Enterprise Faith-Based Development Initiative℠

Defining Development from Acquisition to Zoning

A Glossary for Faith-Based Developers in New York City

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Introduction

As faith-based organizations, you are called to be beacons of hope and forces for positive change in your communities. Developing affordable housing on your land is a powerful way to answer that call by providing safe, quality homes and supporting long-term housing stability in your neighborhood.

It's no secret that development can be daunting and complex. Navigating development will require picking up a new vocabulary, but don't be intimidated by the jargon, technical terms and unfamiliar acronyms. Supplementing the Enterprise Faith-Based Development Initiative℠ curriculum, this glossary of development terms will equip you with the language you need to pursue your vision of creating affordable housing and uplifting communities, and to become "comfortably conversant" with stakeholders in the development and finance sectors.

About this Glossary

The terms and definitions contained in this glossary were informed by and adapted from a variety of publicly available sources, including but not limited to glossaries and reference materials from NYC Planning's Zoning Glossary, the Colorado Housing Affordability Guide, NYU Furman Center's CoreData.nyc Data Dictionary, and other sources as cited.

About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $72 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging. Join us at enterprisecommunity.org

Glossary

4% LIHTC (Low-Income Housing Tax Credit): An As-of-Right tax credit program used in conjunction with tax-exempt bond financing. Put another way, if an affordable housing developer successfully secures tax exempt bond financing from the local housing finance agency for a particular project, 4% LIHTC may be paired with the bond financing on an "as-of-right" basis.

9% LIHTC (Low-Income Housing Tax Credit): Unlike the 4% LIHTC, the 9% LIHTC is a competitive source of low-income housing tax credits, awarded by the City & State housing agencies.

Acquisition: The process of gaining ownership (or site control) of a real property or of an interest in real property.

Adaptive Reuse: Repurposing buildings for new uses and modern functions other than those originally intended, to address present-day needs.

Affordability: Generally, rent is considered affordable if a resident pays no more than 30% of their monthly gross income for rent and utilities.

Amortization: Amortization is the process of paying off debt through a schedule of fixed principal & interest payments. Intangible assets are amortized (expensed) over a specific duration to tie the cost to the revenue it generates for accounting purposes.

Anchor Institutions: Anchor institutions are schools, institutions of higher education, hospitals, faith-based organizations, and community-based organizations that have deep roots in the community and are longstanding contributors to the community's stability and strength. Often these institutions are the largest employers, purchasers, and landowners in the community, and as a result, are the largest contributors to the community's economy and well-being.

Appraisal: A process through which the value of a property is determined by a licensed appraiser.

> **Appraisals - "As-is" Valuation:** "As-is" appraisals reflect the estimated market value of a property based on current physical conditions and As-of-Right zoning.
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> **Appraisals - Cost Approach:** The cost approach estimates what it would cost to build the existing property today.
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> **Appraisals - Sales Comparison Approach:** The sales approach reviews similarly situated and recently sold comparable properties to estimate the value.
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> **Appraisals - Income Approach:** The income approach calculates a more technical value based on the net income of the property over time and a market rate of return to a potential investor.

Area Median Income (AMI): Area median income (AMI) is defined as the midpoint of a specific area's income distribution. It is calculated annually by the U.S. Department of Housing and Urban Development (HUD). This metric is important because many of HUD's housing programs and renter eligibility determinations are based on AMI.

As-of-Right: As-of-Right may be used in two distinct contexts, 1) involving 4% Low Income Housing Tax Credits (see definition) which are awarded on a non-competitive basis, or 2) relating to zoning compliance for new developments. With respect to zoning, most new construction of housing development in New York City takes place "as-of-right," meaning that it complies with existing zoning regulations and does not need a zoning change or additional approval from any regulatory authority for development to occur.

Asset Management: A strategy to optimize and preserve an organization's housing portfolio. Asset management achieves this through monitoring and analyzing property performance, conducting site visits, and communicating with developers, general partners, and property managers.

Asset Management Fee: A fee charged by a financing party's investment manager, such as a Low-Income Housing Tax Credit (LIHTC) investment manager. The fee is intended to compensate asset managers for their time in reviewing reports and monitoring compliance.

Audit: An independent examination of an entity's financial statements to ensure compliance with applicable laws and regulations.

Below-market: A price or a rate that is below the current market price or rate.

Beneficial Owner: A beneficial owner is a person or entity who receives the economic benefits of ownership, even though legal/bare title to the property is held under another owner.

Bid Package: A set of documents that contain the scope of work, specifications, drawings, and general conditions for a project or job. Prospective contractors should be able to review the bid package to develop their cost estimates and schedules for the work.

Business Terms Agreement: The document that outlines key business terms between parties.

Capital Subsidy: (Related to *subsidy*) A subsidy that funds the capital requirements of a project. Capital subsidy usually takes the form of low-interest subordinate loans with favorable payment terms.

Cash Fee: (Related to *developer fee*) The portion of developer fee that is paid in cash upon achieving certain milestones, such as the loan conversion to permanent financing.

Cash Flow: The income produced by a property after deducting operating expenses and debt service.

Certificate of Occupancy (CofO): A legal document issued by a local building department which states that the residential property meets applicable building code requirements and is ready for occupancy.

Change Order: A change in a project's scope of work, which may add to the time/cost to complete a project’s development.

Climate Resilience: Includes the capability to anticipate, prepare for, respond to, and recover from significant multi-hazard natural disasters and climate threats without major disruption to social well-being, economy, and environment.

Closing: The occasion where the sale of real estate and/or the making of a loan is finalized, legal documents are signed, and initial funds are disbursed. Usually marks the official start of the development project.

Co-Housing (aka Congregate Housing): In this type of housing, residents share common spaces and kitchen facilities. Each resident has a private bedroom. Typically, the residents benefit from additional supportive services.

Community Development Financial Institution (CDFI): A designation of community lenders that have met the standards to qualify to apply for funds from the federal CDFI Fund, housed at the Treasury Department.

Community Facility: Facilities in mixed-use and/or standalone developments used for community purposes such as social services and programs, not-for-profit office space, non-market rate commercial business, and recreation.

Community Land Trust (CLT): A form of community ownership where an entity (usually a community-controlled nonprofit) holds land in trust for community benefit, while others own and operate buildings of various sorts on that land.

Community Preference: For New York City transactions, City agencies may require the property to set aside a specific number of the affordable housing units for income-eligible residents of the community district where the property is built.

Compliance Period: The 15 years that a project must meet Low-Income Housing Tax Credit requirements. Projects in New York and many other jurisdictions across the country typically must also retain affordability for at least 15 additional years through an extended use restriction. The regulatory period typically refers to the period of time the project is required to remain affordable, as stipulated in the City or State subsidy regulatory agreement.

Condo fees: Fees paid by every property owner in a condominium to cover their share of ongoing operating costs or required maintenance building improvements.

Condominium: Individual ownership of a unit in a multiunit structure or on land owned in common.

Construction Completion Guarantee: A guarantee under a contract to complete the scope of work defined in the construction contract. This guarantee may be required by lenders and investors to ensure the scope of work is completed.

Conversion: A change of a building's use to another use, or the time at which construction at a project is completed and the project converts to Permanent financing.

Cost Contingencies: A reserve in the budget for estimated unforeseen hard and soft costs during construction.

Debt Service Coverage Ratio (DSCR or DCR): A metric that looks at a property's income compared to its debt obligations. Properties with a DSCR of more than 1.0x are considered profitable, while those with a DSCR of less than 1.0x are losing money. DSCR is an essential part of the decision-making process when a commercial or multifamily lender decides whether to issue a loan. In general, if a property has an abnormally low DSCR, they will have difficulty paying back their loan on time. This is why the majority of lenders typically require borrowers to have DSCRs of at least 1.15-1.25x.

Debt Service Payment: (aka "Debt Service") The amount that will need to be paid to a lender as part of the loan repayment schedule. Depending on the type of loan, this would include some combination of principal and interest and is typically due and payable on a monthly basis.[1]

Default: When a borrower fails to make a payment on a loan in accordance with loan terms. [1]

Deferred Fee: (Related to *developer fee*) The portion of the developer fee that is paid over a 12- to 15-year period from the property's cash flow.

Demolition: Destruction and removal of facilities or systems from the construction site.

Density: Bulk and height of a developable property, resulting in the maximum number of residential units permitted.

Design Concept: A design concept is the broad, preliminary design idea of your affordable housing project. It should be completed by an architect in conjunction with the project team.

Developer Fee: Compensation to the project developer for the time and resources spent developing the project. This is the main economic incentive for developers to develop affordable housing.

Development: Development is an umbrella term that describes the process of improving property either through rehabilitation or new construction.

Development Financing: Also referred to as the capital stack, development financing describes the anticipated debt and equity sources that will be used to fund the rehabilitation or new construction of the property. Financing may include private sources and public subsidies.

Downward Adjuster: A penalty imposed by the Low-Income Housing Tax Credit syndicator when a project has significant delays, resulting in delayed tax credit delivery to the investor. The developer often addresses this by reducing its developer fee.

Due Diligence: A thorough review of a property before purchasing, investing in, or financing it. Due diligence involves reviewing property reports, documents, inspecting the property, and evaluating risks, to make an informed decision. Funding sources will have different due diligence standards that projects must comply with to receive funding.

Early Predevelopment: Initial visioning for the development, completion of site feasibility analyses, and selection of internal team and primary consultants, culminating in the selection of developer.

Easement: A right to use someone else's land for a specific purpose.

Economies of Scale: The cost advantage that arises due to scale of operation with the cost/unit of output generally decreasing with increasing scale as fixed costs are spread out over more units of output.

Environmental Review: A review of environmental conditions that may impact the property. Depending on the scope of the development and the funding sources, different city, state, or federal requirements may apply.

Environmental Site Assessment: An assessment that typically includes a site visit and review of historic records. Depending on the outcome of the site visit and review, specific testing for contaminants may be required.

Equity: An investment in a property for which you receive a share of ownership in an entity rather than a lien on the property.

Excavation: Site preparation work required prior to pouring a foundation and constructing a new building.

Fair Housing: The Fair Housing Act is a federal law that forbids discrimination in most housing-related activities, including buying, selling, renting, or financing, based on race, color, sex, national origin, religion, disability, and familial status.[2]

Fee Simple: Fee simple ownership is the highest level of ownership, and grants the owner the unconditional power to sell, convey, or encumber the real estate.

Financial Feasibility: Describes whether or not a project is financially viable. A financial feasibility report includes projected sources and uses and operating cash flow for the proposed development.

Financial Projections: Shows the expected revenues, expenses, and cash flows of a business over a period of time.

Fiscal Year: A one-year period of time that a company or government uses for accounting purposes and preparation of its financial statements.

Floor Area Ratio (FAR): 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. The maximum development right of a property is calculated by multiplying the total lot area with the specific FAR for the zoning district in which the property is located. Each type of zoning district in New York City, for example, has a maximum allowable FAR, and the higher the number, the bigger a building can be built.

Foreclosure: The legal process by which a lender attempts to recover the amount owed on a defaulted loan by taking ownership of the mortgaged property and selling it. Typically, default is triggered when a borrower misses a specific number of monthly payments, but it can also happen when the borrower fails to meet other terms in the loan documents. [3]

Funding Gap: When the sources available are less than what is needed to build a project, a funding gap exists. The gap is the difference between the available sources and the cost to build.

General Partner: (Related to *LIHTC partnership*) An entity controlled by a developer or developers which customarily owns a 0.01 percent interest in the limited partnership which owns the real estate. The General Partner oversees the day-to-day operations of the project. Note, for projects owned by limited liability companies, the analogous term with be "Managing Member."

Green Building: Building that, in its design, construction, or operation, reduces or eliminates negative impacts, and can create positive impacts on our climate and natural environment. Green buildings preserve precious natural resources and improve our quality of life.

Grey Shell: Commercial or community space that is unfinished - with unfinished floors and bare stud walls and typically lacking an air conditioning unit.

Gross Income: Gross income refers to the total earnings before paying for taxes and other deductions.

Ground Lease: A long-term lease of land. The tenant of the ground lease constructs and owns a building on the property for a specific period of time (generally up to 99 years).

Guarantees: A guaranty is a legally binding assurance to repay a financial obligation or to perform a specific task or scope of work.

Hard Costs: Costs related to the building of your project, the construction costs.

Hard Debt: Debt for which there is a requirement for repayment and other credit terms. Hard debt has a required monthly payment that must be made whether cash is available or not. It is often secured through a first mortgage (first lien) position.

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Housing Cost Burden: Households paying more than 30% of their income for housing costs are considered "housing cost-burdened." Those paying more than 50% of their income for housing costs are considered "severely or extremely cost-burdened."[1]

Housing Development Fund Corporation (HDFC): A New York corporation organized under New York State's Private Housing Finance Law as well as either the Not-for-Profit Corporation law, or in the case of limited equity coops, the Business Corporation Law, for the development of low-income housing projects. An HDFC project may be a cooperative apartment building or a not-for-profit rental housing project. New York State law allows the use of HDFC's to access sales tax, mortgage recording tax and real property tax exemptions for eligible affordable housing developments.

Housing First: A homelessness assistance approach that prioritizes providing permanent housing to people experiencing homelessness, to provide a platform from which they can pursue personal goals and improve their quality of life. This approach is guided by the belief that people need basic necessities like food and a place to live before attending to other needs, such as getting a job, budgeting properly, or managing substance use issues.[4]

HUD Section 202: Federal program that provides capital assistance and operating assistance to finance low-income (50% of AMI) senior housing. It is only available for housing owned by nonprofit organizations or by limited partnerships in which the sole general partner is a nonprofit organization. Because of HUD-provided project based rental assistance, tenants pay 30% of their income on rent.

Incentive Management Fee: A Low-Income Housing Tax Credit (LIHTC) incentive management fee is a fee paid to a general partner in a LIHTC transaction if certain requirements are met.

Income Bands:

> **Extremely Low-Income (ELI):** Families and individuals with household incomes that fall below 30 percent of the Area Median Income (AMI).
>
> **Very Low-Income:** Families that fall between 31 percent and 50 percent of the Area Median Income (AMI).
>
> **Low-Income:** Families and individuals with household incomes that fall between 51percent and 80 percent of the Area Median Income (AMI).

Moderate-Income: Families and individuals with household incomes that fall between 81 percent and 120 percent of the Area Median Income (AMI).

In-House Services: Services provided by a nonprofit social services organization.

Integrative Design: The practice of integrative design requires gathering information, prioritizing residents' experiences, setting objectives for building performance and resident health and comfort, and securing buy-in from all stakeholders. These strategies establish collective priorities from the beginning and ensure they are clearly communicated throughout the design and construction of the development.

Interest Rates: The amount a lender charges to a borrower, typically expressed as an annual percentage of the loan outstanding.

Joint and Several Guarantee: A type of guarantee for a loan in which each guarantor, which can be an individual or a corporation, is both jointly liable and individually liable to the lender for the repayment in full of a borrower's indebtedness. [5]

Joint Venture: In a joint venture, multiple parties agree to work together and combine resources and knowledge to develop a real estate project. Most large projects are financed and developed as a result of real estate joint ventures.

Leasehold: A form of land tenure or property tenure where one party buys the right to occupy land or a building for a given length of time. On trust land, the lender takes a leasehold mortgage, where the collateral for the loan is the house and the interest in the land, rather than the land itself beneath the house.

Lease-to-Own: A binding agreement in which you commit to renting a property for a specific period of time, with the option of buying it before the lease runs out.

Lease-Up: The time period for a newly available property to attract tenants and reach stabilized occupancy. This task usually falls to the property manager.

Leasing: The process of renting out available units.

Letter of Credit: A document from a bank guaranteeing to a lender that a buyer will make on-time payments and for the correct amount. If the buyer is unable to make these payments, the bank is liable for the remaining balance. Lenders may also require letters of credit as additional security for a construction contractor's performance.

Letter of Intent (LOI): Also referred to as a soft commitment, an LOI is non-binding document declaring the preliminary commitment of one party to do business with another. The letter outlines the key terms of a prospective deal.[6]

Leverage: In the housing context, leverage often refers to increasing the potential return of an investment through the use of borrowed or contributed capital, usually from private sources.

LIHTC Partnership: In a Low-Income Housing Tax Credit (LIHTC) transaction, an ownership structure that includes a managing owner, known as the "general partner," or “managing member” and investor owner(s), known as the "limited partner(s)" or “investor member(s).”

LIHTC Investor: In a Low-Income Housing Tax Credit (LIHTC) transaction, the LIHTC investor provides equity to help build the building in exchange for 10 years of tax credits as well as deductions from depreciation.

Limited Partner: (Related to *LIHTC partnership*) Typically an investor(s) who owns up to 99.99 percent of the interests in the limited partnership. The limited partnership is a vehicle for investors to receive a return on their investment, often in the form of tax credits. The Limited Partner has no role in the day-to-day property operations. If the project is owned by a limited liability company, the analogous term is “investor member.”

Liquidity: Liquidity relates to available cash. An asset has liquidity if it can be sold quickly and converted to its cash value.

Loan to Value Ratio (LTV or LTVR): A loan-to-value or LTV ratio is a metric that compares the size of a loan to the value of the asset. Higher LTVs are generally riskier for lenders, and, for certain loans, can result in higher interest rates.

Low-Income Housing Tax Credit (LIHTC): An income tax credit used to generate private equity investments into affordable rental housing. LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing. Investors, in exchange for this equity, are able to claim tax credits on their federal income tax returns over a 10-year period.

Managing Member: *(Related to LIHTC partnership)* An entity controlled by a developer or developers which customarily owns a 0.01 percent interest in the limited liability company which owns the real estate. The Managing Member oversees the day-to-day operations of the project. Note, for projects owned by limited partnerships, the analogous term would be “General Partner”.

Master Lease: A master lease is an agreement where a landlord leases a property to a single tenant, and then the tenant subleases the same property to sub-tenants.

Memorandum of Understanding (MOU): A memorandum of understanding is an agreement between two or more parties outlined in a formal document, which outlines the parties’ intent for moving forward.

Mixed-Use Buildings: Mixed-use development is an example of flexible zoning which allows various types of land uses – including office, commercial, residential, and in some cases, light industrial or manufacturing – to be combined within a single development or district. A major purpose of mixed-use zoning is to allow a balanced mix of office, commercial, and residential uses in close proximity to increase convenience for residents and reduce the number of shopping and/or commuting trips needed.

Mixed-use developments can range in size from single buildings with apartments located over retail uses, to large-scale projects that include office and commercial space along with hotels, convention centers, theaters, and housing.

Mortgage, Deed of Trust or Security Deed: A type of loan security used to finance the acquisition or development of real estate. A mortgage secures a promissory note, in which the borrower agrees to pay the lender over time, typically in a series of regular payments that are divided into principal and interest. Under the mortgage, the property serves as collateral to secure the promissory note.

Mortgagor and Mortgagee: In a mortgage, the mortgagor is the borrower of the loan, and the mortgagee is the lender.

Multifamily Housing: A structure with five or more dwelling units.

Naturally Occurring Affordable Housing (NOAH): A term used to indicate housing that is relatively affordable and not receiving direct subsidies or subject to income restrictions.

Net Assets: The difference between total assets and total liabilities. It is calculated by adding up assets and subtracting it from what you owe (liabilities).

Net Income: The amount of total earnings that remains after taxes are deducted is called net income. When looking at a pay stub, net income is what's shown after taxes and deductions. Net income is always lower than gross income unless the person is exempt from paying taxes and has no deductions.

Net Operating Income (NOI): NOI is calculated by taking a property's gross income and subtracting operating expenses.

Net Worth: Net worth refers to an individual's or corporation's total assets minus their total liabilities.

Nominee: A nominee holds the bare legal title to a property in order to allocate the benefits of ownership, such as tax-exemptions, to the Beneficial Owner. For example, having an HDFC as a nominee owner would allow the LIHTC development to benefit from tax exemptions (see also *HDFC*).

Notice to Proceed: A formal notification to a contractor to commence work based on a negotiated contract.

Operating Budget: An operating budget consists of all revenues and expenses over a period of time. An operating budget is typically an annual budget and could be forward-looking or backward-looking.

Operating Deficit: Operating deficits occur when the required operating expenses exceed operating revenues.

Operating Reserves: Cash that is held in reserves to cover operating expenses for a given period in the event that costs cannot be covered through regular property income sources. Lenders and other funders will often require a reserve equal to six to twelve months' worth of operating income.[1]

Operating Subsidy: (Related to *subsidy*) A subsidy that provides ongoing expense funding above what the tenants can afford to pay in rent.

Passive House: Passive House is a high-performance building standard. Buildings certified to Passive House standards reliably provide reduction in energy use compared to existing buildings.

Passive House design is typically achieved through 1) designing the building envelope to limit heat transfer between inside and outside of buildings, 2) establishing moisture control and eliminating external air infiltration, and 3) featuring high performance glazing and recovery of energy from outgoing air.

Payment Guarantees: (Related to *guarantees*) Guarantees that the borrower will repay the loan based on the terms in the original debt agreement.

Permanent financing: Long-term financing for a development, typically closed after construction has been completed.[1]

Permits: Building permits are required prior to the start of construction are obtained from the local building authority.

Predevelopment: Involves activities prior to construction, including project design, feasibility analyses, assembling the development team, securing public approvals and permitting, and securing the necessary funding for the construction and operations.

Preference: Preferences are used to add points to each applicant's score as they apply for Low-Income Housing Tax Credits and help States prioritize projects that meet critical housing needs.

Preservation: Preservation is extending the useful life of an existing structure, and involves making necessary repairs, integrating energy efficiency, improving operations, and ensuring the long-term viability and affordability of housing. Preserving affordable housing includes making appropriate rehabilitation or upgrades to an existing building.

Principal: The amount invested or borrowed in financial transactions. The principal amount serves as the foundation for calculating interest.

Private Activity Bonds (aka Housing Bonds): Bonds issued by state or local governments to fund private activities that have a public benefit, like affordable and supportive housing development. Though federally allocated, states issue their own "volume cap" or the amount of private activity bonds that will be exempt from federal and state taxes. They also decide how to allocate their bond cap to each qualifying use.

Private Sector: The segment of a national economy that is owned, controlled, and managed by private individuals or enterprises.

Project Manager: A project manager coordinates all aspects of a development – from the early predevelopment phase through the construction phase.

Project-Based Rental Assistance (PBRA): A type of HUD housing assistance that features a contract between HUD and private landlords. Typically, residents pay 30% of their income as rent and the private landlords receive additional subsidy. If residents move, the vouchers stay with the property.

Project-Based Vouchers (PBV): A type of HUD housing assistance that features a contract between a Contract Administrator (not HUD) and a private landlord. Typically, residents pay 30% of their income as rent and the private landlords receive additional subsidy. If residents move, the vouchers stay with the property.

Property Management Fee: The fee payable to the property manager for their day-to-day management of the property pursuant to the management agreement.

Property Tax Incentives: Tax incentive programs may reduce or eliminate the amount of municipal or other taxes a property owner must pay. The intent of property tax incentives is to encourage developers to create more affordable housing.

Public Sector: Government and government agencies

Punch Lists: A list of any unaddressed construction items that should have been completed in the work by your general contractor, based on the initial scope.[1]

Qualified Action Plans (QAPs): The federal Low-Income Housing Tax Credit program requires each state agency that allocates tax credits to have a Qualified Allocation Plan (QAP). The QAP sets out the competitive requirements for securing federal low-income housing tax credits.

Recapture Guarantee: Low-income housing tax credits are subject to recapture if a project fails to house income-qualified tenants at affordable rents for a 15-year compliance period. Low-Income Housing Tax Credit (LIHTC) investors require a recapture guarantee to cover any shortfalls the investor incurs as a result of LIHTC units rented to tenants who are not income eligible.[7]

Recovery Housing: Recovery housing is characterized by alcohol- and drug-free living settings that involve peer support and other addiction recovery aids.

Redevelopment: The replacement, rehabilitation, or repurposing of existing improvements on an already developed site.

Regulatory Agreement: A legal agreement between the property owner and a government agency or other financing party that provides funding for the property. The agreement requires the owner to comply with certain provisions such as making payments on the mortgage, maintaining the property as affordable, and restricting the rents to certain levels of affordability.

Rehabilitation Costs: The labor, materials, tools, and other costs of improving buildings, other than minor or routine repairs.

Remediation: Remediation refers to the process of addressing and resolving issues related to contamination and environmental hazards at a property.

Rental Subsidies: A rental subsidy is financial assistance provided to households to make housing more affordable. These are often granted by government bodies to bridge the gap between what a household can afford and the market rent. The primary goal of subsidies is to ensure that low-income households have access to affordable rental housing.

Repayment Ability: The ability to repay mortgage debt and other monthly obligations. Lenders will assess repayment ability during the lending process.

Repayment Guarantee: A guarantee that provides for full repayment of the loan amount or any deficiency in the lender's recovery.[7]

Replacement Reserves: Reserves that are set aside from a property's operating cash flow to fund future major repairs and capital expenditures.

Repurchase: (Related to *guarantees*) Guarantees that the general partner / managing member will purchase the investor's interest in a development under certain circumstances, e.g. the project fails to meet the rent restriction test under the Tax Code, construction loan conversion does not take place by a particular date, etc.

Request for Proposals (RFPs): A competitive application process often used in situations where a public agency or other property owner (such as faith-based organization) invites developers to submit proposals for the development of the site. The RFP outlines site details and the criteria for selection of the chosen developer(s).

Return on Investment (ROI): A performance measure used to evaluate the efficiency or profitability of an investment or compare the efficiency of a number of different investments. ROI calculates the amount of return on a particular investment, relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment. The result is expressed as a percentage or a ratio.

Right of First Refusal (ROFR): A right offered to an entity at the end of a specified period. In the LIHTC program, the holder of a ROFR is granted the right to purchase the property at a Minimum Purchase Price, which, under the Tax Code is equal to the principal amount of indebtedness secured by the property, and all taxes (federal, state, and local) from the sale. This right may or may not require an offer from a third party to purchase the real property.

Risk Management: The process of identifying, analyzing, assessing, and communicating risk and accepting, avoiding, transferring, or controlling it to an acceptable level considering associated costs and benefits of any actions taken.

Scoring Criteria: A set of points-based criteria used by states to evaluate projects applying for Low-Income Housing Tax Credits. The applications with the most points receive housing tax credits.

Security Deposit: Money that is provided to a landlord or seller of a home or apartment as proof of intent to purchase or lease the space. A security deposit is intended as a measure of security for the recipient and can also be used to pay for damages or lost property.[8]

Seller Note (aka Purchase-Money Mortgage): A seller note is a loan between the seller and purchaser. A seller note would bridge any gap between the sales price and the acquisition proceeds (cash) provided by the purchaser. It is an agreement between a seller and buyer, in which the buyer will repay debt to the seller based on specific well-defined terms.

Services Subsidy: (Related to *subsidy*) A type of subsidy that funds on-site services in supportive housing developments, including staffing and service activity that allows tenants to living independently.

Set-Aside: Low-Income Housing Tax Credit funds that are set aside every year from a state's allocation of housing tax credits and dedicated to specific types of projects.

Single-Family: A noncommercial dwelling that is occupied exclusively by one family.

Social Services: Any of numerous publicly or privately provided services intended to aid disadvantaged, distressed, or vulnerable persons or groups.[9]

Soft Costs: Development costs (prior to, during, and post construction) for design and engineering, consultants, financing fees, legal, third-party reports, permits, surveys, insurance, taxes, and title costs.

Soft Debt: Debt for which there is no requirement for repayment, which is deferred or forgiven, debt repayable to a "related party" such as a loan from a Sponsor to an ownership entity in which the Sponsor has an "ownership interest," or debt that is to be repaid only from excess cash flow or upon certain other conditions and is not included in the calculation of "hard debt." If the debt is secured by a mortgage or a deed of trust, typically it is in the second lien position or lower.

Special Approvals: In New York City, a special approval is a discretionary action by the City Planning Commission (CPC), subject to ULURP review, or the Board of Standards and Appeals (BSA), which may modify use, bulk, or parking regulations if certain conditions and findings specified in the Zoning Resolution are met. Applications for special permits under CPC jurisdiction generally concern use or bulk modifications with potential for greater land use impacts than those reviewed by the BSA.

Stabilization: The point at which a development produces stable income. This comes after the development reaches completion and lease-up and begins generating ongoing income and expenses.

Stakeholder: A stakeholder is defined as an individual or group that has an interest in any decision or activity of an organization. For the purposes of developing affordable housing, you will have both community stakeholders and financial stakeholders who have an interest in your project.

Subordinate Financing/Subordinate Loans: If a property is secured by multiple mortgages, subordinate financing has a lower priority in lien and for repayment than the others. The subordinate mortgage is repaid only after the primary mortgage(s) are repaid.

Subsidy: A government resource that is available to developers to fund aspects of projects in exchange for a public benefit.

Supportive housing: A housing development that includes on-site assistance and supportive services for its residents. Housing is often paired with mental health services, substance abuse services or other supportive services.

Syndicator: Tax credit syndicators raise capital for investment in low-income housing developments through the Low-Income Housing Tax Credit program.

Tax Credits: The amount of money that taxpayers can subtract directly from the taxes they owe. This is different from tax deductions, which lower the amount of an individual's taxable income. Tax credits are a critical financing resource for affordable housing. Tax credits—federal, state, historic—are generally allocated to project owners in exchange for developing affordable housing.[10]

Tax-Exempt Bond: A bond that is issued by a public entity or nonprofit where the interest income is exempt from taxation.

Tax Exemption: A tax exemption excludes certain income or revenues from tax.

Technical Assistance: The process of providing targeted support to an organization with a development need or problem, which is typically delivered over an extended period of time.

Tenant-Based Vouchers: A type of HUD housing rental assistance that which residents pay 30% of their income as rent and the private landlords receive additional subsidy. Most Housing Choice Vouchers are "tenant-based," meaning people can use them to rent any private apartment that meets program guidelines, and the voucher stays with the tenant.

Tenant Income Verification: A common step in the tenant screening process to determine the income eligibility for a rental housing subsidy and/or rent regulated housing. Various affordable housing resources have income restrictions associated with them. Typically, tenants are expected to recertify their income on a yearly basis.

Term Sheet: A document that covers the basic terms and conditions of a financing program. For government programs offered by agencies, a term sheet specifies the amount of subsidy (public money in the form of a grant or loan) being offered, the interest rates and other loan terms, the required levels of affordability, the required design and construction standards, etc.

Transferable Development Rights (TDR): A method by which developers can purchase development rights (aka "air rights") to increase the bulk and density of their new development. The development rights are sold and transferred to a different property that will then benefit from greater height or density than would otherwise be available under the zoning regulations.

Transitional Housing: Temporary housing with supportive services for individuals and families experiencing homelessness with the goal of interim stability as households work to move to and maintain permanent housing.

Underwriting: The process of compiling and analyzing all of the financial aspects of a deal (including rental income, debt, equity, development budget, operating budget, etc.) in order to secure funding commitments from entities providing loans or other financing for a project.

Utilities: Services usually provided by third-party companies, including water, electricity, sewer, heating, gas, telephone and broadband.

Utility Allowance: The definition of maximum "affordable" rents for tenants includes both housing and reasonable utility costs. Where some or all utilities are tenant-paid, the rent actually charged to the tenant (the "net rent") must be reduced by the utility allowance. For most programs, utility allowances approximate the reasonable consumption of utilities by an energy-conservative household of modest circumstances consistent with the requirements of a safe, sanitary, and healthful living environment. Owners of properties financed with Low-Income Housing Tax Credits must include an allowance for tenant-paid utilities when calculating net tenant rents.

Vacancy Allowance: Vacancy allowance is needed when projecting operating revenue to account for rental income loss due to vacancies.

Vacancy Rate: (aka Rental Vacancy Rate) This indicator measures habitable, for-rent rental units that are vacant as a percentage of renter-occupied units plus the vacant, habitable, for-rent units.[11]

Vacancy Turnover: Turnover occurs when a resident chooses to move out instead of renewing their lease. Vacancy turnover is the maintenance, cleaning tasks, and process of finding a new tenant that occurs when a unit is vacant. Typically housing projects try to minimize vacant turnover time in order to minimize income lost.

White Box: Also called a white shell, a white box is a close to finished commercial or community facility space that a contractor delivers to the property owner or lessee. Space is typically lacking final cosmetic design finishes. Walls are ready to be painted, floors are finished, air conditioning and lighting is provided. Furniture and equipment are not provided.

Zoning (aka Site Zoning): The classification of land through restrictions placed on its use (land use) and development.

Zoning Code: Land use regulations that define what is allowed to be built and where it can be built.

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