

## Detroit Housing for the Future Fund (DHFF)

Product Description: *Preferred Equity*

<b>Problem Statement:</b>	<ul style="list-style-type: none"> <li>• Many affordable housing projects in Detroit have considerable gaps after maximizing debt products available in the marketplace</li> <li>• Product will reduce the need for traditional subsidy sources</li> </ul>
<b>Product Description:</b>	<ul style="list-style-type: none"> <li>• Equity investment in project ownership entity</li> <li>• Allows for refinancing of existing debt.</li> <li>• Intended for multifamily buildings of 75 units or less, but not exclusively</li> <li>• New construction or renovation/acquisition of existing properties</li> </ul>
<b>Affordability Covenants</b>	<p>Minimum affordability requirements:</p> <ul style="list-style-type: none"> <li>• 5% of units at 50% AMI or below</li> <li>• 15% of units at 60% AMI or below</li> <li>• Overall, at least 50% of units must be at 80% AMI or below</li> <li>• Commercial space set aside for minority owned businesses/entrepreneurs of color (mixed use developments)</li> </ul> <p>Deeper affordability is encouraged and will be scored higher Will preserve affordability requirements for existing regulated</p>
<b>Eligible Borrowers:</b>	<ul style="list-style-type: none"> <li>• Owners or purchasers of existing regulated projects willing to preserve unit affordability, or developers of new construction affordable projects, as set through loan covenants</li> <li>• Owners or purchasers of NOAH buildings willing to meet affordability requirements</li> <li>• For-profit or Nonprofit</li> <li>• Small/newer developers who are partnered with experienced development consultants</li> </ul>
<b>Geographic Deployment:</b>	<ul style="list-style-type: none"> <li>• Properties must be located within Detroit city limits</li> </ul>
<b>Equity Multiple (EM)</b>	<ul style="list-style-type: none"> <li>• EM is variable based upon length of investment term</li> </ul>
<b>Key Underwriting Guidelines:</b>	<ul style="list-style-type: none"> <li>• Amount: Up to \$2 million</li> <li>• Term: Up to 25 years</li> <li>• LTV: Up to 120%</li> <li>• Maximum Debt Coverage Ratio on All Debt: 1.05</li> <li>• Developer Equity: Minimum 5% for nonprofit; 5-10% for for-profit</li> <li>• Guarantees/Recourse: N/A</li> <li>• Due diligence materials: as required by DHFF underwriters</li> </ul>
<b>Repayment Source:</b>	<ul style="list-style-type: none"> <li>• Up to 1-2% annual distributable cash-flow based on outstanding equity amount, subject to cash flow</li> <li>• Pref Equity is senior on the refinance before developer cash-flow</li> <li>• Refinance of Outstanding Principal at Maturity</li> <li>• Sale of Property</li> </ul>
<b>Borrower Fees:</b>	<ul style="list-style-type: none"> <li>• Origination: 1%</li> <li>• Legal: Reimbursed by borrower, eligible from loan</li> <li>• Flat asset management fee of \$500 annually</li> </ul>

**Contact Information:** Victor Abla, Regional Preservation Director, Local Initiatives Support Corporation  
[vabla@lisc.org](mailto:vabla@lisc.org) or 313-265-2893