



## LISC Duluth Housing Trust Fund Programmatic Outline February 2023 Update

There are two discrete Housing Trust Funds (HTF) accounts and Program implementation: One held and operated by the City of Duluth (“City”), and one held and operated by Local Initiatives Support Corporation (“LISC”).

Below, is LISC’s Housing Trust Fund (HTF) Programmatic Outline:

### LISC HTF Programs

The LISC HTF is outlined below. This program is designed to fill existing gaps in the housing financing market, and to achieve the following goals:

- Increase housing stock in Duluth, especially affordable\* units.
- Invest in Duluth neighborhoods, making affordable units available citywide.
- Remove blight, improve safety and encourage pride in our neighborhoods.
- Leverage existing municipal infrastructure.
- Promote density wherever possible.

The purpose of this program is to provide low interest acquisition, conversion, and loans for new construction, building purchase and rehabilitation. The project must include affordable rents with at least 20% of the units being at least 80% affordable.\*

- Eligible properties include multifamily properties 6 and up, and any conversion project that would create new units of housing.

### Loans

- Maximum loan amount will vary by project size.
- Loan terms: (Based on project financing review)
  - Interest rates: 4%
  - Loan amounts \$250,000 - \$1 mill
  - Loan to Value 85% and Debt Service Coverage Ratio 1.20
  - Collateral – Shared first position preferred, subordination is an option
  - Interest only payments until permanent financing, - the HTF program term is less than or equal to 24 months
  - Term determined by project financing – acquisition, construction through stabilization, then permanent financing by other.
  - Loans are for acquisition, rehabilitation, and stabilization, and will be repaid at the time of permanent refinance.
  - Consideration given for higher loan amounts based on project review
  - LISC Lending can supplement additional capital needs based on project review

### Notes

\*For the purposes of the HTF, “affordable” means unit rents that cost no more than 30% of the income of households earning 80% or less of the area median income, as published annually by Minnesota Housing Finance Agency. Link: <https://duluthmn.gov/media/13691/2022-hud-income-guidelines-classic.pdf>