

How-to Guide

Being Proactive About Potential Unit Damage

Unit damages are a reality for private renters and for subsidized households. The Continuum of Care (CoC) and Emergency Solutions Grants (ESG) program have different approaches to unit damages, including different ways to pay for damages and different rules related to participant fees. The U.S. Department of Housing and Urban Development (HUD) encourages both CoC and ESG recipients and subrecipients to actively work with participants to prevent damages beyond normal wear and tear.



ESG and **unit damage**

Under the Homelessness Prevention and Rapid Re-Housing components, ESG Program funds can pay for security deposits, which can be used to pay for unit damages. Security deposits are located under housing relocation and stabilization services. Security deposits cannot exceed two months' rent for a given unit.


Neither ESG Program funds, nor other funds recognized as ESG match, can pay for damage caused by participants. However, ESG recipients and subrecipients may leverage other funds to pay for damage caused by participants if permitted by the leverage funder. Grants from organizations such as local charitable foundations are a common source of unrestricted funds that can be used as leverage.



CoC and **unit damage**

CoC funds can pay for unit damages under the following budget line items:

- **Rental Assistance** can pay for damages that are determined not to be the rental property owner's responsibility.
 - Damages should be deducted from the unit's security deposit.
 - If damages exceed the balance of the unit's security deposit, Rental Assistance can make an additional payment not to exceed the value of one month's rent.
- This is a one-time cost per participant incurred when a participant exits a housing unit.
 - Damages are not an eligible expense for Rapid Re-Housing projects.

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- **Leasing** can pay for damages that are determined not to be the rental property owner’s responsibility.
 - Damages should be deducted from the unit’s security deposit.
 - If damages exceed the balance of the unit’s security deposit, Leasing funds cannot be used to make an additional payment.
 - **Operating Costs** can pay for the cost of repairing or maintaining housing, including pest control, if the cost is not included in the lease.
 - This cost can be incurred at any time.
 - There is no restriction on the costs of damages that can be paid for with Operating Costs.

If paying for damages is an eligible cost as described above and if the project uses non-CoC funds to pay for damages, the project can recognize those non-CoC funds as match. This includes program income. Note that ESG funds generally cannot be used in this way, as ESG cannot pay for damages and ESG is not typically layered with CoC funds due to project design conflicts.

There is no time frame requirement for when a rental property owner must request payment for damages or for when the recipient or subrecipient completes the payment. However, the payment must be processed prior to the end of the grant term in which the cost is incurred.



Case management and **damage prevention**

HUD strongly encourages both CoC and ESG recipients and subrecipients to use proactive outreach and case management to help maintain rental units without causing damages beyond normal wear and tear.



Emergency transfers and **damage reimbursement**

As part of effecting an emergency transfer, damages may be an eligible cost under the Violence Against Women Act (VAWA) budget line item. For more information, visit hudexchange.info/resource/7025/implementing-eligible-costs-under-the-coc-program/.