

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING INFORMATIONAL REPORT
Special Claims for Reimbursement in
Multifamily Project-Based Rental
Assistance (PBRA)

DATE January 24, 2024

HUD established the “special claims” process to allow owners of Multifamily Housing (including Project-Based Rental Assistance/PBRA) to request reimbursement for certain financial losses related to owning and managing the properties in a heavily regulated environment. HUD recognizes that owners of Multifamily Housing have increased potential financial risk compared to market rate housing due to the limitation on security deposits, the need to adhere to strict waiting list requirements and other factors.

HUD permits special claims for losses in four categories:

- (1) vacancies during rent-up (initial lease-up),
- (2) vacancies after rent-up,
- (3) debt service claims, and
- (4) unpaid rent and damages.

Because the PHA’s RAD transaction was debt-free and did not involve new construction, the only types of claims permissible for the PHA are for vacancies occurring after rent-up (typically referred to as “regular vacancy loss” claims) and unpaid rent and damages.

Special claims for regular vacancy loss allow the PHA to request payment from HUD for 80% of the contract rent for a vacant and ready unit for up to 60 days or until the unit is reoccupied, whichever occurs first. During the first three quarters of fiscal year 2024, the PHA submitted 392 special claims for regular vacancy loss to HUD totaling \$498,217. Of those claims, 173 (\$206,429) have been approved and paid, 17 (\$19,805) have been denied, and 202 (\$271,983) are still being processed by HUD. In order for a claim to be approved, staff must provide supporting documentation of the following:

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- The amount of the security deposit paid by the vacating tenant (stated on form HUD-50059 when the tenant moves in).
- Proof that the appropriate security deposit was collected from the vacating tenant (shown on the security deposit account ledger).
- A copy of the security deposit disposition notice, showing what was collected, returned and withheld.
- Verification of the date the unit was ready for occupancy (from the unit activity log and maintenance vacant unit preparation records).
- If the unit is reoccupied at the time of the claim, documentation that the new tenant was properly selected from the waiting list (provide a copy of the waiting list from which the tenant was selected as of the date of selection).
- If the unit is still vacant at the time of the claim, documentation of marketing efforts and attempts to fill the unit (waiting list draw reports demonstrating the number of applicants in process for each bedroom size).

Staff began processing special claims for regular vacancy loss in March of 2023, with the first claims approved by HUD in July of 2023. Those claims were paid on the September 2023 vouchers.

Staff prioritized submitting regular vacancy loss special claims because they are more lucrative and less time-intensive to compile than claims for unpaid rent and damages. Unpaid rent and damages claims cannot exceed the contract rent amount minus the security deposit; and they require more supporting documentation than regular vacancy loss special claims. Staff plan to implement processing of special claims for unpaid rent and damages in the first quarter of FY 2025. Staff anticipate that going forward, special claims processing will take about 60-80 hours of staff time per month. Staff will report special claims processing updates to the Board on a quarterly basis going forward.

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