

Risk Mitigation Pool Policies

Updated May 2022

Section A: Introduction and Guiding Principals

The Risk Mitigation Pool (RMP) was established to support the City of Portland's 10-Year Plan to End Homelessness. As one component of the City's Plan, the City is encouraging affordable housing developers to develop units dedicated to serving adults and families residing in Permanent Supportive Housing. The guiding principle of the Risk Mitigation Pool is to support housing providers who agree to provide Permanent Supportive Housing (PSH), by offsetting potential increased financial risks (beyond those typical of affordable housing) associated with operating PSH units.

In 2005, the City Council approved \$800,000 for the Bureau of Housing and Community Development to establish the RMP. This money came from Housing Investment Funds, derived from general City revenues. The initial goal of the RMP was to provide risk mitigation through the initial seven years of the program for up to 300 PSH units, which was later extended to as long as the units were in compliance. The City expects that the types of risks being protected through the RMP will be relatively infrequent, but, at times, quite costly. Through a shared risk pool, the City hopes to be able to provide financial protection for PSH providers, without having to set up substantial additional reserves at each project. The goal of the RMP is to assure that these PSH units are able to provide quality, affordable housing to people that need PSH over the long term.

Portland Housing Bureau is the lead agency for the RMP and sets policies, selects eligible units and contracts for administration of services. Housing Development Center administers the RMP.

Section B: Program Policies

I. USES/ LIMITS OF FUND

The Risk Mitigation Pool is a public fund, held and administered by a not-for-profit entity, the Housing Development Center. The RMP may be used to reimburse Participating Property Owners for:

- Costs to repair physical damages beyond normal wear and tear
- Extraordinary operating costs or rental losses
- Other

The maximum amount of a single claim is based upon the following schedule (updated for fiscal year 2022/2023):

- SRO units \$10,500
- Studio units \$12,600
- One-bedroom units \$14,000
- Two plus bedroom units \$20,300

The maximum amount of RMP funding available to Participating Property Owners is determined by multiplying the number of units by the above amounts. This is a cumulative limit over the life of the program. Exceptions to this lifetime limit may be requested by the property owner, and will be reviewed by Portland Housing Bureau.

II. SUMMARY OF PROGRAM/ CLAIMS PROCESS

The Risk Mitigation Pool will reimburse Participating Property Owners for financial losses caused by PSH tenants through a reimbursement/ claims process. Reimbursement requests will be made through a written claim form process submitted by the property owner. HDC will then conduct a staff level review of the documentation. HDC may then follow up with the owner's asset manager by phone or email (for excessive operating expenses, rent losses, or relocation costs), and may complete a follow up inspection (for physical damage reimbursement requests, if photos are not sufficient). Next HDC will complete a cost reasonableness review, and notify the owner of the decision, with reimbursement within 10 work days from receipt of the completed application and requested documentation.

HDC will administer the RMP through its Asset Management Program, with the Asset Management Program Manager having lead responsibility for the program and processing claims. Appeals on claims may be made first to HDC's Executive Director, and then to PHB's RMP contract manager.

HDC will ask Participating Property Owners who have submitted claims to complete an evaluation/suggestion form after their application and claim process has been completed. These will be reported to the Advisory Committee and used to make revisions to the program.

HDC will maintain financial and claim documentation records for all transactions for three years following the end of the program. HDC will provide a written summary of the *program semi-annually* to PHB and semi-annually to the Advisory Committee.

III. ROLES

A. Participating Property Owners: Approximately twenty non-profit organizations have PSH units covered through the RMP. PHB is responsible for selecting units covered by the RMP and for determining if units are disqualified from coverage because they are no longer being used to provide PSH. All of the Participating Property Owners will be asked to attend an initial training on the RMP, and will be asked to provide evaluations on the program as they gain experience with claims. (Note: property owners may be asked to attend follow-up trainings on the RMP, due to staff turnover or program updates.) Because most of these groups participate in Housing Oregon's Property and Asset Management Working Group, the property owners will have an opportunity to review draft RMP policies and procedures through a PAMWG meeting, early in the program development process. If valuable, additional meetings with the user group may be scheduled to discuss significant revisions or challenges as the program proceeds.

B. RMP Advisory Committee: The RMP Advisory Committee is comprised of five members who have experience in providing services to the homeless, affordable housing ownership, and/or affordable housing management. The Advisory Committee was charged with providing recommendations on how the Risk Mitigation Pool can best mitigate financial risks associated with owning PSH units, assuring that the pool is able to spread coverage across the PSH portfolio for the life of the program. The Advisory Committee reports and makes recommendations to PHB and is staffed by the Housing Development Center. The RMP Advisory Committee will make decisions on a program level, and will not have authority to make decisions on any individual claim. Therefore, it is reasonable and likely that membership will include owners or managers of properties covered by the RMP.

C. Housing Development Center: The Housing Development Center will provide administrative services for the RMP through a contract with PHB. HDC's responsibilities include program development, claims processing, fiscal management of the fund, and reporting. Additionally, HDC will staff the RMP Advisory Committee and facilitate

trainings and work sessions for Participating Owners. HDC is charged with establishing and implementing procedures that are fair, easy to use, cost efficient, and as much as possible, assure that the fund is able to provide coverage for all of the PSH units HDC will have written procedures approved by PHB, annual audits, and will provide written reports to PHB and the Advisory Committee.

- D. Portland Housing Bureau:** PHB has final responsibility to City Council for the effectiveness of the RMP in furthering the goals of the City's 10 Year Plan to End Homelessness. PHB will set policies for the RMP, contract manage the administrative services contract, select PSH units covered under the pool, approve Advisory Committee membership and monitor the administrative entity's reporting and audits.

Section C: Claims and Procedures

I. TYPES OF CLAIMS

There are two types of claims through the Risk Mitigation Pool. While the initial claim form for each of these claims is the same, the documentation required and the cost reasonableness evaluation procedures differs.

A. Physical

DEFINITION: These are claims for physical damage to a PSH unit, or affecting the project as a whole, caused by a PSH client. It is assumed that all unit turnovers require a certain amount of repair (cleaning, painting, and some carpet replacement would not be unusual).

1. Physical claims could include the following:
 - a. Excessive cleaning
 - b. Debris removal
 - c. Extermination
 - d. Repair of doors, walls, cabinetry
 - e. Other damages in excess of those normally experienced.
 - f. An administrative fee for supervision of repairs. The allowable fee is 5% of the amount of qualifying physical repairs.
 - g. Damage to common areas by PSH tenant may qualify, depending on the circumstances.

2. Physical items not included are:
 - a. Normal wear and tear
 - b. Normal turnover costs.

Note: If there is physical damage to multiple units, including non-PSH units, as a result of actions of a PSH client (such as fire or water damage to surrounding units), the total claim amount is the maximum per unit (from the schedule above) multiplied by the number of units impacted, up to five (5) additional units.

B. Operational:

DEFINITION: Operational claims are claims related to lost rent revenues or excessive operating losses. The RMP is not a rent subsidy program

1. Claims for excessive operational expenses could include:
 - a. Legal costs related to evictions
 - b. Relocation expenses, including moving a tenant's belongings, are eligible when the move is necessary to protect the property, staff, or other tenants from physical harm.
 - c. Rent that is owing but not collected, not to exceed 90 days.
 - d. Rent during vacant turnover time, when that period exceeds 60 days
 - e. Holding units for PSH qualified tenants beyond 60 days
 - f. Other items such as utilities might be included, depending on the circumstances.

2. Claims not eligible for reimbursement include:
 - a. Any increase in insurance premiums
 - b. Claims for supportive services
 - c. Lost rent during initial lease-up period

C. Insurance & Other Assistance adjustments

The amount eligible from the fund will be reduced by the amount recovered from an insurance claim (property or renter's insurance), from collections, or from any other form of assistance. If the owner is choosing not to file an insurance claim, the amount funded by the claim may be reduced to their insurance deductible, based on the decision of the RMP administrator.

II. PROCEDURES

A. Certification of Units

1. Requirement: The RMP can be used only for Permanent Supportive Housing Units qualified by PHB.

2. Process:
 - a. PHB will maintain a current list of projects with PSH units, updated when new projects are placed in service or units are taken out of service as PSH units. HDC will receive a copy of that list, as well as the contract between PHB and the owner, for each PSH project that will be covered by the RMP.

- b. For properties that have a mix of PSH and other units, a certification form is needed to verify the unit is actually being used as a PSH unit (See Attachment A). This form could be the same as the Rent Schedule and Utility Allowance spreadsheet or the Property Manager's Rent Roll, as long as it includes the unit number/address, bedroom size, and MFI Percent Rent Restriction. If you use the Rent Schedule and Utility Allowance spreadsheet, check off which units are being used as PSH and covered by the Risk Mitigation Pool under the PSH column. The purpose of using this existing form is to eliminate an additional reporting requirement. If it is a floating unit, it must be submitted to the HDC Asset Manager each time a new PSH tenant moves into a unit.

B. Documentation of condition of units prior to PSH tenant moving into unit

1. Requirement: Projects applying for reimbursement of physical repair costs must document condition of the PSH unit at move-in. This is necessary to document the condition of the unit at the beginning of the tenancy to determine the damage caused by the PSH tenant.
2. Process: Claimants for physical damages will be required to submit either a copy of the owner or manager's move-in inspection (signed by the tenant at the beginning of the tenancy), or a copy of the HAP Section 8 inspection, for Section 8 units.

C. Claim forms

1. Requirement: Claimants will be required to complete a claim form to begin the application process. Claim forms should be submitted within 12 months of the date of the incident. If claimants do not think they will have the necessary documentation available to submit a claim within that period, they may request an extension from HDC. In that case, the request for extension should be submitted within 12 months of the incident.
2. Process: The information requested will seek the following information:
 - a. For **all types of claims**: Owner, project name and address, unit number, statement that the unit is being used as a PSH unit, claim amount requested, type of claim (could be more than one for a single unit/ incident), reductions for reimbursement from other sources (deposits, insurance, Fresh Start or other program, collected rent for period etc.), explanation of reason for claim request and a certification that all costs are actual costs and not being reimbursed from other sources. Owners are expected to reduce the amount owed by a PSH resident by the amount received from the RMP.
 - b. For **physical damage** claims only:
 - i. In addition to completing Attachment A, Physical Damage Itemization, or a comparable form, claimants must attach a description (work order or

- contract) of the proposed repairs including quantities, materials, unit prices, and an estimate, bid or invoice for repairs (including material and labor).
- ii. HDC will use the property manager's standard move-out accounting and documentation on claims for security deposits as a way of determining when repairs are beyond normal wear-and-tear.
 - iii. The reimbursement shall equal the amount eligible less a deductible of \$1000 for physical claims. When a claim includes both physical and operational losses, the total deductible shall be \$1000.
 - iv. Five percent of the hard construction cost is allowed as an administrative fee for supervising the repairs.
- c. For **operational losses** only:
- i. Owners must complete Attachment B, the Operational Damage Itemization as well as provide a brief explanation of what occurred and what actions the owner and/or manager took to try to limit losses.
 - ii. Owners must attach the property manager's standard move-out accounting, and documentation used to make claims against security deposits.
 - iii. The reimbursement shall equal the amount eligible less a deductible of \$1000 for operational claims. When a claim includes both physical and operational losses, the total deductible shall be \$1000.

Note: Deductibles updated for fiscal year 2022/2023.

HDC will make claim forms available on the HDC website, by email, or by mail, upon request. Completed applications with documentation may be sent via email, or mail. Applicants will send claim forms, and other documentation to: info@hdc-nw.org.

D. Claim review

1. Requirement: HDC must verify that the claimant has sustained an eligible loss and that the reimbursement requested is cost reasonable.
2. Process:
 - a. All claims will be reviewed by the HDC Asset Manager, who will determine that the unit is eligible and that the application is complete.
 - b. Physical and operational losses must have invoices to substantiate expenses.

E. Appeals

Appeals on claims may be made first to HDC's Asset Manager, then HDC's Executive Director, and last to PHB's RMP contract manager for final decision. The RMP Advisory Committee will make decisions on a program level, and will

not have authority to make decisions on any individual claim. Therefore, it is reasonable, and likely, that membership will include owners or managers of properties covered by the RMP. The committee will have an opportunity to see the appeal decisions, in their regular program reviews to look at potential program changes or challenges.

F. Disbursement of Funds

1. Requirement: Funds will be held by HDC for direct disbursement to the claimant from HDC. HDC must follow regulations, policies and procedures outlined in its contract with PHB, as well as its internal fiscal policies, when making disbursements of RMP funds.

2. Process:
 - a. All claim amounts will be approved by the Asset Management Program Manager.
 - b. Claim checks will be issued and sent to the Project Owner within 10 business days of a complete application submission. The claims check could be mailed to the management company if so directed.