

LISC DETROIT

LISC/Detroit Affordable Housing Leverage Fund (AHLF)

www.lisc.org/detroit



COTS Peterboro building in Detroit, Mich.


ABOUT THIS PROJECT

The Affordable Housing Leverage Fund (AHLF) is a partnership between the City of Detroit Housing & Revitalization Department, the Local Initiatives Support Corporation (LISC), and the Michigan State Housing Development Authority (MSHDA) to provide affordable housing developers and owners with streamlined access to financial tools that are specifically designed to address housing challenges in Detroit neighborhoods. Detroit Housing for the Future Fund (DHFF) is a \$48 million fund within that larger fund, managed by LISC. The DHFF is designed to deploy private grant and low interest loan capital to compliment and leverage public investment through the City of Detroit and MSHDA, as well as tax credits and other existing affordable housing finance tools.

WHY WAS THIS NEEDED?

Challenge: Developers looking to preserve or create new affordable housing units often face a funding gap between available federal or private investment sources, the costs of building or renovation, and the ultimate net profit when units are priced to serve the lower end of the market. This leads most developers to focus on market-rate development, even in communities like Detroit, where more quality affordable housing is sorely needed.

Solution: AHLF is available to close that financial gap and encourages preservation of both naturally occurring and federally regulated affordable housing in Detroit. AHLF is expected to deploy \$250 million into the preservation of 10,000 units of existing affordable housing and the development of 2,000 units of new affordable housing.

<p>IMPACTED LOCATION</p>  <p>Detroit</p>	<p>YEAR APPROVED</p> <p>2020</p>	<p>KRESGE PROGRAM</p> <p>Detroit</p>	<p>GRANT SUPPORT</p> <p>None</p>
	<p>TYPE OF TRANSACTION</p> <p>Guarantee</p>	<p>AMOUNT OF INVESTMENT</p> <p>Up to \$10 million</p>	<p>TERM OF INVESTMENT</p> <p>15 years</p>



ABOUT THE PARTNER

LISC is the country's largest community development organization, with offices in 33 cities. LISC forges long-term local relationships to equip communities with the capital, strategy and know-how to become places where people thrive. Working with local leaders on the ground through local LISC offices, LISC invests in the interconnected areas of housing, health, education, employment and public safety, which shape how residents engage in civic life. Since 1979, LISC has invested \$20 billion, leveraged \$60.4 billion, resulting in 400,500 affordable housing units developed or preserved and 66.8 million square feet of commercial and community space. Its toolkit includes loans, grants, equity investments and on-the-ground technical assistance. LISC's subsidiary, the National Equity Fund, invests hundreds of millions of dollars into affordable housing projects every year.

IMPACT MEASURE

Goal of 10,000 units preserved and 2,000 units of new affordable housing.

KEY PARTNERS:

City of Detroit Housing & Revitalization Department (HRD), Michigan State Housing Development Authority (MSHDA)

Key Considerations



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Managing Director
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- » AHLF will invest in housing affordable to households at or below 60% Area Median Income (with consideration of households up to 80% AMI for for-sale projects).
- » Recognizing that housing cost burdens are a particularly acute challenge for Detroit residents at the lower end of the income spectrum, AHLF will seek to invest in a significant number of homes that are available to households below 50% and 30% of AMI as well as permanent supportive housing.
- » Kresge's term sheet requires at least 5% of the fund (grant capital) be held as a cash reserve.
- » The default rate on affordable housing projects is low nationally – only 2%.
- » The City of Detroit is providing substantial public support through dedicated subordinate HOME loans and CDBG funding. In addition, the fund maintains discretion over \$50 million in grant capital used to fill gaps in projects.