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AFFORDABLE HOUSING NEEDS ANALYSIS

LEXINGTON, KENTUCKY

10.2024

PREPARED FOR:
LFUCG Housing Advocacy &
Community Development

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EXECUTIVE SUMMARY

In response to the growing need for affordable housing, the City of Lexington commissioned a comprehensive study to evaluate the current and future landscape of affordable housing within the community. This report aims to highlight the challenges, opportunities, and strategic solutions for enhancing housing affordability in Lexington.

Lexington faces significant challenges at the intersection of economic development, population growth, and housing availability. Rising economic prosperity has widened the affordability gap, causing many previously moderate-income residents to struggle in securing safe and stable housing. The housing gap in Lexington is not just a local problem; it reflects a broader issue that affects communities across the nation. Similar challenges in affordability and access to housing are being felt in many cities, highlighting the widespread nature of this crisis. This study provides analysis intended to inform policy decisions and community initiatives promoting inclusive growth and equitable access to housing.

Key Findings of the study noted, Lexington's median rent increased by 47% between 2019 and 2024, from $800-$850 to $1,200-$1,250 with an annual growth rate of 8.7% in the past year alone. This surge has exacerbated the affordability crisis, particularly for extremely low- and very low-income renters. The supply of rental housing affordable to these income groups has significantly declined, continuing a long-term trend.

In this study we are attempting to quantify the number of affordable housing units needed "housing units" for Lexington. According to the US department of Housing and Urban Development and for purposes of this study, a housing unit is a house, an apartment, a group of rooms, or a single room intended for occupancy as separate living quarters for a single household. Separate living quarters are those in which the occupants live separately from any other individuals in the building, and which have a direct access from the outside of the building or through a common hall. To address the current housing gap in Lexington, 22,549 units of housing, across every type, tenure, and value, are needed to meet the overall housing need. Of that 22,549 gap, 17,005 units are severely cost burdened at 80% or less AMI.

The report examines demographic trends, income disparities, and housing supply dynamics, providing a detailed overview of the populations most affected by housing affordability issues, including low-income families, seniors, and individuals experiencing homelessness. Those most impacted are those that are most vulnerable to economic shock. Specifically, they are vulnerable due to some combination of limited income, weak or non-existing social support networks, and/or specific housing requirements such as, but not limited to, mobility accommodations or more bedrooms for larger families.

The study analyzed the regulatory and policy environment of zoning regulations, land use policies, and financial incentives reveals how public policy shapes the affordability landscape. Supply is merely one facet of housing affordability and is at least partially constrained by average pay, land use policy, and level of investment in public infrastructure. The implication is that the impact of direct investment in home construction is muted or enhanced by changes and investments in other areas.

The study incorporates feedback from residents and stakeholders through surveys, interviews, and forums, underscoring the human dimension of the affordability crisis and the urgency for action. As housing costs have risen, housing developers have adjusted their margins and reduced costs including how much they are willing to invest in public infrastructure. Public assistance providers have long wait lists and limited resources, reducing their ability to address housing stress. People who work and shop here are living outside the city, and more are considering leaving due to rising housing costs. Citizens feel that not enough is being done to address homelessness and the majority have struggled to afford housing costs in the last year.

The various entities that provide affordable housing assistance were identified as well as the various affordable housing programs that currently exist. The Lexington Housing Authority (LHA) manages approximately 3,000 subsidized housing units, including public housing units, Housing Choice Vouchers (Section 8), and Project-Based Vouchers. The LHA also administers programs like Veterans Affairs Supportive Housing, Family Self-Sufficiency Program, and the Rental Assistance Demonstration (RAD), all of which contribute to the city's efforts to provide stable and affordable housing. **The Affordable Housing Fund (AHF) has invested $47.5 million, supporting the construction of 1,750 new units and the preservation of 1,754 units. The average investment per unit is $13,556.**

The report outlines housing gap measures to address the affordability needs of renters and owners; specifically those households that are severe housing cost burdened, those who are paying more than 30% of their income for housing costs, and those that are extremely low income to those that are at or above the median income for Fayette County. **Affordable housing, as addressed by this report, is concerned with meeting the housing access needs of those making less than the Area Median Income (AMI) of $62,908.** It examines and analyzes the access to and affordability of housing for those making 30%-80% of AMI while considering those just below and above that range. Below 30% of AMI the primary method of housing access is no longer about affordable housing, but rather one of significant public assistance and programming. The latest 2023 Point in Time Count found 815 persons experiencing homelessness.

Several strategies are recommended to address housing affordability and to increase the number of affordable housing units through new construction and preservation efforts. Regulatory reforms include implementation of the proposed zoning text amendments to allow higher density and mixed-use developments and exploring inclusionary zoning to mandate a percentage of affordable units in new development. Greater utilization of local, state, and federal programs in supporting affordable housing development is also recommended, including tax credits, grants, and financial assistance programs.

Some existing efforts have proven effective and are recommended to continue or expand. The study suggests continuing and expanding as needed, programs that provide rental assistance, down payment assistance, and housing counseling to low-income residents. Lexington should maintain and enhance the Housing First approach, providing permanent housing solutions without preconditions, followed by supportive services.

This report serves as a roadmap for collaborative action among policymakers, stakeholders, and community members to close the affordability gap in Lexington. The causes and conditions of this housing shortage are complex and interdependent. The response will need to be coordinated and to adapt to changing circumstances. However, the information and policies detailed in this study are intended to provide ample detail from which to launch such efforts and succeed.

INTRODUCTION

Market Areas

Lexington, Kentucky, is divided into several housing market areas, delineated by neighborhoods and ZIP codes. The housing market areas encompass groups of 2020 census tracts that share geographic and socioeconomic characteristics and zip codes. These areas were used for planning and data analysis purposes. The boundaries of market areas took into consideration several factors in addition to the census tract outlines, including the locations of residential neighborhoods.

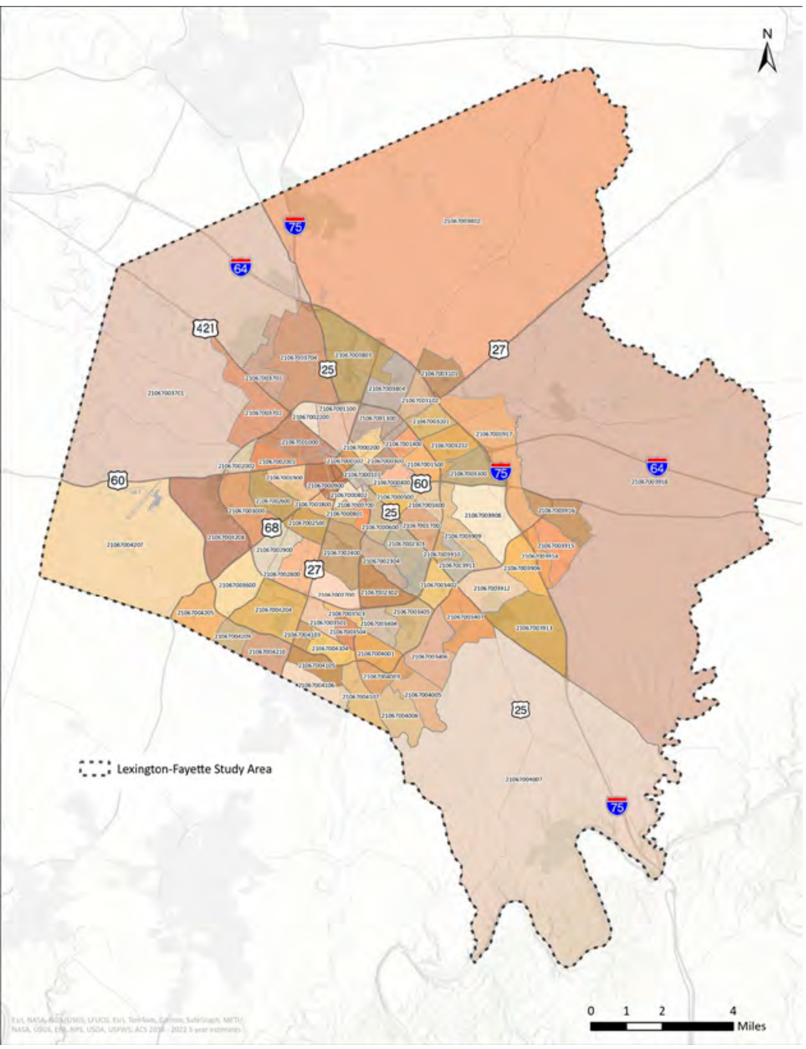
The market areas do not align directly with Lexington's neighborhoods, which are featured on this map. Though data was captured at the census tract level and not the neighborhood level. The market area map provides context for location and data analysis when comparing the other supporting maps and charts.

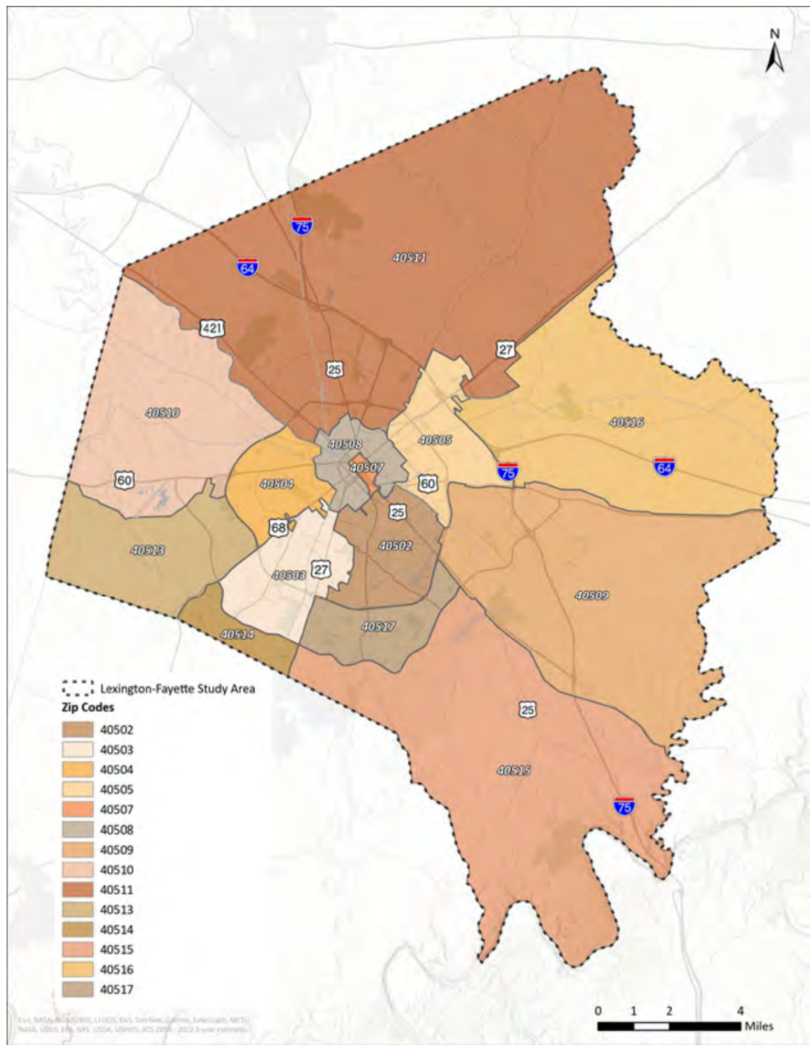
Here is an overview of some key ZIP codes and corresponding neighborhoods:

1. **40502** - This area includes Ashland Park, Chevy Chase, and Woodland Park neighborhoods.
2. **40503** - It covers the Southland, Pensacola Park, and Lafayette neighborhoods.
3. **40504** - Encompasses the Cardinal Valley and Gardenside neighborhoods.
4. **40505** - Includes the Eastland and Meadows-Loudon neighborhoods.
5. **40507** - Covers the downtown Lexington area.
6. **40508** - Includes parts of downtown and the University of Kentucky campus.
7. **40509** - Covers the Hamburg Pavilion and Liberty Heights areas.
8. **40510** - Encompasses the Masterson Station and Griffin Gate neighborhoods.
9. **40511** - Includes the Bluegrass Industrial Park and Northside neighborhoods.
10. **40513** - Covers the Beaumont and Palomar neighborhoods.
11. **40514** - Includes the Harrods Hill and Plantation neighborhoods.
12. **40515** - Covers the Pinnacle and Hartland neighborhoods.
13. **40516** - Encompasses rural areas.
14. **40517** - Includes the Tates Creek and Gaines way neighborhoods.

For a visual representation, the detailed maps of Lexington's ZIP codes and neighborhoods were combined with census tracts. These maps provide an interactive way to explore the different areas within Lexington and can help to understand the housing market distribution better. *(See next page.)*

MAP 1: NEIGHBORHOODS WITH CENSUS TRACTS AND ZIP CODES





Study Overview

The "Lexington Affordable Housing Analysis" is a comprehensive report for Lexington-Fayette Urban County Government to address the escalating need for affordable housing within the community. The study provides a detailed evaluation of the housing market, demographic trends, economic factors, and regulatory environment affecting housing affordability in Lexington.

The housing market analysis covers the types of housing available, tenure (ownership vs. rental), and vacancy rates. It notes that a substantial portion of Lexington's housing stock is aging, which poses challenges for maintenance and affordability. The report also acknowledges the impact of student housing on the local market, with costs having risen significantly since 2015.

The study investigates the impact of zoning regulations, land use policies, and financial incentives on housing affordability. It emphasizes the need for regulatory reforms, such as zoning changes to allow higher density and mixed-use developments

Affordable Housing Programs and Initiatives were identified through The Lexington Housing Authority (LHA) which manages about 3,000 subsidized housing units, including public housing and various voucher programs. The Affordable Housing Fund (AHF) which has invested over $33 million in the construction and preservation of affordable housing units, significantly contributing to the city's housing supply. The study identifies the various programs and strategies aimed at increasing affordable housing, such as down payment assistance, rental assistance, and housing counseling.

Lexington Housing Authority (LHA):

- **Public Housing:** LHA operates and manages public housing units that provide affordable rental housing to low-income families, elderly residents, and individuals with disabilities.
- **Housing Choice Voucher Program (Section 8):** This program helps low-income families afford safe and decent housing in the private market by providing rental subsidies.
- **Project-Based Rental Assistance (PBRA):** Provides rental subsidies to private landlords to make affordable rental units available to low-income households.

The study delves into the demographic changes within Lexington, noting significant population growth and shifts in age distribution. There is an increasing percentage of the population over 65, which will influence future housing demands. The study also examines income disparities, with lower-income households concentrated in certain areas of the city, while higher-income households tend to occupy more affluent neighborhoods. Additionally, a significant number of housing units are vacant, with many of these being older homes that come with higher maintenance costs.

The study incorporates extensive feedback from residents and stakeholders through surveys, interviews, and forums. This engagement provides a human dimension to the data, highlighting the lived experiences of those affected by the housing crisis and the urgent need for action.

The study recommends an array of strategies to address the affordability gap. Strategies recommended include those intended to increase the supply of affordable housing via new construction and preservation using direct subsidy, regulatory reforms, and government programs at every level to support affordable housing development. It also emphasizes the importance of maintaining and expanding programs that provide assistance to housing burdened households such as rental assistance and housing counseling.

The "Lexington Affordable Housing Analysis" serves as a roadmap for policymakers, stakeholders, and community members to collaboratively address the affordable housing crisis in Lexington. By implementing the recommended strategies, the city aims to close the affordability gap and ensure equitable access to safe and stable housing for all residents.

Lexington Primary Affordable Housing Programs

The "Lexington Affordable Housing Analysis" is a comprehensive report for Lexington-Fayette Urban County Government to address the escalating need for affordable housing within the community. The study provides a detailed evaluation of the housing market, demographic trends, economic factors, and regulatory environment affecting housing affordability in Lexington.

Lexington Housing Advocacy & Community Development

The Lexington Fayette County agency charged with the responsibility for promoting affordable housing in Lexington, Kentucky, is the Lexington Housing Advocacy & Community Development. This office administers various programs and initiatives to increase the availability of affordable housing in the area, ensuring that residents have access to safe, affordable, and quality housing options. The Budget for FY 2025 provides funding for:

$4.79M
for the city's affordable housing fund

$1.4M
for the Office of Homelessness Prevention and Intervention

$2M
for winter warming projects, such as the Hope Village

Both funding for affordable housing and the Office of Homelessness Prevention and Intervention doubles the funding of previous years.

The following programs funds affordable housing initiatives designed to address rising homelessness while increasing the availability of affordable housing to all economic segments of the population. The programs have funded projects that promote a variety of residential densities and housing types and encourage preservation of existing housing stock.

Lexington's Affordable Housing Fund (AHF)

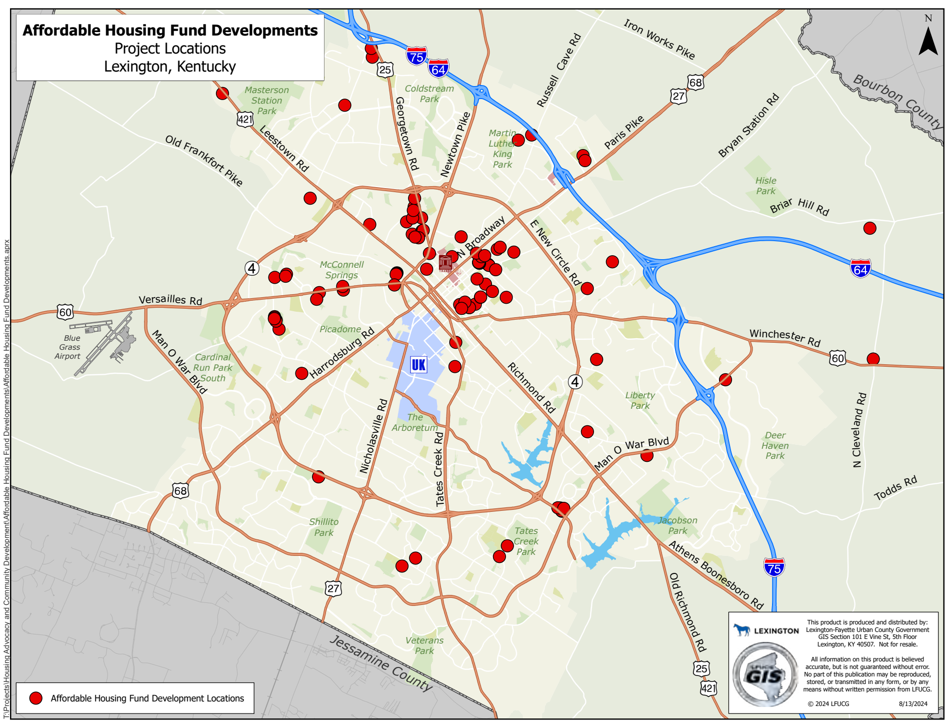
There are several Affordable Housing Funds in other states. It should be noted that, the Lexington Affordable Housing Fund stands out as a significant and commendable initiative, recognized for its dedicated efforts to address the housing affordability crisis in the community. While similar funds exist across the country, Lexington's fund has been particularly effective in leveraging local resources, fostering public-private partnerships, and implementing innovative solutions to expand affordable housing options. Its proactive approach not only supports the development and preservation of affordable housing but also serves as a model for other cities grappling with similar challenges. Through its commitment and strategic initiatives, the Lexington Affordable Housing Fund has made notable progress in ensuring that safe and affordable housing is accessible to all residents, setting a benchmark for other regions to follow.

Lexington's Affordable Housing Fund (AHF) is a key initiative designed to address the city's pressing need for affordable housing. Here are the main points. The AHF was created to increase the supply of affordable housing, preserve existing affordable units, and support low- to moderate-income residents. It aims to mitigate housing cost burdens, reduce homelessness, and foster inclusive communities. The fund receives financial support from a variety of sources, primarily city budget allocations and federal grants. Additional revenue is generated through the principal interest payments on fund loans that are able to be recycled into additional affordable housing developments and through occasional development fees.

Since its inception, the AHF has facilitated the development of numerous affordable housing developments across Lexington. The AHF provides grants and low-interest loans to for-profit and non-profit developers for constructing new affordable housing units and rehabilitating existing ones. The fund has successfully supported the creation and preservation of thousands of affordable housing units around the city. By increasing the availability of affordable housing, the fund contributes to reducing homelessness and promoting economic diversity within neighborhoods.

The map indicates the location of AHF throughout Lexington.

MAP 2: AHF FUNDED PROJECTS



The AHF has already helped reduce the housing cost burden for many low- and moderate-income families, allowing them to live in safe and stable homes. The AHF aims to expand its impact by increasing the number of affordable units and improving housing affordability across the city. Challenges include securing funding, addressing community resistance to new developments, increasing construction and management costs, and ensuring the long-term sustainability of affordable housing projects.

The Affordable Housing Fund is a critical tool for addressing Lexington's affordable housing needs, helping to create a more equitable and inclusive city for all residents.

Summary of Affordable Housing Fund Data:

- The Affordable Housing Fund has invested a total of $47,500,000.
- This investment supported the new construction of 1,750 units and the preservation of 1,754 units.
- The average investment per unit is $13,556.

Funding Allocation

- Since the inception of the Affordable Housing Fund in September 2014, it has invested a total of $47,500,000
- This includes $17,125,000 from State and Local Fiscal Recovery Funds received through the American Rescue Plan Act.
- Total City funds allocated - $48,295,000 (this includes $4,795,035 in Fiscal Year 2025).

Homeownership Units

- 33 units are designated for homeownership.

Breakdown of Rental Units

- One-bedroom units - 2,059
- Two-bedroom units - 962
- Three-bedroom units - 443
- Four-bedroom units - 7

Other

- 1,068 Elderly units funded for residents 55 and over (754 preserved; 314 new)
- 314 Other Supportive Housing units for survivors of intimate partner violence; those at risk of homelessness; those with severe mental illness; disabled.

HOME

The HOME Investment Partnerships Program (HOME) is a federal grant program administered by the U.S. Department of Housing and Urban Development (HUD). It provides funding to LFUCG to create affordable housing for low-income households. HOME funds have been instrumental in the creation and preservation of affordable housing units in Lexington, addressing both rental and homeownership needs. The program has provided critical financial assistance to low-income families, enabling them to secure safe and stable housing.

The HOME Investment Partnerships Program plays a vital role in Lexington's efforts to expand and improve affordable housing options for low-income residents. By utilizing HOME funds for new construction, rehabilitation, homebuyer assistance, and rental subsidies, the city is working towards creating a more inclusive and sustainable housing environment. Lexington leverages HOME funds to support a variety of housing initiatives, aimed at increasing the availability and quality of affordable housing within the city.

Funding and Allocation

Lexington receives an annual allocation of $1,206,372 of HOME funds from HUD.

The amount varies each year based on federal budget appropriations and local needs assessments.

HOME funds in Lexington are used for several key activities:

1. **New Construction and Rehabilitation**
   Funds are allocated to construct new affordable housing units and to rehabilitate existing ones to ensure they meet safety and livability standards.
2. **Homebuyer Assistance**
   Provides down payment assistance, closing cost assistance, and direct loans to low-income homebuyers to make homeownership more accessible.
3. **Tenant-Based Rental Assistance (TBRA)**
   Offers rental subsidies to low-income families, helping them afford decent housing in the private market.
4. **Community Housing Development Organizations (CHDOs)**:**
   A portion of HOME funds is set aside to support CHDOs, which are non-profit organizations involved in the development of affordable housing.

OHPI

The Lexington-Fayette Urban County Government's Office of Homelessness Prevention and Intervention has been actively working to address homelessness through various initiatives and funding allocations from 2014 to present. This office is pivotal in coordinating services and funding to support individuals experiencing homelessness in Lexington, Kentucky.

The Office of Homelessness Prevention and Intervention (OHPI) oversees LFUCG's funding investments addressing homelessness, including funding from both local and federal sources. Locally, the OHPI administers the Innovative and Sustainable Solutions fund, an annual set aside of the City's general fund used to pilot emerging and best practice programming and service models, as well as annual operating funding provided to emergency shelter providers through LFUCG's Extended Social Resource Program. Federally, the OHPI serves as the Lead Agency and Collaborative Applicant for HUD Continuum of Care (CoC) Program funding and consults on the development of LFUCG's Consolidated Plan, which outlines the community's plan for other HUD programs, such as the Emergency Solutions Grant Program.

In recent years, the Office of Homelessness Prevention and Intervention has worked to expand available funding for its own strategies as well as for the community lead efforts in addressing homelessness. As a result, the office has received significant financial support to bolster its efforts. In Fiscal Year 2025, the Urban County Council changed annual investments in the Innovative and Sustainable Solutions Funds from a flat $750,000 to a percentage (0.3%) of the previous fiscal year's revenues; for the current fiscal year, that effectively doubles the investment to approximately $1.4 million dollars. The OHPI has also seen an increase to annual emergency shelter funding through the Extended Social Resource Program as well as consistent incremental increases in federal Continuum of Care Program funds received. Many of the revenue and funding sources available can only be increased incrementally year-by-year and efforts to do so are ongoing.

The OHPI has utilized these investments to expand emergency shelter capabilities, increase access to supportive housing, and enhance outreach and supportive service programs. OHPI has implemented several key strategies aimed at both preventing homelessness and supporting those currently experiencing it.

These programs include:

1. **Emergency Shelter:** Shelter capacity has not been significantly expanded since the creation of the OHPI. The provisioning of shelters in terms of sheer number of beds has largely been limited to temporary expansion—such as expanding to address COVID or winter weather. Efforts are needed to improve shelter access and identify other models of shelter accessibility, that provides quality, safe, temporary housing to individuals and families Something that has been done consistently and year-round is the introduction of new models of shelter, like medical respite and emergency family housing which were both piloted by the OHPI and became permanent aspects of the system. The exact shelter needs of the community will be the subject of an upcoming study for LFUCG and OHPI.

2. **Supportive Housing:** This strategy is designed to create more permanent supportive housing units that provide not only housing but also necessary services like mental health support, job training, and substance abuse counseling. By facilitating access to essential services such as shelter, food, employment, and healthcare, such services can enhance efforts to reach out to unsheltered individuals, support their transition off the streets, and keep them housed. OHPI works alongside other local agencies to coordinate services, ensuring a more comprehensive approach to homelessness prevention.

3. **Coordination & Funding:** OHPI helps increase funding for local and Continuum of Care efforts to address homelessness and provides funding analysis to help understand how far each funding dollar is going. OHPI collects data and provides evaluations as part of the innovative solutions fund. OHPI provides support for local organizations in using the Homelessness Information Management System (HMIS) as well as incentives for participating in that database. OHPI has created and manages the Online Learning Management System for homelessness intervention in the community helping to raise the standard of response and care.

4. **Outreach and Access:** OHPI employs several outreach and access strategies to help individuals experiencing homelessness. These strategies focus on both immediate and long-term solutions. The OHPI works with partner organizations to perform street outreach, directly connecting with unsheltered individuals to offer services like emergency shelter, healthcare, and mental health support. This proactive outreach helps build trust and guide individuals toward available resources.

5. **Public Awareness Campaign:** (OHPI) has undertaken public awareness campaigns aimed at increasing community engagement and public understanding of homelessness. These campaigns focus on promoting community involvement to address the issue and are designed to foster a more informed and engaged community. OHPI's education outreach in partnership with the CoC is called "Lex End Homelessness".

Past funding has largely not been adequate to both address literal homelessness as well as prevention. For example, the Housing Stabilization program (federal Emergency Rental Assistance funds during COVID) spent millions annually on prevention. Similarly, programs cited in OHPI's strategic plan would take a significant investment of dollars to implement upstream prevention.

From 2022 to present, these efforts and strategies have resulted in some measurable outcomes. There have been increases in capacity and funding, by establishing partnerships with service providers utilizing funding tools to address the need for additional capacity. The expansion of emergency shelter services has significantly increased the number of individuals who can be accommodated, especially during extreme weather conditions.

Moreover, the office has focused on collaborative efforts with local non-profits, healthcare providers, and community organizations to create a more comprehensive and effective response to homelessness. This collaborative approach has helped streamline services and ensure that individuals receive the holistic support they need to achieve stability and independence.

For the current year, the CoC (inclusive of all funding sources) carries 485 units with 575 shelter beds serving those experiencing literal homelessness. Of those beds, 100 are in transitional housing and the other 475 are emergency shelter beds. There are beds dedicated to special populations including families, youth, and veterans. Additionally, there are 661 beds of permanent housing including 352 of permanent supportive housing and 101 of rapid re-housing. Source: 2023 Housing Inventory Count.

CDBG Funds

Since 2024, the Community Development Block Grant (CDBG) program in Lexington, Kentucky, has funded several affordable housing projects. These projects are part of the city's broader strategy to address the housing crisis through the 2024 Consolidated Plan and Annual Action Plan. The funding has been used for various initiatives, including the construction and rehabilitation of affordable housing units. The Community Development Block Grant (CDBG) program in Lexington, Kentucky, has funded several affordable housing projects between 2020 and 2023.

Key Findings

1. Lexington Fayette County's local population has grown significantly since 2000, and that growth is expected to continue over the next several years.
2. The percentage of the population over the age of 65 years is increasing, which could result in shifting housing demands. The Affordable Housing Fund is addressing this need through development of units for the elderly. However, this is going to continue to be a concern as the population ages, the demand for senior housing will continue to rise, making it essential to prioritize this issue, there is going to continue to be a need to serve this population.
3. Households in the northwestern part of Lexington's urban center typically earn lower incomes and occupy homes which are of lower value when compared to the southeastern corner of the city. Along the outer edge of the county, medium- and high-earning households occupy medium- and high-valued homes.
4. Approximately 6% of housing units in the county are vacant; of those, more than a quarter have been vacant for more than 2 years.
5. Around 41% of homes were built in 1979 or earlier; older homes likely come with higher maintenance and upkeep costs than more recently built homes. The typical homeowner in Lexington-Fayette County spends $1,205 per month; the typical renter spends $1,036 per month.
6. 54.3% of renters are cost burdened and spend more than 30% of their income on housing costs; 28% are extremely cost burdened and spend more than 50% of their income on housing costs. Homeowners experience cost burdens at lower rates than renters; 21.5% are cost burdened, and 6.8% are extremely cost burdened.
7. Since 2015, student housing costs have risen by approximately 33%.
8. Unemployment rates in the county spiked at the beginning of 2020 with the onset of the COVID-19 pandemic but have since returned to pre-pandemic levels.
9. The number of jobs in Lexington-Fayette County is expected to grow substantially over the next ten years; this could result in elevated demand for housing. The county's population is highly educated, which could be an asset in attracting new business to the area.
10. Tens of thousands of people travel into the county for work on a daily basis; high levels of inbound commuters could indicate unmet demand for housing.
11. It is estimated that Lexington has an affordable housing GAP of 22,549 units. While this number is certainly impacted by as many as 4,760 student households, that impact is difficult to qualify or quantify. Even if all student households were excluded from the count, a gap of 17,789 units of housing would remain.
12. Lexington Fayette County has a Total Rental Housing Gap – 80% and below – 13,450 (see table 14).
13. Lexington Fayette County has a Total For Sale Housing Gap 80% and below – 3,555 (see table 14).
14. Lexington Fayette County has an estimated Permanent Supportive Housing gap of 1,011 units (see table 15).

OUTREACH & ENGAGEMENT

Engagement Process

The "Lexington Affordable Housing Needs Analysis" (Lex AHNA) was predicated on the inclusion of the public. The participation of key stakeholders, as well as the general public, was a critical piece of the project plan and a crucial contributor to the final study. Without their input and participation, this study would be less accurate in the information it presents and less effective in its stated purpose.

The public engagement process was intended to support the project in four ways. First, the public and project stakeholders would provide sources of additional information which may not have been anticipated during initial project planning. Second, while the report is primarily focused on quantitative data, the engagement process would provide critical context through qualitative and experiential information. Further, the public and stakeholders would provide corroboration of our initial findings and data. Finally, by sharing our preliminary data and findings with the stakeholders and the public as the project progressed, the process would ensure transparency and a two-way flow of information. Five public meetings were conducted at public venues across the city with reasonable participation.

Our outreach strategy for this process consisted of four key methods of engagement. A survey was drafted and distributed to the public to gauge the public perspective on an array of questions related to the project. Individual meetings were held with critical stakeholders who are deeply involved with affordable housing in Lexington. Additionally, meetings were held with small groups of stakeholders from various sectors who had at least some impact on or from the affordable housing sector. Finally, a series of community conversations were held, open to the general public, where people could voice their perspectives.

Survey

In the early months of 2024, a survey was conducted to collect information regarding citizens' housing situations and outlooks. The survey, entitled "Lexington Fayette Housing Survey" consisted of 25 questions covering a range of topics for which information was either not available, not specific to Lexington, or stale. Such information included experiential data, such as difficulty affording housing costs; preferential data, such as what housing forms respondents might prefer; as well as observational data, such as whether respondents felt there is affordable housing for those who seek it. This data helped to source additional data for the report, establish context for the quantitative data, and corroborate initial findings.

After the survey was drafted in both English and Spanish, it was published both online and in physical copies. The online survey was hosted and accessed via the project webpage. QR codes for the survey were distributed across social media, to key organizations and community leaders, and posted at important community centers. It was important to ensure respondents with limited internet access, such as those experiencing homelessness, had the opportunity to respond. Therefore, physical copies were made available at various venues and agencies and returned to the project team.

The resulting data was compiled, and the physical responses entered. The full results are available and a comprehensive data summary is located in Chapter 3 of this study. There were over 1,000 responses to the survey, establishing a robust sample. Among the key results are a broad struggle to pay for housing costs, extensive support for key housing policies/strategies, and agreement that current housing does not meet the community's needs.

Individual Stakeholder Meetings

To engage deeply with critical stakeholders, individual meetings were held with 15 different individuals and organizations. These individual meetings were guided by a small set of questions related to the particular stakeholder but were otherwise unstructured. The free conversation allowed stakeholders to contribute information they felt was most valuable and to provide robust input on the issues particular to their areas of expertise and experience. Key stakeholders included representatives from for-profit and non-profit builders, social service providers, and agencies within the Lexington Fayette County Government. These meetings provided critical information including additional information, contextual data, and corroboration of our initial research.

The result of these meetings was a large collection of diverse information regarding affordable housing in Lexington. Some key findings from the meetings included:

- Services are a limiting factor in housing stability for low-income households
- Legal Costs and Development Delays are major bottle neck in bringing more affordable units to market
- Land and subsidies are needed for affordable housing
- Lacking workforce housing
- Code Enforcement number of units are uninhabitable
- Role of economic development goes hand in hand with affordable housing

Group Stakeholder Meetings

To ensure that we engaged with as many entities as possible, we arranged virtual meetings for small groups of the remaining stakeholders. The groups were arranged in categories of: Housing Providers, Members of the Urban County Council, Service Providers, and Community Representatives. The conversations were again guided by questions related to the particular group, but otherwise unstructured to allow for free-flowing conversation. Valuable information was drawn from these conversations including additional information beyond our background, contextual data, and corroboration of our initial research.

Community Conversations

Community Conversations were arranged, in addition to the survey, as another method of input for the Public. The conversations were intended to provide a more open-ended and community-directed form of public input. While the conversations were kept generally related to affordable housing in Lexington, participants were able to guide the conversation organically and relate their own concerns, comments, and experiences. Additionally, we provided overviews of the project framework and our initial findings for the participants to review while making ourselves available for questions. Overall, the conversations provided excellent contextual and experiential information, as well as helping to corroborate our findings to that point and to support project transparency.

Five separate community conversations were held around the city: Tuesday, March 5th at the Central Branch of the Lexington Public Library; Tuesday, March 12th at the Beaumont Library; Tuesday, March 19th at the Tates Creek Library; Tuesday, March 26th at the Northside Library; and Thursday April 4th at the Lexington Senior Center. All meetings used the same format and were treated as independent of each other. Meetings were opened with a brief project overview before being opened to public comment and discussion. An array of prompting questions was used to stimulate conversation when necessary.

TABLE 1: GROUP STAKEHOLDER MEETINGS RECORD

Group	Date	Invited	Attended	Notes
Neighborhood Representatives	Tuesday, February 27th	Fayette County Neighborhood Council Kentucky Tenants Union LFUCG Housing Advocates	Fayette County Neighborhood Council East End Community Development Corporation Bellecourt Neighborhood Association LFUCG Housing Advocates	A representative of the Kentucky Tenants Union attended the March 26th Community Conversation
Housing Providers	Tuesday, March 5th	Arbor Youth Services Foundation for Affordable Housing Mountain Comprehensive Care Community Action Council Lexington Rescue Mission	Arbor Youth Services Foundation for Affordable Housing Mountain Comprehensive Care	A representative of the Lexington Rescue Mission attended the April 4th Community Conversation
Council Members	Wednesday, March 6th	CM Whitney Elliot Baxter CM James Brown CM Denise Gray CM Shayla Lynch, J.D. CM Kathy Plomin CM Liz Sheehan CM Preston Worley	CM Whitney Elliot Baxter CM Denise Gray CM Shayla Lynch, J.D. CM Kathy Plomin	
Service Providers	Monday, March 11th	Catholic Charities Diocese of Lexington Chrysalis House Independence Place Kentucky Refugee Ministries NAMI Lexington Nathaniel Mission The Nest New Life Day Center Recovery Cafe Lexington Step by Step Community Action Council	None	Representatives from Kentucky Refugee Ministries and Independence Place attended the April 4th Community Conversation

SURVEY ANALYSIS

This public survey was designed to solicit local insights related to housing in Lexington-Fayette County, which will help the Lexington Fayette Urban County Government (LFUCG) to improve housing affordability and encourage new development.

The public survey was launched on February 5, 2024, and remained open to receive responses until June 20, 2024. Over the 5-month period, over 1,200 responses were submitted from individuals living in more than 60 unique ZIP codes. Surveys were also conducted with the homeless population with over 27% or 45 individuals responding.

Summary of Key Survey Findings:

- Overall, housing affordability is the top concern for survey respondents.
  - Over half of respondents indicated difficulty affording housing costs
  - Over two-thirds indicated difficulty affording home maintenance
- Housing costs and housing affordability are perceived to be reasons for past and current residents leaving the City for more affordable surrounding communities.
- Respondents felt that there is a lack of variety in housing types to meet a variety of needs for residents, specifically for senior residents and those at risk of homelessness.
- Respondents expressed majority support for:
  - Replacing vacant or blighted commercial buildings with residential development
  - Requirements for developers to include dedicated affordable units in all new developments
  - The creation of smaller single-family homes

Respondents Demographics:

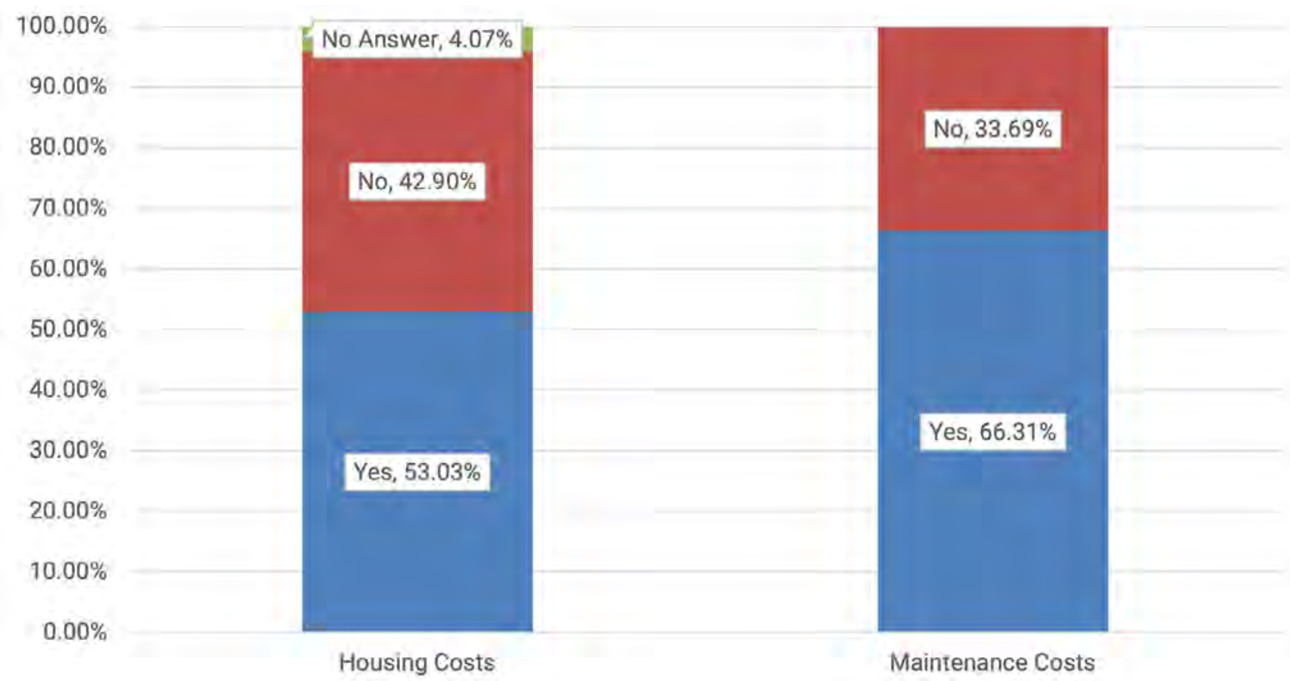
- 97% of survey respondents considered Lexington to be their place of residence.
- Council Districts were very evenly represented; Council District 10 had the greatest representation, with 13% of respondents selecting that district as their place of residence.
- The average household size of respondents was 2.52 people. Approximately one third of respondents indicated that a child (under the age of 18 years) lived in the home; roughly 20% studied that a senior (over the age of 65 years) lived in the home.
- Home size (measured by the number of bedrooms) was evenly distributed. 3-bedroom units were the most common, as 38% of respondents described living in a 3-bedroom unit.
- In most cases, one or two people in the home were employed. 38% of respondents indicated that one person in the home was employed; 42% indicated that two people in the home were employed.

- Many respondents have been long-time residents of Lexington. More than two thirds have lived in Lexington for more than 10 years. Only about 3% of respondents had moved to Lexington in the last year.
- The majority of respondents (62%) live in single-family homes; 20% live in multi-family housing, and the remaining 18% of respondents described their housing unit as a different type.
- Just over half of respondents (52%) were homeowners.
- Number of homeless respondents 27% (45)

Affordability:

- 52% of respondents indicated that they have experienced difficulty affording housing costs (which include mortgage or rent payments, homeowners or renters insurance, property taxes, homeowners association fees, and/or utilities) in the last year. See figure 1.
- More than two thirds of respondents studied experiencing difficulty with the costs of maintaining their homes (including repairs, yard maintenance, septic systems, water softeners, HVAC, etc.) in the last year. See figure 1.

FIGURE 1: DIFFICULTY AFFORDING HOUSING AND MAINTENANCE COSTS



- Of the respondents who live in Lexington, roughly 33% indicated that they are considering moving out of Lexington in the next five years.
- When asked to describe the primary reasons for considering a home outside of Lexington, the most commonly selected options were:
  - Cost to buy a home (65.47%)
  - Lack of available options (60%)
  - Cost to rent a home (57.92%)

Housing Preferences:

- Respondents indicated an interest in a variety of housing types. When asked to select the housing type they would consider as a next home, the most common selections were:
  - Single-family home (68% of respondents would consider)
  - Townhome (30% of respondents would consider)
  - Apartment (23% of respondents would consider)
- When asked to indicate which features of a home are most important to them, the following options were the most commonly selected:
  - Housing affordability (86%)
  - Having a yard (57%)
  - Proximity to groceries (56%)
  - Proximity to place of employment (50%)
  - Proximity to park/greenspace (45%)

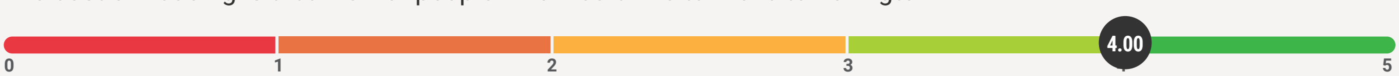
Perceptions of Local Housing Conditions:

Respondents were asked to rate their agreement (on a scale of 1 to 5, with 1=strongly disagree, and 5=strongly agree) with a series of housing-related statements. The following statements are ranked in order of most agreeable to least agreeable, and the average score is provided for each statement:

Lexington needs more housing that is affordable for essential workers (e.g., public safety officers).

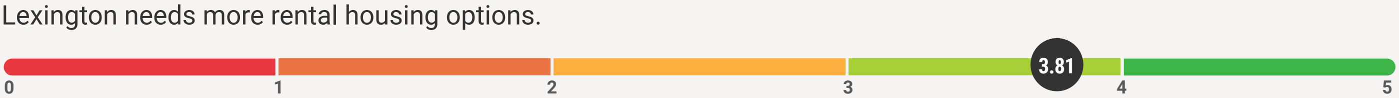
Lexington needs more for-sale housing options.

The cost of housing is a barrier for people who would like to move to Lexington.



Housing costs will likely cause current Lexington residents to leave the city.

Lexington needs more rental housing options.

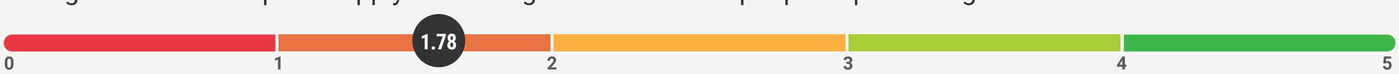


Lexington offers a variety of housing options for seniors on fixed incomes.

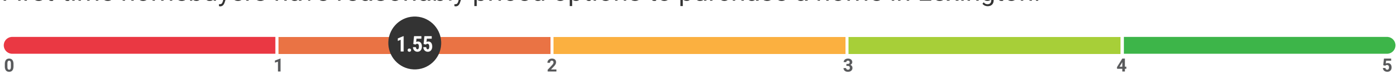
There is currently an appropriate mix of housing options in Lexington for people of various incomes and stages of life.

People who work in Lexington are able to find appropriately priced housing for their incomes.

Lexington has an adequate supply of housing and services for people experiencing homelessness.



First-time homebuyers have reasonably priced options to purchase a home in Lexington.



X.XX = AVERAGE SCORE

When asked to select the types of new developments they would support, respondents showed the most interest in the following developments:

- Housing for people experiencing homelessness (69% of respondents would support)
- Housing options for seniors (61% of respondents would support)
- For-rent housing options (55% of respondents would support)
- Single-family homes (50% of respondents would support)

When asked to select the housing-related policies they would support, respondents showed the most support for the following policies:

- Replacing vacant or blighted commercial areas with residential development (78% of respondents would support)
- Requirements for developers to include dedicated affordable housing units in new developments (66% of respondents would support)
- Additional opportunities for smaller single-family detached homes (e.g., tiny homes or cottage communities) (61% of respondents would support)

Common Themes in Open Responses:

In reviewing the numerous written responses to open-ended questions in the survey, nine general themes reappeared. For more detail and supporting quotes please see Appendix B.

- Not enough affordable options for low-income residents and single-parent households
- Housing costs are not matching up with incomes
- Lack of accommodations for those experiencing homelessness
- Limited housing options for seniors and those with disabilities
- Need for more protections for renters
- Housing costs are leading to people leaving Lexington
- Concern with safety around low-income housing
- Lack of variety in housing stock, few options for first-time homebuyers
- Concerns over the impact of outside investors and short-term rentals

DEMOGRAPHICS

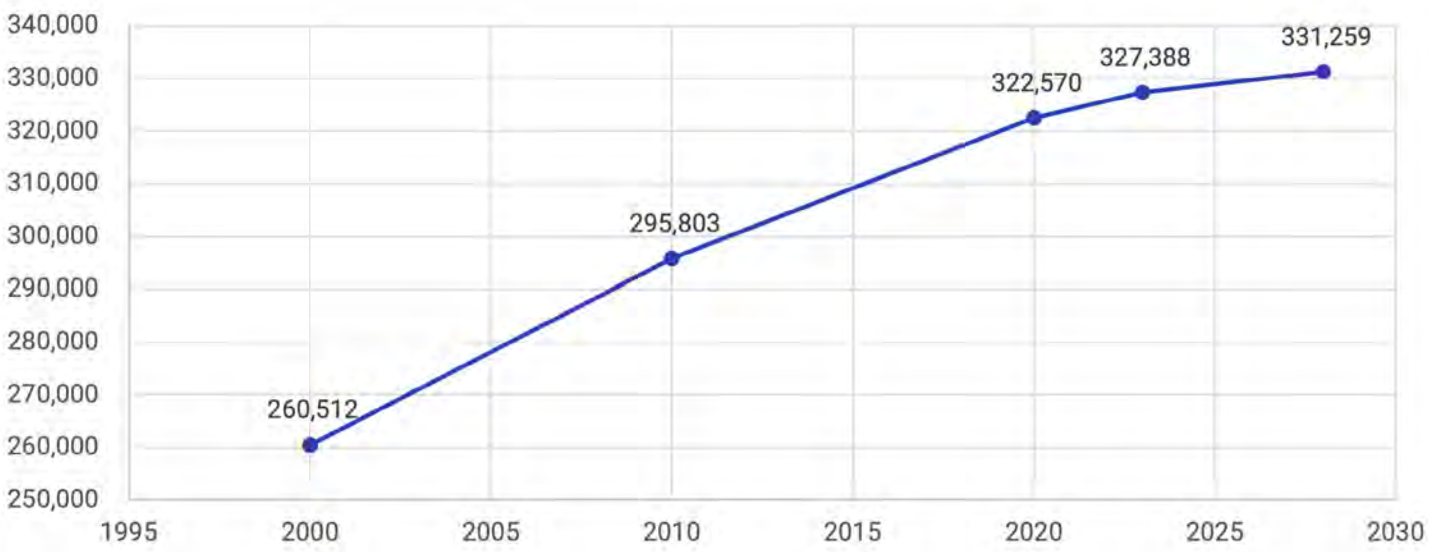
Demographic analysis provides critical insights into the specific needs and demands for affordable housing in the community. It enables policymakers and planners to develop targeted strategies that address the unique housing challenges faced by different population groups.

Population Size and Growth

The population in Lexington-Fayette County has grown considerably over the last 20 years. Between 2000 and 2020, the county saw an increase of more than 62,000 people (23.8%) in its population. This growth is expected to continue over the next several years, albeit at a slower rate. By 2028, the local population is expected to reach approximately 331,000 people.

FIGURE 2: POPULATION PROJECTION

SOURCE: US CENSUS AND ESRI, 2024

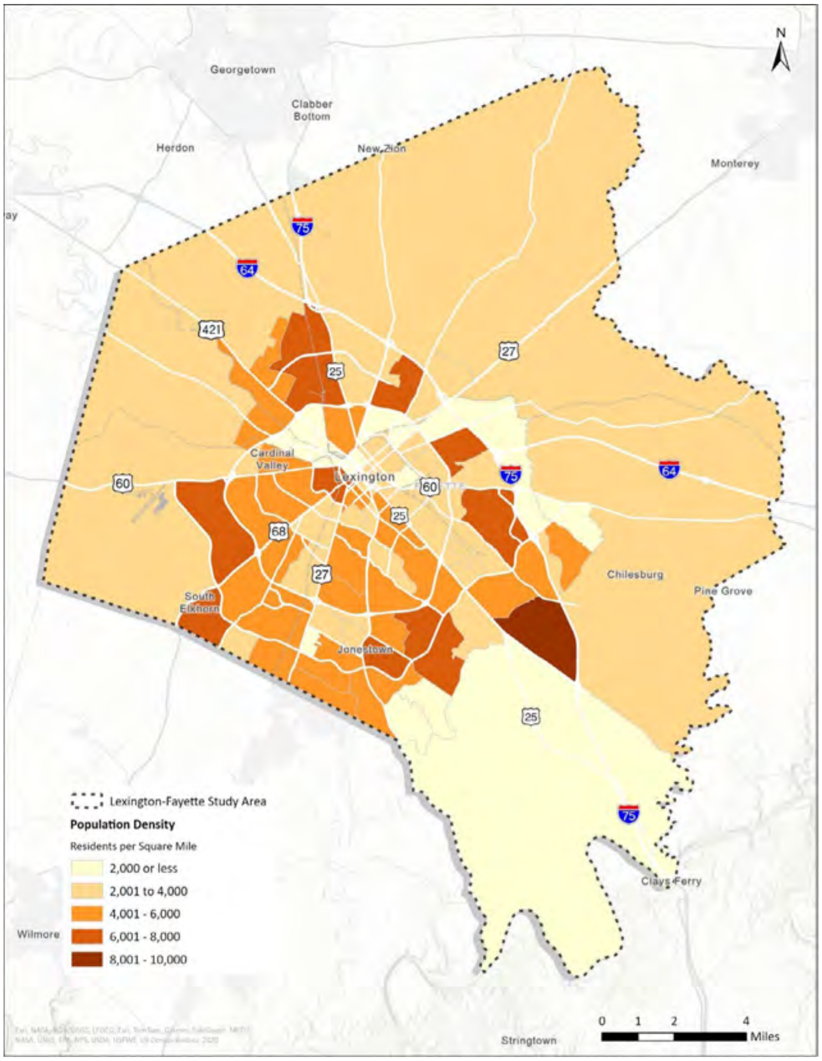


Population Density

The map in Figure 3 shows population density in the Lexington-Fayette area, with darker colors representing higher population densities.

1. Areas with Highest Population Density (8,001 - 10,000 residents per square mile) are concentrated around the central part of Lexington. Notable areas include:
   - Downtown Lexington – Census Tracts 1 and 2
   - Cardinal Valley – Census Tract 5
   - University of Kentucky area – Census Tract 13.03
2. Areas with Medium- High Population Density (6,001 - 8,000 residents per square mile). They form a surrounding layer around the central highest density regions. This includes neighborhoods adjacent to the downtown area.
3. Areas with Moderate Population Density (4,001 - 6,000 residents per square mile). They form an outer ring around the higher density areas, extending further out from the city center.
4. Areas with Low to Moderate Population Density (2,001 - 4,000 residents per square mile). They cover a broad area extending outward from the central and moderately dense regions, indicating suburban residential zones.
5. Areas with Lowest Population Density (2,000 or fewer residents per square mile). They dominate the outer parts of the Lexington-Fayette study area, indicating rural or less densely populated suburban regions.

FIGURE 3: POPULATION DENSITY



Age Distribution

The age distribution in the county is comparable to many other communities throughout the country. Approximately one half of the population is below the age of 35 years old. Between 2017 and 2022, the age group that saw the most change was that which captured individuals over the age of 65 years. As the "Baby Boomer" generation – which includes people born between the years of 1946 and 1964 – ages, the percentage of people who fall about the 65-years-and-older category increases. A larger senior population can influence the demand for specific types of housing, as well as other parts of the economy, such as healthcare and the workforce.

FIGURE 4: AGE DISTRIBUTION

SOURCE: ACS 2022 1-YEAR ESTIMATES

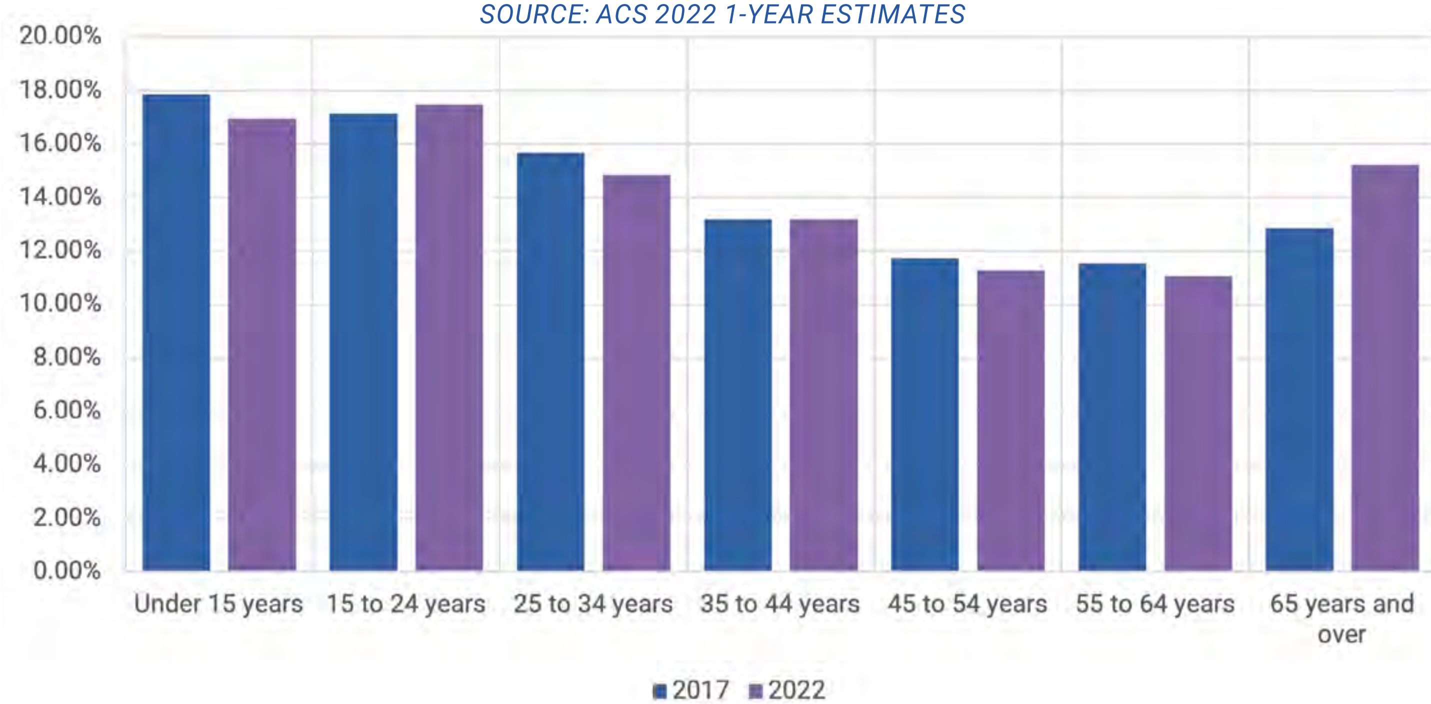
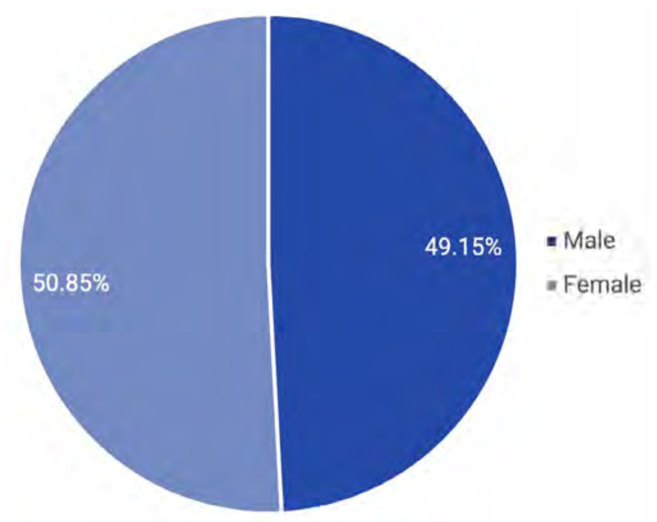


FIGURE 5: GENDER DISTRIBUTION

SOURCE: US CENSUS, 2020

Gender Distribution

The gender distribution in Lexington-Fayette County in 2022, males comprised 49.15% of the local population; females comprised the remaining 50.85%.



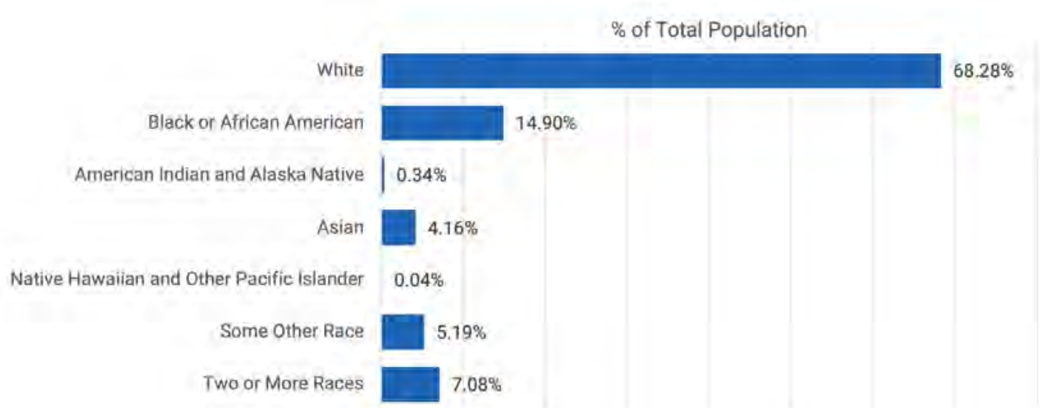
Race & Ethnicity

The gender distribution in Lexington-Fayette County is standard. In 2022, males comprised 49.15% of the local population; females comprised the remaining 50.85%. The population in Lexington-Fayette County is largely White. Members of this racial group comprise 68.28% of the population. The next largest racial group is 'Black or African American,' which makes up approximately 15% of the population. The remaining segment of the population (about 16.8%) is comprised of a collection of other races, with 'Two or More Races', 'Asian', and 'Some Other Race' being the largest groups.

Data on race and ethnicity can be useful for understanding how the definition of housing affordability might vary within the community. According to the American Community Survey, the per capita income for the White population was about $46,500 in 2022. The per capita income for the Black or African American population was about $31,300; for the Hispanic or Latino population, the per capita income was about $29,000. Such extreme differences in income levels are certainly reflected in the housing demands of each population, and an equitable approach to housing development must acknowledge the unique needs of specific racial or ethnic groups.

FIGURE 6: RACE & ETHNICITY

SOURCE: US CENSUS, 2020



To understand the impact race & ethnicity has on housing affordability, it is important to analyze geographic and economic distribution by race. Figure 7, indicates that race correlates strongly with area of residence. This is most true with Black/African American and Asian Households. Location of residence has implications for not just housing factors (size, age, amenities, efficiency, etc.) but also for neighborhood services.

FIGURE 7: GEOGRAPHIC DISTRIBUTION OF RACE & ETHNICITY

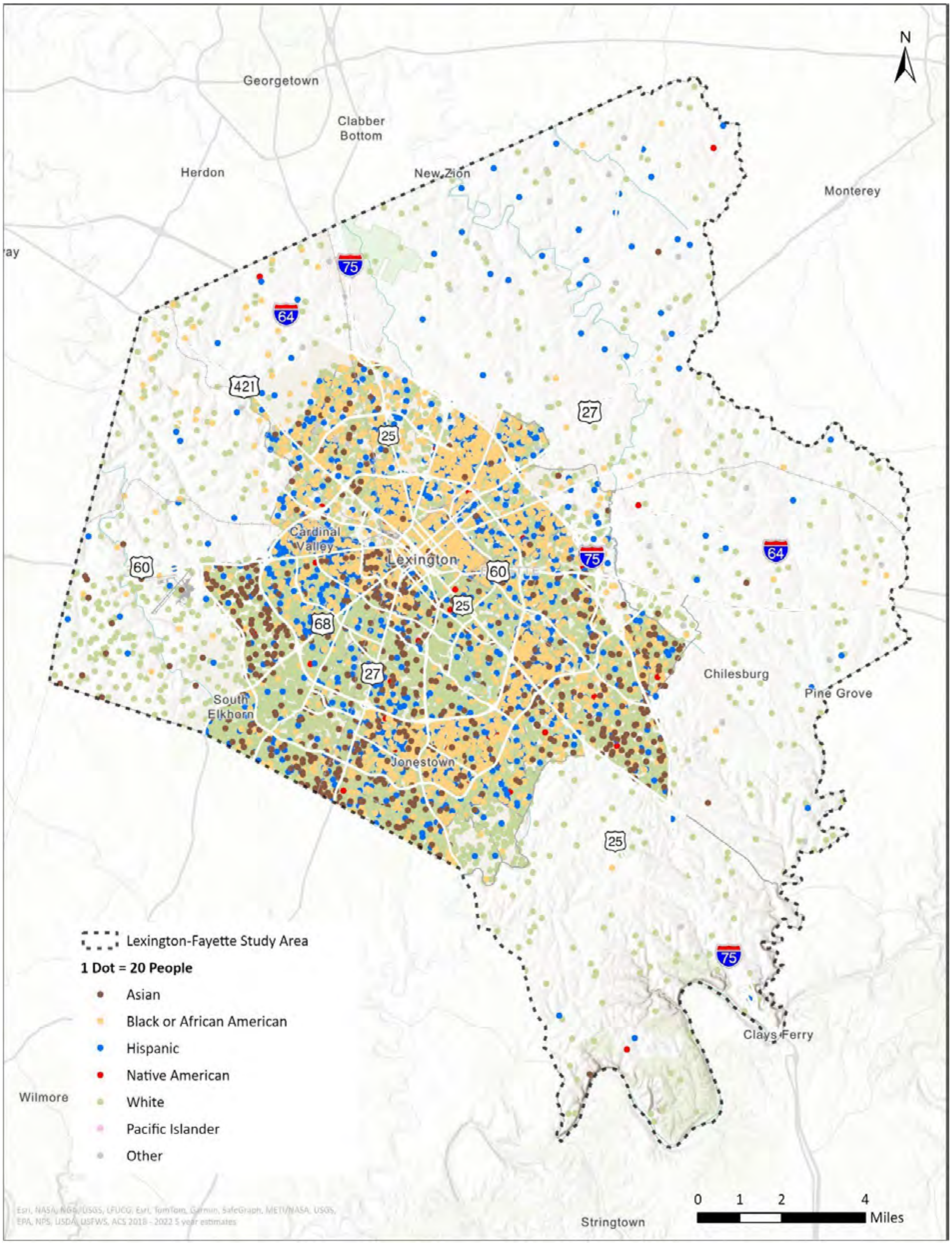


Table 2 demonstrates that Black/African American and Latino/Hispanic households are disproportionately represented in households earning 80% or less of AMI. This translates to more households of those communities being housing cost burdened or severely housing cost burdened.

TABLE 2: HOUSEHOLD INCOME BY RACE AND %AMI

Lexington-Fayette Households by Income as a Percentage of AMI (2022)										
%AMI	30%	50%	80%	100%	120%					
Income	$18,872	$31,454	$50,326	$62,908	$75,490					
	Number of Households									
AMI:	White	Black	Latino	Native	Asian	Pacific	Other	2+	TOTAL	TOTAL (non-white)
<30%	11,733	4,567	771	100	393	0	367	994	18,925	7,192
30-50%	12,208	1,725	1,186	16	412	17	370	2,294	18,228	6,020
50-80%	16,038	3,124	1,634	1	753	1	584	1,232	23,367	7,329
80-100%	9,715	1,059	969	26	574	27	402	896	13,668	3,953
100-120%	8,898	1,252	574	10	299	0	156	493	11,682	2,784
>120%	47,078	5,988	1,950	92	2,690	0	727	3,058	61,583	14,505
TOTAL	**105,670**	**17,715**	**7,084**	**245**	**5,121**	**45**	**2,606**	**8,967**	**147,453**	**41,783**
	Percent of Households									
AMI:	White	Black	Latino	Native	Asian	Pacific	Other	2+	TOTAL	TOTAL (non-white)
<30%	11.10%	25.78%	10.88%	40.82%	7.67%	0.00%	14.08%	11.09%	12.83%	17.21%
30-50%	11.55%	9.74%	16.74%	6.53%	8.05%	37.78%	14.20%	25.58%	12.36%	14.41%
50-80%	15.18%	17.63%	23.07%	0.41%	14.70%	2.22%	22.41%	13.74%	15.85%	17.54%
80-100%	9.19%	5.98%	13.68%	10.61%	11.21%	60.00%	15.43%	9.99%	9.27%	9.46%
100-120%	8.42%	7.07%	8.10%	4.08%	5.84%	0.00%	5.99%	5.50%	7.92%	6.66%
>120%	44.55%	33.80%	27.53%	37.55%	52.53%	0.00%	27.90%	34.10%	41.76%	34.72%
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

100% AMI is the median income for Lexington-Fayette according to the 2022 ACS Data. Every other %AMI was calculated directly from this value.

Income

When considering the financial characteristics of housing occupants in the county, it can be helpful to measure household income by housing tenure. In 2022, the median household income for all households in the county was $62,908; this is higher than the State of Kentucky's median household income of $59,341. In Figure 8, it can be seen that renters, on average, earn lower household incomes than homeowners. About 62% of renter-occupied households earn less than $50,000 per year, while only 22% of owner-occupied households fall into the same category. Conversely, approximately half of all owner-occupied households earn more than $100,000 per year, while only about 11% of renter-occupied households fall into the same category. According to HUD Comprehensive Housing Affordability Strategy (CHAS) 2020 data, Fayette County is home to 35,045 households at or below 50% AMI.

FIGURE 8: HOUSEHOLD INCOME BY TENURE *SOURCE: ACS 2022 1-YEAR ESTIMATES*

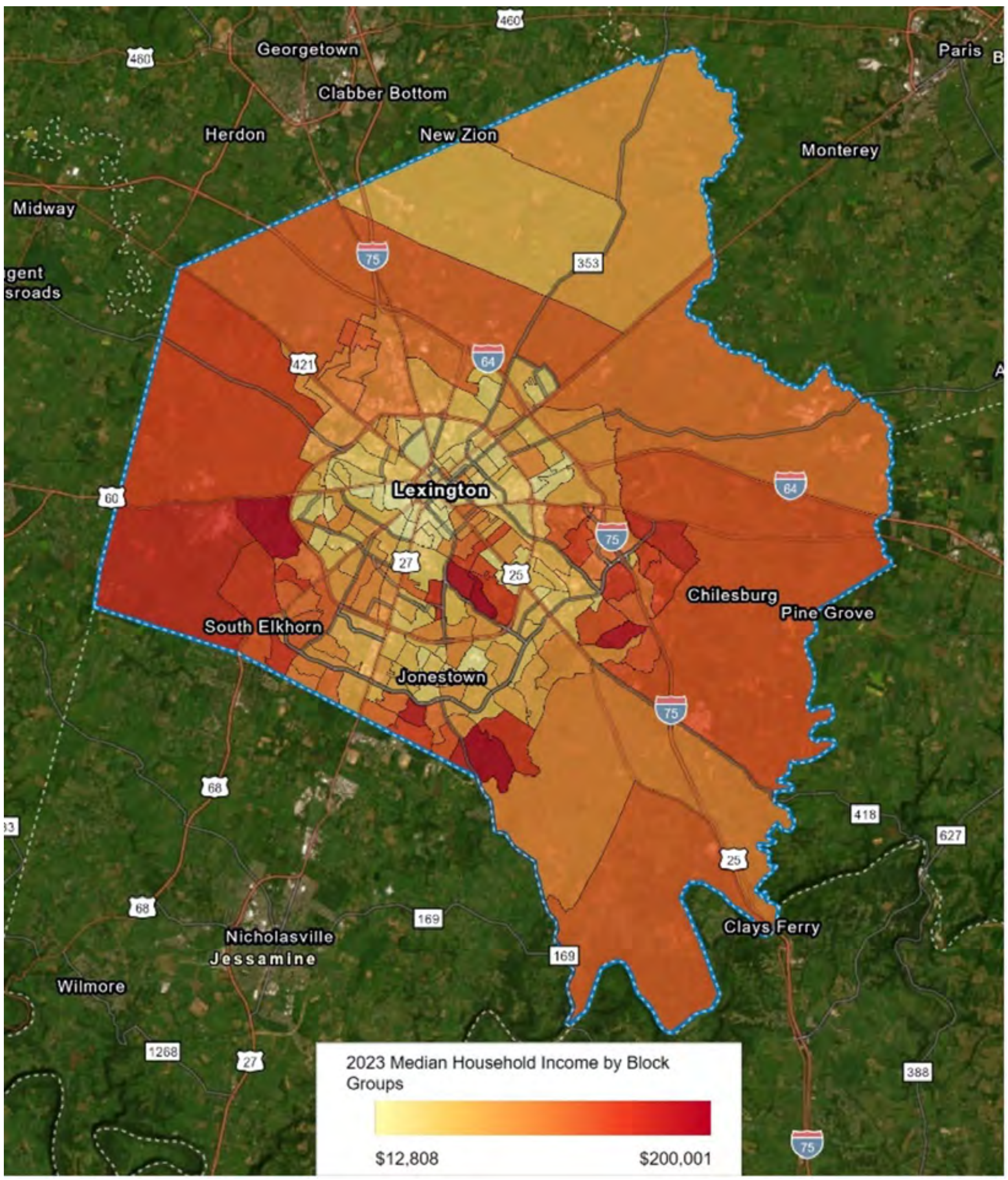
Various programs and grants establish income limits for households to determine which are eligible to receive subsidies. In many cases, these income limits are calculated as a percentage of AMI. Table 3 contains these income limit thresholds based on 2023 AMI calculations for Lexington-Fayette and published by the Kentucky Department of Local Government.

TABLE 3: LEXINGTON-FAYETTE MSA INCOME LIMITS BY AMI BRACKET & HOUSEHOLD SIZE, 2023

2023 AMI Bracket	1-Person Household	2-Person Household	3-Person Household	4-Person Household
50% AMI	$31,281.00	$35,750.00	$40,175.00	$44,656.25
80% AMI	$50,050.00	$57,200.00	$64,350.00	$71,450.00
100% AMI	$62,562.50	$71,500.00	$80,437.50	$89,312.50
120% AMI	$75,075.00	$85,800.00	$96,525.00	$107,175.00

FIGURE 9: MEDIAN HOUSEHOLD INCOME

In Figure 9, median household incomes in Lexington-Fayette County are mapped by Census Block Group. The median household income of the highest-earning block group was $200,001 in 2023; the lowest-earning block group earned about $12,808. Many of the block groups near the urban center of the county are the lowest-earning, but some high-earning areas are interspersed within the center, too. Block groups on the outer edge of the county are often medium-to-medium-high-earning households.



EMPLOYMENT & ECONOMIC DATA

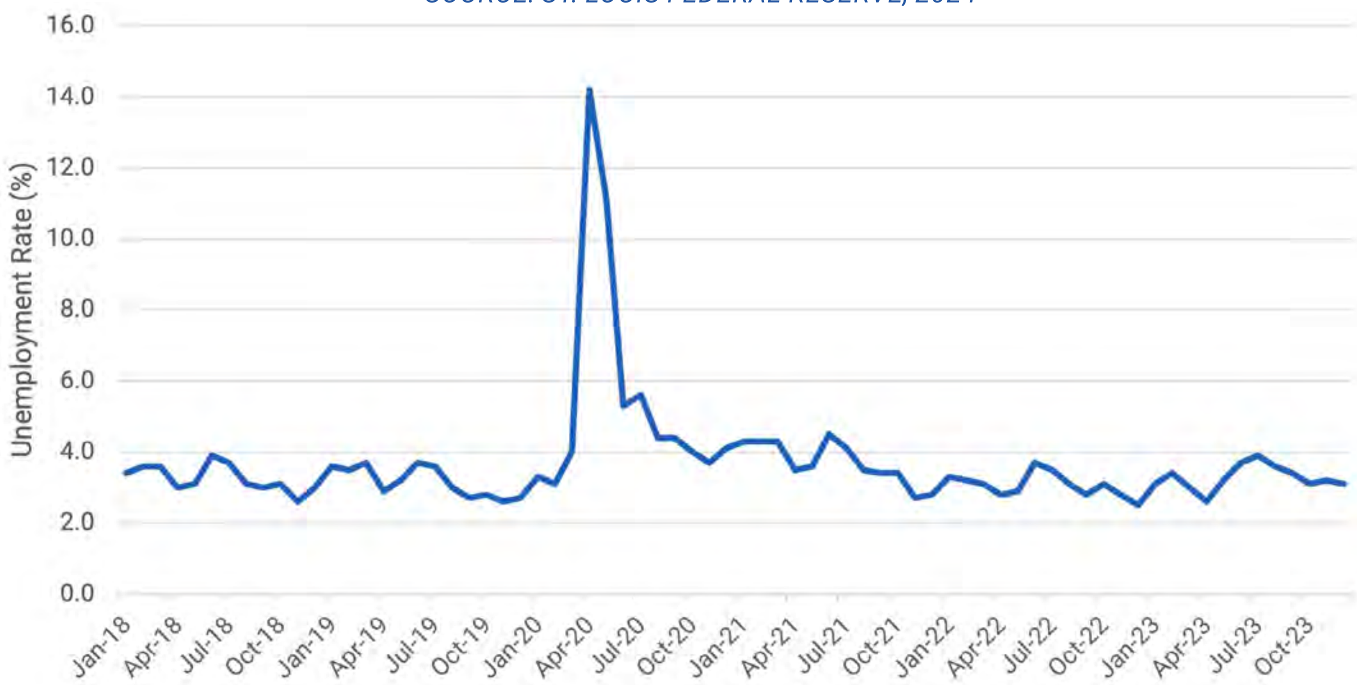
By systematically analyzing these economic indicators and their interplay with the housing market, you can derive meaningful insights into the affordability of housing in a given area. This holistic approach helps identify key challenges and opportunities for improving housing affordability. This chapter identifies the impact of these employment trends on housing affordability and accessibility.

Unemployment Rates

Between 2018 and the beginning of 2020, unemployment rates in Lexington-Fayette County hovered between 3% and 4%. Then, at the outset of the COVID-19 pandemic, unemployment rates skyrocketed, reaching 14.2% in April of 2020. Since then, unemployment has fallen, and the level returned to its pre-pandemic range by the middle of 2021. As of December 2023, the unemployment rate was 3.1%.

FIGURE 10: UNEMPLOYMENT RATES

SOURCE: ST. LOUIS FEDERAL RESERVE, 2024

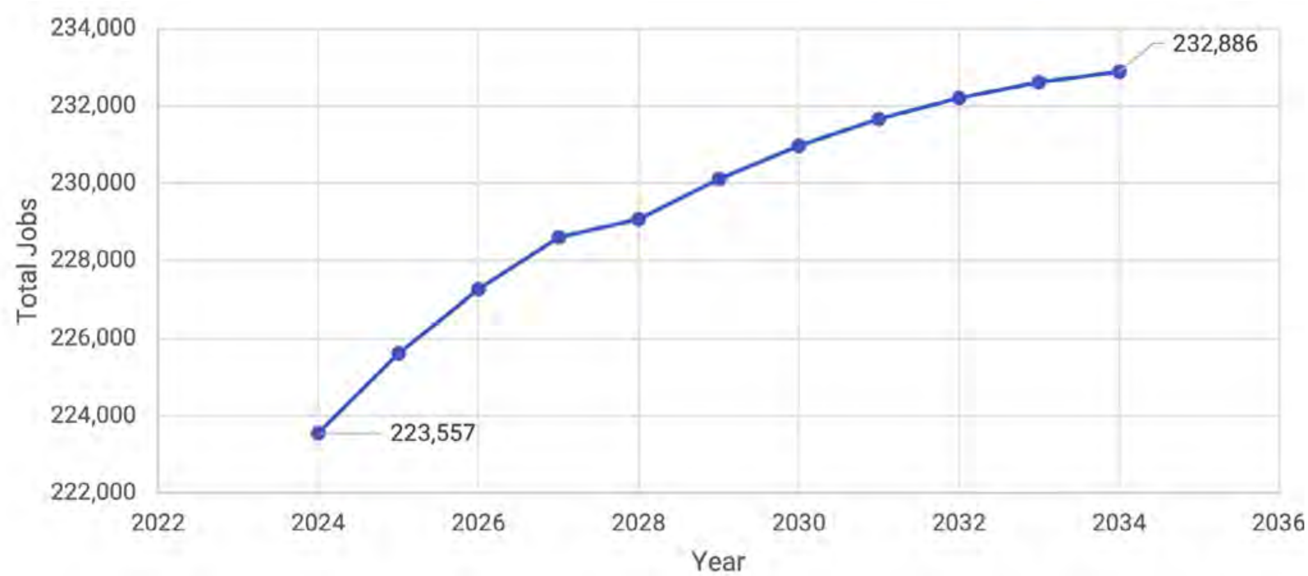


Job Growth

The number of jobs available within the county is projected to grow considerably over the next ten years. In 2024, around 223,500 jobs existed in Lexington-Fayette County. By 2034, it is estimated that nearly 233,000 jobs will exist within the county. As job growth occurs within a community, demand for housing increases. In order to avoid excessive increases in housing costs, efforts should be made to ensure the housing supply is prepared to match new job growth. The desire to provide livable wages should be a component of the economic growth strategy.

FIGURE 11: PROJECTED JOB GROWTH

SOURCE: LIGHTCAST, 2024



There are several positive and negative impacts that job growth has on access to affordable housing. With the positive aspects consisting of increased job growth leading to higher demand for housing, pushing up prices up beyond the affordability range. While the economic attraction of increased job opportunities attract new residents, further increasing housing demand. The negative correlation of affordability challenges will have an impact of supply constraints with limited housing supply exacerbating affordability issues, despite job growth. While job growth increases incomes, it may not keep pace with rising housing costs, especially for lower-income households.

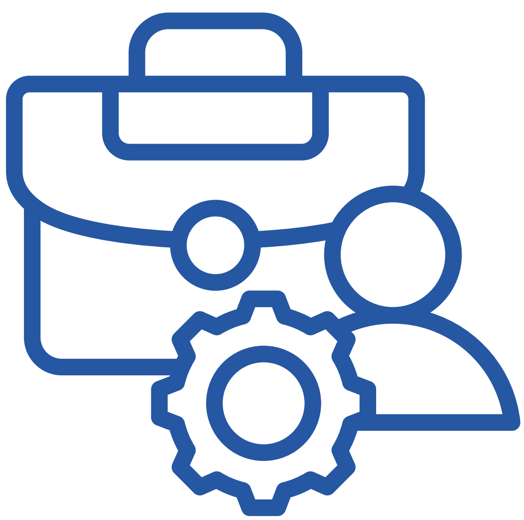
Impact of Job Growth on Housing Affordability

Short-Term Effects:

- **Increased Demand:** Immediate demand for housing near job centers, leading to rapid price increases.
- **Rental Market Pressure:** Higher rental demand as new residents seek housing, increasing rental prices.

Long-Term Effects:

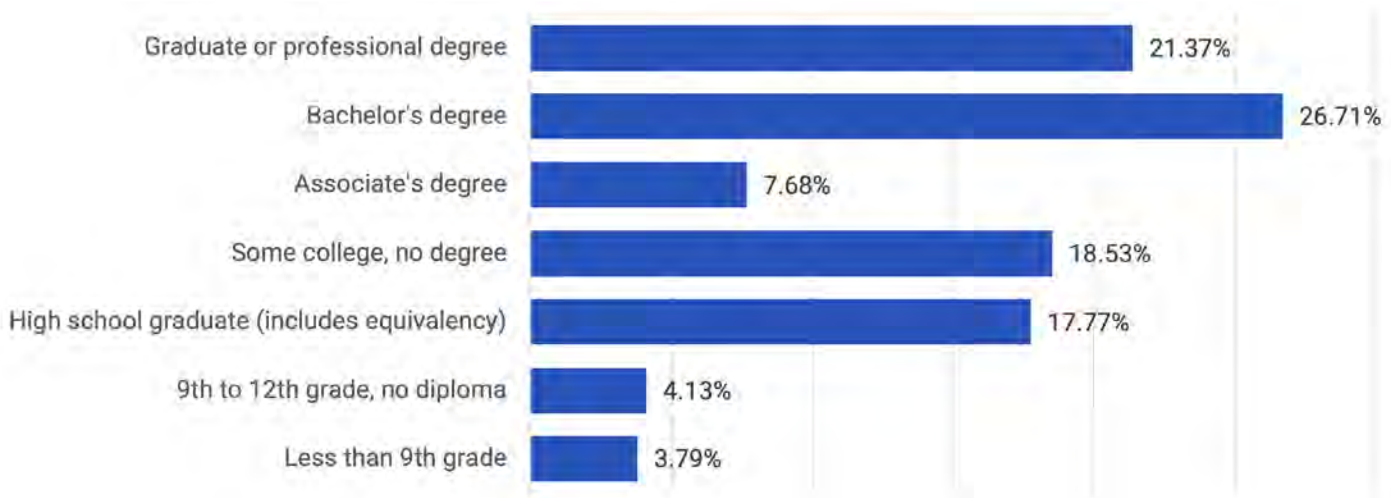
- **Housing Development:** Job growth may incentivize new housing development, potentially stabilizing prices over time.
- **Gentrification Risks:** Rapid job growth and rising prices may lead to gentrification, displacing lower-income residents.



Educational Attainment

Educational attainment rates are high in the county. Nearly half of the population holds a bachelor's degree or higher, with about 21% of residents having earned a graduate or professional degree. About 92% of the population over the age of 25 years has graduated from high school or has earned an equivalent certificate. High educational attainment rates are important for attracting new business to the region, and these likely contribute to the job growth which is projected to occur over the next 10 years.

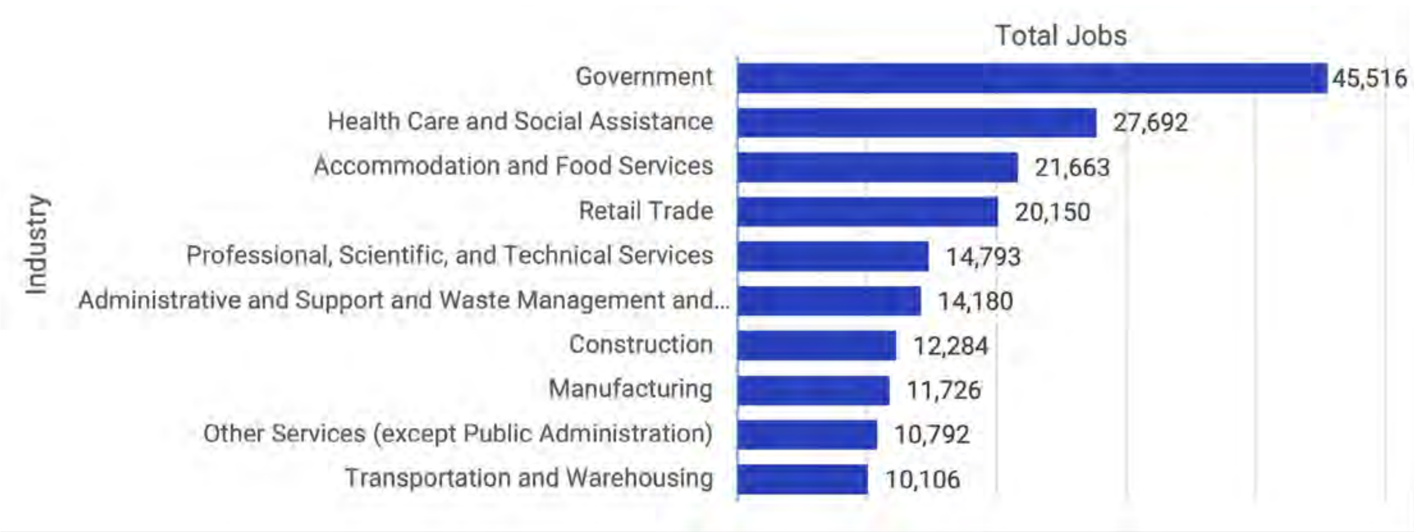
FIGURE 12: EDUCATIONAL ATTAINMENT *SOURCE: ACS 2022 1-YEAR ESTIMATES*



Industry Mix

Much of the workforce in Lexington-Fayette County is employed by the government in some capacity. This industry includes official government entities, and also public school systems, public hospitals, and other public organizations. The next highest-employing industries are the Healthcare and Social Assistance industry and the Accommodation and Food Services industry, which employ about 27,700 & 21,700 employees, respectively.

FIGURE 13: TOP INDUSTRIES *SOURCE: LIGHTCAST, 2024*

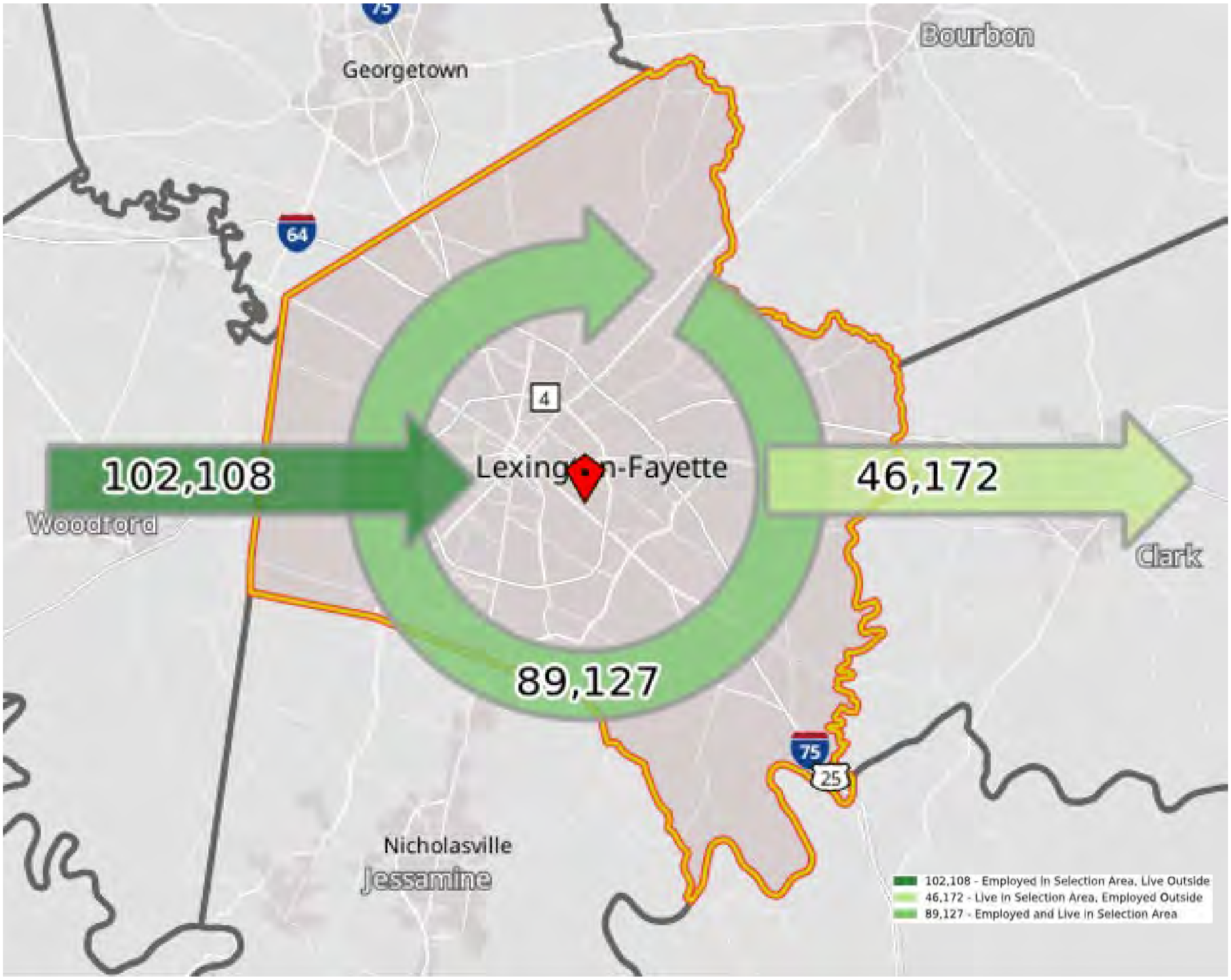


Commuting Patterns

As an urban location, Lexington-Fayette County attracts many people for work. More than 102,000 people live beyond county borders but travel into the county for work. Conversely, about 46,000 people live in the county but find employment outside of it. Around 89,000 people both live and work in the county. High levels of inbound commuters can indicate higher demand for housing; it is often the case that a large part of that commuting population would prefer to live closer to their place of employment if suitable options were available.

FIGURE 14: COMMUTING PATTERNS

SOURCE: ONTHEMAP, 2021



Housing Demand

As assessment of the existing unmet demand and potential future demand for housing can begin to shed further light on how housing costs have increased in recent years and how they might be further impacted in the future.

Current Housing Gap

Kentucky Housing Corporation in 2024 conducted a study with Bowen Research to estimate the current housing gap for counties across the state. The estimates provided for Fayette County are provided in Table 4. According to these calculations, Fayette County would need to increase the existing number of units (137,227) by 16% to meet the existing housing gap of 22,549.

TABLE 4: CURRENT HOUSING GAP, FAYETTE COUNTY

	<30% AMI	31%-50% AMI	51%-80% AMI	81% - 120% AMI	121%-150% AMI	151%+ AMI	All Brackets
Rental Gap	8,764	2,672	2,014	973	0	0	14,423
For Sale Gap	1,120	927	1,508	1,442	1,204	1,925	8,126
Total	**9,884**	**3,599**	**3,522**	**2,415**	**1,204**	**1,925**	**22,549**

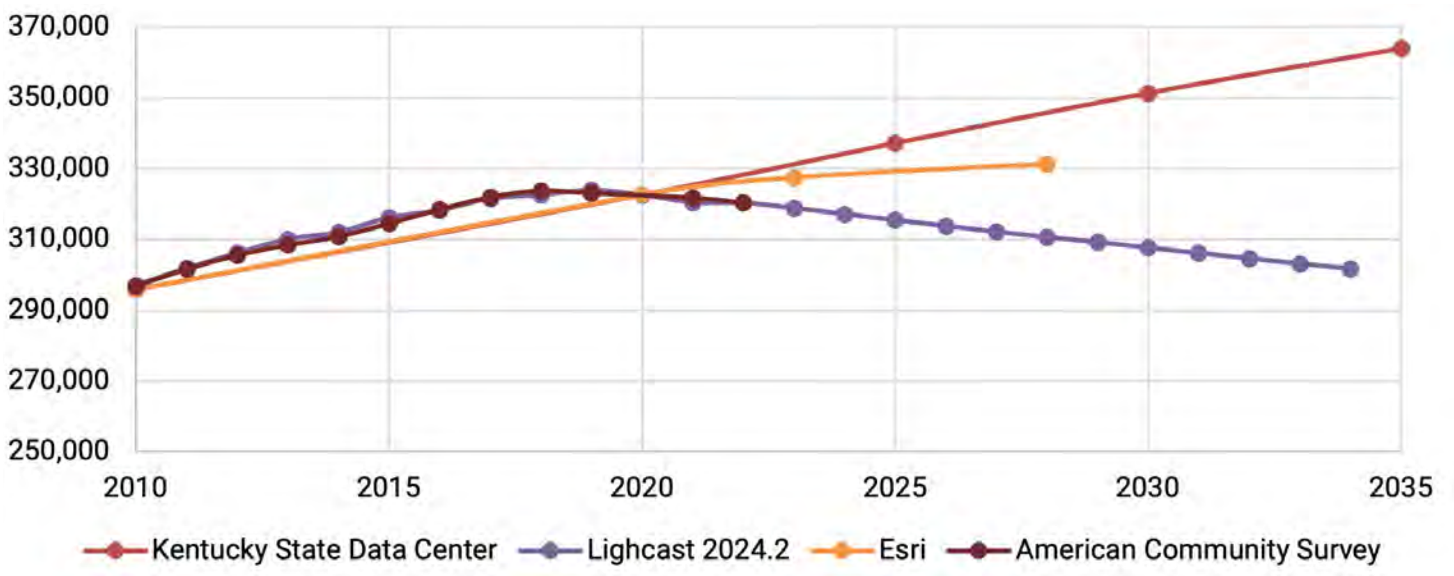
The study's methodology for determining the current housing gap takes into consideration a number of factors including non-resident commuters (incoming commuters), cost-burden data, and the annual turnover rate.

Future Demand Estimates

Building on these estimates for the existing gap in housing units, projected population growth can provide additional insight into the need for additional units. However, in the case of Lexington and Fayette County, a wide discrepancy in population projections add a potential complication to projecting the future demand for new units.

As Figure 15 demonstrates, there is significant disparity among various projections for the future growth of the Lexington-Fayette population. According to ACS 1-year estimates, the Lexington population has been shrinking since its peak in 2018 (323,780). From 2018 to 2022, the population decreased by about 1%. Following this trajectory, the projections provided by Lightcast show a continued population loss in the coming years.

FIGURE 15: FAYETTE COUNTY POPULATION PROJECTIONS



The Lightcast model, however, differs from the two other sources whose projections are presented in Figure 15. The Kentucky Data Center, basing their projections on the population increase from the 2010 to 2020 census counts, anticipates a significantly different result, projecting a population increase of 41,406 (12.8%) between 2020 and 2035. The third model, provided by Esri, projects slight increase over the next ten years.

These three projections result in three significantly different projections for the number of new housing units needed to meet the growth in demand in the coming years. For example, Models based on the Kentucky Data Center projections would result in an additional 21,000 units needed beyond the 22,500 units currently needed according to Bowen. Using the Esri projections, that number would be around 5,600.

After reviewing the methodology of the Bowen current housing gap estimates and the differences in how population projections were calculated, the ESRI model was selected for the basis for the following future demand estimates.

TABLE 5: NEW HOUSING DEMAND, ESRI

2020	2025	2030	2035	New Housing Demand
136,857	138,709	140,586	142,489	
Change in Households	1,852	1,877	1,902	**5,632**

Based on the model presented in Table 5, Lexington is estimated to need an additional 5,632 units to meet future demand based on moderate projected growth. Breaking down this count further, it is believed that 1,644 of these units will be needed for households earning below 60% AMI, 1,403 will be for senior householders, and 727 will house people with disabilities. There is overlap between the number of households needed for senior and those for disabilities as 31% of individuals over the age of 65 have a disability according to national metrics.

TABLE 6: ESTIMATED HOUSING DEMAND BY AMI BRACKET

Income Level	Projected Demand
0-30% AMI	835
31-60% AMI	809
61-80% AMI	542
81-100% AMI	585
101-120% AMI	470
121%+ AMI	2,390

HOUSING INVENTORY

A detailed inventory allows for a deeper understanding of the housing market dynamics, including vacancy rates, turnover, and trends in housing prices and rents. This information is critical for assessing affordability and market pressures that may affect housing accessibility for low-income households. A housing inventory is a foundational tool for understanding and addressing affordable housing needs, enabling data-driven decision-making and more effective policy and program development.

Housing by Type

In 2022, there were a total of 148,963 housing units in Lexington-Fayette County. The average household size of owner-occupied units was 2.39 people, while the average household size of rental units was 1.95 people. In Figure 16A, a breakdown of housing units by housing density type is provided. About two thirds of the housing stock is comprised of single-family homes. Medium-density structures, or structures with 2-9 units inside, comprise about 15% of the housing stock. The remaining 19% of units are located in high-density structures of more than 10 housing units.

Housing Type and Size

Of the 146,142 occupied housing units in Fayette County, the majority are single-family detached homes. Multifamily units, which are often a source of affordable rental housing, make up about a quarter of the housing inventory.

Multifamily units are most prevalent in the Downtown and University market areas. Manufactured housing is primarily concentrated in mobile home parks found in the Lexington market areas.

The majority of housing units in Lexington have three bedrooms. Homes in suburban market areas tend to be larger, but most homes in urban core areas, where there are more persons per household than the city average, have only two bedrooms. The size of the housing stock in these areas falls short of meeting the needs of the families who live there.

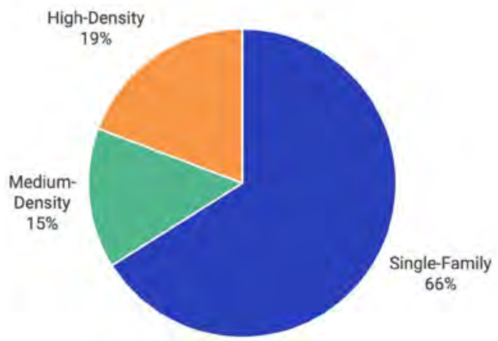
The 2020 Census provides detailed information on the distribution of bedroom sizes in Lexington, Kentucky. A summary of the bedroom size distribution based on the 2020 census data:

TABLE 7 *SOURCE 2020 CENSUS*

Housing Size	Percentage	Number of Units
No Bedroom (Studio)	2.6%	Approx. 2,587
1 Bedroom	12.5%	Approx. 17,249
2 Bedrooms	27.4%	Approx. 37,769
3 Bedrooms	40.4%	Approx. 55,664
4 Bedrooms	13.7%	Approx. 18,854
5+ Bedrooms	3.4%	Approx. 4,683

FIGURE 16A: HOUSING BY TYPE

SOURCE: ACS 2022 1-YEAR ESTIMATES



Housing Tenure

Housing tenure in Lexington-Fayette County is similar to that of other urban locations. It shows the total number of households in Fayette County by type of occupancy; Renter- or Owner-occupied. It also lists the percentage of total households each category represents.

It is worth noting that the national homeownership rate is approximately 64% with annual fluctuations of one or two percentage points. Lexington's homeownership rate of 56% is far enough below that rate to be different in a statistically significant way. This could be explained in a number of different ways from a local difference in housing preferences to a latent demand for owner-occupied housing that is unfulfilled by the current market.

Incorporating household tenure in the affordability analysis provides a comprehensive understanding of housing costs, stability, financial planning, policy implications, risk assessment, and demographic insights. It allows for a more nuanced approach to evaluating and addressing housing affordability challenges, leading to more effective strategies and solutions. 56% of the Fayette County housing market is owner-occupied, which typically tend to have higher incomes compared to renters. Analyzing tenure helps in identifying income disparities and targeting affordability measures accordingly.

FIGURE 17A: HOUSING TENURE

SOURCE: ACS 2022 1-YEAR ESTIMATES

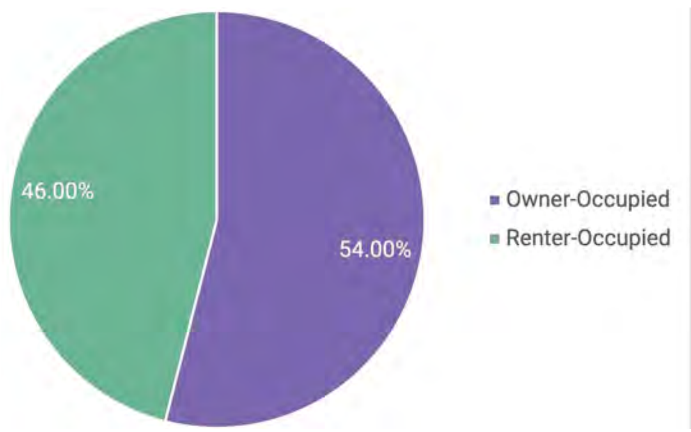
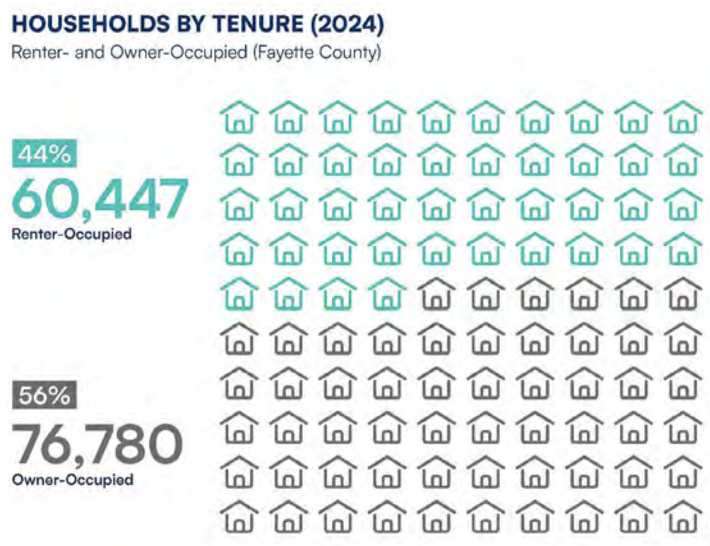


FIGURE 16B: DISTRIBUTION OF HOUSEHOLDS BY TENURE



Rental or "For-Rent" Units

Rental vacancy rates reached their lowest point in nearly four decades. With only 5.6% of rental units vacant at the end of 2021, renters' choices about where to live became more limited *(U.S. Census Bureau, 2023)*. Despite small improvements, the average vacancy rate in 2022 was 5.8%, a level not seen since the 1980's *(U.S. Census Bureau, 2023)*.

These trends are reflected in the National Low Income Housing Coalition's (NLIHC) most recent analysis of affordable and available rental homes for various income groups. Each year NLIHC uses American Community Survey (ACS) data to estimate how many affordable rental homes are available to extremely low-income households – those with gross incomes at or below the federal poverty guideline or 30% of AMI, whichever is greater – and other income groups.

Affordable homes are those with rents that do not exceed 30% of a given gross income threshold. Homes are affordable and available for a specific income group if they are affordable and are either vacant or not occupied by a higher-income household.

Extremely low-income renters in Lexington likely have even fewer housing options now than they did prior to the pandemic.

How Much Is Rent in Lexington

Depending on size, the Fair Market Rent - HUDs measurement of the cost of an average housing unit - ranges from $802 to $1,807. FMRs are updated annually by HUD for every city and county nationwide.

TABLE 8: 2024 FAIR MARKET RENTS IN LEXINGTON BY NUMBER OF BEDROOMS

Bed Size	2024 Fair Market Rents
Studio	$802
One BR	$983
Two BR	$1,177
Three BR	$1,599
Four BR	$1,807

How many units are rented at Fair Market Rent (FMR) in Lexington?

Renters with a Section 8 Housing Choice Voucher must select a home that is at or below the area's Fair Market Rent. Markets with a large share of units above FMR tend to have longer search times to find a qualified unit, while those with a large share of units below FMR tend to have more choices and shorter search times. The share below FMR can vary by size of unit, as shown in the table below.

These are the approximate number of units renting below the FMR in this market:

TABLE 9: NUMBER OF RENTAL UNITS BELOW FMR BY NUMBER OF BEDROOMS

Unit Size	Count of Units Below FMR	Percentage of Total Units Below FMR
Studio	1,336	49 percent
One BR	13,321	60 percent
Two BR	13,515	58 percent

Rental Units Below FMR in Lexington, Kentucky
Income Based Apartments in Lexington, Kentucky

Lexington features approximately 3,620 income-based apartments. Tenants of income-based apartments typically pay no more than 30% of their income towards rent and utilities.

Low Rent Apartments in Lexington, Kentucky

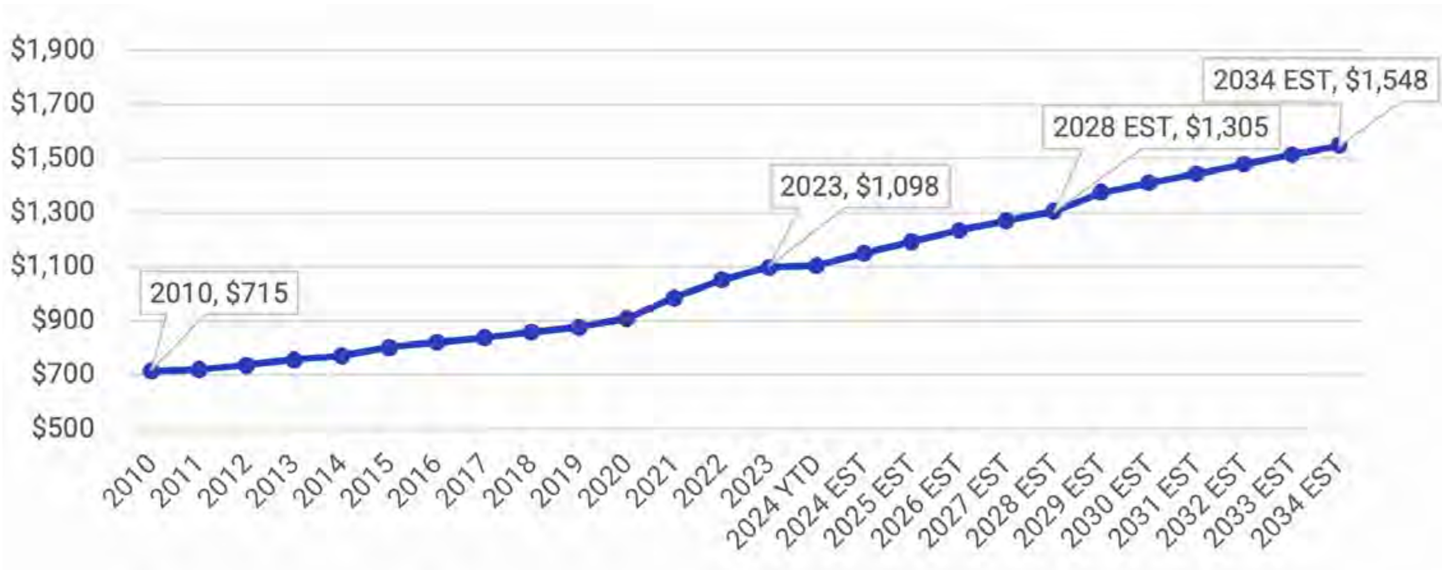
There are approximately 1,713 rent subsidized apartments that do not provide direct rental assistance but remain affordable to low-income households in Lexington.

Rental Cost Trends

The costs of rental units in Lexington-Fayette County have increased substantially in recent years. In 2017, the average market asking rate per unit was $839; in 2024, that figure has increased to $1,104 per unit. It is estimated that rental costs will increase over the next several years. By 2028, the average market asking rate per unit is projected to reach $1,305. If the projection is accurate, rental costs will have increased by about 56% over an 11-year period.

Areas with lower median rents have more of what is referred to as naturally occurring affordable housing, or units that are affordable to low-income families without any kind of subsidy. Naturally occurring affordable housing in Lexington is concentrated in the northend market areas, providing little geographic choice for families whose incomes require low housing costs.

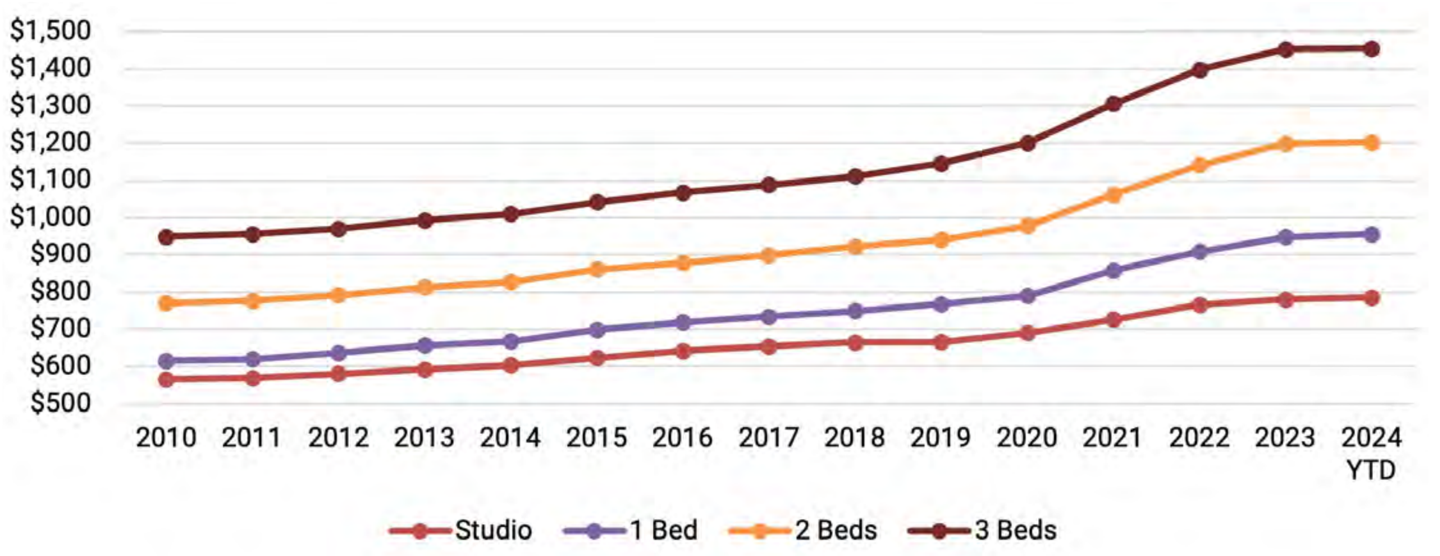
FIGURE 17B: MARKET ASKING RENT PER UNIT *SOURCE: COSTAR MULTIFAMILY DATA*



Average Rent per Bedroom Count

Starting in 2020, the asking rent in Lexington started to rise at an increased rate compared to trends from the prior decade. While these increases have begun to plateau in the first half of 2024, the market asking rent per bedroom is much higher than it was prior to the COVID-19 pandemic. The market rent for a 3-bedroom unit, for example, increased from roughly $1,200 to $1,450 per month from 2020 to 2023, an increase of over 20%.

FIGURE 18: MARKET ASKING RENT FROM 2010-2024 BY NUMBER OF BEDROOMS



Median Gross Rent by Census Block

In Figure 18, median gross rents across the county have been mapped. The Census Block in which rent was most expensive ($3,501 per month) is located in the southeastern part of the county. Generally, rental costs are lower in Census Blocks further from the center of the county.

FIGURE 19: OVERALL, RENTER RATES

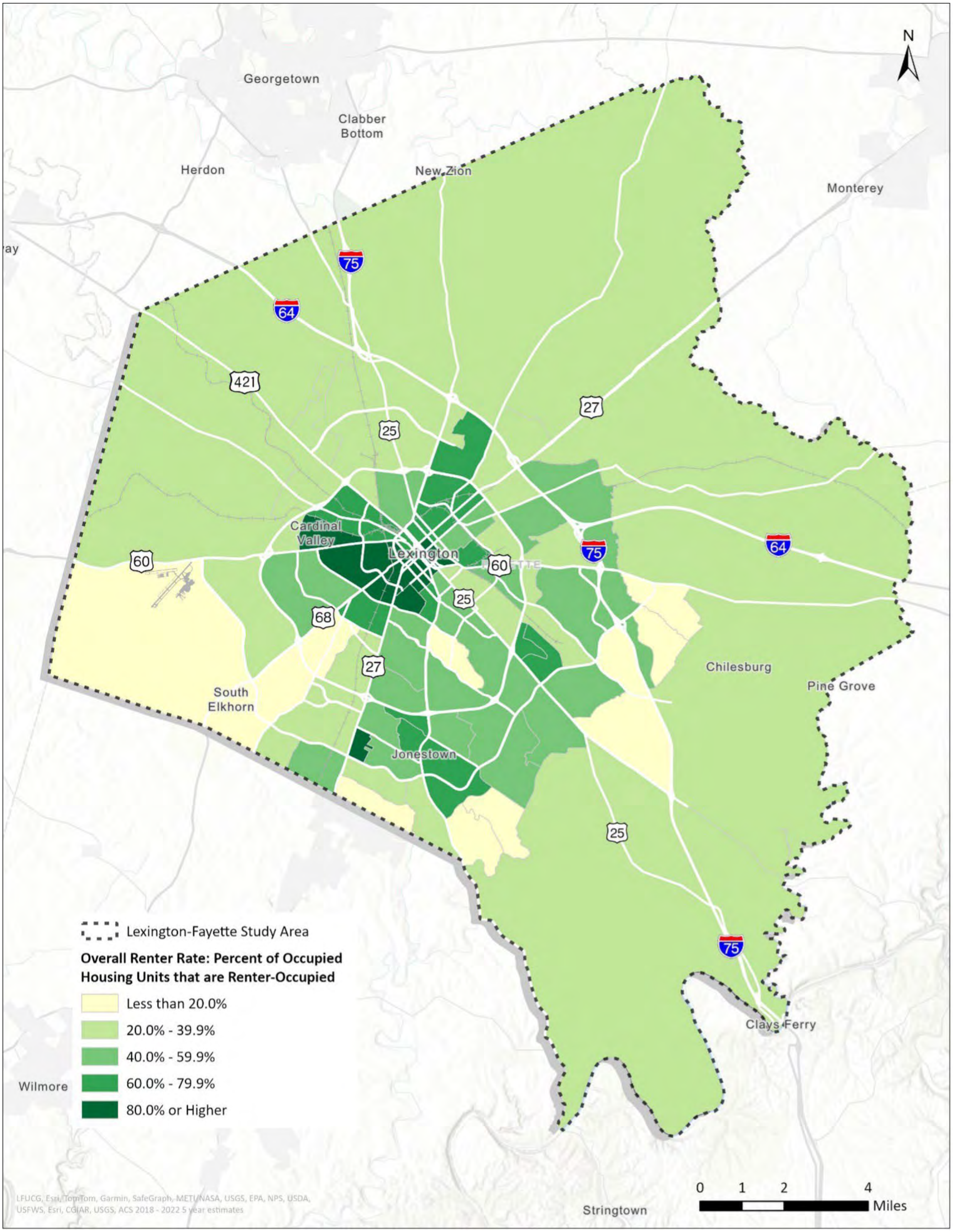


FIGURE 20: MEDIAN GROSS RENT BY CENSUS BLOCK GROUPS

SOURCE: ESRI, 2024

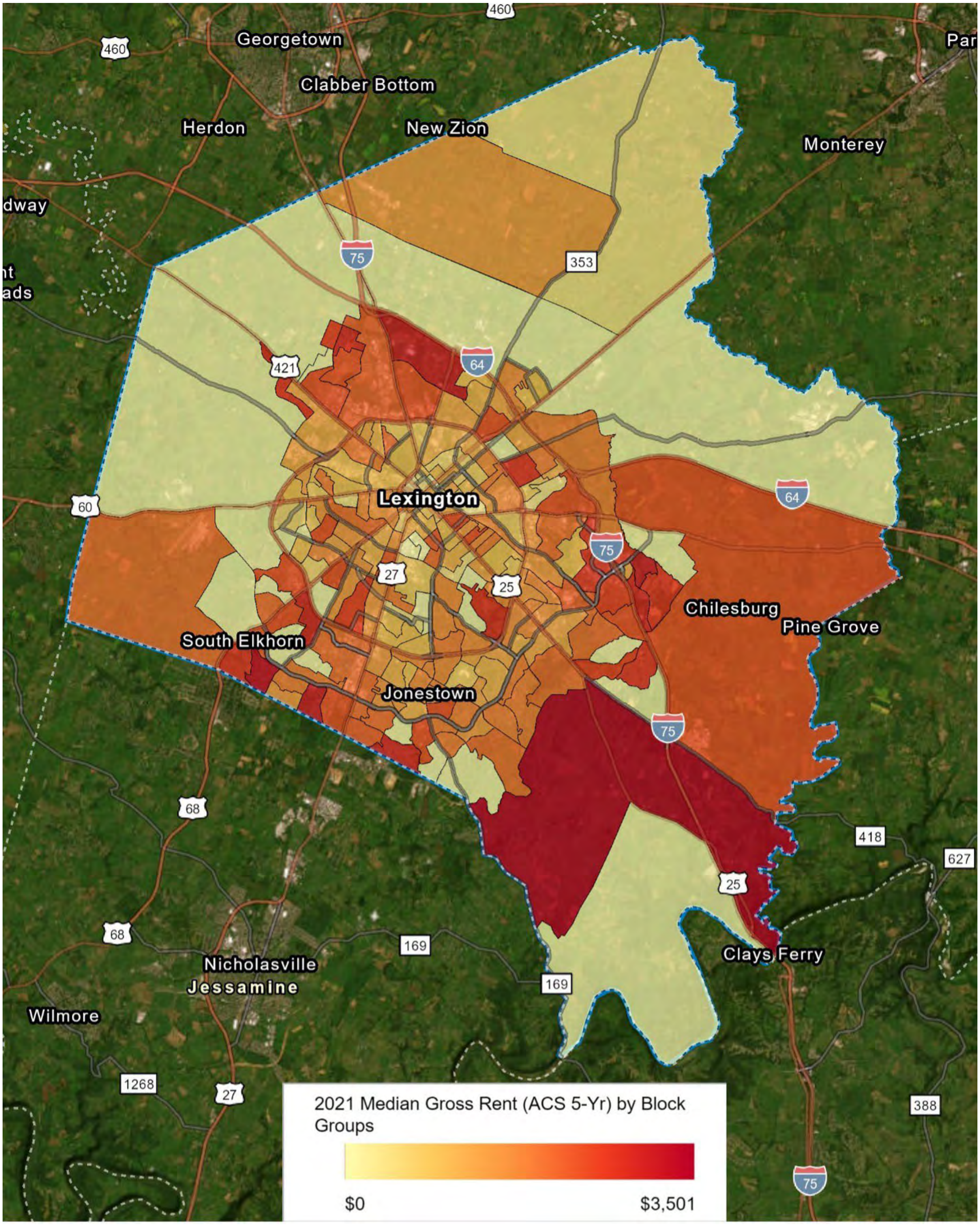
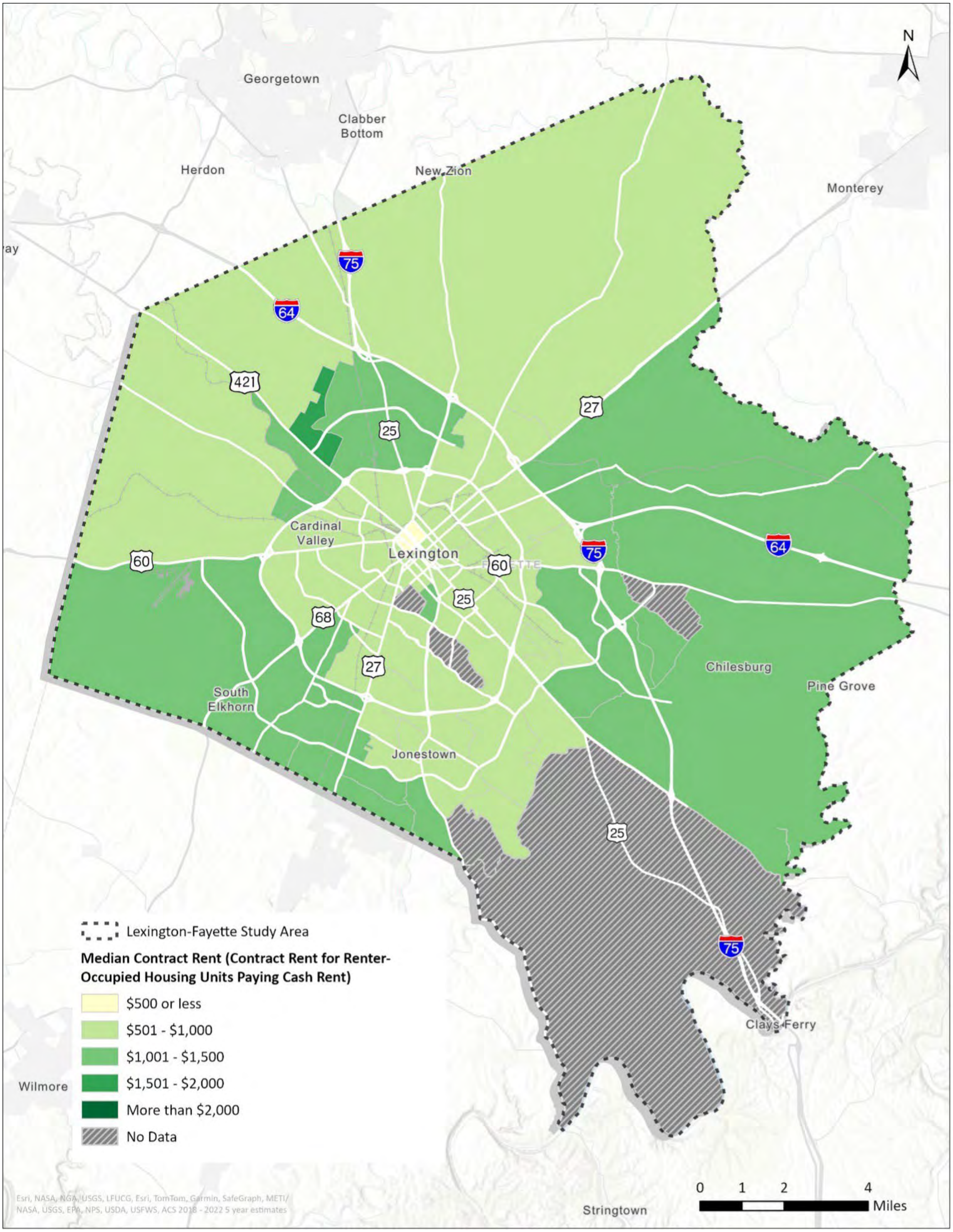


FIGURE 21: MEDIAN CONTRACT RENT

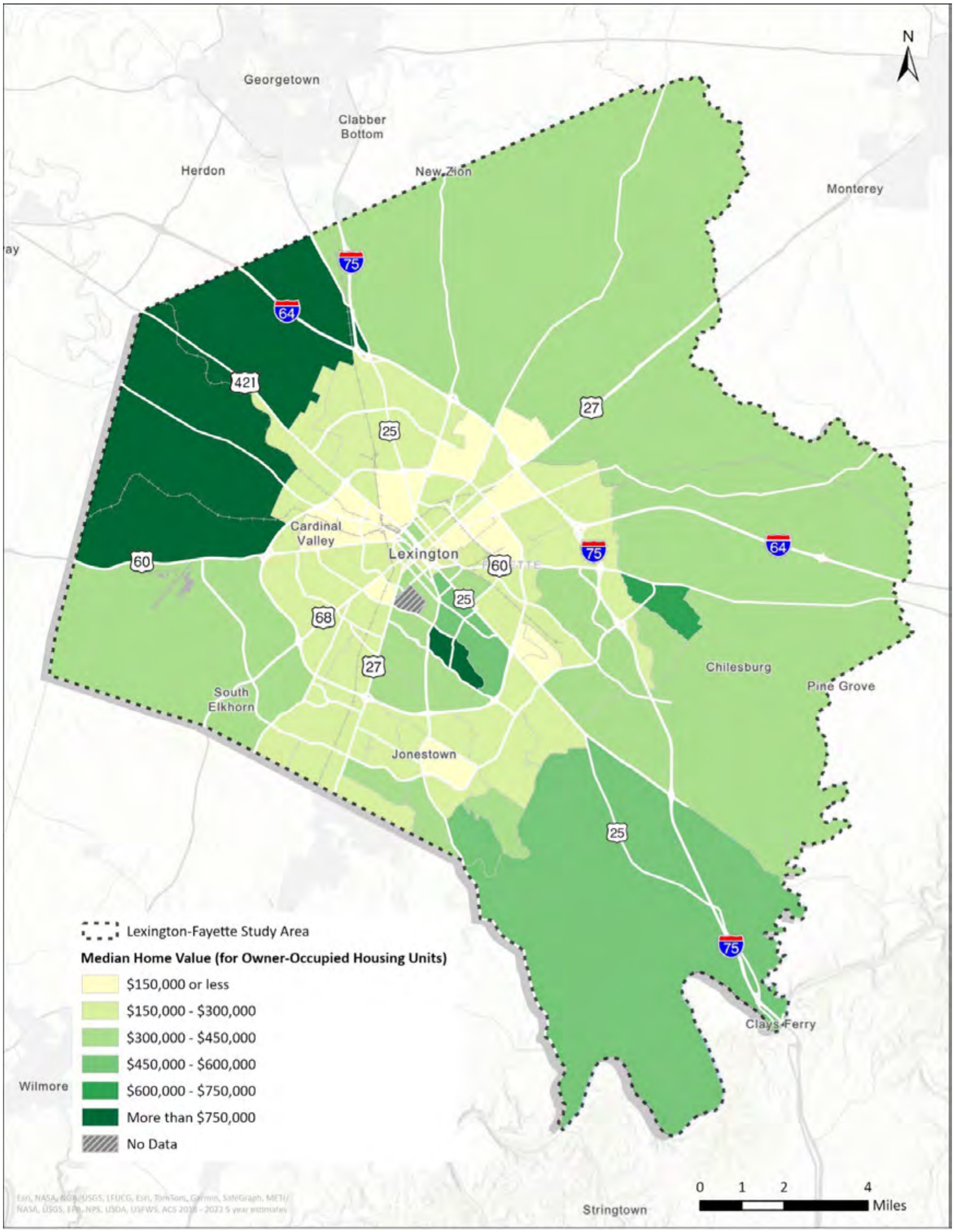


Median Home Value by Census Block

Owner-Occupied or "For-Sale" Units

In Figure 22, median home values in Lexington-Fayette County are mapped by Census Block Group. Based on the map, homes are generally valued lower in the northwestern part of the city than in the southeastern part. In block groups further from the center of the city, the home values typically fall around the middle or upper end of the value spectrum.

FIGURE 22: MEDIAN HOME VALUE



Sale Price

Housing sale prices in Lexington-Fayette County have risen steadily in recent years. In January 2019, the median sale price of a single-family home was $193,750; five years later, in January 2024, the median sale price was $310,343. That's an increase of approximately $116,000, or more than 60%. Over the five-year period, the highest median sale price was logged in July 2023, when it rose to $341,000.

In 2020, approximately 7,000 homes were sold, 2021 home sales increased to around 7,500, in 2022 the upward trend continued with about 7,800 homes sold. In 2023, around 7,600 homes were sold in Lexington, Kentucky, reflecting a robust housing market despite a slight decline from the previous year. For 2024, precise year-to-date numbers are still being compiled, but early studies suggest continued high activity with homes selling quickly due to sustained demand.

From 2020 to 2023, the Lexington, Kentucky housing market has seen significant changes. Home sales have generally risen each year, while the average number of days homes remain on the market has decreased, suggesting increased housing demand outpacing supply due to population growth in the area.

In 2020, homes in Lexington were on the market for an average of 47 days. By 2023, this average had decreased, with many homes selling in around 25-30 days.

Price Trends

The median home price has consistently increased each year. For example, the median sale price in Lexington was approximately $303,077 in 2023, up 7.0% from the previous year.

Most Active Markets

40502 (Chevy Chase/Ashland Park): This area has consistently high demand, with homes often selling over the asking price within a few days.

40509 (Hamburg): Known for its newer developments and family-friendly amenities, this neighborhood has seen quick sales and increasing prices.

40511 (Masterson Station): This area remains popular for its relatively affordable housing options and community amenities, with homes often selling in under a month.

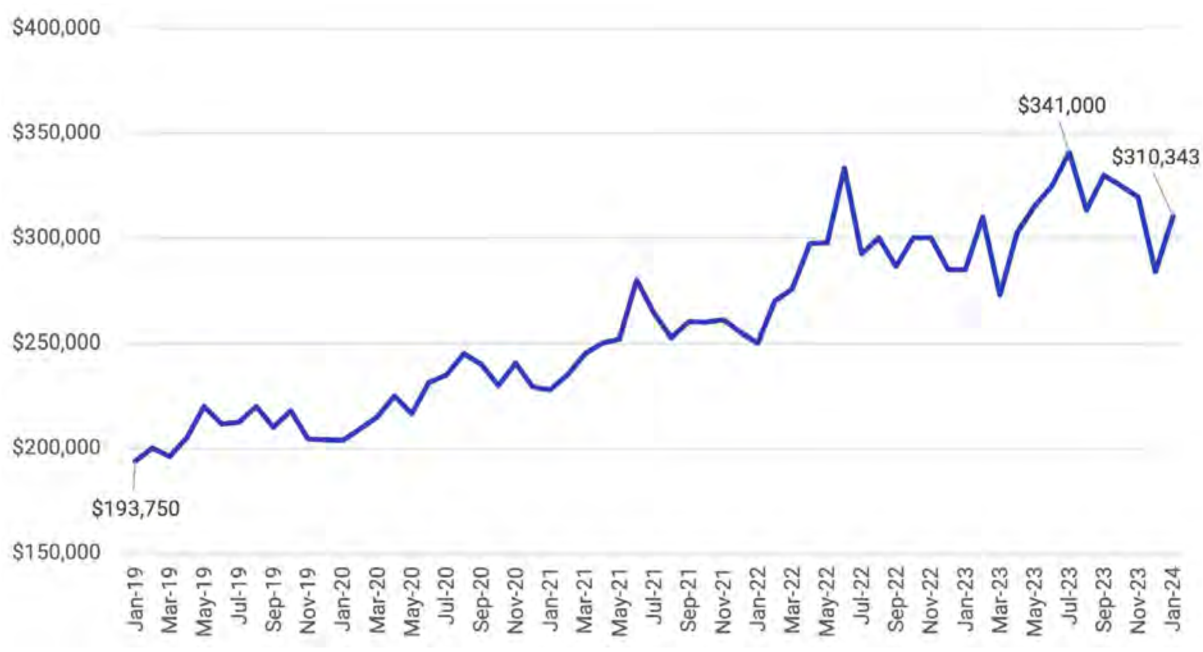
The increase in home sales and the decrease in the number of days homes are on the market indicate a robust seller's market. This trend is driven by a combination of factors, including low housing inventory, rising population, and economic growth in Lexington.

From 2020 to 2023, the number of homes sold in Lexington, Kentucky showed a general upward trend, indicating a strong and active housing market.

The trends indicate a robust seller's market, driven by increased demand and limited supply.

FIGURE 23: MEDIAN SALE PRICE

SOURCE: REDFIN, 2024



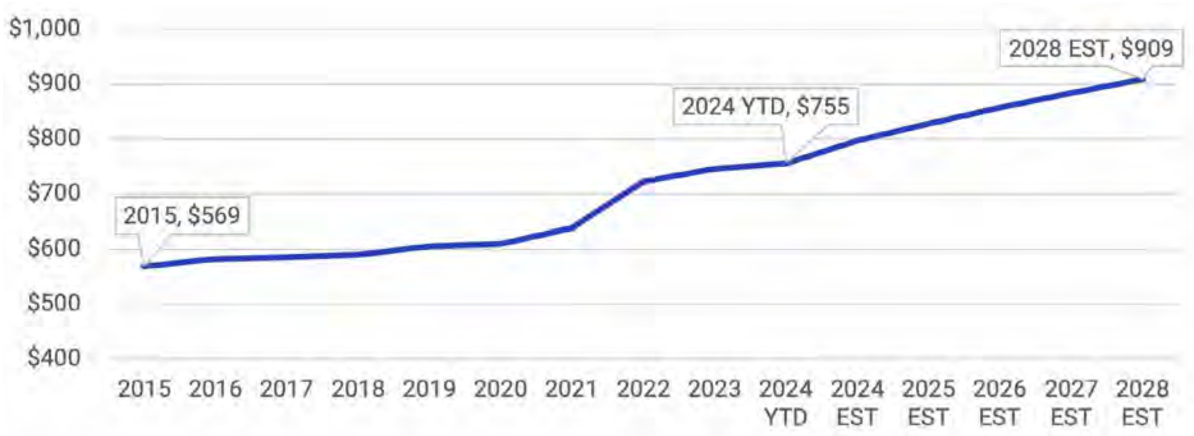
Student Housing

As is the case for rental and owner-occupied housing units in the county, the cost of student housing has increased in recent years. In 2015, the market asking rate for student housing (per bed) was $569. In 2024, that number has increased to $755, and it is expected to surpass $900 by 2028. As student housing costs have risen, so have the enrollment levels in local universities. In the fall of 2023, the University of Kentucky in Lexington reported enrollment of nearly 34,000 students. Over a ten-year period, enrollment has increased by about 4,000 students; this increase in demand for student housing is likely contributing to elevated housing costs.

In addition to record enrollment of nearly 34,000 students, demand for living on UK's campus is at an all-time high. In 2017, UK completed a four-year project to add more than 6,800 beds in 14 new state-of-the-art residence halls as part of its public-private partnership strategy. For Fall 2023, UK has a total of 8,100 beds available for students. Approximately 1,900 students moved into Tri-It spaces, which were transformed from two to three-person suites to accommodate more on-campus housing beginning in Fall 2023. Within the next 2 years (2024-2026) UK plans to build 649 beds. They are currently at capacity and with the construction of the additional beds, UK will remain at capacity for the near future. This will put even more pressure on affordable housing needs, especially in the renter market, when students that are not living on campus will create a greater demand for affordable housing.
A growing student population can have effects on the housing market that extend beyond campus limits, and the growth patterns of UK should be monitored and accounted for in future development plans.

FIGURE 24: MARKET ASKING RENT PER BED (STUDENT HOUSING)

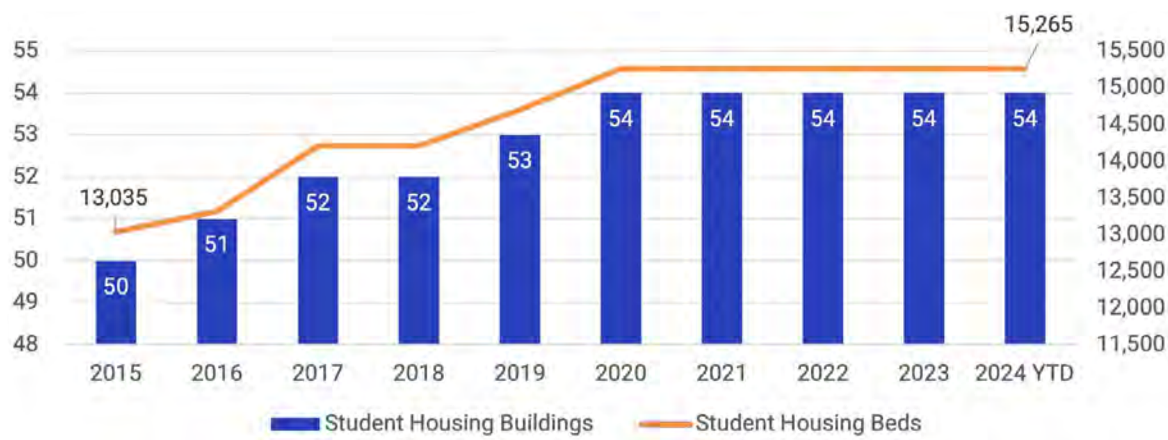
SOURCE: COSTAR STUDENT HOUSING DATA



As can be seen in Figure 25, development of student housing has halted since 2020. In 2024, there remain 54 student housing buildings which provide a total of 15,265 beds.

FIGURE 25: COUNT OF STUDENT HOUSING BUILDINGS AND BEDS

SOURCE: COSTAR STUDENT HOUSING DATA



Off Campus Housing

Exact data does not exist on where students live when they are not living on campus. Based on interviews with the University of Kentucky Associate Vice President for Partnerships, a very conservative estimate in this market would be that 80% of off-campus undergraduate students live outside of their family home.

The best estimate, as of the current 2024 enrollment cycle, is that there are approximately 10,000 undergraduate students annually that do not live at home but also do not live in UK Housing spaces. Using an occupancy rate of 2.5 students per housing unit, this would equate to an estimated 4,760 off campus student households. Based on data from the census regarding income for Lexington households 25 and under, approximately 3,350 of those student households are below 80% AMI.

These households were included in the housing gap estimates. The impact they have on affordable housing needs is difficult to say. Some students are transient, only renting while classes are in session, while others are year-round residents. Others may have family providing housing for them via ownership. The variety of situations and unknown metrics make factoring out student housing difficult. Therefore, we must be aware that as much as 21% of the gap may be represented by student households which might be served adequately.

Vacancy Rates

In Lexington-Fayette County in 2022, about 5.8% of the housing units were vacant. In Figure 26, the total number of vacant housing units is categorized by the time each unit has remained vacant. Around 28% of these units have been vacant for less than 1 month, which means they are likely being transferred from one occupant to another and that they are actively contributing to the housing supply available in the county. Approximately one quarter of the vacant units, however, have been vacant for more than two years. Many of these units are likely dilapidated or otherwise uninhabitable, which means they are unable to be used to meet demand for housing without being rehabilitated.

FIGURE 26: VACANCY DURATION

SOURCE: ACS 2022 1-YEAR ESTIMATES

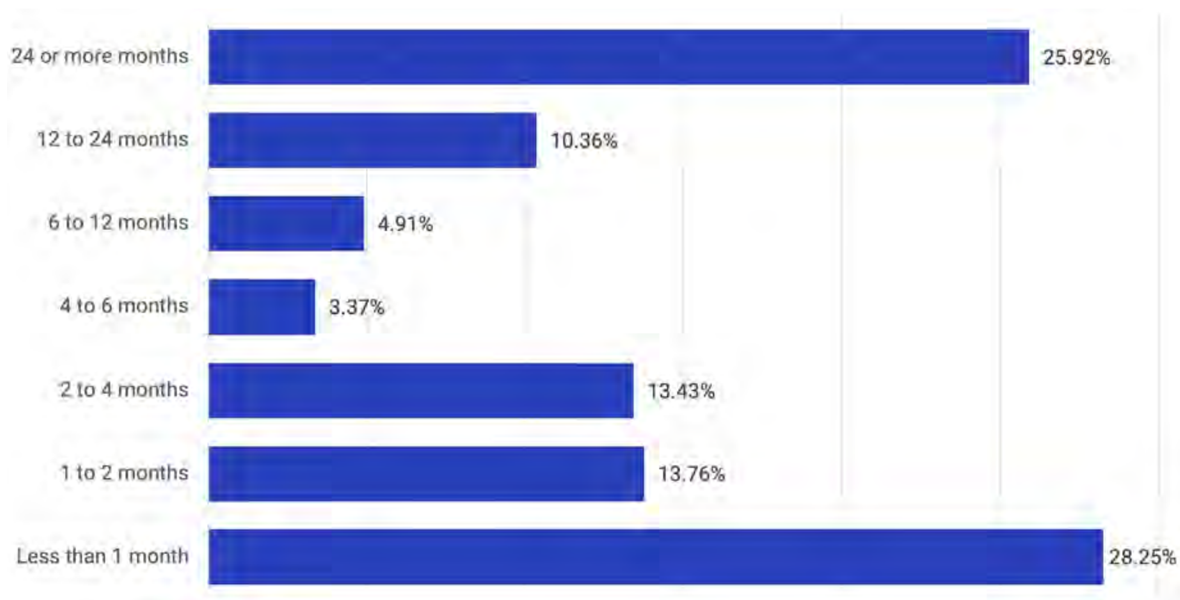
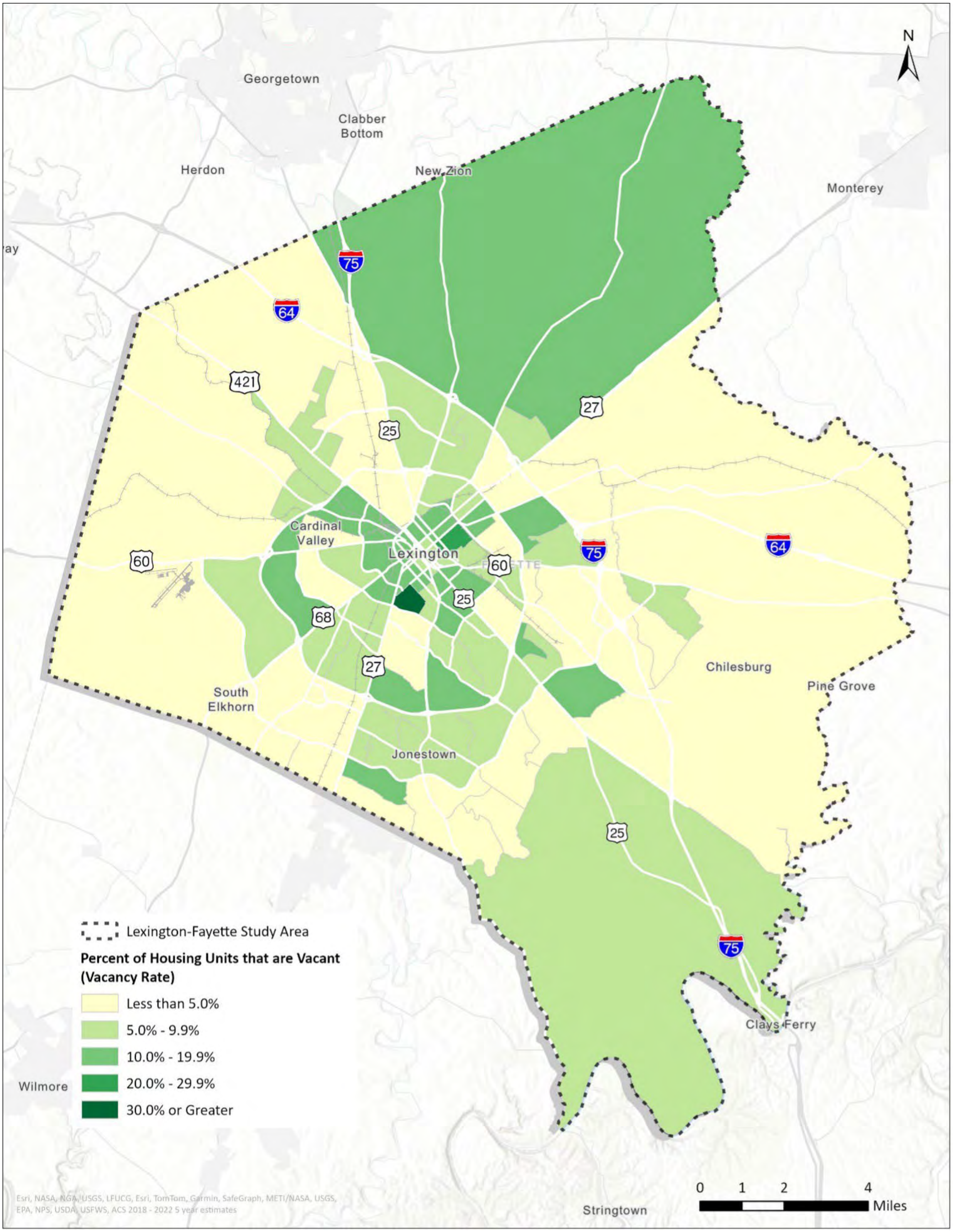


FIGURE 27: VACANCY RATE MAP



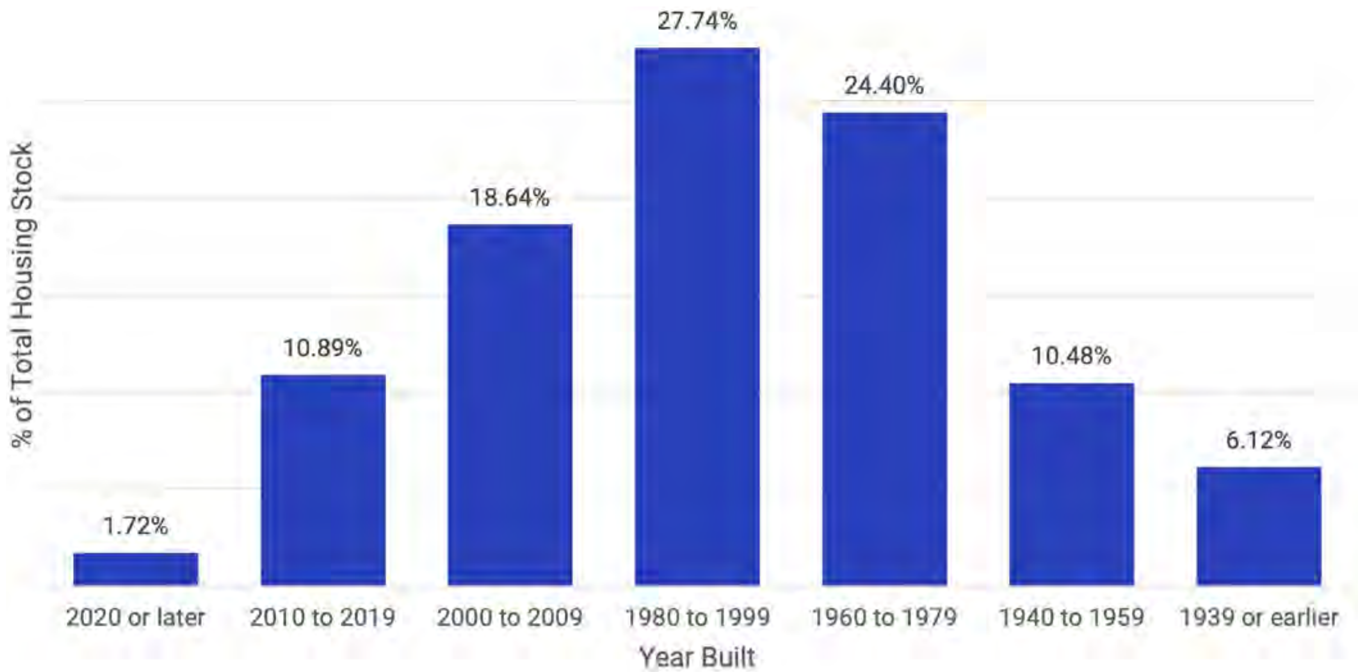
Age of Housing Stock

The age of the existing housing stock can be a good supplemental indicator of housing costs. Older homes are likely to require additional upkeep, and the maintenance costs associated with these homes might mean higher overall housing costs for the occupant. About 41% of housing units in the county were built before 1980. 46% of homes were built between 1980 and 2009. Approximately 12.5% of homes have been built since 2010.

Housing age varies greatly by market area. Homes tend to be oldest in the downtown, urban core areas and within New Circle Road, while newer housing stock exists in the south and eastern market areas.

FIGURE 28: HOUSING BY YEAR BUILT

SOURCE: US CENSUS, 2020



Affordable Housing Programs

A comprehensive analysis of Lexington affordable housing programs can enable housing advocates and developers the chance to better understand the multifaceted impacts of the City's affordable housing programs and make informed decisions to enhance their effectiveness and sustainability.

Types of LHA Subsidized Units

1. **Public Housing Units:** These units are owned and operated directly by the Lexington Housing Authority, Total Units – 1,300. These units are spread across multiple developments throughout Lexington, catering to families, seniors, and individuals with disabilities.
2. **Housing Choice Vouchers (Section 8):** This program provides rental assistance to low-income families, seniors, and individuals with disabilities, allowing them to rent privately owned housing units.
3. **Total Vouchers–Approximately 1,700 vouchers:** These vouchers are used in the private rental market, giving recipients the flexibility to choose their housing. There are 3,800 to 4,000 individuals on the waiting list.
4. **Project-Based Voucher:** These vouchers are attached to specific housing units rather than being portable with the tenant. Around 150 units. Project Based Vouchers ensure long-term affordability in particular developments, often used in partnership with private developers and non-profits.
5. **Special Programs and Initiatives**
    a. **Veterans Affairs Supportive Housing.** This program combines Housing Choice Voucher rental assistance with case management and clinical services provided by the Department of Veterans Affairs. Specifically targets homeless veterans and their families.
    b. **Family Self-Sufficiency (FSS)** Program helps approximately 1,100 families in public housing and those using Housing Choice Vouchers to increase their earnings and reduce dependency on public assistance. Includes education, job training, and financial literacy programs.
    c. **Rental Assistance Demonstration (RAD).** Allows public housing agencies to convert public housing properties to Section 8 rental assistance, ensuring more stable funding for maintenance and improvements, to preserve affordable housing and improve living conditions.

Housing Choice Vouchers in Lexington, Kentucky

On average, Section 8 Housing Choice vouchers pay Lexington landlords $500 per month towards rent. The average voucher holder contributes $400 towards rent in Lexington.

The maximum amount a voucher would pay on behalf of a low-income tenant in Lexington, Kentucky for a two-bedroom apartment is between $1,059 and $1,295.

Sourced from federal housing data and AffordableHousingOnline.com research.

As of 2024, Lexington, Kentucky has over 3,000 Housing Choice Vouchers (HCV) available. These vouchers are part of the Section 8 rental assistance program managed by the Lexington-Fayette Urban County Housing Authority (LHA). The program supports more than 3,000 families and collaborates with around 800 landlords to provide affordable housing options. *(Lexha) (Lexha) (Lexington KY Site)*

LIHTC Units

The Low-Income Housing Tax Credit (LIHTC) program is one of the primary federal tools for creating affordable housing. This program provides tax credits to developers in exchange for a commitment to provide affordable rent, based on the Area Median Income (AMI) for a period of thirty years. LIHTC-sponsored housing is a critical provider of affordable housing throughout the country. In Lexington-Fayette County, there are a total of 1,735 LIHTC-sponsored housing units, located in 16 sites across the county.

HUD 202 Elderly Units – 2015-2023

Between 2015 and 2023, Lexington, Kentucky saw the construction of two HUD Section 202 elderly housing projects. In 2017, construction began on the "Concordia Park" project, which added 34 units specifically for elderly residents. Following this, the "Senior Living at Sayre Christian Village" project was completed in 2022, adding another 37 units. These projects contributed to the overall goal of providing affordable and supportive housing for very-low-income elderly individuals in Lexington. *(HUD.gov) (HUD.gov) (LeadingAge)*

TABLE 10: AFFORDABLE HOUSING UNITS CONSTRUCTED 2020-2025 BY COMMUNITY

Community Name	Rehab Unit Count	New Unit Count	Total Units
Briarwood of Lexington	204	0	204
Christian Towers	92	40	132
Davis Park Station	0	73	73
Freedom Senior Apartments	0	52	52
Independence Homes	0	24	24
Kearney Ridge Apartments	0	252	252
Oakdale Apartments	0	144	144
Polo Club Park Apartments	0	24	24
Richwood Bend	0	83	83
Stonewall Terrace	0	26	26
The Alcove at Russell	0	202	202
The Flats at Woodland	0	38	38
The Oasis at Kearney Creek	0	96	96
Three Thirty Newtown	0	208	208
Wellington Park Apartments	0	45	45
Westminster Village	132	0	132

TABLE 11: LFUCG AFFORDABLE HOUSING FUND UNITS PRESERVED OR CREATED BY YEAR

Year	Preserved Units	New Units
2015	273	52
2016	26	75
2017	393	19
2018	110	278
2019	358	122
2020	0	55
2021	224	870
2022	94	119
2023	0	138
2024	207	91
TOTAL	**1685**	**1819**

Planned Public Private Projects – 1-5 years

Fayette County, Kentucky, is facing a significant affordable housing crisis. Given its estimated gap of 22,549 affordable housing units. There exists a substantial shortage of housing that is affordable for low-income residents. This shortfall reflects the pressing need for more affordable housing options to ensure that all residents have access to safe and affordable places to live.

Efforts to address this issue include plans to construct new affordable housing units. However, the projected construction of 300 units by 2025 falls far short of the required number to close the current gap. This means that even with the planned developments, the community will still face a considerable deficit in affordable housing availability. This highlights the urgent need for more extensive measures and investments to bridge the housing gap and support the community's affordability initiatives.

Lexington, Kentucky has several planned affordable housing projects planned to address the growing demand for affordable units between 2025 and 2030. The city's initiatives are largely driven by the Fayette County Urban County Government (LFUCG), which focuses on increasing housing affordability through various development projects and partnerships with local organizations.

Key projects include the redevelopment of areas such as the Transylvania old baseball field, and other planned projects by developers along the city's corridors, which are expected to include affordable housing components. Additionally, Lexington is seeing a push towards mixed-use developments that combine residential, commercial, and recreational spaces, promoting both economic growth and housing affordability.

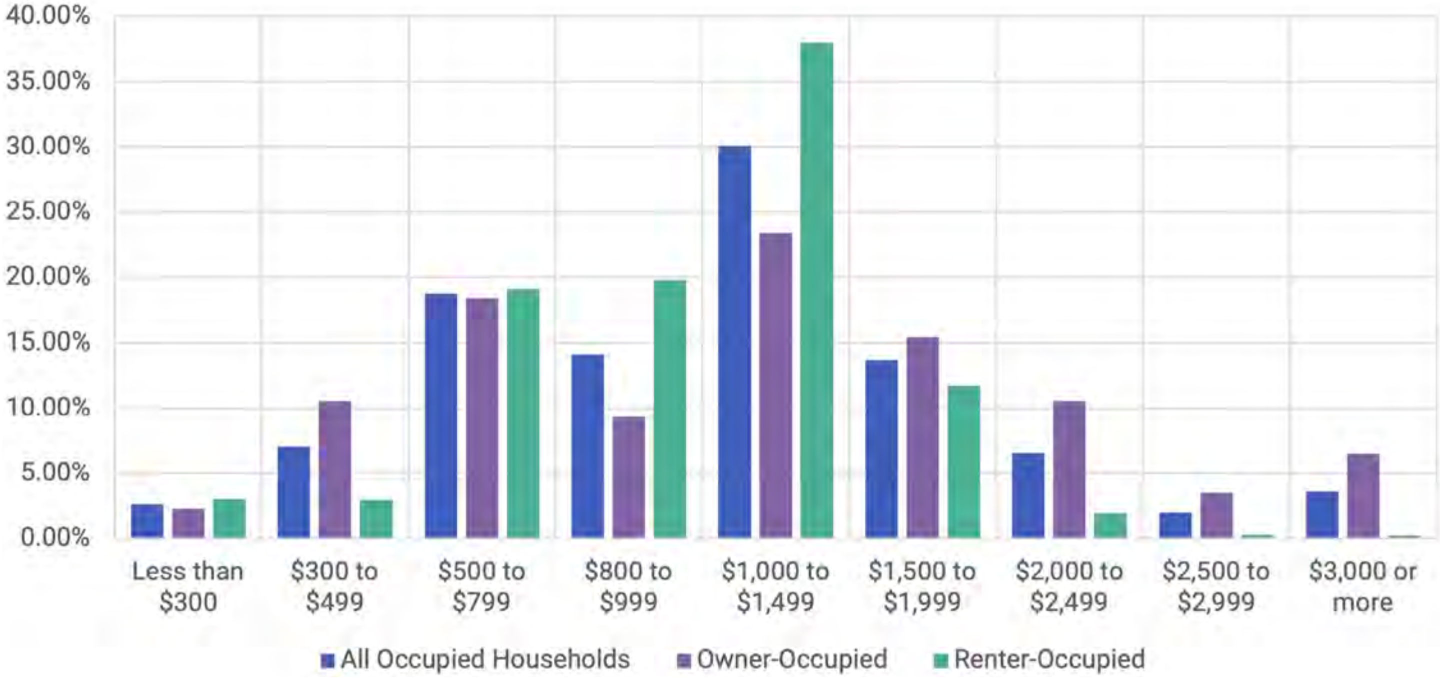
The Lexington Housing Authority, alongside other non-profit and private developers, is also contributing by planning new affordable housing units, particularly targeting low- and middle-income households. Efforts are being made to ensure that these developments are well-integrated with public transportation and other essential services, enhancing the overall livability for residents. Recognizing the challenges of meeting and closing the housing gap is nearly insurmountable and the scale of the problem is significant. Efforts and policies to address these challenges are underway and continuing.

Housing Costs

In 2022, the median monthly housing costs for all households was $1,095. Owners typically spend more on their monthly housing costs, with median monthly costs of $1,205. Renters spend less, with median monthly costs of $1,036. The overall housing costs follow a fairly standard distribution, with skews high and low for owners and renters, respectively.

FIGURE 29: MONTHLY HOUSING COSTS BY TENURE

SOURCE: ACS 2022 1-YEAR ESTIMATES



Cost Burden

The Department of Housing and Urban Development (HUD) defines a cost-burdened household as any household which spends more than 30% of its income on housing costs. Figure 30 presents figures on housing cost burden in Lexington-Fayette County, categorized by housing tenure and household income. The effective household hourly wage needed to afford a safe, modest 2 bed apartment in Lexington, Kentucky is $23.08/hour *(Source: National Low Income Housing Coalition (NLIHC))*. This assumes a full 40 hours of work and averages the number of earners and number of occupants as well as any secondary costs (childcare, healthcare, food, etc). So, while the individual wage needed may vary depending on if there are one or two people earning, how many dependents, number of hours able to work, health conditions, etc., $23.08/hour is the average wage the household must earn to afford a 2-bedroom unit in Lexington, KY.

For nearly every income bracket, renters experience housing cost burden at higher rates than homeowners. Overall, 54.3% of renter-occupied units are cost burdened; nearly 28% of renters are extremely cost burdened, which means they spend 50% or more of their income on housing costs. Housing cost burden rates are lower for homeowners. In 2022, 21.5% of owner-occupied units were cost burdened; around 6.8% were extremely cost burdened.

The incidence of housing cost burden is higher in lower income brackets. In 2022, nearly 85% of all households earning less than $20,000 per year were cost burdened. As income level increases, the cost-burden rates decrease for renters and owners alike.

FIGURE 30: PERCENT OF LEXINGTON HOUSEHOLDS THAT ARE HOUSING COST BURDENED BY INCOME BRACKET & TENURE

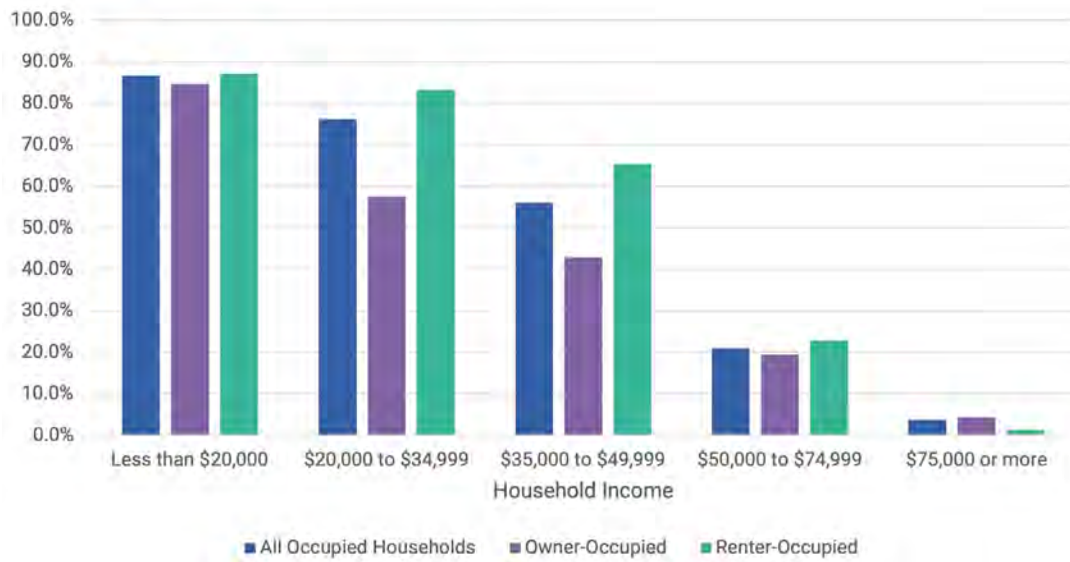
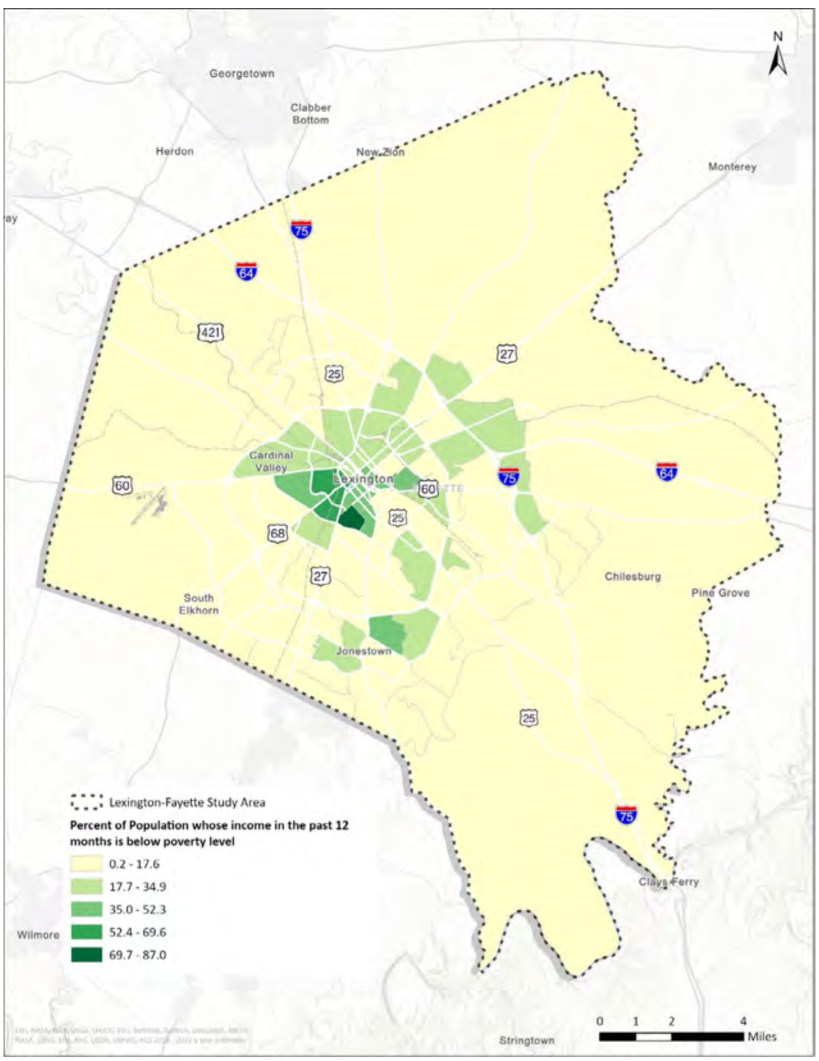


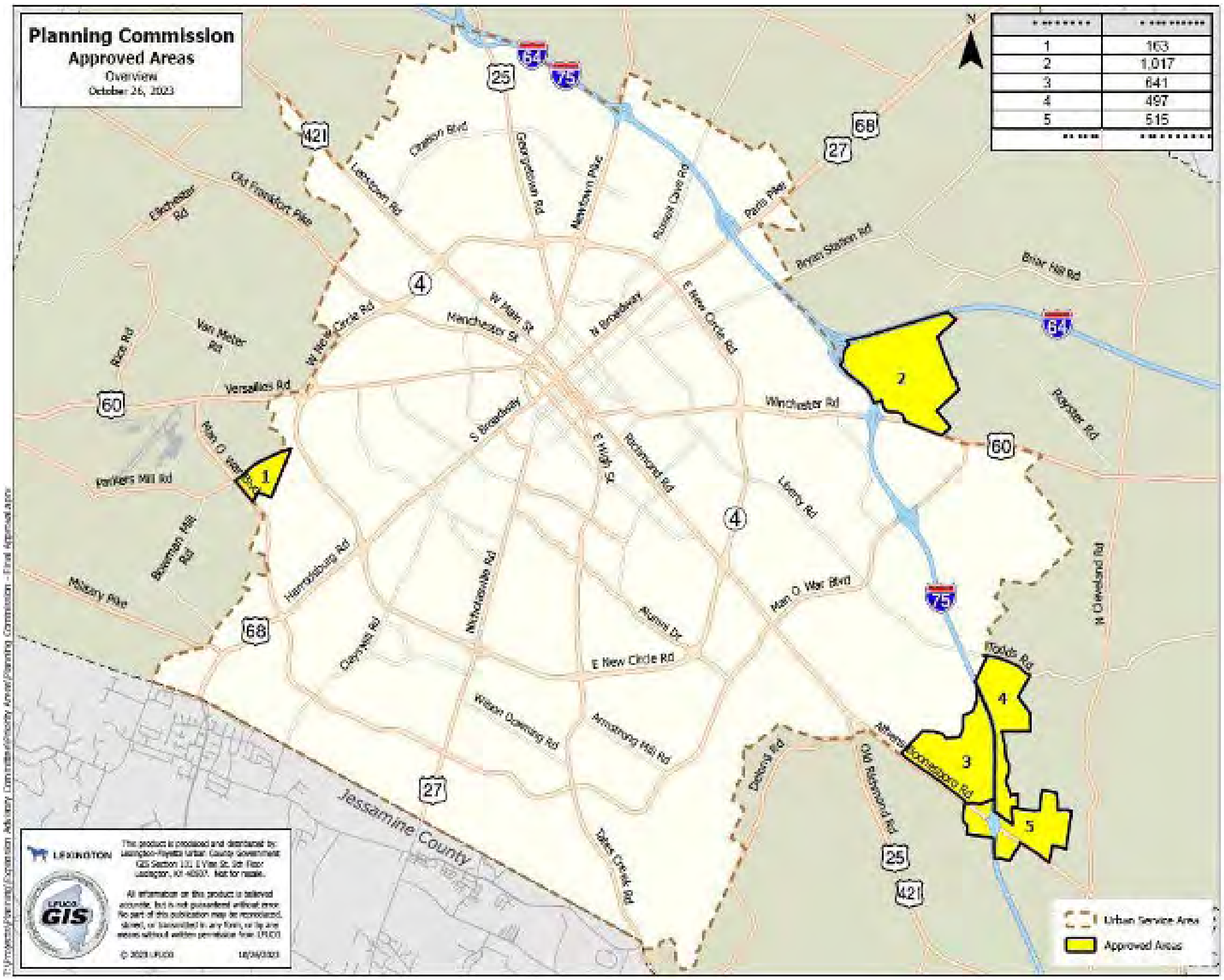
FIGURE 31: POPULATION BELOW POVERTY



Expansion Areas

Five expansion areas to the Urban Service Area have been identified by the Lexington- Fayette Urban County Government (LFUCG) Planning Commission in response to an Urban County Council directive. A new master planning effort is now underway for the proposed expansion areas. Density bonuses for affordable housing is being considered within the expansion areas and that density bonus could incorporate provisions for affordable housing development for the increased density.

FIGURE 32: LOCATION OF EXPANSION AREAS DESIGNATED IN 2023



The Scale of the Problem

The numbers revealed by this study are large. The Affordable Housing Fund is not able to spend the money required to address this issue. Table 12 represents a quantitative financial projection demonstrating that this problem cannot be dealt with through spending alone. The projection is what investment would be needed over the next 10 years to either close the affordable housing gap, maintain the gap at its current numbers, or close the gap by m relatively modest 3,332 units through directly funding housing.

To create any projection certain assumptions must be made. Projection we are assuming that Lexington will maintain roughly the current policies and approaches to the provision of affordable housing except that the Affordable Housing Fund will attempt to close the gap in affordable housing. To that end, only the gap in housing below 80% of AMI will be considered which amounts to an existing gap of 17,005 units. No changes to income distribution or pay requirements are made, meaning that of the anticipated new households roughly the same proportion will need affordable housing. That makes roughly 1,668 new affordable units needed over the next 10 years. A moderate level of inflation (3.5%) will be used. We'll assume that the average $13,556 expenditure per unit remains sufficient incentive at the numbers of housing units needed. Finally, this calculation does not address the induced costs associated with new housing (Water, sewer, electric, roads, schools, etc.) and only accounts for the cost of the housing itself.

Given those assumptions, the annual cost breakdown is reflected in the chart below.

TABLE 12: PROJECTED COST OF DIRECT SUBSIDY

Cost of Subsidizing Affordable Housing Construction			
Year	**Eliminating the Gap (1,867 Units/yr)**	**Maintaining the Gap (167 Units/yr)**	**Reducing the Gap (500 Units/yr)**
Year 1	$25,313,118.80	$2,261,140.80	$6,778,000.00
Year 2	26,199,077.96	$2,340,280.73	$7,015,230.00
Year 3	$27,116,045.69	$2,422,190.55	$7,260,763.05
Year 4	$28,065,107.29	$2,506,967.22	$7,514,889.76
Year 5	$29,047,386.04	$2,594,711.08	$47,777,910.90
Year 6	$30,064,044.55	$2,685,525.96	$8,050,137.78
Year 7	$31,116,286.11	$2,779,519.37	$8,331,892.60
Year 8	$32,205,356.13	$2,876,802.55	$8,623,508.84
Year 9	$33,332,543.59	$2,977,490.64	$8,925,331.65
Year 10	$34,499,182.62	$3,081,702.81	$9,237,718.26
TOTAL 10-YEAR EXPENDITURE	**$296,958,148.76**	**$26,526,331.72**	**$79,515,382.84**

This is not a problem that can be solved through financial brute force. The cost to simply keep up with increased demand is more than currently exists in the AHF today which is mostly funds from the American Rescue Plan Act. Some of the assumptions are simplistic. It is unlikely that $13,554 dollars would remain sufficient incentive as the number of units per year increased by hundreds. Further, the high variance in cost per unit from project to project could result in some years being significantly more or less expensive and increasing the difficulty in providing a set annual budget. There is also no consideration for where the units would be built. Additional space, increased density, or a combination of the two would be needed for the number of units required. Finally, as stated before, this only accounts for the cost of the housing itself and not any of the associated infrastructural or programming costs.

However, there are other actions, beyond direct subsidy, that can be taken. Most importantly, increasing incomes, especially at the lower range, would reduce the number of affordable units needed. Beyond that, zoning and policy amendments along with pilot projects could encourage development in underserved areas, in different forms, for a less affluent customer, or any combination of the above. Advocacy and educational programming in the community help citizens understand the problem as well as innovative approaches and solutions. Infrastructural investments in areas where development or redevelopment is needed mitigates some of the risk to developers and helps spur growth. Qualified, low-interest lending for small-scale, independent, or self re-development in areas where properties are underutilized could empower more home-building in underbuilt areas. There are many ways other than direct funding to address the housing gap and a combined approach is best.

To meet the increasing demand, Lexington's future housing strategy will require significant construction of affordable rental units and ownership opportunities, with a focus on sustainable and inclusive community development. This is part of a broader initiative to close the housing supply gap by 2030, as indicated by national housing outlook studies.

These efforts aim to make substantial progress in addressing the current shortage and ensuring that more residents have access to affordable housing options.

DISPLACEMENT RISK

Gentrification & Displacement

Several neighborhoods are experiencing gentrification and displacement due to rising housing costs. Prominent among these are the East End and North Limestone (NoLi) areas. These neighborhoods have seen significant redevelopment, attracting new businesses and higher-income residents, which has led to increased property values and the displacement of long-time, lower-income residents.

The East End has been particularly impacted by gentrification efforts over the past decade, especially following the demolition of the Bluegrass Aspendale housing complex and subsequent redevelopment projects. These changes have brought a mix of benefits and challenges, including improved infrastructure but also heightened displacement concerns among original residents. *(UK College of Social Work) (Fayette Alliance)*

The North Limestone area, known as NoLi, has also undergone considerable transformation. The introduction of new amenities and higher-end housing options has increased the cost of living, making it difficult for long-standing residents to remain in the area. This gentrification process has been facilitated by zoning changes that promote higher-density residential and commercial developments, further driving up property values. *(UK College of Social Work)*

In rural hamlets, such as Cadentown, Bracktown, and other villages around Lexington, similar patterns of displacement are emerging. These areas, while less densely populated, are experiencing increased interest from developers looking to expand housing options for a growing population. The Urban Service Boundary (USB) in Lexington, which restricts urban sprawl to protect agricultural land, has resulted in more concentrated development efforts within existing rural communities. This has led to rising property values and the displacement of long-time rural residents as land becomes more valuable for new housing projects. Investors are finding increasing value in older, lower-income neighborhoods located near a vibrant urban core.

Efforts to address these issues include calls for community-driven investment and the implementation of policies to prevent displacement, ensuring that long-term residents can benefit from neighborhood improvements without being forced out due to rising costs. *(Task Force Neighborhoods in Transition Study 2021)*

Evictions

The latest eviction data for Lexington-Fayette County, Kentucky indicates that evictions have remained a significant issue, exacerbated by the COVID-19 pandemic. Evictions play a significant role in addressing affordable housing needs, with the primary cause for evictions being the ability of tenants and some homeowners to pay their housing costs.

Based on a study conducted by the Lexington Fair Housing Council in 2017 it summarized that:

From 2005 through 2016, Lexington experienced a total of 5,603 residential foreclosures, with an average annual foreclosure rate of 0.48%. The number of foreclosures peaked in 2012 at 772 but decreased to 223 in 2016, falling below pre-crisis levels. Foreclosure rates have shown high volatility, closely tied to national economic trends and the housing market.

In the same period, 43,725 residential evictions were recorded, averaging an annual eviction rate of 6.33%. With estimates suggesting that only one in three evictions are officially recorded, up to 19% of Lexington renter households might face eviction annually. Unlike foreclosures, eviction numbers have remained relatively stable over the last twelve years, unaffected by broader economic changes.

Foreclosures and evictions are widespread in Lexington but are heavily concentrated in specific areas, particularly those with non-white and lower-income residents, likely due to the targeting by subprime mortgages before the foreclosure crisis. Evictions are often focused on specific streets or apartment complexes, typically managed by a few landlords. It is important to note that foreclosures specifically affect owner households while evictions affect renter households.

"There should be a cap instilled on rent., $1100 per month for a 1 bed , 1 bath is ridiculous. People should not have to suffer because of someone else's greed."

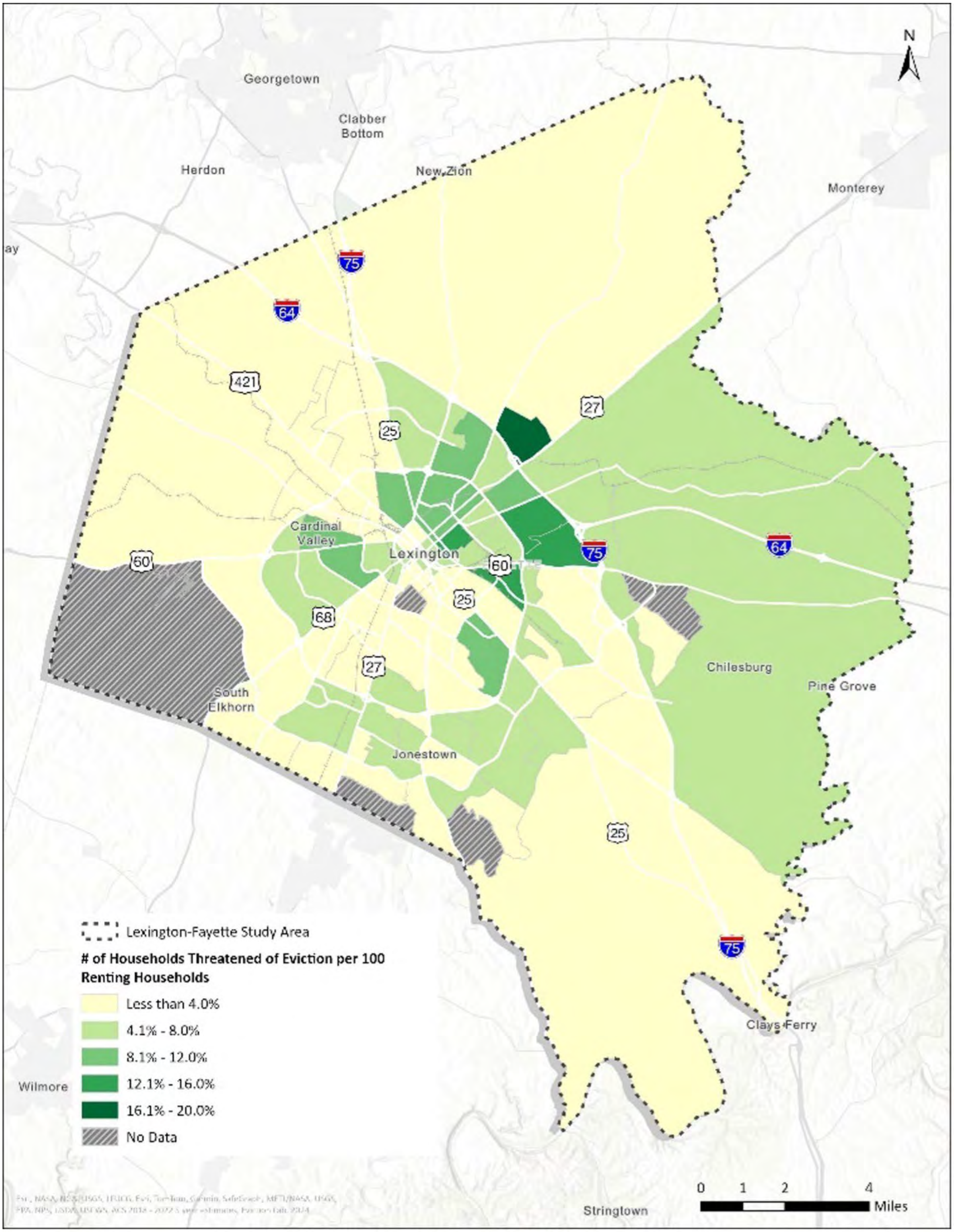
A small group of individuals, companies, and public entities dominate the foreclosure and eviction landscape. The top 10 purchasers of foreclosed properties account for nearly half of all residential sales at foreclosure auctions. Similarly, the top 10 landlords are responsible for 21% of all eviction cases in Fayette District Court, with landlords initiating over half of all evictions. Some of the most frequent purchasers of foreclosed homes are also among the most active evictors, linking housing instability between renters and homeowners.

Eviction Prevention Programs

With tenants winning less than 1% of eviction cases, the city adopted in 2024 a source of income discrimination ban ordinance, while increasing funding for affordable housing construction to support its poorest residents. The city has implemented and expanded several programs to address this crisis. The Housing Stabilization Program, for instance, now includes mediation services and access to legal counsel for tenants facing eviction. Legal Aid of the Bluegrass and the Kentucky Equal Justice Center received $1.9 million in federal funding to support these efforts.

The highest rates of threatened evictions were located in the 40505 and 40511 zip codes, as depicted in Figure 33.

FIGURE 33: EVICTION RATE MAP



HOUSING GAP ESTIMATES

In 2024, Bowen National Research, on behalf of the Kentucky Housing Corporation, released a statewide analysis of the housing supply gap with a focus on affordability. The research was robust and the numerical analysis comprehensive. This study has drawn on the work done by Bowen to provide a numerical foundation for further analysis of affordable housing needs in Lexington-Fayette County.

For the purposes of this analysis the University of Kentucky off-campus student households were subtracted from the KHC study, based on calculations for student households provided by Bowen National Research and data from the University of Kentucky institutional research page. It was determined that 3,348 student households were earning 80% or less of the median income and 3,887 households were above the AMI. This should be taken into consideration when planning and accounting for the overall housing gap.

The study identified Fayette County as having an overall housing gap of 22,549 housing units, with the rental gap being the largest at 14,423 units or 64% and 8,126 units or 36% being owner units. The largest overall housing gap by AMI level is among households earning less than 30% of AMI. This household income segment has an overall housing gap of 9,884 units. The next highest overall housing gaps are nearly equal to each other, with 3,599 (16%) units needed at the 31% to 50% AMI level and 3,522 (15%) units needed at the 51% to 80% AMI level. The greatest overall housing gaps by AMI appear to be for products affordable to the lowest income households. There are gaps in housing at all household income levels, representing a variety of housing needs and development opportunities for the city.

Housing Supply Gap Analysis

This section provides current-year (2024) housing gap estimates for both the rental and for-sale housing for Fayette County as well as the supporting data and analysis. The assessment includes demand from a variety of sources.

Housing to meet the needs of both renter and owner households will most likely involve multifamily, duplex, and single-family housing alternatives. Many factors influence a market's housing gaps. As a result, there are many metrics that can be used to quantitatively determine the housing gaps of Fayette County. The source study and this study both incorporate numerous methodologies and assumptions that follow housing market industry standards and best practices.

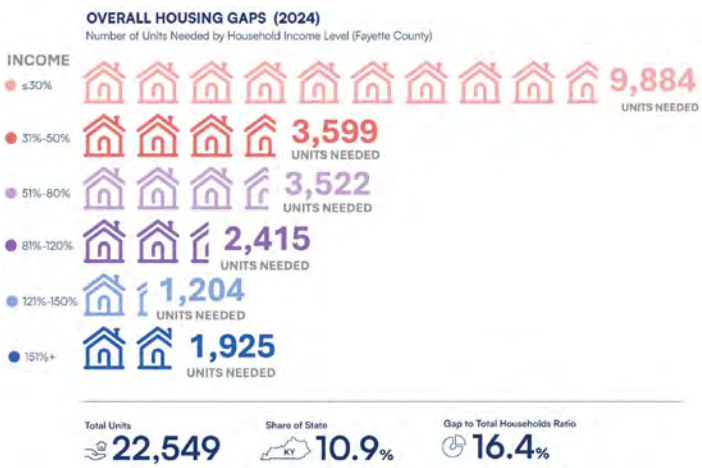
Methodologies & Assumptions

The Bowen study intends to quantify the housing supply gaps of Fayette County at every economic level. In essence, it measures the gap between the entire current housing stock and the housing needs of all its residents. This section of the chapter outlines the approaches Bowen used, assumptions made, and overall methodology implemented to derive the housing gaps. Afterwords, this study further highlights important data and provides deeper analysis of the Lexington-Fayette specific context. (See Appendix C for Bowen Assumptions).

Housing Gap–Data & Analysis

To better understand the nuances of the housing gap in Lexington, several underlying data points have been expanded upon below. The data is shown in a table, graph, or chart and additional analysis is provided. The final section will review the calculation of the overall housing gap and analyze its importance to effective provision of affordable housing.

FIGURE 34: TOTAL HOUSING GAP FOR LEXINGTON 2024



This figure breaks down the number of affordable units needed by percent of area median household income (AMI). The total number of affordable units needed is displayed in the "Total Units" column. This total is used to calculate the next two columns. "Share of State" represents what percent of the total state affordable housing deficit Fayette County's needed affordable units represent. "Gap to Total Households Ratio" is the number of affordable units needed compared to the total number of households in Fayette County.

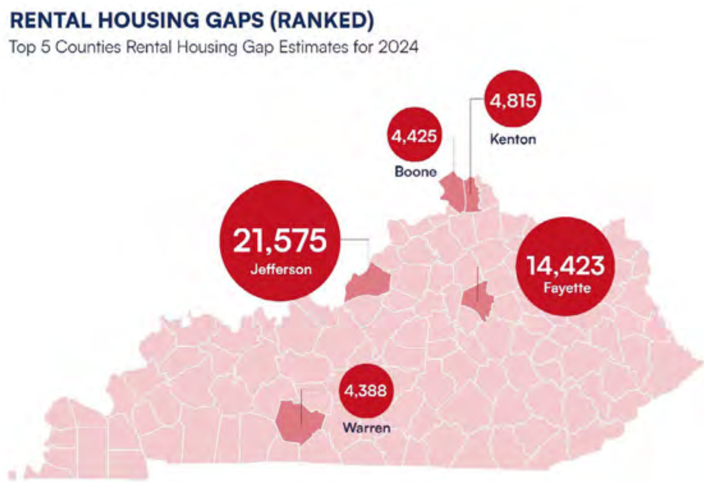
The number of affordable housing units currently lacking in Lexington is 22,549. That number, with current levels of intervention, is expected to expand by more than 4,400 over the next 10 years. The greatest housing need is in the extremely low income (ELI, <30%AMI) category. At that category, intervention and assistance are required to provide for adequate housing. The very low income (VLI, 30-50% AMI) and low income (LI, 50-80% AMI) categories are very close in number. These categories are those where traditionally affordable housing could be self-provisioned provided it were available. It is worth noting that the intervention and assistance for the ELI are most often intended to place them in the same class of affordable housing as the VLI and LI households.

FIGURE 35: OVERALL RENTAL HOUSING GAP FOR LEXINGTON 2024

Figure 35 repeats the work and format of Figure 34 but isolates rental housing. All of the numbers represent the gap in affordable rental units in Fayette County and are a part of the numbers shown in Figure 34.

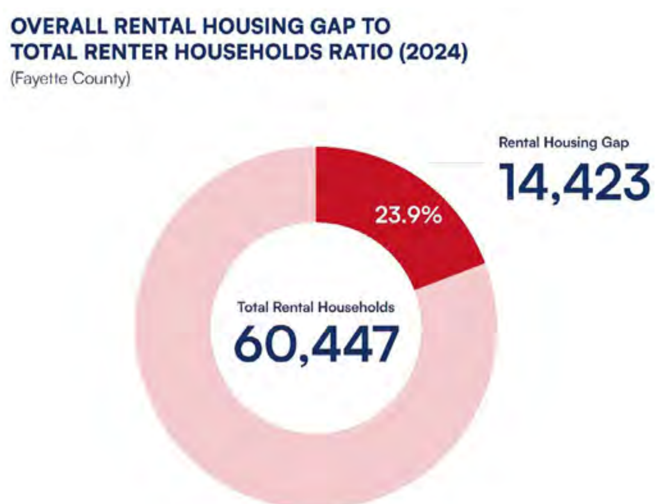
The 14,423 estimated number of lacking affordable rental units comprises nearly a third (64%) of the lacking affordable units in Lexington overall. In Lexington the majority of households are owner-occupied with only 44% renting, indicating that the rental sector is the larger share of the affordable housing problem in Lexington. Unlike for-purchase housing rental prices are subject to inflation and price hikes as the local real estate market changes. This makes the rental population more at risk of affordable housing loss in the short term and may partially explain the disproportionate share of the supply gap.

FIGURE 36: HIGHEST KENTUCKY COUNTY RENTAL GAPS



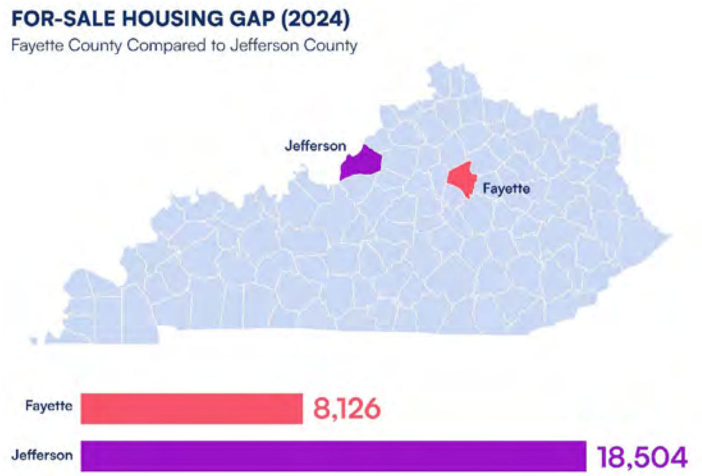
For comparison purposes, this figure represents the Kentucky counties with the 5 highest number of needed affordable rental units. These are the absolute numbers of affordable rental units and are therefore closely correlated with county population. Fayette County, being the second most populous county in the state, is logically the second largest housing gap. The next highest is not as far back as it may seem considering Kenton and Boone counties (numbers 3 & 4 on the list) are located next to each other and are part of the Cincinnati/Northern Kentucky metro area.

FIGURE 37: RENTAL GAP TO RENTER HOUSEHOLD RATIO



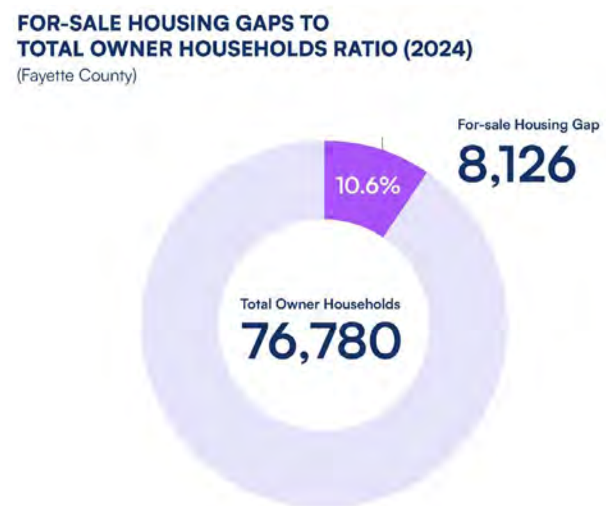
This figure shows the total number of renter households, total number of affordable rental units needed, and the ratio of the two. In other words, the current rental unit stock in Lexington would need to increase by 23.9%, solely in affordable units, to cover the gap.

FIGURE 38: COMPARISON OF THE FOR-SALE HOUSING GAP BETWEEN FAYETTE & JEFFERSON COUNTIES



This figure shows the estimated total gap of affordable for-sale housing units for both Fayette and Jefferson Counties. Jefferson County has the highest number of affordable units needed while Fayette County has the second highest. This follows logically from the relative populations of the two counties. However, Lexington has a significantly smaller gap by proportion.

FIGURE 39: FOR-SALE HOUSING GAP RATIO IN LEXINGTON



Indicates the total number of for-sale households, total number of affordable for-sale units needed, and the ratio of the two. The current owner-occupied unit stock in Lexington would need to increase by 10.6%, solely in affordable units, to cover the gap.

FIGURE 40: OWNER HOUSEHOLDS BY INCOME

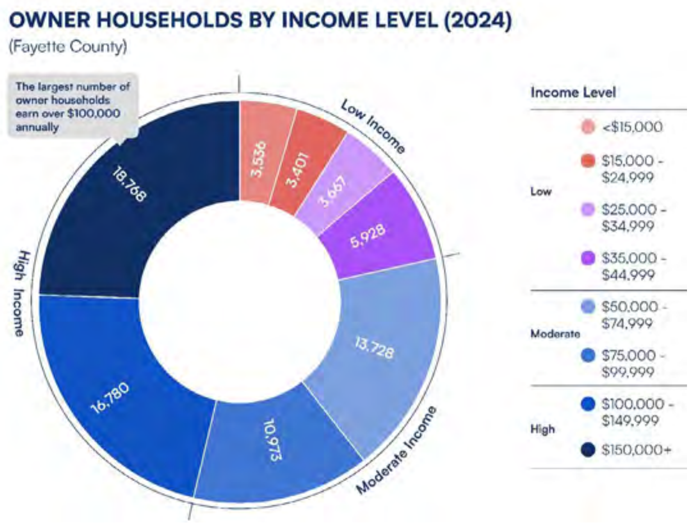
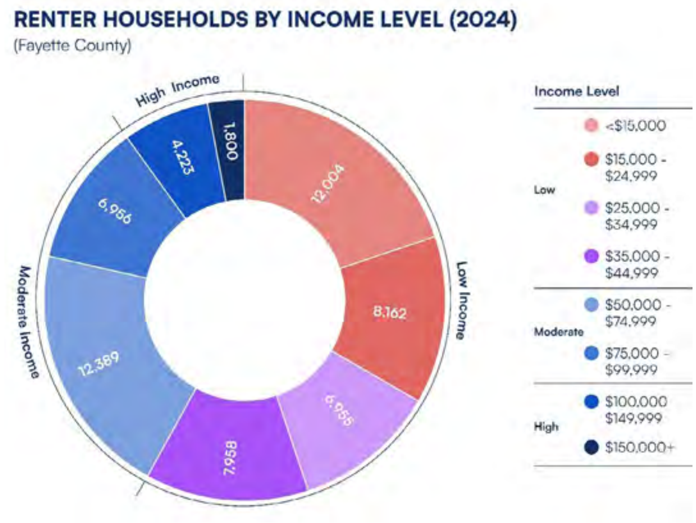


FIGURE 41: RENTER HOUSEHOLDS BY INCOME



These charts present the number of renter households and owner-occupied households in Fayette County broken down into categories by percentage of median household income. The charts present the data in either Census-based income categories or in the %AMI categories used elsewhere in this study.

It is still worthwhile to examine the chart with the Census income brackets for two reasons. First $15k and $25k are extremely close to the cutoffs for the individual poverty line and the 3-member household poverty line respectively. Also, $15k is roughly what an individual would earn in a year working full time at minimum wage. Second, it more easily allows us to examine income disparities in the community.

The number of rental households spikes in two of the brackets: roughly median income and poverty. There are fewer but still significant numbers of households between those two income levels before tapering off dramatically above median income. 20%, or one in five, of rental households are at or under the individual poverty line and 33.4%, or one in three, are at or below the poverty level for a family of three.

A number of trends are of interest especially given the context of rental households income. Most significantly homeowners are disproportionately wealthy. Despite being only 30% of the total number of households in Lexington, those earning $100k or more represent 46.3% of the owner-occupied households. That is more than double the number of owner-occupied households earning less than $50k (21.6% of owner-occupied households); a bracket that includes 37.6% of all Lexington households. It is also significantly larger than the Statewide rate where households earning more than $100k are only 18.8% of owner-occupied households. Some of that discrepancy is explained by the higher average wages and cost of living in Lexington than statewide averages, but there is only a slight difference between the two.

Unlike the distribution of renter households in the city, owner households are more concentrated among moderate- and higher-income households in 2024. The largest number of owner households (35,548, 46% of the city's total owner households) earn between $100,000 or more annually. Representing a strong ownership and affordability index for those incomes. This concentration of moderate- and higher-income households influences the demand for moderate- to high-priced for-sale housing products. While only 14% (10,604 households) of owner households earn less than $35,000 annually, it is likely that many of these households comprise seniors on fixed incomes or low wage-earning households that have difficulty paying their typical housing costs (rent/mortgage, utilities, etc.) and putting resources toward home maintenance and repairs.

Number of Lexington Households by Income and Tenure									
	<15k	15-25k	25-35k	35-50k	50-75k	75-100k	100-150k	>150k	TOTAL
Renter	12,004	8,162	6,955	7,958	12,389	6,956	4,223	1,800	60,447
Owner	3,536	3,401	3,667	5,968	13,728	10,973	16,780	18,768	76,821
TOTAL	15,540	11,563	10,622	13,926	26,117	17,929	21,003	20,568	137,268

Percent of Lexington Households by Income and Tenure									
	<15k	15-25k	25-35k	35-50k	50-75k	75-100k	100-150k	>150k	TOTAL
Renter	19.9%	13.5%	11.5%	13.2%	20.5%	11.5%	7.0%	3.0%	100%
Owner	4.6%	4.4%	4.8%	7.8%	17.9%	14.3%	21.8%	24.4%	100%
TOTAL	11.3%	8.4%	7.7%	10.1%	19.0%	31.1%	15.3%	15.0%	100%

Number of Lexington Households by %AMI and Tenure							
	<30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI	TOTAL
Renter	15,165	9,490	10,586	6,235	6,128	12,843	60,447
Owner	4,853	4,451	7,447	6,909	6,855	46,306	76,821
TOTAL	20,018	13,391	18,033	13,144	12,983	59,149	137,268

Percent of Lexington Households by %AMI and Tenure							
	<30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI	TOTAL
Renter	25.1%	15.7%	17.5%	10.3%	10.1%	21.2%	100%
Owner	6.3%	5.8%	9.7%	9.0%	8.9%	60.3%	100%
TOTAL	14.6%	10.2%	13.1%	9.6%	9.5%	43.1%	100%

TABLE 13: PERCENT OF EXISTING HOUSING UNITS WHICH ARE SUBSTANDARD BY TENURE

Housing Conditions – 2024 Share of Substandard Housing Units		
County	Renter	Owner
Fayette	1.1%	0.2%

This table presents the percentage of units which are considered substandard (see the definition of substandard below). The table breaks this data into rental and owner-occupied units. The rates shown here seem to be significantly lower than the 5% of units nationwide which are in some way physically deficient according to the Harvard Joint Center for Housing Studies. However, the methodologies differ slightly and Lexington's rate of substandard housing is in line with or better than the national average.

It is also worth noting that this data has excluded overcrowded households from the substandard count to attempt to eliminate double counting households with more than one issue. Overcrowding normally qualifies as "substandard" housing in Census Bureau and HUD data. Public input has indicated that larger families struggle to find rental units with enough bedrooms (3+).

FIGURE 42: PERCENT OF HOUSEHOLDS THAT ARE SEVERELY HOUSING COST BURDENED BY TENURE

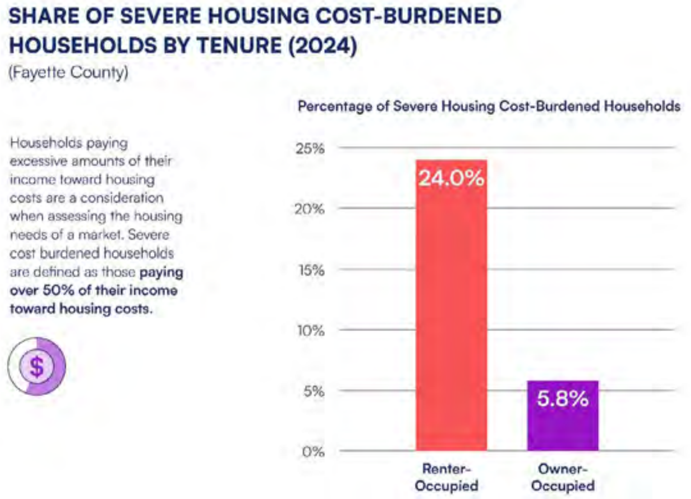
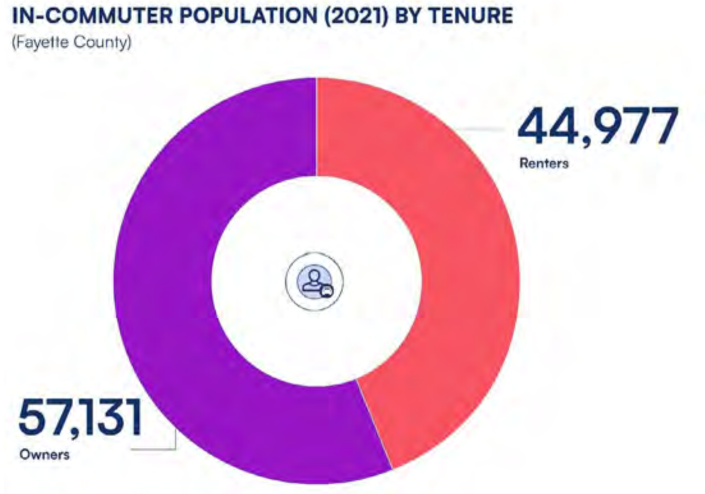


Figure 42 presents the percentage of households which are considered severely housing cost-burdened (see the definition of severely housing cost-burdened below). The figure breaks this data into rental and owner-occupied units. This chart provides further evidence of the conclusions drawn from Figures 40 & 41; that Lexington's primary affordability crisis lies with the rental market. While there are still constraints on affordable owner-occupied housing, the disparity in rate of households struggling between renter and owner households is significant.

Severe cost burdened households are defined as those paying over 50% of their income toward housing costs. Households paying excessive amounts of their income toward housing costs are a consideration when assessing the housing needs of a market. Such households were considered in the housing gap estimates. This chart presents the percentage of households which are considered severely housing cost-burdened. The chart breaks this data into rental and owner-occupied units. In Fayette County renters face a greater challenge with 24% of the renters and 5.8% owners experiencing housing affordability.

Generally higher shares of housing cost burdened households have a disproportionate amount of households struggling to pay their housing expenses, often leaving less money for other essential needs (e.g., healthcare, appropriate clothing, healthy food, etc.).

FIGURE 43: NUMBER OF WORKERS WHO COMMUTE INTO LEXINGTON-FAYETTE COUNTY FOR WORK BY HOUSING TENURE



This chart shows the number of people (individuals, not households) who commute into Fayette County for work. They are broken into two groups: renter and owner. Based on the studies surveys and supported by similar type surveys conducted by other research entities (Bowen), notable shares (typically around 40%) of non-resident commuters indicated that they would move to the same county they work in if housing were available and affordable in the market they work. As a result, it is reasonable to conclude that some portion of these in-commuters will influence local housing market needs. Therefore, in-commuter population data for Fayette County used U.S. Census data. This data was modified to account for renters versus owners.

"I had to leave my employment in Lexington to find a better paying job outside of Lexington to afford to live in our current home. The city only cares about development and not their residents."

Because Fayette County serves as a regional economic hub with a large number of employment opportunities that ultimately attract a large number of commuters from outside the county in which those employment opportunities exist. Many of the in-commuters would likely choose to live in the same county they work in, it is important for Fayette County to understand the level of influence these in-commuters could have on its local housing market, if a more affordable housing option were available.

Key commuter survey results:

- On a scale of 1 to 5, with 1=strongly disagree, and 5=strongly agree - with a series of housing-related statements. The following statements are ranked in order of most agreeable to least agreeable, and the average score is provided for each statement:
  - People who work in Lexington are able to find appropriately priced housing for their incomes. **(Average Score: 1.86)**
  - Housing costs will likely cause current Lexington residents to leave the city. **(Average Score: 3.99)**
- When residents were asked if they were considering moving out of Lexington in the next 5 years, to which one in three responded "yes".
- When asked to describe the primary reasons for considering a home outside of Lexington, the most commonly selected options were:
  - Cost to buy a home (65.47%)
  - Lack of available options (60%)
  - Cost to rent a home (57.92%)

This would seem to indicate that Roughly 20% of current Lexington households (27,000) are seeking improved housing but are unable to find or afford it and 40% of Households outside Fayette County with employment in Lexington (as much as 36) are interested in moving into Lexington if housing were available at the right price. That means that increasing the number and availability of affordable housing units would incite more residents to move and more exurban residents to relocate into Lexington thereby occupying some of those affordable units.

FIGURE 44: COUNT AND PERCENTAGE OF WORKERS EMPLOYED IN LEXINGTON-FAYETTE WHO COMMUTE IN FOR WORK

Shows the total number of people commuting into Fayette County for work, the total number of people employed in Fayette County (regardless of where they live), and what percentage of employment is represented by the people commuting in from outside the county. More than half of the people employed in Lexington reside outside the county.

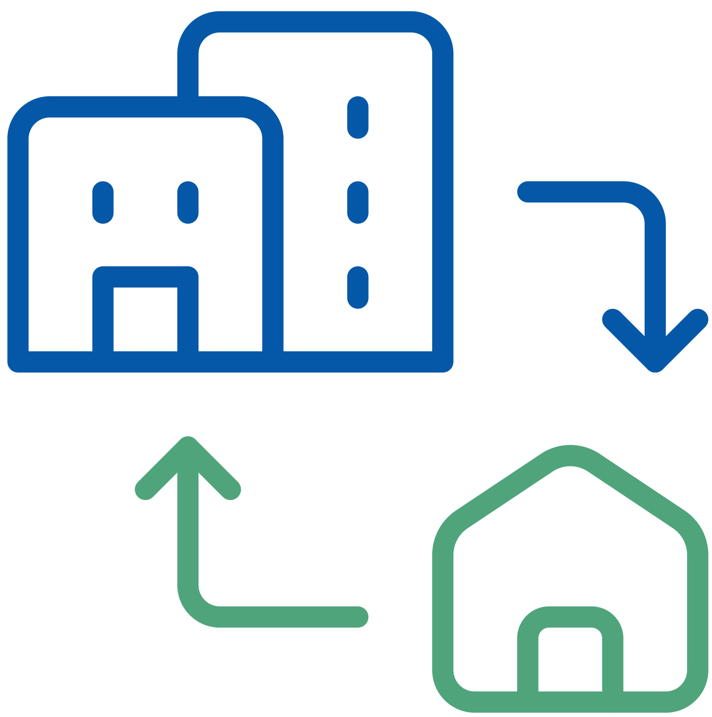
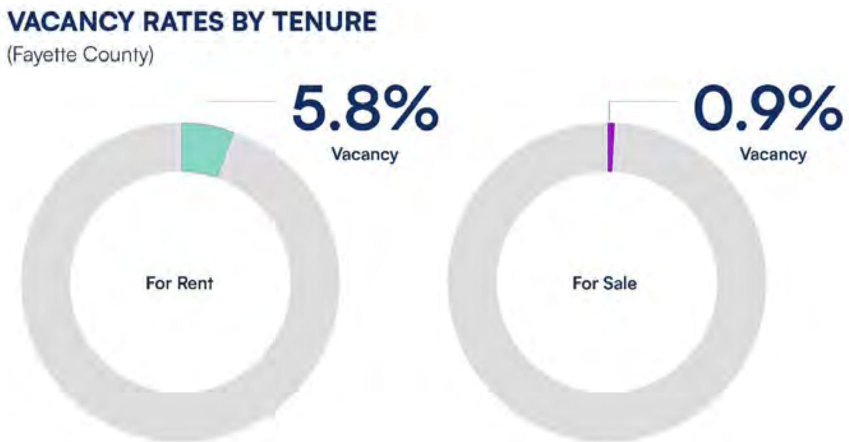


FIGURE 45: NUMBER OF VACANT HOUSING UNITS BY TENURE

Rental vacancies were estimated by using ACS 2018-2022 reported "vacant for-rent" units, while available for-sale units were identified using data reported by realtor.com as of January 2024.

FIGURE 46: PERCENTAGE OF EXISTING HOUSING UNITS THAT ARE VACANT BY TENURE



Rental vacancies were estimated by using ACS 2018-2022 reported "vacant for-rent" units, while available for-sale units were identified using data reported by realtor.com as of January 2024.

In order to understand the current housing needs of the market, it is important to understand the number of available rental and for-sale housing units in the market. A "healthy" vacancy rate is one where competition can curb prices but not such that abandonment and deferred maintenance cause problems with the housing stock. Markets that have a limited number of vacant/available units may indicate a shortage exists in the market and that additional units are required to have healthy or balanced housing market conditions. The "healthy" vacancy rate can vary slightly from market to market but a longitudinal analysis by the St Louis Federal Reserve Bank seems to indicate that it is roughly 7% to 8% for rental units and 1.5% to 2% for Owner-occupied units.

The Bowen study estimated the number of rental and for-sale housing units in Fayette County. Figure 45 displays the estimated number of vacant units in Fayette County split into rental and owner-occupied categories. Of the total estimated 3,758 vacant units, 93% were for rent, an unusually high ratio when compared to units for sale. This tends to indicate a market that is trending towards rental compared to home ownership.

Figure 46 shows the vacancy rates by tenure. Both of those rates are far enough below the observed "healthy" rate that it is having an effect on the price of housing. The discrepancy is proportionally larger for owner-occupied units which might help explain why prices are unaffordable even for purchasers at 100% AMI. However, research has revealed that roughly 25% of the rental units included in the vacancy rate have been vacant for two years or more. Such units are likely not viable units and without their inclusion the vacancy rate could be much smaller.

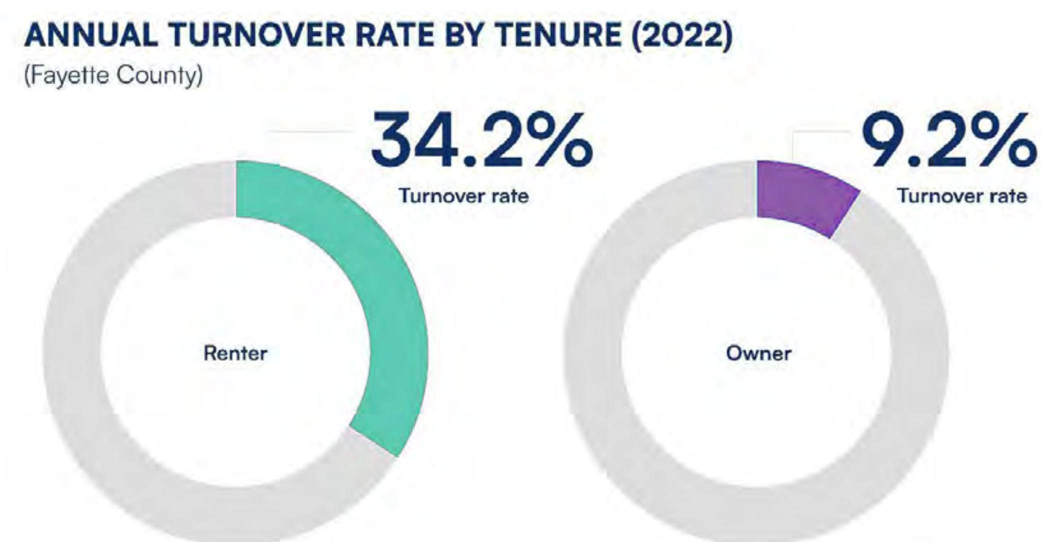
This chart shows how many units change occupancy in a given year as a percentage of total units. The percentages are broken into renter and owner units. For example, in 2024 roughly a third (34.2%) of rental units in Fayette County had a household move in/out. The average rate in Kentucky is 25% for renters and 12.5% for owners. Fayette County has one of the highest turnover rates in Kentucky.

Numerous factors can greatly influence annual turnover rates, including markets influenced by higher education offerings, large-scale business relocations, expansions or closures, a large base of retiring households, presence of seasonal/recreational housing market, rapid household growth, and many more. High annual turnover rates can be indicators of housing market issues within a community. High turnover can have the following impacts on housing and the community:

- High turnover rates can affect community stability and cohesion, as frequent moves can disrupt neighborhood relationships and local involvement.
- High turnover rates influence the housing market, affecting supply and demand dynamics. A high turnover rate for Fayette County in the rental market can lead to increased rental prices and greater competition for available units. In its homeownership market, it can impact property values and market volatility. All of which can lead to greater affordability concerns and availability of affordable units.

Below is the share of annual turnover by tenure (renter versus owner) in Fayette County in 2022.

FIGURE 47: ANNUAL HOUSING UNIT TURNOVER RATE BY TENURE



Given that this study focuses on current (2024) housing supply gap estimates, this study considered one-year (annual) resident turnover for households living in severe housing cost burdened housing situations (paying over 50% of income toward housing costs), as it is assumed not all such households would move if given the opportunity to secure more affordable housing.

TABLE 14: COMPLETE HOUSING GAP ESTIMATES FOR LEXINGTON 2024 BY %AMI

Fayette County	Rental Housing Gap Estimates by Income (2024)						
Percent of Area Median Income	≤30%	31%-50%	51%-80%	81%-120%	121%-150%	151%+	Total
Household Income Range	≤$26,790	$26,791-$44,650	$44,651-$71,440	$71,441-$107,160	$107,161-$133,950	$133,951+	
Rent Range	≤$670	$671-$1,116	$1,117-$1,786	$1,787-$2,679	$2,680-$3,349	$3,350+	
Vacancy Surplus or Deficit	720	190	-28	-235	-413	-719	-485
Replacement of Substandard Housing	344	116	108	50	0	0	618
External Market Support	3,186	1,612	2,004	1,388	337	470	8,997
Severe Cost Burdened Households	3,957	868	130	13	0	0	4,968
Total Gross Demand #1	8,207	2,786	2,214	1,216	0	0	14,423
Net Step-Down Support	557	-114	-200	-243	0	0	0
Total Gross Demand #2	8,764	2,672	2,014	973	0	0	14,423
Total Rental Housing Gaps	**8,764**	**2,672**	**2,014**	**973**	**0**	**0**	**14,423**

Fayette County	For-Sale Housing Gap Estimates by Income (2024)						
Home Price Range	≤$86,886	$86,887-	$44,651-$71,440	$71,441-$107,160	$107,161-$133,950	$133,951+	Total
Vacancy Surplus or Deficit	226	196	387	405	231	609	2,054
Replacement of Substandard Housing	23	14	21	16	0	0	74
External Market Support	565	508	1,033	1,141	669	1,797	5,713
Severe Cost Burdened Households	149	68	50	14	4	0	285
Total Gross Demand #1	**963**	**786**	**1,491**	**1,576**	**904**	**2,406**	**8,126**
Net Step-Down Support	157	141	17	-134	300	-481	0
Total Gross Demand #2	**1,120**	**927**	**1,508**	**1,442**	**1,204**	**1,925**	**8,126**
Total For-Sale Housing Gaps	**1,120**	**927**	**1,508**	**1,442**	**1,204**	**1,925**	**8,126**

This table is a detailed breakdown of the information contained in the 2024 Kentucky State Affordable Housing Survey conducted by Bowen National Research for the Kentucky Housing Corporation. There are a number of fields which need further explanation. See below for details.

Vacancy Surplus or Deficit: Represents the number of units needed to provide for a 5% vacancy rate based on current households. Surpluses are represented by negative numbers.

Replacement of Substandard Housing: Represents how many units will need to be replaced or renovated to meet sufficient housing standards.

External Market Support: is the number of in-commuting households which would prefer to live inside Fayette County but are deterred by price and would therefore move given available affordable housing.

Severe Cost Burdened Households: is the number of households in a given category which are paying more than 50% of their income for housing.

Net Step-Down Demand: some households prefer to source housing well below the 30%-of-income affordability threshold. This number represents the number of households from above a given bracket who are seeking housing at this level subtracted by the number of households in this bracket seeking housing in a lower bracket.

We have established that the affordable housing shortage in Lexington is primarily one of rental units (see Figures 41, 42, & 44 for more details). HUD vouchers are limited to units priced at or below fair market value for a given number of bedrooms and other assistance programs have similar restrictions. This means that these units are well out of reach for less affluent households. Despite a relatively high demand for rental units, the number of high-rent units remains at a significant surplus. This effectively demonstrates that while households can choose to "step down" to a cheaper rental unit, the units themselves cannot step-down for a less affluent household. Luxury units will always remain luxury units.

By comparison, the owner-occupied unit deficits are more evenly spread across all economic categories. In this scenario, housing built in any given economic bracket would more likely ease pricing through all the owner-occupied market below that point. The effect would be more muted as it "trickled down" the market such that marginal changes at the highest bracket would have a proportional effect on the second highest bracket but negligible effect on the lowest bracket. This effect is based around competitive pricing discouraging households from "stepping down" to the next housing bracket for affordability.

Households are more likely to be severely cost burdened the lower their economic bracket is. However, this is much more pronounced amongst renter households than owner households. This is likely due to the fluid nature of rental unit pricing (i.e., rents increase over time) versus the relatively fixed cost of homeownership.

It is worth noting that rental households are much more likely to "step down" into a lower housing bracket than owner households. What makes this important is that it demonstrates that new affordable rental units are more likely to be filled by households stepping down than new affordable owner-occupied units. While it is a risk in both rental and for-sale markets, it suggests that a difference in approach to provision of affordable housing based on tenure may be appropriate.

TABLE 15: EXISTING GAP IN PERMANENT SUPPORTIVE HOUSING UNITS

Kentucky			
Homelessness Continuum of Care	**Permanent Supportive Housing**		
	Individuals	**Families**	**TOTAL**
Kentucky Balance of State CoC (KY-500)	1,159	42	1,201
Louisville-Jefferson County CoC (KY-501)	4,617	41	4,658
Lexington-Fayette County CoC (KY-502)	1,004	7	1,011
TOTAL PSH NEED	**6,781**	**90**	**6,871**

Permanent Supportive Housing

Supplemental housing gaps were derived for persons seeking Permanent Supportive Housing (PSH) for three selected geographies for comparison purposes. For the purposes of this analysis, Permanent Supportive Housing is rental housing that offers supportive services and typically includes project-based rental subsidies. Overall, the state has a PSH gap of 6,871, with the vast majority (98.6%) for individuals, as opposed to families. Most of this overall gap (4,658, or 67.8% of the state total) is in the Louisville-Jefferson County Co. While Lexington Fayette County has an estimated PSH gap of 1,011 or 14.7% of the state total. These housing gaps, which are illustrated in the following table, are provided by The Corporation for Supportive Housing. *(The Corporation for Supportive Housing | CSH)*

REGULATORY

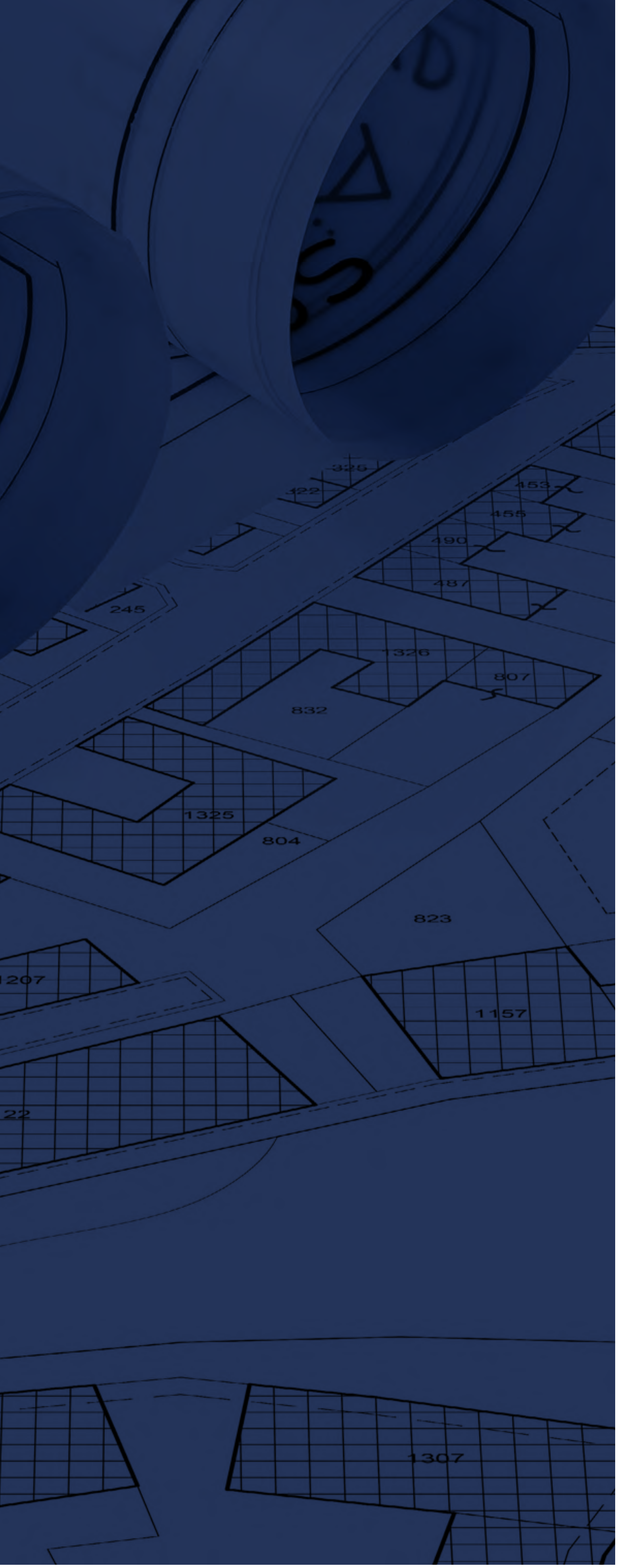
Regulatory oversight and enforcement through land use and zoning can significantly impact affordable housing initiatives by creating incentives, removing barriers, and ensuring that affordable housing is included in new developments. These measures can help address housing shortages and promote the availability of affordable housing.

The type, size, and cost of a house is heavily influenced by the zoning regulations that apply to it. Zoning protects the quality of development through complex regulations, but it can also be a regulatory barrier to development. In Lexington, the prevalence of single-family detached housing is at odds with the density needed for more affordable housing. Single-family detached units cost more to build and require more land than multifamily structures.

Zoning that only allows for large lot single-family housing can inhibit the development of affordable housing, which can restrict housing supply and increase housing prices. In addition to limiting housing typologies, zoning regulations adds time to permitting and review processes that will eventually be passed on to home buyers and renters.

The LFUCG Division of Planning is proposing a zoning text amendment to its zoning ordinance that is positioned to have significant impacts on affordable housing and regulatory implications. If fully implemented it could impact affordable housing development in several ways.

1. **Increase in Housing Supply:**
   - **Density Bonuses:**
     The amendment includes provisions for density bonuses, it could incentivize developers to include affordable units in their projects. This can lead to a greater supply of affordable housing units.
   - **Accessory Dwelling Units (ADUs):**
     Permitting ADUs can help increase the overall housing stock, providing more affordable rental options, particularly in neighborhoods where single-family homes dominate.
2. **Diverse Housing Types:**
   - **Zoning for Multi-Family Units:**
     Amending zoning laws to allow multi-family units in more areas can diversify the housing stock, making it easier to build affordable apartment complexes or mixed-income housing.
3. **Lower Development Costs:**
   - **Streamlined Approval Processes:**
     Reducing bureaucratic hurdles and speeding up the approval process for affordable housing projects can lower development costs, making it more financially viable for developers to build affordable units.
4. **Fee Reductions or Waivers:**
   - Implementing fee reductions or waivers for affordable housing projects can further incentivize development by reducing the financial burden on developers.
5. **Inclusionary Zoning:**
   - **Mandatory Affordable Units:**
     If the amendment includes inclusionary zoning requirements, developers may be mandated to include a certain percentage of affordable units in new developments, ensuring a steady increase in affordable housing availability.



Regulatory Implications

1. Land Use Regulation Changes:

- **Rezoning:**
  Rezoning areas to allow higher density or mixed-use developments can lead to more efficient land use and promote the development of affordable housing.

- **Mixed-Use Developments:**
  Encouraging mixed-use developments would have the potential to create more vibrant communities with affordable housing options integrated into commercial and retail spaces.

2. Community Opposition and Support:

- **Public Engagement:**
  Engaging with the community to gather support for zoning changes is crucial. Addressing concerns about increased density and potential impacts on neighborhood character can help mitigate opposition.

The zoning text amendment has the potential to significantly impact affordable housing by increasing the housing supply, diversifying housing types, and lowering development costs. However, these benefits come with regulatory implications, including changes in land use regulations, environmental considerations, community engagement, economic impacts, and legal compliance issues.

The need and desires for increased densities must be balanced with the regulatory protections of vulnerable economically transitioning neighborhoods. These neighborhoods are experiencing increased development pressures due to less expensive land and housing costs and the lack of a strong voice in deciding how their neighborhoods should be developed.

If well-implemented, the amendment can lead to more inclusive and affordable housing options, benefiting a wide range of residents while supporting sustainable urban growth.

HOUSING **DEVELOPMENT TOOLS**

In Lexington, Kentucky, there are several public housing development tools and programs available to support the development of affordable housing units. These tools are provided through local government initiatives, state programs, and federal resources. Here are some of the key tools and programs:

Local Government Initiatives

Lexington-Fayette Urban County Government (LFUCG) Housing Programs:

- **Affordable Housing Fund (AHF):** The LFUCG manages the Affordable Housing Fund, which provides financial support to developers building or renovating affordable housing units. The fund supports a variety of projects, including rental housing, homeownership opportunities, and supportive housing.
- **Housing Stabilization Program:** This program aims to prevent homelessness and stabilize housing for low-income residents by providing emergency financial assistance and housing counseling.
- **Innovative and Sustainable Solutions to Ending Homelessness Fund (ISSH):** This grant program is administered by the city's Office of Homelessness Prevention and Intervention (OHPI). Established in 2014, the fund's purpose is to provide financial support for initiatives aimed at addressing key gaps in homelessness services within the Lexington-Fayette County area.
- **HOME Investment Partnerships Program:** This program provides grants to localities to fund a wide range of activities, including building, buying, and/or rehabilitating affordable housing for rent or homeownership.
- **Community Development Block Grant (CDBG):** This program provides communities with resources to address a wide range of unique community development needs. Due to Davis Bacon requirements, CDBG is best used for land acquisition, professional services (design, planning, etc.), and other non-construction costs of affordable housing development.

State Programs

Kentucky Housing Corporation (KHC):

- **Low-Income Housing Tax Credit (LIHTC):** This program provides tax incentives to developers for the construction or rehabilitation of affordable rental housing. LIHTC is a significant source of funding for affordable housing projects.
- **Affordable Housing Trust Fund (AHTF):** This fund provides financial assistance for the development and rehabilitation of affordable housing for low-income residents. Provides funding for multi- and single-family housing limited to 60% of the state median household income with preference given to those making 30% AMI or less. Can supplement NHTF financing or grant independently.
- **Tax-exempt Bond Financing:** KHC is authorized to issue tax-exempt bonds for qualifying, multi-family affordable housing projects, either construction or rehabilitation. If used for more than 50% of the project funding, they can be combined with the LIHTC program.
- **Small Multifamily Affordable Loan Program (SMAL):** resource for multi-family, affordable housing projects up to 11 units. Covers projects at a scale for which it is usually difficult to find funding.

Federal Programs

1. **U.S. Department of Housing and Urban Development (HUD):** Several federal government programs in the United States support affordable housing initiatives
2. **Veterans Affairs (VA) Housing Assistance:** Provides various housing benefits for veterans, including loans, grants, and rental assistance.
3. **National Housing Trust Fund (NHTF):** Provides grants to states to increase and preserve the supply of affordable housing, primarily for extremely low-income and very low-income households.
4. **New Markets Tax Credits (NMTC):** This program incentivizes investment in low-income communities by providing tax credits to investors who make equity investments in Community Development Entities, which in turn use the capital to finance businesses and real estate projects in underserved areas.

Nonprofit and Private Sector Involvement

1. **Nonprofit Housing Developers:**
   - Community Ventures Corporation
   - Habitat for Humanity
   - Lexington Community Land Trust
   - Urban League – Fayette County Development Corporation

   These organizations work to build and renovate affordable housing units for low-income families. They often collaborate with local, state and federal governments and use public funds to support their projects.
2. **Public-Private Partnerships (PPPs):** These partnerships between government agencies and private developers can leverage additional resources and expertise to develop affordable housing. PPPs can help to maximize the impact of public funds by attracting private investment. There are several for profit developers in Lexington that have built and have projects in the pipeline to build affordable housing and utilize public and private funding.

Additional Tools

1. **Inclusionary Zoning:** Local ordinances that require a certain percentage of new residential developments to be affordable for low- and moderate-income households.
2. **Density Bonuses:** Incentives for developers to build more units than typically allowed by zoning regulations if they include a certain percentage of affordable units. Lexington adopted a density bonus program in June 2024 that offers a variation of AMI requirements for housing development.
3. **Land Banking:** The acquisition and management of vacant or underutilized properties by a public entity, which are then redeveloped for affordable housing purposes.

These tools and programs collectively aim to address the affordability gap and increase the supply of affordable housing units in Lexington, Kentucky. Collaboration among local government, state agencies, federal programs, nonprofit organizations, and private developers is crucial for leveraging these resources effectively to meet the community's housing needs.

Affordability Metrics

The evaluation and determination of affordability metrics for Lexington, Kentucky involved the consideration several key indicators and metrics:

1. **Housing Cost to Income Ratio**
   This metric compares median household income to median housing costs (including rent or mortgage payments, utilities, and property taxes). Typically, housing is considered affordable if these costs do not exceed 30% of a household's gross income.

2. **Median Household Income**
   This is a critical factor in determining the overall affordability of housing. In 2022, the median household income in Lexington was approximately $62,908.

3. **Median Rent**
   As previously noted, median rents in Lexington have been rising, with the median rent in 2024 being approximately $1,200. Comparing this to the median household income can help determine the rental affordability for average residents.

4. **Home Price to Income Ratio**
   This metric evaluates the median home price relative to median household income. A ratio of 3 to 4 is generally considered affordable. In Lexington, the median home value was around $ 314,950 in 2024. *(Realtor) (Redfin)*

5. **Rent Burden**
   This measures the percentage of renters paying more than 30% of their income on housing. According to recent data, a significant portion of renters in Lexington are rent-burdened, indicating affordability issues for many residents.

6. **Poverty Rate**
   The poverty rate can indicate the economic challenges faced by residents. As of the latest data, the poverty rate in Lexington was approximately 14.7%, *(U.S. Census ACS)* which can impact housing affordability.

7. **Cost of Living Index**
   This index compares the cost of living in Lexington to the national average. Lexington's cost of living is relatively lower compared to many other U.S. cities, which can affect overall affordability.

8. **Housing Availability and Vacancy Rates****
   The availability of housing and vacancy rates can influence affordability. Higher vacancy rates can lead to more competitive pricing and potentially lower rents or home prices.

9. **Economic Factors**
   Local employment rates, job growth, and economic conditions directly impact residents' ability to afford housing. Lexington's job market and economic stability are key factors to consider.

10. **Government and Community Assistance Programs****
    The availability of housing assistance programs, such as subsidies, affordable housing initiatives, and non-profit support, can also affect housing affordability.

This chapter provides a detailed assessment of these metrics, which can provide a comprehensive understanding of housing affordability in Lexington, Kentucky, which can then be used to make informed decisions regarding housing policies and planning.

STRATEGIES / BEST PRACTICES

Between 2015 and 2023, Lexington, Kentucky, saw various types of subsidized and assisted housing rental units developed. These included units under federal programs like the Section 8 Housing Choice Voucher program, public housing units, and project-based vouchers aimed at specific demographics such as the elderly and disabled.

1. **Public Housing and Section 8 Vouchers:**
   The Lexington-Fayette Urban County Housing Authority (LHA) manages several public housing properties and the Section 8 Housing Choice Voucher program, which helps low-income families, the elderly, and the disabled afford decent, safe, and sanitary housing in the private market. This includes specific properties like Connie Griffith Apartments and Ballard Apartments, which cater to elderly residents through project-based vouchers. *(Affordable Housing Online) (HUD.gov)*

2. **New Affordable Housing Developments:**
   New affordable housing units have been continually added through efforts by the Lexington Affordable Housing Fund. This includes townhomes and apartment complexes specifically designed to meet the needs of low-income families and individuals. The Office of Affordable Housing, with funding from the Affordable Housing Fund, has supported numerous projects across the city.

   The Affordable Housing Fund's targeted investments have significantly contributed to increasing both the supply and preservation of affordable housing units in Lexington, addressing various housing needs within the community. *(Lexington KY Site)*

3. **Specialized Housing Projects:**
   Various specialized housing projects have been developed, including housing for seniors and individuals with disabilities. These projects often provide amenities and support services tailored to their residents' needs. For example, Liberty Commons and other similar developments offer affordable housing solutions in Lexington. *(Affordable Housing Online)*

4. **Non-Profit and Private Sector Contributions:**
   Non-profit organizations and private developers have also contributed to the supply of affordable housing through initiatives often supported by local government funding and federal tax credits. These projects aim to increase the availability of affordable rental units and include developments like Sayre Christian Village and Prall Place Apartments. *(Affordable Housing Online) (Lexington KY Site)*

Overall, the period from 2015 to 2023 saw significant efforts to increase the stock of subsidized and assisted housing in Lexington, catering to a range of needs from low-income families to senior citizens. These efforts reflect a collaborative approach involving local government, federal programs, and private sector contributions.

Best Practices for Affordable Housing Trust Funds

Affordable Housing Trust Funds (AHTFs) are public-sector funds dedicated to supporting the development, preservation, and operation of affordable housing. Implementing best practices in managing these funds can yield significant benefits, including enhanced efficiency, better targeting of resources, and improved accountability. Here are some key analytical benefits:

1. **Dedicated Revenue Sources:**
   - Ensure stable and consistent funding by earmarking specific revenue sources, such as property taxes, real estate transfer taxes, or linkage fees from commercial development.
2. **Community Land Trusts (CLT's):**
   - Support CLT's to keep land in community control, ensuring long term affordability.
   - Support Mixed-Use CLTs – Integrate commercial spaces, such as local businesses or co-working spaces, within residential developments. The revenue generated can subsidize housing costs and create vibrant, mixed-income communities
3. **Scalability and Replication:**
   - Develop scalable models that can be replicated in other parts of the community. Adapting to local neighborhood contexts.
   - Open-source housing plans that can be created and share open-source blueprints for affordable housing designs that can be easily adapted, for projects in other neighborhoods, reducing planning, design and development costs.
4. **Incentivize Innovative Design:**
   - Prioritize funds for projects that encourage the use of sustainable and energy efficient designs in affordable housing.
   - Host competitions that invite architects and developers to submit innovative, cost-effective housing designs. Winners receive funding or fast track approval processes for their projects.
5. **Community Involvement:**
   - Engage community stakeholders in the decision-making process to ensure the fund's priorities align with local needs. Public input can help shape funding priorities and project selection.
   - Allocate a portion of the fund for resident driven projects, allowing community members to propose and vote on specific affordable housing initiatives they believe will have the most impact.
6. **Leveraging Additional Resources:**
   - Create a social impact fund where private investors can pool resources. To finance affordable housing projects, with returns tied to both financial performance and measurable social outcomes.
7. **Holistic Support Services:**
   - Integrate support services like job training, healthcare, and childcare within affordable housing developments.
   - Social impact bonds for wrap around services.- Utilize social impact bonds to fund comprehensive support services, ensuring residents not only have affordable housing, but also the resources to thrive within their neighborhoods.

Affordable Housing Funding Examples:

Comparable-sized cities often face significant challenges in financing affordable housing initiatives. Here are some examples of comparable-sized cities and the innovative methods they use to finance affordable housing:

1. **Durham, North Carolina**

Methodologies Used:

- **Housing Bonds:** Durham voters approved a $95 million affordable housing bond in 2019, which is being used to fund the creation and preservation of affordable housing units.
- **Public-Private Partnerships (PPPs):** The city collaborates with private developers to create mixed-income housing developments. These partnerships often include tax incentives or land use concessions to encourage private investment in affordable housing.
- **Low-Income Housing Tax Credits (LIHTC):** Durham leverages federal LIHTCs to attract private investment in affordable housing projects. The tax credits make it financially viable for developers to include affordable units in their projects.
- **Inclusionary Zoning:** The city has implemented policies requiring developers to include a percentage of affordable units in new developments or contribute to an affordable housing fund.

2. **Madison, Wisconsin**

Methodologies Used:

- **Tax Increment Financing (TIF):** Madison uses TIF districts to fund affordable housing projects. Increased property tax revenues from rising property values in designated TIF districts are reinvested into affordable housing and infrastructure improvements.
- **Housing Trust Fund:** The Madison Affordable Housing Trust Fund provides loans and grants to support the development and preservation of affordable housing. The fund is financed through a combination of city budget allocations, federal grants, and private donations.
- **Community Land Trusts (CLTs):** The city supports the creation of CLTs to ensure long-term affordability. These trusts buy land and lease it to low- and moderate-income families, reducing the cost of homeownership.
- **HOME Investment Partnerships Program:** Madison uses federal HOME funds to provide direct rental assistance, finance new affordable housing construction, and rehabilitate existing affordable units.

3. **Ann Arbor, Michigan**

Methodologies Used:

- **Millage Taxes:** Ann Arbor voters approved a dedicated property tax millage to fund affordable housing initiatives. This millage generates consistent revenue that is earmarked for housing projects.
- **Affordable Housing Fund:** The city maintains an Affordable Housing Fund, which is financed through development fees, general fund allocations, and other sources. This fund supports a variety of housing initiatives, including new construction and preservation.
- **Leveraging State and Federal Funds:** Ann Arbor actively seeks out and utilizes state and federal funding opportunities, such as the Michigan State Housing Development Authority (MSHDA) programs and Community Development Block Grants (CDBG).
- **Accessory Dwelling Units (ADUs):** The city promotes the construction of ADUs as a way to increase affordable rental housing. Zoning changes and financial incentives encourage homeowners to build and rent out ADUs.

4. **Boulder, Colorado**

Methodologies Used:

- **Inclusionary Housing Program:** Boulder requires developers to provide a certain percentage of affordable units in new residential developments or pay a fee in lieu of providing those units. The fees collected are used to fund affordable housing projects.
- **Affordable Housing Commercial Linkage Fee:** Commercial developers pay a fee based on the square footage of new commercial projects. The revenue from these fees is dedicated to affordable housing development.
- **Community Housing Assistance Program (CHAP):** This program provides financial assistance for low- and moderate-income families to purchase homes. The funding comes from the city's general fund and dedicated housing funds.
- **Regional Partnerships:** Boulder collaborates with neighboring cities and counties to address regional housing challenges. This includes joint funding initiatives and coordinates policy efforts to increase affordable housing supply across the region.

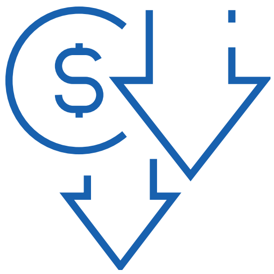
5. Santa Fe, New Mexico

Methodologies Used:

- **Affordable Housing Trust Fund:** Santa Fe's Affordable Housing Trust Fund is financed through a combination of developer fees, general fund contributions, and state and federal grants. This fund supports a variety of affordable housing projects, including new construction and rehabilitation.
- **Santa Fe Homes Program:** This inclusionary zoning program requires that a percentage of new housing units in larger developments be affordable. Developers can also contribute to the Affordable Housing Trust Fund as an alternative.
- **Workforce Housing Initiatives:** The city focuses on creating affordable housing for its workforce, including teachers, firefighters, and other essential workers. This includes offering down payment assistance and affordable rental options.
- **Nonprofit Partnerships:** Santa Fe works closely with local nonprofits, such as Habitat for Humanity, to develop affordable housing. These partnerships often involve city-provided land or financial support.

These examples illustrate how comparable sized cities are employing a variety of financing strategies to address affordable housing needs. By leveraging public funds, private investment, and community partnerships, these cities are working to create and preserve affordable housing for their residents.

Key Takeaways

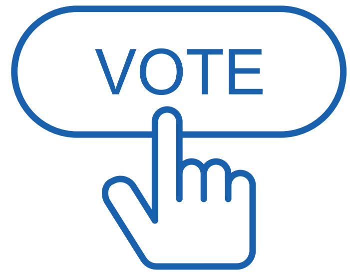


Diversified Funding Streams

Successful cities leverage a mix of local, state, federal, and private funding sources.

Public-Private Partnerships

Collaboration with private developers and investors is crucial for maximizing resources.



Voter-Approved Measures

Property tax levies and bond measures often require public approval but can provide substantial and stable funding.

Innovative Financing Mechanisms

Programs like tax increment financing and inclusionary zoning help generate additional funds for affordable housing.

Targeted Programs

Funds are allocated to specific programs that address various housing needs, from rental assistance to homeownership support.

By adopting these diverse and innovative funding strategies, cities can effectively address their unique housing affordability challenges and support the development and preservation of affordable housing for their residents.

APPENDIX

Appendices

Appendix A: Definitions

Area Median Income (AMI) – The median family income in the metropolitan or nonmetropolitan area

Percent AMI – the expression of income as what amount of the Area Median Income it is represented as a percentage

Extremely Low-Income (ELI) – Households with gross incomes at or below the federal poverty guideline or 30% of AMI, whichever is higher

Very Low-Income (VLI) – Households with gross incomes between ELI and 50% of AMI

Low-Income (LI) – Households with gross incomes between 51% and 80% of AMI

Middle-Income (MI) – Households with gross incomes between 81% and 100% of AMI

Above Median Income – Households with gross incomes above 100% of AMI

Rental Unit – A discrete unit of housing owned by one entity intended to be let by a household for a given amount of time and rent.

Renter Household – A group of cohabitants, or household, who lease their living space from the owner in exchange for rent.

Owner-occupied Unit – A discrete unit of housing, often also discrete property, which is intended to be used by the owner as their primary residence

Owner Household – A group of cohabitants, or household, who own their living space

Substandard Housing – Housing that poses a serious risk to the health, safety, or physical well-being of occupants.

Affordable Housing – Housing units with rent and utilities that do not exceed 30% of the gross income for the household or population in question.

Affordable and Available – Rental units that are both affordable and either vacant or not occupied by higher-income households.

Housing Cost-burdened – A financial status where a household is paying more than 30% of its total, pre-tax income.

Severely Housing Cost-burdened – A financial status where a household is paying more than 50% of its total, pre-tax income.

Permanent Supportive Housing (PSH) – Housing in which housing assistance and supportive services are provided to assist households with at least one member (adult or child) with a disability in achieving housing stability.

Continuum of Care (CoC) – The group organized to coordinate the implementation of a housing and service system within its geographic area that meets the needs of the individuals and families who experience homelessness there.

Appendix B: Survey

"I am a teacher and my students have expressed over and over that if there were one thing they could change about their community it would be more housing opportunities for their families (especially single parent families). This issue is without a doubt a driving factor that will contribute to the mass exodus of young adults away from our city in the next 2 decades."

- **Not enough affordable options for low-income residents and single-parent households**
  - *"Affordable housing is a critical need for our community. It will stabilize families, assist senior citizens in maintaining their independence, provide a safe haven for school students needing a secure place to study/learn/thrive who might otherwise be homeless, & ease the burden on shelters & facilities who serve the homeless."*
  - *"There is not enough affordable housing that is safe and decent for people on a low income."*
  - *"I'm dying trying to survive as a single parent."*
  - *"There needs to be more rentals or housing for low-income families, based on income as well! Too many homeless families who are not able to afford housing, more so single moms with children."*
  - *"My son who is a single dad working 40 hours a week cannot afford to rent or buy a home. Cost of living is too high in Lexington."*

- **Housing costs are not matching up with incomes**
  - *"I pay almost half of my income in rent. Combining that with student loans and cost of living, finding affordable housing is nonexistent"*
  - *"As a first-time homebuyer it is nearly impossible to buy a home with where interest rates are and how high the prices are to live in Lexington. Even with making a decent salary."*
  - *"Prices are rising too quickly, and wages are not keeping up. Everyone is suffering!"*
  - *"I think the people of Lexington are slowly being priced out of the city that we love. It's not just Lexington, but the country as a whole. The cost of living has skyrocketed, and the wages have continued to stagnate. I know too many people in Lexington who have to work overtime just to be able to afford to provide food and shelter for their family while also maintaining the quality of life they desire."*
  - *"We need more affordable housing that people who work full time can sustain without having multiple jobs."*
- **Lack of accommodations for those experiencing homelessness**
  - *"We need for services for unhoused people who don't have English proficiency or are recent immigrants."*
  - *"There are few housing options for people who are experiencing homelessness. Lexington is growing way too big and does not have enough AFFORDABLE housing for families who make less than $30,000 a year. Focusing on housing and emergency housing like shelters. At these shelters language access should be a huge priority."*
  - *"There needs to be more of a focus on helping those facing housing instability by setting them up for future financial stability such as job training, live-work communities, and access to educational opportunities. Reduce barriers to developers wanting to build within the city. Re-purpose vacant run-down areas to provide attainable housing."*
- **Limited housing options for seniors and those with disabilities**
  - *"Lexington needs to incentivize the creation of assisted living options for adults with disabilities (intellectual disability, autism, etc.)."*
  - *"If retired seniors had more comfortable affordable housing options perhaps that would incentivize them to move within Lexington and sell their larger single-family dwellings and provide more supply."*
- **Need for more protections for renters**
  - *"Tenants need better protections, like right to counsel when facing eviction and a landlord registry to hold abusive landlords accountable."*
  - *"Lexington also needs better protection for tenants and more supervision of landlords."*
  - *"There are too many overpriced apartments. Apartment rent for a one bedroom is at a ridiculous high. There needs to be some kind of regulation, which keeps the rent low and keeps the complex from drastically raising the price yearly."*
  - *"Better code enforcement or new laws against slum lords. Too many news stories and first-hand stories I've heard recently about no heat, no water, mold etc. in rental units. Tenants have no one helping them get justice."*
  - *"Stop allowing out of state companies to buy up properties, evict people and treat the people of Lexington like trash. These out of state should be barred from owning so many pieces of property in the state and not maintaining them properly. When renters complain they evict them instead and there's no one here responsible."*
  - *"This past year I got a notice from my landlord that after renting from for over 10 years says that my rent is not go up $25, $50, or $75, but $200!! And I had one month to agree to those terms. I make $45,000 a year and my rent is almost $1500. I literally cannot buy groceries for me and my child. The housing situation in this city is diabolical, disgusting, and greedy. Everyone contributing to this should feel an immense amount of shame and should've be able to sleep at night."*
- **Housing costs are leading to people leaving Lexington**
  - *"It pains me that people who have lived in Lexington their whole lives, who came of age here, are having to leave. I am one of those people. My rent just*

went up $250 and I can't find anywhere else so I'm moving in with someone in Frankfort who already owns their house. Now I have to drive 45 mins to work everyday."

- *"I've lived in Lexington in my entire life and don't want to leave but I feel I can't afford to live here much longer."*
- *"I had to leave my employment in Lexington to find a better paying job outside of Lexington to afford to live in our current home. The city only cares about development and not their residents."*
- *"I really love living in Lexington. My son was born here and I have so far raised him here. I want to buy a home here and stay because I love the city but the housing options are hideously expensive right now and it's just not possible."*
- *"There are very few options for affordable real estate in safe, established neighborhoods in Lexington. We do not want to have to leave this region, but may have to due to the cost to purchase and the limited availability of homes."*

- **Concern with safety around low-income housing**
  - *"We lost our house of 29 yrs. due to landlord selling it under us we became homeless and my family only found a 2 bd room house that was affordable in our budget we hear gun shots ever weekend my son can't play outside because we are to scared for his safety. I really want to feel safe in my community again"*
  - *"I'm having to move to find a more affordable place to rent in Lexington. I currently live downtown and live it here. The cost rises every year so gotta go. Still gonna be tough to pay rent. If I moved into what I can afford without struggling, it would be a not so pleasant place to live and I just want clean and safe and somewhat updated, nothing fancy."*
- **Lack of variety in housing stock, few options for first-time homebuyers**
  - *"Lexington was listed in the New York Times as one of the worst markets for first time homebuyers to purchase a home."*
  - *Gen Z and Boomers are both going to be looking at purchasing smaller, more affordable housing options in the coming years. Creating housing priced at under $300,000 in walkable mixed-use communities will be essential to retaining young workforce talent from our universities in the coming years."*
  - *"I live in an older neighborhood with mixed types of housing ... single family, duplexes, and apartments. I think this is a great model and would support implementing it in neighborhoods that are currently only single family units, as long as care is taken to preserve the character of the neighborhoods."*
- **Concerns over the impact of outside investors and short-term rentals**
  - *"MUST be more caps on short term rentals!"*
  - *"It should be illegal for conglomerates, companies, LLC's, etc., to purchase family homes, flip them, and turn them into short-term rentals."*
  - *"Should be a limit for corporations to buy houses to rent or airbnb in neighborhoods. They push out first time home buyers. It's hard for a first time buyer to get into the market when anything decent is $300,000 in a nice area like Southland."*
  - *"Stop allowing out of state companies to buy up properties, evict people and treat the people of Lexington like trash. These out of state should be barred from owning so many pieces of property in the state and not maintaining them properly. When renters complain they evict them instead and there's no one here responsible."*

Appendix C KHC (Bowen Assumptions)

The Bowen estimates of current (2024) housing supply gaps are provided for both rental and for-sale housing and include the following demand components and assumptions:

Income Limits Based on County Median Income – Housing developed under state and federal programs typically restrict household incomes and rents at specific percentages of Area Median Income (AMI) for the county where they are located. The housing supply gaps were conducted on six income levels of AMI: up to 30%, 31% to 50%, 51% to 80%, 81% to 120%, 121% to 150%, and 151% and higher. The U.S. Department of Housing and Urban Development (HUD) publishes income and rent limits for several levels of AMI. In circumstances where HUD does not publish selected AMI limits (e.g., 120% AMI), such limits were derived by extrapolating from published AMI limits (e.g., published 60% AMI limits were multiplied by two to derive 120% AMI limits). To access HUD's published household income limits by AMI, please see: Income Limits | HUD USER

Income Limits Based on Household Sizes – While the actual income limits of an affordable housing project are based on the number of residents occupying the units, for the purposes of the housing gap estimates the four- person household income limits are used for Fayette County.

Affordable Rent and Home Price Limits/Ranges – Corresponding rents and home prices that should be affordable within each income range considered in this study were derived based on the AMI household income limits previously cited. The affordable rents were derived by dividing the income limits by 12 (months) and then dividing that result by 30% (assumes a household can pay no more than 30% of their income toward housing). The affordable home prices were derived by multiplying the income limits by three (assumes a household is qualified to purchase a home based on a housing affordability to income ratio of 3-to-1). That result was then divided by 92.5% (assumes a household will put 7.5% down on a home).

Housing Vacancies/Availability – It is important to understand the number of vacant or available housing units that are in a market when determining housing gaps. Markets that have a limited number of vacant/available units may indicate a shortage exists in the market and that additional units are required to have healthy or balanced housing market conditions (typically 5% vacant units for rental housing and 3% available units for-sale housing). Conversely, markets that have an abundance of vacant/available units may indicate the market has a surplus of units and that additional units are not needed. Two sources were used in this study to determine the number of vacant/available units that are currently (2024) in the subject markets. Rental vacancies were established by data published by American Community Survey Five-Year (2018-2022) Estimates. Since published vacancy data is not provided by rent or income level, the distribution of vacancies by affordability level was derived by proprietary data collection of Bowen National Research. For-sale housing vacancies (homes available for purchase) are based on data obtained from Realtor.com as of early January 2024. The inventory of available homes was distributed among the various housing affordability levels based on the actual asking prices of such homes.

People Commuting into Each County – It is reasonable to assume that a contributing factor to housing needs includes some portion of people commuting into a county for work, but not living in that county. This demand component consists of commuter data from the U.S. Census Bureau (source: https://onthemap.ces.census.gov/) showing the number of persons commuting into each county on a daily basis. Since not all persons will move, data from Bowen National Research's proprietary national surveys of households expressing an interest in moving to the same county in which they work and EHI survey data was applied to determine the influence these commuters have on the housing gaps in local markets. This data is further refined to account for local market renter and owner shares and various household income levels.

Severe Housing Cost Burdened Households by Tenure and Income – This demand component includes households paying over 50% of their income toward housing costs, which are considered severe housing cost burdened households. This incorporates severe housing cost burdened data provided by American Community Survey (ACS) and is applied to each income band used in the study for both renter and owner households for each county. Since this study is a snapshot of a single point in time (2024), it is assumed that only a portion of households living in substandard housing could or would move in a given year if adequate and affordable housing were available. As a result, ACS annual turnover rates by housing tenure (renter vs. owner) were applied to the overall number of severe cost burdened households to derive the 2024 demand for housing from severe housing cost burdened households.

Resident Step-Down Support – While government and housing market industry standards generally assume a household should not pay more than 30% of their income toward housing costs, many households often spend much less than 30%, particularly higher income households. Step-down support considers households that are paying a relatively small portion of their income toward housing costs (typically no more than 20% of their income), even though they can afford higher priced housing. In short, these households are "stepping down" into a more affordable housing alternative despite the fact they can pay more. As a result, they can consume housing that would have been available to lower income households and contribute to the market's housing shortages or gaps. ACS five-year estimates on the percent of income applied toward housing costs were reviewed as part of this analysis to determine the ratio of households likely to "step down" to the next lowest housing affordability segment.

Appendix D Sources

Data Sets – KY Housing Gap Estimates	Source & Vintage	ACS Table	Notes
Annual Household Turnover Rate by Tenure	ACS (2018-2022)	B07013	
Severe Cost Burdened Households by Income & Tenure	ACS (2018-2022)	B25074	
Total Housing Units	ESRI	-	
Households by Tenure Share	ESRI	-	
Vacancies by Tenure (Renter/Owner)	ESRI & ACS (2018-2022)	B25004	ESRI Total, ACS Appor
Total Units with Incomplete Plumbing	ESRI & ACS (2018-2022)	B25047	ESRI Total, ACS Appor
Renter/Owner Units with Incomplete Plumbing	ESRI & ACS (2018-2022)	B25049	ESRI Total, ACS Appor
Substandard Housing by Tenure (Lacking Complete Kitchens)	ESRI & ACS (2018-2022)	B25053	ESRI Total, ACS Appor
Households by Tenure and Income	ESRI/HISTA*	-	
HUD Programmatic Income Limits by AMI	HUD (2023)	-	
Available For-Sale Housing by Price Point	Realtor.com	-	Individually cataloged
In-Commuter Population (Commuter Inflow)	U.S. Census, OnTheMap	-	
Permanent Supportive Housing	CSH 2024	-	
Red Cross – Disaster Data	Red Cross	-	

*HISTA is calculated using a combination of ACS, ESRI, and Census variables. ACS – American Community Survey

ESRI – Environmental Systems Research Institute HISTA – Households by Income, Size, Tenure and Age CSH – The Corporation for Supportive Housing

LHA
Housing and community Development
Lexington Affordable Housing Fund
OHPI
Catholic Action Agency