the house proper from the ground up. It does not include attics, garages, outbuildings, unfinished basements, etc. The external dimensions of a home times the number of stories is a good enough approximation in most cases. The appraisal should also include this information.

### **Photographs**

The front, back and side views of each house to be acquired must be photographed and the photos included in the application. Streetscapes are also needed. Elevation projects should have individual photos as well, but streetscapes are not needed.

**Each photo needs to be marked with the property’s street address, and what side of the structure it is, always mark sides as if standing in front of structure.**

These photos are used for the historical & environmental review which the municipality provides. They are also used as documentation of the project, both before and after photos.

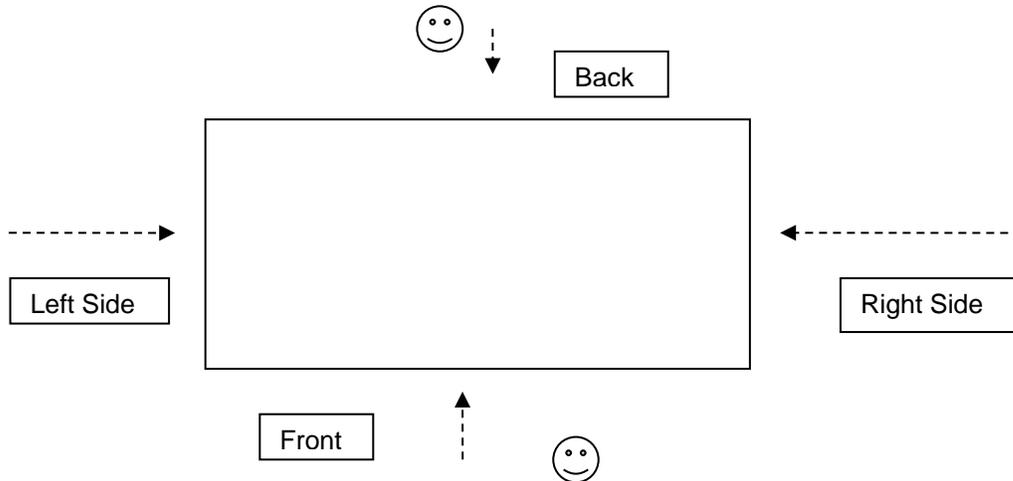
Special attention needs to be given to those structures 50 years or older as they **MUST** go through a special Historical review. Entire side views must be given so that any historical architectural features are visible.

Structures that are too close together to get full sides may be taken on the diagonal corner, i.e., taking Front and right side and back and left side, always mark sides as if standing in front of the structure. Again don’t forget to mark address and sides on photo. Digital photos are the best to use if possible. They can be dropped into a word document and it’s easy to add the attendant information, you can even include latitude and longitude with the address on each or at least on the front shot. If using a word document also include the municipality’s name and project number if possible.

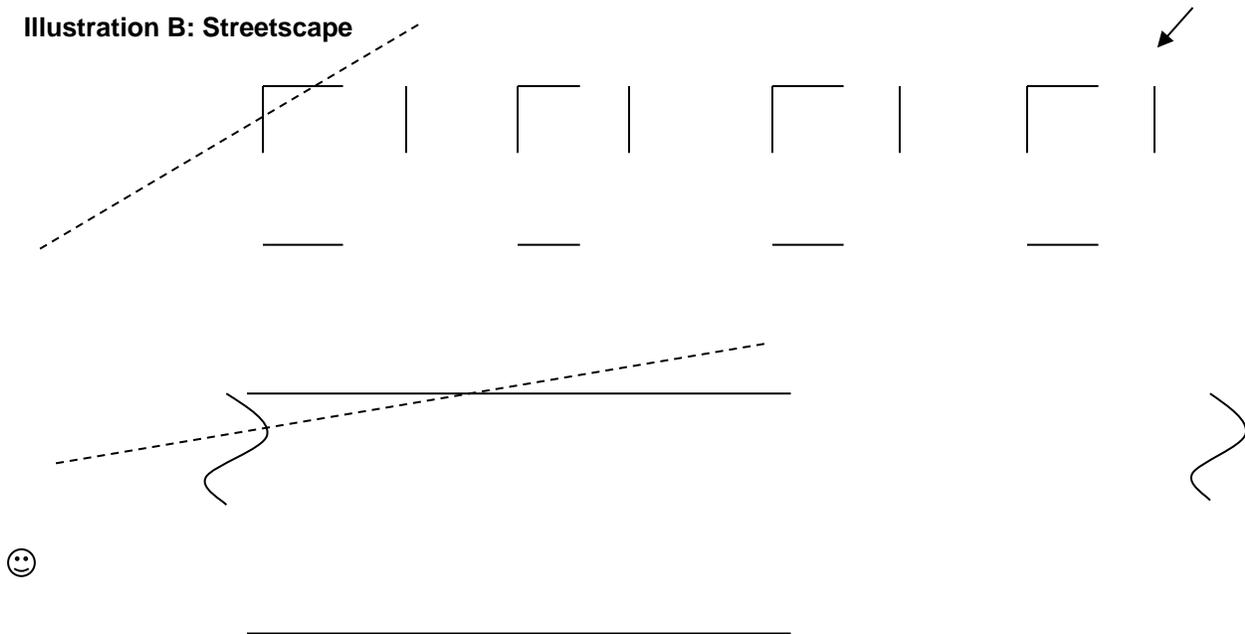
**We give you a diagram for “side” photos, “streetscape” and “house very close together” photos on the next page.**

Be sure they show the entire sides clearly – top to bottom in as much detail as possible. Extra pictures or zoom shots of special details are very helpful.

**Illustration A: Take four pictures of each structure as shown below:  
1 per side marked with address & side, plus Streetscapes.**



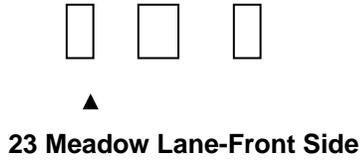
**Illustration B: Streetscape**



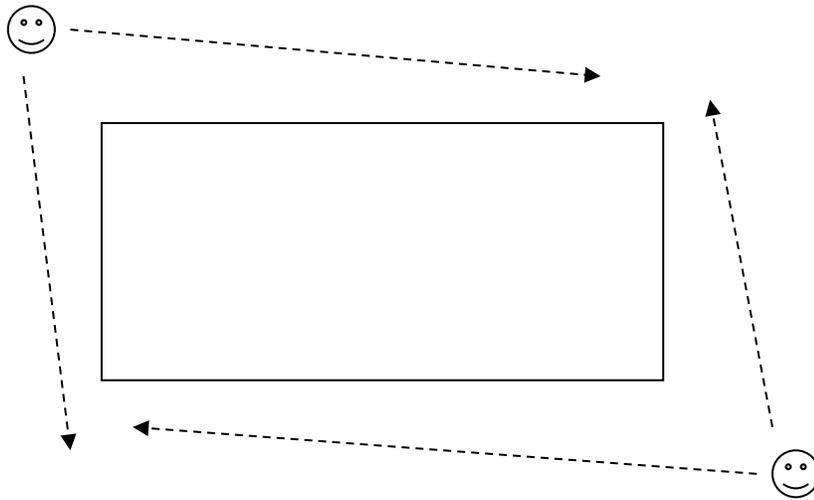
A “streetscape” is a picture of the street or roadway on which the property is situated looking toward other structures or landscape in the surrounding area. This type photo works well for structural or earthquake damages.

For Attached Structures or structures very close together and more than one are on your photo—mark clearly with an arrow the one that is the property’s structure. Don’t forget to mark the address and side on the photo.

**Illustration C: Front of close together houses**



If structures are too close together (as above) to allow separate photos of each side, use this next illustrated guide to photograph the structure. Do your best to get as much detail as possible. Mark each photo with address and sides carefully. Remember always mark the sides from the front view.



Photos for Structural & Earthquake projects, you will need streetscape type overall views showing damages, source of water, etc., a minimum of two photos, again, show as much as possible.

If these projects have any additional structures you must also do photos as in the previous examples.

## **Substantial Damage Form**

Another issue to discuss is *substantial damage*. Substantial damage is a term that is used when the damage to a building is equal to or greater than 50 percent of the building's pre-disaster value. Simply put, if your \$100,000 home was flooded and the damage was \$50,000 or more, then your home is considered to be *substantially damaged*. Why is this important? It is important because a substantially damaged home does not have to go through a benefit-cost analysis. It is considered to be cost beneficial under FEMA's regulations because it was substantially damaged. The *Substantial Damage Calculation Form* is used to determine and certify substantial damage on a home for acquisition. The form can be completed by the applicant's code or enforcement officer, private building contractor, or other qualified inspector.

**A certification of substantial damage can be a double-edged sword, however. While it makes an acquisition application a better candidate for approval, it does not guarantee approval. A property insured under the National Flood Insurance Program (NFIP) and certified as substantially damaged that is not approved for an CDBG-DR BUYOUT application or drops out of the project, has to be elevated above the 100-year flood level (if it is not already) before any other repairs can be made.**

**If you believe you may have substantially damaged properties in your CDBG-DR BUYOUT project, consult with PEMA before proceeding with a certification form. There are attendant NFIP risks to doing this, CALL PEMA immediately, PEMA will give you all this information.**

## **Hazardous Materials**

Each individual property owner MUST complete a Hazardous Materials property Survey.

## **Property Information Spreadsheet**

A spreadsheet has been included for your convenience. All fields must be completed. This gives us complete individual property information for reviews.

**Some pointers are listed here. If you have any questions about any of the fields, please call PEMA.**

## **Latitude and Longitude**

Finding Latitude and Longitude requires either a surveyor, or a surveyors' quality GPS (Global Positioning System) receiver. **Although Handheld GPS units are accurate for Latitude and Longitude, they usually do not have the level of accuracy required for the First Floor Elevation (FFE) measurement.** Most units may be set for digital readings, or you will find a Latitude and Longitude expressed in degrees (Example – 40 °50' 10.61"). To convert this number to a decimal equivalent, divide the numbers to the right of the first decimal point (Ex. 50.1061) by the number 60.

50.1061/60 = .83510

the decimal equivalent to 40 ° 50'10.61" is then 40.83510

You can also use the internet to change Latitude and Longitude from Minutes, Seconds and Degrees to Digital. The website is [www.geology.enr.state.nc.us/gis/latlong.html](http://www.geology.enr.state.nc.us/gis/latlong.html). Instructions are on the website.

## **FINALLY**

If you provide all information you will have a completed and documented application to submit.

In addition to the completed application, you will need to add a cover letter, formally submitting the original paper copy of the entire application package, along with a digital copy of the application on a CD for review. A copy of the paper documentation should be submitted with the CD.

Your cover letter must contain the address list of properties (including substitution properties) and include with your application and identify the properties if they are main or substitute properties and if they are structures 50 years and older. Don't forget to package all property information together by street address.

This is a final listing of ALL documents needed in a completed package ready for submitting:

1. Cover Letter
2. Designation of Agent Resolution
3. Local Review and Compliance letter and Maintenance Agreement Certification Letter
4. Completed Basic application
5. Directions (to municipal & to site(s)).
6. Newspaper articles, etc. documenting flood damages (if available)
7. Maps—project site location, floodplain (FIRM) and quadrangular maps
8. Eminent Domain Waiver Letter
9. Voluntary Transaction Agreement
10. VPA's Voluntary Participation Agreements
11. State Certified Appraisals (recommended)
12. Photographs—all four sides of structures
13. Substantial damage certification(s) (if applicable)
14. Hazardous Material Survey form(s) (Acquisition)
15. Completed spreadsheet -(property information)
16. PEMA will provide NEPA and Compliance letters from PENNDOT and Army Corps of Engineers.
17. Your initialed checklist

**(Again, don't forget to package the acquisition property information together by street address)**

**Make a copy for your records. You must retain a copy for your audits.**

Place your original completed paper application package in an envelope with the digital copy on a CD \* and send it to:

Pennsylvania Emergency Management Agency  
CDBG-DR Buyout Program Manager  
2605 Interstate Drive  
Harrisburg, PA 17110-9364

Since this is your original you may want to safeguard it by mailing it certified, return receipt requested.

\*You may e-mail the digital copy to: [RA-Shazmitoff@pa.gov](mailto:RA-Shazmitoff@pa.gov)

***Congratulations on completing your application!***