Language Of Affordable Housing

Definitions of Commonly Used Acronyms and Technical Terms
About Affordable Housing and this booklet

In recent decades, the term “affordable housing” has come into common use as a successor to earlier terms such as “low-income housing” or “subsidized housing,” which had become negative. Within the housing industry, affordable housing now means housing produced and reserved for households with incomes of 60% of the Area Medium Income (AMI) or below, and with rents capped so that a resident household earning 60% of AMI will pay no more than 30% of its income for rent plus typical utility expenses. To be financially viable, this housing requires below-market-rate financing. Such financing is always in short supply and is typically provided by multiple public and quasi-public sources. Each of these financing sources has its own, sometimes conflicting, program standards and requirements. These programs have also spawned an extensive vocabulary with many specialized terms and acronyms. This booklet is an introduction to some of these terms and acronyms.
10% Carry Forward
A provision in the Internal Revenue Code that requires sponsors of affordable projects that have received a Tax Credit Allocation to spend at least 10% of the project cost no later than June 30th of the calendar year following the year in which they received the allocation. Developers must prove their compliance with the 10% standard by submitting a cost certificate report by an independent accountant to the state agency that allocated the tax credits. Failure to spend the required 10%, or to demonstrate compliance with the required cost certification report, will result in the recapture of the project’s Tax Credit Allocation (i.e. loss of allocation).

8609’s
Internal Revenue Service forms issued by each state’s Low Income Housing Tax Credit allocating authorities after satisfactory completion of new affordable projects financed with tax credits. These forms are filed with the owner’s tax return and validate the owner’s use of the project’s tax credits.

AMI – Area Median Income (also see income)
The income in a defined area, such as Mecklenburg County, at which half of the area’s households have income below that amount and half have incomes above that amount. HUD data for Mecklenburg County, NC, in 2008 shows the AMI for a household of four is $64,300. Within the affordable housing industry, various percentages of AMI are often used as upper limits or caps on residents’ incomes for purposes of qualifying for residency, as shown below for various financing programs for Charlotte area projects. For current levels, visit www.nchfa.com or www.hud.gov.

<table>
<thead>
<tr>
<th>AMI % CAP/Category</th>
<th>2008 Residents’ Max Annual Income</th>
<th>Typical Programs using this CAP</th>
<th>Residents’ Max Monthly Housing Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% / extremely low</td>
<td>$19,300</td>
<td>HUD-Financed Public Housing</td>
<td>$483</td>
</tr>
<tr>
<td>50% / very low</td>
<td>$32,200</td>
<td>FHLB-AHP</td>
<td>$805</td>
</tr>
<tr>
<td>60% / low</td>
<td>$38,640</td>
<td>LIHTC’s</td>
<td>$966</td>
</tr>
<tr>
<td>80% / moderate</td>
<td>$51,500</td>
<td>FHLB 1st Time Home Buyer</td>
<td>$1,288</td>
</tr>
<tr>
<td>120%</td>
<td>$77,250</td>
<td>None known</td>
<td>$1,931</td>
</tr>
</tbody>
</table>

1 Assumes 30% of income spent on rent (or mortgage PITI) plus utilities

Affordable Housing
Housing that can be owned or rented by low- to moderate-income individuals without spending more than 30% of their income for rent (or mortgage payments in case of home ownership) plus utilities. New affordable rental housing projects usually require one or more forms of public financial support, such as LIHTC’s, or rent subsidies such as HUD PEL reimbursements or Section 8 voucher payments. Such projects may be sponsored or owned by public or private, for profit or nonprofit organizations, singly or in various combinations.

BEA – BEA Enterprise Award Program
A program created in 1994 to support FDIC-insured financial institutions that are dedicated to financing and supporting community and economic development activities. The BEA Program complements the community development activities of insured depository institutions (i.e., banks and thrifts) by providing financial incentives to expand investments in CDFIs and to increase lending, investment, and service activities within economically distressed communities.

Cash Flow
Cash remaining for a time period, typically a month or a year, after an enterprise has paid all its operating expenses, replacement reserves and debt service.

Co-Housing
Housing that combines private and communal forms of living where residents occupy individual, complete housing units and share additional kitchen, dining, and recreational facilities with other residents.
Community Action Agency
A public and/or privately funded agency that provides social services such as fuel assistance, day care or education classes to lower-income residents. Community action agencies may also develop and manage affordable housing.

CDBG – Community Development Block Grant
An annual allocation of federal funds administered by HUD to promote neighborhood revitalization and local economic development. CDBG funds are made available to state and local governments, including: Entitlement Communities (cities and urban counties over 50,000 in population); state governments (for small cities and communities under 50,000 in population); and Indian tribes and insular areas. HUD requires that grantees use at least 75 percent of allocations to benefit low- to moderate-income residents, aid in the prevention of slums or blight, and address other urgent community development needs. (Also see Entitlement Community).

CDC – Community Development Corporation, Bank-owned
A for-profit or nonprofit corporation capitalized by one or more banks to make debt or equity investments in local community projects. These CDCs can perform a variety of activities that banks may be prohibited from doing including: buying, selling, developing and managing real property; making equity investments; forming limited partnerships and joint ventures; making high-risk loans; and providing technical assistance and counseling services. CDC activities should promote public benefit and development of a community, or meet the needs of low- to moderate-income populations.

CDC – Community Development Corporation, Community-based
A nonprofit, community-based organization established to provide programs and services such as promoting or developing affordable housing and business revitalization, and/or to provide technical assistance to residents or business owners.

CDCU – Community Development Credit Union
A nonprofit credit union chartered to serve member residents and small businesses in a low-income community. A CDCU is tax exempt and may attract deposits and program funding from churches, foundations, individuals and private business, as well as deposits from commercial banks and foundations. In general, CDCUs offer services not provided by mainstream financial institutions, such as small loans at below-market rates to individuals who might not otherwise qualify for bank loans.

CDE – Community Development Entity
An entity that makes investments or conducts activities that primarily benefit low- and moderate-income individuals, within low- and moderate-income areas, or other geographic areas targeted by a governmental entity for redevelopment. Often, CDEs receive consideration as "qualified investments" under 12 CFR 25.23.

CDFI – Community Development Financial Institution
Private-sector, financial intermediaries with community development as their primary mission. There are six basic types of CDFIs: community development banks, community development loan funds, community development credit unions, microenterprise funds, community development venture funds, and community development corporation based lenders and investors. All are market-driven, locally controlled, private-sector organizations.

CDFL – Community Development Loan Fund
A private, nonprofit financial intermediary that assembles investment capital and lends to community-based organizations and low-income projects. CDFLs assemble capital primarily from private, social investors in the form of loans, paying below-market interest on those funds and passing this subsidy to its borrowers. CDFLs may also provide borrowers with technical assistance. In most cases, they are incorporated as 501(c)(3) non-profit.

CFR – Code of Federal Regulations
The codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. It is divided into 50 titles that represent broad areas subject to Federal regulation. Each volume of the CFR is updated once each calendar year and is issued on a quarterly basis.

CLT – Community Land Trust
A private, community-sponsored nonprofit organization that owns house building lots in perpetuity and leases them to home buyer at below-market rents. Under this arrangement, only the houses or townhouses (improvements) are sold to eligible low- to moderate-income families, thereby reducing the acquisition cost. Community land trusts control the terms of future sales of the improvements to subsequent purchasers to maintain the affordability of the dwellings for low- and moderate-income buyers.
CO – Certificate of Occupancy
A document issued to a newly completed project by local regulatory authority giving permission to occupy and use the project.

CRA – Community Reinvestment Act
Federal banking legislation that requires banks to make reinvestments in their trade areas through loans to ventures in those areas and other related initiatives. Because providing funds for affordable housing is a powerful contributor to meeting banks’ CRA requirements, this legislation stimulates bank funding of affordable housing projects.

Consolidated Plan (formerly known as “CHAS” – Comprehensive Housing Affordability Strategy)
A five-year planning document updated annually and required by HUD from state and local governments as a condition for receiving federal funds for housing programs. A Consolidated Plan must describe a community’s housing needs and conditions, and how low- and moderate-income populations will benefit from the strategies in the plan.

Consumer Credit Protection Act

CO-OP – Cooperative
A multi-unit building or property in which residents purchase shares in the corporation that owns the property. Share owners have the right to occupy particular units on the property although they do not own the units they occupy. Resale restrictions on the shares give the collective owners of the property the ability to accept or reject subsequent share owners and, therefore, select or reject their future neighbors. This form of housing is common in New York City high rises, especially those built until the 1970s.

Cost Certification
A third-party audit and summary of all qualifying expenditures actually made to construct and lease up a low-income housing tax credit project. The cost certification demonstrates that the project is eligible to receive the full amount of its Tax Credit Allocation.

Direct Loan Program (Section 502)
A program in which individuals or families (mostly with incomes below 80% AMI) receive a home loan via HUD’s Housing and Community Facilities Programs at below market interest rate.

DVA (or VA) – Department of Veterans Affairs
A federal agency established by the Department of Veteran Affairs Act of 1930. The VA comprises three organizations that administer support programs for veterans: the Veterans Health Administration; the Veterans Benefits Administration; and the National Cemetery System. The Benefits Administration operates the VA’s home loan guaranty program, which enables veterans to purchase their first house with little or no equity.

Due Diligence
A review process in which financing sources require developers to demonstrate soundness of proposed projects with detailed cost and operating projections, site control, utility service commitments, zoning confirmations, geotechnical studies, surveys, entitlements, and many other such documents. This process is usually completed before financing sources provide funds to a project.

ECOA – Equal Credit Opportunity Act
A 1974 act that prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, or because an applicant receives income from a public assistance program.

Enterprise Zone
A geographic area designated by a state or city government to encourage businesses to expand, relocate, purchase new equipment, and/or create and retain jobs within that area. That encouragement typically includes tax relief programs, direct financial assistance, and other incentives. Enterprise zones are generally economically depressed rural or urban areas.

Entitlements
The needed permits, permissions and approvals by any public regulatory entity with the power to approve or disapprove (i.e. stop) a real estate project from proceeding. When all such entitlements are completed, a project is said to be “entitled.”
Entitlement Community
A city or urban county with a population of at least 50,000 which, therefore, may apply for and receive community development block grant (CDBG) funds directly from the federal government. Communities having less than 50,000 people are non-entitlement areas and may receive CDBG funding only through each state’s office of economic development.

Equity Grant
A grant, generally provided by a government agency, that provides equity for acquisition costs of a housing or commercial development project. The grant may come in the form of a direct cash contribution, or as a reduction in sale price of publicly owned or held real property on which the project will be built.

Exactions
A term applied to the physical assets insisted upon by permit-granting authorities, at developers’ cost, as conditions for obtaining entitlements. Usually, these exactions are not embedded in codes or ordinances, and cannot be accurately foreseen by project developers. They are often the kind of assets normally expected to be provided by public authorities using tax funds, such as sidewalks on adjoining public streets, turn lanes added to public roads, or donation of part of a developer’s land for a public park or a public school.

Expiring Use Restrictions
The contractual right of owners of affordable rental housing that have received government subsidy or capital funds to repay their publicly assisted mortgage and convert their property to market-rate housing.

Fair Housing Act
This act is Title VIII of the Civil Rights Act of 1968, which, among other requirements, prohibits lenders from discriminating in making housing loans because of race, color, religion, national origin or sex. The act applies to transactions regarding the sale or rental of housing.

FMR – Fair Market Rents
Maximum rents set by HUD for areas in the nation, usually by county, as a result of HUD’s analysis of operating costs for rental properties in that area. A number of HUD subsidy programs, as well as subsidy and capital programs by others, use HUD’s Fair Market Rents as a guide to subsidy amounts or maximum rents that may be charged.

FHA – Federal Housing Administration
An agency created by the National Housing Act of 1934, which became part of HUD in 1965. Since its inception, FHA’s primary activity has been to insure home mortgage loans originated by approved lenders, but not meeting conventional underwriting criteria.

Federal Housing Finance Board
An independent regulatory agency established in August 1989 by the Federal Home Loan Bank Act, as amended by the Financial Institutions Reform, Recovery and Enforcement Act to monitor and control the activities of Federal Home Loan Banks, including their financial support for affordable housing.

FHLB – Federal Home Loan Bank
A system consisting of eight regional banks from which local lending institutions borrow funds to finance housing, economic development, infrastructure and jobs. Local lending institutions must choose to become a member of one or more regional FHLB banks in order to have access to their funds.

FHLB-AHP – Federal Home Loan Bank Affordable Housing Program
This program of the FHLB provides below-market-rate permanent loans of up to $20,000 per unit for new or rehabilitated affordable housing units serving households with incomes that do not exceed 50% of AMI. Funds are awarded annually by each of the eight regional FHLB’s to proposed projects that are deemed most worthy. The awards are made via a sponsoring local bank, which must be a member of the FHLB.

FHLMC - Federal Home Loan Mortgage Corporation (Freddie Mac)
A congressionally chartered private agency created by the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). Freddie Mac purchases conventional residential mortgage loans from originating financial institutions, maintains purchased loans in its portfolio or packages, and sells them as securities. Freddie Mac also offers programs with flexible underwriting guidelines for lower-income home buyer.
FNMA — Federal National Mortgage Association (Fannie Mae)
A congressionally chartered private agency established in 1937 to purchase and package conventional residential mortgages as securities and sell them to investors. In 1987, Fannie Mae created its Office of Low- and Moderate-Income Housing to provide more flexible underwriting guidelines for low-income home buyer and nonprofit organizations.

Gap Financing
The difference between financing commitments already obtained for a project and the total financing needed so the project has sufficient capital for all its projected costs.

GNMA — Government National Mortgage Association (Ginnie Mae)
A wholly owned government corporation created in 1968 through an amendment of the National Housing Act. Ginnie Mae is administered by HUD. It guarantees FHA and VA mortgage-backed securities and manages a portfolio of federally owned mortgages.

GRP — Gross Rent Potential
The sum of contractual rents from all residents, plus the potential rents for any vacant units. The GRP is the maximum rental income potential, if a project achieves 100% occupancy.

HAP — Housing Assistance Payments
The amount of housing assistance payments on behalf of an eligible family determined in accordance with the schedules and criteria established by HUD. Unless otherwise specified, this applies to both Section 8 and Section 23 programs.

High Barriers to Entry
A phrase applied to a neighborhood or community where a proposed project is likely to face a lengthy, expensive or problematic process for obtaining entitlements.

Historic Tax Credits
A federal tax credit program with credits awarded to deserving projects by the federal government to encourage the redevelopment, revitalization and adaptive reuse of older projects. Qualifying projects must be more than 40 years old, and developers must be willing to preserve the original architectural character of these projects after their redevelopment.

HOME (Home Investment in Affordable Housing Program)
A program created under Title II of the Affordable Housing Act of 1990 and funded by HUD. The HOME Program provides capital funding to states, metropolitan cities, urban counties and government consortia (contiguous units of governments) to produce affordable housing. To be eligible for HOME funds, a jurisdiction must submit a Comprehensive Housing Affordability Strategy (CHAS) for HUD approval.

HMDA — Home Mortgage Disclosure Act
A federal law enacted in 1975 and amended and extended permanently in 1988 that requires financial institutions to annually compile and disclose data about home improvement and mortgage loan applications, approvals and denials. Reported information includes the race, sex and income of the applicant.

Homesteading
A program in which residential properties in blighted areas that are acquired or repossessed by local government due to failure to pay taxes or failure to correct building code violations are resold to families at a nominal price, often one dollar. The purchaser’s obligation is to revitalize these properties and occupy them as their residence for at least several years. Sometimes the government may also provide low-interest rehabilitation loans for improvement capital.

Household Income (also see AMI and Income)
The combined, pre-tax money receipts of all residents older than the age of 18 over a single year. The residents of the household do not have to be related.

HTF — Housing Trust Fund
A fund created by a unit of government or private entity (usually a nonprofit) to provide financing for affordable housing. Funds are usually made available to affordable housing projects in the form of loans at below market interest rates or with all debt service deferred until the end of the loan term, often 20 or 30 years.

HOPE VI - Homeownership and Opportunity for People Everywhere
A federal financing program for PHAs that provides funds to demolish and replace aged and deteriorated public housing projects owned by PHAs. Replacement housing projects using HOPE VI funds often combine HOPE VI capital with capital funds from other sources, such as LIHTC’s or FHLB-AHP. HUD manages the HOPE VI program.
HUD – U.S. Department of Housing and Urban Development
The principal federal agency responsible for programs designed to address the country's housing needs, fair housing opportunities, and improvement and development of public housing projects. HUD was established by Congress in 1965 to provide mortgage insurance for the purchase and improvement of single-family and multifamily dwellings; a secondary market through the issuance and guarantee of mortgage-backed securities for investors in Government National Mortgage Association (Ginnie Mae); direct loans for construction or rehabilitation of housing projects for various targeted groups; housing subsidies for more than a million low- to moderate-income families; grants to cities, towns and states for community development activities; and enforcement of fair and equal housing opportunities.

Inclusionary Zoning
A zoning ordinance that requires a developer to provide some affordable housing units in a proposed project, or provide incentives such as density bonuses or property tax abatement for doing so.

Income (also see AMI – Area Median Income and Household Income)
The sum of all the wages, salaries, profits, interest payments, rents and other forms of earnings received in a given period of time, typically stated per annum.

Moderate-income
A household with an income from 80% to 95% of the local area median income.

Low-income
A four-person household with an income from 50% to 80% of the local area median income.

Very low-income
A four-person household with an income less than 50% of the local area median income.

Extremely low-income
A four-person household with an income less than 30% of the local area median income.

Interest Subsidy
Direct or indirect government assistance that reduces a borrower's interest cost on a loan.

Land Bank
A public or quasi-public agency that acquires and assembles land for affordable housing and economic revitalization projects. Properties for a land bank can be purchased from individual property owners by negotiation or through the power of eminent domain as granted by state urban renewal statutes. A land bank or its affiliates can serve as a developer, or sell or lease the property to other developers as part of a planned development, often for purposes of community betterment such as affordable housing.

Lease Up
The period after completion of a rental project when residents are first occupying the property and the property is still partially empty. Lease up of affordable projects is generally considered completed when the project achieves 93% or greater occupancy.

LOC – Letter of Credit
A standard, commercial letter of credit is a document mostly issued by financial institutions to provide an irrevocable payment undertaking. They may be used in the land development process to ensure that approved public facilities (streets, sidewalks, storm water ponds, etc.) will be built.

LIBOR – London Inter Bank Offer Rate
Daily quotes for interest rates for short-term loans of different terms or longivities. LIBOR rates have become a common index for calculating interest on construction loans for affordable housing and other real estate ventures.

LIHTC – Low Income Housing Tax Credits (also see Section 42 Affordable Housing Tax Credits)
A provision in Section 42 of the Internal Revenue Code that provides for income tax credits for the owners of new or rehabilitated housing projects which serve residents with income no greater than 60% of AMI. Equity investments in affordable rental properties with LIHTC allocations have been the dominant financing source for new and rehabilitated affordable housing for the past two decades. LIHTC projects have typically produced 65,000 to 85,000 units per year nationally and 2,000 to 2,500 units in North Carolina.

Loan Consortium
Collaboration among financial institutions in which capital is committed by the participating institutions to finance affordable housing, community development projects or other ventures.
LURA – Land Use Restriction Agreement
An agreement between a capital provider and project owners restricting operation of an affordable project so the project will serve residents only up to a stipulated AMI for a period of time, usually 30 or 40 years. The agreement is recorded, and has the effect of being a deed restriction on the property assuring its long-term service as affordable housing.

Median Income (also see AMI – Area Median Income and Income) Mixed Income
Mixed income housing contains housing reserved for and affordable to low-income families, as well as market rate housing. A mixed-income development may be created through inclusionary zoning, by using federal tax credits for a portion of a project’s units, or by using other subsidy programs.

Mixed Use
Mixed-use development, in one building or several buildings, that combines two or more revenue-producing uses that are physically and functionally integrated and developed in conformance with a coherent plan. A mixed-use development might include retail space on the ground floor, offices on the middle floors, and condominiums on the top floors.

Modular Housing
Also known as prefabricated, manufactured or factory-built housing, this housing is assembled on-site from several modules built in remote factories. Construction costs are usually lower than comparable site-fabricated or “stick built” homes.

Mortgage Credit Certificate (MCC)
A federal tax credit available to low- or moderate-income home buyers who also meet other government requirements. The credit reduces the personal income tax liability, dollar-for-dollar, by 20% of the mortgage interest paid to a home buyer’s lender.

NCHFA – North Carolina Housing Finance Agency
The organization in North Carolina that acts as an agent for the federal government to allocate the approximately $18 million per year in federal Low Income Housing Tax Credits. Allocations are made to proposed projects that the NCHFA deems most worthy of receiving a portion of these tax credits. The NCHFA also allocates funds from various NC programs and provides long-term monitoring of funded projects for adherence to requirements.

Neighborhood Housing Services of America
A private, nonprofit, tax-exempt corporation that purchases non-bankable loans from local Neighborhood Housing Services’ revolving loan funds.

NeighborWorks America
A congressionally chartered, federally funded, public nonprofit corporation established in 1978 to assist in the revitalization of lower-income neighborhoods and in the provision of affordable housing in these neighborhoods. NeighborWorks America works mainly through local neighborhood Housing Services organizations to provide training, operational grants and technical assistance.

NIMBY – Not in My Backyard
A term used to describe opposition to a proposed new development by residents in its vicinity. These residents consider the proposed project an undesirable prospective neighbor and prefer the project to be located “elsewhere.” New affordable housing projects nearly always generate NIMBY opposition.

NMTC – New Market Tax Credits
Tax credits awarded to encourage private investment in neglected communities.

NOFA – Notice of Funding Availability
The term used by HUD and other federal organizations for the document used to inform the public that public funds are available for a particular purpose, such as affordable housing.

NOI – Net Operating Income
Funds remaining from project operations for a period of time, usually a month or year, after operating expenses have been subtracted from project revenue, but before debt service has been paid.

PEL – Permissible Expense Level
A HUD term for the permissible operating expenses for a project upon which HUD will base its operating subsidy payments to support a public housing project.

Public Housing
A form of affordable housing in which the housing is owned and usually operated by a PHA using recurring PEL or other subsidies provided by HUD plus some modest rent from low income tenants. Such housing serves residents with incomes of 30% AMI or below.
PHA – Public Housing Authority
A public, or quasi public entity, which provides and operates public housing in a particular geographic area, such as a city, for residents at 30% AMI and below. These projects typically receive PEL and/or other subsidies from HUD.

PILOT – Payment in Lieu of Taxes
An annual payment by a business entity, such as the owners of an affordable housing project, to a taxing authority, such as a city or county, usually based on a mathematical function of project revenue, rather than the project’s assessed value. PILOT is enabled by specific ordinance for a specific project or narrowly defined group of projects, and is designed and intended to produce a lower operating expense than if regular property taxes were imposed.

PITI – Principal, Interest, Taxes and Insurance
The four typical components of a homeowner’s monthly mortgage payments.

PMI – Private Mortgage Insurance
Insurance required of borrowers at the borrower’s expense by mortgage lenders, with lenders as beneficiary in the event of foreclosure. The requirement is typically imposed when homeowners borrow more than 80% of the appraised value of their residence. The PMI provides funds to reimburse the mortgage lender for expected expenses to repair and resell a foreclosed property.

Pro-Forma (sometimes “Pro-Forma Cash Flow”)
Projections of future years cash flow from property operations on a year-by-year (or sometimes month-by-month) basis.

PUPY – Per Unit Per Year
The annual cost of property operations expressed as the total operating expenses before debt service, divided by the number of units in the project. In 2009, newer affordable rental properties in the Charlotte area have PUPY operating expenses in the $4,000 to $5,000 range.

QAP – Qualified Allocation Plan
The name of the document that contains the design preferences, financing standards, submission dates and all other relevant application matters for each state’s allocation of low-income housing tax credits for a given year. The term is sometimes applied to comparable standards for other financing programs.

QCT – Qualified Census Tract
In certain high-poverty or difficult-to-develop census tracts, the Internal Revenue Code permits an additional 30% allocation of tax credits to encourage development of affordable housing in these census tracts.

RPP – Rental Production Program
A program of below market rate loans in the State of North Carolina, competitively awarded to the most deserving proposed affordable projects, as judged and administered by the NCHFA.

Replacement Reserves
A sum of money charged against current operations, and placed in a separate reserve account. These funds are to be used in future periods for capital repairs and replacements. Potential users for these funds include repainting building exteriors, re-roofing, resurfacing parking lots and replacing appliances. $250 per unit per year is a commonly required replacement reserve amount for affordable housing projects.

RLF – Revolving Loan Fund
A loan fund where repayments from initial loans are added back to the fund balance to be loaned again. RLFs are typically used for a worthy community purpose, such as affordable housing, and usually for short to intermediate terms of one to several years.

Right of First Refusal
A right to purchase a property granted to and held by a specific party. This right provides the specific party the opportunity to purchase a property before the property is sold to another party. Sometimes the right of purchase is conditioned on the specific party matching a purchase offer made by others.

Section 8
A federal rent subsidy program managed by HUD and administered via local PHAs. The program provides rent supplements and rehabilitation funds to private property owners who lease their properties to low- and very low-income families who otherwise would not be able to afford the properties’ usual rent. These Section 8 subsidies are said to be “project based.” Alternatively, such supplemental subsidies can be via “vouchers,” which are given to an individual and may be used wherever that individual chooses to live.

Section 42 – Affordable Housing Tax Credits
(also see LIHTC)
The section of the Internal Revenue Code which creates and permits LIHTCs.
Soft Debt
Loans to affordable projects at interest rates below commercial rates and/or loans with deferred debt service for extended periods. By reducing operating expenses, soft loans help make feasible affordable projects with below-market rents serving low-income residents.

Subordinated Mortgage
A mortgage that has a junior lien position on pledged collateral in relation to more senior debt.

SRO – Single Room Occupancy
A type of affordable housing unit consisting of a private room and bath and sometimes a modest kitchenette. In the field of affordable housing, this unit type is most often found in projects serving individuals transitioning from homelessness and/or chemical dependency back to full economic and social independence. Effective SRO projects typically include extensive individual and group counseling for residents.

Subsidized Housing
Any housing that receives below-market-rate capital funds and/or continuing operating funds from a source other than from residents. Usually, subsidies include a requirement that such housing serve a low-income clientele in units with rents capped to be affordable to that clientele. Section 8, or PEL operating subsidies are typical forms of direct rental subsidies from HUD.

Sweat Equity
Labor performed by a prospective buyer, on a dwelling by a prospective property owner. The value of such labor is treated as equity when the property is financed. Typical sweat equity might include carpentry, electrical work, or painting.

Tax Abatement
A government entity’s suspension of some or all future property or income taxes to encourage development or redevelopment of a specific property or area, such as in a blighted neighborhood.

Tax Credit Allocation
A dollar amount of federal income tax credits awarded to a proposed affordable housing project. The amount allocated is used by project owners as a credit against federal taxes due from other business activities each year for a 10-year period beginning when the proposed project is completed and placed in service as affordable housing.

Tax Credit Pricing
The amount of investors’ equity in a tax credit project provided in exchange for the investors receiving the right to use a Tax Credit Allocation. The Tax Credit Raise Up is usually expressed as total equity dollars or on a cents-on-the-dollar basis. For example, if a tax credit project with an allocation of $1 million per year for 10 years can obtain equity of 75% of the $10 million total tax credits, the pricing is said to be “seventy-five cents” on-the-dollar or “seven and one half million” dollars.

Transitional Housing
Temporary housing for families or individuals who have not yet found or do not have the financial resources for permanent housing and who require more stability than an emergency shelter. Residents usually stay several months until their circumstances stabilize or improve.

USDA Rural Development Housing Programs
The Single-Family Housing Program provides homeownership opportunities to low- and moderate-income rural Americans through several loan, grant and guarantee programs. The program also makes funding available to individuals to finance vital improvements necessary to make their homes decent, safe and sanitary.

Utility Allowance
So called “rent tables,” as distributed by various state agencies that administer tax credits, are a combination of maximum allowable rents and the amount the resident is expected to pay for utilities, such as electric service, or water and sewer services. The amount that must be deducted from the apparent maximum rents for utility allowances varies by local market. Developers may use HUD generic standards, impartial data for comparable properties obtained from utility companies (if they will provide it), or engineered studies to determine utility allowance amounts. For example, if the rent tables indicate a maximum rent for a hypothetical two-bedroom apartment of $700 per month, and an engineered study indicates a reasonable utility allowance for that unit’s utilities is $95, then the project may charge no more than $605 in rent ($700 from rent tables; $95 utility allowance = $605 net rent) which can be charged by the project.

VA – (Department of Veterans Affairs - See DVA)
Acknowledgements
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About the Urban Land Institute
The Urban Land Institute (ULI), is an international, nonprofit research and educational organization that serves to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is based in Washington, D.C. and is connected throughout the Americas, Europe and Asia by a network of District Councils.

About ULI Charlotte
ULI Charlotte is a District Council of the Urban Land Institute serving the western and piedmont regions of North Carolina by offering ULI services and benefits at a regional level. The mission of ULI Charlotte is to complete the ULI experience at a local level through education, research and the exchange of ideas and experiences.

Urban Land Institute
Charlotte
Phone: (704) 940-7388
http://charlotte.uli.org