



State of the Market 62: The devil's housing dictionary



By David A. Smith

As the holder of a hemoglobin-notarized collateral security interest in the spiritual reversionary of the putative author of the musings whose earlier editions you have perhaps read, I must correct his regrettable tendency to retreat to euphemisms of affordable housing political correctness, and so herewith provide the true meaning of many phrases that he and others in the field (a fertile one for adding assets to my eternal portfolio) are wont, under stress, to employ. — George Spiggott

Administrative procedures. The process of filtering all requests by asking two questions: (1) "What course is least likely to get me criticized or fired?" and (2) "Is there someone else to whom I can plausibly pass this buck?"

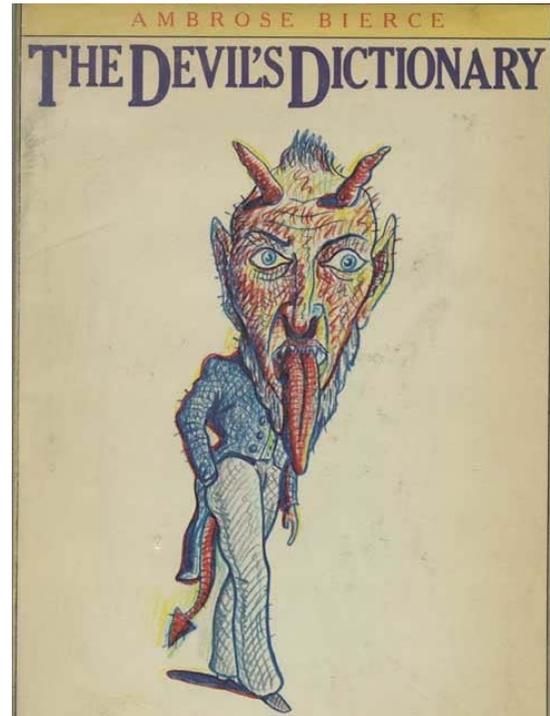
Advocate. A person or organization that neither owns property nor gives out resources, but is sure those who do have their priorities all wrong.

Affordability. A measure of rental advantage compared with the market that must never, under any circumstances, be quantitatively connected to total *resources* per apartment.

Allocation regulations. The secret incantation whereby 99.9% of the tax savings going to a party that will receive 0.1% of the economics is deemed to have substantial economic effect.

Devil teaches tax credits in 17 minutes!

A few weeks back, David Smith participated in a *MultiHousing News* webinar on tax credits today and included an introduction giving the dynamics of what he entitled *Game of Homes*. Shorter than Rose Mary Woods' recording gap, it's available on YouTube at <https://www.youtube.com/watch?v=PBR4i7P-uQc>



Better to reign in print than serve in regulation

At-risk property. An otherwise stable property that is at risk of not winning a LIHTC award unless we *level the playing field*.

Award-winning development. A property with the highest build cost per apartment. See *green*.

Best practices. (1) When used by a trade association, whatever most of our members do. (2) When used by a regulator, the most aggressive result ever achieved anywhere and now established as the new minimum required.

Cash flow. Something required to be shown in pro-formas despite never being observed in actual operations. See *residual value*.

Community group. A person with time, a Web site, a blog, and five neighbors.

Critic. An *advocate* after the fact.



Cross-subsidy. The persistent belief (contrary to all experience) that market people will pay market rents to live alongside poor people paying below-market rents, so excess cash flow from the market apartments will make the affordable apartments economically viable. See *underwriting*.

Development fee. The pot of gold at the end of the rainbow.

Deregulation. Eliminating gratuitous *administrative procedures* as camouflage for cutting funding without reducing mandates.

Environmentalist. Someone who opposes affordable housing in their town because it will disrupt the *neighborhood character*.

Evidence-based analysis. Factoids and numbers that support my prejudices.

Exclusionary zoning. How your town keeps poor people from moving in.

Gentrification. When people who earn more than I do move into a neighborhood where I don't own my own home.

Green. Any new expensive gadget claimed to use less energy, last longer, or be healthier than the current working gadget being used now.

Green certification. A prize given for buying the right expensive gadgets.

Hard-working Americans. See *middle class*.

Historic. A property that is old, unoccupied, for sale, and uneconomic to renovate without *resources*.

"I really value relationships". No one else will fund my property.

Impact assessment. A massive *evidence-based* analytical report that concludes new building will irreparably change the current environment in some way, and that such change is inherently bad.

Impacted neighborhood. A part of town where the economy is so weak the numbers *pencil out*.

Incentive. A *loophole* I rely on.

Incentive management fee. An extra payment for doing what we are already being paid to do.

Income concentration. The unconscious systems that puts 'those people' where the rest of us don't have to look at them.

Intermediary. An entity with neither property, capital, nor *resources*, whom you pay to conjure such things.

Internal Rate of Return. A calculation that no one can describe correctly but on which everyone relies.

Learnings. A list of all the ways we screwed up our last property and a vow to make only new mistakes in the next one.

LEED-equivalent. Not LEED.

Level the playing field. Give more *resources* to our industry, entities like mine, or my property in particular.

Logic. Argumentation banned in *public consultation*.

Loophole. Tax-based *resources* for any industry other than ours.

Market study. An *evidence-based analysis* demonstrating that people live near the proposed property, some of them are poor, and if they are provided with enough subsidy or affordability they might move in to our property.

Middle class. The hard-working Americans who vote for me.

Mortgage Interest Deduction. A provision whose greatest trick was convincing everyone that eighty billion dollars a year isn't a subsidy.

Neighborhood character. What we have in our town before 'those people' move in.



NIMBYite. A resident of another town who wants affordable housing in my town, not his. See *environmentalist*.

The 1%. People who contribute to my opponent.

Operating expenses. (1) In a pro-forma, a number reduced until operations *pencil out*. (2) In operations, the amount we would have paid annually except for those pesky non-recurring expenses we have every year. (3) On the tax return, how we characterize capital improvements.

Participatory process. A series of meetings in which we explain to you *stakeholders* what we intend to do, invite your opinions, write them down, ignore them, and repeat what we are going to do until you agree that we know best. See *public consultation*.

Partner. (1) As a present-tense verb (“We’re partnering with them”), an agreement to pursue a common goal while deferring any issue that will become more of a sore point as we approach success. (2) As an overture (“Can we partner?”), my desire to share equally in the control and benefits despite bringing less than half the resources. (3) As a noun applied to a public body, a concessionary funder that gives us money and expects little in return. (4) As a noun applied to a private participant, either (i) a service provider whom we expect to wait for payment until the closing, or (ii) an investor who contributed capital under the adorable delusion that it actually has a say in what will happen.

Pencil out. Not so demonstrably impossible that it fails *underwriting*.

Pick your brain. A request to seek free professional advice on the assumption you will be flattered to give it.

Public consultation. A pillory-based episode of political theater in which a developer is criticized

by *stakeholders* prior to being awarded *resources*.

Reach out (to). Rescue from their serenity a total stranger via an introductory email that you hope finds them well.

Regulator. An institution that is absolutely sure you could do your job better than you did.

Replacement reserve annual deposits. Regulator-approved underfunding of future capital needs on the expectation that something will turn up; see *resyndication*.

Resident services. Things we propose in the application but do not promise to do unless they are funded, and for which we have no funding.

Resident service coordinator. A dedicated individual who seeks to convince others to provide free services to our residents.

Residual value. (1) Used by a capital provider, an anachronistic concept reminiscent of the good old days. (2) Used by a regulator, evidence that the property was oversubsidized and something should be done to prevent it.

Resources. Subsidy packaged as financing.

Resyndication. A fee-generating capital transaction necessitated by the astonishing discovery in Year 15 that a property which was operating fine now needs a new round of *resources*. See *development fee*.

Risk sharing. Where I take none of the real risk but charge you a fee for not taking it.

Rules. (1) Used by a program participant, something to get around. (2) Used by a regulator, (a) if applied to a program participant, something written by us and imposed on you, (b) if applied to a lower level of government, how we make sure you people don’t screw up, or (c) if applied to a higher level of government, an arbitrary imposition by people far away who don’t understand the real world.



Set-aside. An allocation only to people like us, used to *level the playing field*.

Soft debt. Deferred-repayment money borrowed on the expectation that by the time the documents say payment is required, those individuals who lent it will have left the organization and their successors either will have forgotten that it should be repaid or will not mind if it is not.

State Historic Preservation Officer. A design school graduate who avoided finance classes.

Stakeholder. A party with neither financial interest nor legal standing who nevertheless has no shortage of opinions, all of which must be placated. An *advocate* in training. See *public consultation*.

Sustainable. With respect to a property, a state always claimed to exist; a triumph of faith over experience. (1) Applied to physical improvements, likely to last until you stop paying attention to it. (2) Applied to financing or debt viability, likely to avoid monetary default until the last equity installment is paid in.

Tax reform. Raising taxes by closing *loopholes*.

Theory of impact. Why you should fund my program or property rather than someone else's.

Third party report. (1) If commissioned by a developer, an *evidence-based* document that says what I want it to. (2) If commissioned by a capital provider, a document that we can use later to demonstrate we couldn't know the property would go bad. See *administrative procedures*.

Trade association. A group dedicated to (1) defending what we do, (2) keeping out newcomers, and (3) protecting subsidy flows that *level the playing field*.

Underwriting. The process of rationalizing that the property will be *sustainable*.

Value-add acquisition. A bad property that is not *historic*.

Workforce housing. Housing for middle-class people who make more than the working people whose income is below LIHTC income limits.

Year 15. The date by which we can finally get rid of our old partners whom we have come to resent and get new partners whom we have had no opportunity to resent.

Yield maintenance. An amount of money sufficient to make prepaying a loan infeasible.

Zoning. A form of land use governance abandoned as it was insufficiently *NIMBYite*.

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