

Glossary of Affordable Housing Terms

A

Abatement: A reduction or decrease. Usually applies to a government-granted decrease in property taxes, but can also refer to the reduction or termination of other debt.

Abstract: A short legal history of a piece of property, tracing its ownership (title) through the years. An attorney or title insurance company reviews the abstract to make sure the title comes to a buyer free from any defects (problems).

Abutting: Having property or district lines in common.

Acquisition Financing: Funds obtained for the purpose of purchasing vacant land or properties (exclusive of any funds needed for property improvements or rehabilitation).

Acquire, Rehab and Sale: A strategy of purchasing and rehabbing substandard homes and then selling them with affordable financing to low- or moderate-income buyers.

Affirmative Marketing Plan: A plan that meets the fair housing and non-discrimination requirements of the Department of Housing and Community Development (DHCD) for marketing affordable housing units. Such plan typically provides for a lottery and outreach to populations protected under the federal Fair Housing Act of 1968, as amended. The plan must be designed to prevent housing discrimination on the basis of race, creed, color, national origin, sex, age, disability, familial status, sexual orientation, gender identity, or any other legally protected class under state or federal law.

Affordable Housing: According to the U.S. Department of Housing and Urban Development (HUD), housing is affordable if it costs the occupant no more than 30% of their income for gross housing costs, including utilities.

Appreciation: An increase in the value of property due to changes in market conditions or other causes.

Appropriation: A form of federal or state budget authority that permits obligations to be incurred and payments to be made.

Area Median Income (AMI): The median family income, adjusted for household size, within a given metropolitan or non-metropolitan area, updated annually by HUD and used to determine eligibility for most housing assistance programs. For Nantucket, AMI is based on the Nantucket County Median Income.

Assessment: The value placed on property for the purpose of taxation. May also refer to a levy against property for a special purpose, such as a sewer assessment.

Assessment Rolls: The public record of all taxable property within a jurisdiction.

Assessor: A public official who evaluates property values for the purpose of taxation.

B

Balance Sheet: An accounting statement of the financial position of a company showing all assets, liabilities and net worth as of a specific date.

Basic Rent: The rent charged in a subsidized housing project and computed on the basis of a maximum subsidy.

BOCA (Building Officials and Code Administrators): Refers to the basic building code manual, used nationally as a standard, and locally with certain adaptations.

Bridges: A rent subsidy program that links housing with social services for persons with severe and persistent mental illness. Bridges is operated by a local housing agency, which provides housing services, and a local mental health authority, which provides other support services while persons are on waiting lists for federal or other permanent housing subsidies.

Buffer Zone: A strip of land, identified in the zoning ordinance, established to protect one type of land use from another with which it is incompatible. Buffer zones may either be shown on the zoning map or described in the ordinance with reference to neighboring districts.

Building Code: Local or state regulations that control design, construction, alteration, use, occupancy, etc. of any structure.

C

Capital: Money invested either in a business or property to create income.

Capital Asset: An asset of a permanent or fixed nature, or one used in carrying on a business or trade.

Capital Expenditures: The cost of an improvement made to extend the useful life of a property or to add to its value.

Capital Gain or Capital Loss: The gain or loss incurred from the sale or disposition of a capital asset (such as a property).

Capital Improvements: Improvements on a property that increase its value; also, improvement of public facilities such as streets, sewers, etc.

Cash Flow: In investment property, the actual cash the investor will receive after deduction of operating expenses and debt service (loan payment) from gross income.

Chapter 40A: See - Massachusetts Comprehensive Permit Act

Chapter 40B: See - Massachusetts Comprehensive Permit Act

Chapter 44B: See - Massachusetts Comprehensive Permit Act

Community Development Block Grants (CDBG): A federal program administered by HUD which provides grant funds to local and state governments to develop viable urban communities by providing decent housing and expanding economic opportunities for low- and moderate-income residents.

Certificate of Compliance: Commonly used synonymously with "zoning permit" in which an official certifies that the plans for a proposed use are in conformance with the zoning ordinance.

Code Compliance: To be in accordance with required building codes (local, state, BOCA).

Code Inspection: The assessment of the design, construction, and material used in buildings in meeting required building codes.

Collateral: Property pledged as security for a debt, for example, mortgaged real estate.

Community Development Financial Institutions: An array of diverse institutions that lends to low-income and, increasingly, middle-income persons, American Indian reservations and community development projects, complementing the work of conventional lenders. Included are community development banks, community development credit unions, community development loan funds and micro-loan funds.

Community Development Block Grant (CDBG): Under the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5300 et seq.), the U.S. Department of Housing and Urban Development (HUD) makes funds available each year for large cities ("entitlement communities") and each of the fifty states (the Small Cities or "non-entitlement" program). CDBG can be used to support a variety of housing and community development activities provided they meet one of three "national objectives" established by Congress. Housing activities are usually designed to meet the national objective of providing benefits to low- or moderate-income people. Funds may be used for housing rehabilitation, redevelopment of existing properties for residential purposes (in some cases), making site improvements to publicly owned land in order to support the construction of new housing, interest rate and mortgage principal subsidies, and downpayment and closing cost assistance. As a "non-entitlement community," Nantucket has received CDBG funds in the past from DHCD and can only do so again by submitting a competitive application in the future. It could be an advantageous mechanism for code enforcement. The state program is guided by a five year Consolidated Plan and One-Year Action Plans required by HUD.

Community Housing: As defined under Chapter 44B, "community housing" includes housing affordable and available to (a) households with incomes at or below 80 percent AMI and (b) between 81 percent and 100 percent AMI.

Community Investment Program: A federal program established by the Financial Institutions Reform, Recovery, and Enforcement Act through which Federal Home Loan Banks provide low-cost advances and direct subsidies to member banks for purchasing or renovating owner-occupied or rental housing for families with incomes up to 115 percent of the area median, for low- or moderate-income commercial or economic development, and for mixed-use projects combining housing and commercial or economic development activities.

Community Land Trust: A means of restricting use of land and housing through not-for-profit ownership of land with leases to the land users. It is often used to protect low-income housing from speculation.

Community Reinvestment Act (CRA): A 1977 federal law that requires banks and savings and loan associations to help meet the credit needs of their local communities, including low-income communities.

Consolidated Plan: A document written by a state or local government describing the housing needs of the low- and moderate-income residents and outlining strategies to meet those needs. The consolidated plan is required by HUD in order to receive Community Planning and Development funds.

CPM (Certified Property Manager): A professional certification in property management.

D

Deed Restrictions: Clauses in a deed limiting the future uses of the property. Deed restrictions can take many forms: They may limit the density of buildings, dictate the types of structures that can be erected, prevent buildings from being used for specific purposes or used at all, and limit the resale price, etc.

Density: The ratio between total land area and the number of residential or commercial structures placed upon it. Local ordinances usually regulate density.

Department of Housing and Urban Development (HUD): A federal government agency responsible for national policy and programs that address the nation's need for fair and affordable housing for low- and moderate-income people. HUD administers several programs, including Community Development Block Grants, Section 8 certificates and vouchers, subsidized public housing, homeless assistance, and fair housing education and enforcement.

Depreciation: A sum representing presumed loss (from physical wear and economic obsolescence) in the value of a building or other real-estate improvement and deducted annually from net income to arrive at taxable income.

E

EDA (Economic Development Administration): An agency of the Department of Commerce that provides planning, technical assistance and financial resources to qualifying programs.

Eminent Domain: The right of governmental bodies, public utilities and public service corporations to take private property for public use (e.g., schools, roads, sewer, power line towers) on payment of its fair market value.

Encumbrance: An outstanding claim or lien on a property. A property with a mortgage is said to be "encumbered" by that mortgage.

Energy Audit: A building evaluation to assess the condition and efficiency of heating units and to identify locations of heat loss.

Equity Capital: Money invested by owners or others who share in profits or tax breaks.

Extremely Low Income. See Very Low Income.

F

Fair Market Rent (FMR): Rent guidelines determined by HUD to be the cost of modest, non-luxury rental units in a specific market area for various size units (1 bedroom, 2 bedroom, etc.). With certain exceptions, it is the highest rent chargeable for that market under the Section 8 program. FMR's are revised annually and are different for each community.

Fair Market Value: The price at which property is transferred between a willing buyer and a willing seller, based on accurate appraisals, and neither party is under compulsion to buy or sell.

Front-End Money (Front Money): Funds required to start a project and generally advanced by the developer or equity owner as a capital contribution to the project, also called "seed money."

G

Grandfathered: Zoning use that, once allowed, may be continued even though other zoning is changed, e.g., a prior commercial use on a lot may be continued even after residential zoning has been instituted on surrounding property.

H

Hard Cost: The cost of land acquisition and improvement.

HOME Program: The HOME Investment Partnerships (HOME) program, operated by HUD, is a federal housing block grant program that allows states and local governments the flexibility to fund a wide range of low-income housing activities, including moderate and substantial rehabilitation, new construction, tenant-based rental assistance and other housing-related activities.

Housing Authority: An agency charged with housing for low-income citizens; it often owns and/or operates public housing units.

Housing Development Corporation: A private, multifamily housing corporation established to serve a specific geographic area (neighborhood, city, state, region). Provides technical assistance, lends seed money, and directly sponsors housing developments. Generally, community residents, local business people and government officials

have representation on its board of directors.

Housing Trust Fund: Provides deferred loans without interest for the development, construction, acquisition, preservation and rehabilitation of low-income rental housing, limited equity cooperative housing and homes for ownership through community housing organizations.

HUD Income Guidelines: Income levels used for determining eligibility for HUD assistance programs, typically expressed as a percentage of the area median income.

Very Low Income: Households whose income does not exceed 50% of the area median income.

Low Income: Generally, a household whose income does not exceed 80% of the area median income.

Moderate Income: Generally, households whose incomes range between 81% and 95% of the area median income.

I

Infill Development: Construction on vacant lots or underutilized land in established neighborhoods and commercial centers.

Infrastructure: Facilities and services of a community as they relate to providing transportation, water, sewer and recreation or community services.

J

Joint Venture: An agreement between two or more parties to invest in a business or property.

L

Land Contract: An agreement to transfer title to a property once the conditions of the contract have been fulfilled. Usually the buyer does not receive title to the property until the final payment is made.

Land Loan: A loan for the purchase of property, which is held pending zoning or financial approval.

Land Trusts or Leases: A technique popular in England, and recently popular with affordable housing groups in the United States, in which a trust or other nonprofit developer sells a building to the residents, but retains ownership of the land on which it is located and provides a long-term lease. This technique reduces the cost of acquisition (since the buyer need not purchase the land) and helps the nonprofit to retain future control over disposition of homestead property.

Land Use Plan: Policy for the use of land that is intended to serve the general welfare.

Lead-Safe Housing: a new standard for cleaning up lead-contaminated housing that recognizes that lead paint that is intact is not hazardous to children while lead paint that is deteriorating can cause a child to become lead poisoned. Under this standard, education about lead hazards and safe clean-up, are seen as critical to preventing children from becoming lead poisoned. Lead-safe clean-up is much less costly, much more practical, and more child-protective than "lead-free" (also called abatement) clean-up.

Lessee: The tenant.

Lessor: The landlord.

Lien: A legal claim on a property for payment of a debt either secured by the property or some other financial obligation, e.g., mortgage taxes, unpaid repair or construction bill.

Limited Partnership: A partnership consisting of one or more general partners and limited partners. The general partner manages the business, while the limited partner(s) contribute(s) cash. The limited partner's liability is limited to the amount he or she has invested.

Low-Income Housing Tax Credit: A tax credit allowed for investors as an incentive for the development and preservation of multifamily rental housing affordable to low- and very-low-income households, sometimes referred to as Section 42.

M

MassHousing: An independent, quasi-public agency created in 1966 and charged with providing financing for affordable housing in Massachusetts.

Massachusetts Housing Partnership (MHP): A public non-profit affordable housing organization established by the legislature in 1985. MHP provides technical assistance to cities and towns, permanent

financing for rental housing, and mortgage assistance for first-time homebuyers.

Massachusetts Comprehensive Permit Act: Chapter 40A. G.L. c. 40A, the state Zoning Act. The current version of the Zoning Act was adopted in 1975 (1975 Mass. Acts 808).

Massachusetts Comprehensive Permit Act: Chapter 40B: A law which allows developers of affordable housing to override certain aspects of municipal zoning bylaws and other requirements. It consists of Massachusetts General Laws (M.G.L.) Chapter 40B, Sections 20 through 23, along with associated regulations issued and administered by the Massachusetts Department of Housing and Community Development. Chapter 40B was enacted in 1969 to address the shortage of affordable housing statewide by reducing barriers created by local municipal building permit approval processes, local zoning, and other restrictions. Its goal is to encourage the production of affordable housing in all communities throughout the Commonwealth.

Massachusetts Comprehensive Permit Act: Chapter 44B. G.L. c. 44B (2000 Mass. Acts 267), the Community Preservation Act, allows communities to establish a Community Preservation Fund for open space, historic preservation, and community housing by imposing a surcharge of up to 3 percent on local property tax bills. The state provides matching funds (or a partial match) from the Community Preservation Trust Fund, generated from Registry of Deeds fees.

Mixed-Income Development: A residential development that includes market-rate and affordable housing.

Mixed-Use Development: A development with more than one use on a single lot. The uses may be contained within a single building ("vertical mixed use") or divided among two or more buildings ("horizontal mixed use").

Moderate Income: A moderate income means a household income between 51 and 80 percent of AMI.

N

Net Operating Income (NOI): In rental properties, this is the gross income from rents and other sources minus the vacancy allowance and operating expenses. The net operating income is the amount available for making loan payments (debt service) and paying investors (cash flow).

O

Occupancy Regulations: Regulations limiting the number of people who are allowed to live in a housing unit and the kinds of activity permitted on the premises. The most prevalent form of occupancy regulation is the requirement that each housing unit be occupied by only one family.

Overlay District: A zoning district that covers all or portions of basic use districts and imposes additional (more restrictive) requirements or offers additional (less restrictive) opportunities for the use of land.

P

PITI: Stands for principal, interest, taxes and insurance -- the components of a monthly mortgage payment.

PITI Ratio: The principal, interest, tax and insurance payment-to-income ratio that is used in mortgage-lending decisions.

Planning Commission: A local or regional organization, normally a government agency, responsible for preparing and adopting comprehensive, long-term general plans for the physical development of property within its jurisdiction.

Pro Forma: A statement showing the projected annual income and operating expenses of a project.

Public Housing Authority (PHA): A public agency created by a state or local government to finance or operate low-income housing.

R

Rental Assistance for Family Stabilization: Provides rent assistance to families on public assistance who are involved in a self-sufficiency effort. The program is administered jointly by a local housing agency and local self-sufficiency provider.

Reserves: Cash or letter of credit held to fund future liabilities. Typical reserves include replacement reserve for major repairs, operating reserve for covering negative cash flow and contingency fund.

S

Section 8: A federal housing assistance program in which participants pay a portion of their adjusted gross income (i.e. income after standard deductions) for rent and the remainder of the rent is paid by HUD. Section 8 is either project based or tenant based.

Section 8 Project-Based Assistance: This form of assistance is linked to a particular property so that a tenant moving into the building pays 30% of their adjusted gross income in rent and the remainder is subsidized. The tenant receives the rental assistance as long as they live in the building and remain income eligible.

Section 8 Tenant-Based Assistance: This form of assistance is issued to the tenant in the form of a certificate or voucher, which the tenant can use to rent from a landlord who participates in the program.

Section 8 Certificate: A rent subsidy that allows a tenant to rent a unit priced at or below the fair market rent (FMR) set by HUD. The rental property owner is paid for the difference between 30% of the renter's income and the unit's rent.

Section 8 Voucher: A rent subsidy that allows a tenant to rent a unit that is above the fair market rent (FMR) set by HUD. The rental property owner is paid for the difference between 40% of the renter's income and the FMR. The tenant pays the amount of rent over the FMR.

Section 202: A HUD housing subsidy program for elderly, handicapped or disabled.

SRO (Single-Room Occupancy) Housing: One of the country's oldest forms of affordable housing for single and elderly low-income people. Typically, an SRO room will have a sink and a closet. Bathroom, shower, kitchen and other rooms are usually shared.

Subsidy: Generally any funds provided from a source (generally a unit of local, state or the federal government) that reduces the amount of financing a borrower needs to obtain from a conventional lender, or that provides support payments, low-interest loans or grants that allow low-income people to afford to live in housing that would otherwise be unaffordable or unavailable.

Supportive Housing Program (SHP): A federal program, authorized by Title VI of the Stewart B. McKinney Homeless Assistance Act of 1987, that provides financial assistance toward the development and operating cost of transitional housing for the homeless and permanent housing for the homeless and disabled. Grants may only be used to provide long-term housing opportunities.

Syndication: The sale of equity interests (shares) in real-estate projects to investors other than the original developers. The concept extends generally to any group of investors who have contributed funds for the common purpose of carrying out a real-estate project requiring concentration of capital. It can take several business forms, but the most common is the limited partnership.

T

Targeted HOME Fund: A flexible fund for rental or single family affordable or supportive housing which meets federal HOME requirements.

Tax Credit: A dollar-for-dollar reduction against income tax payments that would otherwise be due. Contrasted with tax deductions that reduce taxable income.

Tax Increment Financing (TIF): A public financing tool used to assist economic development projects by capturing the projected property tax revenue stream to be created by the development and investing those funds in improvements associated with the project.

Transitional Housing: Shelter for homeless individuals and families for six months to two years in an environment of security and support designed to help residents progress toward self-sufficiency. A middle point between emergency shelter and permanent housing.

Transitional Housing Program: Provides funds for the construction, acquisition, or rehabilitation of residential

housing for low-income individuals and families having an immediate need for temporary or transitional housing.

U

UBC (Uniform Building Code): The minimum standards set for construction.

V

Vacancy Rate: The ratio between the number of vacant units and the total number of units in a multi-tenant building or development.

Variance: An approved special change in construction codes, zoning requirements, or other property use restrictions.

Very Low Income: Households that earn no more than 50% of AMI.

W

Weatherization: Modifying a building to reduce energy loss, e.g., adding insulation or installing storm windows.

Working Capital: The excess of current assets over current liabilities.

Workforce: People who work or who are available for work, either in a defined geographic area or a specific industry.

Workforce Housing: There is no single industry standard that defines “workforce housing.” HUD defines it as housing affordable to households earning between 80 and 120 percent of AMI. The Urban Land Institute has traditionally used the term “workforce housing” to describe units affordable to households with incomes between 60 and 100 percent AMI. Nantucket has adopted a broad range of incomes for the term “workforce housing,” from 60 to 150 percent AMI.

Write-Down: In low-income housing development, it generally means an up-front subsidy provided by a government agency or other owner of property that reduces the asking price of a property to make it affordable to low-income people.

Y

Youthbuild Program: A federal program that provides resources to educate, train and provide stipends for economically disadvantaged young adults to construct and rehabilitate housing for low-income and homeless persons.

Z

Zero Lot Line: A system of subdividing that permits building on lot lines, e.g., row houses.

Zoning: A division of a city into districts to control land use, i.e., residential, commercial or industrial.

Zoning Variance: A deviation from the zoning ordinance that is supposedly granted because strict enforcement would result in undue hardship on a property owner.