Risk Mitigation Pool Policies

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 principal 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 is to provide risk mitigation through the initial seven years of the program for up to 300 PSH units. 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:

- SRO units $  7,500
- Studio units $  9,000
- One-bedroom units $10,000
- Two plus bedroom units $14,500

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 seven-year life of the program.

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. The process can begin by fax but original signatures will be needed before claims can be paid. HDC will then conduct a staff level review of the documentation. HDC will then follow up with either a phone conversation with the owner’s asset manager (for excessive operating expenses, rent losses, or relocation costs), or complete a follow up inspection (for physical damage reimbursement requests). 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 fourteen 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. 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 entire 300 covered units for the seven years 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 over the seven year period. 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.

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 adjustments
The amount eligible from the fund will be reduced by the amount that could be recovered from an insurance claim when the after-deductible benefit amounts to $3,000 or more. The decision of whether to actually file a claim is up to the owner.

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 a 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.

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 will be expected to continue their normal collection efforts after being reimbursed by 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 $475 for physical claims. When a claim includes both physical and operational losses, the total deductible shall be $475.
      
      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 $350 for operational claims. When a claim includes both physical and operational losses, the total deductible shall be $475.

HDC will make claim forms available on the HDC website and at the HDC office. Completed applications with documentation may be sent via email, fax, mail or
delivered to the HDC office. Applicants will send claim forms, and other
documentation to: Asset Management Program Manager, HDC, 847 NE 19th Avenue,
Suite 150, Portland, OR 97232.

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.