

Detroit Housing for the Future Fund (DHFF)

Product Description: *Low Interest Subordinate Mini-Perm Loan*

Problem Statement:	<ul style="list-style-type: none"> • Many regulated affordable housing projects in Detroit are reaching expiration • Owners of NOAH buildings typically do not have access to mainstream financing products • Some projects are able to service debt products subordinate to conventional financing • Product will reduce the need for additional subsidy sources and provide long term capital at discounted interest
Product Description:	<ul style="list-style-type: none"> • Subordinate loan • Allows for refinancing of existing debt. • Intended for multifamily buildings of 75 units or less, but not exclusively • Renovation costs projected at moderate level per unit
Affordability Covenants	<p>Minimum affordability requirements:</p> <ul style="list-style-type: none"> • At least 50% of units must be at 80% AMI or below • Remaining 50% of units at 120% AMI or below <p>Deeper affordability is encouraged and will be scored higher Will preserve affordability requirements for existing regulated projects</p>
Eligible Borrowers:	<ul style="list-style-type: none"> • Owners or purchasers of existing regulated projects willing to preserve unit affordability as set through loan covenants • Owners or purchasers of NOAH buildings willing to meet affordability requirements • For-profit or Nonprofit • Small/newer developers who are partnered with experienced development consultants
Geographic Deployment:	<ul style="list-style-type: none"> • Properties must be located within Detroit city limits
Pricing	<ul style="list-style-type: none"> • No less than 3.5%
Key Underwriting Guidelines:	<ul style="list-style-type: none"> • Amount: Up to \$2 million • Term: Up to 15 years • Amortization Period: Up to 30 years • Interest Only Period: Up to 1 year for construction period with exceptions for longer construction periods • LTV: Up to 95% (global) • Debt Coverage Ratio: 1.05 • Developer Equity: Minimum 5% for nonprofit; 5-10% for for-profit • Guarantees: Joint & Several Payment Guarantee (if for-profit). Corporate Guarantee from project sponsoring organization (if nonprofit) • Recourse: To borrower entity • Security: Subordinate lien, additional collateral package to be negotiated on deal-by-deal basis • Due diligence materials: as required by DHFF underwriters
Repayment Source:	<ul style="list-style-type: none"> • Monthly Interest Payments during Construction • Monthly Principal & Interest Payments during Term • Refinance of Outstanding Principal at Maturity
Borrower Fees:	<ul style="list-style-type: none"> • Origination: 1% • Legal: Reimbursed by borrower, eligible from loan proceeds

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