

3 Years Long, 3 Years Strong: New Jersey's Successful Approach to Purchasing Homes along Sandy's Flooded Path

On October 29, 2012, Superstorm Sandy pushed ashore New Jersey coastline: damaging or destroying 346,000 homes, cutting power to more than 2 million households, taking the lives of 37 people, and flooding a large portion of the state. As part of the recovery process, New Jersey Governor Chris Christie decided the State would purchase 1,300 properties in flood-prone communities, through its Blue Acres acquisition program, to dramatically reduce the risk of future catastrophic flood damage and to move families out of harm's way. The Blue Acres program has been able to complete, in just a few weeks for some homes, the acquisition (buyout) process which normally takes many communities months or even years to complete.

"Such an extraordinary turnaround was a direct result of having included input from every party and reaching total buy-in before the application was submitted," said Blue Acres Acquisition Program Director Fawn Z. McGee.

For past disasters, the State's recovery approaches were initiated and mandated by the State, counties, municipalities, and even non-profit organizations. Knowing that a large amount of money would be coming in to aid the recovery efforts, a plan of action was devised that would support the successful achievement of milestones while adhering to the many requirements and deadlines of several funding agencies and departments. In May 2013, Governor Christie centralized the State's acquisition efforts when he designated the Blue Acres program, which is part of New Jersey's Department of Environmental Protection, to operate the state's entire post-Sandy acquisition effort. The Governor's goal was, and remains, to use \$300 million in federal disaster recovery funds to purchase clusters of storm-damaged homes or flooded neighborhoods from willing homeowners at pre-storm value. These homes are then demolished and preserved in perpetuity as open space, to serve as a natural buffer against future storms and floods.

To date, Blue Acres has successfully secured \$273 million in federal disaster recovery funds for acquisitions, including \$169 million from FEMA's Hazard Mitigation Grant Program (HMGP); \$100 million from the U.S. Department of Housing and Urban Development's Community Development Block Grant – Disaster Recovery program; and \$4 million from the U.S. Department of Agriculture – Natural Resources Conservation Service.

In addition to the federal disaster recovery funds, New Jersey residents passed bond acts in 2007 and 2009 to provide funding for the State to acquire flood-prone properties. Blue Acres has successfully leveraged state monies with federal funds, through a close partnership with FEMA, to expand and extend the acquisitions beyond the original Superstorm Sandy blueprint. Also, the program has received multiple re-allocations totaling \$64 million from the HMGP elevation program.

"One of the key parts of our success was to ensure that we were all working together from day one so that our process and the way we formulated our application made sense," McGee said. In an effort to make sure everyone was working together from the beginning, members of the Blue Acres team physically moved their offices from Trenton, New Jersey, to the Joint Field Office in Eatontown, New Jersey, in 2013 to open channels of communication and work side-by-side with FEMA and New Jersey Office of Emergency Management (OEM) staff. Through daily meetings and close collaboration, it *took just two weeks* to transition from the submission of the application to final approval – an accomplishment so efficient that, according to McGee, is "herculean." "Constant communication, close partnering, and a sense of urgency to help flooded homeowners, led the entire FEMA, OEM, and Blue Acres team to bring their best effort to the table in an all-hands-on-deck approach," McGee stated.

In just two years since Blue Acres took control of the Superstorm Sandy acquisitions, it has:

- Secured funding for 795 properties in 12 municipalities in six counties;
- Made offers on 690 homes in 10 municipalities;
- Had 522 families accept acquisition offers;

<http://www.fema.gov/mitigation-best-practices-portfolio>

- Completed 388 closings;
- Completed 243 demolitions; and
- Facilitated short sale/payoff approvals from 25 lenders for 35 homeowners who were upside-down on their mortgage to achieve total debt forgiveness of more than \$2 million.

The Blue Acres team and its many partners recognize that homeowners have waited a long time for assistance – in some cases more than two years. To streamline and accelerate the lengthy acquisition process, Blue Acres has attracted an experienced team of appraisers, environmental hazard inspectors, title reviewers, GIS experts, and other real estate professionals to expedite the acquisition process and minimize red tape. Each homeowner is assigned a case manager who works closely with them to navigate the acquisition process as quickly and painlessly as possible.

One reason an acquisition can be delayed is if a homeowner is disappointed with the first state-commissioned appraisal. To ensure transparency and fairness across the board, the Blue Acres process allows the homeowner to appeal the first appraisal and hire their own appraiser for a second opinion. Once the second appraisal is received, Blue Acres then commissions a third independent appraisal and makes the final, ultimate offer based on the last submission. If the homeowner decides not to sell the home for any reason throughout the process, they may opt out at any time. No homes are taken by eminent domain; Blue Acres is strictly a voluntary program just as acquisitions funded under FEMA's HMGP are required to be.

After enduring the home mortgage crisis, housing market downturn, recession, and then Superstorm Sandy, some New Jersey homeowners face an additional obstacle in paying off "upside-down" mortgages. To help them, Blue Acres created a mortgage team that works directly with banks, mortgage lenders, and investors on behalf of homeowners to explore options for loan forgiveness and short sales. By forging successful relationships with Freddie Mac, Fannie Mae, FHA, New Jersey Housing and Mortgage Finance Agency, the New Jersey Division of Banking and Insurance, and many banks and mortgage lenders, the Blue Acres mortgage team has facilitated short sales or payoff approvals for 35 homeowners, with debt forgiveness from 25 lenders totaling more than \$2 million.

Finally, low-income Sandy survivors in the state often find it challenging to meet the expenses associated with the acquisition, including hiring an attorney, an independent appraiser (to conduct an appeal if necessary), final utility bills, and moving expenses. To smooth this transition, Blue Acres has partnered with several local non-profit organizations, which provide financial assistance and *pro bono* legal service for homeowners with limited resources.

"The Blue Acres buyouts have helped financially exhausted residents after an onslaught of flooding," said Sayreville Mayor Kennedy O'Brien. "This buyout was a godsend." Blue Acres offered acquisitions to 196 families in the Borough of Sayreville with \$48.4 million in FEMA funds.

According to McGee, her team of passionate professionals is the critical ingredient in the program's success. "While we've implemented a sound practice, a critical component of the Blue Acres Program's success is based on partnership and team work. To pull off a feat like this takes a tremendous amount of effort from dedicated and passionate people who possess amazing skills," McGee concluded.

Among many of the innovative methods that Blue Acres has instituted, their process for environmental review has been very successful. Delays in the acquisition process can occur as a result of the lengthy historical and environmental reviews that are required for FEMA's HMGP eligibility. These reviews can take months – or even years – to complete. However, by coordinating with FEMA's Historic Preservation Office and New Jersey's State Historic Preservation Office, Blue Acres has adopted what is called the "Dashboard Survey" method which has significantly reduced the number of properties requiring an extensive review. This method allows the team to conduct preliminary site surveys that help identify a lower number of properties that may require extensive reviews before the process begins. For instance, homes identified to be less than 50 years old can be granted a categorical exclusion from the review process.

Blue Acres takes advantage of the State of New Jersey’s sophisticated mapping system called Light Detection and Ranging or LiDAR, which captures topographic information and creates digital elevation models accurately and expeditiously. The elevations extracted from this model in combination with the information (such as the number of steps in front of each house and type of house) are then used to estimate the first floor elevation which is needed to analyze acquisition project applications. This method has saved the program about \$1,000 per property and roughly two to three months per application for each community.

FEMA requires all projects to be cost effective and a Benefit-Cost Analysis (BCA) will validate these benefits. Prior to FEMA’s release of the guidance document, “Cost Effectiveness Determinations for Acquisitions and Elevations in Special Flood Hazard Area”, in August 2013, BCA was considered one of the most daunting tasks for FEMA applications. FEMA encourages states to conduct a BCA early in the project development process to ensure the likelihood of meeting the cost-effective eligibility requirement. To tackle this obstacle, the Blue Acres BCA team moved their office to the Joint Field Office to work side-by-side with FEMA engineers. These collaborative efforts have resulted in a successful and highly regarded BCA method which has streamlined the process for subsequent applications.

These many collaborative efforts have created many positive results for residents who want to move on from the stressful ordeal Sandy created. Jim Hutchison, a Sayreville resident who participated in the Blue Acres Program said, “From beginning to end, I thought [the] buyout process was handled quite well, especially considering the magnitude of the Blue Acres program. I thought it was a remarkable process.” South River Mayor John Krenzel agrees. “Everyone in the Blue Acres program knows what they’re doing,” he said. “They’ve gotten into a rhythm and the buyout process is going very smoothly. In fact, it’s going so smoothly, we have another round of people here hoping to participate in the program. The state is doing a very good job.”

For more information about FEMA’s HMGP for your community, visit <https://www.fema.gov/hazard-mitigation-grant-program>. Administered by States, HMGP furnishes funds to eligible applicants after a presidential major disaster declaration for mitigation activities including acquisitions that provide long-term solutions to reduce the loss of life and property from future disasters.



Photo of the past location of a Manville home that was purchased and demolished. You can still see the mailbox.



This Sayreville, New Jersey home was the first to be acquired and demolished under the Blue Acres Program after Sandy on March 13, 2014.



The Kuczynski family watches as their home is being demolished in Sayreville, New Jersey.