



Risk Mitigation Pool

Section A

Introduction and Guiding Principals

The Risk Mitigation Pool (RMP) has been 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 Portland Housing Bureau (PHB) 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 600 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. However, this concept is new to Portland, and indeed, PHB has not identified other similar models across the country. Therefore, the expectation for the RMP is that we will establish initial policies, and work together to modify the program over the seven years, with the goal of assuring that these PSH units are able to provide quality, affordable housing to people that need PSH over the long term.

PHB will be the lead agency for the RMP and will set policies, select eligible units and contract for administration of services. PHB has held Requests for Proposals resulting in the following:

- I. The Housing Development Center was selected to administer the RMP.
- II. Two hundred seventy eight PSH units were selected to be covered by the RMP.

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Section B

Program Policies

I. SCOPE OF FUND

PHB has determined that up to 600 units will be covered by the fund, with the goal of covering risk on these units for seven years from the start of the program. However, as we gain experience and a better understanding of the claim profiles and spend down rates, the Advisory Committee (a group of stakeholders established to oversee development and implementation of the RMP) could recommend opening the pool for additional units or extending the coverage period.

II. 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.

III. 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 program 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 quarterly (semi/annually)* to PHB and semi-annually to the Advisory Committee.

IV. ROLES

- A. Participating Property Owners:** Approximately sixteen 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 the Community Development Network 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 six 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 600 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. The 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 quarterly 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.

V. IMPLEMENTATION SCHEDULE

A. Phase 1: Program Development

March 31, 2006

1. Contract Approved: During this phase, PHB and HDC will finalize the administrative contract. This contract will outline HDC's scope of work (excluding fiscal management) and approve initial funding for first year fees and an initial \$50,000 to process claims.
2. Program Design: PHB has authorized HDC to proceed with program design work, including drafting initial policies, procedures forms, cost reasonableness information and evaluation forms. Additionally, this phase includes formation of the Advisory Committee, gathering input on draft policies and procedures, and recommending final procedures to PHB for their approval. Key milestones during this phase include:
 - a. Advisory Committee review 01-30-06 (may have add'l mtg.)
 - b. PAMWG review 02-07-06 or 03-07-06
 - c. Proposed guidelines submitted to PHB 03-15-06
 - d. PHB approval of guidelines & approval to release initial \$50,000 for processing claims 03-31-06
 - e. Participating Property Owner Meeting 04-06-06
 - f. Claim forms & procedures posted on HDC's website mid April

3. Begin processing claims

April 15, 2006

B. Phase 2: Fiscal Management/ Reporting Formats

May 15, 2006

1. Investment Plan: As part of the initial contract, HDC will work with PHB to outline and obtain approval for investment of the RMP funds. This plan will be reviewed by City fiscal managers and legal counsel.
2. Fiscal Management/Reporting and Audit Guidelines: HDC will prepare, and PHB will approve procedures for fiscal management of the fund, including disbursement of claims, draw down of HDC fees, reporting formats and timing, and audit requirements.
3. Contract Amendment: Upon approval of PHB, and City legal and fiscal managers, PHB will prepare a contract amendment approving fiscal and reporting procedures.

C. Phase 3: Program Operations

Ongoing

1. Claims processed: Upon signing the HDC Contract Amendment, new fiscal and reporting procedures will be in place.
2. Reporting and Audits: HDC will begin *quarterly* reports on the RMP program as of June, 2006, and anticipates its first audit will be completed after completion of the first full year of the program, in Summer 2007.
3. Advisory Committee: Advisory Committee meetings will generally be held semi-annually. If, during the first year, significant changes seem appropriate, the Advisory Committee may be asked to attend additional meetings.

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Section C

Claims and Procedures

I. TYPES OF CLAIMS

HDC anticipates two types of claims through the Risk Mitigation Pool. While the initial claim form for each of these claims would be the same, the documentation required and the cost reasonableness evaluation procedures would differ.

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).

- a. If a PSH tenant causes physical damage to their PSH unit, other units, and/or elsewhere on the property, these costs qualify to be covered by the Risk Mitigation Pool.
- b. If a non-PSH tenant causes physical damage to a PSH unit, the costs do not qualify.

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 Letter of Agreement 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, It must be verified that the unit is actually being used as a PSH unit. Use the Portland Development Commission's 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 claims¹. When a claim includes both physical and operational losses, the total deductible shall be \$475.
 - iiii. 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 claims². When a claim includes both physical and operational losses, the total deductible shall be \$475.

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

D. Statute of Limitations

1. Requirement: The claims form and required accompanying materials, described in Section C.2., must be submitted to HDC within 90 days from the time the damage or loss occurred.
 - a. An exception to this requirement is if pending insurance determination that would prevent the claims form from being complete. In these instances, HDC must be notified of intent to file a claim within 90 days of the occurrence.

2. Process:
 - a. Participating Owners are encouraged to notify HDC of any potential claims as quickly as possible for verification that damages are eligible costs before repairs are made.
 - b. Participating Owners complete the claims form, attach the accompanying materials and submit to HDC, postmarked within 90 days of damages or losses.
 - c. If damages are awaiting a determination by insurance, Participating Owners must notify HDC of their intent to submit a claim within 90 days of damages/losses occurred.

¹ HDC's compensation for processing approved and unapproved claims is equal to the deductible amount but will annually escalate at 5%, effective April 15, 2006. The deductible amount will remain flat for the Participating Owners.

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E. 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. On a case-by-case basis, physical repair claims will be assigned to a Construction Project Manager at HDC, who will be responsible for processing such claims.
 - i. The Construction Project Manager will review the application and either assign the project to another project manager or sub-consultant, or complete the inspection and cost reasonableness review herself.
 - ii. The Project Owner will submit a request for an inspection of damages with the initial application, and prepare an updated complete application (with work scope and estimates) which shall be provided to HDC's project manager at the initial inspection.
 - iii. After the initial inspection, HDC will review the scope of work and costs and then approve or deny the claim. If Owners prefer to move forward with repairs before the inspection can be completed, they may submit photos of damage and invoices for completed work. (Owners using this method assume the risk that all or a portion of the claim will be denied and they will not be compensated for the repairs).
 - iv. HDC will make a second inspection to verify that the work has been completed per the description and the unit is rent ready (if not already reoccupied).
 - c. Operational claims will be reviewed by the HDC Asset Management Program Manager. It is expected that no inspections would be needed and any questions would be followed up by phone. HDC's Asset Manager may use the services of an HDC finance project manager if there are financial questions that need a second opinion.

F. Additional Review Criteria

1. Requirement: HDC and the PHB contract manager for the RMP will jointly review the claim if it:
 - a. Exceeds \$10,000, or
 - b. Requests an out of ordinary reimbursement for damages that do not meet the existing interpretation of the policies and procedures.
2. Process: If an additional review from PHB is warranted, the claims process will take place as follows:
 - a. HDC will review the claim as described in Section D.
 - b. HDC will seek a secondary review of the claim from PHB.
 - c. HDC and PHB will confer on a decision.
 - d. If there is an appeal, the Risk Mitigation Pool Advisory Committee will be the final arbiter for the decision.

Due to the additional time necessary to review such claims, the initial ten-day reimbursement deadline, set forth in Section H.2.(b), will be waived.

G. Appeals

Appeals on claims may be made first to HDC's Asset Manager, then HDC's Executive Director, and last to PHB's RMP 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 unless the claim meets criteria set forth in Section F. 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.

H. 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.

I. Reporting to PHB

1. Requirement: In addition to providing financial information quarterly, HDC will work with PHB to outline other reporting requirements.
2. Process: HDC will maintain the following documents available for audit, and/or to provide reports to PHB and the Advisory Committee, as follows:
 - a. Maintain a file for each unit that has had a claim, containing the application, documentation, inspection information (if applicable), written approval or denial of claim, a copy of the claim check, and amount remaining under project maximums.
 - b. Provide PHB semi-annual summary reports listing each claim (owner, project, type of claim, amount paid, date application received, date claim issued).
 - c. Provide PHB summary reports on types of claims, average amounts, and claims per organization.

HDC will provide recommendations for improvements or changes to the program to PHB and the Advisory Committee on an ongoing basis.

Section D
Bed Bug Policy and Claims Processing Guidelines
Effective Nov. 10, 2009

- I. Eligible Reimbursable Costs for 100% PSH Projects or for Infestations Originating from a PSH-Qualified Tenant:**
- a. Treatment of Infected Units:** All direct costs associated with the extermination and treatment of a bed bug infestation must be from a certified and licensed pest control company.
 - b. Surrounding Units:** Costs for treatment of surrounding units in accordance with standard pest control company protocol (e.g. any unit sharing a wall or ceiling with the infested unit) related to the treatment of the infestation are eligible.
 - c. Replacement of Furniture:** Standard unit furnishings affected by the bed bug infestation that were in existence prior to infestation (as demonstrated by a move-in condition report), not to exceed: one mattress, one box spring and/or bed frame, one mattress liner, one table, one chair, and one dresser per unit. Standard fixed flooring in the unit, including carpet, vinyl, tile, and cove base, but not to include area rugs, or unfixed flooring.
 - d. Common Area Furniture:** Replacement of common area furniture is allowed.
 - e. Owner Staff Time:** Owner staff time to contact the pest control company and oversee the extermination is not covered. The 5% supervisory fee in a physical condition claim would still apply. Owners that use direct staff to treat bed bugs need to demonstrate costs through time sheets or an invoice from owner's accountant.
- II. Eligible Reimbursable Costs for Infestations Without Proof of Origin for Projects with Less than 100% PSH units:** Reimbursement for treatment of infested units and surrounding units in accordance with standard pest control company protocol, replacement of furniture, common area furniture, and direct staff time is allowed *prorated* by the number of PSH units covered by the RMP. Proration equals the RMP covered units divided by the total number of units in the project.
- III. Pesticide Applicator Qualifications:** Owners that use their own staff to treat the infestation must have a "pesticide applicator license." See <http://oregon.gov/ODA/PEST/> for more information on getting a pesticide license.
- IV. Documentation Requirements in Addition to Attachment A, Physical Damage Itemization and Attachment B, Operational Damage Itemization**
- a. Pest Control Company invoices/reports -** Pest control invoices related to a claim must be submitted as supporting documentation and be clearly legible. Pest control invoices must at least have the following information:
 - i. Company name and contact information
 - ii. Tax ID number
 - iii. Date of service
 - iv. Identified unit numbers for all units treated and/or inspected
 - v. Details pertaining to the point of origin and services rendered

- vi. Identification of infested units, fully or spot treated units or common areas, and preventative treatments associated with the infestation.

b. Owner Documentation - Owners are required to submit the following documents:

- i. Pest control invoices and reports as described above.
- ii. Documentation that identifies a PSH unit as the point of origin.
- iii. Documentation of “licensed” staff time indicating time spent on bed bug treatment.
- iv. Any and all receipts from stores and vendors for materials, furnishings, and services purchased for bed bug treatment.
- v. Number of infestation events per claim.
- vi. Insurance – If the bed bugs infestation does not qualify for an insurance claim, then the owner shall submit documentation supporting that assertion.

V. Second Bed Bug Claim at Same Project: If an owner makes a second claim on the same project, they have to demonstrate implementation of an Integrated Pest Management Plan in order to be reimbursed.