

AFFORDABLE HOUSING TOOLKIT: KEY TERMS



TERM	DEFINITION
Accrued Interest	The interest that has been incurred on a loan or other financial obligation but has not yet been paid out.
Bridge Loan	A primary loan that “bridges” the financing for a project to another future permanent type of financing. Helps to acquire property quickly, provides temporary financing awaiting more favorable lending terms, or temporarily funds the acquisition portion of a project while gap financing pays for rehabilitation.
Building Setbacks	The distance measured from the property line to any structure, which is unobstructed by structures from the ground upward, but which may include surface driveway areas or other similar surface improvements.
Bulk Limits	Limits upon the bulk (overall dimensions) of buildings and structures.
Capital Subsidies	Any funds provided from a source (generally a unit of local, State, or Federal government) that reduce the amount of financing a borrower needs to obtain from a conventional lender.
Charette	A type of participatory planning process that assembles an interdisciplinary team—typically consisting of planners, citizens, city officials, architects, landscape architects, transportation engineers, parks and recreation officials, and other stakeholders—to create a design and implementation plan for a specific project. It differs from a traditional community consultation process in that it is design-based and, while traditional planning exercises can take a long time to be finalized, charrettes are usually compressed into a short period of time.
Community Development Financial Institution	Community Development Financial Institutions (CDFIs) are private sector financial institutions that focus primarily on personal lending and business development efforts in poorer local communities requiring revitalization.

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Contingency Costs	An amount included in a budget to account for unforeseen costs or situations not otherwise included in the estimate of project costs. It is typically limited to a certain percentage of the overall budget.
Conventional Financing	Any mortgage loan that is not insured or guaranteed by the government.
Deed Restriction	A limitation on how a property can be used that is tied to the deed, which is a legal document that defines who owns a particular property.
Density	The ratio of a particular type of land use per given area of land. Density measures the intensity of a given land use and is subject to zoning regulations.
Energy Performance Contracts	An innovative financing technique that uses the cost-savings from reduced energy consumption to repay the cost of installing energy conservation measures.
Equitable Development	A comprehensive process of planning and investments that tackles deeply entrenched community issues of poverty, economic barriers, environmental quality, and health.
Exclusionary Zoning	The use of zoning ordinances to exclude certain types of land uses from a given community, especially used to regulate racial and economic diversity.
Floor Area Ratio	The relationship between the total amount of usable floor area that a building has, or has been permitted to have, and the total area of the lot on which the building stands.
Foreclosure	The action of taking possession of a mortgaged property when the mortgagor fails to keep up with their mortgage payments.
Gap Financing	An interim loan given to finance the difference between the borrower's primary loan and available cash on hand.
Gentrification	The process of neighborhood change that includes economic change in a historically disinvested neighborhood by means of real estate investment and new higher income residents moving in, as well as demographic change, not only in terms of income level but also in terms of changes in the education level or racial make-up of residents.

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Hard Costs	Costs that are directly related to the construction project—land acquisition, materials and/or labor for construction, landscaping, utilities, or infrastructure.
Impact Fees	Payments required by the local governments of new development for the purpose of providing new or expanded public capital facilities required to serve that development.
In-Lieu Fees	When a developer is required to build units on-site but is allowed to pay a fee as an alternative, the fee is called an “in-lieu fee.” Note that in-lieu fees are sometimes confused with linkage or impact fees; however, they are different. When a program is structured to require fees instead of requiring on-site units, the fee is called an “impact fee” or a “linkage fee.”
Investor Equity	Financing provided by owner/investors or the amount of ownership that an investor has in a particular property.
Investors	Individuals or legal entities who seek to convert surplus cash flow into real estate investments that generate income and returns.
Land Entitlement	The legal process by which a developer or landowner gains all necessary approvals for a real estate development plan. This can include both land use approvals and financial incentive approvals.
Land Use Controls	Government ordinances, codes, and permit requirements that restrict the private use of land and natural resources to conform to public policies.
Linkage Fees	Such fees link the production of market rate real estate to the production of affordable housing. Residential linkage fees can either be a set price for each new home or can be calculated based on the square footage of the new home. Commercial linkage fees (sometimes called “jobs/housing linkage fees”) are charged to the developers of new office or retail properties and used to fund the development of affordable workforce housing.
Mixed-Use Development	Provides more than one use or purpose within a shared building or development area.
New Market Tax Credits	Tax credits against Federal income taxes that individual and corporate investors receive in exchange for making investments in Community Development Entities, which are specialized community development financing entities.

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Operating Subsidies	Payments to owners of affordable housing developments that make the housing more affordable by covering a portion of the ongoing costs of operating the development (aka operating expenses), such as maintenance, taxes, or interest on debt.
Performance-Based Contracts	A group or range of financial and non-financial consequences related to the ability of a contractor to meet measurable and achievable performance requirements.
Pre-Development	The phase of a capital project between the origination of the concept and the initiation of design. It is the period of gathering information, exploring options, and making decisions about the direction of a project.
Project-Based Rental Assistance	Subsidies tied to a specific property or unit where the landlord contracts with the State or public housing agency to rent the unit to families or individuals at specific low incomes.
Property Assessed Clean Energy (PACE) Programs	Property Assessed Clean Energy (PACE) financing is a way to borrow money for clean energy projects. Property owners repay the borrowed funds along with their property taxes and the assessment remains with the property—not with the original borrower—if it has not been paid off by the time a property is sold.
Property Disposition	The transfer, gift, or sale of property from one individual to another.
Quasi-Governmental Organization	A government organization that is assigned some or many of the attributes normally associated with the private sector.
Racial Covenants	Clauses that were inserted into property deeds to prevent people who were not White from buying or occupying land.
Redlining	The discriminatory practice of denying services (typically financial) to residents of certain areas based on their race or ethnicity.
Risk-Sharing	The profits and losses for each member of a group of investors are shared and allocated within the group based on a predetermined formula.

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Soft Costs	Costs that are not associated directly with construction. Can include architectural design, feasibility or assessment studies, legal costs, permits, fees, surveys, appraisals, project management costs, taxes, marketing or communication expenses, certification costs, closing costs, maintenance fees, or security during construction.
Special Assessment	A charge imposed on real property to help pay for a local improvement that benefits the property.
Subdivision	The act of dividing land into pieces that are easier to sell or otherwise develop, usually via a plat.
Supportive Services	Services that are designed to provide comprehensive, personalized supports and resources so that individuals and families are able to address the complex issues and challenges that often accompany social or financial vulnerability and may interfere with obtaining long-term housing stability.
Surplus Property	Any publicly owned property with utility or monetary value, including capital assets, sensitive items, commodities, equipment, materials, supplies, buildings, and other property, which is obsolete, unused, not needed for a public purpose, or ineffective for current use.
Syndication	Process that involves multiple banks and financial institutions who pool their capital together to finance a single loan for one borrower. Also can refer to the process of securing tax credits from a pool of investors or selling tax credits to a pool of investors to generate capital for a project.
Tap Fees	The charges assessed to install a new water or sewer connection to a municipal or privately owned source.
Tax Exempt Bonds	The interest component of bond debt service payments is exempt from Federal and sometimes State and local income taxes for the bond holder.
Tax Liens	A legal claim against the assets of a person or business who fails to pay taxes owed.
Tenant-Based Rental Assistance	Subsidies paid directly to renters that they can use to rent any private property that meets program guidelines, typically in the form of a voucher.

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Traditional Financing	The process of obtaining loans from a “brick and mortar” banking institution.
Transit Hub	A rail, light rail, or commuter rail station; ferry terminal; or bus transfer station served by or connecting multiple modes of transportation.
Underutilized	Land or property that is not fully used and has more potential than is currently being realized.
Underwriting Principles	Guidelines used by a lender to verify income, assets, debt, and property details in order to approve a loan.
Urban Blight	The deterioration of part of a town or city due to aging, neglect, and lack of financial support for maintenance.
Utility Rebates	Cash refunds or rebates for the purchase and installation of energy-efficient equipment or participation in energy reduction programs.

