Affordable Housing Glossary of Terms

General Housing Language

Accessible Unit: A dwelling unit that has physical features, such as grab bars or an entrance ramp, that help tenants with mobility impairments gain full use and enjoyment of their apartment.

Affordable Housing: Housing where the housing cost and utilities makes up no more than 30% of the gross household income for a low-income household. In terms of homeownership, housing is affordable when the principal, interest, taxes, insurance, and utilities make up no more than 30% of household income. For rental units, housing is affordable when the rent and utilities make up no more than 30% of household income. Affordable housing is generally used to refer to housing for households who make 80% or less of the Area Median Income.

Area Median Income (AMI): A statistic generated by US Dept. of Housing and Urban Development (HUD) for purposes of determining the eligibility of applicants for affordable housing programs. HUD determines AMI on an annual basis for each metro area and non-metro county, making adjustments for household size and other factors.

Community Land Trust: Community Land Trusts help low- and moderate-income families benefit from the equity built through home ownership and at the same time preserve the affordability of these homes so future residents will have the same affordable homeownership opportunities. A Community Land Trust (CLT) creates affordable housing by taking the cost of land out of the purchase price of a home and maintains affordability by controlling the resale price of houses on CLT land through a ground lease and resale formula.

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.

Cost-burdened Households: When 30% or more of a household's income is spent on housing costs, including mortgage or rent, and utilities.

Severely Cost-burdened Households: When 50% or more of a household's income is spent on housing costs, including mortgage or rent, and utilities.

Extremely Low-income Household: A household whose income is less than 30 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families.

Fair Housing Act: The Fair Housing Act, or Title VIII of the Civil Rights Act of 1968, originally prohibited housing discrimination based solely on race, color, religion or national origin. In 1988, Congress expanded the law to include people with disabilities as a protected category within the terms of the Fair Housing Act.

Fair Market Rent: HUD calculates a Fair Market Rent (or FMR) to estimate the rent that would be required to be paid in a particular housing market area in order to obtain privately owned, decent, safe and sanitary rental housing with suitable amenities. Fair Market Rent includes the cost of utilities.

Group Home: A dwelling unit in which more than four unrelated persons may reside who are battered individuals, abused children, pregnant women and their children, runaway children, temporarily or permanently disabled mentally, emotionally or physically, individuals recovering from drug or alcohol abuse, and all other persons who possess a disability which is protected by the provisions of either the Americans with Disabilities Act of 1991, along with family members and support and supervisory personnel. These homes are generally required to be licensed by the state.

Healthy Home: A healthy home is one that is marked not only by the absence of health and safety threats (lead, indoor allergens, radon, carbon monoxide) in the built environment, but also one that nourishes physical, mental, social and environmental wellbeing.

Housing Discrimination: Discrimination based on protected class status, including race, gender, age, ethnicity, national origin, sexual orientation, gender identity, marital status, or veteran status. Specific areas of housing discrimination are rental discrimination, sales discrimination, lending and mortgage discrimination, and discrimination in the approval of homeowner's insurance.

Legally-Binding Affordable Housing: Housing with a legally binding affordability restriction such as a lien, deed of trust, or other legal instrument attached to a property or housing structure that restricts the cost to be affordable to renters and/or owners with incomes below a defined percent of the area median income for a defined period of time. This includes, but is not limited to, state or federally supported public housing and housing owned by organizations dedicated to providing affordable housing.

Living Wage: A living wage, also sometimes referred to as a subsistence wage, is the minimum employment earnings needed, given the costs of food, childcare, health insurance, housing, transportation, and other basic necessities in a defined geographic area, to meet a family's basic needs while also maintaining self-sufficiency.

Low-income Household: A household whose income does not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families.

Market Rate Rental Housing: Privately-owned housing that rents at whatever the owner or property manager deems reasonable, which is usually dictated by the market or local economy, and varies by location and quality of amenities.

Missing Middle Housing: Missing Middle is a range of multi-unit or clustered housing types compatible in scale with single-family homes that help meet the growing demand for walkable urban living. These types provide diverse housing options along a spectrum of affordability, including duplexes, fourplexes, and bungalow courts, to support walkable communities, locally-serving retail, and public transportation options. Missing Middle Housing provides a solution to the mismatch between the available U.S. housing stock and shifting demographics combined with the growing demand for walkability.

Mixed-Income Development: A type of development that includes families at various income levels, including some market-rate housing and some affordable to low- or moderate-income households below market rate. Mixed-income developments are intended to decrease economic and social isolation.

Moderate-income Household: A household whose income is between 80 and 120 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families.

Preservation: A broad range of activities aimed at keeping existing legally-binding affordable housing affordable for a longer period of time.

Public Housing: Public housing is decent and safe rental housing owned by a housing authority and made available to eligible low-income households, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single family houses to high-rise apartments for elderly families. Housing authorities have the discretion to establish eligibility preferences to reflect the needs in its own community. The U.S. Department of Housing and Urban Development (HUD) provides funds directly to local PHAs that manage the housing for low-income residents at rents they can afford.

Subsidized Housing: Subsidized housing is housing that is made available at below-market rates through the use of government subsidies. Unlike other government support programs, such as food stamps or Medicaid, housing subsidies are not an entitlement and are generally in short supply. Most subsidized housing is reserved for income-qualifying low-income households and have rents that do not exceed a specific percentage (usually 30%) of a household's gross annual income. The financial subsidy may come in the form of funds to off-set development or pre-development costs, or assistance to pay for rental or operating subsidies.

Supportive Housing: Permanent housing with services. The type of services depends on the needs of the residents. Services may be short term, sporadic, or ongoing indefinitely. The housing is usually affordable, and may be individual units located in the community, or part of a supportive facility. Club Nova in Carrboro provides supportive housing for people with mental illness. The XDS tiny homes at Penny Lane is another local example.

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. Dove House in Durham, operated by Housing for New Hope, is an example of transitional housing.

Universal Design: Universal design incorporates the characteristics necessary for people with physical limitations into the design of common products and building spaces, so that they are comfortably usable by all people, not just people with disabilities. This method of design also makes products and homes more widely marketable and profitable. Examples of universal design features include lowered light switches, levered door knobs, stair-less building entries, and wider doorways (See: http://www.design.ncsu.edu/cud/).

Unsubsidized Affordable Housing/Naturally Occurring Affordable Housing: Unsubsidized affordable housing, also known as naturally occurring affordable housing, is housing that is not currently publicly subsidized. The rent prices that the housing can demand in the unsubsidized private market given the properties' quality, size, or amenities is low enough such that the tenants of these properties, whose income might otherwise qualify them to be a participant in publicly funded housing programs, can reasonably afford them.

Very Low-income Household: A household whose income is between 30 and 50 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families.

Visitability: Designing new housing units to accommodate mobility impaired individuals or to allow "aging in place." This concept typically includes three key features:

1. At least one zero-step entrance on an accessible route leading from a driveway or public sidewalk,
2. All interior doors providing at least 31 ¾ inches of unobstructed passage space and
3. At least a half bathroom on the main floor

Visitability differs from universal design in that it does not ensure complete residence accessibility. Rather, it ensures that the principal spaces in a building, such as the entrance, entry-level floor and washroom facilities, are accessible to a person in a wheelchair.

Workforce Housing: Housing where the housing cost and utilities makes up no more than 30% of the gross household income for a moderate-income household. In terms of homeownership, housing is affordable when the principal, interest, taxes, insurance, and utilities make up no more than 30% of household income. For rental units, housing is affordable when the rent and utilities make up no more than 30% of household income. Workforce housing is generally used to refer to housing for households who make between 80% and 120% of the Area Median Income.

Policy and Development Language

Accessory Dwelling Unit (ADU): A secondary dwelling unit on the same lot as a principal single-family home. ADUs can be built within a primary residence (such as a small apartment in a basement with a separate entrance) or detached from the primary residence. These dwelling units provide supplementary housing and can be integrated into existing neighborhoods with little or no impact on the character of the neighborhood. Because ADUs are usually small, they are more affordable than full-size rentals and include units both attached or detached from the primary housing unit. Examples include a guest house, pool house, garage apt., in-house apt., granny-flat, etc.

Community Land Trust: An organization is established to own the land on which homes are situated. The trust sells the physical structures to home purchases for an affordable price, along with a long-term lease. When the home is sold, it must be sold at an affordable price to a qualifying homebuyer. Community Home Trust in Orange County includes more than 240 homes available for buyers who earn up to 115% of AMI.

Conservation Subdivision (CSDs): A design strategy that attempts to preserve undivided, buildable tracts of land as communal open space for residents.

Dedicated Tax/Penny for Housing: Often billed as a "penny for housing", a dedicated tax devotes a portion of the property tax rate (often one cent) to a housing fund that can be used by the local government to buy or otherwise preserve affordable housing.

Density Bonus: Zoning tool that permits developers to build more housing units, taller buildings, or more floor space than normally allowed in exchange for provision or preservation of an amenity, like a number or percentage of affordable units included at the same site or another location.

Feasibility Study: An analysis of the ability to complete a project successfully, taking into account legal, economic, technological, scheduling, and other factors. Feasibility studies allow project managers to investigate the possible negative and positive outcomes of a project before investing too much time and money.

Inclusionary Zoning: Inclusionary zoning is a zoning tool that incentivizes or requires real estate developers to set aside a percentage of the units in a residential development to be affordable to households under a certain income level. Inclusionary zoning programs can be voluntary, where developers get an incentive such as a density bonus if they include affordable units in their development; conditional, where the requirements are negotiated individually for each development under a conditional district; or mandatory, where all developments over a certain number of units are required to set aside some portion as affordable housing. Inclusionary zoning is not specifically authorized by the NC General Assembly, and relies on an interpretation of the zoning, subdivision, and police powers that has not been tested in court. For this reason, implementing an inclusionary zoning program involves some legal uncertainty, and many communities in North Carolina are reluctant to take on that risk. Dare County, the Town of Davidson, and the Town of Chapel Hill all have some form of inclusionary zoning program in place.

Land Banking: Assembling, temporarily managing, and disposing of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.

Market Study: A comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project-specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market- specific market studies are used to determine what housing needs, if any, exist within a specific geography.

Minimum Housing Code: Authorized under NC General Statute 160A-441, cities and counties can use a minimum housing code to repair, close, or demolish dwellings that are considered unfit for habitation due to dilapidation, lack of ventilation, light, and sanitary facilities. These codes generally set out minimum standards for housing condition and provide a process of enforcement.

Mixed-Use Development: A type of development that combines various uses, such as office, commercial, institutional, and residential, in a single building or on a site in an integrated development project with significant functional interrelationships and a coherent physical design.

Multifamily Housing: Multifamily housing refers to residential structures of five or more attached units.

Quality Housing: (Also may be referred to as decent housing or standard housing.) Generally refers to housing that meets a defined minimum standard. This standard could be HUD’s Housing Quality Standards that all units must meet to accept Housing Choice Vouchers, which covers 13 performance requirements, including sanitation, food preparation, space and security, electricity, air quality, access, etc. This standard may also be the minimum housing standards set forth in a jurisdiction’s Minimum Housing Code, which also cover elements such as structure, access, space and security, electrical, heating, ventilation, sanitation, etc. The standards in a Minimum Housing Code can be defined by the jurisdiction, and in some cases may go above and beyond HUD’s Housing Quality Standards.

Rental Registration Program: Residential rental registration, inspection, and licensing programs are used by local governments to ensure that residential rental properties are maintained in a safe and decent condition. Local governments are able to require periodic inspections within a geographic area defined by the governing board, but outside of that geographic area inspections are permitted only when there is reasonable cause. Inspection standards are generally taken from building codes and minimum housing codes. Durham, Greensboro, and Raleigh all have rental registration programs.

Single-Family Housing: A dwelling unit, either attached or detached, designed for use by one household and with direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling. In many funding programs, properties with up to four units (including duplexes, triplexes, and quadplexes) are treated as single-family housing.

Transfer of Development Rights (TDR): A voluntary, incentive-based program that allows landowners to sell development rights from their land to a developer or other interested party who then can use these rights to increase the density of development at another designated location.

Financing Language

Community Development Block Grant (CDBG): Created under the Housing and Community Development Act of 1974, this HUD program provides grant funds to local and state governments to develop viable urban communities by providing decent housing with a suitable living environment and expanding economic opportunities to assist low- and moderate-income residents. Larger cities in NC receive CDBG money directly, while the Division of Community Assistance in the NC Department of Commerce distributes funding to smaller cities.

Community Development Corporation (CDC): A nonprofit corporation whose activities and decisions are initiated, managed, and controlled by its constituencies and whose primary mission is to develop and improve low-income communities and neighborhoods through economic and related development.

Community Development Financial Institution (CDFI): A specialized institution that works in market niches that have not been adequately served by traditional financial institutions. Provide a wide range of financial products like mortgage financing, commercial loans, financing for community facilities and services needed by low-income households. Self-Help Credit Union in Durham is an example.

Funding Gaps: A major part of financing affordable housing is covering funding gaps. A funding gap is the difference between the cost a developer pays to produce the housing and the available, secured financial resources to help pay for costs. Three primary types of funding gaps are:

1. Affordability Gap: occurs when the housing cost is higher than a household can afford to pay at the targeted income level.
2. Multifamily Underwriting Gap: occurs when the financing sources secured for an affordable or mixed-income project are less than the total development cost, or TDC.
3. Value Gap: occurs when the cost to construct an affordable unit is greater than the purchase price or rent that the local market will bear.

Gap Financing (also known as a bridge loan or interim financing): A short-term loan that is used until an entity secures permanent financing or removes an existing financial obligation. The loans are short-term (up to one year) with relatively high interest rates and are backed by some form of collateral such as real estate or inventory

Historic Preservation Tax Credit: A tax credit available for the rehabilitation of historic properties, can be used to help finance the renovation of historic buildings for affordable housing. The federal tax credit provides a 20% tax credit for properties that will be used for a business or other income-producing purpose. The North Carolina tax credit for income-producing properties uses a tier system and can provide between 10-20% in state tax credits in addition to the 20% federal tax credit. North Carolina homeowner tax credits provide a state tax credit for 15% of eligible rehabilitation expenses. Both state tax credit programs were effective January 1, 2016, and are set to sunset January 1, 2020.

Holding Costs: Costs incurred by a developer if the property sits idle. Typical examples of holding costs include interest on loans, taxes, and property maintenance and security.

HOME Investment Partnerships Program: This HUD program provides grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to low-income people.

Housing Revenue Bonds: Bonds issued to finance construction or rehabilitation of multifamily housing projects where a specified proportion of the units will be rented to moderate- and low-income families, in some cases specifically targeted toward elderly residents. These securities may provide financing either directly or through a loans-to-lenders program, and may be secured by federal agency guarantees or subsidies.

Housing Trust Fund: Generally distinct accounts that receive dedicated sources of public funds to support affordable housing.

HUD Section 202 Program: HUD's Section 202 program provides nonprofit organizations funds for the construction, rehabilitation or acquisition of supportive housing for very-low-income elderly persons, and provides rent subsidies for the projects to keep them affordable.

HUD Section 8/Housing Choice Voucher: 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. A project-based voucher stays with the unit when a tenant moves. A tenant-based voucher allows a tenant to use it in any market-rate rentals that accept vouchers, and the voucher remains with the tenant when they move. A household with a voucher usually has to pay only 30% of their income for rent and utilities, and the voucher covers the remaining costs up to fair market rent value. The average waiting list nationally is 2 years.

HUD-VASH Voucher Program: Funded by the U.S. Department of Housing and Urban Development and the U. S. Department of Veterans Affairs Supportive Housing voucher program, this program provides housing assistance for homeless veterans while also partnering them with a local VA medical center.

Key Program: The Key Program is a partnership between NC Dept. of Health and Human Services and the NC Housing Finance Agency that provides funding to increase the number of tax credit units able to serve extremely low income persons with disabilities by providing landlords with an additional operating subsidy. DHHS refers tenants to the available units, and NCHFA processes the rental assistance.

Low-Income Housing Tax Credits (LIHTC): The LIHTC program was created in the Tax Reform Act of 1986, and it includes both competitively allocated "9 percent" tax credits and non-competitive "4 percent" tax credits. Developer-owners of LIHTC properties can claim credits against their federal income tax liability, for up to ten years after the property is completed and leased up, provided that the property remains in compliance with LIHTC requirements. Typically, a LIHTC property is owned by a limited partnership or limited liability company in which the real estate developer is the general partner or managing member and in which corporate investors hold the remaining ownership interests. The North Carolina Housing Finance Agency issues tax credits.

1. 9% tax credit: subsidizes 70% of the eligible development costs for new construction and substantial rehabilitation of housing projects not otherwise subsidized by the federal government. Competitive, meaning each community only gets a select number of 9% projects per year.

2. 4% tax credit: subsidizes 30% of the acquisition of existing buildings and to federally subsidized new construction or rehabilitation. Used when 50% or more of the project's eligible costs are financed with tax-exempt private activity bonds. Non-competitive, meaning there is no limit to how many projects in a community can use 4% tax credits.

Market Rate Rent: The rent that an apartment commands in the primary market area considering its location, features and amenities. Market rent should be adjusted for concessions and owner-paid utilities.

Mortgage Interest Deduction: A common itemized income tax deduction that allows homeowners to deduct the interest they pay on any loan used to build, purchase, or make improvements upon their residence. This is the one of the largest federal housing subsidies in the United States.

National Housing Trust Fund: The National Housing Trust Fund is a dedicated fund intended to provide revenue to build, preserve, and rehabilitate housing for people with the lowest incomes. Funding was first available in 2016 and it comes to NC communities through the NC Housing Finance Agency. Funding can be used for projects located in a high income county (as designated by NCHFA) and commit at least 25% of its units to be affordable to households with incomes at or below 30% of area median income.

New Market Tax Credits: The NMTC program incentivizes community development and economic growth with tax credits that attract private investment to distressed communities. They can be used for mixed-used projects that include residential rental if at least 20% of the gross income is generated by a commercial component.

Opportunity Zones Program: A program signed into legislation in December 2017 through the Tax Cuts and Jobs Act (H.R.1) that provides tax incentives for qualified investors to re-invest unrealized capital gains into low-income communities through a qualified Opportunity Fund.

Payment-In-Lieu (PIL): When a developer chooses not to build affordable housing units recommended by a local policy, they pay a PIL to the municipality as an alternative. That money often goes into an affordable housing fund.

Pro forma: A pro forma is an analysis that projects the financial return of a proposed real estate development. It includes assumptions such as project revenues and costs, cash flow, and estimated return. Developers use pro formas to determine whether or not to go forward with a project. For affordable housing developments, a pro forma can be used to identify funding gaps, and the impacts of different policy or financial incentives on revenues, operating expenses, cash flow, and return.

Project-Based Rent Assistance: Rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income-eligible tenant of the property or an assisted unit. The assistance stays with the property when the tenant moves.

Rental Assistance Demonstration (RAD): Allows proven financing tools to be applied to at-risk public and assisted housing and has two components:

1. Allows Public Housing and Moderate Rehabilitation properties to convert to long-term Section 8 rental assistance contracts, and
2. Allows Rent Supplement, Rental Assistance Payment (RAP), and Mod Rehab properties to convert tenant-based vouchers issued upon contract expiration or termination to project-based assistance

Tax-Exempt Private Activity Bonds: Tax-exempt bonds issued by or on behalf of local or state government for the purpose of providing special financing benefits for qualified projects. The financing is most often for projects of a private user, and the government generally does not pledge its credit. This type of a bond results in reduced financing costs because of the exception of federal tax.

Tax Increment Financing (TIF): Used by municipalities to capture future increases in property tax revenue and make these dollars available as a development incentive, subsidy, or investment.

USDA Rural Development Section 515: Under the Section 515 program, USDA Rural Development makes direct loans to developers to finance affordable multifamily rental housing for very low income, low income, and moderate income families, for elderly people, and for persons with disabilities. Section 515 loans have an interest rate of 1%, amortized over 50 years, to finance modest rental or cooperatively-owned housing.

About

This glossary was developed by Triangle J Council of Governments to help our communities understand some of the language used in discussions about affordable housing. If there are any terms that you'd like to see added to this glossary, please contact us:

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