MaineHousing
MAINE STATE HOUSING AUTHORITY

Property Loss Procedures

When a Property Loss Occurs

When a property sustains damage due to fire, water, wind, vandalism or another incident, the Owner/Manager should take the following actions immediately:

1. **Protect Residents and Secure Property**
   - Ensure the property is safe and secure
   - Inform affected residents of the situation and any safety precautions
   - Assist residents with relocation to alternate housing if necessary

2. **Notify MaineHousing**
   As soon as it is practical, contact the assigned Asset Manager at MaineHousing to report the incident. Provide:
   - Written summary of the incident, including date, cause (if known), and affected buildings or units
   - Documentation regarding any temporary or permanent resident relocations
   - If the property is in the 15-year LIHTC compliance period, MH will need the exact dates a unit is not habitable

3. **Submit Supporting Documentation**
   As information becomes available, provide MaineHousing with copies of:
   - Fire and/or police department reports
   - Building inspector reports/local code enforcement
   - Insurance company reports and relevant correspondence (including, for instance, estimates, deductibles, depreciation calculations)
   - Photographs of the damaged areas
   - Other documentation as applicable

4. **Site Visit (if required)**
   If necessary, MaineHousing will arrange for one of its Multifamily Building Analysts to visit the site and walk through with the manager.

Insurance Proceeds and Reconstruction Requirements

The following requirements apply when insurance proceeds are used for repairs:

1. **Insurance Checks**
   - Insurance checks must be issued as two-party checks payable to both the Owner and MaineHousing. **If the check issued by the insurance company is not a two-party**

check, the check must be returned to the insurance company and reissued as a two-party check.

2. **Insurance Escrow**
   - MaineHousing will hold insurance proceeds in an insurance escrow account.
3. **Requesting Funds**
   - Requests for insurance proceeds must be submitted using Form MD-130 located at: https://www.mainehousing.org/docs/default-source/asset-management/forms/md-130-request.pdf?sfvrsn=11349a15_2
     Please refer to Replacement Request Guidance for details located at: https://www.mainehousing.org/docs/default-source/asset-management/general-requirements/replacement-reserve-guidance.pdf?sfvrsn=d65d8515_4
   - Funds will be disbursed from available insurance proceeds.
   - Reimbursement will generally occur after repairs have been completed and paid for. For contracts over $10,000 a signed and notarized MaineHousing Final Lien Waiver is required. This is located at: https://www.mainehousing.org/docs/default-source/asset-management/forms/lien-waiver.pdf?sfvrsn=80309a15_2
   - If a Public Adjuster is used, payment will be made only from available insurance proceeds and only after reconstruction of the premises has been completed and paid for.
   - Contractors performing work more than $200,000 may be required to obtain a performance and payment bond.
   - The owner will need to sign an agreement in connection with the escrow. For losses $35,000 or less the property manager will sign a "Property Loss Agreement". For more substantial losses or repairs, the Asset Manager will prepare a "Reconstruction Agreement" for execution.

4. **Repair Standards**
   - All repair specifications must meet all MaineHousing construction standards.

5. **Section 8 Properties**
   - If the property has project-based Section 8 assistance, it may be subject to subsidy restrictions for units that are not habitable.

Emergency Work Exception

Reasonable and necessary emergency services do not require three bids or prior MaineHousing approval. Examples include:

- Emergency water extraction and cleanup
- Board-up services
- Temporary roof repairs
- Structural stabilization
- Securing a damaged building from further loss

These procedures help ensure the timely restoration of the property, the protection of the residents, and proper management of the insurance proceeds.

Frequently Asked Questions about Property Loss

Q: What are my obligations to MaineHousing when the property suffers/experiences a loss?

A: The terms of the Mortgage obligate an owner/manager to report a loss and work with MaineHousing. The full obligation is denoted under the section titled "Care for Mortgaged Premises."

Q: Who is responsible for the costs associated with relocation of tenants when a unit is deemed uninhabitable due to a property loss or damage?

A: It is the Owner/Manager's responsibility to assist in funding and paying for alternate housing until such time that the unit is back online.

Q: If the unit receives project-based subsidy, will the property continue to receive rental assistance while the tenant is relocated?

A: Typically, no. Rental subsidy ceases from the time of the incident until the unit is deemed habitable and ready for occupancy. There are circumstances, if the relocation will be long term, that HUD may approve a pass-through arrangement, so the subsidy continues in the interim.

Q: If the project was funded through the tax credit program, are there any tax credit implications when a project sustains a loss?

A: Yes. Per the 8823 Guide, physical damage to a project caused by casualty events which render the LIHTC units, buildings or commons areas unsuitable for occupancy is reported as noncompliance with UPCS standards on the 8823 Form. Uncorrected 8823 violations could result in tax credit recapture.

Q: Can the insurance deductible related to a property loss be paid from Replacement reserves?

A: No. The insurance deductible must be paid from the property's operating account or by the owner.