

GLOSSARY OF AFFORDABLE HOUSING TERMS

Accessory Dwelling Unit (ADU) – A self-contained residential unit located on the same lot as, but separate from, the primary unit, with a separate entrance, kitchen, and bathroom. Also sometimes called a secondary unit, granny unit, in-law unit, or backyard cottage.

Affordability Restrictions – The requirements imposed by a public agency that housing units remain affordable to extremely low-, very low-, low-, or moderate-income households for a specified number of years.

Affordable Housing – According to federal law, housing in which a household spends no more than 30% of its gross monthly income for: (a) rent and utilities; or (b) mortgage-loan principal and interest, property taxes, insurance, utilities, and homeowner association dues (if any).

Affordable Housing Program (AHP) – Loans for affordable rental housing development made by the Federal Home Loan Bank, with repayment not needed if affordability maintained for a prescribed period.

Amortizing Loan – A loan that repaid by regular principal-plus-interest payments sized so that the loan is fully repaid by the end its term. In real estate transactions, the term of the loan is typically 30 years.

Area Median Income (AMI) – The median income of each county or adjacent counties based on all wage earners in the area, published separately by HUD and HCD to determine household eligibility for various federal, State, and State-governed housing programs, and updated annually. The basic AMI is the income level for a four-person household, around which is constructed a table of higher and lower incomes and smaller and larger household sizes. Other income levels are expressed in percentages of the median income (for instance, Extremely Low-Income is $\leq 30\%$ of AMI) adjusted for household size.

Below Market Rate (BMR) – A title commonly attached to local programs that make housing available to lower- and moderate-income households at costs below prevailing market rates. The term can include affordable units produced under an inclusionary housing scheme or produced with subsidy loans.

California Debt Limit Allocation Committee (CDLAC) – Staffed by the State Treasurer’s Office, this committee makes allocations of authority to issue tax-exempt, private activity bonds from the limited, annual state-wide pool for such bonds authorized by federal law. Examples of such private activities include privately owned affordable housing developments and hospitals.

California Tax Credit Allocation Committee (CTCAC or TCAC) – Staffed by the State Treasurer’s Office, this committee makes allocations of the authorization to use the limited, statewide pool of federal and state Low-Income Housing Tax Credits authorized by federal and State law.

Conditional Loan – A loan that is forgivable if certain conditions are met (e.g., compliance with an affordability restriction for the full length of its term).

Community Development Block Grant (CDBG) – Under Title I of the U.S. Housing and Community Development Act of 1974, eight former categorical grant and loan programs were replaced by a system of unified block grants under which communities over 50,000 people are entitled to receive funding while other communities may apply for discretionary funding. Administered by HUD, the purpose of the CDBG program is to encourage more broadly conceived community development projects and expand housing opportunities for low- and moderate-income persons.

Community Land Trust – A nonprofit corporation that develops and stewards affordable housing, community gardens, civic buildings, commercial spaces, or other community assets on behalf of a community. “CLTs” balance the needs of individuals to access land and maintain security of tenure with a community’s need to maintain affordability, economic diversity, and local access to essential services.

Construction Costs – Broadly, all costs incurred in bringing a building to completion (primarily labor and materials costs), not including land acquisition, financing, sales costs or other soft costs.

Chronically Homeless – Defined by HUD as someone who has experienced homelessness for a year or longer, or who has experienced at least four episodes of homelessness in the last three years, **and** also has a condition that prevents them from maintaining work or housing. This definition applies to individuals as well as heads of household who meet the definition.

Deed Restriction – A limitation placed in a deed limiting or restricting the use of the real property.

Deferred Loan – A loan wherein payment of part or all of the loan is deferred until a later time as specified in the loan.

Disabled Household – Households in which at least one of the residents is an adult with a disability. A person is considered to have a disability if they have a physical, mental, or emotional impairment that (1) is expected to be of indefinite duration; (2) substantially impedes their ability to live independently; and (3) is of such nature that the ability could be improved by more suitable housing conditions (federal definition).

Equity – The interest or value which an owner has in real estate over and above the current indebtedness; usually referred to as the owner’s interest. Proceeds from tax credits invested in an affordable housing project are a form of equity.

Equity Sharing – The generic term for various forms of home financing in which a homeowner shares their property appreciation with another party. The term technically only applies when the other party has an ownership interest in the property.

Extremely Low-Income – Households earning 30% or less of AMI, by household size.

Grant – An outright gift of cash with no conditions or stipulations.

HOME – The HOME Investment Partnerships Act, which is Title II of the National Affordable Housing Act. Grants of these funds are made to local jurisdictions either directly from HUD or indirectly through states and/or county governments.

Homeless – Individuals and families who are: (1) living in a supervised publicly or privately-operated shelter designated to provide temporary living arrangements; or (2) with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground.

Household – All persons, whether related or unrelated, living in a housing unit.

Impact Fees – Fees imposed on new development that are used to pay for the infrastructure or affordable housing needs generated by that development.

Inclusionary Zoning – A requirement that a certain percentage of units in new housing developments be made affordable to lower- and/or moderate-income households.

In-Lieu Fee – A monetary payment made instead of meeting a regulatory requirement. Commonly used to refer to a fee paid by a developer who does not provide an otherwise required affordable housing unit under an inclusionary housing program.

Junior ADU – An Accessory Dwelling Unit that is typically attached to the primary residence and does not include complete facilities (e.g., less than a complete kitchen).

Loan-to-Value Ratio (LTV) – The relationship between the amount of the mortgage loan and the appraised value of the security, expressed as a percentage of the appraised value.

Low-Income (LI) – Households earning between 50% and 80% of AMI, by household size.

Low-Income Housing Tax Credits (LIHTC or Tax Credits) – A reduction in an entity’s federal and/or state tax obligation granted in exchange for investing equity in lower-income housing developments (the federal government and some states also provide tax credits for investments in projects involving the preservation of historic properties).

Low- and Moderate-Income Housing Fund (LMIHF) – 20% of redevelopment tax increment funds that by state law were to be allocated to increasing, improving, and preserving the supply of affordable housing for lower- and moderate-income households. No longer valid since the demise of redevelopment agencies.

Low- and Moderate-Income Housing Asset Fund – Repayments from development loans that were made out of the LIMHF, to be used for increasing, improving, and preserving the supply of affordable housing for lower-income households.

Missing Middle – This term has two meanings: (1) housing that is naturally more affordable because of its density, yet blends in well with traditional single-family neighborhoods, including duplexes, fourplexes, courtyard apartments, live-work spaces, townhomes, ADUs, and “mansion homes” where single-family homes are re-envisioned to include multiple units; and (2) those whose incomes are too high to qualify for subsidized rental housing that is restricted to households earning very low- and low-income wages, but whose incomes are too low to afford market-rate housing without exceeding 30% of their incomes.

Moderate-Income (Mod) – Households earning between 80% and 120% of AMI, by household size.

Naturally Occurring Affordable Housing (NOAH)– Rental housing that is not subject to an affordability restriction but is nonetheless relatively affordable because of age, location, size, or type of construction. A recent example of a NOAH alternative is ADUs, which, due to their smaller size are more naturally affordable. Other examples include older, garden-style apartments and smaller properties – such as four- or six-plexes or even older single-family homes for rent.

Notice of Funding Available (NOFA) – An announcement by a public agency that a specified amount of funding is available for certain kinds of projects to be loaned or granted to affordable housing developers. The process for awarding funding can be first-come, first- served or a competitive one based on points achieved in various rating categories.

Overcrowded – A housing unit containing more people than is permitted by various laws. For example, the census defines an overcrowded household as one in which there is more than one person per room.

Permanent Supportive Housing – Housing that combines non-time-limited affordable housing assistance with wrap-around health care and other supportive services for people who have experienced homelessness or are otherwise unstably housed, as well as other people with disabilities.

Private-Activity Bonds – Tax-exempt debt issued by a public agency to finance a non-governmental facility, such as affordable housing or hospitals. Such bonds are essentially amortizing loans, typically paid off in 30 years, and in the case of affordable housing, repayment is made out of a project’s rent and other revenue. Federal law limits, on a state-by-state basis, how much private-activity bonding authority can be awarded every year. The Debt Limit Allocation Committee determines which projects will be awarded bonding authority in California.

Regional Housing Need Allocation (RHNA) – The State-mandated process to identify the total number of housing units (by affordability level) that each jurisdiction must accommodate in its Housing Element.

Rehabilitation – The process of returning a property to a state of utility, through repair or alteration.

Replacement Housing – Housing that a public agency must cause to be produced to replace housing destroyed by public action.

Residual Receipts Loan – A loan that is not amortizing, for which repayment is made in increments from an affordable housing project’s rent and other revenue that exceeds the amount necessary to make amortizing debt payments and meet operating costs. Because such a loan is not amortizing, it will likely not be fully repaid during the term of the loan. Affordable housing financing issued by public agencies is typically in this form.

Section 8 – Federal rent subsidies for lower income households administered by a local housing authority, which take one of two forms. A portable voucher is one awarded to a household that it can take with it if it moves from one property to another. Project-based Section 8 is assigned to a particular housing unit that benefits whoever occupies that unit for the length of their tenure. The amount of subsidy is the difference between 30% of the tenant’s income and an annually adjusted “fair market rent” adjusted for unit size.

Senior Household – One- or two-person households containing a person of at least a certain age (typically 62 years old).

Single-Room Occupancy – A form of housing that is typically aimed at residents with low or minimal incomes. In some cases, an SRO “units” nothing but a bedrooms that share kitchen and bath facilities with others in the building. In other cases, an SRO unit is complete with its own bath and cooking facilities, so that its occupant can living independently.

Soft Money – Any form of affordable housing development financing that is not an **amortizing loan** or **private-activity bond**, such as a **grant**, a **conditional loan**, or a **residual receipts loan**.

Tax Credits – A feature of federal tax law (and some State tax laws, including California’s) that gives tax breaks for investment in developments that meet some public policy objective. Examples include: Energy, for solar and wind power projects; Historic, for the preservation of historic buildings; New

Market, for investment in low-income communities; and **Low-Income Housing**, for the development of units affordable to lower-income households. The proceeds from tax credits are in the form of equity, not loans. The tax credit investor becomes a limited partner in the deal owning 99+% of the project during the “compliance period” (which varies between the various programs), at the end of which, 100% ownership reverts to the managing general partner. Federal law limits, on a state-by-state basis, how many tax credits can be awarded every year. The **Tax Credit Allocation Commission** determines which projects will be award credits in California.

TCAC – See California Tax Credit Allocation Committee.

Transit-Oriented Development (TOD) – High-density residential and non-residential development located near rail transit stations and stops along bus lines with short headways that encourages the use of transit for commuting rather than private automobiles.

U.S. Department of Housing and Urban Development (HUD) – Established by the Housing and Urban Development Act of 1965 to supersede the Housing and Home Finance Agency. Responsible for the implementation and administration of government housing and urban development programs including community planning and development, housing production and mortgage credit (FHA), equal opportunity in housing, research, and technology.

Very Low-Income (VLI) – Households earning between 30% and 50% of AMI, by household size. In some contexts, also includes ELI.