

Permanent Supportive Housing (PSH): Risk Mitigation Pool Framework

Section A: Introduction and Guiding Principles

The goal of the proposed Permanent Supportive Housing (PSH) Risk Mitigation Pool (RMP) is to support the long-term operations of PSH units in the OHCS portfolio. Based on feedback from Supportive Housing Institute participants and PSH operators, operating costs attributed to unit damages are jeopardizing the longevity of state funded PSH projects. Program feedback has also indicated that 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. Insurance claims by PSH properties further increase the cost of insurance by leading to increased deductibles, and in some cases increased partner claims have resulted in providers 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. With the creation of this pool, we intend to 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. We have also created set-asides for funding that align with the current portfolio of PSH properties within our inventory to ensure geographic and cultural opportunity to utilize these resources. Both set-asides will remain in place for a period of time and then revert to a larger pool to ensure funding is utilized timely.

Section B: Program Policies

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

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 PSH-eligible 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 on a case-by-case basis. Approval of funding for projects is dependent on Risk Mitigation Pool funding availability.

Types of Claims

There are two types of claims allowable 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 (normal wear and tear - cleaning, painting, and some carpet replacement, for example) that is 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 related to lost rent revenues or excessive operating losses. Though RMP can be used for some operational costs, it is important to note that 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.

Section C: Resource & Distribution Strategy

The Rent Mitigation Pool was established with a legislative investment of \$4 million dollars. Resources will be offered on a first come first served basis utilizing a reimbursement model to pay for eligible costs. OHCS will establish an application process utilizing a claim form and expense documentation. Claims prior to program opening will not be eligible for reimbursement.

OHCS intends for these resources to be utilized within the legislative biennium. Future funding requests will be aligned to demonstrated program needs.

Culturally Specific Organizations / Administration

OHCS intends to set aside 10% of the RMP resource allocation for culturally specific organization providers (not tied to geographic set asides). In addition, 5% of the resources will be utilized for administration of the program which will include processing payment requests and managing the set-asides.

Total RMP Funding	-	\$4,000,000
Cultural Set Aside	-	10% (\$400,000)
OHCS Administration Costs	-	<u>5% (\$200,000)</u>
Remaining Balance	-	\$3,400,000

Geographic Set Asides

To ensure an equitable geographic allocation of resources, OHCS will establish geographic set-asides for the metro (65%), non-metro urban (25%) and rural (10%) areas of the state. These percentages align with the number of OHCS PSH units in these areas. We intend to align the definitions of these areas with our LIFT resource definitions. Because resources expire, OHCS may incorporate utilization time frames for each geographic set aside that would allow the funding to be accessed by other geographic regions if not utilized timely.

Beginning Balance	-	\$3,400,000
Metro	-	\$2,210,000
Non-Metro Urban	-	\$850,000
Rural	-	\$340,000

Local Resource Alignment

The value and need to support PSH investments through this type of fund has been recognized by some local jurisdictions within the State. Some communities have already established similar PSH supportive funds. OHCS will align this resource with these local funds as closely as possible with the aim of establishing a clear and consistent process around fund utilization order, streamlined processes and eligibility alignment wherever possible.