

Affordable Housing Leverage Fund

Developer Frequently Asked Questions

What is AHLF?

The Affordable Housing Leverage Fund is a \$250 million fund that aligns federal funds, state funds, and corporate/philanthropic investment to significantly increase the preservation and production of affordable housing in Detroit.

Why was AHLF created?

The preservation and creation of affordable housing is a cornerstone of the City of Detroit's growth strategy. The Housing & Revitalization Department has set a goal to preserve 10,000 units of affordable housing and produce 2,000 new units of affordable housing by 2023. To meet this goal, the City created AHLF to:

- (1) Increase the amount of capital available to invest in affordable housing;
- (2) Bring greater coordination and efficiency to the application and underwriting processes for affordable housing funding;
- (3) Increase the frequency of funding availability to increase the pace of affordable housing development and preservation.

What types of developers are eligible to apply?

AHLF is available to any type of developer that demonstrates the ability to deliver high quality affordable housing opportunities to Detroiters, including non-profit developers, private affordable housing developers, and private developers committed to providing affordable housing as part of mixed-income developments. Some funding sources within the AHLF have specific set-asides for community-based nonprofit organizations.

What types of projects are eligible to apply to AHLF?

There are no restrictions as to the type of projects eligible for AHLF as long as they include a portion of units that will be regulated as affordable housing. Common project types are expected to include

- New multifamily housing developments (mixed-income and affordable)
- Preservation of existing regulated affordable properties
- Preservation of naturally occurring affordable housing properties
- New neighborhood-scale single family developments
- Development of new permanent supportive housing

What types of funding are available through AHLF?

Submissions to the AHLF Notice of Funding Availability will be considered for six product types:

1. Gap Financing/Soft Debt (through public and private sources)
2. Capital Needs Assessment Grants
3. Acquisition/Mini-Permanent Loans (Low-Interest)
4. Mezzanine Loans (Low-Interest)
5. Naturally Occurring Affordable Housing Permanent Loans (Low-Interest)
6. Below Market Tax-Exempt Bond Financing

How is "Affordable Housing" defined for purposes of AHLF?

AHLF will primarily be designed to support the preservation and development of rental units that serve households below 60% of the Area Median Income. 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 ensure that a significant number of homes funded through AHLF are available to households below 50% and 30% of AMI as well as permanent supportive housing. Homeownership projects are also eligible, at incomes up to 80% of AMI.

Who manages AHLF?

The City of Detroit selected LISC as the implementation partner for the AHLF. In this role, LISC will lead the intake process for responses to the Notice of Funding Availability and will conduct preliminary underwriting of projects. LISC will act as the fund manager for philanthropic and low cost lending components of the fund, while HRD will underwrite the City's soft funds and MSHDA will underwrite low-cost bond financing and MSHDA soft funds.

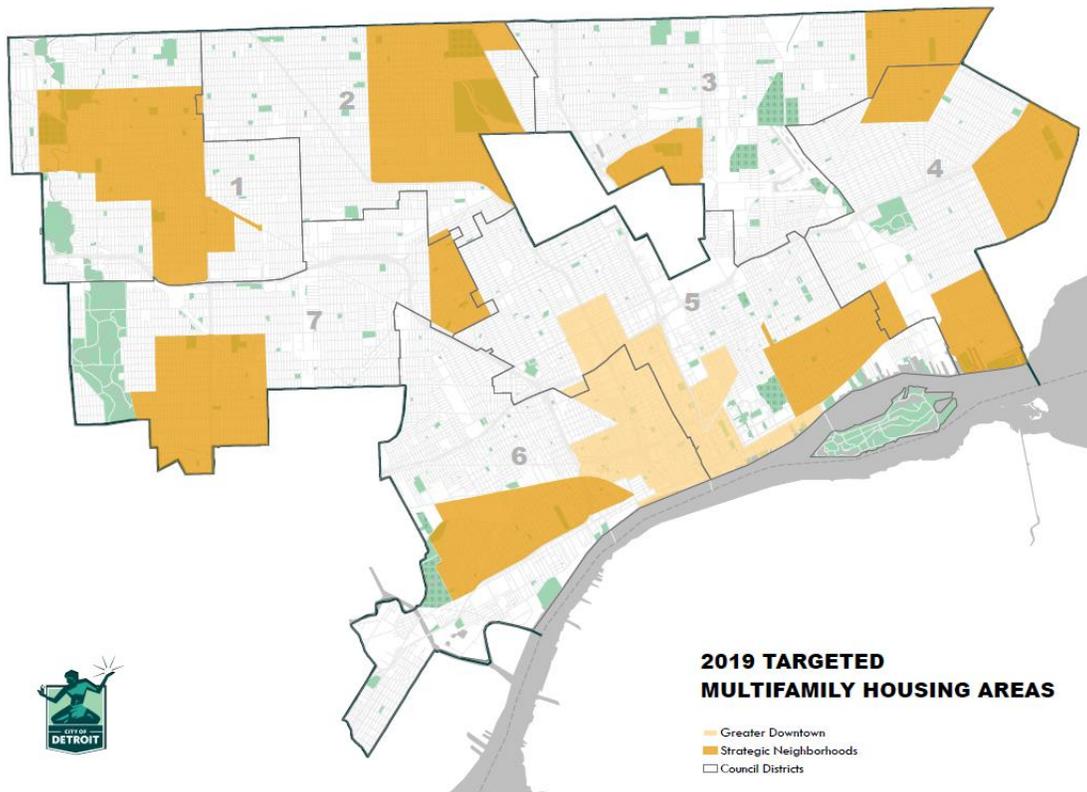
How does a developer/property owner apply for funding through AHLF?

Detroit LISC, in partnership with the City of Detroit Housing & Revitalization Department and the Michigan State Housing Development Authority, will release a quarterly Notice of Funding Availability. Submissions to the NOFA will be considered for all applicable types of funding assistance, a process that intends to bring more efficiency and better coordination to the process of developing affordable housing.

By releasing a Notice of Funding Availability quarterly, affordable housing developers will have more regular, frequent opportunities to submit projects for financing. This will enable developers to be more responsive to affordable housing development needs and opportunities.

Where can AHLF funds be used?

For the development of new affordable housing, AHLF will be prioritized within the seven Targeted Multi-Family Housing Areas shown below. AHLF will invest in the preservation of existing affordable housing units without geographic restriction, however those located in a Targeted Multi-Family Housing Area will be prioritized. Target areas are subject to change based on evolving needs and market conditions.



How are funding decisions made?

Developers submit responses to the Notice of Funding Availability that include detailed project information. LISC then reviews the projects for financial soundness, developer capacity, and alignment with affordable housing goals. Projects that meet a preliminary threshold are then reviewed by representatives of City of Detroit's Housing & Revitalization Department, the Michigan State Housing Development Authority, and LISC to determine an optimal funding mix that positions the project for success and balances the requirements/constraints of individual funding sources. Developers are then invited to apply to individual funding sources. These applications are underwritten according to the specific criteria for the funding source.

How does AHLF relate to the Inclusionary Housing Ordinance?

The Inclusionary Housing Ordinance requires that developments receiving certain public subsidies or tax incentives reserve at least 20% of units as affordable. AHLF is a financing tool to help developers meet or exceed the affordable housing requirements of the Inclusionary Housing Ordinance. The affordability requirements of AHLF are often different than those of the Ordinance; in instances where requirements differ, the requirement that produces the strongest affordability terms should be used. In addition, the Ordinance includes the creation of the Detroit Affordable Housing Development and Preservation Fund to support the development of housing for households earning below 30% AMI and 50% AMI, funding from which will be coordinated as part of the AHLF NOFA process.