

## GLOSSARY OF AFFORDABLE HOUSING TERMS

**Absorption Period:** The period of time necessary for a newly constructed or renovated property to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has a signed lease.

**Absorption Rate:** The average number of units rented each month during the absorption period.

**Area Median Income (AMI):** 100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.

**Assisted Housing:** Housing where the monthly costs to the tenants are subsidized by federal, state, or other programs.

**Capture Rate:** The percentage of qualified households in the market area (for which) the property must be affordable to achieve a stabilized level of occupancy for rental housing or sales for owner-occupied housing. The capture rate is calculated by dividing the total number of units at the property by the total number of qualified households in the market area. (See Penetration Rate for formula for entire market area.)

**Community Development Block Grants (CDBG):** Federal funding to help entitled metropolitan cities and urban counties meet their housing and community development needs. The program provides annual grants on a formula basis to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development, and improved community facilities and services for low and moderate income people.

**Community Development Corporation (CDC):** Entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

**Comparable Property:** A property that is representative of the housing choices of the subject property's market area, and is similar in construction, size, amenities, or age. Comparable and competitive properties are generally used to derive market rent or sales price.

**Competitive Property:** A property that is comparable to the subject and competes at nearly the same rent levels, sales prices, and resident profile, particularly age, household size, or income.

**Contract Rent:** The monthly rent agreed to between a tenant and landlord.

**Demand:** The total number of households in a defined market area that would potentially move into proposed new or renovated housing units. These households must be of the appropriate age, income, tenure, and size for a specific proposed development. Components of demand vary and can include household growth, turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

**Effective rents:** Contract rent less concessions such as rent discounts, move-in specials, and free upgrades in finishes or appliances.

**Elderly or Senior Housing:** Housing where (1) all of the units in the property are restricted for occupancy by persons 62 years of age or older, or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

**Extremely Low Income:** Person or household with income below 30% of Area Median Income adjusted for household size.

**Fair Market Rent (FMR):** Estimates established by HUD of the gross rents (contract rent plus tenant-paid utilities) needed to obtain modest rental units in acceptable condition in a specific county or Metropolitan Statistical Area. HUD generally sets FMR so that 40% of the rental units have rents below it. In rental markets with a shortage of lower priced rental units, HUD may approve the use of FMRs that are as high as the 50th percentile of rents.

**Gross Rent:** The monthly housing cost to a tenant, which equals the contract rent stated in the lease plus the estimated cost of all tenant-paid utilities.

**HOME Program:** Federal grants to states and units of local government to implement local housing strategies designed to increase home-ownership and affordable housing opportunities for low and very low-income people.

**Hope VI:** Federal program aimed at revitalizing severely distressed public housing by providing competitive grants to public housing authorities. HopeVI has been used extensively in the transformation of public housing to create mixed-income affordable housing.

**Housing Choice Voucher (Section 8 Program):** Federal rent-subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households to use for the housing of their choice. The voucher payment subsidizes the difference between the gross rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenant's income is less

than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

**HUD Section 8:** Federal program that provides project-based rental assistance. HUD contracts directly with the owner for the payment of the difference between the contract rent and a specified percentage of the tenant's adjusted income.

**HUD Section 202:** Federal program that provides direct capital assistance (i.e., grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have incomes not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project-based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

**Income Limits:** Maximum household income by county of Metropolitan Statistical Area, adjusted for household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes income limits annually for households with one through eight people.

**Low Income:** Person or household with gross household income below 60% or 80% of the Area Median Income adjusted for household size. Some programs use 60% AMI, while others use 80% AMI in their definition of income-eligible households.

**Low Income Housing Tax Credit:** A program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income; the rents on these units be restricted accordingly.

**Market Area:** A geographic area from which a property is expected to draw the majority of its residents.

**Market Rent:** The rent an apartment, without restrictions or subsidies, would command in the open market considering its location, features and amenities. Market rent should be adjusted for concessions and owner-paid utilities included in the rent.

**Moderate Income:** Person or household with gross household income between 80% and 120% of Area Median Income adjusted for household size.

**Net Rent:** (also referred to as Contract or Lease Rent) Gross rent less tenant-paid utilities.

**Project-Based Rent Assistance:** Financing from a federal, state, or local program allocated to a property or specific number of units in the property. It is available to each income-eligible tenant of the property or an assisted unit.

**Qualified Census Tract (QCT):** Any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of Area Median Income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credits may qualify for up to 130% of eligible basis for the purpose of calculating the tax credit allocation.

**Saturation:** The point at which there is no longer demand to support additional housing units.

**Subsidy:** Monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's contract rent and amount paid by the tenant toward rent.

**Tax Increment Finance District (TIF):** A geographically designated district that meets specific legal criteria for being blighted. TIF districts are approved by municipalities for the purpose of redeveloping distressed areas and spurring private sector investment. The increase in the total real estate taxes paid in the TIF district after the base year it was created accrues to the TIF district, and is used to pay for eligible activities within the district. By law, TIF districts are allowed to run for 23 years, after which point they must be extended or disbanded. Municipalities often use issue tax-exempt bonds backed by the real estate tax increment accruing to the district to pay for capital improvements, land acquisition, and on-going services in the TIF district.

**Very Low Income:** Person or household whose gross household income does not exceed 50% of Area Median Income adjusted for household size.

**Source:** Valerie Sandler Kretchmer and Deborah Brett. *Housing 1-2-3: A Workbook for Local Officials and Community Leaders*, 2008, pp. 106-108. [www.metroplanning.org/news-events/article/3476](http://www.metroplanning.org/news-events/article/3476)