

HOUSING  
POLICY  
ROADMAP



SUBSIDIZED  
HOUSING



LAND  
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MIXED-INCOME  
HOUSING



REDEVELOPMENT  
AND TAX  
INCENTIVES



TRANSPORTATION



SHARED EQUITY  
HOUSING



LAND BANKS



HOUSING TRUST  
FUNDS



HOUSING THE  
HOMELESS



Metropolitan Housing Coalition

2010 STATE OF  
**METROPOLITAN HOUSING REPORT**



# A LETTER TO MHC MEMBERS

In 2003, the Metropolitan Housing Coalition (MHC) began the annual *State of Metropolitan Housing Report (SMHR)*, an ongoing report card of the fair and affordable housing challenges and successes in the Louisville metropolitan region. In it, we look at nine measures of housing conditions in our region. We have been the first to recognize housing trends and we have brought to light the growing housing crisis- a crisis that started before this recession.

The future of our children's well-being is at stake. The decade-long loss of purchase power for Louisville area households has left families homeless in record numbers; over 10% of the students in the Jefferson County Public Schools (JCPS) were homeless at some point during the 2009-2010 school year. At this moment of need, Louisville Metro will have a new mayor in 2011. To help the new administration respond to this crisis, the focus of the *2010 Report* is an overview of policy options available to create affordable housing opportunities and meet the needs of lower-income households.

The data in this year's report shows us that:

- In 2009, the Louisville MSA (Metropolitan Statistical Area) saw a total of 7,142 foreclosures, an increase of 18.4 percent over 2008. Jefferson County saw an increase of 34 percent over the previous year.
- During the 2009-2010 school year there were 10,555 homeless students enrolled in the JCPS system, an increase of nearly 2,000 students over the previous school year (23 percent), and an increase of 44.6 percent over the 2006-2007 school year.
- The homeownership rate for the Louisville MSA was 67.7 percent in 2009, compared to 73.4 percent in 2002 when the *SMHR* first began tracking homeownership.
- Subsidized housing continues to be concentrated in the northwestern portion of Jefferson County in council districts 1-6 and 15.
- As of September 1, 2010, there are 19,002 households waiting for either a subsidized housing unit or a housing voucher in Louisville Metro.
- For full-time workers who are paid minimum wage, which is currently set at \$7.25 per hour, the affordable rent is \$377 per month, which is \$200 less per month than the fair market rent for a one-bedroom apartment in the Louisville MSA.
- To afford a two-bedroom unit within the Louisville MSA in 2009 a family or household would need an annual income of \$27,360, or \$13.15 per hour.
- "Exclusionary zoning" land use policies have promoted and sustained racial segregation in Louisville Metro by effectively prohibiting the construction of affordable housing. Zip codes with 80 percent of land zoned single-family had an average black population of less than 3 percent and a median household income of \$59,309. Zip codes with more than 20 percent of land zoned multi-family had an average black population of 62 percent and a median household income of \$22,245.

## The year in review:

MHC wrote the *2010 Analysis of Impediments to Fair Housing Choice in Louisville Metro*, which has been adopted by the city as its official policy. Not only did Louisville Metro government support this work, MHC is already working with the City to see recommendations implemented. The report brings to high relief the need for zoning reform for Louisville Metro to offer affordable housing opportunities throughout the county.

MHC's continued work with a coalition to revamp the local Affordable Housing Trust Fund (AHTF) ordinance led to a second ordinance passed by the Louisville

Metro Council to establish the Louisville AHTF. MHC's persistence in raising this issue meant it was never forgotten. Louisville now has a local AHTF with a board of directors and action steps with a timetable!

Of course, MHC continues our work of facilitating industry meetings for 21 member organizations through the Non-profit Housing Alliance. Additionally, MHC made low interest loans to non-profit developers for construction or rehabilitation of affordable housing – a program made possible by the Kentucky Housing Corporation.

MHC followed up on the report *"Where Do You Live? Louisville's Homeless Children and the Affordable Housing Crisis,"* sponsored by Making Connections Network, by working with partners to have a cross-discipline training of 250 people from the Jefferson County Family Court system, the Jefferson County Public School system and the Kentucky Cabinet For Health and Family Services, Jefferson County Region. The goal of this effort is to improve services for homeless children both within and between each system.

MHC hosted several major events for more than 1,000 community participants, learning about and testifying for affordable housing issues. A highlight was over 270 people attending the MHC Annual Meeting in June with keynote speaker U.S. Representative John Yarmuth.

MHC, through the Louisville Vacant Property Campaign (LVPC), continues our advocacy work with neighborhood and housing activists on returning Louisville's vacant properties into opportunities for neighborhood stabilization and revitalization. The LVPC works with City officials and others to facilitate more aggressive, neighborhood approaches.

In a very exciting new area of advocacy, MHC was an Intervener in the case before the Public Service Commission on the sale of E.On to PPL. This was a direct follow-up on the *2008 SMHR* recommendations on utility costs as part of affordable housing. MHC focused on cost containment for low-income households. The Kentucky Resources Council represented MHC in stellar fashion.

MHC appreciates the grant awards of **Louisville Metro Government, Kentucky Housing Corporation, Making Connections Network, Unitarian Universalist Funding Program, Fifth Third Bank Foundation, Gannett Foundation, PNC Bank, Barth Foundation, Catholic Charities, the Louise Judah Irrevocable Trust, Arthur K. Smith Family Foundation, Metro United Way, Presbyterian Church USA, and the special support of Janet Dakan.** MHC also appreciates the in-kind donation of legal services from the **Kentucky Resources Council** and meeting space from **Louisville Urban League, New Directions Housing Corporation** and **Presbyterian Community Center.** This support allows us to maintain a strong focus on safe, fair and affordable housing in the region.

MHC emphasizes the Coalition part of our name. Thank you for your continued support of the Metropolitan Housing Coalition, both financially and with your time and effort. We invite new partners to join us in addressing pressing fair, affordable housing needs in our metro area. Truly, working as a coalition and with the effort of everyone, we can build a healthier and vibrant community.

Christie McCravy  
MHC Board President

Cathy Hinko  
Executive Director  
Metropolitan Housing Coalition



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# 2010 STATE OF METROPOLITAN HOUSING REPORT

**T**he landscape of housing in the United States has changed substantially over the past decade. Record numbers of homes were constructed, homeownership increased, and housing prices rose dramatically, only to end in record numbers of foreclosures, vacant properties, and households spending more than half of their income on housing. The Joint Center for Housing Studies of Harvard University found that the percentage of households spending more than half of their income rose to 16 percent in 2008, up a third from the steady 12 percent recorded in both 1980 and 2000. These “severely cost-burdened households” totaled 16.8 million in 2008, including 44.2 million Americans, 13.7 million of whom are children. Further, the report found that by the end of 2009, about one in seven homeowners owed more on their mortgages than their homes were worth. These figures paint a stark picture of housing in the U.S., although there are some signs of recovery. In the first half of 2010, new home sales have begun to increase and home prices appear to be stabilizing in most cities. However, record unemployment and tighter mortgage lending restrictions still limit many Americans’ housing options. Even Veterans Administration loans, which have long benefited from a relatively simple approval process, are more difficult to obtain. Changes since 2008, including tighter credit restrictions and required home appraisals, have restricted the ability of U.S. military veterans to obtain mortgages or refinance their home loans.

## The Role of Local Housing Policy

The role of housing policy in shaping current housing conditions must be recognized and understood in order to avoid further housing crises in the future. The difficulties many families face are not simply a result of personal choices or unavoidable market dynamics, but are also the result of policy decisions that shape the housing choices that are available to the public. Housing policy includes subsidy programs and tax incentives, and affects how housing is financed, developed, rented, and sold (Schwartz, 2006). Housing development is not random, nor is it simply driven by market demand. Local housing policies incentivize certain types of housing, both implicitly (i.e. ease of approval and permitting process) and explicitly (i.e. special financing options). While most subsidized and public housing is funded at the federal level, local and state housing policies play a substantial role in determining the number, location, and management structure for these housing types. There are also a number of policies and strategies that can be applied by state and local governments that impact local housing conditions beyond federal housing programs. Housing type, location, and choice are influenced by land use, density, zoning, transportation, and other policies at the local level.

## The Changing Landscape of Demographics and Housing

Many of our assumptions about affordable housing and urban neighborhoods are no longer relevant as demographics and preferences have shifted over the past decade. The Brookings Institution reports that America’s suburbs are now more likely to be home to minorities, the poor, and an aging population, while young, educated whites are increasingly moving to the center of cities (Brookings Institution, 2010). As this is a recent demographic shift, local housing policies are not poised to address new challenges associated with changes in housing cost, the location of jobs, and the relocation of poor and minority populations.

## Purpose of This Year’s Report

The purpose of this year’s *State of Metropolitan Housing Report* is to provide a housing policy roadmap for Louisville Metro. We examine local and state housing policies that can shape the housing choices for individuals and families in Louisville. Many of these policies and strategies are already in practice here or in other cities. Our intent is to 1) define local housing policy topics and related concepts, 2) review research on each concept to determine how effective they are in practice, and 3) provide examples and case studies of these policies in practice, both here and in other U.S. cities. Ultimately, the report provides an outline for which issues local and state housing policies should address, which policies and strategies have been successful, and the most effective ways to implement these policies and strategies to provide fair and affordable housing for all members of the Louisville community.





# SUBSIDIZED HOUSING

## Public Housing

Public housing is the most commonly-known form of low-income, subsidized housing in the United States. It is the country's oldest subsidized housing program, originating in 1937 as a New Deal program following the Great Depression. Only 5 percent of public housing units were built after 1985, and the only new public housing units constructed since the 1990's have been replacements of units razed as part of mixed-income developments funded by the HOPE VI grant program (discussed below and in the section on Mixed-Income Housing in this report) (Schwartz, 2006). In the past 30 years, several problems have emerged relating to public housing, including federal legislation establishing a preference for the lowest-income households, increasing the proportion of extremely poor residents. In addition, the nation's public housing stock was aging and necessitated a \$29 billion investment. Furthermore, the U.S. Department of Housing and Urban Development's (HUD) annual appropriations were cut by nearly two-thirds between 1980 and 1998 (Keating, 2000). In response to these problems, Congress passed HOPE VI legislation in 1992 and provided appropriations for grants through HUD to public housing authorities that increased funding for the revitalization of the most distressed public housing. In 1995, Congress repealed the longstanding requirement that local authorities provide one-for-one replacement of public housing units eliminated through demolition or disposition, which has resulted in a

net loss of public housing units in the U.S. over the past 15 years. In addition, public housing residents have had limited participation in the development of the revitalization of their neighborhoods. While public involvement is mandated by the legislation, it does not stand as a separate criterion but is incorporated into one of 9 criteria for assessing applications (Keating, 2000).

## Section 8

The Section 8 housing program is administered by the U.S. Department of Housing and Urban Development (HUD). Established in 1974, it is the largest federal low-income housing assistance program and includes 1) "tenant-based" assistance, where vouchers are given to tenants to live wherever they choose, 2) subsidies to help families buy homes, and 3) subsidies for "site-based" units in affordable housing developments. The program is administered at the local level by public housing authorities or independent agencies. The voucher program currently assists 2 million households, and is the only federal program that grows in proportion to affordable housing needs (Center on Budget and Policy Priorities, 2009).

Research on the effectiveness of housing vouchers is mixed. Some research findings suggest that voucher recipients have lower wage earnings and no improved neighborhood quality of life in the short-term, but the long-term effects are positive (Carlson et al., 2008),

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# SUBSIDIZED HOUSING

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while other research findings do not support the claim that tenant-based vouchers promote a deconcentration of poverty (DeFilippis & Wylie, 2010). Overall, the Section 8 program is considered to be both successful and indispensable, as it provides housing opportunities and relative mobility for millions of Americans. There is general consensus among experts that the greatest deficiency in the Section 8 housing voucher program is that it is woefully underfunded, as about one-third of those in need actually receive assistance (Turner, 2003).

## **Case Study: Louisville Metro Housing Authority’s Section 8 Homeownership Program**

The Louisville Metro Housing Authority’s (LMHA’s) Section 8 Homeownership Program was established to allow Section 8 and public housing residents to apply their housing subsidies toward a mortgage payment instead of rent (Louisville Metro Housing Authority, 2010c). Participants in the program must meet certain income and employment eligibility requirements, be a first-time homebuyer, complete homeownership counseling, have a stable family situation, and be in “good standing” with LMHA. As of February, 2010, the program has been successful at helping 156 families (87 working full-time and 69 disabled families) successfully purchase homes, and 16 participants have increased their incomes enough to no longer need Section 8 assistance (Louisville Metro Housing Authority, 2010c). This program provides an example of a successful policy developed at the local level that has built on a federal program to support local affordable homeownership goals.

## **Low-Income Housing Tax Credit**

The Low-Income Housing Tax Credit (LIHTC) provides financial incentives to invest in low-income rental housing. The LIHTC allows investors to reduce their federal income tax when they invest in low-income housing developments, a credit they receive for 10 years. The property must remain affordable for 15 years to low-income households. Projects are eligible if at least 20 percent of the units are affordable to households earning 50 percent or less of the area’s median family income, or if at least 40 percent of the units are affordable to households earning 60 percent or less of median family income (Schwartz, 2006).

The LIHTC program has been extremely successful at providing housing opportunities for households with Section 8 vouchers (Williamson, et al., 2009) and producing low-income housing, resulting in over 27,000 projects and 1.5 million units since its inception in 1986 (Usowski & Hollar, 2008). One of the most controversial features of the LIHTC program is the Qualifying Census Tract (QCT) bonus, which provides additional financial incentives to

investors who develop low-income housing in “difficult to develop” areas, which are typically high-poverty and economically-depressed neighborhoods, resulting in LIHTC projects being concentrated in already poor areas (Oakley, 2008). In addition, since rental units that receive the LIHTC are only required to remain affordable for 15 years, a number of these units have permanently “aged out,” with the rent increasing to market-rate, and are no longer considered affordable. Long-term affordability of units has been preserved at the local level by the presence of non-profit development and management organizations (as opposed to for-profit companies) and the imposition of affordability restrictions beyond those required by the federal LIHTC program by state and local housing authorities allocating tax-credits (Melendez et al., 2008).

## **Recommendations for Louisville**

To improve implementation of the Section 8 Voucher Program:

- Provide mobility counseling and assistance for voucher recipients to identify options and negotiate with landlords
- Engage in aggressive landlord outreach and provide stronger incentives
- Promote regional collaboration to address administrative barriers to mobility of voucher recipients across jurisdictions (Turner, 2003)

To maintain long-term affordability of units developed using the LIHTC program:

- Mandate or incentivize non-profit development and management organizations, rather than for-profit companies, as research shows this often preserves the affordability of units beyond the tax-credit term
- Impose affordability restrictions beyond those required by the federal LIHTC program by state and local housing authorities allocating tax-credits (Melendez et al., 2008)

Louisville Metro’s subsidized housing is concentrated in the western portion of the county (see Measure 1 on the Concentration of Subsidized Housing in this report for more in-depth information). Since providing financial incentives to developers to exceed the benefit of the Qualifying Census Tract bonus would require a substantial investment from either the state or Louisville Metro government, the concentration of low-income housing is better addressed through other policies that mandate or incentivize mixed-income development such as inclusionary zoning and multi-family zoning.

For recommendations on public housing redevelopment, see the HOPE VI section in this report.



## MIXED-INCOME HOUSING

Mixed-income housing describes a residential development that is occupied by households of varied income levels. These developments can exist in various forms, including ownership units, rental units, single-parcel, scattered site (non-attached sites), new construction, and rehabilitation or conversion of existing housing. Policy-makers pose two primary rationales for focusing on mixed-income housing development: 1) to address urban poverty and 2) as a general strategy for urban redevelopment (Joseph et al., 2007). The rationale for addressing urban poverty is based on the idea that low-income households will interact with higher-income households, building social networks and ultimately providing low-income individuals with access to information about jobs to improve their economic conditions, as well as role modeling (learning by observing the behavior of others). The second rationale focuses on mixed-income housing development as a strategy for urban redevelopment. A renewed interest in urban living and redevelopment has led to the revitalization of once-depressed neighborhoods, and mixed-income housing can be used as a development strategy to unite otherwise divided political constituencies and obtain financing for projects in areas targeted for revitalization.

Overall, mixed-income housing developments have played an important role in producing affordable housing units, ensuring high-quality housing, deconcentrating poverty, reducing crime, and revitalizing neighborhoods (Smith, 2002). Research evaluating the effectiveness of mixed-income housing has found that it is successful in providing a higher quality of life for residents, greater access to higher-quality services than they would have experienced otherwise, and access to employment opportunities when supportive services, such as job-training and job-placement, are provided (Brophy & Smith, 2007). However, there is little evidence that low-income residents are able to improve their socio-economic conditions through social interaction and network-building with higher-income residents without additional supportive services (Joseph et al., 2007; Fraser & Nelson, 2008). Further research suggests that mixed-income housing is most successful when there is a strong demand for housing in a neighborhood, as more households are willing to live in these areas when low-income housing is present (Khadduri & Martin, 2007).

Mixed-income housing is funded by federal programs such as the Low-Income Housing Tax Credit (LIHTC) program, Community Development Block Grant (CDBG) program, and the HOME Investment Partnerships Program. Both state and federal Historic Tax Credits can be used when renovating historic structures for mixed-income housing. Project financing at the state and local levels may come from housing trust funds, tax exempt bonds, private equity (individual investors or partners), or private debt (i.e. mortgage brokers and banks) (HUD, 2003). The federal Section 108 loan program may also be used by local governments for the production of affordable housing, where CDBG entitlement communities (such as Louisville) can borrow up to five times their annual CDBG grant toward CDBG-

eligible activities. Section 108 is typically used to finance large-scale capital-intensive projects, and for economic development projects justified by job creation. It is currently being considered as a funding mechanism for the Museum Plaza development in downtown Louisville, although this project will not include any affordable housing.

### HOPE VI

The HOPE VI program was established in 1992 to replace aging public housing projects with redesigned mixed-income housing developments to help alleviate the adverse conditions created by concentrated poverty (Popkin et al., 2004a; Joseph et al., 2007). The goals of HOPE VI were essentially the same as the goals of mixed-income housing, in general (see above section). It would provide low-income residents with opportunities to improve their socio-economic conditions by interacting with residents of higher-income levels, providing opportunities for role modeling (learning from their behavior) and to learn about job opportunities. It was also hoped that the presence of higher-income residents would attract new development in the form of high-quality businesses and services that would otherwise not have been accessible to low-income residents (Joseph et al., 2007).

When a city is awarded a HOPE VI grant, it demolishes an existing public housing development and constructs new, mixed-income housing in its place (and sometimes includes additional uses such as retail or commercial). Some residents of the demolished development are allowed to return to the new development (provided they meet certain stricter criteria), while others are given housing vouchers to rent units in the private market. This approach has been controversial, as public housing residents are the "poorest of the poor" and are the most in need of housing assistance. For those residents who are not allowed to return, housing vouchers do not guarantee they will be able to find affordable housing in the private market.

Extensive research has been done on the outcomes of HOPE VI redevelopments. Overall, HOPE VI redevelopment has been successful at reducing crime and improving the quality of life for some residents (Popkin et al., 2004b). However, studies that have tracked former public housing residents have found that very few actually return to the redeveloped mixed-income housing, as the new developments rarely include enough subsidized units for all previous residents to move back into, residents must meet certain screening criteria to return, or those who moved during construction may not want to uproot their families a second time to return (Popkin et al., 2004b). Studies have also found that the displacement of residents caused by HOPE VI redevelopment has resulted in the dismantling of strong community networks among residents that they relied on for support and resources (Manzo et al., 2008). This loss of community and social ties also reduces residents' sense of safety because they did not know where to turn to for help in their new communities, whereas they knew everyone before (Clampet-Lundquist, 2010). In addition, although one of the goals of HOPE VI was

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# MIXED-INCOME HOUSING

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to include residents in the process of redeveloping severely distressed public housing projects, residents have often felt left out of the decision-making process or, when included, residents recognize that they lack a veto power over unwanted projects (Pitcoff, 1999). A recent study of a private management company at a HOPE VI redevelopment in Boston found that the management systematically provided benefits to the market-rate tenants that were not provided to the subsidized tenants, and social interaction between residents of different income levels was discouraged because management felt it would not be profitable financially (Graves, 2010). These types of dysfunctional management structures are not uncommon and subvert the primary goals of mixed-income housing by discouraging social interaction and limiting residents' autonomy and ability to lift themselves out of poverty.

## Case Study: Park DuValle, Louisville, Kentucky

Louisville has been awarded two HOPE VI grants for the redevelopment of existing public housing into mixed-income and mixed-use developments: Park DuValle and Liberty Green. HUD denied the Louisville Metro Housing Authority's November 2009 application for HOPE VI funds to demolish and reconstruct the Sheppard Square public housing development. The Housing Authority plans to re-submit its Sheppard Square HOPE VI application in November 2010.

Park DuValle is a New Urban mixed-income and mixed-use development constructed on the site of the former Cotter and Lang public housing projects in west Louisville. The development was constructed in phases from 1996 to 2008 and includes 613 rental units (363 of which are reserved for public housing-eligible tenants), 450 homeownership units, and 150 off-site units (Hanlon, 2010). The project was financed using public housing resources, Low Income Housing Tax Credits (LIHTC), and Community Development Block Grant (CDBG) funds. The Housing Authority of Louisville (the predecessor to the Louisville Metro Housing Authority) was initially awarded \$31.4 million in housing development funds for the project, in addition to a \$20 million HOPE VI grant from HUD, \$14.8 million in previously approved development funds, and \$9 million in comprehensive grant funds. The City of Louisville committed an additional \$10 million in infrastructure improvements over the course of project development (LMHA, 2010a). Although Park DuValle is often praised in the media and held up by designers as a success story, research conducted on the development reveals a number of concerns. The former public housing residents, who received relocation assistance as a result of the development, ended up in high-poverty areas, and little is known about those residents displaced without relocation assistance. In addition, the development resulted in a net loss of 603 public housing units, and 753 on-site units (Hanlon, 2010). Park DuValle had also experienced problems with its management company, which overcharged residents for rent and did not complete mandatory inspections, among other issues (Green and Halladay, 2009). Overall, the research suggests

that Park DuValle is a dramatic improvement in terms of design, construction quality, and safety, and has resulted in a more positive perception of the area in which it is located. However, most residents who were displaced by the development were not allowed to return (because they did not meet the new screening criteria), did not see their quality of life improve, and ended up primarily in other high-poverty neighborhoods or in homes where they had difficulty paying their rent, even with assistance (Hanlon, 2010).

During the process of developing Liberty Green, Louisville's more recent HOPE VI redevelopment, the Louisville Metro Housing Authority attempted to address some of the concerns that arose during the Park DuValle redevelopment process. The project agreed to one-for-one replacement units for all units demolished in the existing developments, and counseling and job-training services were made available to tenants. At the time of this report, no evaluation of the Liberty Green redevelopment process and outcomes is available, and it remains to be seen whether it was more successful in addressing HOPE VI program goals than its predecessor, Park DuValle.

## Recommendations for Louisville

To insure that mixed-income housing helps lift households out of poverty:

- Provide financial incentives to developers, such as tax-increment financing or tax-abatement, to promote the construction of mixed-income housing
- Locate mixed-income housing in areas with a high-demand for housing to insure demand for market-rate units
- Provide additional supportive services for residents, such as job-training and job-placement

To insure that local HOPE VI projects meet the program goal of reducing poverty, Louisville Metro Housing Authority should:

- Provide enough subsidized units for all previous residents to return (if the residents so choose), whether on the same site or another site, to insure there is no net loss of public housing units as a result of the project
- Allow all previous residents the option of returning to the new development to preserve existing community-support networks
- Include replacement units that have the same number of bedrooms as the ones torn down to preserve the overall number and size of family units available
- Allow more participation and control in decision-making for residents in the new development, to help instill a sense of ownership, safety, and community
- Carefully select management companies and hold them accountable to both the city and residents for providing services in an equitable way that reinforces the goals of the HOPE VI program



# LAND DEVELOPMENT CODE

Local governments have the ability to influence housing affordability through land use policy, but this important tool is often overlooked. While local governments have instituted a number of policies intended to produce affordable housing, other policies were often established at the same time that had the opposite effect. These exclusionary zoning policies effectively prohibited the construction of affordable housing by establishing land development codes that allowed only single-family home construction and mandated low densities that provide no opportunity for the development of higher-density and multi-family housing that is affordable to low- and middle-income households (Marshall & Rothenberg, 2008). Research has shown that zoning impedes the development of multi-family housing in U.S. suburbs, which indicates that low-density zoning contributes to a lack of affordable housing in suburban areas (Chakraborty et al., 2009). The effects of exclusionary zoning policies can be clearly seen in Louisville Metro, where areas zoned for single-family residential have fewer minority residents and higher incomes than areas zoned for multi-family residential development (see Measure 2 on Housing Segregation in this report for more in-depth information about exclusionary zoning in Louisville).

To address this problem, a number of local governments have put policies into practice that mandate or incentivize higher-density development, multi-family construction, or housing specifically reserved for low-income households. These policies include the adoption of inclusionary zoning, in-lieu development fees, linkage fees, multi-family zoning into the land development code, and allowance of mixed-use development.

## Inclusionary Zoning

Inclusionary zoning is a policy tool that requires developers to provide affordable housing as part of new residential developments. It can be implemented at the local level in a number of ways. It can be either mandatory or voluntary (incentivized) and typically requires a developer to either 1) construct affordable housing units within the new development, 2) construct affordable units on another site, or 3) set aside money in an affordable housing trust fund that can be used to construct affordable housing (these are typically called in-lieu development fees, as they pay a fee “in-lieu of” constructing affordable units themselves). The purpose of inclusionary zoning is to promote the development of mixed-income communities, provide affordable housing where new development is occurring to provide workforce housing, and protect against displacement when new development occurs by providing permanently-affordable units in these areas without public subsidy (PolicyLink, 2010a).

Recent research on inclusionary zoning has found that it is effective at producing affordable housing in cities where it has been adopted into local housing policy (Mukhija et al., 2010). While one critique of

the practice is that it will have an adverse affect on the amount of new housing construction, research shows this not to be the case (Mukhija et al., 2010). Inclusionary zoning policies also have the advantage of being flexible in their implementation and can easily be adapted to a specific area’s housing market conditions, resident preferences, and variations in local and state regulations (Schuetz et al., 2009).

Louisville’s Land Development Code includes a regulation similar to inclusionary zoning called Alternative Development Incentives (ADI), a voluntary program that was written to encourage the development of subdivisions that included low- to moderate-income housing units by awarding density bonuses that allow for smaller buildable lots. However, the program does not require the production of affordable housing, as it also provides incentives to developers for efficient land use or conservation techniques, preservation of cultural resources, open space, or higher-priced homes in poor neighborhoods in their projects. Since this program does not specifically require affordable housing, it has not been an effective local policy tool for the production of affordable units. Since its inception in 2003, only 12 ADI developments have been constructed (Metropolitan Housing Coalition, 2010).

## Case Study: Inclusionary Zoning and Education in Montgomery County, Maryland

Montgomery County, Maryland, operates the oldest and largest inclusionary zoning program in the nation. This zoning policy has resulted in the production of more than 12,000 affordable homes in the county since its inception in 1976. A unique feature of Montgomery County’s zoning policy is that the public housing authority is allowed to purchase one-third of the affordable homes produced by inclusionary zoning in each development to operate as subsidized public housing. This allows children from low-income households to live, and attend schools, in affluent neighborhoods. The housing authority currently operates 992 family units located throughout the county, which are zoned into almost every one of the school district’s 131 elementary schools. While the average monthly rent for a two-bedroom apartment in the county in 2006 was \$1,267, public housing tenants paid only \$371 per month (or one-third of their income) in the same year.

A recent study of Montgomery County’s inclusionary zoning policy found that it has been highly-successful at integrating low-income households into low-poverty areas and schools. Children in the subsidized units benefited from greater long-term residential stability that resulted in improved academic performance. The study suggests that inclusionary zoning in Montgomery County has been a valuable tool for economic integration in both neighborhoods and schools by increasing the supply of affordable housing, promoting residential stability, and providing residence in low-poverty neighborhoods for low-income families, resulting in extended exposure to low-poverty schools (Schwartz, 2010).

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## Linkage Fees

Linkage fees are a valuable tool in areas that are experiencing substantial job growth. Typically enacted at the local level, developers of new office, industrial, or commercial developments are charged to “balance out” the increased housing costs that result from a higher-demand for housing in that area. This is useful as an anti-gentrification measure to protect existing residents and to insure affordable workforce housing. The funding is typically directed into an affordable housing trust fund (PolicyLink, 2010b).

## Mixed-Use Development

The term mixed-use refers to a single development that includes multiple uses, typically a combination of residential, retail, office, hotel, or recreation. Mixed-use developments tend to maximize the use of space (i.e. land) and provide amenities and design features that are pedestrian-oriented and mitigate automobile traffic (Rabaini & Clements, 2007). Mixed-use developments can only be constructed in areas where high-density development and multiple uses on a single site are allowed by local zoning regulations. They often face unique obstacles related to parking requirements, land assembly (joining multiple parcels for a single project), and negative public perceptions about high-density development (such as the Not In My BackYard, or NIMBY, stance). Mixed-use development is seen as beneficial for a number of reasons: it reduces traffic congestion,

promotes social interaction, and reduces resource consumption (Grant, 2007). It is also an important tool for providing affordable housing, as most mixed-use developments include multi-family housing as part of the mix. In addition, mixed-use developments are characteristically walkable and often located near jobs or other transportation options that reduce the need for transportation-related expenses such as car-payments, fuel, and auto insurance.

In Louisville, mixed-use developments can be found in urban areas such as downtown and along Frankfort Avenue, where residential units are located above shops and businesses, but also in suburban areas such as the Norton Commons neighborhood, which includes shops, restaurants, office space, and residential units.

## Case Study: Sarasota County, Florida

Sarasota County, Florida, recently completed an analysis of the county’s property tax revenue per acre for different types of development. Among residential properties, the highest revenue per acre came from single-family houses in cities within the county, about \$8,200 per acre annually. Among retail properties, the highest county property tax revenue came from the county’s high-end mall at about \$22,000 per acre. The analysis also found that big-box stores produced barely more county property tax revenue per acre than residential properties throughout the county. What was most surprising was that a new high-rise mixed-use development in downtown Sarasota, which sits on less than an acre, was producing \$800,000 in annual county property tax revenue (and \$1.2 million total when Sarasota’s city property tax revenue is included). The analysis also found that mid-rise mixed-use developments (about 7 stories) bring in \$560,000 per acre annually, and low-rise mixed-use developments (up to 3 stories with residential units over retail) bring in over \$70,000 per acre (Newsom, 2010).



## Recommendations for Louisville

Louisville should improve its Alternative Development Incentives (ADI) land use policy by:

- Making the inclusion of affordable housing mandatory, requiring developers to set aside a certain percentage of units that are affordable to low-income households

Louisville should encourage or incentivize mixed-use development by:

- Insuring that local zoning regulations allow high-density development with multiple-uses on a single site in all areas of Louisville Metro
- Providing tax incentives for developers of mixed-use projects
- Reducing parking requirements for mixed-use developments



# TRANSPORTATION

*\*Please see MHC's 2007 State of Metropolitan Housing Report for in depth information about transportation and housing, which can be viewed at [http://www.metropolitanhousing.org/pdf/mhcdoc\\_154.pdf](http://www.metropolitanhousing.org/pdf/mhcdoc_154.pdf).*

Transportation decisions and options are an important part of daily life that is also profoundly influenced by land use planning and housing policy. Following the post-WWII suburbanization of U.S. cities, federal transportation and land use policies both incentivized and mandated automobile-dependent development patterns. For families living below the poverty line who cannot afford to own a car, the challenge becomes finding housing that is not only affordable, but also located within walking or biking distance of employment, or serviced by a public transit route. While driving can greatly reduce commute times, car payments, gas, maintenance, and insurance are unaffordable for many households. As a result of cuts in local bus service in February 2010, more Louisville residents are now forced to drive or spend more time commuting to work, and those who are elderly or physically-disabled may not have the option to drive.

## Transit-Oriented Development

Transit-oriented development (TOD) is neighborhood-scale, mixed-use development that is within walking distance of public transportation (Federal Transit Administration, 2010). The purpose of TOD is to provide access to transportation and housing choices by allowing for walking, biking, and public transit. TOD is mixed-use and includes jobs, housing, entertainment, and recreation all within close proximity to one another. TOD projects may be large or small in scope. Transit communities are the largest developments, which are planned neighborhoods and employment centers that are typically aided by substantial public investment. Smaller projects are more typical, such as mixed-use, urban infill developments which are most often located in established neighborhoods. Infill projects can be useful as catalysts for neighborhood revitalization by bringing in new employment opportunities and providing retail services within walking distance of residents. TOD projects may also include an explicit affordable housing component, which provides residents access to efficient and reliable transportation to jobs and other services, eliminating the need for owning a car.

### Case Study: Transit-Oriented Development Program, Portland, Oregon

The City of Portland is known for its progressive planning and development policies, and residents have a variety of transportation options because of its high-density, mixed-use, and transit-oriented development (TOD) patterns. One of Portland's greatest challenges in promoting TOD is financing. Since lenders tend to be conservative and finance projects that have worked in the past, it is often difficult to convince them of the viability

of more progressive projects. Portland's Metro Government formed a transit-oriented development program that works with developers and provides them with incentives for TOD projects, including discounted land and tax breaks. The goal of their TOD program is to build "market comparables," which establishes a track record of success in the city and makes subsequent projects easier to finance. Banks also observe that the city backs this type of development, both philosophically and financially, which demonstrates commitment and provides security for more progressive lending. Over time, the city has been able to convince local banks that TOD projects are viable, and that once-standard features such as large parking lots are no longer necessary when other transportation options are available (Kazis, 2010).

### Case Study: State of Illinois Business Location Efficiency Incentive Act

In 2007, the State of Illinois enacted the Business Location Efficiency Incentive Act, which makes tax credits available to businesses that locate in areas with affordable housing and are in close proximity to public transportation. To qualify, businesses must create a Location Efficiency Report that demonstrates both the existence of affordable housing in the area and proximate transit stops (defined by the bill as a mile or less from the place of business). Businesses can also qualify for these tax credits by developing a plan to increase affordable housing and/or access to transportation in the area, or by locating in an area where the unemployment rate is 20 percent or more above the national average (MHC, 2007).

## Parking Requirements

Current zoning regulations typically require far more parking spaces than are necessary for residential developments, which results in overall higher costs for housing construction, reduced affordability, and unnecessary drainage run-off issues. For a typical affordable housing development, construction of one parking space per unit increases the project costs by about 12.5 percent, and for two spaces per unit 25 percent (Litman, 2010). This additional cost is particularly burdensome for low-income households, for whom housing costs are a higher percentage of their income. In addition, many low-income households do not own cars and thus are effectively subsidizing parking for higher-income households that own cars. While transit-oriented developments that provide additional transportation options such as walking, biking, or public transit are ideal, other strategies can be used to address problematic parking requirements such as shared parking, more accurate or flexible requirements, unbundling (parking spaces sold or rented separately from housing units), and car-sharing programs.

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## Recommendations for Louisville

MHC's 2007 *State of Metropolitan Housing Report* examined transportation and housing affordability. The report provided the following recommendations for local policy:

- The Kentucky legislature creates a financially-constrained transportation budget as recommended by the 2004 Transportation Cabinet Management Review
- Concerned citizens take a multi-pronged approach to advocating for better public transportation, contacting their elected representatives at local, regional, state, and national levels
- The Louisville (KY-IN) Metropolitan Planning Organization Transportation Policy Committee (TPC) creates a viable, community-based group charged with specific tasks that allows members significant input into the planning process that reports directly to the TPC, and contains TPC and Transportation Technical Coordinating Committee (TTCC) representatives in the group. TPC members are coached in what constitutes true public participation, and the processes through which it might be realized
- Environmental justice becomes a priority in the allocation of transportation dollars locally
- Local governments must provide appropriate incentives for transit-oriented developments with an affordable housing focus, creating more communities where everyone can live, work, and play
- A robust effort be made to integrate transportation and land use planning into local and regional planning, and that access to public transportation be a top consideration in planning affordable housing and job centers
- More funding is made available to the Transit Authority of River City (TARC) for bus service in Louisville, especially as an aging population will no longer be able to rely solely on private automobiles for transportation

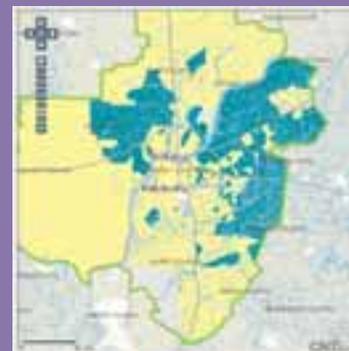
In addition:

- Louisville zoning regulations should waive, or reduce, parking requirements for affordable housing developments with access to other forms of transportation, or those developments that will include other strategies such as car-sharing, shared parking, or selling/renting parking spaces separately from the housing units
- Provide incentives for TOD projects, including discounted land and tax breaks
- Enact a policy similar to the State of Illinois's Business Location Efficiency Incentive Act that provides tax breaks to businesses that locate near affordable housing and transit options

## GNT Housing + Transportation Affordability Index for the Louisville MSA

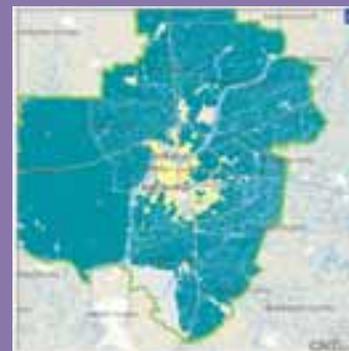
The Center for Neighborhood Technology (CNT) has developed the Housing + Transportation Affordability Index to demonstrate the true cost of housing when transportation costs are factored in. The index includes neighborhood-level data for 52 U.S. metropolitan areas, including Louisville. It is available as an interactive mapping-tool online for public use at <http://htaindex.cnt.org/>. When comparing the maps for housing costs and housing and transportation costs in the Louisville MSA, the results clearly show the higher cost of housing in the suburbs and outlying counties when compared to urban neighborhoods.

### Housing Costs - % Income



*Housing Costs factored as a percent of income has widely been utilized as a measure of affordability. Traditionally, a home is considered affordable when the costs consume no more than 30% of household income.*

### Housing and Transportation Costs - % Income



*H+T has been developed as a more complete measure of affordability beyond the standard method of assessing only Housing Costs. By taking into account both the cost of housing as well as the cost of transportation associated with the location of the home, H+T provides a more complete understanding of affordability. Dividing these costs by Representative Regional Incomes illustrates the Cost Burden placed on a Typical Household by H+T expenses. While housing alone is traditionally deemed affordable when consuming no more than 30% of income, CNT has defined an affordable range for H+T as the combined costs consuming no more than 45% of income.*



# REDEVELOPMENT AND TAX INCENTIVES

City governments have developed a number of strategies for promoting urban revitalization that include the development of affordable housing. Project financing tools such as *tax increment financing*, and incentives for urban infill development, have been used to promote the construction and inclusion of affordable housing in urban neighborhood redevelopment.

## Tax Increment Financing

Tax increment financing (TIF) is a tool used by local governments to finance capital projects in support of economic development (Johnson, 2002). It was originally developed to help revitalize economically-depressed urban areas, but now has a variety of applications. TIF is considered a “self-financing” mechanism for development, as projects are financed with revenues generated by the new development. Thus, local governments do not have to impose a new tax but rather reallocate new development revenues to pay for the development costs. In general, TIF is enacted when a local government selects a geographic area to designate as a “TIF district” and a plan for specific improvements within the district is developed. The TIF authority freezes the assessed valuation of all properties within that area. Bonds are issued and the proceeds are used to fund the proposed improvements. These improvements encourage private development and, theoretically, raise property values to a greater degree than they would have without TIF, which causes property tax revenues to rise. Property taxes in the district based on the frozen values are still paid “as usual,” but any increase in collected taxes (this is called the “tax increment”) in the district resulting from the new development (for a determined period of time, usually 20-30 years) is used to pay down the debt accumulated by the TIF authority or create a special fund for development efforts within the district. This special fund insures that property taxes will be used for infrastructure and development needs in the district that will directly benefit those who invest in the district: without TIF, these costs would be borne by the investors (Naccarato, 2007; Man, 1999). However, the new development must be in an area where an increased assessed value allows for repayment of the debt. If the tax base does not grow as anticipated, debt repayments would be put in jeopardy (Johnson, 2002). In addition, TIF should only be used to redevelop areas that would not otherwise experience private investment (Naccarato, 2007).

TIF can be used as a strategy for increasing a city’s affordable housing stock. This can be accomplished by requiring any residential development project within the district to include a certain percentage of units that are considered affordable. In addition, if a housing trust fund is established with the increased property tax revenues, this money can be used for the development of affordable housing within the district (see the Housing Trust Fund section in this report for more detail).

## Infill Incentives

The term *infill* refers to development that occurs on unused or underutilized land in an established urban area (Anderson et al., 2005).

It is typically used in the context of urban residential neighborhoods where older homes were demolished and left a vacant parcel that may now be redeveloped. Urban infill has the potential to address several public concerns related to development patterns: 1) it can reduce the rate of suburban growth, thereby reducing traffic congestion and loss of green space, 2) it can increase the tax base in urban areas by bringing vacant land back to the tax rolls at a higher assessed value, 3) it can help revitalize depressed neighborhoods, and 4) it can provide an opportunity for cities to increase their affordable housing stock (Steinacker, 2003). While there are numerous benefits of infill development, some barriers exist, such as financing difficulties, substandard infrastructure, regulatory policies, land assembly or cost of land, resistance from local residents (including public perception of increased density), political leadership, and an unwillingness of local government to condemn targeted sites (Anderson et al., 2005).

While infill incentives can help cities to increase their affordable housing stock, it is a strategy that must be used carefully. Infill development goals can be at odds with affordable housing goals without a focus on the equity goal of using infill land to promote the creation of affordable housing. Cities must insure that low- and middle-income workers and families have safe and affordable housing choices near work and other services. Thus, infill in well-established, stable, and economically-prosperous areas can provide an opportunity to build affordable homes where they otherwise would be scarce or nonexistent. However, if affordable housing infill is promoted only in economically-depressed areas then it will only serve to further concentrate poverty and hinder further revitalization efforts in those neighborhoods. In addition, brownfields (contaminated or potentially-contaminated land) are often targeted for infill development, so any environmental concerns must be thoroughly addressed before allowing affordable housing to be constructed in those areas to insure the health and safety of residents (Steinacker, 2003).

## Recommendations for Louisville

To encourage infill projects in urban areas, Louisville should:

- Provide incentives to developers to encourage infill projects
- Educate citizens about the benefits of infill development, and include the existing community as part of the development process
- Identify and map potential infill sites and determine where infrastructure improvements may be needed
- Streamline the development process for infill projects
- Lower the impact fees (for infrastructure improvements, etc.) for infill projects
- Establish grant or loan programs exclusively for infill projects (Anderson et al., 2005; PolicyLink, 2010c)



# LAND BANKS

Land banks are governmental or non-profit entities that acquire, hold, and manage abandoned properties (HUD, 2009). Land banks usually are authorized by state statute, then established by a local ordinance and typically managed by a board of directors. Properties are typically acquired through tax foreclosures, intergovernmental transfers, non-profit transfers, donations, or open-market purchases. Tax foreclosures are the most common method of acquisition, although the Housing and Economic Recovery Act of 2008 provided funding to localities to also acquire mortgage-foreclosed properties. Land banks are a valuable tool for stabilizing neighborhoods that have a large number of vacant, abandoned, or foreclosed properties. They have the unique ability to waive taxes and clear titles on properties they hold, making them more attractive for development. Some land banks also operate a “side-lot” program, where lots are sold to neighboring property owners for a nominal fee. They also typically provide maintenance services for the properties they hold, which may include basic upkeep, landscaping, or demolition to prevent properties from becoming a detriment to the neighborhood.

It is essential for land banks to sell or transfer properties for redevelopment to insure that the properties are added back to the tax rolls and generate revenue rather than requiring long-term public investment for maintenance. Land banks can help contribute to a city’s affordable housing stock by transferring land and/or homes to developers of low-income housing. This is a useful tool for providing affordable housing options in neighborhoods that are typically not affordable. However, using land-banked properties in low-income neighborhoods solely for affordable housing may result in a higher concentration of poverty and additional low-income housing may not be in the neighborhood’s best interests. In these cases, other uses for properties such as community gardens or side-yards may be more beneficial.

Louisville established a land bank in 1988 as the Louisville and Jefferson County Landbank Authority, Inc. Its purpose is to acquire, manage, and sell distressed properties and vacant, unimproved parcels to developers (Louisville Metro Government, 2010). There are currently 365 properties owned by the Landbank, and it is not aggressively pursuing or acquiring vacant properties. Since its inception, it has transferred a number of properties to affordable housing developers, adding to the city’s affordable housing stock. The Landbank Authority is currently managed, part-time, by a staff-person with additional duties (Magee, 2010). With foreclosures in Louisville Metro increasing 34 percent from 2008 to 2009 (see Measure 7 on Foreclosures in this report), the ability of Louisville’s Landbank Authority to acquire and transfer foreclosed and vacant properties for redevelopment or reuse is more important than ever.

## Recommendations for Louisville

The Louisville and Jefferson County Landbank Authority should:

- Secure additional funding from the Metro Council to add staff and build organizational capacity
- Establish a diverse task force with Louisville Metro Council and interested citizens, to review the Landbank and best practices from other jurisdictions in order to strengthen policies and procedures and develop a strategic plan
- Integrate its activities with a strategic vision for the provision of affordable housing
- Work closely with developers to quickly transfer properties for redevelopment, thereby adding the property back to the tax roll and avoiding excessive and continuing maintenance costs
- Prioritize transfers to developers of low-income housing to insure the land bank is contributing to the creation of affordable housing, especially in areas lacking in affordable housing
- Establish a strategy for the pace of development in each neighborhood, and transfer properties accordingly
- Prioritize transferring land for the development of affordable housing in high-income areas, and transfer land in low-income areas for the development of housing for households at or below 120 percent of the area’s median income
- Consider other uses for Landbank properties in high-poverty areas, such as community gardens, side-yards for neighboring homes, or for development of needed services such as grocery stores or other businesses
- Establish an integrated management information system containing parcel-specific information that is publicly-available online
- Streamline the acquisition process for properties that are uninhabitable or those for which the rehabilitation cost is greater than market value (Great Lakes Environmental Finance Center, 2005)



# SHARED EQUITY HOUSING

The shared equity housing model is a distinct approach to affordable homeownership where equity in a home is shared by multiple parties. Shared equity housing can take several forms, including deed-restricted housing, community land trusts, and limited-equity cooperatives (Davis, 2006). In deed-restricted housing and community land trusts, a state or local government or private entity provides funding to insure that homes are affordable for a low- or moderate-income purchaser. Community land trusts are distinct from other deed-restricted housing in that they separate ownership of the home from the ownership of the land on which it is built. Deed-restricted housing can either limit the sales price, thereby maintaining the home's affordability over time, or allow the home to appreciate and the equity is split between the home-seller and a repayment of the original subsidy for the next homebuyer to benefit from. When the sales price is limited, the home's affordability becomes permanent. When the home is allowed to appreciate, both the government entity providing the funding and the homeowner benefit from the home's appreciation in value. When the home is eventually sold, the homeowner typically keeps a portion of the profit, while the government can either reinvest the cash to help another family obtain a home or keep the money invested in that home to reduce its cost for the next family. Since public subsidies are involved, families must typically make 80 percent or below the area's median income in order to qualify (the target income level will vary depending on the project and locality). The

broader benefit to the community is providing housing for area workers who may otherwise not be able to afford to purchase a home in their work community. In addition, a one-time public investment maintains a home's affordability for multiple owners over long periods of time. The trust helps to preserve the home's affordability by protecting it against real-estate market increases, and additional public investment is not required over the long-term since the value remains relatively stable (Jacobus, 2010). In a limited-equity cooperative, which is typically applied to apartment or multi-family buildings, residents purchase a "share" of the property at a price set by the co-op's by-laws (Davis, 2006). Since the mortgage is held by the cooperative and not the individuals, the price and qualifications needed for a mortgage are lower than comparable market-rate homes.

The primary concern with the shared equity housing model is the adverse consequences of a decline in property value, due either to homeowner neglect or a decline in the market. This can be addressed by modifying the shared-equity contract by requiring home equity insurance or building in protection against potential declines in property value (Shiller & Weiss, 2000). Shared-equity housing also limits the homeowner's ability to build wealth through increase in value, as a portion of that increase remains with the home (Davis, 2006).

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## Community Land Trusts

A community land trust (CLT) is a private non-profit entity that holds land for a community to encourage affordable homeownership and local control of land (Gray, 2008). The trust retains ownership of the land while members of the trust own their homes. CLTs acquire land to either rehabilitate existing housing or construct new housing units, which are typically sold to individuals or families who could not otherwise afford homeownership in that area. CLTs may include just a few units, or hundreds of units, as they vary greatly in size (Finkel, 2005; Parker, 2004). CLTs are beneficial because increases in land value benefit the entire community, not just individual homeowners. Generally, CLTs provide access to homes for low- and moderate-income households, homes stay affordable for multiple generations of families, stabilize the neighborhood, and create personal wealth. When sales prices are limited or the initial subsidy is repaid when the home is sold, affordability is maintained. CLTs stabilize neighborhoods by providing long-term, stable housing for homeowners and remaining relatively unaffected by real-estate market fluctuations. Personal wealth is created both when homeowners can benefit from homes that are allowed to appreciate with the market through equity, and by spending less on housing and having more money for savings or investments. Since increases in land value are shared by all members of the trust, they also serve to enhance civic engagement and promote community development. The greatest challenges faced by CLTs are the potential for conflict between community and individual needs, and ensuring there are enough resources to support the management and development of the trust (Gray, 2008). Community land trusts are also an attractive option to planning departments and policymakers for providing long-term affordable housing because they only require a one-time public investment (the purchase of the land). When a family buys a home that is part of a CLT, they purchase only the house and the land ownership remains with the trust. Thus, housing remains affordable and the subsidy is essentially recycled and requires no new public investment. This makes investment in CLTs a more appealing alternative to other affordable housing programs that require ongoing public subsidy to maintain affordability.

### ***Case Study: Community Land Trust, Burlington, Vermont***

In 1984, the city of Burlington, Vermont, created a non-profit land trust to provide affordable housing for local residents. With an annual budget of \$2 million, the Burlington land trust is possibly the largest in the U.S. The trust receives money for land purchases and housing construction from federal, state, and city government sources, as well as from private foundations and corporate donors (Finkel, 2005). A total of 850 houses were built as part of the trust, most of which are located within the city. A typical single-family house constructed

by the Burlington land trust in 2005 has 1,300 square feet and sold for \$90,000 minus a \$25,000- to- \$35,000 subsidy. The typical buyer had an annual household income of \$38,000. In contrast, the median price for a market-rate, single-family house in Burlington was \$218,000 in 2004. Sellers of trust properties receive 100 percent of the principal they paid through their mortgage payments, plus 100 percent of any capital improvements they made to the house, and 25 percent of the property's appreciation. This system allows sellers to benefit from appreciation, while the new buyer pays close to what the original buyer paid for the home, and the trust ends up with a larger subsidy than it had originally (Finkel, 2005).

## Recommendations for Louisville

In order to explore community land trusts as a strategy for increasing affordable housing, Louisville should:

- Identify potential sites for developing a community land trust, including Landbank properties
- Explore funding options for initial subsidies to land trust homebuyers, including the local and state housing trust funds





# HOUSING TRUST FUNDS

Housing trust funds (HTFs) are funds established by city, county, or state governments that receive ongoing public funding to preserve and produce affordable housing (Center for Community Change, 2010a). HTFs are flexible and can exercise innovative approaches to creating affordable housing. They can promote the preservation of affordable rental housing, homeless and transitional housing, construction and rehabilitation of affordable housing, assistance for first-time homebuyers, emergency repairs, and foreclosure prevention programs (CFED, 2009). Funding typically comes from either annual budget allocations or a dedicated source of public revenue. While some funds also receive private donations, housing trust funds do not operate as public/private partnerships and they do not operate as endowed funds operating from interest or other program earnings.

A housing trust fund policy is considered strong if it 1) receives funding from a dedicated public source (a stable source of revenue without the need for annual appropriations), 2) the funding is adequate to make a meaningful impact, 3) funding levels are stable over time, and 4) stewardship of the trust fund remains strong (CFED, 2009). While a dedicated, ongoing source of revenue is perhaps the most important characteristic of a stable and strong housing trust fund, even a dedicated revenue source may be unstable. For example, funding sources that rely on real estate transaction fees or other funding mechanisms that are dependent on real estate market activity may generate lower revenues in an economic downturn. While revenues will be substantial in times of housing and market growth, the time when households need help the most are the times when revenues are the lowest. Communities must look at their individual conditions to determine the best, most stable source of revenue. Cities with a large tourist economy may look to hotel/motel taxes as a source, while areas with low utility costs may look to utility usage fees for funding. Research on HTFs has revealed that they are effective mechanisms for producing affordable housing, but typically do not receive enough funding to serve the lowest-income households to the same extent as other public housing programs (Connerly, 1993). Thus, they are a supplement rather than a substitute for other public housing programs.

A local affordable housing trust fund was established in Louisville Metro, with \$1 million in initial funding, but it does not yet have a dedicated funding source. Most city HTFs with dedicated revenue sources are funded by developer impact fees. Other revenue sources include inclusionary zoning in-lieu fees, a residential demolition tax (charged to developers when residential units are razed), document recording fees (for document transfers), sales tax, property tax, and bond revenues (Center for Community Change, 2010b).

## Recommendations for Louisville

The greatest priority for Louisville's Affordable Housing Trust Fund is securing a dedicated revenue source to insure adequate and sustainable funding. Based on data from other city HTFs, Louisville should explore the use of the following as potential dedicated revenue sources:

- Developer impact fees
- Inclusionary zoning in-lieu fees
- Document recording fees
- Residential demolition tax

## Kentucky Affordable Housing Trust Fund

The Kentucky State Legislature established the Affordable Housing Trust Fund (AHTF) in 1992. It originally received funding from annual budget allocations from the state legislature. In 2006, Kentucky's housing trust fund started receiving funding from document recording fees, which now generate about \$4 to 5 million annually (Brooks, 2007). Organizations that are eligible to receive funding include local governments, local housing authorities, non-profits, and regional or statewide housing assistance organizations. The fund provides funding for 1) acquisition, rehabilitation, or new construction of housing units for people at or below 60 percent of the state's median income, 2) matching funds for non-Kentucky Housing Corporation (KHC) federal housing dollars requiring a state or local match, 3) matching funds for technical assistance directly related to a housing project, and 4) administrative costs (up to 5 percent per project) (KHC, 2010a). Since 1994, the AHTF has:

- Leveraged more than \$234 million in other funds
- Allocated more than \$65 million
- Loaned nearly \$10 million and granted over \$56 million
- Created more than 8,273 units of affordable housing, consisting of 2,781 rental units and 5,492 single-family homes
- Allocated one-half of AHTF dollars to families that earn less than 50 percent of the area median income
- Served people living in 93 Kentucky counties

Despite these accomplishments, the fund's administrators acknowledge there is still an unmet demand for affordable housing in Kentucky. Due to a lack of additional funding, the AHTF has turned down more than \$24 million in requests (KHC, 2010b). The fund's administrators recommend a permanent line-item in the state budget that provides additional funding for trust fund activities to insure greater access to safe and affordable housing.



# HOUSING THE HOMELESS

The U.S. Department of Housing and Urban Development (HUD) recently reported that the number of families with children becoming homeless and living in shelters rose for the second year in a row. Families with children living in homeless shelters rose by seven percent in fiscal year 2009 to 170,129. During this same period, the total number of homeless people living in shelters fell by two percent to 1.56 million. In addition, families are staying longer in shelters and more of these families are renting and/or living with other family members before becoming homeless (Bello, 2010). In Louisville, the number of children in the Jefferson County Public School system increased to 10,555 for the 2009-2010 school year, an increase of 23 percent over the previous school year, and an increase of 44.6 percent over the 2006-2007 school year (JCPS, 2010). A separate study conducted by HUD examined first-time homelessness in the U.S. and found that the cost of providing housing in homeless programs exceeded the fair market cost of providing rental assistance with support services (Lee, 2010). The study also found that overnight emergency shelters for individuals were the least expensive for cities, emergency shelters for families were at least as expensive as transitional housing, and transitional housing for individuals was more costly than permanent supportive housing (permanent housing with support services).

## Transitional Housing

Transitional housing occupies an intermediate position in the continuum of responses to homelessness. Transitional housing is characterized by “relatively private accommodations provided on a temporary basis along with intensive services intended to facilitate the transition to permanent housing” (Barrow and Zimmer, 1999). Transitional housing can vary, with one locality’s transitional housing resembling another locality’s homeless shelter. In general, transitional housing differs from emergency shelters by offering smaller-scale facilities, greater privacy, and more intensive services with greater expectations for resident participation. Transitional housing works hand-in-hand with residential treatment programs targeted at the mentally-ill homeless and those with substance abuse problems. The key difference between transitional housing and permanent supportive housing is that transitional housing residents stay for a limited time and permanent supportive housing residents do not.

Transitional housing targets subgroups within the homeless population thought to require special assistance in transitioning to permanent housing. These target populations include mentally-ill individuals, developmentally- or physically-disabled individuals, individuals with substance abuse problems, individuals living

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with HIV/AIDS, youth, battered women, and families. While most transitional housing programs center their programs around either homeless families or homeless individuals who are mentally-ill, due to the diversity of problems facing those in transitional housing, programs also reflect secondary issues that may affect these residents. Stand-alone programs are often housed in congregate facilities (typically utilizing converted, existing housing stock), apartment buildings, or single-room occupancy (SRO) buildings. Typical housing units are single- or double-occupancy rooms (for individuals) or family units, with necessities such as child care, children’s play areas, kitchens, dining rooms, and staffed program space provided on-site. Clustered or scattered-site apartments disperse homeless individuals and families across neighborhoods, and support services may be available off-site, through mobile teams, or on-site depending on how many units are in a particular location.

A review of the research suggests that transitional housing programs are most successful when they are eventually converted to permanent housing and when they are developed as “scattered-site” housing units (as opposed to single-site). This approach reduces stigmatization of homeless families, is generally lower-cost than single-site alternatives, and provides stability for residents. It also has the added benefit of adding to a city’s permanent affordable housing stock. Effective, long-term (if necessary) supportive services must also be present, such as job-placement assistance, vocational training, substance abuse or mental illness treatment, case management, and other community-based services. Impediments to success include community-level factors such as a lack of local affordable housing units and vocational/employment opportunities, as well as pre-existing individual conditions such as substance abuse or mental illness. In addition, when transitional housing units cannot be made permanent, destabilization can occur, the overall cost will increase, and the approach becomes less effective. Thus, it is important to have policies in place to allow for this conversion to permanent housing (see Barrow & Zimmer, 1999).

## Permanent Supportive Housing

Permanent supportive housing (PSH) is defined as “permanent, affordable housing with comprehensive support services for people who are chronically homeless with disabilities or other substantial barriers to housing stability” (Portland Online, 2007). The PSH model is designed to provide housing and services for those individuals and families who cannot successfully utilize the clinical and supportive services they require without stable and permanent housing. PSH can take a number of forms, including apartment or single-room occupancy buildings, a single-family home, developments that exclusively house formerly homeless individuals and/or families, rent-subsidized market-rate apartments, or long-term set-aside units within privately- owned buildings (Corporation for Supportive Housing, 2007).

Permanent supportive housing is a cost-effective means of housing the homeless. Stable and permanent housing ultimately costs about the same as providing high-cost crisis care and emergency temporary housing for individuals and families (Corporation for Supportive Housing, 2006a). A four-year study conducted by the University of Pennsylvania’s Center for Mental Health Policy and Services Research concluded that permanent supportive housing and transitional housing created an annual savings that averaged \$16,282 per unit by reducing the need to use public services. The greatest savings was in the provision of public health service, which saw a 72 percent savings that resulted from a decline in use after a homeless person was housed. Factors contributing to the success of supportive housing include 1) the affordability of units offered, 2) the safety and comfort of tenants, 3) supportive services that are accessible, flexible, and targeted at residential stability, and 4) the provision of services that promote empowerment and independence (Corporation for Supportive Housing, 2006b).

## Case Study: Location and Zoning for Homeless Shelters in Louisville, Kentucky

In Louisville, zoning for homeless shelters has recently become both a relevant and divisive issue. Louisville is now home to more than 30 shelters serving homeless individuals and families. However, there is currently no zoning classification for homeless shelters, which has resulted in confusion about where they may locate and calls into question the legality of those shelters currently operating. Mandates of the Federal Fair Housing Act (FHA), Americans with Disabilities Act (ADA), and Federal Land Use Act require that community regulations make provisions to allow facilities for the homeless to exist (Reaves, 2010). Without zoning provisions or restrictions, there is no way to define where facilities for the homeless may be located and how they should be regulated.

When Wayside Christian Mission looked at a former private school to operate as a shelter for women and families, a protest was filed resulting in a Louisville Metro Board of Zoning Adjustment ruling that no zoning classification in the Louisville Metro Land Development Code allowed the use of land as a homeless shelter. The city convened the Homeless Shelter Task Force to make recommendations for guidelines for homeless shelter zoning which was completed and, as of this printing, is before the Metro Council for adoption. These recommendations include quality assurance standards, federal fair housing guidelines, and 64 pages of requirements for buildings and entities operating as a homeless shelter. These provisions allow for zoning that is scaled to fit the district in which a shelter seeks to locate. Shelters already in operation would be grandparented in and would not need to comply with task force recommendations, should they be adopted into Louisville Metro’s land use plan.

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## Case Study: Housing the Homeless in Portland, Oregon

Portland, Oregon, has recently begun addressing homelessness via a two-pronged approach, providing both transitional housing and permanent supportive housing.

### Transitional Housing

In an attempt to revive the ailing Old Town/Chinatown district in the City of Portland, a partnership was formed to develop a \$47 million homeless complex. The Resource Access Center project was developed as a partnership between the city, the Housing Authority of Portland, and Transition Projects, Inc. (a non-profit organization). The center will provide affordable housing, a homeless shelter, and services for the city's homeless. The eight-story, 106,000 square-foot center is anticipated to help catalyze development in the north end of the Old Town/Chinatown district (Baker, 2010). It is anticipated to serve approximately 1,000 people per day and will include 130 rental housing units, a 14,000-square-foot 90-bed men's shelter, a barbershop, laundry facilities, classrooms, offices for county agencies, and job and housing assistance. Additionally, the development is anticipated to include a Multnomah County community court, which would allow minor offenders to perform community service in lieu of jail time. By providing the services on-site, with a central courtyard for loitering, cart parking, and dog kenneling, the center provides a place for the homeless to receive services without standing in line on the sidewalk, which can interfere with the viability of surrounding businesses. A library, computer center, private areas for phone calls, and a mailroom are also planned.

Funding for the project is multi-faceted. The Resource Access Center is located in the River District urban renewal area, allowing the project to take advantage of \$29.5 million in tax-increment financing. Additional funding was provided by low-income housing tax credits (\$11.7 million), federal stimulus funds (\$3.3 million), and housing authority contributions (\$1.9 million).

### Permanent Supportive Housing

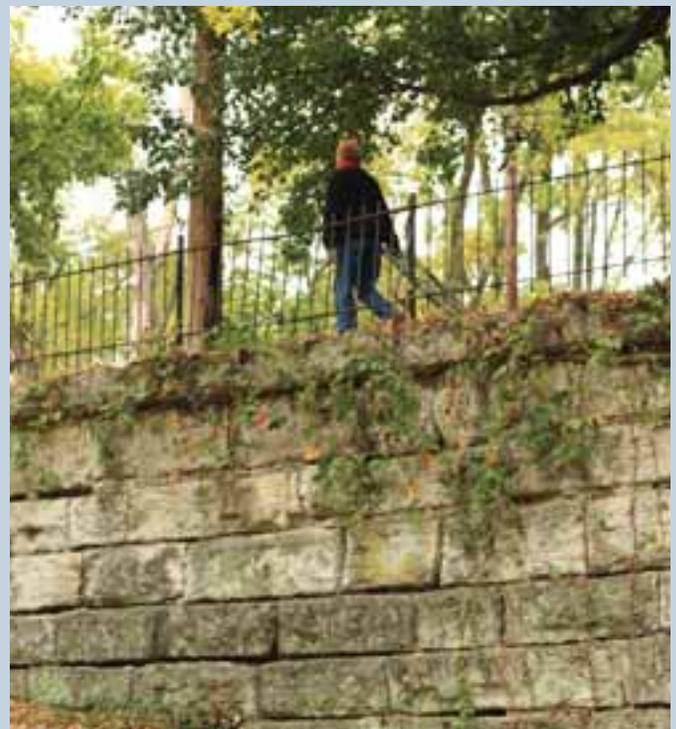
In Portland and Multnomah County, chronic homelessness represents 10 percent of the homeless population but accounts for 50 percent of the total homelessness resources consumed (Portland Housing Bureau, 2007). Portland and Multnomah County's Ten Year Plan to End Homelessness recommends the development of 2,200 permanent supportive housing units for both chronically-homeless individuals and homeless families with special needs by 2015. Of the planned units, 1,600 would be developed for use by chronically-homeless single adults, with the remaining 600 units developed for homeless families with special needs. According to the Portland Housing Bureau, 1,200 of the units are anticipated to be developed through new construction or the acquisition and rehabilitation of existing buildings and 1,000

units will come from existing housing stock reprogrammed to be permanent supportive housing by the attachment of supportive services and rent subsidies. In addition, the city is partnering with local community development corporations to develop the units. In theory, by investing resources in permanent supportive housing now, Portland and Multnomah County's future resources would be freed up to more effectively prevent and address homelessness.

### Recommendations for Louisville

In order to provide stable and permanent housing for homeless and formerly-homeless individuals, Louisville should:

- Develop transitional and permanent supportive housing (PSH) as "scattered-site" housing, where units are distributed across the city rather than concentrated in a single-site, to prevent stigmatization and reduce concentrations of poverty
- Insure that transitional housing units can be converted into permanent affordable housing for residents to promote stability and add to the city's permanently-affordable housing stock
- Insure that supportive services are available to all transitional housing and PSH residents, such as job-placement assistance, vocational training, substance abuse or mental illness treatment, case management, and other community-based services





## ENERGY EFFICIENCY

*\*Please see MHC's 2008 State of Metropolitan Housing Report for in depth information about utility cost and housing affordability, which can be viewed at [http://metropolitanhousing.org/pdf/mhcdoc\\_205.pdf](http://metropolitanhousing.org/pdf/mhcdoc_205.pdf).*

Utility cost is an important factor in housing affordability. While historically, utility costs in Kentucky have been relatively low, the past decade has seen a substantial increase in the cost of energy. Housing must be affordable not only in terms of rent or mortgage payments, but also in terms of utility costs. According to the U.S. Department of Housing and Urban Development (HUD), utility costs impose a disproportionate burden on the poor. Low-income households spend about 8 percent of their total income on electricity, and very low-income households (those living at less than half of the federal poverty level) spend 23 percent. In contrast, the average household spends only about 2 percent of their income on electricity (Oppenheim, 1998). Utility companies, government agencies, and social service agencies provide numerous programs to try and help families pay their energy bills, including the Low Income Home Energy Assistance Program (LIHEAP), charitable bill payment, leveled billing, rate discounts, home weatherization, energy-usage education, and debt forgiveness. Despite these efforts, the problem is growing.

Even as energy prices continue to rise, so does energy consumption. Household energy consumption increases dramatically when homes are less energy efficient. The lowest-income residents typically live in older homes which are less energy efficient than newer homes. Most of the homes in Louisville, about 240,000, were built before the 1980s when insulation became a requirement in the local building code. About 75,000 of these were built before 1950 and may still have original windows, lighting, and older appliances that are far less efficient than those available today. While most turn-of-the-century homes are smaller than homes built today, meaning less square footage to heat and cool, many still have no wall or attic insulation. One way that energy consumption can be lowered is through Demand Side Management (DSM) programs, which are funded through a number of sources including LIHEAP, state funds, CDBG, the private sector, and federal stimulus funds. The goal of DSM programs is to help families lower their utility bills by installing conservation measures that reduce their energy usage. Energy consumption can also be addressed by improving energy efficiency in low-income homes. Some incentives do currently exist for developers to include energy efficient features in their projects. Organizations that provide funding for the construction of affordable housing often require developers to meet energy efficiency standards. At the federal level, The Green Initiative is a nationwide program introduced by HUD to encourage owners and purchasers of affordable, multifamily properties to rehabilitate

and operate their properties with a focus on sustainability, energy efficiency, recycling, and indoor air quality (U.S. Department of Housing and Urban Development, 2008). The primary target of the program is Section 8 housing, which is one of the few energy efficiency programs focused on rental rather than homeownership. There are currently no incentives in place targeting landlords for improving the energy efficiency of their rental properties. Since tenants typically pay their own utility bills, it is unlikely that landlords would invest time and money into improving their housing, as they would not reap the benefits of these investments. Since many low-income families are renters, there is currently little hope for lowering their utility cost through energy efficient upgrades.

### The American Reinvestment and Recovery Act

As part of the American Reinvestment and Recovery Act of 2009, the Commonwealth of Kentucky received \$259.6 million in funding for energy projects, which includes \$70.9 million for weatherization programs throughout the state. Over the course of the Recovery Act, Kentucky is expected to weatherize about 9,100 homes. The funding also includes \$4.1 million for the Energy Efficient Appliance Rebate Program, which provides rebates for purchasing energy efficient appliances (U.S. Department of Energy, 2009). Louisville Metro received \$4.7 million in weatherization funding, \$1.7 million of which was awarded to the Metro Department of Housing and Family Services. The weatherization projects included replacement of insulation, inefficient appliances, water heaters, and HVAC systems, as well as minor draft repairs to improve energy efficiency (Louisville Metro Government, 2010).

### Case Study: Energy-Efficiency Initiative, Cincinnati, Ohio

In 2007, Cincinnati passed a city ordinance that offers property tax abatements for residential and commercial buildings that meet the Leadership in Energy and Environmental Design (LEED) standards for green building to encourage more energy-efficient construction and renovation within the city. All one-, two-, or three-unit residential projects in the city are eligible to receive a 100 percent tax abatement for 15 years if they are new construction, or 12 years for renovation of an existing building. The maximum amount of tax abatement per housing unit is around \$530,000, while projects attaining the highest LEED certification of platinum have no limit on tax abatement per unit. While the abatement applies to taxes that would be paid on the building, property owners must still pay tax on the land (City of Cincinnati, 2010).

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## Recommendations for Louisville

MHC's 2008 State of Metropolitan Housing Report focused on utility cost as a component of housing affordability. Based on local data and best practices, the report provided the following recommendations for local policy:

- More funds should be allocated for Demand Side Management (DSM), Home Energy Assistance (HEA), and weatherization programs and initiatives. Together these initiatives target both the consumption and cost of utilities for low-income families
- Utility companies should work closely with families facing high utility bills and arrears to insure that utility shutoffs are kept to a minimum
- Funding should be readily available at the local and state levels for the rehabilitation of older homes to increase their energy efficiency. This funding can take the form of grants, low-interest loans, or tax-incentives
- Incentives should be put into place at the local and state levels for landlords to rehabilitate their rental units and homes to be more energy efficient
- Building codes should insure that all new construction and rehabilitation of homes are energy efficient. Locally we can be proactive and strive to be ahead of the curve in terms of the energy efficiency of homes in the Louisville area
- Home sellers should provide records of utility costs to potential buyers so that they may better judge the affordability of utilities for that home

In addition, Louisville should provide local incentives, such as property tax abatement, for energy efficient construction and rehabilitation for affordable housing developments.



## Economic and Social Benefits of Investment in Low-Income Energy Efficiency Programs

If all Americans lived in weatherized and energy efficient homes and had the income to pay their full share of utility bills, all other ratepayers would save nearly \$6 billion in costs associated with poverty. These costs include fuel assistance, rate assistance, weatherization and energy efficiency costs, and the costs of delinquent utility payments and service disconnections. There are numerous benefits that can result from investments in the weatherization and energy efficiency of low-income homes. One mill (one-tenth of one cent) per kilowatt hour of electricity used, which for a typical residential customer would be about \$1.00 a month, would raise about \$3.8 billion for low-income efficiency programs in the U.S. Over time this investment would be returned seven-fold (Oppenheim and MacGregor, 2007).

### **Benefits of one mill (one tenth of one cent) per kWh dedicated to low-income efficiency in the U.S. (based on numbers from 2001) each year**

Low-income homes served	3,500,000
kWh saved (life of measures)	84 Billion
Participating Customer bill savings	\$6.9 Billion
Savings to other ratepayers (arrears, shut-offs)	\$1.4 Billion
Saved moving costs	\$540 Million
Increased earnings of children (from staying in school without being homeless)	\$28 Million
Avoided fire damage	\$2.7 Billion
Saved uninsured medical costs & lost work	\$2.9 Billion
Increased property values	\$8.9 Billion
Net GDP gain	\$280 Million
Net wage & salary gain	\$1.4 Billion
Water saved	\$1.6 Billion
Total of these savings (life of measures) as multiple of cost 7.0	\$26.6 Billion
Families saved from homelessness	1,100,000
Net new jobs	75,303
Gallons of water saved	400 Billion
CO2 saved (Tons)	52 Million
Equivalent to removing cars	1.3 Million
Natural gas saved (MCF)	941 Million

**Sources:** \*All savings are stated on a lifetime basis. Costs and savings were based on studies by the Oak Ridge National Laboratory and experience in Massachusetts.



## CONCLUSION

The housing policies and strategies discussed in this report provide an outline for how to approach the problem of providing safe, stable, and affordable housing for everyone in the Louisville community. While this is a daunting task for any city, a number of policies already in place may be improved or built upon to produce even stronger results. Strategies not yet in practice in Louisville are being implemented in other cities, providing us the opportunity to learn from them about what works well and how they may be improved or adopted for use here. This report also draws on an extensive body of literature on housing policy and research, the findings from which are essential to determining what the best policies and practices are for policymakers to consider, and help identify what policies achieve their goals and which do not. After reading this report, it becomes clear that it is rarely as simple as saying a policy “succeeds” or “fails”; most policies and strategies have both positive and negative outcomes. While some of the critiques of certain programs or policies in this report may seem harsh, every attempt was made to present them in a constructive manner in order to identify areas for improvement that can be addressed at the local level.

This report is not meant as an exhaustive list of all policies and strategies that relate to housing, but is both an introduction to, and a summary of, those practices that most define the current housing landscape in the United States. Other characteristics of local housing policy must also be considered that were not covered here, including codes enforcement, insuring that affordable units are large enough to meet the needs of families, incorporating historic preservation and reuse into affordable housing plans, providing housing for an aging population, foreclosure mitigation, and building local organizational capacity for developing low-income and affordable housing.

Other cities have decided to make affordable housing a high public priority by developing affordable housing plans to guide their policy-making. Anticipating rising housing costs due to new development, the City of Oakland, California, is discussing ways to encourage the development of new housing and office space while preserving and adding to its affordable housing stock (DeFao, 2010). A Task Force, which included developers, affordable housing organizations, businesses, bankers, labor, and other interests, was formed to address the issue. They provided recommendations to guide local housing policy, including:

- a one-for-one replacement of all affordable housing units demolished in the city
- preservation of the city’s single-occupancy room hotels, considered a last-resort for many low-income individuals
- public acquisition and renovation of available properties in distressed neighborhoods to keep them out of the hands of land speculators

- a mandatory inclusionary zoning ordinance
- linkage fees
- a “fast track” planning and zoning process for affordable housing developments
- and a city housing trust fund with a dedicated revenue source

While these recommendations are intended to address the specific needs of Oakland, they are all strategies being used in others cities with success. Louisville can develop its own set of recommendations, based on what has worked here and in other cities, to address its unique affordable housing needs. Published in 2006, Louisville’s *Comprehensive Housing Strategy* provides a valuable starting point for outlining the community’s goals for addressing affordable housing, but a more detailed and comprehensive plan must be developed. It is hoped that the information in this report will begin this process, and serve as a housing policy roadmap to guide Louisville over the coming years as it continually informs and redefines its approach to fair and affordable housing for all members of our community.





# A HOUSING POLICY ROADMAP FOR LOUISVILLE

## Subsidized Housing

To insure the success of Section 8 voucher program recipients:

- Provide mobility counseling and assistance for voucher recipients to identify options and negotiate with landlords
- Engage in aggressive landlord outreach and provide stronger incentives for landlords
- Promote regional collaboration to address administrative barriers to mobility of voucher recipients across jurisdictions

To preserve the affordability of LIHTC program units:

- Mandate or incentivize non-profit development and management organizations, rather than for-profit companies, as research shows this often preserves the affordability of units beyond the tax-credit term
- Impose affordability restrictions beyond those required by the federal LIHTC program by state and local housing authorities allocating tax-credits

## Mixed-Income Housing

To insure that mixed-income housing helps lift households out of poverty:

- Provide financial incentives to developers, such as tax-increment financing or tax-abatement, to promote the construction of mixed-income housing
- Locate mixed-income housing in areas with a high-demand for housing to insure demand for market-rate units
- Provide additional supportive services for residents, such as job-training and job-placement

To insure that local HOPE VI projects meet the program goal of reducing poverty, Louisville Metro Housing Authority should:

- Provide enough subsidized units for all previous residents to return (if the residents so choose), whether on the same site or another site, to insure there is no net loss of public housing units as a result of the project
- Allow all previous residents the option of returning to the new development to preserve existing community-support networks
- Include replacement units that have the same number of bedrooms as the ones torn down to preserve the overall number and size of family units available
- Allow more participation and control in decision-making for residents in the new development, to help instill a sense of ownership, safety, and community
- Carefully select management companies and hold them accountable to both the city and residents for providing services in an equitable way that reinforces the goals of the HOPE VI program

## Land Development Code

Louisville should improve its Alternative Development Incentives (ADI) land use policy by:

- Making the inclusion of affordable housing mandatory, requiring developers to set aside a certain percentage of units that are affordable to low-income households

Louisville should encourage or incentivize mixed-use development by:

- Insuring that local zoning regulations allow high-density development with multiple-uses on a single site in all areas of Louisville Metro
- Providing tax incentives for developers of mixed-use projects
- Reducing or waiving parking requirements for mixed-use developments





## Transportation

To provide fair and affordable housing with multiple options for transportation, Louisville should follow these policy recommendations:

- The Kentucky legislature creates a financially-constrained transportation budget as recommended by the 2004 Transportation Cabinet Management Review
- Concerned citizens take a multi-pronged approach to advocating for better public transportation, contacting their elected representatives at local, regional, state, and national levels
- The Louisville (KY-IN) Metropolitan Planning Organization Transportation Policy Committee (TPC) creates a viable, community-based group charged with specific tasks that allows members significant input into the planning process that reports directly to the TPC, and contains TPC and Transportation Technical Coordinating Committee (TTCC) representatives in the group. TPC members are coached in what constitutes true public participation, and the processes through which it might be realized
- Environmental justice becomes a priority in the allocation of transportation dollars locally
- Local governments must provide appropriate incentives for transit-oriented developments with an affordable housing focus, creating more communities where everyone can live, work, and play
- A robust effort be made to integrate transportation and land use planning into local and regional planning, and that access to public transportation be a top consideration in planning affordable housing and job centers

- More funding is made available to the Transit Authority of River City (TARC) for bus service in Louisville, especially as an aging population will no longer be able to rely solely on private automobiles for transportation
- Louisville zoning regulations should waive, or reduce, parking requirements for affordable housing developments with access to other forms of transportation, or those developments that will include other strategies such as car-sharing, shared parking, or selling/renting parking spaces separately from the housing units
- Provide incentives for TOD projects, including discounted land and tax breaks
- Enact a policy similar to the State of Illinois's Business Location Efficiency Incentive Act that provides tax breaks to businesses that locate near affordable housing and transit options

## Redevelopment and Tax Incentives

To promote infill projects in urban areas, Louisville should:

- Provide tax incentives to developers to encourage infill projects
- Educate citizens about the benefits of infill development, and include the existing community as part of the development process
- Identify and map potential infill sites and determine where infrastructure improvements may be needed
- Streamline the development process for infill projects
- Lower the impact fees (for infrastructure improvements, etc.) for infill projects
- Establish grant or loan programs exclusively for infill projects

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## Land Bank

The Louisville and Jefferson County Landbank Authority should:

- Secure additional funding from the Metro Council to add staff and build organizational capacity
- Establish a diverse task force with Louisville Metro Council and interested citizens, to review the Landbank and best practices from other jurisdictions in order to strengthen policies and procedures and develop a strategic plan
- Integrate its activities with a strategic vision for the provision of affordable housing
- Work closely with developers to quickly transfer properties for redevelopment, thereby adding the property back to the tax roll and avoiding excessive and continuing maintenance costs
- Prioritize transfers to developers of low-income housing to insure the land bank is contributing to the creation of affordable housing, especially in areas lacking in affordable housing
- Establish a strategy for the pace of development in each neighborhood, and transfer properties accordingly
- Prioritize transferring land for the development of affordable housing in high-income areas, and transfer land in low-income areas for the development of housing for households at or below 120 percent of the area's median income
- Consider other uses for Landbank properties in high-poverty areas, such as community gardens, side-yards for neighboring homes, or for development of needed services such as grocery stores or other businesses
- Establish an integrated management information system containing parcel-specific information that is publicly-available online
- Streamline the acquisition process for properties that are uninhabitable or those for which the rehabilitation cost is greater than market value

## Shared Equity Housing

In order to explore community land trusts as a strategy for increasing affordable housing, Louisville should:

- Identify potential sites for developing a community land trust, including Landbank properties
- Explore funding options for initial subsidies to establish a community land trust, including the local and state housing trust funds

## Housing Trust Fund

The greatest priority for Louisville's Affordable Housing Trust Fund is securing a dedicated revenue source to insure adequate and sustainable

funding. Louisville should explore the use of the following as potential dedicated revenue sources: developer impact fees, inclusionary zoning in-lieu fees, document recording fees, and a residential demolition tax.

## Housing the Homeless

In order to provide stable and permanent housing for homeless and formerly-homeless individuals, Louisville should:

- Develop transitional and permanent supportive housing (PSH) as "scattered-site" housing, where units are distributed across the city rather than concentrated in a single-site, to prevent stigmatization and reduce concentrations of poverty
- Insure that transitional housing units can be converted into permanent affordable housing for residents to promote stability and add to the city's permanently-affordable housing stock
- Insure that supportive services are available to all transitional housing and PSH residents, such as job-placement assistance, vocational training, substance abuse or mental illness treatment, case management, and other community-based services

## Energy Efficiency

To address utility cost as a component of housing affordability, Louisville should follow these policy recommendations:

- More funds should be allocated for Demand Side Management (DSM), Home Energy Assistance (HEA), and weatherization programs and initiatives. Together these initiatives target both the consumption and cost of utilities for low-income families
- Utility companies should work closely with families facing high utility bills and arrears to insure that utility shutoffs are kept to a minimum
- Funding should be readily available at the local and state levels for the rehabilitation of older homes to increase their energy efficiency. This funding can take the form of grants, low-interest loans, or tax-incentives
- Incentives should be put into place at the local and state levels for landlords to rehabilitate their rental units and homes to be more energy efficient
- Building codes should insure that all new construction and rehabilitation of homes are energy efficient. Locally we can be proactive and strive to be ahead of the curve in terms of the energy efficiency of homes in the Louisville area
- Home sellers should provide records of utility costs to potential buyers so that they may better judge the affordability of utilities for that home
- Provide local incentives, such as property tax abatement, for energy efficient construction and rehabilitation for affordable housing developments



# CONCENTRATION OF SUBSIDIZED HOUSING

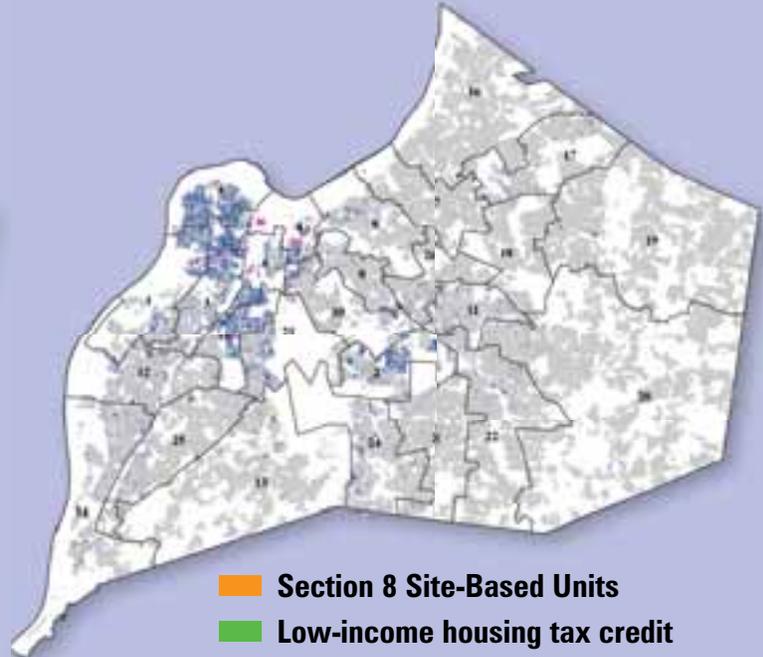
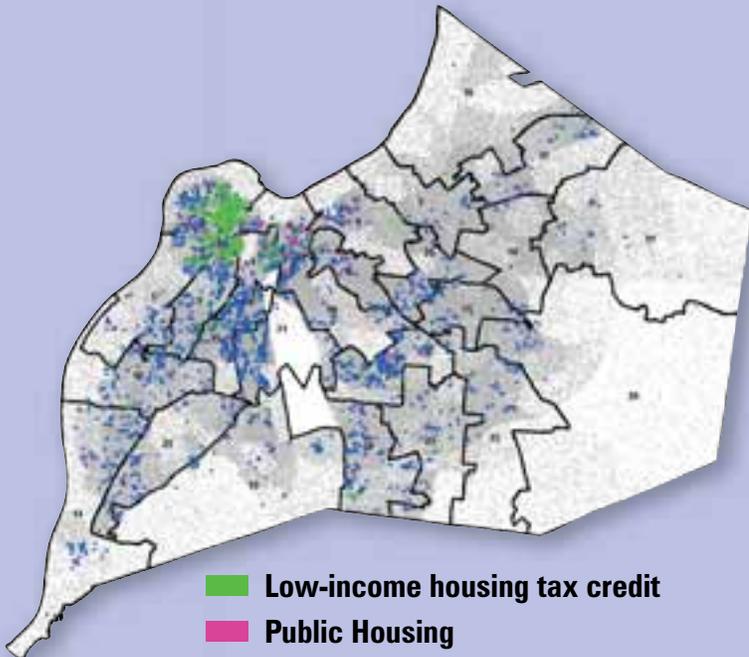
In Louisville Metro, subsidized housing is concentrated primarily in the northwestern portion of the county in council districts 1 through 6 and 15. This concentration has remained relatively unchanged since MHC first began mapping the location of Louisville’s subsidized housing in 2005 (see maps below). While there is some dispersal of residents with Section 8 housing vouchers across the county, it has not changed substantially over the past five years, and the concentration relative to all housing units is far lower in eastern and some southern portions of the county than in the northern and western areas. Comparing the maps from 2005 and 2010 is useful for tracking Louisville’s progress on dispersing the location of publicly-subsidized housing among all areas of the county. The similarity of the two maps indicates that current housing policies have resulted in the continued concentration of subsidized units in the same areas, rather than serving to distribute them more evenly across the county. Publicly-subsidized housing is the most stable and consistent provision for housing serving the lowest-income individuals and families.

***MHC recommends changes to the Land Development Code for Louisville Metro and all other cities in Jefferson County to permit multi-family housing, with compatible design, to occur in what is now single-family only areas, including incentives in land use to make the housing financially feasible.***



Subsidized Housing in Louisville Metro 2005

Subsidized Housing in Louisville Metro 2010



- Low-income housing tax credit
- Public Housing
- Section 8  
(includes both Housing Choice Vouchers and Site-Based Units)
- Housing unit

- Section 8 Site-Based Units
- Low-income housing tax credit
- Public Housing
- Section 8 Housing Choice Vouchers
- Housing unit



# HOUSING SEGREGATION

Local land use policies have a direct effect on housing segregation in U.S. cities. These are typically referred to as exclusionary zoning policies, and effectively prohibit the construction of affordable housing by only allowing for single-family residential home construction and mandating low densities. These regulations do not provide opportunities for the development of higher-density and multi-family housing that is affordable to low- and middle-income households (Marshall and Rothenberg, 2008). Research has shown that these zoning policies impede the development of multi-family housing in U.S. suburbs, indicating that low-density zoning directly contributes to a lack of affordable housing in suburban areas (Chakraborty et al., 2009). Exclusionary zoning policies were also established in some cities as a means of excluding certain demographics of people in order to maintain racial and economic segregation. Although the Supreme Court abolished racial zoning in 1917, the Court did eventually support zoning for economic segregation in 1926. This was determined in the case of *Euclid vs. Ambler* when the Court upheld that single-family zoning was a legitimate means of property rights protection against “parasitic” apartment buildings (von Hoffman, 2009).

Much of the land in Jefferson County has not been rezoned since the 1940s. While some experts theorize that residential segregation by race and class is the result of personal choice in

the housing market, a recent study of poor renter households in metropolitan areas across the U.S. found that context (area poverty rates, racial segregation, and labor market) mattered in determining where people lived, especially the amount of racial segregation in the metropolitan area (Deck, 2010). A 2005 report from the Brookings Institute found that pre-merger Louisville ranked third in the nation for large cities with the highest levels of concentrated poverty (the consolidated city now ranks 14th). For concentrated poverty among African Americans, Louisville ranked second in the nation (Berube and Katz, 2005a). Even though Louisville’s merger improved these overall demographics, the new consolidated regional city still “ranks fifth in the degree to which its poor African Americans reside in the most distressed neighborhoods” (Berube and Katz, 2005b).

Within Jefferson County, Kentucky, 75 percent of all land is zoned single-family residential. Of this residential land, 69 percent is zoned R-4 residential, which only permits homes built on lots no smaller than 9,000 square feet, or no more than 4.84 dwellings units per acre. Less than 1 percent of the R-4 zoning is within the old city limits inside the Watterson Expressway. Less than 6 percent of the land in Jefferson County is zoned multi-family residential. Of this 6 percent, 20 percent of the multi-family zoning is concentrated in 5 zip-codes in west Louisville, even though

## Income, African-American Population, and Residential Land Use: Louisville Metro’s West End Neighborhood by Zip-Codes

Zip-code	Median Household Income	Percentage of African-American Residents	Percentage of Land Zoned Multi-Family	Percentage of Land Zoned Single-Family
40203	\$13,458	63%	25%	3%
40208	\$24,041	26%	17%	14%
40210	\$20,722	91%	24%	28%
40211	\$21,906	95%	20%	31%
40212	\$23,240	55%	34%	42%

Source: 2000 Census

## Income, African-American Population, and Residential Land Use: Louisville Metro’s East End Neighborhood by Zip-Codes

Zip-code	Median Household Income	Percentage of African-American Residents	Percentage of Land Zoned Multi-Family	Percentage of Land Zoned Single-Family
40207	\$54,050	2%	7%	77%
40222	\$52,259	5%	8%	75%
40242	\$52,406	5%	10%	87%
40245	\$80,634	4%	4%	81%
40059	\$98,316	4%	3%	89%

Source: 2000 Census

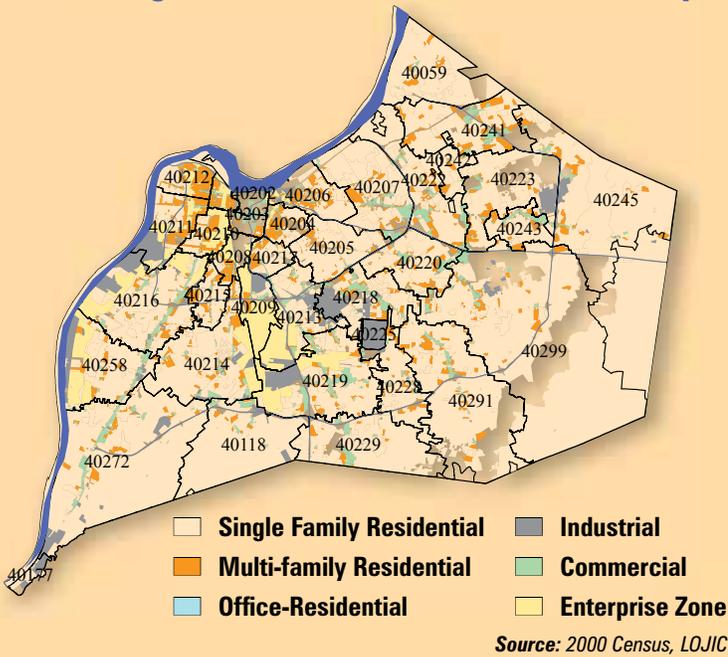


these zip-codes make up less than 5 percent of the total land in the county. These zip-codes are home to more than 50 percent of Louisville's African-American population, and have a median income of \$20,673, well below half that of the median income of Jefferson County as a whole. Together, these numbers suggest that single-family residential zoning was successful in implementing and maintaining racial segregation, essentially serving the same purpose as the racial zoning that was abolished in 1917. Zip-codes that had over 80 percent of the land zoned single family had an average African-American population of less than 3 percent and a median household income of \$59,309 (the median household income for all of Jefferson County is \$42,054). Zip-codes that had more than 20 percent of the land zoned multi-family had an average African-American population of 62 percent. The median household income for these zip-codes is \$22,245.

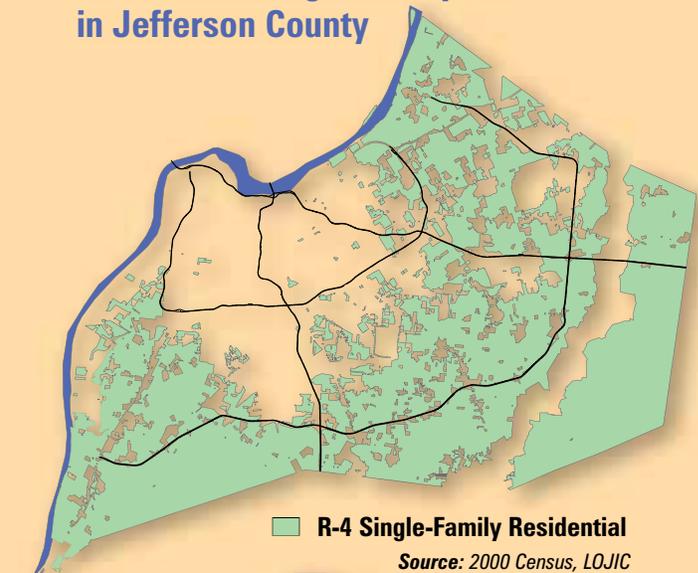
**MHC supports the 5 policy goals for attaining fair and integrated housing in metropolitan areas as Deck (2010) recommends:**

1. Enforce fair housing laws
2. Promote education and outreach to raise awareness of diverse neighborhoods
3. Reward construction of affordable housing in high-demand and exclusive neighborhoods
4. Reverse disinvestment in distressed neighborhoods
5. Provide incentives to organizations that seek to diversify neighborhoods (i.e. organizations that help with down payments and loans, cover risk, increase services and amenities, and support community-building initiatives)

### Zoning Classifications in Jefferson County



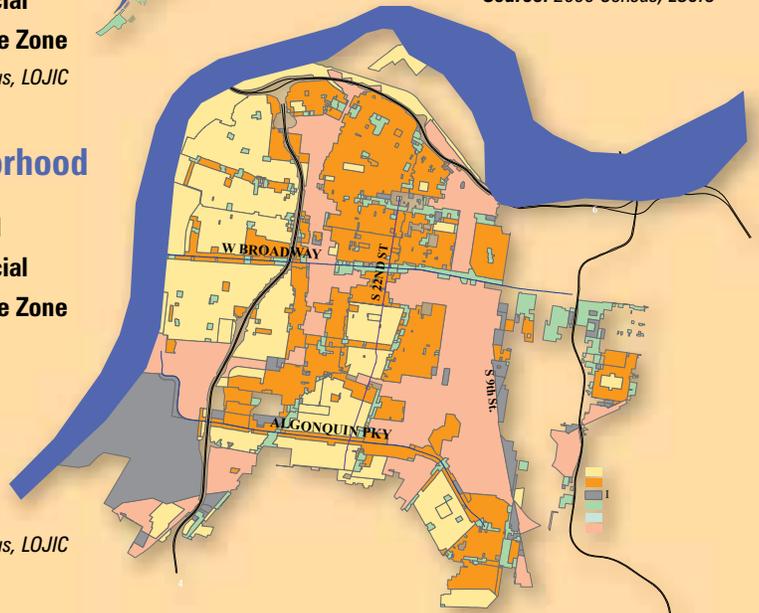
### Land Zoned Single-Family R-4 in Jefferson County



### Zoning in Louisville's West End Neighborhood



Source: 2000 Census, LOJIC





# RENTERS WITH EXCESSIVE COST BURDEN

## Fair Market Rent

In 1974, the U.S. Department of Housing and Urban Development (HUD) developed the Fair Market Rent (FMR) calculation to create a standard for the Section 8 rental assistance program (see definition in Appendix). FMR is calculated independently for each city that receives HUD funding for the Section 8 program, and is based on the local cost of safe, modest, privately-owned rental housing. The FMR calculation also includes utilities, which underscores the importance of utilities cost as a component of housing affordability.

In 2010, the FMR for a two-bedroom rental unit in the Louisville MSA is \$684 per month. This is an increase of \$4 per month from 2009, and an increase of \$183 per month from the year 2000. Adjusting for inflation, the fair market rent for efficiency and one-bedroom rental units in Louisville have increased at a higher rate than two-bedroom or larger units over the past decade. The FMR for a one-bedroom unit is \$577 while an individual on SSI (Supplemental Security Income for the elderly or disabled) has an income of \$674. The cost to rent an efficiency (zero-bedroom) unit has increased 23.9 percent, more than double the rate of any other size unit. One-bedroom rents have increased 11.7 percent during the same period, compared to a 7.8 percent increase for two-bedroom, a 9.3 percent increase for three-bedroom, and a 10.0 percent increase for four-bedroom units. Thus, it is becoming more expensive for individuals and families in Louisville to rent *any size* unit as the cost of the smallest units are increasing at the fastest rate.

To afford a two-bedroom unit within the Louisville MSA in 2009, a family or household would need an annual income of \$27,360 (or \$13.15 per hour). To afford a three-bedroom unit a family or household would need an annual income of \$38,240 (or \$18.38 per hour). The median hourly wage for all wage-earners in the Louisville MSA in 2009 was \$15.18 per hour. For full-time workers who are

paid minimum wage, which is currently set at \$7.25 per hour, the affordable rent (not more than 30 percent of income) is \$377 per month. As the current fair market rent for an efficiency unit is \$499 per month in the Louisville MSA, minimum wage workers must spend about 40 percent of their income to afford a zero-bedroom unit and about 46 percent of their income to afford a \$577 per month one-bedroom unit.

## Cost-Burdened Occupational Groups

The U.S. Bureau of Labor Statistics has developed a job classification system which includes 22 occupational groups for all workers in the U.S. In the Louisville MSA, six of these occupational groups have a median income near or below what is needed to afford a two-bedroom unit at FMR in the Louisville area. These six groups include 218,010 workers, which is 36.7 percent of the entire Louisville MSA workforce (see Figure 2 below). Furthermore, 13 of the 22 occupational groups, or 75.1 percent of the Louisville MSA workforce, have a median income near or below what is needed to afford a three-bedroom unit at FMR (Bureau of Labor Statistics, 2010).

## Unemployment

As of July, 2010, the unemployment rate in Louisville Metro was 9.7 percent, or 62,100 people. In all of Kentucky, the rate is 9.9 percent, or 207,000 people (not seasonally-adjusted; Bureau of Labor Statistics, 2010). Local unemployment rose dramatically in the fourth quarter of 2008 and has remained above 9 percent since then. From 2001 to the latter part of 2008, the unemployment rate remained relatively steady for the Louisville MSA - between 4 and 6 percent.

***MHC recommends that local government focus on affordable housing for low-wage and unemployed families by creating a public renewable source of funding for the Louisville Affordable Housing Trust Fund.***

### 2000–2009 Fair Market Rents by Unit Bedrooms – Louisville MSA

FMR Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2000	\$318	\$408	\$501	\$691	\$729
FY 2009	\$496	\$573	\$680	\$950	\$1,009
FY 2010	\$499	\$577	\$684	\$956	\$1,015
% Change from FY2009-FY2010*	-1.0	-0.9	-1.0	-1.0	-1.0
% Change from FY2000-FY2010*	23.9	11.7	7.8	9.3	10.0

\*Adjusted for inflation using July 2010 CPI  
source: <http://www.huduser.org/datasets/fmr.html>



## 2009 Income Needed to Afford Fair Market Rent Units in the Louisville MSA

Source: U.S. Bureau of Labor Statistics, HUD

### 2010 FMR for 1-Bedroom is \$577

Annual income needed for 1-bedroom unit = \$23,080 or \$11.10 per hour

Income near or below FMR income for 1-Bedroom Unit	Total Number Employed			Median Hourly Wage		
	2009	2008	% Change from 2008 to 2009	2009	2008	% Change from 2008 to 2009
Sales and related occupations	60,890	64,270	-5.3%	\$11.57	\$11.62	-0.4%
Building and grounds cleaning and maintenance occupations	16,830	17,490	-3.8%	\$9.67	\$10.08	-4.1%
Personal care and service occupations	13,760	13,720	0.3%	\$9.33	\$8.99	3.8%
Food preparation and serving related occupations	53,240	52,870	0.7%	\$8.15	\$7.85	3.8%
<b>TOTAL</b>	<b>144,720</b>					
<b>PERCENTAGE OF ENTIRE WORKFORCE</b>	<b>24.4%</b>					

### 2010 FMR for 2-Bedroom is \$684

Annual income needed for 2-bedroom unit = \$27,360 or \$13.15 per hour

Income near or below FMR income for 2-Bedroom Unit	Total Number Employed			Median Hourly Wage		
	2009	2008	% Change from 2008 to 2009	2009	2008	% Change from 2008 to 2009
Transportation and material moving occupations	56,990	60,940	-6.5%	\$13.45	\$13.44	0.1%
Healthcare support occupations	16,300	15,690	3.9%	\$12.35	\$12.34	0.1%
Sales and related occupations	60,890	64,270	-5.3%	\$11.57	\$11.62	-0.4%
Building and grounds cleaning and maintenance occupations	16,830	17,490	-3.8%	\$9.67	\$10.08	-4.1%
Personal care and service occupations	13,760	13,720	0.3%	\$9.33	\$8.99	3.8%
Food preparation and serving related occupations	53,240	52,870	0.7%	\$8.15	\$7.85	3.8%
<b>TOTAL</b>	<b>218,010</b>					
<b>PERCENTAGE OF ENTIRE WORKFORCE</b>	<b>36.7%</b>					

### 2010 FMR for 3-Bedroom is \$956

Annual income needed for 3-bedroom unit = \$38,240 or \$18.38 per hour

Income near or below FMR income for 3-Bedroom Unit	Total Number Employed			Median Hourly Wage		
	2009	2008	% Change from 2008 to 2009	2009	2008	% Change from 2008 to 2009
Installation, maintenance, and repair occupations	25,900	27,800	-6.8%	\$18.49	\$18.31	1.0%
Construction and extraction occupations	24,700	27,330	-9.6%	\$17.47	\$17.56	-0.5%
Community and social services occupations	6,480	6,320	2.5%	\$17.11	\$17.33	-1.3%
Arts, design, entertainment, sports, and media occupations	6,670	7,140	-6.6%	\$16.12	\$15.22	5.9%
Production occupations	51,340	58,360	-12.0%	\$15.72	\$15.19	3.5%
Protective service occupations	11,200	11,940	-6.2%	\$15.08	\$15.31	-1.5%
Office and administrative support occupations	101,690	110,850	-8.3%	\$14.07	\$13.80	2.0%
Transportation and material moving occupations	56,990	60,940	-6.5%	\$13.45	\$13.44	0.1%
Healthcare support occupations	16,300	15,690	3.9%	\$12.35	\$12.34	0.1%
Sales and related occupations	60,890	64,270	-5.3%	\$11.57	\$11.62	-0.4%
Building and grounds cleaning and maintenance occupations	16,830	17,490	-3.8%	\$9.67	\$10.08	-4.1%
Personal care and service occupations	13,760	13,720	0.3%	\$9.33	\$8.99	3.8%
Food preparation and serving related occupations	53,240	52,870	0.7%	\$8.15	\$7.85	3.8%
<b>TOTAL</b>	<b>445,990</b>					
<b>PERCENTAGE OF ENTIRE WORKFORCE</b>	<b>75.1%</b>					



# PRODUCTION AND REHABILITATION OF AFFORDABLE HOUSING

In Louisville Metro, the number of public housing units has increased over the past five years from an all-time low, as a number of units were razed. Over 1,000 replacement units have been built during that period, bringing the total now to 5,488. Other Kentucky counties in the Louisville MSA have only added about 100 units total during the same period, and the number of units in the Indiana counties remains unchanged. Louisville Metro and the other Kentucky counties in the Louisville MSA have seen an increase in its number of Section 8 vouchers and site-based units since 2005, while the southern Indiana counties in the MSA have seen a decline during the same period. Kentucky and Indiana counties, as well as Louisville Metro, have each seen increases in the total number of Low Income Housing Tax Credits (LIHTC) units since 2005, with southern Indiana counties seeing the greatest percentage increase. As of September 1, 2010, there are 19,002 households waiting for either a subsidized housing unit or a housing voucher in Louisville Metro (Barry, 2010). This is a notable increase over the approximately 14,000 households on the wait list in 2009 (Metropolitan Housing Coalition, 2009). Of those on the wait list, 14,934 households are waiting for a Section 8 voucher and 4,068 for a public housing unit. These numbers are particularly striking when comparing them to the total number of units or vouchers that currently exist. The number of households on the waitlist for public housing is nearly the same as the total

number of current public housing units; the same is true for Section 8 vouchers and site-based units. Overall, these totals indicate that the number of publicly-subsidized housing units in the Louisville MSA is increasing, but the number of households on the wait lists for a subsidized unit is also increasing.

***MHC recommends a halt to razing public housing units at this time, using the local monies allocated for this purpose to, instead, improve the current family-unit stock. Once the economy improves, and demand is lower, razing and replacing units will be more sensible.***



### Number of Subsidized Rental Units, Louisville MSA by Program Type – Years 2005 and 2010





# MEASURE 5

## HOMEOWNERSHIP RATE

In 2009, the U.S. Census Bureau reported that the homeownership rate in the Louisville MSA was 67.7 percent, a slight decrease from 67.9 percent in 2008. This is the first decrease in local homeownership since 2006, when it began climbing from a decade low of 62.9 percent. In addition, the homeownership rate for 2009 is 5.7 percentage points lower than in 2002, when the *State of Metropolitan Housing Report* first began tracking the numbers. Homeownership rates in the U.S. as a whole also slightly decreased in 2009, to 67.4 percent from 67.8 percent in 2008. These figures demonstrate that, despite efforts at the federal level to increase homeownership in the U.S. over the past decade, the rates both nationally and here in Louisville have decreased.

### Homeownership and Race

Over the past year, homeownership rates in the U.S. decreased to a greater degree for minorities than for whites. From 2008 to 2009, the homeownership rate decreased by 0.3 percent for whites, compared to 1.4 percent for Hispanics and 2.5 percent for African-Americans. Homeownership rates for the U.S., as a whole, decreased by 0.6 percent (U.S. Census Bureau, 2010). Minorities are also at much higher risk of receiving high-cost home loans than whites. A study by the National Community Reinvestment Coalition (2008) determined that middle- and upper-income (MUI) African-Americans were at least twice as likely as MUI whites to receive high-cost loans in 71.4 percent of metro areas in 2007, even after controlling for creditworthiness and other housing market factors. These high-cost loans can expose homeowners to a greater risk of default and foreclosure, as well as a loss of home equity because of higher payments made to lenders, thus creating

a barrier to building wealth through homeownership. The Center for Responsible Lending (2010) found that minority homeowners have been disproportionately affected by the foreclosure crisis (see table below). African Americans are 76 percent more likely to lose their home to foreclosure than whites, and Hispanics are 71 percent more likely to lose their home.

**MHC recommends that the practices of lending institutions to target minority areas for high-cost loans be investigated and that the lending community voluntarily set up a task force to review these practices and see voluntary changes.**

### Louisville MSA Homeownership Rate 2002-2009



Source: U.S. Census

### Estimated 2007–2009 Foreclosures of Recent First-Lien Owner-Occupied Mortgage Originations (2005–2008), by Borrower Race and Ethnicity

Borrower Group	Share of Originations	Completed Foreclosure Rate	Share of Completed Foreclosures	Disparity Ratio
Non-Hispanic White	65.9%	4.5%	56.1%	1.00
African American	7.8%	7.9%	11.6%	1.76
Latino	11.2%	7.7%	16.2%	1.71
Asian	3.9%	4.6%	3.3%	1.02
American Indian	0.4%	6.3%	0.5%	1.31
Hawaiian/Pacific Islander	0.4%	6.3%	0.5%	1.40
Other	10.5%	6.0%	11.8%	1.33
Total	100.0%	5.3%	100.0%	1.18

Source: Center for Responsible Lending, 2010



# ACCESS TO HOMEOWNERSHIP

## Affordability Index

The First-Time Home Buyer Affordability Index measures how accessible and affordable homeownership is for first-time home buyers. The index assumes that a family purchasing a starter home will make 30 percent less than the area median income and that a starter home will cost 15 percent less than other homes in the area. It also assumes that buyers will make a 10 percent down-payment, which requires them to purchase mortgage insurance, consequently increasing the cost of financing. An index score of 100 indicates that a family with an annual income of 70 percent of the area median income should be able to afford a starter home (15 percent less than other homes in the area) in Louisville. Thus, as the index score increases, the affordability of homeownership also increases.

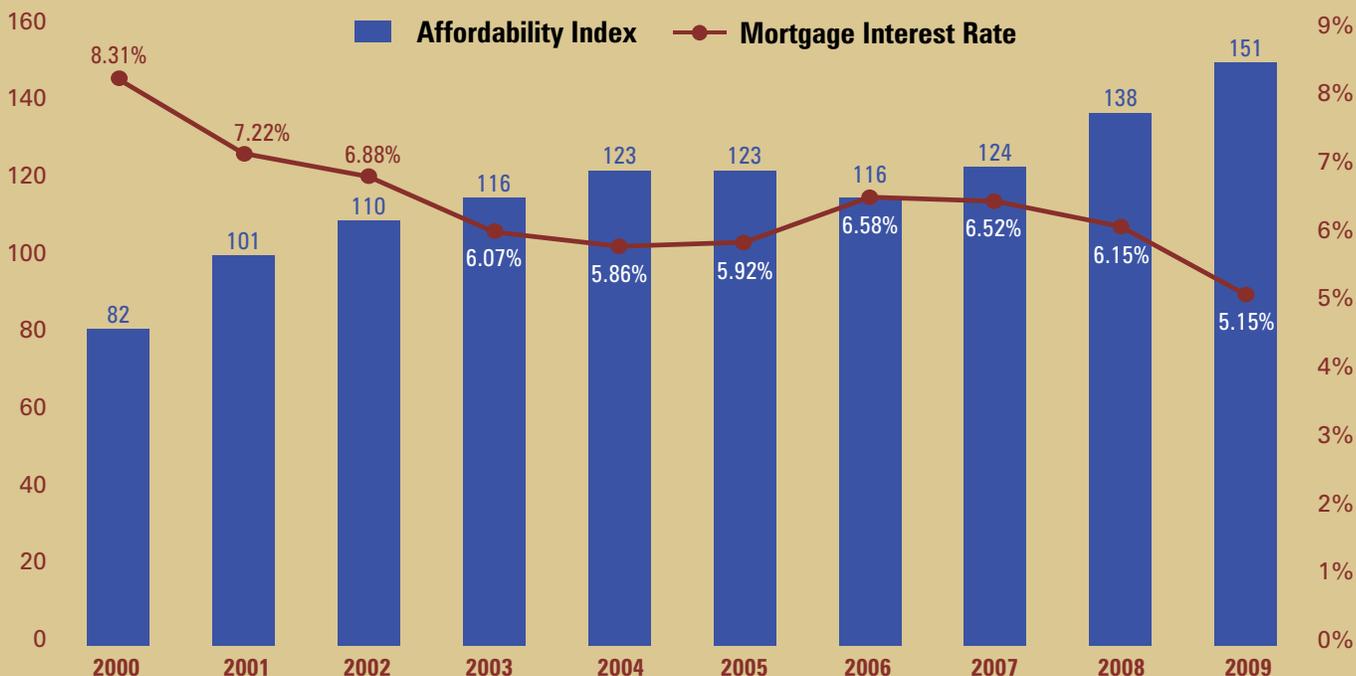
The Affordability Index score for 2009 increased to 151, the highest score since MHC began tracking affordability in 2000. This occurred due to several market factors. First, the median home sales price in Louisville decreased from the previous year, which lowers both the down payment requirement and the loan amount for the home buyer. Although the area median income dropped for Louisville in 2009, the qualifying income needed to afford a starter home decreased due to the lower home prices, resulting in a higher index score than in 2008. In addition, mortgage interest rates on conventional loans are at historic lows, with an average of 5.15 percent in 2009.

## Homeownership Accessibility

Although homeownership has become more affordable in the Louisville area, households still face barriers to accessing and maintaining homeownership. Increases in utilities, healthcare, food, and other basic costs of living have made it increasingly difficult for families to afford their mortgage payments (see the *2008 and 2009 State of Metropolitan Housing Reports*). This is reflected in yet another year of rising foreclosure numbers in Louisville's MSA for 2009 (see Measure 7 on Foreclosures in this report). In addition, unemployment in Louisville Metro has increased to 9.7 percent as of July, 2010, and to 9.9 percent in Kentucky, as a whole. Families without employment may no longer be able to afford their mortgages, and certainly cannot qualify for a home loan. Homeownership accessibility is also reduced because lenders have adopted stricter standards for home mortgage loans on both down-payment and credit score requirements. Many people face lower credit scores as a result of foreclosures or other debt incurred as a result of higher costs of living (including higher student loans for young, first-time buyers).

***MHC recommends the formation of a voluntary task force of mortgage lending institutions to review lending criteria in light of state regulations that limit predatory lending in mortgages. MHC also recommends that the insurance industry review the success of counseling programs to allow for improved home insurance rates for those in successful programs.***

**First-Time Home Buyers Affordability Index**





# FORECLOSURES

In 2009, the United States saw a total of 3,957,643 foreclosure filings on 2,824,674 properties, an increase of 25 percent in the number of filings and an increase of 21 percent in the number of properties in foreclosure from 2008. In addition, 2.2 percent of all housing units in the U.S. (one in 45) received at least one foreclosure filing in 2009, up from 1.8 percent in 2008, 1.03 percent in 2007, and 0.58 percent in 2006 (RealtyTrac, 2010).

In 2009, the Louisville MSA saw a total of 7,142 foreclosures, an increase of 18.4 percent from 2008. In the Kentucky counties located within the Louisville MSA, there was a total of 5,943 foreclosures ordered, an increase of 29 percent since 2008 and 289 percent since 2002. Foreclosures continue to increase in all of the Kentucky counties within the Louisville MSA with the exception of Henry and Trimble counties, which saw a combined 18 percent decrease from 2008 and a modest 2 percent decrease from 2002. Shelby and Spencer counties saw the greatest increases in the past year at 59 percent and 47 percent, respectively. Oldham and Jefferson counties also experienced relatively high increases at 35 percent and 34 percent, respectively. For these Kentucky counties within the Louisville MSA, these numbers indicate that the rates of foreclosures have not yet subsided and that further efforts are needed to address a foreclosure problem that is still growing. The Indiana counties located within the Louisville MSA saw a total of 1,199 foreclosure filings, a decrease of 17 percent from 2008, but still an increase of 43 percent over 2002. Each of the four Indiana counties in the Louisville MSA saw a decrease in the number of foreclosure filings for 2009, although each county's total represents an increase over 2002. This indicates that the rate of foreclosures is leveling off, but totals are still higher than earlier in the decade.

## Who are the foreclosed?

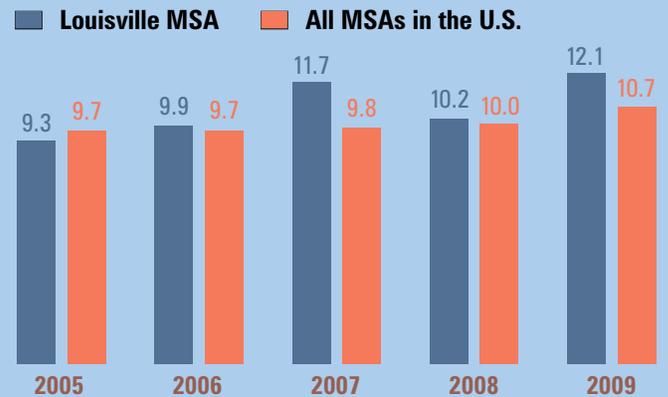
An estimated 22 percent of home loans that originated between 2005 and 2008 in the U.S. were subprime loans (Center for Responsible Lending, 2010). However, these subprime loans account for an estimated 63.6 percent of all the completed foreclosures on loans that originated during this period. Minorities received a disproportionate number of high-cost or subprime loans during this same time period, putting them at greater risk of foreclosure than white homeowners (see Measure 5 on Homeownership in this report). In addition, an estimated 82 percent of the foreclosures occurring between 2005 and 2008 have been on primary residences, not investment properties. Thus, most homes in foreclosure are an individual or family's only home, not investors' properties. While increasing numbers of foreclosures are of great economic concern to anyone who loses a property, this continuing trend is particularly alarming when considering the devastating effects it has had on families' financial stability, credit, and ability to find housing they can afford in the future.

## Vacant Housing

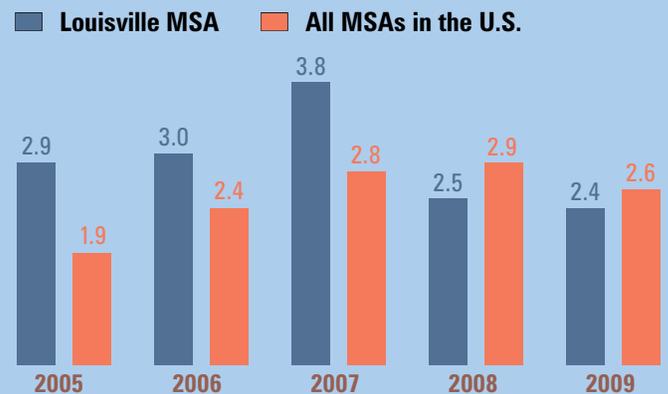
In 2009, the Louisville MSA had a homeowner vacancy rate of 2.4 percent. When compared to the vacancy rate for all MSAs in the U.S. as a whole, the rate for the Louisville area has shifted from 1 percentage point higher than all MSAs in 2005 to 0.2 percentage points lower in 2009 (see Figure below). However, the trend for rental vacancy rates is the reverse, with the Louisville MSA having a lower vacancy rate in 2005 than all MSAs, and a higher rate in 2009. Louisville's rental vacancy rate has jumped nearly three percentage points in the past four years, at 12.1 percent in 2009 compared to 9.3 percent in 2005.

**MHC supports the reuse of vacant properties as affordable housing for families that are homeless, with incentives and support from CDBG, HOME and other funds to make the properties livable.**

## Rental Unit Vacancy Rates 2005–2009



## Homeowner Vacancy Rates 2005–2009



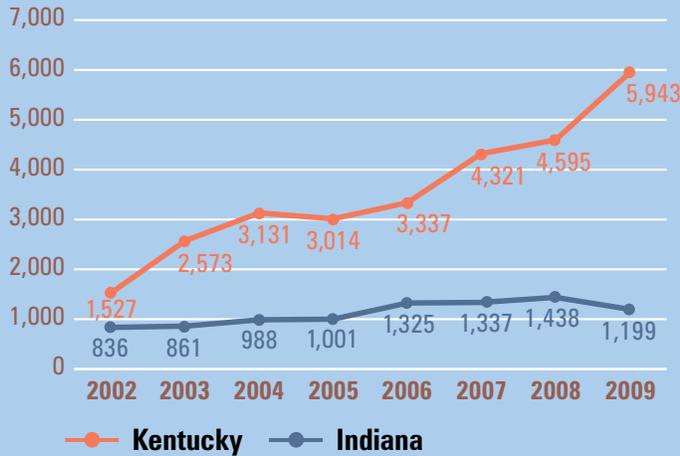
Source: U.S. Census Bureau

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## Number of Foreclosures 2002-2008 Louisville MSA Counties



## Estimated 2007–2009 Performance of Recent First-Lien Mortgage Originations (2005–2008)

	Share of Originations	Completed Foreclosure Rate	Share of Completed Foreclosures
Subprime	22.0%	16.5%	63.6%
Jumbo	7.5%	4.4%	5.9%
Government Insured	7.6%	3.8%	5.1%
Conventional	62.9%	2.3%	25.5%
Total	100.0%	5.7%	100.0%

Source: Center for Responsible Lending, 2010

## Numbers of Foreclosures Started (Ordered) in Kentucky Counties in the Louisville MSA

County	2002	2003	2004	2005	2006	2007	2008	2009	% Change from 2008 to 2009	% Change from 2002 to 2009
Bullitt	104	171	N/A	250*	300	450	450	490	9%	371%
Jefferson	1,262	2,161	2,610	2,508	2,710	3,089	3,264	4,382	34%	247%
Oldham	71	89	105	112	127	140	223	300	35%	323%
Henry/Trimble	N/A	N/A	116	81	108	120	158	114	-28%	N/A
Nelson	N/A	N/A	125	125	156	178	162	194	20%	N/A
Shelby	N/A	80	83	86	101	134	140	223	59%	N/A
Spencer	N/A	N/A	N/A	30**	46	76	78	115	47%	N/A
Meade	90	72	92	102	89	134	120	125	4%	39%
Total	1,527	2,573	3,131	3,014	3,337	4,321	4,595	5,943	29%	289%

## Numbers of Foreclosures Started (Filed) in Indiana Counties in the Louisville MSA

County	2002	2003	2004	2005	2006	2007	2008	2009	% Change from 2008 to 2009	% Change from 2002 to 2009
Clark	369	385	429	455	621	655	642	509	-21%	38%
Floyd	253	212	323	304	379	341	424	395	-7%	56%
Harrison	112	141	117	152	159	155	198	138	-30%	23%
Washington	102	123	119	90	166	186	174	157	-10%	54%
Total	836	861	988	1,001	1,325	1,337	1,438	1,199	-17%	43%

\*\*Reflects 2nd half of year only

Note: The terms filed and ordered represent different stages of the foreclosure process. Filed refers to the filing of a property with the local County Recorder's office to indicate that a loan is delinquent, while ordered refers to the order to sell a property that is delinquent on a loan.



# HOMELESSNESS

There is no single definition of the term “homelessness.” The U.S. Department of Housing and Urban Development (HUD) currently uses a conservative definition, which includes individuals who do not have a stable nighttime residence, as well as individuals in shelters or institutions. The U.S. Department of Education and most other organizations use the more comprehensive McKinney-Vento Act definition, which also includes children living with others due to a loss of housing (both definitions are provided below). This latter definition recognizes the importance of a stable and permanent home for children’s educational development by seeking to identify children and families who are not living in shelters, institutions, or on the street, but who cannot afford stable housing on their own. By not including these children and families in their definition of homelessness, HUD has lowered their estimate of homeless persons in need, thereby lowering the amount of funding provided to communities to address the issue of homelessness. HUD is currently rewriting its homeless definition to more closely align with the McKinney-Vento Act definition, but as of yet, it has not been adopted.

From January 1 through December 31, 2009, a total of 10,927 unduplicated persons accessed homeless services in the Louisville MSA (Coalition for the Homeless, 2010; Haven House, 2010). This number is relatively unchanged from the previous year when 10,912 persons accessed services locally. Of those individuals who accessed services in Louisville Metro, 79.1 percent were single adults, 16.3 percent were adults and children in families, and 4.7 percent were unaccompanied children.

The total number of people reported above includes individuals in emergency shelters, transitional housing facilities, domestic violence shelters, and service facilities with no overnight shelter. The total does not include those individuals who reside in treatment centers, permanent supportive housing units, or institutions, although individuals in these settings are at high-risk for returning to homelessness. Also not included are those individuals that are “doubled-up,” where multiple individuals or families live in the same home, or those who are in other unstable housing situations. The numbers reported here should be considered a conservative estimate of the number of homeless persons in the Louisville area, as they only include those individuals or families that chose, or were able to, access shelters and other supportive services in the area.

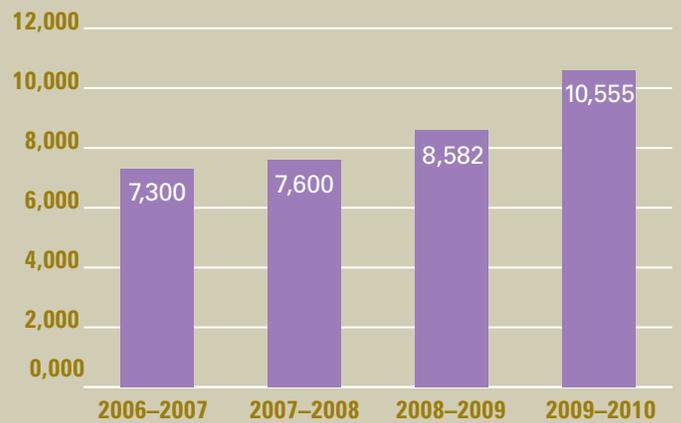
## Homeless Students in Public Schools

During the 2009-2010 school year, there were 10,555 homeless students enrolled in the Jefferson County Public School (JCPS) System (Jefferson County Public School, 2010). This figure is an increase of nearly 2,000 students from the previous school year, an increase of 23.0 percent. Since the 2006-2007 school year, JCPS has seen an increase in homeless students of 44.6 percent. These

recent increases, paired with rising unemployment (see Measure 3 in this report), suggest that local economic and housing conditions are leading to a greater number of homeless children and families within the community. Indiana public schools have also seen an increase in homeless students in recent years. The number of homeless children enrolled in Indiana schools rose 26 percent from the 2006-2007 school year to the 2008-2009 school year (Kusmer, 2010). Forty-three percent of homeless students in Indiana during this period were in kindergarten through third grade, and were suspended at a rate nearly twice that of the state average. The numbers in Louisville and Indiana reflect a national trend, with the number of homeless students in public schools in the United States rising 41 percent from the 2006-2007 school year to the 2008-2009 school year.

***MHC advocates for a comprehensive approach for housing families with children who are without stable, affordable housing; this includes a focus on funding for housing, establishing a dedicated renewable public source of funding for the Louisville Affordable Housing Trust Fund, changes to the land development code, and reuse of vacant properties.***

## Homeless Students Attending JCPS (pre-K – 12)





## Definitions of Homelessness

### Federal Definition of “Homeless”

**(U.S. Department of Housing and Urban Development, 2009)**

The term “homeless” or “homeless individual or homeless person” includes

1. an individual who lacks a fixed, regular, and adequate nighttime residence
2. an individual who has a primary nighttime residence that is at least one of the following:
  - A. a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill)
  - B. an institution that provides a temporary residence for individuals intended to be institutionalized
  - C. a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings

### McKinney-Vento Definition of “Homeless”

**(U.S. Department of Education, 2009)**

The term “homeless children and youths”:

- (A) means individuals who lack a fixed, regular, and adequate nighttime residence (within the meaning of section 103(a)(1))
- (B) includes:
  - (i) children and youths who are sharing the housing of other persons due to loss of housing, economic hardship, or a similar reason; are living in motels, hotels, trailer parks, or camping grounds due to the lack of alternative adequate accommodations; are living in emergency or transitional shelters; are abandoned in hospitals; or are awaiting foster care placement;
  - (ii) children and youths who have a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings (within the meaning of section 103(a)(2)(C));
  - (iii) children and youths who are living in cars, parks, public spaces, abandoned buildings, substandard housing, bus or train stations, or similar settings; and
  - (iv) migratory children (as such term is defined in section 1309 of the Elementary and Secondary Education Act of 1965) who qualify as homeless for the purposes of this subtitle because the children are living in circumstances described in clauses (i) through (iii).



## CDBG AND HOME FUNDING

### Community Development Block Grants (CDBG)

The Community Development Block Grant (CDBG) program has been administered by the U.S. Department of Housing and Urban Development (HUD) since 1974. It provides federal funding to state and local governments to target community development initiatives, including rehabilitation of affordable housing, improvement of public facilities, job growth, and economic development. Funding amounts for each community are calculated based on an area's poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas. As "entitlement" communities, Louisville Metro and New Albany, Indiana, receive CDBG funding annually. States also receive CDBG funds, which they distribute to non-entitlement communities.

For 2009, Louisville Metro received \$11,894,234 in federal CDBG program funds, with an additional \$1,770,963 in program income and \$4,326,580 in funds carried over from previous funding years. Of these available funds, Louisville spent a total of \$14,657,811 on CDBG programs during 2009. About a third of these funds (29 percent) were spent on housing programs such as residential repairs, emergency repairs, and weatherization. In addition, 14 percent was spent on the vacant lot program, 10 percent on code enforcement, 5 percent on property demolition, and less than 1 percent on resident relocation. Other program expenditures included public services (14 percent), public improvements (8 percent), and administration and planning (18 percent). Only about 2 percent was spent on economic development activities.

### HOME Funds

Louisville Metro receives federal funding annually from HUD's HOME Investment Partnerships Program, which exclusively funds the purchase, construction, or rehabilitation of affordable housing for either rental or homeownership by low-income individuals and families. For program year 2009, Louisville received \$4,028,623 in HOME funds, with an additional \$593,129 in program income. Paired with additional resources available from previous funding years, Louisville spent \$9,732,765 on HOME program activities in 2009. Louisville Metro is estimated to receive \$4,720,369 for program year 2010, an increase of about 17 percent over 2009. Although New Albany, Indiana, receives federal CDBG funding, it does not receive HOME program funding.

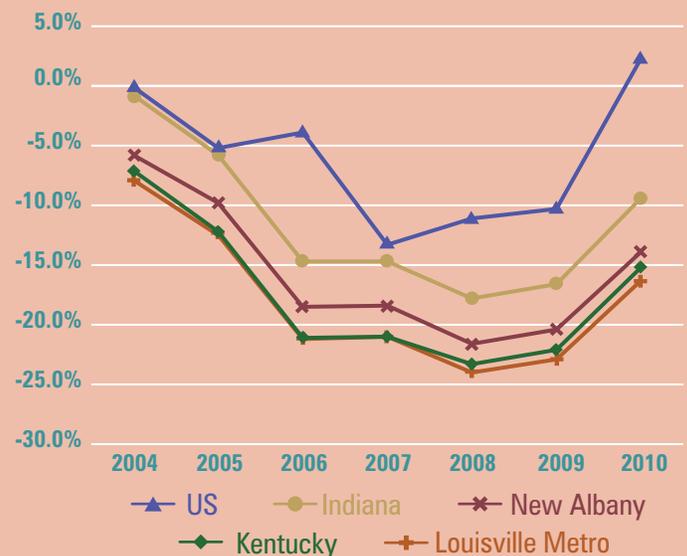
### Neighborhood Stabilization Program (NSP)

As part of the federal Neighborhood Stabilization Program (NSP), Louisville Metro received program funds totaling \$6,973,721. The Commonwealth of Kentucky also received \$37,408,788 in NSP funding. In Louisville Metro, funding from the initial NSP allocation (NSP1) targets five neighborhoods: Newburg, Park DuValle, Portland, Shawnee, and Shelby Park. NSP1 funds have been used for property

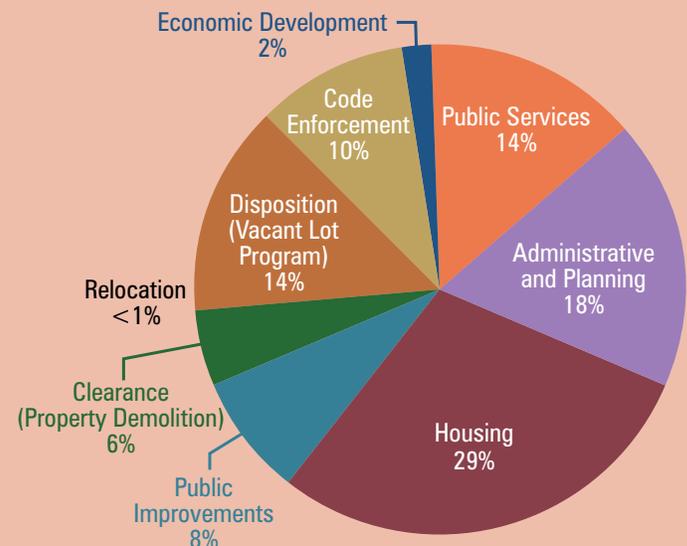
acquisition, rehabilitation, construction, and demolition. In addition, the program provides homeownership assistance in the form of downpayment assistance to low- and moderate-income families in the target areas.

**MHC recommends that CDBG and HOME funds be used to help homeless families obtain stable affordable housing through reuse of vacant properties, rehabilitating rather than razing public housing for families, and funding programs with the Jefferson County Public School system to identify homeless families and provide housing assistance.**

### Changes in CDBG Appropriations Since 2004



### CDBG Expenditures, 2009 – Louisville Metro



Source: Louisville Metro Department of Housing and Family Services, 2010



## DATA SOURCES

### **Measure 1: Concentration of Subsidized Housing** pg. 24

Statistics on subsidized housing by council district were obtained by geocoding administrative data by street address and then capturing the data for the districts. Subsidized housing data were provided by the Louisville Metro Housing Authority, the U.S. Department of Housing and Urban Development, the Kentucky Housing Corporation and the Indiana Housing and Community Development Authority.

The population data (used as the basis for assessing the geographic distribution of subsidized units) are drawn from the 2000 census Summary File 1. Within Jefferson County, census block group data were aggregated to obtain statistics for the districts. Where a district boundary split a block group, the data were partitioned by overlaying a land use map on a map of the LOJIC master address file. Residential addresses were then captured for each “split” and census data were allocated to the “splits” based on their share of residential addresses in the entire block group.

### **Measure 2: Housing Segregation** pg. 25

All base data were obtained from the 2000 Census and the Louisville/Jefferson County Information Consortium (LOJIC). The method of analysis was to calculate the percentage of each zoning classification in every zip code in Jefferson County and compare the zoning within that zip code with social demographics to investigate any suggestion of a causal relationship. The Louisville/Jefferson County Information Consortium’s (LOJIC) GIS zoning data was used to determine the zoning classifications in the county zip codes. LOJIC provides polygon shapefiles of all the zoning categories in the county. These polygons were clipped inside their respective zip codes, and then the spatial geometry of each zoning classification was calculated in order to evaluate the percentage of each type of zoning to make the appropriate spatial analysis. Social demographics were calculated using 2000 Census data for demographics within zip codes and running a regression analysis with the zoning of each zip code.

### **Measure 3: Renters with Excessive Cost Burdens** pg. 27

Annual income data were obtained from the Bureau of Labor Statistics Occupational Employment Survey and dollars were adjusted for inflation using the Bureau’s inflation calculator. Median gross rent data was gathered from the 2000 U.S. Census and 2009 American Community Surveys.

### **Measure 4: Production and Rehabilitation of Affordable Housing** pg. 29

Subsidy data were obtained from the Louisville Metro Housing Authority, Kentucky Housing Corporation, Bardstown Housing New Albany Housing Authority, Indiana Housing and Community Development Authority, Indiana Housing Finance Authority, Jeffersonville Housing Authority, Charlestown Housing Authority, Sellersburg Housing Authority, Community Action of Southern Indiana

(CASI), Hoosier Uplands, and the Indiana and Kentucky offices of the U.S. Department of Housing and Urban Development (HUD). Section 8 and public housing numbers refer to units allocated by HUD; LIHTC numbers refer to units in service.

### **Measure 5: Homeownership Rate** pg. 30

Owner and renter occupant status data are obtained from the 2000 Census Summary File 3 and the U.S. Census Bureau’s Annual Statistics on Housing Vacancies and Homeownership. The definition of the Louisville Metropolitan Statistical Area (MSA) changed between 2000 and 2007; however, we report 2000 data for the same counties as those included in the 2003 definition of the Louisville MSA.

### **Measure 6: Access to Homeownership** pg. 31

House price data for the Louisville region are obtained from the National Association of Realtors and the Greater Louisville Association of Realtors. Median family income data are from the 2009 American Community Survey. For 2001-2009, the first-time home buyers affordability index for the Louisville MSA was calculated based on the following assumptions: median purchase prices for first-time home buyers are about 15% lower than the median for all houses sold; first-time home buyers make a 10% down payment; consequently they must pay for mortgage insurance, which increases the cost of financing; and first-time home-buyer incomes are about 30% lower than median household incomes.

### **Measure 7: Foreclosures** pg. 32

Court records regarding foreclosure data are maintained differently in the two jurisdictions of the Louisville MSA. Therefore, for all Kentucky counties in the Louisville MSA, we have defined the rate to be the number of actual foreclosures (or orders of sale) as a percentage of the number of owner-occupied homes with mortgages. The foreclosure rates for Indiana counties in the MSA reflect the number of foreclosures filed as a percentage of the number of owner-occupied homes with mortgages for all Indiana counties in the MSA. The number of foreclosures was obtained from the relevant court clerks in each county. Housing vacancy data was retrieved from the U.S. Department of Housing and Urban Development.

### **Measure 8: Homelessness** pg. 34

Shelter usage data were provided by the Coalition for the Homeless for the Kentucky counties and Haven House for the Indiana Counties. The demographic data for individuals using homeless shelters were provided by the Coalition for the Homeless, based on a survey (The 2010 Louisville Point-in-time Survey) conducted by the Coalition for the Homeless of persons living in Louisville area shelters.

### **Measure 9: CDBG and HOME Funds** pg. 36

Data were obtained from Louisville Metro Housing Authority and the New Albany Economic and Redevelopment Department.



## DEFINITIONS

**Affordable Housing** – As defined by HUD, housing is affordable when a low-income family pays no more than 30 percent of its income for housing and utilities combined.

**CDBG** – The Community Development Block Grant program (CDBG) is a federal program aimed at creating prosperous communities by providing funds to improve housing, the living environment, and economic opportunities, principally for persons with low- to moderate-incomes. The CDBG program was established in 1974. At least 70 percent of the CDBG funds received by a jurisdiction must be spent to benefit people with low and moderate incomes. The remaining 30 percent can be used to aid in the prevention or elimination of slums and blight—often used by local government officials to justify downtown beautification—or to meet an urgent need such as earthquake, flood, or hurricane relief. Both Louisville Metro and the City of New Albany are entitlement cities eligible for CDBG funds.

**Emergency Shelter** – Emergency shelter is basic, overnight accommodation provided for persons and families. The shelter is generally for one night only, and provides a cot for sleeping and perhaps a meal. Shelters typically provide service referrals to clients.

**Fair Market Rent (FMR)** – FMR sets limits on Section 8 rents for qualifying families and households that either receive assistance through vouchers or through site-based units to rents below 40 percent of all rents in a housing market. Voucher program households receive a subsidy equal to the difference between the FMR and 30 percent of their monthly incomes. For site-based units gross rents cannot exceed the FMR and the qualifying families or households receive a subsidy equal to the difference between the gross rent and 30 percent of their incomes. Utility allowances are included with a rent subsidy when factoring a program participant’s 30 percent of income (U.S. Department of Housing and Urban Development, 2009).

**Family Household (Family)** – For statistical purposes, a family consists of a householder and one or more people living in the same household who is related by birth, marriage, or adoption. Each person living in the same house that is related is considered to be part of the same family. If there is a person (or persons) living in a family household that is not related to the householder, that person (or persons) is not included in the family household census tabulations.

**Gross Rent** – Gross rent, as defined by the U.S. Census Bureau, is “... the sum of contract rent, utilities (electricity, gas, and water), and fuels, (oil, coal, kerosene, wood, etc.) [and] as a percentage of household income, is a computed ratio of monthly gross rent to monthly household income.” Excluded in these totals are units for which no cash rent is paid and units occupied by households that report no income or net loss.

**HOME Program** – The largest federal block grant to state and local governments, the HOME Program is designed exclusively to create affordable housing for low-income households. Fifteen percent of HOME funds must be used for projects sponsored, owned, or developed by Community Housing Development Organizations (CHDOs). Participating jurisdictions may allocate more funds for CHDOs, but 15 percent is the minimum amount.

Participating jurisdictions may use HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; acquire or improve housing sites; demolish dilapidated housing to make way for HOME-assisted development; and pay relocation expenses. HOME funds can also support tenant-based rental assistance for up to two years.

**Householder** – As defined by the U.S. Census Bureau, a householder is “the person, or one of the people, in whose name the home is owned, being bought, or rented.” If that person is not present, than any household member, age 15 and over, is considered the householder for census purposes.

**HUD** – The United States Department of Housing and Urban Development is the cabinet-level department of federal government whose mission is to ensure “a decent, safe, and sanitary home and suitable living environment for every American.” HUD allocates federal funds for housing to states and local governments and public housing authorities.

**Low Income** - HUD defines low income as those families whose annual incomes do not exceed 80 percent of metropolitan area median family income. This figure is adjusted for the size of the family.

**Low Income Housing Tax Credit** - Created by the Tax Reform Act of 1986, the Low Income Housing Tax Credit (LIHTC) has assisted in the production of more than one million affordable homes for low-income renters, by providing investors in eligible affordable housing developments with a dollar-for-dollar reduction in their federal tax liability. Developers, including nonprofit community-based organizations, typically do not have sufficient tax liability to use the tax credits, so they sell the credits to corporations. Corporations purchase 98 percent of all housing credits, as tax code rules effectively prevent individuals from investing. Developers then use the cash they receive from the corporations to finance the affordable housing. The Credit accounts for most new affordable apartment production and drives up to 40 percent of all multi-family apartment development. There is some overlap between LIHTC and Section 8. For this reason, LIHTC units are presented separately from units subsidized by the other programs.

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**Median Income** – Median income is the midpoint of the income distribution; 50 percent of families are above the median and 50 percent are below the median.

**Moderate Income** – HUD defines those of moderate income as having income greater than 80 percent up to 120 percent of area median income.

**Poverty Threshold** – The U.S. Department of Health and Human Services defines the poverty threshold and, except for adjustments for household composition, it is the same across the 48 contiguous states. The original poverty thresholds were developed in the early 1960s and they have been revised annually by the Consumer Price Index since then. Poverty thresholds are significantly lower than the low-income thresholds defined by HUD.

**Public Housing** – The public housing program is the nation’s oldest effort to provide decent and affordable housing for families, elderly persons, and people with disabilities who have very low incomes. Public housing was created in the 1937 Housing Act, and is owned

and operated by public housing agencies (PHAs) that are chartered by the states in which they operate and governed by locally appointed or elected Boards of Commissioners.

**Section 8** – Also called Housing Choice Vouchers, Section 8 is federal tenant-based rental assistance. It works two ways. One is by providing certificates and vouchers, each with different rental payment formulas. Housing vouchers are one of the major federal programs intended to bridge the gap between the cost of housing and the incomes of low-wage earners and people on limited fixed-incomes. The Housing Choice Voucher program provides flexibility and options by issuing vouchers to eligible households to help them pay the rent on privately-owned units. Project-based Section 8 provides a housing subsidy directly to the leasing agent of buildings that are designated as Section 8 properties.

**Subsidized Housing** – The term subsidized housing refers to houses and multi-family dwellings (generally apartments) that receive some federal funding either in their construction, or in the form of assistance to families renting the units.

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