

OPERATING ASSISTANCE

Problem

- Lack of operating assistance/rental subsidy creates a bottleneck in affordable housing production
- This is exacerbated by a persistent lack of project-based vouchers (PBVs) made available by the federal government
- All types of building approaches financed by Measure ULA will require some form of operating subsidy
- The Measure only dedicates approximately \$40M annually to operating assistance

Solution: Measure ULA's Flexible Operating Assistance Proposal

The ULA coalition's proposed guidelines on operating assistance involves two approaches. The funding amounts dedicated to each approach will take more time to determine.

- *Tenant-Based Voucher Backstop*
 - Gap-financing tool that would guarantee the coverage of operating costs in the event that a unit dependent on tenant-based rental subsidy becomes vacant.
 - Under this model, the ULA operating subsidy dollars would act as an insurance pool, or "backstop," until the unit can be filled.
 - Brilliant Corners administers an existing TBV Backstop program at LA County in collaboration with the Department of Health Services.
 - Program administrators dip into the backstop pool if a vacancy lasts more than 60 days, and the Department of Health Services refers tenant-based voucher holders to any units that become vacant.
 - Advantages:
 - Stretches ULA operating subsidy dollars further
 - Reduces risk associated with tenant-based vouchers if a tenant moves
 - Decreases reliance on project-based vouchers, which are scarce
 - Increases housing placements for tenant-based voucher holders
 - Outreach demonstrated backstop concept is well received by both developers and lenders, although the ULA coalition recognizes that it will require effort to scale up
- *Conventional Rental Subsidy*
 - Alternative Models & Acq/Rehab programs may require conventional rental subsidy, outside of backstop
 - Alternative Models guidelines will require 10% of its units across the portfolio to be permanent supportive housing, which requires more operating assistance to cover rents
 - Additionally, Acq/Rehab projects will have existing tenants in buildings that fall into ALI or ELI categories but do not have vouchers
 - At this time, Coalition is not certain how much conventional rental subsidy it will be required, because it depends on how much revenue the tax creates in a given year, and how many units the program produces.
 - It will take more time to determine how the funding will be divided between the Backstop and conventional rental subsidy program.