

AFFORDABLE HOUSING GLOSSARY

Unfortunately, the environment in which affordable housing is created is not always readily transparent to those not immersed in it. Confounding matters are that the Federal and State agencies often use slightly different terms and definitions, essentially to accomplish different goals. To that end, we have compiled a short list of the key terms needed to talk about “Affordable Housing.” This list is not inclusive and represents only the first layer or two of the subject. For ease of reading, italicized-underlined items are words, terms, or acronyms defined elsewhere in this glossary.

In an attempt to define what affordable housing means the following definition is offered:

Affordable Housing – Housing targeted to and affordable by households that meet specific income eligibility levels, in this case households earning at or below 80% AMI.

“Affordable housing” does not refer to the design, type or method of construction of a housing unit or development, but to the cost of the housing to the consumer. Housing is generally considered affordable if the household pays less than 30 percent of its monthly income to secure the housing.

Attainable Housing – “Attainable Housing” is a term that is used for housing that is neither deed restricted nor serving households typically targeted for affordable housing; something less than market but above affordable. For the purposes of this paper, attainable housing is housing priced for sale at a level affordable to a household earning the median income of \$96,825, as reported in the last federal Census. Using several common assumptions, this translates to a home sales price of approximately \$290,000.

Definitions

10% – The required percentage of year round housing stock that must be *Affordable*. This is part of *Chapter 40B* and a communities current percentage can be found on the *SHI* maintained by *DHCD*.

Affordable – Defined by *DHCD*, affordable actually means that the unit qualifies for inclusion on the *Subsidized Housing Inventory*. Per *DHCD*’s guidelines this means that a unit need not be affordable, as it is defined in bold above, but rather is a *qualified unit*.

Area Median Income (AMI) – The median divides a distribution into two equal parts: one-half of the cases falling below the median income and one-half above the median. *HUD* uses the median income for families to calculate income limits for eligibility in a variety of housing programs. *HUD* estimates the median family income for an area in the current year and adjusts that amount for different household sizes so that incomes may be expressed as a percentage of the area median income. For example, a household’s income may equal 80 percent of the area median income, a common maximum income level for participation in affordable housing programs.

Chapter 40B – MGL Chapter 40B is a state statute, which enables the local Zoning Board of Appeals (ZBAs)¹ to approve affordable housing developments under flexible rules if at least 20-25% of the units have long-term affordability restrictions. Also known as the Comprehensive Permit Law, Chapter 40B was enacted in 1969 to help address the shortage of affordable housing statewide by reducing perceived barriers created by local approval processes, local zoning and other restrictions.

The goal of Chapter 40B is to encourage the production of affordable housing in all cities and towns throughout the Commonwealth. The standard is for communities to provide a minimum of 10% of their housing inventory as affordable. A total of 47 cities and towns have now met that standard. For those communities that still fall below that threshold, a 40B development can be proposed (communities above the 10% threshold can still accept 40B development proposals at their choice.)²

Cost Burden – The percentage of household income spent for mortgage costs or gross rent. According to HUD regulations, households spending more than 30 percent of income for these housing costs are considered "cost-burdened." Households spending more than 50 percent are considered "severely cost-burdened."

CPA – The Community Preservation Act. The CPA is a state law, G.L. c. 44B, to help communities preserve open space (either passive or active), preserve historic resources, and create affordable housing by creating a local funding stream. A minimum of 10% of the annual revenues of the fund must be used for each of the three core community concerns. The remaining 70% can be allocated to any one or any combination of the allowed uses. Lexington enacted the law in March of 2006.

DHCD – The Massachusetts Department of Housing and Community Development. DHCD offers programs, housing and funding to communities to serve income eligible households.

HOME – HOME is authorized under Title II of the National Affordable Housing Act, as amended; its program regulations can be found at 24 CFR Part 92. Administered by HUD, HOME provides formula grants to States and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. Since 2006, Lexington has participated in the HOME program through its membership in the WestMetro HOME Consortium.

Housing Authority – The Lexington Housing Authority, a state-run organization with local leadership, owns and/or manages several hundred units throughout the community serving income eligible households.

Housing Foundation – The Lexington Housing Foundation is an independent arm of the Housing Partnership that serves as the local housing trust fund. Through collaboration with the

¹ In Lexington this board is known as the Board of Appeals.

² This definition can be found at <http://www.mass.gov/dhcd/components/SCP/ch40B/default.htm>

community, the Foundation hopes to serve as a funding source for, and advocate of, the development of affordable housing.

Housing Partnership – The Lexington Housing Partnership is a coalition of local groups involved in the development of (affordable) housing in Town. Member groups include the *Housing Authority*, the Selectmen, the Planning Board, the Board of Appeals, *LexHAB* and several others. This 21-member board offers advice and recommendations to the Selectmen and other local boards on housing policy.

HUD – The United States Department of Housing and Urban Development. HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination.

Income Eligibility Levels / Limits – Various programs use different income levels, or limits, to qualify the household, usually tied to some percentage of *AMI*, adjusted for family size. The most important classifications relating to income limits are 80% AMI, 50% AMI, and 30% AMI. Unfortunately there is not always perfect symmetry between *HUD* and *DHCD* on the terminology used to describe the levels of income, that is, the terms used to describe the percentage, like “low income,” “moderate income,” or even “low-mod.” The percentages, however, are very consistent and can be used to clearly identify the target population. In addition to the above income limits, the Town of Lexington is also able to fund housing developments serving income eligible households between 81-100% AMI via the *CPA*.

LexHAB – The Lexington Housing Assistance Board. LexHAB has a long history of creating affordable units; it currently controls over 50 units throughout Town.

Qualified Unit – In general an ownership unit created by *Chapter 40B* (or another accepted program) are counted as qualified units on the *SHI*. In rental developments however, the rules are different. Per guidelines published by *DHCD* in December 2006, “[I]n a rental development, if at least 25% of units are to be occupied by eligible households earning 80% or less than the area median income (or alternatively, if at least 20% of units are to be occupied by households earning 50% or less of area median income) and meet all criteria outlined in Section 1, then all of the units in the rental development shall be eligible for inclusion on the SHI. If fewer than the aforementioned percentages of units in the development are so restricted, then only the affordable units are eligible for inclusion on the SHI.”³

SHI – Subsidized Housing Inventory. The SHI is used to measure a community’s stock of low- or moderate-income housing for the purposes of *Chapter 40B*, the Comprehensive Permit Law. While housing developed under *Chapter 40B* is eligible for inclusion on the SHI, many other types of housing also qualify to count toward a community’s affordable housing stock.⁴ Currently Lexington’s percentage is 11.2% although it remains unclear what the revised percentage will be after the Federal Census of 2010.

³ Source: <http://www.mass.gov/dhcd/components/SCP/EligSumm.doc>

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