

Master Leases

Description

Master leases for residential properties entail an agreement between a nonprofit and a multifamily housing property owner. This agreement allows a nonprofit to establish a long-term, fixed-price lease for units in an existing housing building. For smaller multifamily buildings, a nonprofit may lease all the units and completely manage the property. The nonprofit would then rent these units to tenants at an affordable rate.

Nonprofits entering a master lease would be responsible for filling any vacancies. As such, property owners would be protected against the uncertainty of vacancy loss and turnover costs. This model would allow the property owner to see a sustained source of income.

Having a nonprofit manage all or a portion of units in a property allows for below-market rental rates. To make up the gap between the rent received and rent owed, other funding sources, such as grants or public programs, could be used. Additionally, tenants renting at the properties could enter long-term leases that have protections against high rent increases.

Nonprofits managing master leases may also establish savings accounts for tenants. Individuals could have a small portion of their rent put aside into a savings account. Having these savings would buffer households against unexpected medical and other emergencies.

Potential Applicability in Arlington

Provides an opportunity for affordable housing providers to partner with multifamily property owners in Arlington, who would provide below-market rates for tenants in return for guaranteed rental income. This model may provide housing affordability while reducing the need for Arlington County assistance.

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