

## **Permanent Supportive Housing (PSH)**

### **Risk Mitigation Pool Framework**

#### **SECTION A: INTRODUCTION AND GUIDING PRINCIPALS**

The goal of the proposed Permanent Supportive Housing (PSH) Risk Mitigation Pool is to support the long-term operations of PSH units in the OHCS portfolio. We have heard from Supportive Housing Institute participants and PSH operators that operating costs attributed to unit damages are jeopardizing the longevity of state funded PSH projects. We also have also heard it can be challenging for PSH developments to secure and maintain insurance for PSH properties because of the level and frequency of these damages. Insurance premiums are in general very high for PSH developments as insurers are becoming aware of these costs, and hefty insurance claims by PSH properties further increase the cost of insurance by leading to increased deductibles, and in some cases have resulted in projects losing their insurance altogether.

Therefore, whether a project is paying for extraordinary damages and the resulting income losses via their operating reserves or through their insurance, the unexpected size of these costs (due greatly to increased acuity and needs of the population being served) is putting PSH projects at great risk and deterring developers and owners from considering PSH projects in the future. It is hoped that by creating this pool, we can mitigate the strain of extraordinary operating costs due to damages, including the rising cost of insurance, for PSH units and support the long-term operations of PSH developments/units.

#### **SECTION B: PROGRAM POLICIES**

##### **I. Eligibility**

To be eligible for the RMP assistance, the unit must meet all the following criteria.

- 1) Utilizes Coordinated Entry or other OHCS approved process,
- 2) Utilizes Project Based Rental Assistance,
- 3) Incorporates wrap around supportive services
- 4) Currently in the OHCS portfolio

##### **II. Uses/Types of Claims**

###### **Uses**

The funds may be used to reimburse Project Owners of PSH projects for:

- Physical damages including costs to repair units and community spaces beyond normal wear and tear
- Extraordinary operational losses

- Relocation costs - 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.

The maximum amount of a single claim is a calculation of the size and bedroom amounts listed below:

- SRO units \$10,500
- Studio units \$12,600
- One-bedroom units \$14,000
- Two-bedroom units \$20,300
- Three-bedroom unit \$25,000
- Four-bedroom & up \$30,000

The maximum amount of funding available to the Project is determined by multiplying the number of units by the above amounts. This is a cumulative limit over ten years. Exceptions to this ten-year limit may be requested by the Project Owner and will be reviewed by OHCS. Approval of funding for projects is dependent on Risk Mitigation Pool funding availability as the program progresses.

### **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 and or their guest. It is assumed that all unit turnovers require a certain amount of repair (cleaning, painting, and some carpet replacement would not be unusual) that are not appropriate for RMP claims.

1. Physical claims could include the following:

- a. Excessive cleaning
- b. Excessive Debris removal
- c. Excessive 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.
- c. Damage not caused by a PSH tenant.

## **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. 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.
- b. Rent that is owing but not collected, not to exceed 90 days.
- c. Rent during vacant turnover time, when that period exceeds 60 days.
- d. Other items not specifically excluded 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