

HOUSING GLOSSARY

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BOARD AND COMMISSION ACRONYMS

AHTF – Affordable Housing Trust Fund

ConCom – Conservation Commission

CPC – Community Preservation Committee

FinCom – Finance Committee

ZBA – Zoning Board of Appeal (some communities may use Board of Zoning Appeals or BZA)

AFFORDABLE HOUSING TERMS

Accessory Dwelling Unit (ADU)

A secondary dwelling unit created within an existing dwelling, as an extension of an existing dwelling or as a standalone structure that contains separate bath and kitchen facilities.

ACS

US Census Bureau's American Community Survey

Adaptive Reuse

The conversion of nonresidential properties such as mills, schools, hospitals, military bases, motels, warehouses, and office buildings into residential or mixed-use developments.

Affirmative Fair Housing Marketing Plan (AFHMP)

A plan for the marketing of units eligible for the state's Subsidized Housing Inventory (SHI), including provisions for a lottery or other resident selection process, consistent with guidelines adopted by the state, and providing effective outreach to protected groups underrepresented in the municipality.

Area Median Income (AMI)

Midpoint of all household incomes in a designated area. AMI is updated annually by the US Department of Housing and Urban Development (HUD), adjusted for family size, and used as the basis of eligibility for most housing assistance programs.

www.huduser.org

Chapter 30B

Chapter 30B of the Massachusetts General Laws, the Uniform Procurement Act, establishes uniform procedures for local governments to use when buying or disposing of supplies, services or real property.

Chapter 40B

The state's Comprehensive Permit law, enacted in 1969, established an affordable housing goal that 10% of housing units be affordable for households earning up to 80% of the area median income in every community. In communities below the 10% goal, developers can seek an expedited local review under the comprehensive permit process and request a limited waiver of local zoning and other restrictions if 20-25% of the proposed units are restricted as affordable. Developers can appeal to the state if their application is denied or approved with conditions that render it uneconomic. The state can overturn the local decision if it finds it unreasonable.

(Chapter 774 of the Acts of 1969; M.G.L.c.40B§20-23).

<https://www.mass.gov/chapter-40b-planning-and-information>

Chapter 40R

The Smart Growth Zoning Overlay District Act, Chapter 149 of the Acts of 2004, codified as M.G.L. chapter 40R (the Act), encourages communities to create dense residential or mixed-use smart growth zoning districts, including a high percentage of affordable housing units, to be located near transit stations, in areas of concentrated development such as existing city and town centers, and in other highly suitable locations.

<https://www.mass.gov/info-details/chapter-40r>

Citizens' Housing & Planning Association (CHAPA)

Established in 1967, CHAPA is a statewide non-profit umbrella organization for affordable housing and community development activities. CHAPA's mission is to encourage the production and preservation of housing affordable to low-income families and individuals and to foster diverse and sustainable communities through planning and community development.

www.CHAPA.org

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) program is a federal program that provides communities with resources to address a wide range of community development needs. The Department of Housing and Urban Development (HUD) provides funding either directly to larger municipalities designated as entitlement communities or through the Massachusetts Executive Office of Housing and Livable Communities' CDBG program. <https://www.mass.gov/info-details/community-development-block-grant-cdbg>

Community Economic Development Assistance Corporation (CEDAC)

A quasi-public agency created by the Legislature in 1978 to provide development assistance to nonprofit developers to increase the supply of affordable housing and help revitalize chronically distressed areas. By statute, it can only provide services to nonprofit corporations. CEDAC maintains a database on their website of over 1,400 properties statewide with expiring use restrictions. www.cedac.org

Community Preservation Act (CPA)

The Community Preservation Act (MGL Chapter 44B) allows communities to establish a Community Preservation Fund to preserve open space, historic resources and community housing, by imposing a surcharge of up to 3% on local property taxes. The state provides matching funds from its own Community Preservation Trust Fund, generated from an increase in certain Registry of Deed's fees. The Community Preservation Coalition (CPC) works with communities to pass CPA and support the implementation of CPA locally.

www.communitypreservation.org

Conservation Easement

A voluntary legal agreement between a landowner and a land trust or government agency that places restrictions on a property to protect the conservation values of the property's natural resources and wildlife habitat.

Cost Burdened

Households who pay more than 30 percent of their gross income for housing.

DataTown

An interactive web site compiles community-level information from various available data sources for all 351 Massachusetts cities and towns and visualizes that data in graphics and charts so it is easy to understand, print out and bring to a community discussion.

<https://www.mhp.net/datatown>

Debt

Money owed. With debt financing, the mortgage is generally secured by the property and reimbursed according to a payment schedule determined by the amount of net income generated by the property and the interest rate set at the time the loan is made.

Hard debt: requires regular payments, with interest

Soft debt: repayment dependent on cash flow, with some soft debt forgiven overtime

Deferred loan (also called deferred-payment second mortgage or soft debt)

Debt, often from a public or charitable source, repayment of which may be postponed for a specified period of time, indefinitely, or forgiven entirely, if the property maintains certain levels of affordability for a defined time period.

Department of Housing and Urban Development (HUD)

The U.S. Department of Housing and Urban Development's mission is to create strong, sustainable communities and quality affordable homes. HUD administers hundreds of programs targeting communities from urban to rural. www.hud.gov

Disability

The American Community Survey defines disability as including difficulties with hearing, vision, cognition, ambulation, self-care, and independent living.

Entitlement Community

A city or urban county with a population of at least 50,000 people, making it eligible for Community Development Block Grant (CDBG) funds directly from HUD.

Equity

Cash investment in a project. Under equity financing, the investor obtains an ownership interest in the property and can participate in the property's cash flow, as well as in its appreciation at the time of sale. Equity investors take the risk that they will get a return on their equity contributions, and will look for ways to mitigate that risk, including through ensuring adequate asset management systems are in place for the project.

Exclusionary Zoning

The practice of using zoning ordinances to exclude certain types of land uses from a given community. When this practice excludes apartments and other forms of multi-family housing, this can create a disparate impact on protected classes of people.

Executive Office of Housing and Livable Communities (EOHLC)

The Executive Office of Housing and Livable Communities (EOHLC) was established in 2023 to create more homes and lower housing costs for Massachusetts residents. EOHLC also distributes funding to municipalities, oversees the state-aided public housing portfolio, and operates the state's Emergency Family Shelter (EA) program. (EOHLC was previously DHCD.)

<https://www.mass.gov/orgs/executive-office-of-housing-and-livable-communities>

Expiring Use Restrictions

Refers to expiration of affordable housing restrictions on properties that were built with publicly assisted loans. *Also see CEDAC.*

Extremely Low Income (ELI)

Refers to a household earning less than 30% of the area median income.

Federal Fair Housing Act/MA Fair Housing Act

Federal law, first enacted in 1968 and expanded by amendments in 1974 and 1988, that provides the Secretary of HUD with investigative and enforcement responsibilities for fair housing practices. The law prohibits discrimination in housing and lending based on race, color, religion, sex, national origin, disability, and familial status (i.e., children). There is also a Massachusetts Fair Housing Act, which extends the prohibition against discrimination to sexual orientation, marital status, genetic information, veteran or active military status, gender identity/expression, age and source of income (i.e., Section 8 voucher).

Fair Market Rents (FMRs)

FMRs are established by HUD and used to determine rental voucher amounts for government assistance housing programs such as Housing Choice Voucher Program (Section 8).

Family

According to the United State Census Bureau, a family is a group of two people or more (one of whom is the head of household) related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered members of one family.

Federal Home Loan Bank of Boston (FHLBB)

One of the 12 district banks, the FHLBB covers the 6 New England states and is owned by more than 460 New England financial institutions. A wholesale bank (a bank for banks), it provides access to credit for its members and administers several grant and loan programs to promote community development and expand affordable housing.

Federal Home Loan Mortgage Corporation (FHLMC) or Freddie Mac

A congressionally chartered agency established in 1970 (and privatized in 1989) to buy qualifying residential mortgages from originating lenders. The loans are either kept in portfolio or packaged and sold as securities. Freddie Mac also offers programs with more flexible underwriting guidelines for lower income homebuyers. With Fannie Mae, the corporation's activity has helped to create an enormous secondary mortgage market.

Federal National Mortgage Association (FNMA) or Fannie Mae

Created in 1938 to purchase FHA, and later VA and conventional mortgages, Fannie Mae is now privately owned and managed, federally chartered corporation, the largest source of home mortgage funds in the United States. It buys qualifying residential mortgages from originating lenders and either keeps them in portfolio or packages and sells them as securities. Fannie Mae also offers programs with more flexible underwriting guidelines for lower income homebuyers.

Grant

A grant is like equity, but the grantor does not have an "interest" in the property or expect a financial return. However, the grantor does expect that the purpose for which the award was allocated is met (e.g., the project serves a certain population, helps achieve identified outcomes, or other purpose). Sometimes soft secondary financing is structured into a project as a grant.

HOME Investment Partnership Program (HOME)

A federal program run by HUD which provides annual grants on an entitlement basis to states, large cities and consortia of smaller communities for affordable housing activities, including homeownership, rent subsidies, housing development and rehabilitation. Like CDBG funds, some communities are part of a consortium and others receive HOME funds directly from HUD. EOHLG administers HOME funds at the state level.

Housing Appeals Committee (HAC)

A quasi-judicial body within EOHLG which hears appeals by developers on comprehensive permit (Chapter 40B) decisions by local Zoning Boards of Appeals.

Housing Choice Initiative

In 2017 the Baker-Polito Administration developed the Housing Choice Initiative to offer a combination of incentives, legislation, technical assistance and new capital grant funding to facilitate community-led housing production across the Commonwealth. A key component of the

Initiative was legislation (*An Act to Promote Housing Choices*) that enabled cities and towns to adopt certain zoning best practices related to housing development by a simple majority vote, rather than the current two-thirds supermajority.

Housing Production Plan

An affordable housing plan adopted by a municipality, and approved by EOHL, that identifies local housing needs, establishes goals and strategies to address local needs and defines annual increases in its number of SHI-eligible Housing Units as described in the 40B Guidelines for the municipality to qualify for “safe harbor”.

Housing Stabilization Fund (HSF)

The Housing Stabilization Fund (HSF) is a program available through EOHL to support comprehensive neighborhood redevelopment efforts and help developers and municipalities acquire, preserve and rehabilitate affordable housing. The state legislature placed special emphasis on reusing foreclosed and distressed properties and on creating affordable homeownership opportunities.

Housing Toolbox

An on-line resource developed by MHP including strategies and best practices for the creation and preservation of affordable housing. The website includes guides, tools and resources for local boards & committees, planners, municipal staff, developers, and volunteers.

<https://www.housingtoolbox.org/>

Housing Unit

A housing unit is a house, apartment, group of rooms, or single room occupied or intended for occupancy as separate living quarters.

Inclusionary Zoning

A local zoning ordinance that either requires or encourages a developer to include affordable housing as part of a development or contribute to a fund for such housing. The bylaw may provide incentives such as increased density, reduced parking requirements, or expedited permitting in exchange for affordable housing.

Infill Development

The process of developing vacant or undeveloped parcels in dense areas, especially urban and inner suburban neighborhoods. Promotes compact development.

Limited Equity Homeownership

Ownership housing where resale values are deed restricted to maintain the long-term affordability of the units. Units are resold based on a resale multiplier index established at the original sale. The resale multiplier equals the original sales price divided by the then-current Metropolitan Statistical Area (MSA) Median Income. The multiplier is carried forward in the deed restriction to ensure the unit remains affordable.

Local and Regional Housing Authorities (LHAs)

A housing authority set up by a city or town, or group of towns, in accordance with state law, M.G.L. Ch. 149 to provide low-income family or elderly housing.

Local Action Units (LAUs)

Local Action Units (LAUs) are affordable housing units created because of an intentional action taken by a community, such as the adoption of Inclusionary Zoning or the use of municipal funds or property, without a comprehensive permit, and which meet the requirements for inclusion on the Subsidized Housing Inventory (SHI).

Low Income Housing Tax Credit (LIHTC)

The LIHTC program, which is based on Section 42 of the Internal Revenue Code, was enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are allocated to states and then awarded to developers of qualified projects. Developers then sell these credits to investors to raise **equity** for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. EOHLIC oversees the competitive allocation of tax credits in Massachusetts.

Local Initiative Program (LIP)

A state program under which communities may use local resources and EOHLIC technical assistance to develop affordable housing that is eligible for inclusion on the State Housing Inventory (SHI).

LIP is not a financing program, but the EOHLIC technical assistance qualifies as a subsidy and enables locally supported developments, that do not require other financial subsidies, to qualify for inclusion on the Subsidized Housing Inventory. The LIP Program administers both LIP 40B developments (sometimes referred to as “Friendly 40Bs) and Local Action Units (LAUs).

Median Age

The age which divides the population into two numerically equal groups; that is, half the people are younger than this age and half are older.

Median Income

Median income is the amount which divides the income distribution into two equal groups, half having income above the median, half having income below the median.

Mortgage

First Mortgage This is usually a commercial loan requiring monthly payments of principal and interest during the operating life of the development. The amount of the mortgage is limited by the value of the property and the net operating income of the project (income minus operating expenses).

Second Mortgage, Third Mortgage, etc. Affordable housing developments often include grant, low-interest or no-interest loan financing, from local and state public funds, as well as private funds. Repayment requirements vary ranging from payment of principal and interest, through whole or partial interest payments, to deferral of principal and interest payments for a number of years or no repayment as long as the property serves the population the money was committed to support.

Municipal Affordable Housing Trust Fund (MAHTF)

A locally created municipal fund, enabled by M.G.L. Chapter 44, Section 55c, to provide for the creation and preservation of affordable housing for the benefit of low- and moderate-income households.

Poverty

Following the Office of Management and Budget's (OMB) Statistical Policy Directive 14, the Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than that family's threshold, then that family and every individual in it is considered poor. The poverty thresholds do not vary geographically, but they are updated annually for inflation using the Consumer Price Index (CPI-U). The official poverty definition uses money income before taxes and excludes capital gains and noncash benefits (such as public housing, Medicaid, and food stamps).

<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>

Regional Planning Agency (RPA)

RPAs are public organizations established by the state legislature that encompass a multi-jurisdictional regional area serving local governments and citizens in the region by dealing with issues and needs that cross city, town, county and even state boundaries through communication, planning, policymaking, coordination, advocacy and technical assistance. There are thirteen RPAs in Massachusetts. <http://www.massmarpa.org/>

Section 8 (formally known as Housing Choice Voucher Program)

Section 8 of the Housing Act of 1937 (42 U.S.C. § 1437f) is the federal government's major program for assisting very low-income families, elders, and people with disabilities to afford housing in the private market. The voucher provides rental assistance to households with low income, including elders and people with disabilities. Voucher holders are free to choose any housing that meets the requirements of the program and are not limited to units located in subsidized housing projects. HCVs are administered locally by Public Housing Authorities (PHAs).

Shared Equity Homeownership

Ownership housing where the equity (sales price minus existing mortgage or sales price minus maximum affordable sales price) is split between the seller and a government agency or the lender.

Subsidized Housing Inventory (SHI)

The list compiled by EOHLIC containing the count of low- and moderate-income housing units by city or town.

Subsidizing Agency

Any agency of state or federal government that provides for, or acts on behalf of a provider for, a Subsidy for the construction or substantial rehabilitation of low- or moderate-income housing. Massachusetts Subsidizing Agencies include EOHLIC, MassHousing, MassDevelopment, and MHP.

Total Development Costs (TDC)

The total cost of development including land or property acquisition, soft costs (e.g., permitting, legal), site work, materials, and labor.

Use Restriction

A deed restriction, regulatory agreement or other legally binding instrument which runs with the land and is recorded with the registry of deeds or land court registry district, and which effectively restricts the occupancy of all low- or moderate-income housing unit to Income Eligible Households during the term of affordability.

Zoning

Ordinances and by-laws adopted by cities and towns to regulate the use of land, buildings and structures to the full extent of the independent constitutional powers of cities and towns.

USES OF FUNDS IN A DEVELOPMENT PRO FORMA

Acquisition

Costs associated with purchasing a development site, including land and building(s).

Architect/Engineer, Environmental Study, Appraisal, Survey & Soil Tests, Title & Recording, Sponsor & Local Legal Costs, Lender's Legal, Audit, Cost Certification, Market Study

These reflect the costs of contracts with various professionals essential to the completion of the development.

Construction Costs

The direct cost of building construction, including foundation work. State agencies expect to see contractor profit and overhead broken out separately as well as the contractor's general conditions, which include the contractor's costs for such items as setting up an on-site office, winter conditions, and police details.

Construction Loan Costs, Permanent Loan Costs, Bridge Loan Fees

Fees, beyond interest, charged by lenders for various loans on the project.

Consultant Fee

Developers may engage various types of consultants to assist them in the project.

Contingency

Contingency accounts for uncertainty at various stages of development and construction. It is generally figured as a percentage – often 5 to 10 percent – of the construction (hard) costs and other costs associated with development (soft costs).

Developer Fee and Overhead

Maximum developer fees are established by EOHLG.

Real Estate Taxes, Insurance, Construction Loan Interest, Bridge and/or Acquisition Loan Interest

These are the primary costs of holding land during the development and construction processes. The longer the development process the higher the cost.

Reserves: Lease-Up, Operating and Capital

Accounts established by sources of financing to cover possible shortfalls during the operation of the project. A lease-up reserve is intended to cover operating losses during the earliest phase of operations while initially renting up the project, while operating and capital reserves are meant to cover longer-term contingencies and capital needs of a development.

Site Work

On-site development costs such as grading, running utility lines, storm water management, water, sewer/septic, and entry roads. Costs associated with making the site ready for building construction.

EXPLANATION OF OPERATING BUDGETS

A project's operating budget consists of four main components: operating income, operating expenses, debt service and reserve payments. Net operating income and net cash flow are two key indicators of a project's financial health.

Net Operating Income (NOI)

Operating income less operating expenses and replacement reserves contributions

Net Cash Flow (NCF)

Net operating income less debt service payments

OPERATING INCOME

Gross Potential Rent

This is the income potential of the project, before deducting vacancy loss.

Other Income

This includes additional income such as coin laundry service.

Vacancy

This is the percentage of rents that the project will not receive, because of either vacancy or nonpayment by tenants of occupied units.

OPERATING EXPENSES

Administration

This item generally includes the cost of management staff and the direct expenses of property manager on the project.

Asset Management

This fee may be paid either to the general partner or to a party designated by the limited-partner investors to pay for the extra costs of record-keeping and reporting to investors on the performance of an LIHTC project.

Audit & Tax Return

Tax credit partnerships must file an annual tax return. Investors require an annual audit, as well.

Insurance

The cost of property and liability insurance. Lenders and investors will usually require minimum coverage amounts.

Legal

Includes legal costs during operations to cover evictions or other management issues.

Maintenance/Repairs/Decorating

This line item includes the costs of all repairs including 'turning over' a unit when vacated. It does not include the replacement of major capital items (such as roofs and furnaces) which are funded from the replacement reserve.

Management Fee

Usually property managers are paid a percentage of collected rents, in addition to allowable pass-through expenses. (Because LIHTC rents are often lower than market rents, this percentage may be higher for these types of projects). In some cases, owners and managers have negotiated per-unit fees rather than a percentage of rents. In either case, the payment should be based on actual payments (collected rents on occupied and paying units).

Operating Expenses

Shows the actual anticipated expense for that year that the project will be in operation. Expenses are increased each year thereafter according to the expense inflation assumption often dictated by the lender.

Real Estate Taxes

Taxes vary widely between localities. Often municipalities will offer a PILOT program 'Payment In Lieu of Taxes' for affordable housing which is a fixed annual amount.

Snow Removal/Landscaping

These may be third-party contracts or the cost of staff and equipment and materials.

Trash Removal

Usually a third-party contract.

Utilities – Common Area

This includes the cost of lighting and heating unleased areas, such as hallways and parking lots. In cases where the owner of the project is paying utilities, they will be included in a separate line item.

Water/Sewer

In many projects the owner pays for water and sewer service. These costs can be substantial, especially if the project includes water-using amenities, such as in-unit washers or hookups and dishwashers.

DEBT SERVICE

Debt Service Coverage Ratio

This shows the ratio of net operating income to the required debt service on the first mortgage loan. Lenders set minimum debt service coverage ratios they expect to see in projections once the project has reached full occupancy, generally in the second calendar year of operations.

Replacement Reserves

Lenders and investors will require that the project make minimum contributions to a reserve for replacement of major capital items. This amount is based on the number of dwelling units.

Loan to Value

The ratio of the loan amount to the value of the completed property per an appraisal. Lenders will only loan up to a certain percentage of the property value