Operating subsidies for affordable housing developments overview

Operating subsidies are payments made annually (or more frequently) to owners of affordable housing developments that make the housing more affordable by covering a portion of the ongoing costs of operating the development.

The federal government provides operating subsidies through the public housing and project-based Section 8 programs (among others) to help make developments affordable to very low-income families who cannot afford to pay the rents that would be needed to support the property without ongoing subsidies. Similarly, some localities make ongoing operating funds available to help make permanent supportive housing or other dedicated affordable rental housing affordable to very low-income households. This form of assistance is sometimes known as “rental assistance.”

Among other potential applications, this tool can be useful for cities, towns and counties seeking to provide housing for special populations, such as chronically homeless individuals and families or people with special needs. While direct operating subsidies for homeownership developments are rare, some communities provide property tax abatements for both affordable ownership and rental properties that have a similar effect, helping to defray the costs of operating the development so residents can pay lower rents.