



Affordable Housing Glossary



*Meeting housing needs for all
in a growing City*



This glossary was compiled to assist residents, representatives, and other interested parties in the City of Madison, WI. It contains definitions for many words, phrases, and programs relevant to City initiatives, requests for proposals, and applications for funding. It is not intended to be all-inclusive of affordable housing definitions, and in some cases definitions are solely applicable within the City of Madison. Locally-used definitions are noted wherever possible.

Table of Contents

<i>Accessibility</i> - 4	<i>Hard Costs</i> - 10
<i>Acquisition/Rehabilitation</i> - 4	<i>HOME Investment Partnership (HOME)</i> - 11
<i>Affordability</i> - 4	<i>Housing Counseling Agency</i> - 11
<i>Affordable Housing (AH)</i> - 4	<i>Infill Housing</i> - 11
<i>Affordable Housing Development Fund (AHDF)</i> - 4	<i>Land Assembly</i> - 11
<i>Affordable Housing Fund (AHF)</i> - 4	<i>Land Use Restriction Agreement (LURA)</i> - 11
<i>Affordable Housing Program (AHP)</i> - 4	<i>Layered Financing</i> - 11
<i>Affordable Housing Unit</i> - 4	<i>Lease-Purchase (Rent to Own) Program</i> - 12
<i>Amenities</i> - 4	<i>Leverage</i> - 12
<i>Area Median Income (AMI)</i> - 5	<i>Low-Income Households</i> - 12
<i>Assisted Housing</i> - 5	<i>Low-Income Housing Tax Credit (LIHTC)</i> - 12
<i>Bus Rapid Transit (BRT)</i> - 5	<i>Market-Rate Housing</i> - 12
<i>Cash Flow Loan</i> - 5	<i>Minority, Women, and Disadvantaged Business Enterprise (M/W/DBE)</i> - 12
<i>Cohousing</i> - 5	<i>Missing Middle Housing</i> - 12
<i>Co-operative Housing (Co-op)</i> - 6	<i>Mixed Use</i> - 13
<i>Community Development Block Grant (CDBG)</i> - 6	<i>Moderate Income</i> - 13
<i>Community Housing Development Organization (CHDO)</i> - 6	<i>Naturally Occurring Affordable Housing (NOAH)</i> - 13
<i>Community Land Trust</i>	<i>Net Operating Income (NOI)</i> - 13
<i>Comprehensive Plan (Imagine Madison)</i> - 6	<i>Permanent Loan</i> - 13
<i>Conditional Use Permit</i> - 6	<i>Property Tax Exemption</i> - 13
<i>Consolidated Plan</i> - 7	<i>Recapture</i> - 13
<i>Construction Loan</i> - 7	<i>Resale Restrictions</i> - 14
<i>Contract Rent</i> - 7	<i>Secondary Financing</i> - 14
<i>Cost Burden (CB)</i> - 7	<i>Shared Appreciation</i> - 14
<i>Dane Workforce Housing Fund (DWHF)</i> - 7	<i>Single Room Occupancy (SRO)</i> - 14
<i>Debt Ratio/Debt Service Coverage Ratio (DCR/DSCR)</i> - 7	<i>Soft Costs</i> - 14
<i>Debt Service</i> - 7	<i>Subordinate Loan</i> - 14
<i>Deferred Developer Fee</i> - 8	<i>Subsidized Housing</i> - 14
<i>Deferred Loan (Long-Term Deferred)</i> - 8	<i>Subsidy</i> - 14
<i>Density</i> - 8	<i>Sweat Equity</i> - 15
<i>Developer Fee</i> - 8	<i>Tax Increment Financing (TIF)</i> - 15
<i>Development Assistance Team (DAT)</i> - 8	<i>Tenant Selection Criteria (TSC/RSC)</i> - 15
<i>Displacement</i> - 8	<i>Transit-Oriented Development (TOD)</i> - 15
<i>Downpayment/Homeownership Assistance Equity</i> - 9	<i>Type A Units</i> - 15
<i>Fair Housing</i> - 9	<i>Type B Units</i> - 15
<i>Federal Home Loan Bank (FHLB)</i> - 9	<i>Underwriting</i> - 16
<i>First-Time Homebuyer</i> - 9	<i>Universal Design</i> - 16
<i>Forgivable Loan</i> - 9	<i>Utility Allowance</i> - 16
<i>Future Land Use (FLU/GFLU)</i> - 10	<i>Wisconsin Housing & Economic Development Authority (WHEDA)</i> - 16
<i>Gap Financing</i> - 10	<i>Workforce Housing</i> - 16
<i>Gentrification</i> - 10	<i>Zoning</i> - 16
<i>Green Building / Green Development</i> - 10	
<i>Ground Lease</i> - 10	

Accessibility

- HUD Definition: An accessible dwelling unit is a unit that is located on an accessible route and can be approached, entered, and used by individuals with physical disabilities.
- A related concept is *universal design*, which prioritizes designing homes and other spaces for users of all ages and physical abilities.
- Accessibility includes being located “on an accessible route” which implies good-quality sidewalks, transit access, etc.
- **Everyday definition:** An accessible home works for family members of all ages and abilities equally, and is located in an area that is easy to get around regardless of physical ability.

Acquisition/Rehabilitation

- Commonly referred to as "acq/rehab", this refers to purchasing properties with the intent to repair them and bring conditions to a level that meets or exceeds code and safety standards.
- Once brought to standards, the properties can then be rented or sold to income-eligible households.
- **Everyday definition:** Buying a property and fixing it up to be safe and healthy to live in.

Affordability

- The relationship between the cost of the housing unit and the income of the household, such that a household is not paying more than 30% gross (pre-tax) income toward rent and all other combined housing expenses (utilities, property taxes, etc.).
- **Everyday definition:** Feeling as if rent payments are not burdensome - i.e. other necessary expenses don't need to be cut to pay rent.

Affordable Housing (AH)

- HUD Definition: “Affordable” housing costs less than 30% of a household’s monthly gross income. There are two main types of affordable housing - subsidized and unsubsidized.
- **Everyday definition:** A building with homes that don't feel expensive to live in. Everyone needs affordable housing, regardless of income.

Affordable Housing Development Fund (AHDF)

- A housing fund administered by Dane County to help produce affordable housing units. This fund is allocated through a Request for Proposals (procurement) process to provide gap financing, and is a complementary fund to the City's AHF.

Affordable Housing Fund (AHF)

- One of the City of Madison's funding mechanisms to help produce affordable housing units. This fund is allocated primarily through Requests for Proposals, and is intended to provide *gap financing*.

Affordable Housing Program (AHP)

- A *Federal Home Loan Bank* (FHLB) program that provides competitive grants and subsidized loans through local bank members to support affordable housing development. Use of funds is flexible and they can be used in coordination with many other programs and sources of funding.
- Locally, the Federal Home Loan Bank of Chicago offers AHP financing to non-profit agencies or developers with a non-profit sponsor.
- **Everyday definition:** Additional affordable housing *gap financing* with favorable terms.

Affordable Housing Unit

- A housing “unit” (e.g. single apartment in a rental building) that has a rental cost based on a percentage of the area median income.
- In receiving financial support from the City of Madison, affordable housing units are considered to be any units for which rent corresponds to the 60% *Area Median Income* (AMI) level or under - by both bedroom and household size, or 80% AMI for owner-occupied units.
- This 60% AMI definition is unique to the City of Madison - most communities consider all units under 80% AMI to be an “affordable” housing unit.
- **Everyday definition:** A rental unit that has a cap on the amount of rent that can be charged. This cap is often tied to some form of subsidy.

Amenities

- There are two main types of amenities related to housing:
 - Neighborhood/nearby amenities such as proximity to grocery stores, bus stops, schools, parks, and other daily-need or enjoyment uses
 - Amenities added as a component of the new development such as exercise rooms, office/work spaces, community rooms, play areas, etc.
- **Everyday definition:** Things that make it easier and/or more enjoyable to live in that location.

Area Median Income (AMI)

- The 50th percentile (median) income for *family* households within a particular geography. Dane County is the geography of measure used for the City of Madison in establishing income qualifications based on AMI.
- HUD Calculation: AMI is calculated as the 50th percentile family income within a particular geography (Dane County). This median is then adjusted upwards and downwards based on both percentage of AMI (e.g. 30%, 40%, 50%) and number of people in a given household.
- **Everyday definition:** The annual income of the typical four-person family in Dane County.

Assisted Housing

- Housing that has any form of public money that contributed to capital costs of construction or has ongoing rental *subsidies* for some or all units.
- Examples of assisted housing include Public Housing, Project Based Vouchers, or buildings constructed or rehabilitated with subsidies such as *Low Income Housing Tax Credits*, *City AHF* investments, *HOME* funds, etc.
- **Everyday definition:** Housing that receives any form of funding from a public entity, and has some or all units that rent at an affordable level.

Bus Rapid Transit (BRT)

- High-quality bus-based transit systems that deliver fast, comfortable, and cost-effective service with a high-level of capacity. This level of service is accomplished through the use of specialized lanes, dedicated boarding stations, off-board fare collection, and fast and frequent operations.
- The City of Madison encourages *transit-oriented development* (TOD) around future BRT stations as a component of the Affordable Housing Target Area Map (TOD Preference Areas).
- **Everyday definition:** Transit that is so frequent you don't need to check a schedule to use it.

Cash Flow Loan

- A loan structure that requires periodic payments on interest and principal. For loans given by the City, payments on the balance are subject to the availability of cash flow. In practice, this means that repayments are only made if the property generates enough income to cover other necessary expenses.
- Because affordable housing developments have restricted rents, repayments on this loan in the City of Madison are commonly amortized over a period of 30 years (but with a 16-year loan term). An amortization period that is longer than the loan term lowers each individual payment amount, with a larger “balloon” payment due at the end of term inclusive of all remaining principal and interest.
- **Everyday definition:** A favorable loan that lowers annual cost to developers.

Cohousing

- A collaborative ownership housing model where residents actively participate in the design and operation of their community. Households typically have a private unit, but share common spaces, facilities, and responsibilities.

Co-operative Housing (Co-op)

- A housing cooperative is a residence that is collectively owned and/or controlled by its members: the people who live in the housing.
- Though there are several types of housing cooperatives, the most common for rental housing are Group Equity Co-ops. In these co-ops, residents make collective decisions but do not own shares in the co-op equity. Each resident has a rental contract allowing them to live in the unit, and members pay a monthly fee that covers operating expenses. When a member leaves, they do not receive any equity.

Community Development Block Grant (CDBG)

- A federal program run by the US Department of Housing and Urban Development (HUD) which provides annual “entitlement” grants to communities for affordable housing, anti-poverty, infrastructure, and planning activities that benefit low- to moderate-income persons. The City of Madison and Dane County are both Entitlement Jurisdictions (EJs), receiving funding allocations directly from HUD.
- CDBG funds are not often used for rental housing development, which was a large factor for why the Federal HOME program was created.
- CDBG funds are used by the City for capital investments and services as guided by the a *Consolidated Plan* and Annual Action Plan.

Community Housing Development Organization (CHDO)

- HUD Definition: A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves.
- A CHDO must be certified, and has several requirements on organizational and board structure. The most notable requirements are limits on the percentage of public officials that serve on the Board, ensuring at least 1/3rd of the Board represents low-income communities, and ensuring low-income “beneficiaries” have a formal process to advise the CHDO on decision-making.

Community Land Trust

- A non-profit organization that preserves land for affordable community uses including housing, urban agriculture, and commercial space.
- Madison has the Madison Area Community Land Trust (MACLT), which uses this structure to sell affordable homes while retaining the ownership of the land through a lease agreement.
- When purchasing, homebuyers receive a deed to the house and a ground lease to the land to the land that the house is on.
- This ground lease, along with a *land use restriction agreement (LURA)*, ensures that the home remains affordable by requiring it to be resold to income eligible households at below-market prices.
- **Everyday definition:** A non-profit organization that owns the land to keep it permanently affordable for housing, agriculture, or businesses.

Comprehensive Plan (Imagine Madison)

- In Wisconsin, a Comprehensive Plan is a guide to the physical, social, and economic development of a local unit of government. This plan is required by law to be updated every 10 years.
- Though not a document that dictates land use decisions, certain actions (e.g. official mapping or zoning changes) on any parcel must be consistent with the City’s Comprehensive Plan, especially the Generalized Future Land Use Map (FLU/GFLU).
- Imagine Madison is the City of Madison’s Comprehensive Plan, adopted on August 7, 2018.

Conditional Use Permit

- Each zoning district as defined within Madison’s Zoning Code has two types of uses. The first type of use is a permitted use. These do not require additional review other than the zoning review for issuance of a building permit.
- The second type of use is a conditional use. These are uses not permitted outright but must be allowed by the City’s Plan Commission if certain standards and conditions are met.
- Common conditional use permit requests are for things such as increased building height or excess stories, increased residential density, decreased setbacks, or off-street parking reductions.

Consolidated Plan

- HUD Definition: The Consolidated Plan is a process and document to help jurisdictions assess affordable housing and community development needs and to make data-driven, place-based investment decisions using Federal funding. The consolidated planning process serves as the framework for dialogue to identify housing and community development needs, and allocates anticipated funding.
- The Consolidated Plan is carried out through Annual Action Plans, which provide a summary of the actions, activities, and the specific financial resources that will be used each year to address the larger needs identified by the Consolidated Plan.

Construction Loan

- A short-term loan from a lender or other financial institution that provides funding to acquire and build affordable housing.
- This loan is only for the period/duration of construction, and is converted to a permanent loan once construction is complete.

Contract Rent

- The amount of rent listed in a tenant's lease or rental agreement for exclusive use of a specific unit of housing. Contract rent is the largest portion of overall housing cost, but does not include services such as utilities, fees, parking, etc.
- **Everyday definition:** The amount a tenant agrees to pay a landlord to live in a unit of housing.

Cost Burden (CB)

- HUD Definition: A household is cost burdened when their total housing costs (rent or mortgage, insurance, taxes, utilities, etc.) exceed 30% of their gross monthly income.
- Severe (sometimes called extreme) cost burden occurs when total housing costs exceed 50% of a household's gross monthly income.
- Rent Burden means having the same financial boundaries, but is specific to people who rent.
- **Everyday definition:** Cost burden is when a household has to pay too much for their home, often causing them to cut necessities like healthcare, childcare, transportation, or other needs.

Dane Workforce Housing Fund (DWHF)

- A privately operated housing fund that provides *gap financing* to developers. Operated by Madison Development Corporation (MDC), this fund was originally seeded with \$12 million in donations from 14 local investors and businesses.
- The DWHF focuses on supporting development that offers affordable housing units between 40% and 80% of the *area median income*.
- Focused on "last dollars", this fund commonly is one of the last funding sources to commit resources to developments after other financing is in place.

Debt Ratio/Debt Service Coverage Ratio (DCR/DSCR)

- The *Net Operating Income* (NOI) of a property, divided by the required payments on a loan's principal and interest (*debt service*). There are two main DSCR types considered in analyzing the feasibility of affordable housing:
 - DSCR - Hard Debt:
 - The NOI of the property divided by payments *required* to be made on loans.
 - DSCR - Total Debt
 - The NOI of the property divided by payments required to be made on loans, as well as those that are outstanding but not required (e.g. "soft debt" such as City *cash flow loans* that only require payment dependent upon availability of excess funds).
- Favorable loans and subordinate financing makes development of affordable housing more feasible, as they protect for market fluctuations and default. Generally, initial (Year 1) DSCR for Hard Debt will be between 1.15 and 1.25, which indicates that the development will generate enough income to pay off its debt.

Debt Service

- The required payments for principal and interest on a loan, most often displayed in on an annualized basis (annual debt service).
- **Everyday definition:** The dollar amount a development needs to pay off its debt.

Deferred Developer Fee

- The portion of the agreed-upon *developer fee* that the developer is not paid up front as a development expense. The deferred fee instead remains in the property as a “loan” which is repaid over time. The deferred developer fee is recovered from the developer’s share of operating cash flow annually.
- Once the building is leased, the developer will receive a portion of the cash flow over time after the property pays its debt obligations. Those funds left over from cash flow serve as repayment of the developer fee initially left invested in the property.

Deferred Loan (Long-Term Deferred)

- A non-amortizing loan, on which no repayments are due until sale or some other point in the future. They are usually made by a public or nonprofit agencies to developers of affordable housing. Sometimes called a “deferred payment loan” or a “soft second mortgage”.
- The City of Madison uses several types of LTD loans to finance affordable housing development. Most LTD loans from the City include “shared appreciation” instead of interest, which bases the repayment amount on the percent of City funds loaned to the property as a portion of the fully completed project’s value.
- The City also offers a waiver of shared appreciation in LTD loans for non-profit agencies who are willing to commit to *permanent affordability*, creating a favorable long-term loan with 0% interest (only principal due at sale or change of use).

Density

- The average number of dwelling units (residential density) per gross acre of land, excluding any area of streets bordering the development site. Usually expressed in terms of housing units per acre.
- The City of Madison generally encourages increased residential density in new development, so long as developments are consistent with the Comprehensive Plan and Neighborhood Plans while also increasing sustainability for residents and of the City as a whole.
- *Everyday definition*: The number of housing units allowed on a parcel.

Developer Fee

- Compensation to the project developer for the time and resources spent to develop the project.
- In affordable housing (as opposed to market rate), ongoing annual profits to the owner over the life of the property are often not available due to restricted rents. Developer Fees double as contingency for construction cost overruns, and allow developers to fund subsequent affordable housing projects.

Development Assistance Team (DAT)

- The Development Assistance Team (DAT) is a weekly meeting of representatives from the various City of Madison agencies that are involved in the Development Review process.
- Each week, the Team reviews up to four development projects, typically at a preliminary stage, in order to raise potential concerns early enough in the process that they can be addressed before significant time and money have been invested.
- Affordable housing developments, just like all other developments, must go through the entire City approvals process - including DAT meetings.

Displacement

- HUD Definition: A permanent, involuntary move that occurs as a direct result of rehabilitation, demolition, or acquisition on a given project.
- General definition: When households are forced to move, or are prevented from moving to another location within a neighborhood, due to conditions outside of their direct control (e.g. development activity, rent increases, changes to transit service, lack of other available housing, etc.).
- *Everyday definition*: Changes that force a family to move, without other options in the neighborhood that meet their needs.

Down Payment/Homeownership Assistance

- A type of financial assistance provided to homebuyers to help cover the initial expenses required to purchase a home for down payment or closing costs.
- This assistance can come in the form of grants, low- or no-interest loans, or forgivable loans, and is often provided by government programs, nonprofit organizations, or private lenders.
- The purpose of down payment assistance programs are to make homeownership more accessible by reducing upfront costs that can be a barrier for many buyers, especially those with lower incomes.

Energy Audit

- A process that identifies and specifies the energy and cost savings likely to be realized through the purchase and installation of particular energy efficiency or renewable energy measures. Energy audits are often used to determine the need for more insulation, upgrading heating/cooling systems and determining the cost-effectiveness of energy saving lights, fixtures, or appliances.
- Focus on Energy provides a no-cost energy analysis, which is often an RFP requirement for obtaining City funding for new construction.
- **Everyday definition:** Determining what energy-saving measures can be implemented to maximize sustainability in new buildings.

Equity

- Investing private capital to develop a property in exchange for returns on that investment.
- Tax credit equity is when “tax credit investors” provide up front capital for an affordable housing development in exchange for federal tax credits, paid out over 6 years (state) or 10 years (federal).
- Developer equity is when a developer fronts its own capital for a return (usually from the property’s cash flow after debt obligations, operating costs, etc.).

Fair Housing

- HUD Definition: The Fair Housing Act protects people from discrimination when renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing related activities. Additional protections apply to federally-assisted housing.
- **Everyday definition:** Ensuring everyone has the same level of access to housing that meets their needs while also addressing histories of segregation.

Federal Home Loan Bank (FHLB)

- One of the 11 district banks, FHLB Chicago covers Wisconsin and Illinois, and is structured as a cooperative (owned by member institutions). As a wholesale bank (a bank for banks), it provides access to credit for members and administers grant and loan programs to promote community development and expand affordable housing, such as the *Affordable Housing Program* (AHP).

First-Time Homebuyer

- HUD Definition: an individual who has not owned a home within the past three years. Exceptions to this rule include single-parents or a “displaced homemaker”.

Forgivable Loan

- Loans that can be forgiven (released or discharged without full repayment) or *deferred* for a period of time, as long as the borrower meets all terms and conditions of the loan.

Future Land Use (FLU/GFLU)

- The City's *Comprehensive Plan* assigns general land use categories to all areas of the city and all areas that may become part of the city over the next twenty years. These Future Land Uses are captured both in text as well as the Generalized Future Land Use Map.
- Petitions for rezoning, official mapping, and certain other actions taken by the City must be consistent with the *Comprehensive Plan*, notably the Future Land use category recommendations for development type, density, and intensity.
- Because Future Land Use is generalized and used solely as a guide, development is most closely guided and regulated by the City's Zoning Code and Zoning District Map.
- **Everyday definition:** The general type of development planned for particular parcels and areas of the City over the next 20 years.

Gap Financing

- Traditional mortgages are secured by the value of the mortgaged asset. Because multifamily housing's value is determined by the income it produces, affordable housing (legally rent-restricted) has an inherently lower asset value than market rate housing. Due to this discounted asset value, the cost of affordable housing development and construction is significantly larger than the value of the building once complete.
- First mortgage lenders will not lend the total cost of development, as the property will 1) not produce enough income to repay the full cost of the mortgage; and 2) would not recoup the cost of mortgage in the event of default (due to legal restrictions on maximum rents).
- Gap financing provides favorable loans and/or grants to developers that make up the difference between developer *equity* + maximum first mortgage amount and the cost of construction, ensuring affordable housing can be built when it otherwise would not be financed.
- **Everyday definition:** Loans that ensure a development gets built, where it would not be able to otherwise.

Gentrification

- Market-driven racial and socio-economic reconfiguration of urban communities that have suffered histories of disinvestment.
- **Everyday definition:** The buying and renovation of housing and businesses in neighborhoods by upper- or middle-class families or individuals. This action often indicates larger "market forces" (e.g. low housing vacancy, transit improvements, etc.), and results in raised property values and potential displacement of long-term residents and businesses.

Green Building / Green Development

- A whole-building and systems approach to design and construction that employs techniques to minimize environmental impacts and reduce energy consumption of buildings while contributing to health and productivity of its occupants.
- Development that uses environmentally friendly building practices and energy efficiency. There are a number of public and private incentives for green development, and increasingly developers are using green construction as a way of increasing the expendable resources of lower income persons and households by lowering utility costs.
- **Everyday definition:** Reducing energy consumption of buildings as a whole to lower utility costs for residents, as well as increase overall sustainability.

Ground Lease

- A long-term lease agreement, usually for 99-years, where an entity (often a *Community Land Trust*) retains ownership of the land and leases it to homeowners.
- A ground lease typically includes provisions such as: terms and use; ground rent and other fees; maintenance and improvements; property taxes; default and foreclosure; and resale restrictions.

Hard Costs

- Hard costs of construction include of any fee or service that is directly related to the physical development of a property (e.g. acquisition of the property, construction materials, labor hours, etc.).

HOME Investment Partnership (HOME)

- A federal program run by the US Department of Housing and Urban Development which provides annual grants to communities for affordable housing activities. The City of Madison and Dane County are both Participating Jurisdictions (PJs), receiving funding allocations directly from HUD.
- HOME funds are generally used to provide *gap financing* for affordable housing development - whether rental or owner-occupied. Fund use is guided by the City of Madison's *Consolidated Plan* and Annual Action Plan.

Housing Counseling Agency

- An organization that has been approved and accredited by the U.S. Department of Housing and Urban Development (HUD) to provide housing counseling services to individuals and families.
- These agencies offer a range of services, including pre-purchase counseling, foreclosure prevention counseling, rental assistance counseling, and financial literacy education.
- HUD-certified housing counseling agencies adhere to strict standards and guidelines set by HUD to ensure quality and professionalism in the delivery of their services.
- **Everyday definition:** A government-approved organization that offers advice and education on buying, renting, or keeping a home. They follow strict guidelines to ensure they provide quality help.

Infill Housing

- The insertion and/or construction of additional housing units into an already built-out neighborhood.
- Infill housing can be provided as additional units built on the same lot by dividing existing homes into multiple units, creating new net residential units on already existing parcel(s) through demolition and new construction (increased residential *density*), or by building on previously undeveloped areas in existing neighborhoods.
- **Everyday definition:** New housing that replaces older, outdated housing or underutilized non-residential buildings.

Land Assembly/Assemblage

- Acquiring and combining adjacent parcels for purposes of development or redevelopment. Grouping parcels for development may require drawing new lot lines and/or other approvals from the City in order to develop in a manner different than its former use, or in a way that would substantially increase *density*.
- **Everyday definition:** Signing a contract to buy a site(s) for redevelopment. This is sometimes contingent upon gaining the necessary planning and zoning approvals.

Land Use Restriction Agreement (LURA)

- A legal restriction attached to a property deed that prohibits the owner from making specified changes to the property, typically for a set period of years. LURAs are often used to ensure long-term affordability and/or owner-occupancy of residential properties underwritten with public financial assistance or sold at a below-market rate.
- The City of Madison requires a LURA of at least 40 years as a condition of financing for rental housing, ensuring that rent levels will maintain affordability (at a specified % of AMI) until the LURA expires.
- The City sometimes offers more favorable loan terms in order to secure a permanent LURA, meaning affordable housing will forever be a component of the development.
- **Everyday definition:** Legal restrictions that ensure housing built with City funds will remain affordable long-term.

Layered Financing

- Financing for an affordable housing project that includes several subsidy sources (for example, *HOME*, *AHF*, *AHP*, and Tax Credit Equity).

Lease-Purchase Program

- A structured arrangement designed to help individuals transition from renting to owning a home.
- In these programs, participants lease a property for a specified period, typically ranging from one to five years, with the option or obligation to purchase the home at the end of the lease term.
- During the leasing period, a portion of the monthly rent may be set aside or credited towards the down payment or purchase price of the home.
- **Everyday definition:** Renting a home with the opportunity to buy it later through a non-profit run program, with part of your rent going towards the purchase price.

Leverage

- In affordable housing, leverage means using one source of funds in a project (public/local funds) to encourage or secure investment by another source (e.g. Low Income Housing Tax Credits, etc.).

Low-Income Households

- There are many definitions of low-income households, but eligibility for the majority of City of Madison programs considers a household to be low-income if they are 80% AMI or below, adjusted for household size. There are three main subcategories of low-income in most programs:
 - Extremely low-income: A household, adjusted for family size, that is between 0% (no income) and 30% of the *area median income* (AMI).
 - Very low-income: A household, adjusted for family size, that is between 30% and 50% AMI.
 - Low-income: A household, adjusted for family size, that is between 50% and 80% AMI.

Low-Income Housing Tax Credit (LIHTC)

- Federal and State programs that subsidize the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants through the tax code (a “dollar for dollar” future tax reduction).
- **Everyday definition:** “Affordable” housing built by selling future tax benefits to fund development.

Market-Rate Housing

- Homes and apartments whose prices are determined by what is most competitive for their specific neighborhood, access to amenities, and cost of development.
- Can contain some forms of public subsidy (such as *Tax Increment Financing*), though are not required to restrict rents on any units.
- **Everyday definition:** Housing that does not have any restrictions on rent or household income.

Minority, Women, and Disadvantaged Business Enterprise (M/W/DBE)

- When the City expends funds provided to it by federal agencies, the City requires that contractors comply with federal regulations that ensure the participation of M/W/DBEs.
 - Minority Business Enterprise (MBE) - an independent business 51% or more owned and controlled by racial/ethnic affirmative action group members.
 - Woman Business Enterprise (WBE) - an independent business 51% or more owned and controlled by women.
 - Disadvantaged Business Enterprise (DBE) - an independent business 51% or more owned and controlled by socially and economically disadvantaged individuals.

Missing Middle Housing

- Housing types larger than single-family homes but smaller than high-rise multifamily buildings. Missing middle housing types help to provide a diversity of housing options not typically built, while increasing sustainability by increasing *density*.
- Common Missing Middle housing types are duplexes, fourplexes, cottage courts, and multiplexes. These buildings fit into existing residential neighborhoods and support walkability, local retail, and public transportation options. They provide solutions along a spectrum of affordability to address the mismatch between the available U.S. housing stock and shifting demographics combined with the growing demand for walkability.
- **Everyday definition:** Multi-family apartments that do not physically look like high-rise apartments.

Mixed Use

- Buildings - or neighborhoods - that host a mix of residential and commercial uses. These uses can be within the building itself, or a conglomeration of uses across adjacent buildings.
- **Everyday definition:** Housing that also has employment, stores, offices, and other needs inside of or in close proximity to it.

Moderate Income

- Depending on the Program or context, moderate income individuals and households are classified differently for affordable housing programs.
- For some programs, “moderate income” overlaps with low-income and means households between 50% and 80% of the *area median income* (AMI). The phrase low-to-moderate income (LMI) often refers to all households under 80% AMI.
- In other HUD programs, moderate income typically means households between 80% and 95% AMI, though common usage often extends the upper bounds of moderate income to 120% AMI.
- Households in the moderate income category are those targeted by “*workforce housing*” programs - programs with rents that are above affordable housing limits but below market rate.
- **Everyday definition:** Households that don’t have a low enough income to qualify for subsidies, but also find market-rate housing unaffordable.

Naturally Occurring Affordable Housing (NOAH)

- Homes and apartments, typically in lower-income neighborhoods, that are considered affordable without a subsidy. This term, NOAH (naturally occurring affordable housing), is typically used when questioning how to preserve these types of homes in areas where *gentrification* is happening.
- **Everyday definition:** Housing that costs less due to age, construction quality, upkeep, or surrounding property costs.

Net Operating Income (NOI)

- Rental income remaining after a development's payment of operating costs and vacancy losses. The net operating income is based on the monthly rent expected for each apartment size (one-, two- or three-bedroom) multiplied by the total number of units multiplied by 12 (for the 12 months of the year the property receives rental income).
- **Everyday definition:** The income of the property after expenses directly related to maintenance and operation are taken out.

Permanent Loan

- A longer-term loan from a lender or other financial institution that is secured by a developer after construction of the building has finished and it is ready for occupancy.
- In contrast to construction loans, permanent loans are secured (collateralized) by the development itself once it is constructed.

Property Tax Exemption

- In Wisconsin, non-profit entities that own low-income housing can file for an exemption from their obligation to pay property taxes for a qualifying development.
- To qualify for this exemption, a development must reserve 75% of the units at a rent affordable to low-income households and either 20% of units reserved for very low-income households or 40% of units reserved for households not more than 120% of the very low-income limit.
- **Everyday definition:** A waiver of property taxes for non-profits who provide affordable or *workforce housing* units.

Recapture

- The required repayment of a portion of financial assistance or subsidy provided to a homeowner if certain conditions are not met.

Resale Restrictions

- Provisions that limit the resale price of a property to keep it affordable for future buyers. This often includes a formula that balances the homeowner's equity gains through market appreciation with maintaining affordability.
- These restrictions typically require that the property must be the homeowner's primary residence and that any resale must be to a buyer who meets certain income eligibility criteria.
- **Everyday definition:** Rules that limit how much you can sell your home for, and who you can sell it to, in order to keep it affordable to future buyers.

Secondary Financing

- Any financing that is used in conjunction with first mortgage loans - for example, grants, deferred payment loans, or amortizing second mortgage loans.
- Loans given by the City of Madison that support affordable housing development are most often secondary financing.

Shared Appreciation

- A method of calculating interest on a loan based on purchase price and/or the appraised property value now and the purchase price and/or appraised property value at a future date.
- The City of Madison CDD uses shared appreciation in many *long-term deferred loans*, calculating City funding as a percentage of rent-restricted value upon completion of the development. If the property is sold, the City would recoup that percentage of the new appraised value.

Single Room Occupancy (SRO)

- Single room occupancy units (SROs) consist of private sleeping rooms or other personal spaces with shared/common bathrooms, kitchens, living rooms, and other leisure spaces.
- SROs often have lower costs to development, are able to be rehabilitated from existing single-unit residential structures, and provide naturally lower costs of tenancy due to smaller private spaces.

Soft Costs

- A term for non- “bricks-and-mortar” costs of development. Includes developer fee, architectural and engineering costs, surveys, appraisals, etc.

Subordinate Loan

- A second, third, or fourth mortgage loan with a lien that is subordinate to a first, second, or third mortgage loan. In the event of default and foreclosure, subordinated loans are repaid only after other debts with a higher claim have been satisfied.
- Gap financing loans as provided by the City of Madison (and other sources of gap financing) are most often subordinated loans.
- **Everyday definition:** A loan that is only repaid after other loans.

Subsidized Housing

- Housing that has some public financing or benefit associated with it. There are two general types of housing subsidies:
 - Development subsidies (supply side) to help construct or acquire housing, and
 - Operating subsidies (demand side) that supplement the amount that residents can pay.
- **Everyday definition:** Housing that is made more affordable to renters through government investment.

Subsidy

- In development (supply-side), subsidy refers to financial assistance that fills the gap between the cost of creating affordable housing and the mortgage or sales income supported by income-restricted rents.
- Affordable rents are determined by financing program eligibility requirements. Often, multiple subsidies from various sources are needed, referred to as “*layering*” of subsidies, in order to make a project feasible.

Sweat Equity

- The value of labor that a homebuyer contributes to the construction or rehabilitation of their home, which is counted as part of their equity in the property.

Tax Increment Financing (TIF)

- Tax Incremental Financing (TIF) is a governmental finance tool that the City of Madison uses to provide funds to construct public infrastructure, promote development opportunities, and expand the future tax base.
- TIF assistance in Madison is only used when the proposed development would not occur “but for” City assistance, and generally must be consistent with City plans.
- **Everyday definition:** Loans for development that are repaid through future increases in tax revenue.

Tenant Selection Criteria (TSC/RSC)

- Written eligibility and selection requirements that are used to screen potential tenants at a development. These criteria detail the process of determining if potential tenants/applicants qualify for units of housing.
- Common criteria used for determination are verification of income (i.e. can tenants afford the amount of rent), criminal background checks, and proof of rental history, among others.
- **Everyday definition:** Criteria used by property managers to minimize risk to the property and future cash flows by setting minimum standards for tenants that want to live there.

Transit-Oriented Development (TOD)

- A targeted mix of developments and uses centered around transit stations, reflecting both the desirability of living in close proximity to public transit and sustainability of encouraging large-scale transit use. This development type maximizes the residential, business, and leisure space within walking distance of public transit, encouraging dense, compact, and sustainable urban form.
- The City of Madison strongly supports investments along key transit corridors, especially affordable housing investments. This is one of the key components built into the Affordable Housing Target Area Map.

Type A Units

- Housing units that are specifically designed to be fully accessible to residents requiring use of a wheelchair.
- Type A units must feature accessible turning radiuses, lower shelving, lever hardware, accessible thresholds, and lower furnishings (sinks, faucets, stoves, etc.).
- **Everyday definition:** Fully accessible housing regardless of ability.

Type B Units

- Housing units that are designed to be able to accommodate residents with a range of abilities, with minimal modifications.
- Type B units often feature “parallel approach” at sinks, removable base/floor cabinets, and construction that can easily accommodate installation of other accessibility features such as grab bars at a future date.
- **Everyday definition:** Housing that is able to be made more accessible with minimal changes.

Underwriting

- The process of evaluating a loan application to determine if it meets credit standards and any other special requirements. The underwriting process determines whether or not a loan will be approved, and on what terms and conditions.
- Proposals received through City of Madison RFPs are underwritten to determine the most prudent amount and type of financial support needed.

Universal Design

- Building design that creates accessible and usable space for everyone, including people with disabilities. Sometimes called barrier-free design, and applies to layout as well as fixtures (e.g. cabinets, faucets, light fixtures, etc.).

Utility Allowance

- An amount used to determine average utility bills for a specific area. This utility allowance is then used to calculate the tenant's portion of the monthly utilities, ensuring that the amount of contract rent plus the utility allowance is below the amount for total allowable housing cost under the relevant subsidy guideline.
- **Everyday definition:** The estimated amount a renter will pay for utilities in an apartment.

Wisconsin Housing & Economic Development Authority (WHEDA)

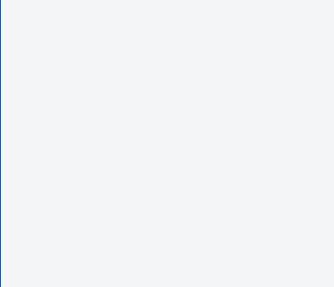
- WHEDA is the State of Wisconsin's State Housing Finance Agency, which are state-chartered non-profits created with the purpose to provide financing for affordable housing activities.
- WHEDA operates a range of programs that provide financing and technical support to homeowners, developers of rental housing, and other types of specialized housing. This support includes grants and loans, as well as being the allocating agency for both State and Federal *Low-Income Housing Tax Credits*.

Workforce Housing

- Housing that is affordable to residents that do not income-qualify for rent-restricted affordable housing units, but would also find market rate housing to be unaffordable to them.
- The most common definition of "workforce housing", and the definition most consistent with City of Madison Programs, is housing that serves households with incomes between 60% and 120% of *area median income* (AMI).
- **Everyday definition:** A building with homes that don't feel expensive to live in, targeted to middle-income workers.

Zoning

- Zoning requirements are detailed in the City's Zoning Code, which is one of the primary tools the City of Madison uses to regulate development.
- All existing and new development in the City must be consistent with the code's requirements for the District that the building is in.
- Though landowners can petition to rezone their properties, rezoning petitions must be consistent with the *Comprehensive Plan* (Imagine Madison).
- Zoning regulates both the physical structure of the building as well as the use that is housed within it.
- **Everyday definition:** Rules that regulate what can be done with properties in the City.



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