How Master Leasing Can Help the Affordable Housing Crisis

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Suzanne Wagner, *Housing Innovations*

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Master Leasing
CCEH ATI
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SUZANNE WAGNER
Agenda

Introductions

What is Master Leasing?

Benefits of Master Leasing

Challenges & Lessons Learned

Program Examples

Funding Sources
Who is in the room?

- Service Providers
- Housing Developers
- Property Managers
- Persons with Lived Experience
- Shelter Providers
- Street Outreach Providers
- Rapid Rehousing Providers
- Permanent Supportive Housing Providers
- Government
- Housing Authority
- Advocates
- Funders
- Consultants
- Others?

How many people have worked in, used or done master leasing?
Introductions

Find someone you do not know. Introduce yourself (name, affiliations, location etc.) and talk about why you came to this session on Master Leasing.
What is Master Leasing?

- Homeless services organizations or housing authorities/units of govt lease units or structure(s) from property owner(s).
- Provider subleases units to people experiencing homelessness.
- Provider acts as landlord and provides or arranges for support services/case management.
- Tenant pays rent to the provider.
- May be emergency, time-limited or permanent housing.
Leasing Agreements

Recipient/Subrecipient

Sublease or Occupancy Agreement

Program Participant

Lease

Unit/Structure Owner

U.S. Department of Housing and Urban Development

CoC2.0 | Slide 6
Benefits for Tenants

• Creates housing options for participants with the highest leasing barriers – poor/no credit, sporadic/no income, high debts, incarceration histories etc.

• Protects tenants from the consequences of illegal housing discrimination

• Speeds housing process because units are already leased

• CoC Operating funds can be used to pay for furniture, and utilities/maintenance/repair costs that are not included in the rent.

• Provides a step towards creating a positive rental history

• May provide access to units in neighborhoods with less crime, more amenities and more opportunities
Benefits for Tenants (2)

• May be able to assume the lease after successful tenancy
• Expands options for shared housing by circumventing landlord reluctance to split leases
• Addresses shortage of efficiency and 1 Bedroom units in some housing markets
• Others you can identify?
Benefits for Landlords

• 100% rent payment
• Reduces costs: no advertising or tenant screening, lower turnover costs
• Payment on vacant units
• Reduced maintenance and repair responsibilities
  • Most owners prefer a “triple net” agreement—which means that the lessee assumes all responsibility for maintenance, repairs, taxes, and insurance
• Supportive services provided to tenants to ensure stable tenancy
• Reduces risks for landlords who want to give back
• Others?
Benefits for Providers

• Have housing for people who need it!!!!
• Reduces time spent on housing search
• Can be used for permanent supportive housing or rapid rehousing (if lease can be turned over to the individual)
• Can address changing participant needs (e.g., re-location)
• Expands landlord pool and unit availability
Benefits for Providers

• Reduced upfront costs for applications fees, credit checks etc.
• Can retain unit if people need to leave for a brief period
• If using CoC funds, no match requirement on Leasing budget line item
• Retain units as people move on for another household
• Others?
Challenges

• Tenant does not have a lease in their name so cannot create history as a lease holder with the landlord.

• Provider must collect tenant portion of rent.
  - Tendency to be lenient may undermine essential structure in a Housing First program.

• Provider must act as landlord and pursue eviction through legal process if it comes to that

• Owners may not be willing to relinquish control over tenant selection

• Liability
  • Provider usually assumes liability
  • Cannot use CoC funds (beyond 2 months’ security deposit) to pay for damages
    - Through positive, respectful relationships with participants and assertive sublease enforcement and tenancy education, Urban League of Portland reports less than $6K annually in damage expenses on 50 units.
Lessons Learned

◦ Property management expertise and support services are essential.
◦ If agency leasing the units/structure is the service provider, need to separate roles of landlord and support services provider.
  ◦ Case Managers – service plans, connections to resources etc.
  ◦ Property Managers – collect rent, repairs, etc.
◦ Participants still must meet tenancy obligations and comply with the sub-lease
◦ Agency holding the master lease must have insurance so price this out beforehand.
◦ Costs of vacancies, legal fees, unit repairs etc. should be estimated beforehand and ensure there are adequate funds.
◦ Government/housing authorities holding the master lease can facilitate going to scale – assume risk and liabilities that can be difficult for nonprofits to take on
Example – TVCCA Homeless Collaborative Network

• Permanent Supportive Housing
• Serves 14 Families and 36 Adult Only Households
• Located in Scattered Site Units in New London County
• Funded by HUD CoC
Example – HOPICS – Los Angeles CA

- Homeless Outreach Program Integrated Care System (HOPICS), a division of Special Service for Groups
  - California-based nonprofit organization that provides a suite of behavioral health, reentry, and housing services to low-income households.

- HOPICS holds one of the largest master leasing portfolios in Los Angeles.
  - The organization operates seven sites across the city that support roughly 100 tenants in total.

- The sites vary widely in size and target population, with some containing just a block of units and others leasing out the building in full (including one newly constructed 28-unit project).

- HOPICS is implementing a shared housing approach in six of these sites, where tenants have individual bedrooms but share common areas and facilities.
Discussion

- What benefits might master leasing have in your community/CAN?
- What questions and/or concerns do you have about master leasing?
- Are there properties/landlords you think might be suitable for master leasing?
- How would you “pitch” this in your agency and/or to your funders?
Federal Funding Sources for Leasing

- HUD Continuum of Care (CoC)
- HUD Emergency Solutions Grant (ESG)
- HUD Community Development Block Grant (CDBG)
HUD Leasing Rules versus Rental Assistance

- Leasing is an eligible CoC, CDBG and ESG program expense.
- Leasing is a different activity and budget line item from CoC Rental Assistance and there are similarities and differences.

**Similar:**
- Annual FMR adjustments
- Most requirements are the same, e.g., HQS, Rent Reasonableness, Income Determination, Rent Calculation

**Different:**
- Provider leases from landlord, (not the tenant) and pays the rent whether the unit is occupied or not.
- Operating costs are eligible when using leasing and not RA
- Income restrictions for ESG and CDBG
HUD Eligible Operating Costs

Costs associated with “day-to-day physical operation of housing”:

✔ Maintenance and repair
✔ Building security
✔ Electricity, gas, water & sewer
✔ Furniture
✔ Equipment
✔ Staff and overhead costs related to carry out these activities
HUD Rules: Leasing Units vs. Structures

LEASING INDIVIDUAL UNITS

• Rent paid may not exceed Fair Market Rent (FMR); AND

• Rent paid must be reasonable in relation to comparable units.

LEASING STRUCTURES

• May rent all or part of a structure or structures.

• Rent paid must be reasonable in relation to rents charged in the area for comparable space.

NOTE:

• CoC Leasing funds cannot be used to lease units or structures owned by the recipient, subrecipient or their parent, subsidiary, or affiliated organization.

• HUD has the authority to grant an exception.
HUD Brief on Master Leasing (only 1 page!)


Florida Housing Coalition (2023). *MASTER LEASING STRATEGIES TO INCREASE HOUSING.*
TIFFANY ADAMS, TECHNICAL ADVISOR


Urban Institute (2022). *Master Leasing In Los Angeles*

- https://www.urban.org/sites/default/files/2022-08/Master%20Leasing%20in%20LA.pdf

Seminole Cty, FL Community Services Department, *COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AFFORDABLE RENTAL HOUSING RFP, FISCAL YEAR 2019-2020*

Discussion, Q&A and Closing

- Master leasing provides an opportunity to house people quickly who might not otherwise be able to find housing
- Master leasing programs have been around for decades
- In addition to federal resources, communities are using state and local resources to fund
  - Los Angeles has one of the largest master leasing programs in the country
- Major benefit is quick access to housing
- Questions? Comments?
Thank you for attending this workshop!

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