



Issue Clarification Memo 2

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Software/Hardware Analogy Applied to Housing

Housing developers and social service providers agree on the need for more, significantly more, housing for people with low incomes or special needs. But, when asked to plan for the use of housing funds, the developers and service providers are split by fundamental differences in the way that they understand their tasks and goals. The Software/Hardware analogy may be helpful in understanding the differences.

Software is a systematic application of resources to produce a desired result. The best software is flexible, user friendly and fast. Social service administrators are funded on the basis of a service plan and an annual budget. Service providers seek to apply a variety of resources to create desired results for their clients. Assuming available housing stock, new funding of housing first programs can produce results in a matter of months. The program lasts as long as the funding is available.

Hardware is a resource. The best hardware is reliable and will serve for the long term. Developers seek to create the resource by entering escrow on a piece of property and building a business model (proforma) they can take to a bank or other lenders. Developers have to show that rent income can support the operating costs (management, maintenance and reserve funding), and debt service (mortgages), for the next 30 years. If a proforma depends on a rent subsidy, the subsidy needs to be guaranteed for 10 years. Non-profit developers are primarily concerned with long-term affordability, hoping that public investment now will benefit low-income households in perpetuity. Once developed, the use and operations of the building cannot be changed without renegotiating the recorded documents on title. Two to five years can pass between the funding of a new development program and the availability of new units.

Anyone who has used a computer knows that software is useless without hardware and visa versa. Computer users also know that software and hardware are not always compatible. Service providers seek flexible solutions; housing developers offer fixed answers.

Software	Hardware
Move in assistance.	Property acquisition financing
“Housing First” programs	Zoning permission
Tenant or sponsor based rent assistance	Project based rental assistance
Neighborhood or project based support service programs	Property management
Security deposits	Operating and Maintenance reserves
Case management	Construction Cost
At risk homeless intervention	Predevelopment, acquisition, construction, reserves financing
Transitional/emergency housing	Permanent Housing
Beds	Units
Program dependant on renewals after initial funding period.	One time funding packages. 30-55 yr obligations.
Flexible, able to respond to emerging issues	Takes years to develop, use locked in.
Continuation of program dependant on budget process and legislature	Continuation dependant on quality management.
Client selection defined by funding source	Tenant selection defined by funding source. Fair housing legislation, landlord/tenant law.
Program funding	Capital Funding
Master leasing	Housing Trust Fund
Client	Tenant/Household
Sandbag	Levy
Termination	Eviction