### **SB 482: Capitalized Operating Subsidy Reserves**

## PURPOSE

**SB 482** ensures that as the State consolidates resources for affordable housing development, the most vulnerable populations will not be left behind. **SB** **482** requires Housing and Community Development (HCD) to offer capitalized operating subsidy reserves (COSRs) to special needs units funded through the Multifamily Housing Program (MHP).

## BACKGROUND

*What is a COSR?*

A capitalized operating subsidy reserve (COSR) is money set aside upfront to cover deficits in annual operating revenues for housing developments, primarily used for permanent supportive housing for extremely low-income (ELI) individuals, those earning 0-30% of the area median income.

*Why are COSRs needed?*

Supportive services help ELI individuals who suffer from homelessness stay stably housed. These supportive services can include intensive case management, medical and mental health care, substance abuse treatment, and employment services. These services are necessary for formerly homeless people to retain housing, improve their physical and mental health, and live and work in their community.

These services increase the operating costs for these types of developments. Because the rents are so low and the operating costs are higher, these developments often need a significant subsidy to pencil out. These COSRs provide this subsidy upfront to cover 15-20 years’ worth of deficits. If a COSR is appropriated, the account is with HCD and HCD approves disbursements as needed. Banks need to see that developers have these operating costs set aside before financing is approved.

## THE PROBLEM

HCD has offered COSRs before in programs like No Place Like Home and the Veterans Housing and Homelessness Prevention Program. However, the State is consolidating funding so that developers do not need to apply for multiple sources of funding, which saves time and money. The flagship program HCD offers is MHP. This bill would explicitly require MHP to fund COSRs for special needs units so that as the State streamlines funding we can continue to help our ELI neighbors.

*An Example*

Windsor Pointe is a development in Carlsbad, CA that offers supportive housing. The complex has 48 units in total where half of the units are for individuals and families who are homeless or near homeless with a prioritization for veterans and their families. Some of the supportive services that residents have access to include case workers, adult education, mental wellness, and career building. Part of the funding for this development is through No Place Like Home, which gave Windsor Pointe a COSR of $4,875,000. Unfortunately, the No Place Like Home Program is running out of funds. As the state transitions future supportive housing developments for the homeless to MHP, we want to ensure that these developments continue to get the funding needed to allow developers to build them.

**THE SOLUTION**

**SB 482** ensures that the state’s flagship housing program, MHP, will fund operating reserves (COSRs) that are used to fund resources to help homeless individuals live a fuller life and to ensure developers can still put these important projects forward that need assistance in order to be viable.

**SUPPORT**

California Housing Partnership (sponsor)

## STAFF CONTACT

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