

Master Leasing for Bridge Housing FAQ

A master lease is a legal agreement through which a master tenant (nonprofit agency, supportive housing, service provider, or government agency) leases a unit or multiple units from a property owner, who then subleases units to subtenants (bridge housing residents).¹

Master leasing can be an effective and efficient approach to providing bridge housing using Behavioral Health Bridge Housing (BHBH) Program funding. It provides a way to access housing units that would probably otherwise be unavailable to the population served by the BHBH Program. Under a master lease strategy, a county behavioral health agency or subcontracted provider serves as a master tenant. They negotiate and sign a master lease for units and then sublease the unit to individual(s) who are experiencing both homelessness and serious behavioral health conditions while they are in the process of identifying and securing permanent housing.

Under a master lease agreement, the property owner maintains ownership of the unit(s) while the master tenant assumes some or most of the property management responsibilities, depending on agreed-upon lease provisions. Typically, the master tenant is responsible for the approval of subtenants and takes on property management responsibilities, along with the liability of the cost for vacant units, damages, and evictions.¹ The property owner receives a monthly rent check from the master tenant, regardless of occupancy levels.² Agencies pursuing master leasing come from a strong position because owners are guaranteed full rent regardless of whether units are all occupied.

Who can participate in master leasing?

County BHAs may act as master tenants, or they may subcontract with housing and/or services providers. Nonprofit agencies (supportive housing or other service provider agencies) and local or state governments commonly participate in master leasing on behalf of their clients.³

What kinds of properties can be included under a master lease?

Single and multi-family homes, apartments, motels or hotels, or other privately owned properties may all be used for master leasing if they are all available from a particular property manager or property owner and the use of the property conforms to appropriate zoning laws, as well as health and safety housing codes.

What are the master leasing models?

Master leasing can take on various forms, but landlords are likely to prefer a “triple net” agreement.¹ This means that the master lessee assumes all responsibility for property taxes, insurance, and upkeep (maintenance and repairs). Alternatives to master leasing include co-signing individual leases or entering an agreement to provide rental subsidies for a set number of units.

What are the benefits of master leasing for bridge housing?

Benefits for the master tenant

- Master leasing offers a quick way to bring vital bridge housing units online without the need for development.³
- Master leasing allows the master tenant to sublease the units to participants who might otherwise be screened out of housing.³
- Though it is not a given, signing a multi-year lease for numerous units may make it possible for service provider agencies to lease unit(s) at below-market rates.²

Benefits for the property owner

- The property owner can rely on on-time and guaranteed rent payments and is relieved of the responsibility to fill vacant units.⁴
- Master tenants remain in close communication with the property owner and can offer support for issues that may arise with the subtenant(s).⁵

Benefits for the subtenant (bridge housing resident)

- People experiencing homelessness and who have histories that might otherwise preclude access to housing, such as poor credit or rental histories, can gain access to housing.⁵
- Master leasing allows tenants to create a positive rental history, and references can help them go on to secure permanent housing.

Master Lease Options

A traditional master lease arrangement includes a master lease and individual subleases. The master lease is made between the master tenant and the property owner or manager. Individual subleases are then entered by the master tenant and subtenants (residents). Under these agreements, the master tenant assumes the roles and responsibilities of the landlord, including tenant selection, property management, and fiscal responsibility for vacancies and evictions.⁵ The master lease structure can function with distinct levels of fiscal responsibility, including the following types of leases that are common in large-scale leasing:

1. Gross lease: The master tenant pays a fixed rent to the landlord each month, and the landlord is responsible for property taxes, insurance, maintenance, and repairs.
2. Single-net lease: In addition to rent, the master tenant pays property taxes, leaving the landlord responsible for insurance, maintenance, and repairs.⁵
3. Double-net lease: In addition to rent, the master tenant pays (1) property taxes and (2) insurance (including deductibles), leaving the landlord responsible for maintenance and repairs.⁵
4. Triple-net lease: in addition to rent, the master tenant pays (1) property taxes, (2) insurance, and (3) the cost of maintenance and repairs.⁵

Co-Signing Leases

An alternative to master leasing is for a service provider to co-sign the lease agreement between the property owner and the individual living in the unit (tenant).¹ As co-signatory, the service provider guarantees payment of rent and responsibility for damages to the unit. This kind of arrangement is common when the tenant has significant barriers to accessing housing¹ and allows the tenant to build rental history. It is frequently used in permanent supportive housing arrangements. A key difference from master leasing is that the service provider does not automatically have the right to sublease to another tenant.

Master Rent Subsidy Agreements (MRSAs)

MRSAs can be negotiated with a property owner, under which a housing/service provider agrees to pay all or a portion of the rent under a number of individual leases between the property owner and the housing/service provider's program participants. With a MRSA, the landlord retains control over tenant selection, and usually signs leases with each tenant. Under a MRSA, the housing/service provider may also agree to make rental payments on vacant units if the property owner agrees to hold them for program participants. The housing/service provider also may offer a damage mitigation fund but is not primarily responsible for repairs to damaged units.⁴

Tips for initiating a master leasing program

- Explore properties that could be suitable for leasing, such as privately owned, un- or under-used buildings.
- Consider seasonal rental properties.
 - Master leasing could provide property owners with guaranteed income and property management services.
 - Master leasing could mitigate the security risk of having properties vacant for much of the year.
- Negotiate with property owners over necessary repairs and improvements. Bringing units/buildings up to applicable health and safety codes may improve property value.
- Work with an experienced real estate attorney to design a lease agreement that meets the needs of the master tenant, property owner, and residents.
- Include all agreements in the lease.

END NOTES

- ¹ Freed, Chris (May 17, 2022). [How Master Leasing Can Help the Affordable Housing Crisis](https://endhomelessness.org/blog/how-master-leasing-can-help-the-affordable-housing-crisis). National Alliance to End Homelessness. <https://endhomelessness.org/blog/how-master-leasing-can-help-the-affordable-housing-crisis>. Accessed 3/21/2023.
- ² Jackabovics, A., & Charette, A. (February 2, 2017). [A Master Lease Program Could Increase Stability for Low- and Moderate-Income Renters](https://housingmatters.urban.org/research-summary/master-lease-program-could-increase-stability-low-and-moderate-income-renters). Housing Matters: An Urban Institute Initiative. <https://housingmatters.urban.org/research-summary/master-lease-program-could-increase-stability-low-and-moderate-income-renters>. Accessed 3/21/2023.
- ³ U.S. Department of Housing and Urban Development COVID-19 Homeless System Response. (July 2021). [Project Funding and Structure Brief: Master Leasing](https://files.hudexchange.info/resources/documents/COVID-19-Homeless-System-Response-Project-Funding-and-Structure-Brief-Master-Leasing.pdf). <https://files.hudexchange.info/resources/documents/COVID-19-Homeless-System-Response-Project-Funding-and-Structure-Brief-Master-Leasing.pdf>. Accessed 3/21/2023.
- ⁴ Corporation for Supportive Housing. (December 2015). [Supportive Housing Scattered-Site Leasing](http://www.csh.org/wp-content/uploads/2015/12/IL_Toolkit_Model_Scattered-Site-Leasing.pdf). http://www.csh.org/wp-content/uploads/2015/12/IL_Toolkit_Model_Scattered-Site-Leasing.pdf. Accessed 3/21/2023.
- ⁵ Batko, S., Oneto, A. D., Elder, K., & Bond, L. (August 2022). [Research Report: Master Leasing in Los Angeles, Opportunities and Limitations](#). Urban Institute. Accessed 3/21/2023.