

OHFA Affordable Housing Lexicon

4 Percent Credit

The 4 percent credit is the credit percentage available for existing housing or for federally subsidized new construction or rehabilitation (30 percent credit).

9 Percent Credit

The 9 percent credit is the credit percentage available for new construction or rehabilitation (70 percent credit).

-A-

Acquisition Cost

Acquisition cost is the cost of acquiring an existing building.

ACS

American Community Survey

ADA

Americans with Disabilities Act (Section 504)

Adjusted Basis

Adjusted basis is the cost basis of a building adjusted for capital improvements minus depreciation allowable.

AFFH

Affirmatively Furthering Fair Housing

AFS

Annual Audited Financial Statements

AHS

American Housing Survey

AI

Analysis of Impediments (to fair housing); a part of Consolidated Plans

Allocation

Budget Authority transferred from one agency

AMGI

Area Median Gross Income is the gross income level that half the families in an area are below.

Applicable Fraction

The percentage of a building that is treated as low-income use and generally eligible for the LIHC. The applicable fraction is the lesser of the unit fraction or the floor space fraction.

Applicable Percentage

Describes the technical term for the credit percentage that a qualified low-income housing project is eligible for.

Arbitrage Yield Restriction

Arbitrage occurs when tax-exempt bond proceeds are invested in securities that yield a greater return than the interest charged on the bonds. Restrictions exist on the amount of arbitrage bonds can earn without putting the tax-exempt status of the bonds in peril. In instances where the restriction is violated, exceptions exist that allow for the tax-exempt status of the bonds to remain intact.

-B-

Basis Point

A basis point is one-one-hundredth of a percentage point (.01%).

Below Market Federal Loan

A below market federal loan is any loan funded by federal funds if the interest rate payable on such loan is less than the applicable federal rate.

Bond Counsel

Bond counsel is the attorney representing the bond issuer and bondholders. The attorney provides an opinion that the interest on the bonds is exempt from federal taxation. He/she is responsible for the bond inducement resolution, bonds, the bond indenture, the financing agreement, the regulatory agreement and the tax opinion.

Bond Issuance Costs

Bond issuance costs are the costs incurred to issue the bonds, including legal fees, underwriting fees, rating agency fees, trustee fees, printing, etc.

Bond Issuer

A bond issuer is the governmental or non-profit entity responsible for issuing bonds.

Bond Purchase Agreement

A bond purchase agreement is an agreement between the borrower, issuer and underwriter allowing the underwriter to sell the bonds, subject to responsibilities, warranties, and agreements agreed to by the issuer.

Bond Trustee

The bond trustee is responsible for collecting the interest and principal payments and forwarding these payments to bondholders. The trustee invests the bond proceeds, as applicable, and administers the indenture agreement.

-C-

Call Premium

A call premium is a payment made to the bondholder if the borrower pays off the bonds before they mature.

Call Protection

Call protection describes the provisions in a bond issuance that preclude the borrower from prepaying the bonds for a specified period of time.

CDBG

Community Development Block Grant (CPD program)

CHAS

Comprehensive Housing Affordability Strategy

CHDO

Community Housing Development Organization. Nonprofit housing provider receiving minimum of 15% of HOME Investment Partnership funds.

CoC

Continuum of Care approach to assistance to the homeless

Continuum of Care

Federal program stressing permanent solutions to homelessness

Con Plan

Consolidated Plan; a locally developed plan for housing assistance and urban development under the Community Development Block Grant and other CPD programs.

Comfort Letter

A comfort letter is a letter provided by a certified public accountant when the bond purchase agreement is executed. This letter confirms that the issuer's (or borrower's) financial information included in the official statements is presented in conformity with generally accepted auditing standards and that no changes in the financial position of the borrower since the date of the last audited financial statements, other than those changes disclosed in the comfort letter or in the official statement, have occurred.

Compliance Period

The compliance period is the 15 year period over which a project must continue to satisfy the various LIHC requirements in order to avoid tax credit recapture. The compliance period begins with the first taxable year of the credit period.

Credit Enhancer

The credit enhancer guarantees, for a fee, that the bondholders will receive scheduled bond payments.

Credit Period

The credit period is the 10-year period over which the LIHC is claimed. This period generally begins on the date a property is placed in service, but a taxpayer may elect to start the credit period as of the beginning of the year following the year the LIHC property is placed in service.

Credit Recapture Amount

Credit recapture amount is the amount of credit that is recaptured upon disposition of the LIHC project during the compliance period. The amount of the recapture is one-third of the allowable credit for each year if the building is disposed of through year 11 of the compliance period plus interest.

-D-

Davis Bacon

Statutory requirement that persons working on federally assisted projects be paid at least minimum prevailing wage rates.

DCR

Debt Coverage Ratio (NOI/Hard Debt)

Difficult Development Area

A difficult development area is any area designated by the U.S. Department of Housing & Urban Development, which has high construction, land or utility costs relative to area median gross income.

-E-

Eligible Basis

Eligible basis is a component of the qualified basis of an LIHC project. It is generally equal to the adjusted basis of the building, excluding land but including amenities and common areas.

Extended Low-Income Housing Commitment

An extended low-income housing commitment is any agreement between the taxpayer and the housing credit agency that extends the low-income housing requirements for a full 30 years.

Extended Use Period

The period beginning on the first day after the compliance period and ending on the date specified by the agency or 15 years.

-F-

Fair Housing Act

1986 act (amended in 1974 and 1988) providing HUD Secretary with fair housing enforcement and investigation responsibilities.

Federally Assisted Building

A federally assisted building is any building that is substantially assisted, financed or operated under laws in effect the date of enactment of the Tax Reform Act of 1986.

Federally Subsidized

Federally subsidized is a term used to describe a building that is financed with a below-market federal loan or with a loan for which the interest income earned by the holder of the loan is exempt from tax under Internal Revenue Code Section 13.

FHA

Federal Housing Administration (HUD Office of Housing)

Financing Agreement

The financing agreement is entered into between the bond issuer, trustee and borrower. The agreement covers how the bonds will be issued, serviced by the trustee and paid for by the borrower.

Floor Space Fraction

The floor space fraction is obtained by dividing the total floor space of the low-income units in the building by the total floor space of all residential units in the building (whether or not occupied).

FMR

Fair Market Rent (maximum rent for Section 8 rental assistance)

-G-**Grant**

A grant is funds received from a private foundation or charitable group, federal, state or local government that do not have to be repaid.

Gross Income

Gross income is all income from whatever source derived, including the value of property or services as well as cash.

Gross Rent

Gross rent excludes any amounts received from a rental assistance program, utility allowance or fee paid to the owner of the unit or by any governmental assistance program.

GSE

Government Sponsored Enterprises (Fannie and Freddie Mac)

-H-

HFA

Housing Finance Agency. State or local agencies responsible for financing and preserving low/mod housing within a state.

HOME

Home Investment Partnerships (CPD program)

HUD

U.S. Department of Housing and Urban Development

HUD-VASH

HUD-Veterans Affairs Supportive Housing program

-I-

IDA

Individual Development Account

Indenture

The indenture is an agreement between the bond issuer and the trustee containing the terms and procedures for payment of the bonds.

Inducement Resolution

An inducement resolution is the resolution passed by the bond issuer communicating the intent to issue bonds for a specific activity.

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LIHTC

Low Income Housing Tax Credit

Low-Income Unit

A low-income unit is (1) rent restricted and (2) has individuals occupying it who meet the income limitation applicable under the elected minimum set-aside test.

-M-

MBE

Minority Business Enterprise

Minimum Set-Aside Test

The minimum set-aside test is generally used to determine if a building is a qualified low-income housing project. There are three different minimum set-aside tests with varying applicability. The tests are 20-50 test, the 40-60 test, and the 25-60 test. (See 20-50 test, 40-60 test and 25-60 test).

Mortgage Backed Security (MBS)

Mortgage Backed Security is collateral provided by credit enhancers that is used to guarantee the bonds.

MOU

Memorandum of Understanding

-N-

Negative Arbitrage

Negative arbitrage occurs when undisbursed bond proceeds earn a lower interest rate than the bond interest rate.

NOFA

(HUD) Notice of Funding Availability

NOI

Net Operating Income (EGI – Operating Expenses = NOI)

NPV

Net Present Value

-O-

Official Statement

The official statement is a marketing prospectus used by underwriters to sell the bonds. The official statement summarizes the terms of the bonds and other information relevant to the investment decision.

Operating Subsidies

Payments authorized for operating costs of low-rent public housing projects.

-P-

PBVP

Project-Based Voucher Program

PHA

Public Housing Authority

Placed-In-Service Date

The placed-in-service date generally marks the beginning of the credit period. It is defined as the date the property is ready for occupancy.

PILOT

Payment in Lieu of Taxes

PJs

Participating Jurisdictions (in HOME program)

Private Placement

Private Placement is the sale of bonds directly from a bond issuer to an investor without the use of an underwriter. An investment banker may act as a placement agent in this type of transaction.

-Q-

Qualified Basis

Qualified basis is the base that is multiplied by the credit percentage to determine the annual credit. The qualified basis equals the applicable fraction times the eligible basis.

Qualified Census Tract

A Qualified Census Tract is any census tract in which 50 percent or more of the households have an income which is less than 60 percent of area median gross income.

-R-

RAD

Rental Assistance Demonstration

Rating Agency

A rating agency determines or "rates" the investment risk of bonds. Examples include Standard & Poor's and Moody's Investors Service.

REAC

(HUD) Real Estate Assessment Center

Rebate

A rebate is payment of the excess arbitrage proceeds to the federal government to retain the tax-exempt status of the bonds. Special rules allow a borrower to avoid a rebate of arbitrage proceeds.

Rent-Restricted Unit

A rent-restricted unit is a unit for which the rent charged to tenants is limited to 30 percent of the income limitation applicable under the elected minimum set-aside test.

RFP

Request for Proposals. Used to solicit proposals for contracts under the negotiated procurement method.

RFQ

Request for Quotations. Used to solicit price quotes under the simplified acquisition procurement method.

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Section 8

Housing Assistance Payment Program (Housing and Community Development Act of 1974)

Section 202

Loans for construction/rehab of housing for the elderly or handicapped.

Section 202/811

Programs for housing assistance to the elderly and people with disabilities

Section 202

Loans for construction/rehab of housing for the elderly or handicapped.

Section 207

Basic FHA multifamily insurance program

Section 221 (d) (2)

FHA Single Family Mortgage insurance for low/moderate income families.

Section 221 (d) (3)

FHA mortgage insurance for Multifamily housing for low/moderate income families.

Section 223 (e)

FHA mortgage insurance with housing in older declining neighborhoods.

Section 223 (f)

FHA mortgage insurance to refinance existing multifamily housing.

Section 231

Mortgage insurance for housing constructed or rehabilitated primarily for elderly persons.

Section 235

FHA single family mortgage insurance with subsidies on interest for low/moderate income families.

Section 236

FHA multifamily mortgage insurance with subsidies on interest for low/moderate income projects.

Scattered Site Project

A scattered site project is a qualified low-income housing project located on multiple sites. 10 or more sites and 50 percent fewer of the sites are contiguous qualifies the development as a scattered site project. At least 35 percent of the sites must be under control at the time of the application.

SHP

Supportive Housing Program

SLR

Subsidy Layering Review

SRO

Single-Room Occupancy. Mortgage insurance under Section 221 (d) for single room apartments.

State Housing Credit Ceiling

The state housing credit ceiling is the maximum LIHTC amount a state may allocate in a given year. Each state's LIHTC ceiling in 2015 is equal to the greater of \$2.30 multiplied by the state population or \$2,680,000.

Substantial Improvement

Substantial improvement is used in connection with determining the eligibility of an existing building for the LIHC. It is any amount incurred during a 24-month period equal to or exceeding 25 percent of the adjusted basis of the building as of the first day of such period.

Supportive Service

Supportive service is any service provided under a planned program of services designed to enable residents to remain independent and avoid placement in a hospital, nursing home or intermediate care facility.

-T-

TANF

Temporary Assistance to Needy Families

Tax Shelter Registration

Certain partnerships or other investments with significant tax benefits must register as tax shelters with the Internal Revenue Service and certain state tax agencies.

TEFRA Hearing

The Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing is the bond issuer's public notice, public hearing and approval by elected officials of a bond issuance.

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UFAS

Uniform Federal Accessibility Standards

Underwriter

The underwriter is an investment bank that underwrites and markets the bonds to investors.

Underwriter's Counsel

Underwriter's counsel is an attorney who verifies that the documents used to market the bonds comply with the applicable securities regulations.

Unit Fraction

The unit fraction is the fraction obtained by dividing the number of low-income units in a building by the total number of units in the building (whether or not occupies).

USDA

United States Department of Agriculture

Utility Allowance

The utility allowance is the amount, determined by the Secretary of the Department of the Treasury, to be the average cost of tenant utilities.

-V-

VASH

HUD-Veterans Affairs Supportive Housing Program

Volume Cap

The volume cap is the maximum amount of LIHCs and tax-exempt bonds each state is allowed to allocate annually. The tax credit volume cap is \$1.75 per state resident. The bond volume cap is \$75 per person per state, with a \$225 million minimum per state. Beginning in 2003, the volume cap was indexed to inflation.