An Assessment of Affordable Housing Needs in Louisville

FOR THE

LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC

2012

An assessment of the need for affordable housing in Louisville, Kentucky, description of the intent and purpose of the Louisville Affordable Housing Trust Fund, and establishment of the priorities of the LAHTF based on identified community needs.

EQUAL HOUSING LENDER

Letter from the Board President

The Louisville Metro Affordable Housing Trust Fund was formed with great deliberation, after careful study by several Mayoral Task Forces, Metro Council, more than 90 endorsing organizations, and concerned citizens. As established by ordinance, the LAHTF's purpose is to receive and disburse monies through grants and loans to organizations dedicated to addressing the affordable housing needs of low- and moderate-income people by promoting, preserving, and producing long-term affordable housing. It invests ongoing dedicated public revenue in affordable housing, leveraging funds to achieve maximum benefit.

The LAHTF has close ties to Metro Government and follows the best practices of other state and local housing trust funds around the country – it was established by Louisville Metro County Ordinance 40.41-45; a decision-making board representative of the community is appointed by the Mayor and confirmed by Metro Council; it targets funding to those with the most need; and a periodic Needs Assessment is published in accordance with the ordinance.

The Board of Directors began meeting in March 2010 to establish the structure and governance of the LAHTF, filing Articles of Incorporation, requesting IRS 501(c)(3) tax exempt status, establishing a Code of Ethics, creating a Strategic Plan, seeking private funds to secure public matching funds committed in the 2011-2012 Metro budget, and assessing the affordable housing need in Louisville and establishing priorities for selecting projects, resulting in this Needs Assessment.

Some of the findings from this Needs Assessment are startling: about half of all Louisville renters live in housing they cannot afford; 1 in 10 Jefferson County Public School children were homeless in the last school year; and 91,999 Louisville families struggle with unaffordable housing – the equivalent of filling up the KFC YUM! Center to capacity more than four times.

The LAHTF still lacks the key component that defines all housing trust funds – a source of dedicated ongoing public revenue. The Board of Directors of the Louisville Affordable Housing Trust Fund is committed to working in partnership with Metro Council and Mayor Fischer to ensure an appropriate source of dedicated public revenue is established, so the full benefit of the LAHTF can be realized in the community.

Once this revenue source is established, the LAHTF is uniquely suited to address the affordable housing crisis because it is a public investment in a community problem. Like all housing trust funds, it is designed to be both stable and flexible – a critical combination that allows localities to provide thoughtful, far-sighted solutions to evolving community concerns about affordable housing.

Kevin Dunlap
President, Board of Directors

Executive Summary

The purpose of this report is to assess the need for affordable housing in Louisville and establish the priorities for the Louisville Affordable Housing Trust Fund and its projects.

91,999 Louisville families live in unaffordable housing -- the equivalent of filling the KFC YUM! Center to capacity more than four times. Without affordable housing, families are unstable. They cannot thrive or plan for the future. They may not be able to meet basic needs. They are at risk of foreclosure, eviction, and homelessness. Studies have documented the link between housing instability, physical and mental health, and educational attainment.

Although the cost of housing is lower than many other metropolitan areas, Louisville has a persistent shortage of housing that is decent and affordable to low- and moderate-income people. There is a deficit of at least 57,974 affordable housing units in Louisville, according to the Louisville Metro Government's *Five Year Strategic Plan*.

Working families in Louisville increasingly cannot afford basic housing in Louisville. Some Louisville families have incomes so low the market cannot produce any housing they can truly afford. The rising cost of utilities and transportation, affordable housing segregation away from areas of opportunity, and a lack of jobs with sufficient wages contribute to the problem.

Many homeowners have lost their homes to foreclosure or are at risk of it, leaving neighborhoods with vacant, uncared-for properties. Most foreclosures have been of moderately-priced homes intended to be "affordable" but were not truly affordable to Louisville families. And increasingly stringent lending requirements will place homeownership out of reach for even more Louisville families in the future.

The Louisville Affordable Housing Trust Fund, established by Louisville Metro County Ordinance 40.41-40.45, was created to help solve this community problem by providing a reliable stream of funding for the creation and preservation of decent housing affordable to people at or below 80% of Area Median Income (AMI), with a set-aside for those at or below 50% AMI. By leveraging existing funds and working with nonprofit and for-profit housing developers and service providers, the LAHTF can help the city achieve the vision of safe, decent, sustainable, affordable housing for Louisville.

Projects will be prioritized based on ability to leverage funds and meet specific needs identified in this assessment, including: making existing homes affordable and sustainable; developing affordable rental housing for ELI and VLI families; creating additional high-quality workforce housing near places of employment; increasing home ownership opportunities for LI and VLI families; preventing people from losing existing, otherwise-affordable homes; and promoting housing choice.

The gap between what someone can afford to pay for housing and what is available is widening. Federal funding for affordable housing has decreased with the responsibility increasingly placed on local governments. Yet only 1.8% of Louisville's budget is invested in housing and family services.

The LAHTF was capitalized with an initial investment of $1 million. However, the city has not yet established a source of revenue for the Trust. The city must fulfill its commitment to establish $10 million annually in dedicated ongoing public revenue for the LAHTF if housing is to be made affordable for Louisville families.

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Is There an Affordable Housing Problem in Louisville?

Nearly a decade ago, the Brookings Institution's report *Beyond Merger: A Competitive Vision for the Regional City of Louisville* warned of "disturbing trends" in Louisville's housing affordability. Local trends and policies such as concentrating federally subsidized housing in certain neighborhoods, lower than average and declining racial ethnic minority homeownership, the widening gap between wages and housing costs, and the effects of racial and economic segregation were named as serious impediments to Louisville's future.

Since then, these "disturbing trends" have only worsened:

- Between 1979 and 2008, the average US income declined (except for the wealthiest 10%), while basic living expenses such as gasoline, groceries, and utilities have risen between 3.6% and 36% since June 2010 (Isidore, 2011). As a result, families are paying a higher percentage of their incomes for housing, leaving less for food, clothing, education, medical care, and emergency savings.
- The National Low Income Housing Coalition's *Out of Reach 2011* report stated, "While the nation sets its sights on a gradual recovery from the economic recession, the shortage of affordable housing is an immediate crisis threatening the economic stability of American households."
- The Kentucky Housing Corporation, which administers the Kentucky Affordable Housing Trust Fund, reports that "critical housing needs are increasing in Kentucky…the unmet demand continues to rise."
- 114,870 people now live in poverty in Louisville, an increase to 15.5% (U.S. Census Bureau, 2011). Many of these families have so little income that the market cannot provide any housing that is affordable to them.
- 37% of Louisville's workforce has a median income below what is needed to afford rent and utilities for a two-bedroom apartment at market rate in Louisville. That is 218,000 Louisville workers who need affordable housing (HPI, 2011).
- Nearly one-third of all Louisville households live in unaffordable housing. Unaffordable housing puts families at risk of foreclosure, eviction, homelessness, overcrowded or substandard housing, and continued economic instability, as well as a number of health risks.
- Although only 31% of Louisville households are renters, almost half of them live in unaffordable homes.
- 9.6% of Jefferson County Public School students were homeless in the 2010-2011 school year, indicating a 44% increase in homeless families in Louisville.
- Homeownership is increasingly out of reach. Homeownership rates in Louisville have declined to the lowest rate in five years, 63.4% (MHC, 2011). And more stringent mortgage lending standards will require even more financial resources and stability in the future.
- Louisville has seen a 17% increase in orders of sale for home foreclosures in the past year, on top of the 700% increase in the past 14 years, devastating neighborhoods with vacant, uncared-for properties. Most of the foreclosures were moderately-priced homes.
- The cost of utilities is an increasing factor in determining whether housing is affordable, especially for a large number of low-income households in older, less energy-efficient homes, which are prevalent in Louisville.

- The number of households on the waiting list for subsidized housing has doubled in the past two years to 24,394, even as a net loss of 663 public housing units led to a 6.3% decrease in subsidized affordable housing units in 2011 (HPI, 2012).
- Income and affordable housing segregation has continued; affordable housing that does exist in Louisville is concentrated in just 7 of 26 districts (Districts 1-6 and 15), not all three rings of the city (Louisville Metro Housing Authority, 2011).

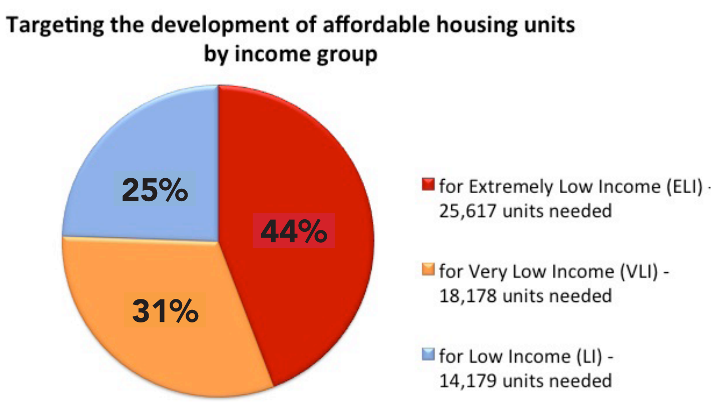
The situation is not projected to improve on its own. Jobs that will be created in Louisville in the next decade have wages too low to allow a family to afford market-rate housing, much less save for the future and consider homeownership.

Yet while these problems have increased, federal funding, the primary mechanism for making housing affordable, has decreased by 48% across several decades, and only 1.8% of the city's annual budget is invested in housing and family services.

This evidence makes the need for additional affordable housing, and funding for such activities, clear.

The Louisville Metro Department of Housing's Five Year 2010-2015 Strategic Plan identified an unmet need of 57,974 affordable housing units in Louisville.

(34,057 for rental and 23,917 for homeownership)



Appendix A contains a table from the Five Year Strategic Plan specifying affordable housing needs by income group and household type.

Terms such as Low Income, Very Low Income, and Extremely Low Income, affordable, and severely cost-burdened, used throughout this report, are defined in the section entitled "Definitions."

46,593 Louisville households have especially severe housing problems and are within the income levels the LAHTF is directed to serve (Louisville Metro Department of Housing, 2010).[3]

91,999 Louisville households (27%) live in unaffordable housing (2010 American Community Survey data analysis by National Low Income Housing Coalition, 2011). This is the equivalent of filling the KFC YUM! Center to capacity - more that four times over (Louisville Arena Authority, 2012).

In Louisville, 47.5% of households in unaffordable housing are homeowners, and 52.5% are renters. The proportion of renters in unaffordable housing is very high. Nearly 50% of Louisville renters live in unaffordable housing, compared with 19% of homeowners.

Who Needs Affordable Housing?

Many working people who serve our community can't afford housing in Louisville.

"[In Louisville] there is a significant gap between what workers earn and the cost of safe, decent housing. This gap creates a local affordable housing crisis for working people and families."

– Metropolitan Housing Coalition, 2005

Hard-working people should be able to afford a home and still have enough money for groceries and childcare. Yet working people who provide essential services to our community, such as caring for our children, ensuring public safety, and taking care of our health, earn wages too low to afford housing in Louisville.

The median wage for much of Louisville's core workforce makes an average-priced two-bedroom apartment in Louisville unaffordable and places homeownership out of reach, especially in neighborhoods near places of employment.

- Despite the relatively low cost of housing in Louisville, "there are whole categories of wage earners for whom homeownership is entirely out of reach" (Metropolitan Housing Coalition, 2005). A firefighter, police officer, or licensed practical nurse earning the average wage for their profession in Louisville cannot afford to purchase a median-priced home.

- And other wage earners, like janitors, teacher's assistants, and child care workers, cannot even afford basic rental housing in Louisville (MHC, 2005).

Nationally, there has been a 9.8% drop in income from the start of the current recession until June 2011, the largest decrease in decades. U.S. median household income declined more in the two years since the recession officially ended than it did during the recession itself, and "income dropped more, in percentage terms, for some groups already making less, a factor that…may have contributed to rising income inequality" (Pear, 2011).

The U.S. Census Bureau's preliminary "Supplemental Poverty Measure" found one in three Americans is at or near poverty, 76% more than the previous measure, with large numbers of working people pushed into poverty by low wages and rising transportation, child care, and medical expenses (DeParle, Gebeloff, & Tavernise, 2011). See also *Appendix C*, Housing + Transportation Affordability Index, and the section on *workforce housing* in this document.

An income of $58,752 for a family of four is required for Basic Economic Security in Louisville.

"Basic economic security" means the minimum amount of income and assets workers need to meet the most basic household needs "essential to all workers' health and safety." It includes very modest housing costs, less than the Fair Market Rent, and far less than the median homeownership cost (Center for Social Development (CSD) at Washington University in St. Louis and Wider Opportunities for Women, 2010).

In Louisville, basic economic security for a family of four (two parents and two children) requires an income of $58,752.

If the wage-earners in the family do not have employer-provided health benefits, like 46% of Kentucky's private-sector workers, they must earn $65,664 just to achieve basic economic security.

JEFFERSON COUNTY, KY

Monthly Expenses for: 2 Workers, 1 Preschooler, 1 Schoolchild

Housing	$535
Utilities	$148
Food	$570
Transportation	$1,019
Child Care	$1,062
Personal & Household Items	$338
Health Care	$451
Emergency Savings	$135
Retirement Savings	$10
Taxes	$950
Tax Credits	-$322
Monthly Total (per Worker)	**$2,448**
Annual Total (household)	**$58,752**
Hourly Wage (per Worker)	**$13.91**

Additional Asset Building Savings

Children's Higher Education	$104
Homeownership	$114

Note: "Benefits include unemployment insurance and employment-based health insurance and retirement plans.

The Basic Economic Security Tables (BEST) are tabulated by Wider Opportunities for Women (WOW) and the Center for Social Development (CSD) at Washington University in St. Louis as part of the national BEST Initiative led by WOW.

Jobs expected to be created in the next decade in Louisville have wages too low for working families to afford housing.

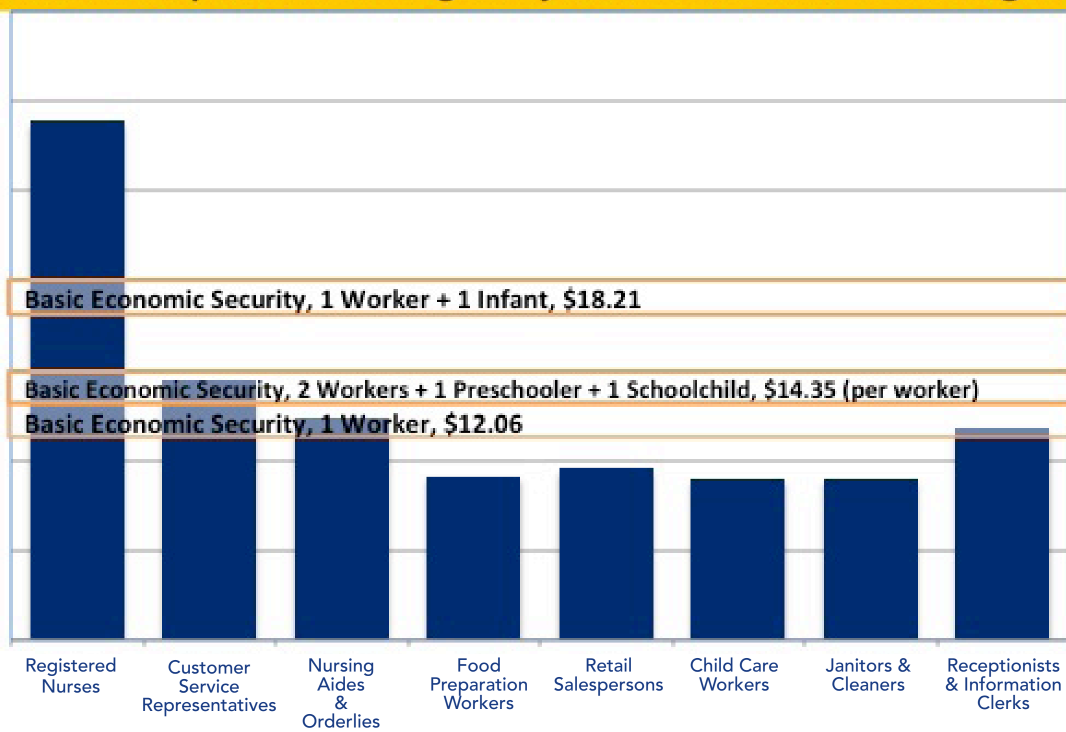
Most of the jobs that will become available in the next ten years in Louisville do not provide enough income for families to afford housing and other basic expenses (Center for Social Development (CSD) at Washington University in St. Louis and Wider Opportunities for Women, 2010).

- **Only 13% of jobs expected to be created in Louisville by 2018 will provide basic economic security to a single parent raising two children.**[5]

- **Even with two people working full-time, for a family with two children only 76.1% of jobs expected to be created in Louisville by 2018 will provide basic economic security.**

The chart below shows the average wages of jobs that are expected to experience the most growth between now and 2018, as compared with the level of income needed for basic economic security for families in Louisville.

Jefferson County Basic Economic Security Tables vs. Median 2011 Wages of Selected Occupations with High Projected Annual Growth through 2018



Source: Based on Wider Opportunities for Women and the Center for Social Development of Washington University 2010 Kentucky statewide analysis and their "The Basic Economic Security Tables for Kentucky." Jefferson County Best Index adjusted for Bureau of Labor Statistics 2010-2011 inflation rate, 3.2%. Occupations are arranged in order of total openings due to Louisville growth through 2018. LAHTF own calculations based on Kentucky Office of Employment and Training Kentucky, Louisville Occupational Wages (2011) and Louisville Occupational Projections (2008-2018).

Full-time workers earning less than $13.35 an hour can't afford market rate housing in Louisville.

A full-time worker needs to earn $13.35 an hour, or $27,760 a year, to afford rent and utilities for a two-bedroom market-rate apartment in Louisville (National Low Income Housing Coalition, 2011).

In fact, nowhere in the United States can a family with one full-time worker earning the minimum wage afford the local fair-market rent for a two-bedroom apartment – including in Louisville.

Workers who earn the minimum wage, including more than 7% of Kentucky workers, earn far less than the housing wage and have limited access to decent and affordable housing (US Bureau of Labor Statistics, 2011).

Families with the lowest income levels are in dire need of affordable housing.

People at many income levels need affordable housing, but the need is especially acute for those at the lowest income levels. For these families, market-rate housing is phenomenally unaffordable, especially after factoring in the cost of utilities. They must spend significantly more of their incomes on housing, leaving less for other basic necessities like food, medical care, child care, and heat, and are at constant risk of losing their housing.

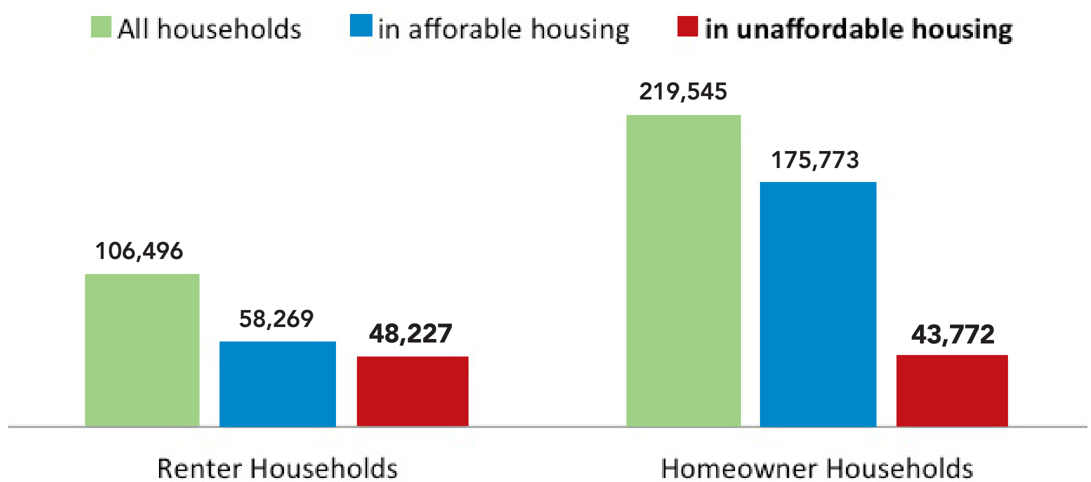
See also the section on *elderly and disabled households*.

- 46,587 households live in poverty and cannot afford housing at the Fair Market Rate in Louisville.[2]
- About half of Extremely Low Income (ELI) families spent nearly all their income on housing.[1]
- 84% of renters who earn less than $20,000 a year – the very lowest-income families and people – live in housing they cannot afford (NLIHC, 2011). At this income level, the market is unable to produce any housing they can afford.
- The number of families on the waiting list for Section 8 or public housing has doubled in the past two years to 24,394 families (MHC, 2011).

Lack of affordable housing forces families into crisis: unaffordable housing, inadequate housing, and homelessness in Louisville.

When families pay more than 30% of their income towards housing and utilities, their housing is unaffordable. Families in unaffordable housing are at risk of losing their housing altogether, cannot meet other basic household needs, and may live in overcrowded or substandard conditions, leading to additional family problems.

Proportion of renters and homeowners in all income groups living in unaffordable housing in Louisville.

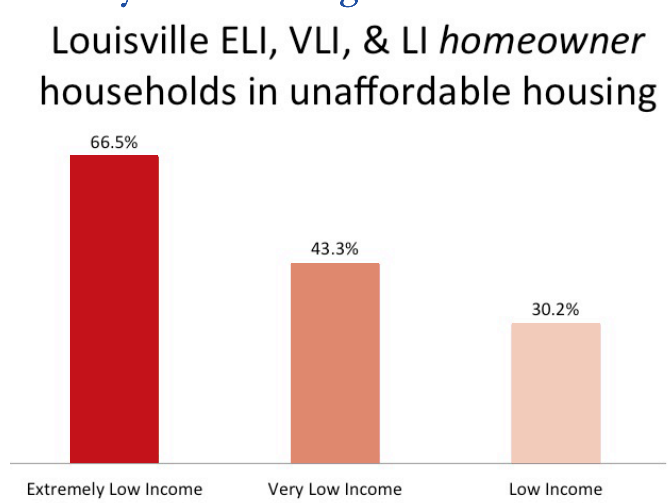


Source: National Low Income Housing Coalition (2011) analysis of 2009 American Community Survey data for Kentucky's Congressional District 3 reports 91,999 households live in unaffordable housing in Louisville; 106,496 of total households are renters; 48,227 of those in unaffordable housing are renters. The U.S. Census reports 219,545 homeowners housed in unaffordable housing in Louisville. If the remaining households in unaffordable housing are homeowners (91,999 - 48,227), 43,772 homeowners are in unaffordable housing.

19% of all Louisville homeowners are burdened by their housing costs.

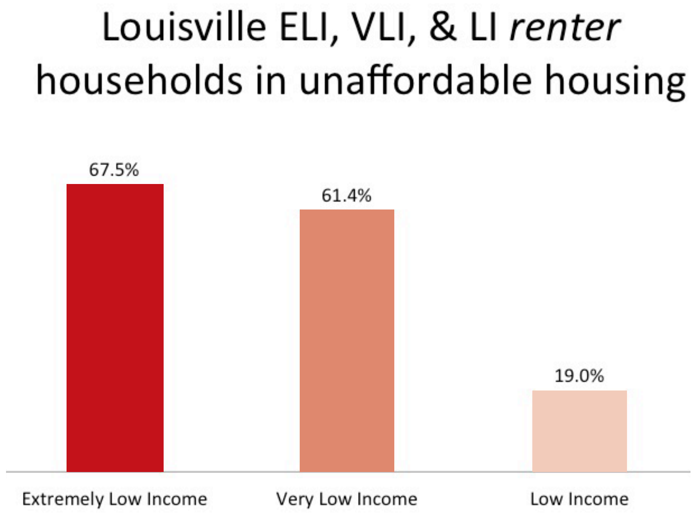
Renters are not the only ones in need affordable housing. 43,772 Louisville homeowners (about 19% of all homeowners) cannot afford their housing and are at risk of losing their housing, are economically insecure, and may not be able to meet their family's basic needs.

Slightly less than half (47.5%) of the households in Louisville living in unaffordable housing are homeowners.



Louisville Metro Department of Housing (2010) Five Year Strategic Plan's analysis of CHAS 2000 data reports 17,149 (67.5%) ELI, 10,353 (61.4%) VLI, and 4,131 (19%) LI renter households live in unaffordable housing (total of 31,633). The data was based on 2000 CHAS data and differs from National Low Income Housing Coalition's analysis of 2009 American Community Survey data presented in their 2011 Congressional District 3 report.

Half of all Louisville renters are burdened by the cost of housing, some of them severely burdened.



Louisville Metro Department of Housing (2010) Five Year Strategic Plan's analysis of CHAS 2000 data reports 7,879 (66.5%) ELI, 6,557 (43.3%) VLI, and 8,499 (30.2%) LI homeowner households live in unaffordable housing (total of 22,935 households). The data was based on 2000 CHAS data and differs from National Low Income Housing Coalition's analysis of 2009 American Community Survey data presented in their 2011 Congressional District 3 report.

- 48,227 Louisville renters (49% of renters) live in housing they cannot afford (NLIHC, 2011).
- Many have incomes so low the market cannot produce any housing that will be affordable to them.

There are 106,496 renter households in Louisville, representing 31% of all households. The Louisville Metro Department of Housing & Family Services *Five Year Strategic Plan* identified a need for 34,057 more units of affordable rental housing in Louisville. Louisville renters have lower average incomes than homeowners and there is a severe shortage of rental housing that is affordable to them. Because of this shortage, **nearly half of all families who rent must select housing that they cannot afford**. An increasing number of renters cannot afford a two-bedroom unit at Fair Market Rent for Louisville (National Low Income Housing Coalition, 2011).

Renters in unaffordable housing by income group are:

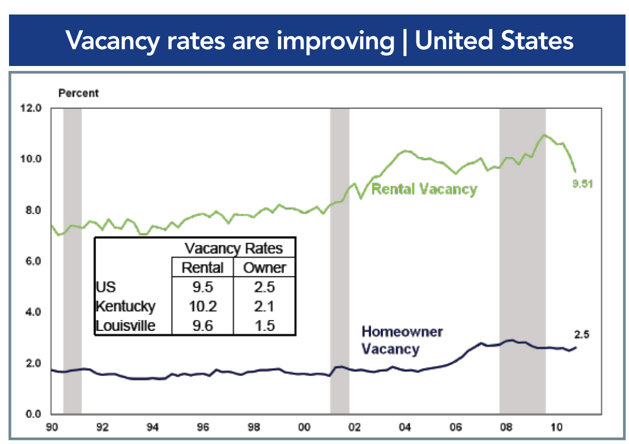
- 31,212 renters (84%) earning less than $20,000 a year, the lowest income group, are in unaffordable housing (NLIHC, 2011)
- 15,346 VLI & LI renters are in unaffordable housing (39% of VLI/LI renters combined)
- All of these income groups are eligible to be served by the LAHTF

See also sections in this document on *full-time workers earning less than $13.35* and *families with lowest income levels have acute need*.

Low rental vacancy rates put pressure on lowest-income renters in Louisville.

As more people are strained by stagnant incomes and increasing costs, and some homeowners lose their housing and are forced to become renters, competition for high-quality, low-cost rental housing is increasing.

According to the National Association of Home Builders, rental vacancy rates in Louisville are declining – a good sign for apartment owners, but also a greater challenge to the lowest-income renters who do not have resources to compete.



Source: National Association of Home Builders, Housing and Economic Outlook: Louisville, Kentucky Home Builders Association, May 24 2011.

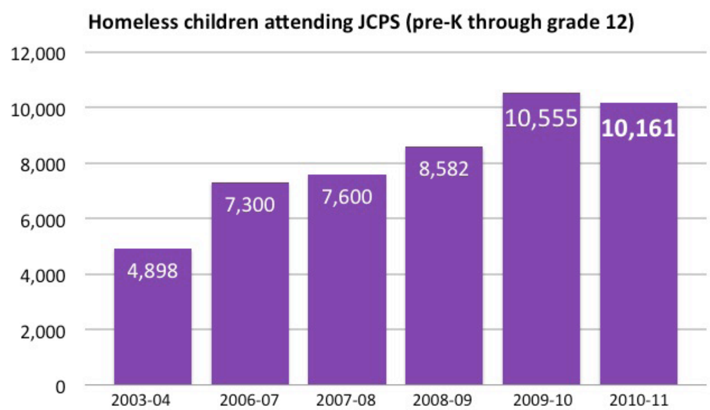
The lack of affordable housing has led to record levels of family homelessness in Louisville.

- Homelessness among Louisville families has increased 44% in five years, including a 14% increase in 2011 (Coalition for the Homeless, 2011).
- The fastest-growing homeless population in Louisville is single mothers and young adults, who are the poorest in our community and most impacted by federal and state budget cuts to assistance programs (Harris, 2011).

Every child deserves a safe place to call home. When children have the stability and security that comes with a place to call home, they do better in school, are more likely to develop positive social relationships, and are more likely to succeed long-term.

Unfortunately, 10,161 children in the Jefferson County Public School system were homeless during the 2010-2011 school year, more than twice as many as in 2003-2004. Nearly 1 in 10 JCPS schoolchildren were homeless last year. Homeless families were found in every Metro Council district.

Families are becoming homeless due to "soaring food, health care, transportation, and energy prices," and home foreclosures (US Conference of Mayors, 2009). Homeless people cite housing unaffordability as a major factor in becoming homeless (Coalition for the Homeless, 2011). For more information on homeless populations in Louisville, see Appendix B, the 2011 Louisville Homeless Census.



Source: MHC 2011 State of Metro Housing Report analysis of Jefferson County Public Schools data.

People in Severely Inadequate Housing

- At least 32,477 Louisville households are in housing that HUD defines as "severely inadequate" (NLIHC, 2011).
- 70% of Extremely Low Income (ELI) families ($18,870 or less for a family of four) have at least one housing problem, such as severely inadequate housing, overcrowded housing, or unaffordable housing (Louisville Metro Housing, 2010).

As of 2009, 26,940 Louisville households are severely cost-burdened by their housing, defined as paying more than half of their income on housing.

In addition, 5,537 Louisville households live in overcrowded and/or substandard housing. 1,485 of these families live in homes that lack complete plumbing and a functioning bathroom and/or kitchen. 4,052 of these families live in overcrowded housing, defined by HUD as more than one person per room (not bedroom) (Louisville Metro Housing, 2010).

Overcrowded housing has a significant negative impact on a family's health, academic achievement, and overall stability, according to numerous studies by HUD and others, such as the National Bureau of Economic Research. Overcrowded housing is linked to increased substance abuse, domestic violence, stress-related preventable physical illness, mental health problems like anxiety and depression, suicide attempts, risks of contracting contagious diseases, absenteeism, and lowered school performance.

Homeownership in Louisville is declining and increasingly out of reach, despite the lower relative cost.

- The Louisville homeownership rate decreased to 63.4%, according to 2010 Census data. This is the lowest rate since the rate dropped in 2005, and continues to remain lower than the national average of 66.9% (MHC, 2011).
- Increasingly stringent lending requirements will lock additional people out of the opportunity to purchase a home, while programs and federal funds to assist first-time homebuyers are far less available.

For many people, the opportunity to own one's own home is the epitome of the American dream. Homeownership is often the biggest investment a household makes, and especially for middle- and low-income families, it is a key way for families to establish economic stability, accumulate assets, and pass it on to future generations.

Homeownership also benefits the community by increasing an individual's ability to contribute to society through employment, local purchasing and investment, and taxes.

Low-income and first-time home buyers are less able to truly access homeownership and need more assistance.

According to the National Association of Home Builders and the Home Builders Association of Louisville:

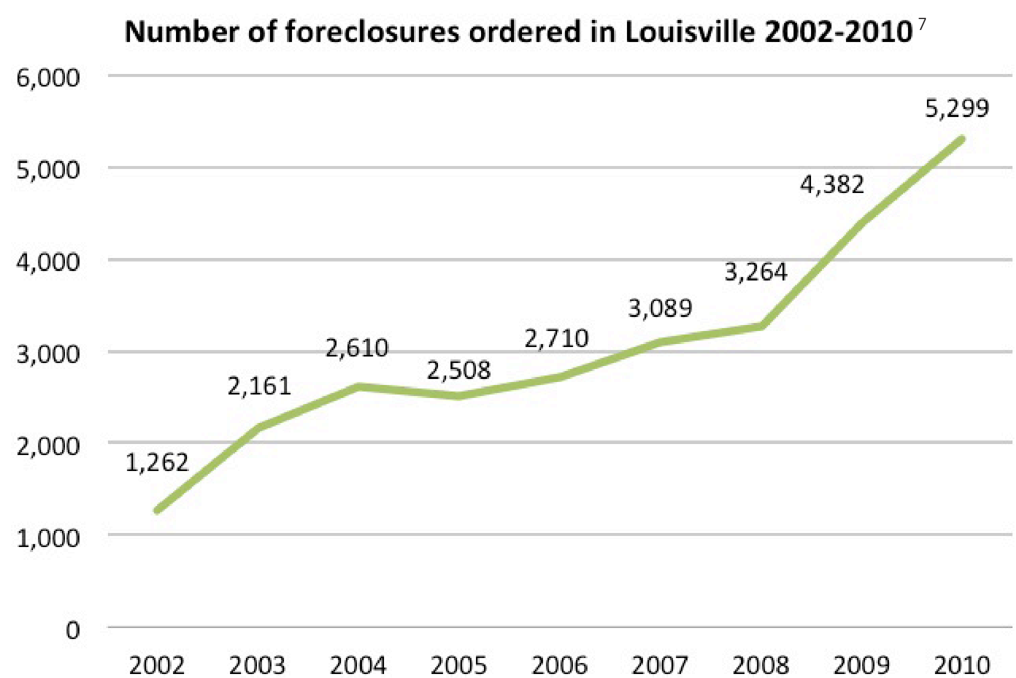
- Increasingly stringent requirements for home loans, brought on by the national economic downturn, mean that some people who would have previously qualified for a home loan may now not be able to do so.
- First-time home buyers and lower-income households, with fewer assets, less experience with financial institutions, and lower credit scores, may not qualify for home loans.
- To access homeownership, more assistance is needed. However, federal funds for down payment assistance and first time home buyer counseling have been sharply cut in the U.S. Department of Housing and Urban Development budget. And as indicated by the fact that inadequate homeownership counseling was a factor contributing to foreclosures on Louisville homes, more pre-ownership counseling is needed to ensure families can retain their homes.

Louisville homeowners remain at risk of losing their homes to foreclosure, and the problem is still increasing.

- More than 9%[8] of Kentucky homeowners are at risk of losing their homes to foreclosure, higher than the national average of 8.93% (Mortgage Bankers Association, 2011).
- The number of mortgage foreclosures in Louisville for which there were orders of sale has jumped 700% since 1996, with the largest increase of 21% in the last year measured (2010), indicating the rise in foreclosures has not yet leveled off (MHC, 2008; MHC, 2011).
- The homes in foreclosure are primarily those with a below-average purchase price, traditionally advertised as Louisville's so-called "affordable" homes.
- In an analysis of foreclosures in three focus neighborhoods in Louisville (Highview, Shively, and California), the majority of properties were owner-occupied at the time of foreclosure. However, the foreclosure action led to a decrease in owner-occupied units (MHC, 2011).[9]
- In 2010, there were 5,299 foreclosures filed in Louisville, a 71.5% jump from 2007 (MHC, 2011).
- 100 families faced foreclosure every week in Jefferson County in 2010 (HPI, 2012).[6]

While the number of foreclosures in Louisville has increased dramatically, it is expected to increase even further as a backlog of foreclosure filings move forward in the wake of the February 2012 National Mortgage Settlement (MHC, 2011). In addition, as adjustable-rate mortgages begin to adjust upward, and the "lagged impacts of huge job losses spread to the broader prime market," the foreclosure crisis is predicted to intensify (Joint Center for Housing Studies of Harvard University, 2010; MHC, 2011).

Foreclosures can lead to vacant properties, homelessness, overcrowded and inadequate housing, and additional pressure on rental housing. Foreclosures were found at every price range and in every ZIP code and Metro Council district.

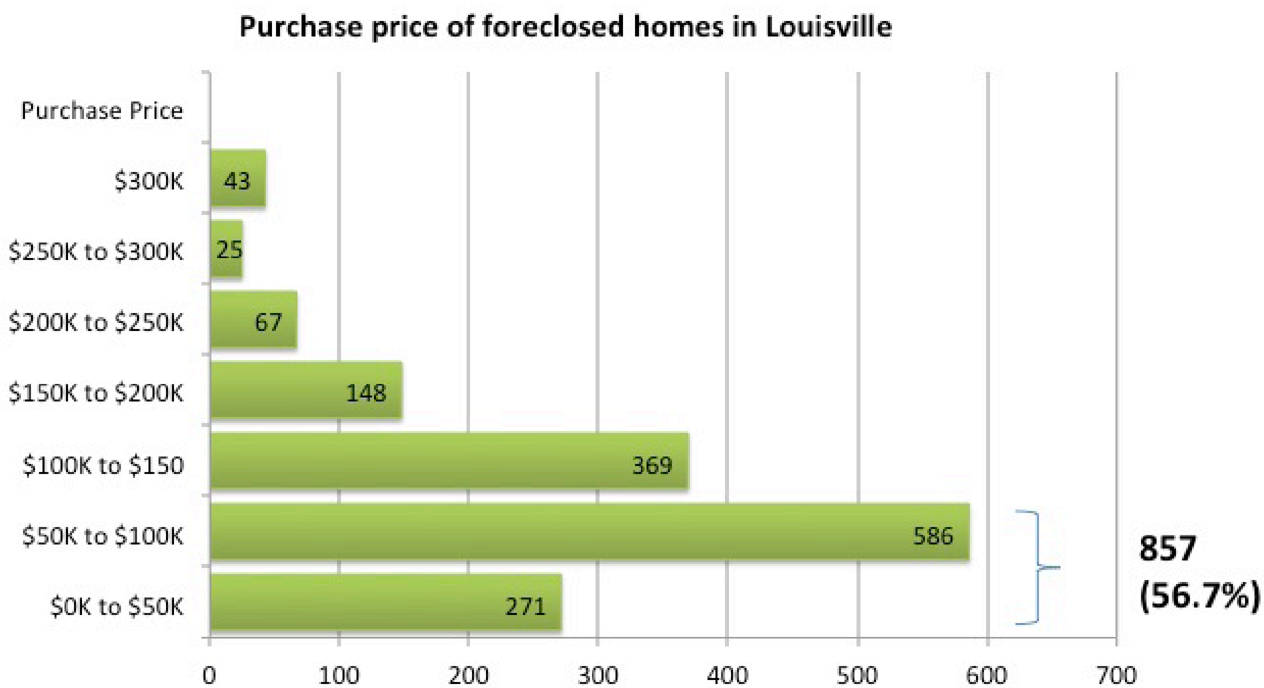


Metropolitan Housing Coalition analysis of 2010 U.S. Census Bureau data as reported in the 2011 report Louisville's Foreclosure Recovery: Understanding and Responding to the Impact of Foreclosure Sales.

The majority of homes in foreclosure (56.7%) cost $100,000 or less at the time of purchase.

- 81.2% of the homes in foreclosure cost $150,000 or less.[7]

- The sharp increase in so-called affordable home foreclosures demonstrates the necessity for Louisville to continue to define "affordability" as a percent of income, in accordance with HUD and other national standards, and to understand that a relatively low-priced home may still be unaffordable to many.



Data from Metropolitan Housing Coalition's 2008 report Louisville's Foreclosure Crisis.

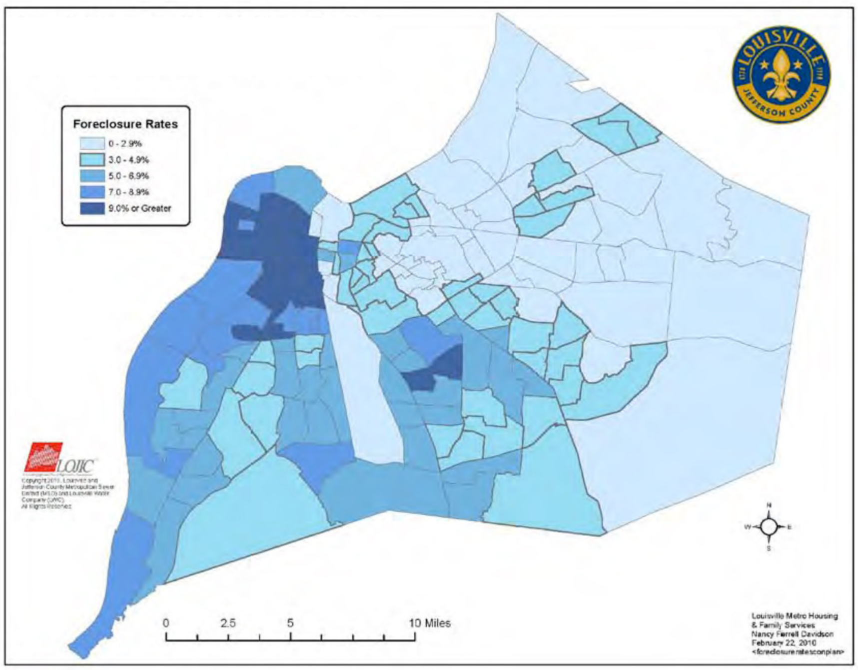
Minority households, who have lower rates of home ownership already, are at increased risk of foreclosure.

Nationally, homeownership rates declined more for African-American and Hispanic homeowners than for white homeowners, according to the 2010 Census. Homeownership declined 1.3% overall, but only .8% for whites, while African-Americans experienced a 4.2% decrease in homeownership and Hispanics a 3.3% decrease (U.S. Census Bureau, 2010).

In addition, African-American and Hispanic homeowners are more likely to lose their home to foreclosure than whites (Center for Responsible Lending, 2010).

The following map shows areas of concentration of home foreclosures, which overlaps with areas of high numbers of minority, low-income, and single-mother households:

Foreclosure rates by census tract from January 2007 to June 2008



Source: Louisville Metro Government Department of Housing and Family Services (2010).

Declining income, unfavorable lending practices, and lack of home buyer education and counseling contributed to foreclosures.

- Metropolitan Housing Coalition and Making Connections Louisville reported that lack of education about the home buying process, especially for low-income and first-time home buyers, contributed to homeowners purchasing homes that were actually unaffordable to them.
- The Legal Aid Society of Louisville, which assists homeowners facing foreclosure, found that a "shockingly large number" of people did not receive the loan for which they bargained at closing.
- Some received loans which wrongly did not include taxes and PMI within the mortgage payments, a standard practice for most home loans.
- Loss of income; health problems and accompanying medical expenses; and questionable mortgage lending practices, such as adjustable-rate mortgages with artificially low introductory rates, lack of inclusion of property taxes and insurance in calculations of mortgage payments, mortgage prepayment penalties, and interest-only loans; were factors contributing to home foreclosure in the MHC study.

Louisville's aging housing stock contributes to the affordable housing crisis.

Housing is affordable when the combined cost of housing and utilities is no more than 30% of the household's income. The more a family spends on utilities, the less it has available to spend on rent or mortgage costs. For a home to be affordable in the long-term, the more energy efficient it is, the better. However, according to the U.S. Census Bureau American Fact Finder data (1999) the majority of homes in Louisville are older and less energy efficient:

- 72% of Louisville homes (240,000 homes) were built before insulation was a building code requirement.
- 183,208 Louisville homes were built before 1970.
- 75,000 Louisville homes (22%) were built before 1950, with the least energy efficient standards.

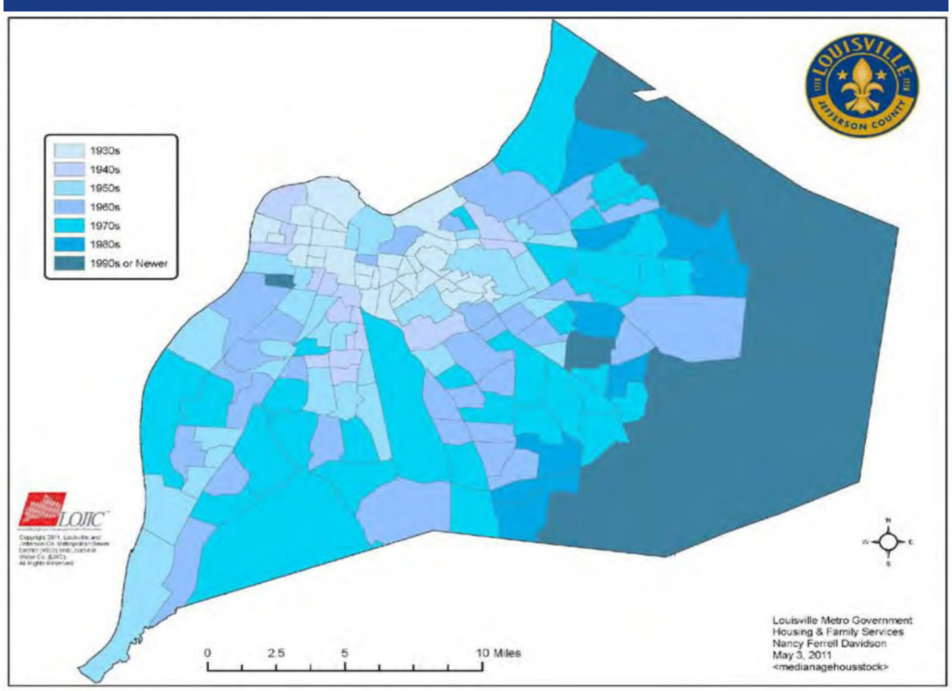
The areas of concentration of older homes correlate with the areas in which low-income people, and cheaper housing, are concentrated.

Renters, who do not have permission to make significant changes to the home to increase their energy efficiency, and low-income people, who cannot afford to do so, disproportionately live in these older, less efficient homes.

For example, the 40203 ZIP code is the 13th poorest ZIP code in the U.S.

3,529 households in this ZIP code are at or below the poverty level and living in homes built before 1950.

Median age of housing stock | American community survey 2005-09 | Five year averages

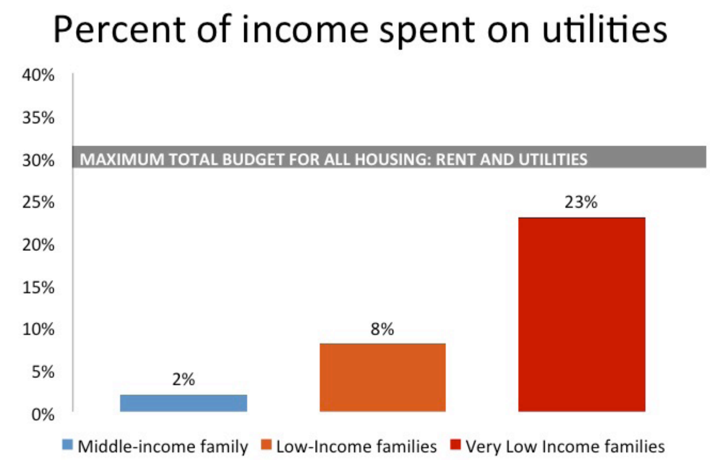


Source: Louisville Metro Government Department of Housing and Family Services (2011).

As a result, utility costs play a major role in whether housing is affordable, especially for low-income families. Even though the cost of utilities in Kentucky has remained lower than the national average, low-income households, especially those at the lowest end of the income scale, are disproportionately impacted by any increase in utility costs – such as those we have seen over the last decade.

Low-income people must spend 8% of their income on utilities, a higher percentage than the 2% national average. Very low income people must use 23% of their income to pay for utilities, leaving only 7% available for rent or mortgage (Citizens Energy Corporation, 2002).

The amount a family can spend on housing after paying for utilities is so low for some income groups that the market simply cannot produce housing that will be available to these families.



Data from U.S. Department of Housing and Urban Development (2011). Utility bills burden the poor and can cause homelessness.

Amount of income left to spend on housing after utilities, by income group and family type[10]

	1 person annual income	2 person annual income	4 person annual income	Monthly amount may spend on housing and utilities combined (30% of income)	National average percent of income spent on utilities	Amount 4-person family has left to spend on housing each month
Extremely Low Income	$11,888	$15,096	$18,870	$ 472	23% (7% remains for housing)	$ 110
Federal Poverty Level	$11,170	$15,130	$23,050	$ 576	23% (7% remains for housing)	$ 134
Very Low Income	$19,814	$25,160	$31,450	$ 786	23% (7% remains for housing)	$ 183
Low Income	$31,702	$40,256	$50,320	$1,258	8% (22% remains for housing)	$ 923
Median Family Income	$39,627	$50,320	$62,900	$1,573	2% (28% remains for housing)	$1,468

Certain populations have additional housing needs.

Housing is phenomenally unaffordable for some disabled and elderly households.

A decent place to call home offers seniors and people with disabilities an opportunity to live with independence and dignity. Yet many households headed by elderly and disabled people do not have this opportunity, especially those whose sole income is Supplemental Security Income (SSI) payments.

Louisville's Five Year Strategic Plan identified a need for 13,952 additional units of affordable housing for seniors (5,694 for renters and 8,258 for homeowners). Appendix A contains the full table of needs by income group and population type.

People who rely on SSI as their sole source of income are among our community's poorest citizens. SSI payments for an individual are $674 monthly ($8,088 a year), which is 26% lower than the Federal Poverty Level.

After factoring in the cost of utilities, SSI-only households can afford to spend as little as $74 for rent ($202 in combined rent and utility costs). This housing cannot be produced by the market, and as a result seniors and people with disabilities may spend as much as 94% of their income on housing and utilities combined, a price so unaffordable some would likely be forced to do without basic necessities like food and medical care.

In addition, housing discrimination and lack of accessibility is a major factor for disabled households. The largest number of fair hearing cases in Louisville in 2009 involved persons with disabilities (MHC, 2010). Even if outright discrimination is not a factor, many homes do not incorporate Universal Design Standards or have accessibility for people with disabilities, making them unavailable to some disabled households.

SSI and the cost of housing in Louisville[10]

	SSI monthly income	19% of income to utilities	11% of income remaining for housing	Fair Market Rent	% of income SSI-only household must spend to afford FMR and utilities
1 person	$ 674	$ 128	$ 74	$ 506 (efficiency)	94% of income
2 people	$1,011	$ 192	$ 111	$ 585 (1 BR) to $ 694 (2 BR)	76.9% to 87.6% of income

Permanent Supportive Housing For People With Chronic Disabilities & Others

Supportive housing combines affordable housing with supportive services for individuals and families with an adult head of household with chronic disabilities (such as mental illness, HIV/AIDS, or chemical dependency), for youth who have aged out of foster care without a permanent family, and for some veterans, who have a severe need and without services would otherwise likely be unable to access and maintain stable housing.

Just like any other citizen, "permanent" simply means that the person determines how long she or he lives there; she or he signs a lease and pays rent. Support services can include case management that focuses on housing stabilization; coordinated care for mental health, substance abuse, or physical health; and connection to education, employment, and mainstream benefits. The goal is to help people achieve independence and remain stably housed, and at less cost to the community.

Permanent supportive housing is cost effective because it is targeted to those who face the most complex challenges, who would otherwise be "stuck in the revolving door of high-cost crisis care and emergency housing" and who use "costly public services such as incarceration and emergency room care" (Coalition for the Homeless, 2010).

A study by the Coalition for the Homeless found it cost $88.8 million in 2004 and 2005 to provide these crisis services in Louisville, even though the end result was that the individuals remained homeless and in crisis. The same study identified the average cost of providing PSH during these two years as $11,592 per person, as compared with a larger cost of $12,493 for crisis-only services that leave people still at risk or homeless.

The Coalition recommends that PSH be a component strategy in meeting Louisville's affordable housing needs, and that 400 additional units of this type of housing are needed for homeless individuals (Coalition for the Homeless, 2011). More PSH units are needed for people who have chronic disabilities and are not homeless, but are low income, at risk of homelessness, and in need of services to maintain any housing, including low-cost, affordable housing.

Veterans

Our veterans should have access to safe, decent, affordable housing. Yet veterans face the challenges of high unemployment, housing unaffordability, the need for disabled-accessible housing, and homelessness.

Recently returning veterans have higher rates of unemployment and disability.

- The unemployment rate for veterans who have served anytime since September 2001 is 11.5%, higher than the national average.
- Young male veterans in this category have a high unemployment rate, 21.9%, slightly higher than the 19.7% unemployment rate for non-veterans in this age group (BLS, 2011).
- One in four of these recently returning veterans are self-reported as having a disability as a result of their military service, compared with 13% for all veterans.

When veterans return from service, they may need both affordable housing and services to help them maintain housing. Todd Dedas of the Louisville Veterans Administration states, "It's a spiral: Typically when veterans return they don't end up homeless immediately. The number of veterans with mental health issues are increasing. As they use up their resources and family support systems, they become homeless" (T. Dedas, personal communication, December 5 2011).

Louisville currently has 200 units of supportive housing for homeless veterans under the HUD-funded Veterans Affairs Supportive Housing (VASH) program (T. Dedas, personal communication, December 5 2011). **However, the Coalition for the Homeless identified 820 homeless veterans in its 2011 census, indicating there is a need for additional affordable housing with services (Permanent Supportive Housing) for veterans.**

Where Should Affordable Housing Be Located?

Workforce housing is needed in Louisville.

- **The cost of transportation for working families pushes nearly 250,000 more people into unaffordable housing in Louisville, demonstrating the need for affordable housing close to work sites and amenities (CNT, 2011).**
- **When the cost of transportation is factored in, 56.7% of Louisville families spend 45% or more of their income on housing and transportation costs combined, a more comprehensive view of housing affordability (CNT, 2011).**
- **"A strong and thriving local economy relies on appropriate housing affordable to our workforce. Affordable rental housing, starter homes, and larger family homes should be accessible to working families in neighborhoods across the region" (MHC, 2005).**

The location of housing, which dictates the amount of travel required for working families to get to their jobs, has a significant impact on whether housing is truly affordable.

Although affordability of a house or apartment is often measured by calculating the percent of household income devoted to housing and utility costs (the single biggest expense for most households), transportation costs are the second-biggest expense for most families.

When combined, housing and transportation costs claim 52 cents out of every dollar of the average household's budget (HUD, 2012). But because transportation costs are not easily discernible when families select housing, they may not take into account the true cost select housing that is actually unaffordable.

Transportation costs are an especially important factor for working families. The average across all households is spending 27% of the family's income on housing and 20% on transportation. However, working families with incomes between $20,000 and $50,000 spend about 30% of their income on transportation (Center for Housing Policy, 2006).

And when a family has higher transportation costs, they are more vulnerable to fluctuations in gas prices. In fact, some studies find that high transportation costs are actually more of a risk factor leading to foreclosure than high overall debt or high debt to income ratio (HUD, 2012).

The Center for Housing Policy declares, "It is essential for regions to coordinate their housing and transportation policies to ensure they fully reflect the needs of working families," including both where affordable housing units are built and targeting public transportation improvements to areas with large numbers of moderate-income working families with more expensive commutes to work destinations (CHP, 2006).

Employers need to be able to count on having stable, convenient housing for potential employees near the work sites. While people may select housing for a variety of reasons, many Louisville families are forced to live far away from their work because the wage they earn does not allow them to afford a home near their workplace, and because affordable housing is not readily available at all price points throughout Louisville's neighborhoods. However, because transportation costs increase the farther away families are from central locations where jobs and amenities are, families may not see the savings they expected. Factoring in transportation costs, their housing may become unaffordable, especially in metropolitan areas (HUD, 2012).

Indeed, there is a national trend towards including the cost of transportation when calculating true housing affordability. The U.S. Department of Housing and Urban Development's Office of Sustainable Housing and Communities, in partnership with the Department of Transportation, has commissioned a federal Housing and Transportation Initiative to be released in the fall of 2012 (N. Beatley, personal communication, June 4 2012). The federal HTI will be based on the existing Housing + Transportation Affordability Index by working in partnership with that Index's author, the Center for Neighborhood Technology. The new HUD Initiative will contain a location affordability index that measures both housing and transportation costs at the neighborhood level and begin to apply the Index to HUD-assisted communities (HUD, 2012).

The existing Housing + Transportation Affordability Index for Louisville demonstrates that 247,395 more Louisville people are in unaffordable housing than previous measures show, due to the cost of transportation associated with their housing location:

- When transportation costs are factored into living expenses, 56.7% of Louisville families live in unaffordable housing.
- This represents 393,208 people in Louisville in unaffordable housing (CNT, 2011).

For additional information on the Housing + Transportation Affordability Index for Louisville, see *Appendix C*.

Affordable housing should be throughout all three rings of the city, and offer choice and opportunity to all Louisville families.

While Louisville's recent population shifts, including a migration of some people of color away from the urban core, indicates a decrease in de-facto racial segregation in housing, income segregation and affordable housing segregation are still a reality (Price, 2011).

Nationally, the number of American families living in either the poorest or most affluent neighborhoods more than doubled over the past 40 years, from 15% to 33%. 44% of American families now live in middle-income neighborhoods, down from 65% four decades ago.

The findings reflect formerly middle-class workers being pushed into poverty while the wealthy received more income, and increased residential sorting by income "with the rich flocking together in new exurbs and gentrifying pockets where lower- and middle-income families cannot afford to live" (Tavernise, 2011).

In Louisville, segregation and concentration of subsidized housing in just a few districts was found to be "concentrating distress and separating low income residents from areas of opportunity" and "the persistent segregation of black neighborhoods in the greater Louisville area has hindered the ability of African American households to build wealth" (Louisville Metro Government, 2006).

The 2010 Census showed Louisville's "suburban edges are expanding, while urban areas are mostly hollowing out," corresponding with a trend of African-American residents moving to the suburbs (Green, 2011). The fastest-growing areas are in the city's third ring outside the Gene Snyder Freeway. Even with these population shifts, however, African-American residents remain concentrated in urban neighborhoods such as Newburg, Russell, and Shively (the first ring).

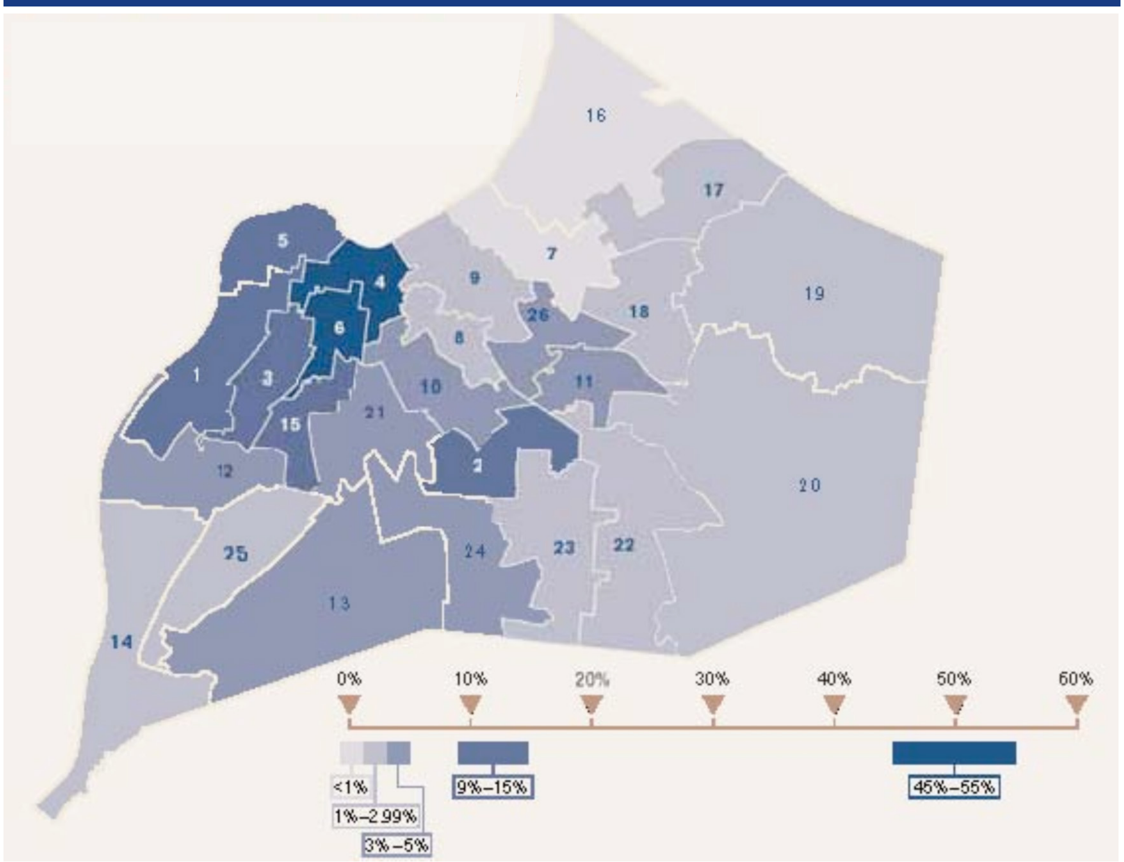
At the same time, the State of Metropolitan Housing Report 2011 found that "nearly three-fourths of all subsidized housing units in Jefferson County are located in seven out of 26 Metro Council districts" (1-6 and 15), which are primarily in the downtown and west of downtown areas (MHC, 2011).

On the other hand, districts 7 and 16 in Louisville's east end contain only .3% of the subsidized housing units in the city. This follows the national trend of the affluent being more segregated from other Americans than the poor are (Reardon & Bischoff, 2011).

Housing segregation by income creates disparities in public amenities, leading to less access to resources for low-income families who are concentrated in poor neighborhoods, and worse outcomes for those families. Since their housing is segregated away from areas with this need, wealthy families in areas with good services and amenities are less likely to see the need for increased investment in things like parks, transportation, and community services. Yet research substantiates that the neighborhood in which a family lives strongly affects their social, economic, and physical outcomes. As a result of current housing segregation, income inequality and housing segregation perpetuates itself and grows over time, and low-income people have even less chance for upward social and economic mobility (Reardon & Bischoff, 2011).

The map below from MHC's State of Metropolitan Housing Report 2011 shows areas of concentration of subsidized housing in Louisville. In two districts, over half of the housing is subsidized. In 12 districts, less than 5% is subsidized.

Subsidized housing as a percentage of all housing units by council district in 2010 | Louisville Metro



Affordable Housing's Impact On The Community

Who benefits from affordable housing?

- Businesses that require a stable workforce and workforce housing;
- Low-income, very low income, and extremely low income people who need affordable housing;
- Working families that need affordable housing and basic economic security;
- For-profit and non-profit organizations that provide affordable housing and housing-related services;
- People facing foreclosure and neighborhoods that have been devastated as a result of the foreclosure crisis;
- The community as a whole, due to the economic impact of the LAHTF and other reduced costs to the community of unaffordable housing.

Affordable housing has an economic benefit to the community.

The construction and rehabilitation of housing generates economic activity. Projects create jobs for workers in the construction industry and for those involved in manufacturing related to housing – those who make wood products for framing, flooring, and trim; concrete; equipment for heating and cooling; and roofing materials, for example. Projects also create new tax revenue for localities, both in the initial year of construction and on an ongoing basis.

The National Association of Home Builders produces an analysis of the economic impact of home construction and rehabilitation for single- and multi-family homes, both in the initial year of construction and subsequent years, stating, "These are local impacts, representing income and jobs for residents and taxes (and other sources of revenue, including permit fees) for all local jurisdictions within the metro area. They are also one-year impacts that include both the direct and indirect impact of the construction activity itself, and the impact of local residents who earn money from the construction activity spending part of it within the local area."

Using this data, a local working group composed of the Home Builders Association of Louisville, Louisville Apartment Association, Habitat for Humanity of Metro Louisville, Fannie Mae's Kentucky Business Center, and others, in 2006 estimated *the economic impact in Louisville of a local AHTF*. The report was included in the mayoral task force report and is also referenced in the appendices of this report.

Every $1 million invested in affordable housing in Louisville creates as many as 84 units of affordable housing, supports 112 jobs, and generates more than $6.4 million in local revenue.

On an annual ongoing basis, the economic impact of having these units of affordable housing occupied includes 44 jobs supported and more than $3 million generated in local revenue.

Year One Economic Benefit of $1 million Investment in affordable housing:

Total local income generated for residents:	**$5,871,600**
Local business owner income generated:	$1,366,680
Local wages and salaries generated:	$4,504,920
Total local tax revenue generated:	**$ 596,400**
Local property tax generated:	$ 131,000
Total local jobs supported:	**112**
TOTAL 1-year impact:	**$6,468,000 and 112 jobs supported**

This level of economic impact has been demonstrated by other AHTFs. A Minnesota analysis found that "investment in housing is an important recovery measure, which will create jobs, stimulate spending, and generate public revenues" (Housing as a Lever for Economic Recovery, Greater MN Housing Fund, Feb 2009).

In Ohio, an investment of $179 million in Ohio Housing Trust Fund dollars was found to have had a $2.6 billion impact on the local economy, creating over $829 million in earnings for almost 32,000 workers, from 2006 to 2009 (Santer & Santer, March 2011).

Affordable housing helps families maintain stability, which leads to improved attendance and academic achievement for school children.

Students who live in families that move and change schools often have higher rates of both absenteeism and academic problems (MHC, 2005). In addition, children in segregated poor neighborhoods have less access to quality child care and preschool and other support networks (Tavernise, 2011).

Academic achievement is important. One of the single biggest predictors of future economic success is college completion. Those who complete college have significantly higher income levels throughout their lives, even taking into account economic recessions and unemployment rates.

More than half of children from wealthy families finish college, but fewer than 10% of low income children finish college. Both numbers show an increase, but the gap between rich and poor in college completion has grown by more than 50% in the past two decades (Tavernise, 2011).

With Louisville's new 55,000 Degrees program, the community is focusing on the need for more adults to complete college. While there are many factors that cause the gap in college attainment, lack of quality early childhood development and lack of school stability associated with unaffordable housing are certainly factors in long-term educational attainment.

Costs to the Community of Unaffordable Housing

Vacant and abandoned properties are a symptom of Louisville's affordable housing crisis.

The dramatic increase in home foreclosures has led directly to a similar increase in vacant and abandoned properties, which has been a significant blight to certain Louisville neighborhoods and led to problems like increases in crime and lowered property values.

Louisville Metro Government identified 5,400 vacant structures and 1,023 vacant lots in Louisville as of June 2010 (P. Nicholson, personal communication, June 20 2011).

Foreclosures have occurred in every Metro Council district. However, vacant and abandoned properties are especially concentrated in west end neighborhoods, such as Russell, Shawnee, and California, and a growing number in the southwest corner of Jefferson county (M. McGwire, personal communication, December 5 2011).

The prevalence of vacant and abandoned properties has a cost to the community.

- According to a study done within Philadelphia by Temple University, "Houses within 150 feet of a vacant or abandoned property experienced a net loss of $7,627 in value" (Temple University, 2001).
- A study done in Austin, Texas, found that "blocks with unsecured [vacant] buildings had 3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of violent calls" as blocks without vacant buildings (Spelman, 1993).
- Additionally, the presence of vacant and abandoned properties nearby increases the cost of homeowners insurance, making "affordable" housing less affordable (M. McGwire, personal communication, December 5 2011).

The lack of affordable housing is associated with health risks.

A 2011 study by the National Bureau of Economic Research documented the link between housing instability and physical and mental health problems.

The study found unstable housing has "a significant impact on mental health as well as on a wide range of preventable conditions that are susceptible to stress."

- For every 100 foreclosed properties in a community, emergency room visits and hospital admissions increased 7.2% for hypertension and 8.1% for diabetes among people age 20 to 49.
- There was also a 12% increase in anxiety-related ER visits and hospital admissions, and an increase in suicide attempts.
- These findings held true not just for foreclosures, but also for homeowners struggling to make mortgage payments on homes that were worth less than the cost of the mortgage, also known as "underwater."
- Overcrowded housing caused "more arguments, more alcohol consumption and substance abuse, more anxiety and depression, and even more suicide attempts."
- Neighborhood violent crime rates, such as those found in areas of concentration of poverty, "are strongly correlated with the birth weight of infants, an important health indicator" (Reardon & Bischoff, 2011).
- Low-income families given the opportunity to move out of concentrated poverty into mixed-income neighborhoods experienced "large improvements in physical and mental health" (Tavernise, 2011).

In summary, the lack of sufficient affordable housing throughout Louisville's neighborhoods is severe, persistent, and affects the entire community.

On the other hand, investment in affordable housing bolsters the local economy and spurs economic activity. The Louisville Affordable Housing Trust Fund is a key tool to help resolve the affordable housing crisis and can serve as a catalyst for additional attention and investment in affordable housing.

LAHTF Solutions To The Affordable Housing Crisis

Based on the needs, problems, and opportunities identified in this Needs Assessment, there are clear areas for intervention by the Louisville Affordable Housing Trust Fund and others interested in investing in affordable housing. While a number of approaches are needed, The LAHTF will prioritize projects that incorporate the following solutions.

1. Make existing homes in Louisville affordable and sustainable.

If existing trends continue regarding real wage decreases and increases in the cost of utilities, transportation, and other basic living expenses, homes that are now affordable may quickly become unaffordable for many Louisville citizens.

Creating affordable housing that is affordable over many years is a primary goal of the LAHTF. Therefore, the LAHTF will prioritize projects that incorporate energy efficiency and sustainability in already existing multi-family and single-family homes, ensuring the projects remain affordable and livable, and demonstrating wise stewardship of public funds. Projects could include:

- Projects that rehabilitate rental housing to be more energy efficient with significantly lower utility costs, bringing rental units into affordability for LI, and particularly VLI and ELI, households
- Owner-occupied homes that have not been remodeled for energy efficiency and are occupied by low-income persons
- Single family homes in high priority areas that are being remodeled for maximum energy efficiency before sale to affordable housing consumers
- Projects that incorporate green building principles that reduce energy consumption and improve livability

2. Develop affordable rental housing for ELI & VLI households.

Because the gap between what VLI and ELI households can afford and what is available cannot be bridged through the existing market, the LAHTF will prioritize production of rental housing that is affordable to ELI and VLI households by subsidizing the cost of producing such housing. This income level includes those at or below the poverty level and disabled and elderly people whose sole source of income is SSI. Projects will be encouraged to incorporate Universal Design standards so they will be available and accessible to all households.

3. Create more affordable workforce housing near places of employment.

The LAHTF will prioritize affordable housing projects in areas that can be considered workforce housing, meaning they are close to places of employment and will reduce transportation costs for Louisville families, making homes truly affordable. Both multi- and single-family homes are needed.

Neighborhoods that largely lack affordable housing, and are therefore segregated against low income people, will also be prioritized for LAHTF projects, to increase housing choice and economic opportunity throughout the community.

4. Increase homeownership opportunities for LI and VLI households.

The LAHTF will prioritize projects that increase opportunities for low income and very low income families to own a home that is affordable to them in the long term. Whether the project involves new construction or rehabilitation of existing structures, considerations such as housing location, energy efficiency, and universal design should also be included.

Homeownership projects could include:

- Potential first-time home buyers who need more support and education about homeownership to ensure they do not secure housing that is actually unaffordable to them or fall prey to unscrupulous lending practices.
- Families who need assistance with down payments and closing costs.
- Housing developers who require assistance to reduce the cost of construction or rehabilitation of single family homes to make them affordable for the long term.
- Homeowners who need low-interest, no-interest, or forgivable partial loans, if homeownership is to be truly affordable.

5. Prevent people from losing existing, otherwise-affordable homes.

Families may live in affordable housing but lose their housing for a variety of reasons. Some may lose housing through foreclosure; others, because it becomes unaffordable when the costs of utilities and transportation are factored in. Some may lose housing because they are or become disabled and their housing is not safe or accessible to them or require support services to remain housed.

Therefore, the LAHTF will prioritize projects that prevent people from losing existing, otherwise-affordable housing through such activities as foreclosure prevention, supportive housing, and accessible rehabilitation.

Foreclosure prevention

While federal funds exist to help some homeowners avoid foreclosure, the programs are still underway and their overall success will depend on a number of variables, including improvements to the job market that allow homeowners to secure employment with sufficiently high wages to maintain their housing after the federal assistance ends. If the federal programs cannot adequately address the problem, the community impact of vacant and abandoned properties, increased competition for affordable rental housing, and increased numbers of homeless and overcrowded housing conditions may result.

The LAHTF will consider programs that prevent people losing housing to foreclosure, where federal assistance is not already available, and when the housing will be truly affordable to the person after the intervention. Programs targeted particularly to neighborhoods heavily impacted by the vacant and abandoned properties crisis will be prioritized.

Supportive housing

Because some people with disabilities require services to remain stably housed, and federal funds for such services have become less available, the LAHTF will prioritize projects that provide support services to low, very low, and extremely low income people to connect them to affordable housing and assist them in maintaining the housing.

Accessible rehabilitation and Universal Design Standards

To assist elderly and disabled people in all low income groups in retaining otherwise-affordable housing, the LAHTF will prioritize some projects that offer rehabilitation of existing structures to be accessible to people with mobility challenges.

In addition, the LAHTF will also encourage the use of Universal Design Standards in projects. Universal Design "incorporates products as well as building features and elements which, to the greatest extent possible, can be used by… people of all ages, sizes, and abilities….Universal features are generally standard building products or features that have been placed differently, selected carefully, or omitted" to make them accessible to disabled and non-disabled people alike (Center for Universal Design, 2006). Elements can be incorporated during remodeling or new construction.

By including Universal Design elements in the list of priorities, the LAHTF allows the widest possible availability of newly created affordable housing.

6. Promote housing choice.

Since a sufficient amount of affordable housing is not widely available to those at or below 80% of Area Median Income in all three rings of the city, but segregated into areas of poverty and away from areas of economic opportunity, the LAHTF will prioritize projects that assist in making affordable housing more widely available in all neighborhoods throughout Louisville.

Overview of the Louisville Affordable Housing Trust Fund

What Are Housing Trust Funds?

Housing trust funds provide a flexible way for governments to commit resources to provide decent affordable housing in their communities, and can be used to support innovative ways of addressing a variety of housing needs. They include long-term affordability requirements, meaning projects that receive funding from an AHTF are guaranteed to remain affordable for many years to come.

Over 700 housing trust funds in the U.S. have been established in 46 states beginning in the 1970s. This includes the Kentucky Affordable Housing Trust Fund established in 1992, and now, the Louisville Affordable Housing Trust Fund.

Housing trust funds are unique because they benefit from a dedicated source of public revenue, which is established through legislation. The revenue is committed to producing and preserving housing that is affordable to lower-income households.

The funds are very efficient. Only two-tenths of one percent of the units funded through housing trust funds did not get built. This is a record of accomplishment that any government program would envy. On average, each dollar spent by a housing trust fund leverages seven dollars in additional funding for housing. The Kentucky AHTF also averages leveraging each dollar seven times over, according to the Kentucky Housing Corporation, which administers that fund.

Legitimacy of the AHTF Model

The AHTF model has been implemented successfully across the country since the 1970s, with the majority being established in the 1980s and 1990s. The Kentucky Affordable Housing Trust Fund has created more than 8,273 units of affordable housing in 119 Kentucky counties, distributing $65 million and leveraging an additional $234 million for affordable housing since 1994.

In Louisville, after many years of study, a number of entities, including government agencies and representatives, have called for the creation of a Louisville Affordable Housing Trust Fund:

- *A Comprehensive Housing Strategy for Louisville Metro*, published by Louisville Metro Government in 2006, called for the creation of a Louisville affordable housing trust fund to help meet the city's objective of housing choice and affordability in all three rings of the city.
- As a result, in 2006 then-Mayor Abramson appointed an Affordable Housing Trust Fund Task Force to study the issue and make recommendations. The Task Force represented a broad spectrum of constituencies including home builders, bankers, realtors, apartment owners, state and local government representatives, housing and homelessness experts, and community groups. On December 4, 2006, the members of the Task Force unanimously called for the establishment of a Louisville Affordable Housing Trust Fund with $10 million annually in dedicated ongoing public revenue to help meet the need for affordable housing, and published a report of their research and recommendations, *An Assessment and Recommendations for the Creation and Funding of an Affordable Housing Trust Fund.*

- At nearly the same time, the Louisville Department of Housing and Family Services *Five Year Plan* also called for the establishment of a local AHTF.
- The Louisville Metro Council's Health and Human Needs Committee conducted several months of hearings in the summer and fall of 2007 on the issue of a local AHTF and recommended the establishment of a Louisville AHTF.
- The Louisville Metro Council agreed with the recommendations of the Health and Human Needs Committee, and on March 18, 2008, passed an ordinance establishing the Louisville Affordable Housing Trust Fund.
- The Mayor's AHTF Task Force reconvened in 2009 at the request of Metro Council's Government Accountability and Oversight Committee to study how the LAHTF could best move forward, given the lack of activity by the city's Housing Department. The AHTF Task Force again recommended a local AHTF, but newly recommended a separate non-profit organization be established to administer the Trust. The Council re-established its commitment to the LAHTF, accepted the recommendations of the Task Force, and passed an amendment to the LAHTF ordinance.
- Community groups have long called for the establishment of the Louisville AHTF. Metropolitan Housing Coalition (MHC) has called for a Louisville AHTF in its annual State of Metro Housing report every year since 2004. MHC, Citizens of Louisville Organized and United Together (CLOUT), and the Coalition for the Homeless first studied the issue and brought housing trust funds to the attention of the public. These same groups later created a movement called "Open the Door" which gathered more than one hundred local business and organizational endorsements for the establishment and full funding of a Louisville AHTF. The same group successfully achieved dedicated public revenue for the Kentucky AHTF before re-focusing their attention on Louisville.

Purpose of the LAHTF

The Louisville Affordable Housing Trust Fund was established by Louisville Metro Council ordinance in 2007 and was further amended in 2009 to address the need for increased affordable homeownership and rental housing in Louisville in response to a community-wide movement in Louisville to establish a local AHTF.

The Trust directs its resources to affordable housing developers and service providers that help people access and maintain affordable housing. However, the beneficiaries of the Trust are, in fact, the working families and low-income households who need affordable housing in Louisville.

The LAHTF is intended to be a catalyst, helping generate participation by other lenders, investors, and partners, further leveraging the impact of each LAHTF dollar.

The ordinance states the LAHTF's purpose is "to receive monies and disburse monies to organizations dedicated to addressing the affordable housing needs of individuals and families of low- and moderate-income households by promoting, preserving, and producing long-term affordable housing and providing housing-related services to low- and moderate-income households."

The LAHTF gives grants and/or loans to nonprofit and for-profit affordable housing developers and service providers for a wide variety of affordable housing-related activities including: homeownership and rental housing acquisition, new construction, rehabilitation, emergency repair, down payment assistance, and temporary rental assistance; technical assistance and training for developers and low-income housing consumers; support services designed to keep low-income at-risk people stably housed; and programs impacting safe, stable, affordable housing such as foreclosure intervention and housing-related asset-building. The LAHTF is governed by a 13-member Board of Directors that is representative of the community.

All projects that receive LAHTF funding from a public source must serve households that are at or below 80% of Area Median Income (in 2011, 80% of AMI was $31,702 for an individual). These are considered low-income households.

Half of the funds are reserved for those at or below 50% of AMI; in other words, very low income and extremely low income households (in 2011, 50% of AMI was $19,814 for an individual).

Public funding is intended to be the main funding mechanism for the LAHTF. However, it may also accept private gifts, and these funds may serve households at or below 110% AMI ($43,590 for an individual in 2011).

See also *Area Median Income table in the Definitions section* of this document.

Funding of the LAHTF

Metro Council established by ordinance a goal of $10 million annually in dedicated ongoing public revenue for the LAHTF. These sources of revenue are what define an AHTF.

The LAHTF was awarded $1 million in 2006 in windfall tax revenue by then-Mayor Jerry Abramson, intended to capitalize the fund until dedicated ongoing public revenue could be established by further ordinance. In 2011, Mayor Greg Fischer allocated an additional $100,000 in "matching" funds for the LAHTF for Fiscal Year 2011-2012.

The city has not yet established dedicated ongoing public revenue for the Louisville Affordable Housing Trust Fund.

Establishing dedicated ongoing public revenue is the LAHTF's top priority. Without this revenue source, the LAHTF cannot succeed, and Louisville will not be able to meet the need for affordable housing.

Definitions

Affordable

As defined by HUD, housing is affordable when a family pays no more than 30% of its gross income for housing and utilities combined.

Fair Market Rent (FMR)

Fair Market Rent is determined by HUD annually, and represents the local cost of a modest rental unit. Specifically, the FMR is "the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market" (HUD, 2011). The calculation excludes rental units built in the last two years to avoid rental units at the high end of the market and excludes subsidized housing, which is not priced at the market rate. "Gross rent" means the cost of rent plus utilities paid by the renter.

In order to afford rent and utilities for a two-bedroom apartment in Jefferson County at the Fair Market Rent of $694, a household must earn $27,760 annually. Assuming a full-time job, this level of income translates into a Housing Wage of $13.35 for Louisville.

The FMR has increased by 38% in Louisville from 2000 to 2011 (National Low Income Housing Coalition, 2011).

Low, Very Low, and Extremely Low Income

Median Income is the middle point of the local income distribution, where half of the families have more income, and half have less. It is calculated annually by the federal government for states, counties, and other localities, and for different family sizes.

HUD defines 80% of AMI as people or families who are low income (LI), 50% of AMI as very low income (VLI), and 30% of AMI as extremely low income (ELI).

In 2011, AMI for a family of four in Louisville was $62,900. Therefore:

- The highest income level that can be served by the LAHTF, those at 80% of AMI, is $50,320 for a family of four.
- 50% of AMI is $31,450 for a family of four, and half of the LAHTF funds must serve those at or below this income level.

The LAHTF, as established by Louisville Metro County Ordinance 40.41-40.45, is designed to serve families earning 80% of Area Median Income (AMI) or less. Half of the funds must serve those at the lower end of the income scale, meaning at or below 50% of AMI.

An estimated 392,812 are in these income groups and are potentially eligible for LAHTF-funded projects (U.S. Census Bureau, 2010).

The table below lists the income levels for LI, VLI, and ELI households for Louisville in 2011. It also contains data about the estimated number of people in each income group, based on the 2010 U.S. Census report. For information on how much rent or mortgage a household or individual can afford at this income level, see the table in this document on *utilities and housing costs*.

Minority

In this report, "minority household" refers to households headed by a member of a racial or ethnic minority group. In Louisville, this refers primarily to African-American or Hispanic households.

The U.S. Census Bureau defines Black or African-American as "a person having origins in any of the Black racial groups of Africa. It includes people who indicate their race as 'Black, African Am., or Negro' or provide written entries such as African American, Afro American, Kenyan, Nigerian, or Haitian."

The U.S. Census Bureau defines Hispanic as "those who indicated that their origin was Mexican, Puerto Rican, Cuban, Central or South American, or some other Hispanic origin. It should be noted that persons of Hispanic origin may be of any race."

Louisville, KY area median income & LI, VLI, ELI thresholds (2011)

	1 person	2 people	4 people	Estimated number of people in this income group in Louisville
Median Family Income (AMI)	$39,627	$50,320	**$62,900**	
Low Income (LI): (80% OF AMI)	$31,702	$40,256	**$50,320**	145,635 people
Very Low Income (VLI): (50% OF AMI)	$19,814	$25,160	**$31,450**	121,703 people
Extremely Low Income (ELI): 30% of AMI	$11,888	$15,096	**$18,870**	125,474 people
Federal Poverty Level	$10,890	$14,710	**$22,350**	

Sources: http://www.huduser.org/portal/datasets/il/il11/HUD_Sec8_11_sig.pdf, http://aspe.hhs.gov/poverty/11poverty.shtml, U.S. Census Bureau (2010)

Poverty

In 2012 the Federal Poverty Level is $23,050 for a family of four, or $11,170 for a single person. This is about $1,921 or $931 monthly, respectively. The Federal Poverty Level is only slightly higher than the lowest income tier of "extremely low income."

In 2011, 114,870 Louisville people (15.5%) were living at or below the Federal Poverty Level. This rate of poverty is higher than the national average, which itself is higher than usual.

The U.S. Department of Health and Human Services annually announces the poverty guidelines. Calculations are revised each year to reflect inflation using the Consumer Price Index.

The formula used for calculating poverty was devised in the 1960s by Mollie Orshansky to calculate the cost of living for various family sizes based on the price of providing a nutritionally adequate diet, which at the time was about one-third of a family's monthly expenses.

Some policy makers – including the U.S. Census Bureau – feel the poverty measure underestimates the current level of poverty, since not food but housing, transportation, and utilities are now the main family expenses. In addition, some expenses necessary to hold a job and earn income, like the cost of child care and transportation, reduce disposable income but are not included in the calculations. It also does not account for variations in medical costs, a rising expense for families and disproportionately higher for disabled and elderly households.

When the measure was first calculated, 50% of the median income was about the same amount as the FPL. Now, 50% of the median income is far higher than the FPL (120%) (Short, 2011). In other words, expenses associated with modern life have grown, meaning more money is required to maintain the same standard of living.

As a result, the U.S. Census in 2011 devised the Supplemental Poverty Measure (SPM) to take into account these factors, as well as the effect of federal benefits and the local cost of living, and identified 76% more Americans (one in three) at or near poverty.

Although the SPM is not "official poverty level" it may be a more accurate reflection of poverty. The SPM represents a five-year average of the household type's "dollar amount spent on a basic set of goods that includes food, clothing, shelter, and utilities (FCSU), and a small additional amount to allow for other needs (e.g., household supplies, personal care, non-work-related transportation)" (Short, 2011). Using this measure, 51 million Americans are at or near poverty.

Severe Housing Problem
HUD defines "severe housing problem" as being severely cost-burdened, lacking adequate kitchen or plumbing facilities, or extremely overcrowded.

"Severely cost-burdened" means the household pays more than half of its income towards housing, far more than the 30% threshold.

"Extremely overcrowded" can be defined in a number of ways, including the number of people per room (not bedroom, but all rooms in the house), which is the method referenced in this report.

Recommended Reading

All documents are available at http://www.louisvilleky.gov/lahtf.

- Louisville Affordable Housing Trust Fund Strategic Plan 2012
- LMCO 40.41-40.45
- Economic Impact of the Louisville Affordable Housing Trust Fund
- An Assessment and Recommendations for the Creation and Funding of an Affordable Housing Trust Fund (2006 Mayor's Task Force report)
- 2009 Addendum to Mayoral Task Force Report
- 2011 State of Metropolitan Housing Report

Appendices

Appendix A: Priority Housing Needs by Income and Population, Louisville Metro Department of Housing and Family Services Five Year Strategic Plan

Household Type	Household Income	# of Households with Unmet Housing Need - Renters	# of Households with Unmet Housing Need - Owners	Priority Level Need (High, Medium, or Low)
Elderly	ELI	3,000	3,786	H
	VLI	1,937	2,428	M
	LI	757	2,044	L/M
Small Families (2 to 4 people)	ELI	6,735	2,040	H
	VLI	4,143	2,724	H
	LI	1,695	3,668	M
Large Families (5 + people)	ELI	1,510	433	M
	VLI	938	500	M/L
	LI	674	999	L
All Other	ELI	6,429	1,684	H
	VLI	4,050	1,458	H/M
	LI	2,189	2,153	M

Source: Louisville Metro Department of Housing. (2010). Five Year Strategic Plan. HUD Table 2A: Priority Housing Needs by Income, p 76.

Appendix B: Louisville 2011 Homeless Census

The 2011 Homeless Census conducted by the Coalition for the Homeless identified 8,615 homeless people in Louisville last year.

The Coalition for the Homeless reports "a substantial number of homeless families do not use homeless shelters" and are therefore impossible to count, unless they receive some type of homeless services. The Coalition for the Homeless reports, "Unlike past years, we have included only the unsheltered homeless who were counted when they received some type of homeless services. We are not able to count the unsheltered homeless who do not receive any services from the homeless service providers and did not extrapolate this number as in years past," resulting in a decreased count of homeless families (2012). However, there are significant indicators that family homelessness did not decrease and remains high, such as the 9.6% of JCPS students who were homeless in the 2010-11 school year.

Louisville 2011 Homeless Census, Coalition for the Homeless		
Category	**Number**	**Change from 2010**
Sheltered homeless	7,918	12% increase from
Unsheltered homeless	697	66% decrease from last year's extrapolated number
Total	8,615	6% decrease

Appendix C: Housing Plus Transportation Affordability Index for Louisville

The tables to the right demonstrate that transportation costs play a major factor in housing affordability, and housing location is an important consideration in making housing affordable.

In Louisville, 21% of families pay more than 30% of their income on housing, a common measure of housing unaffordability. **However, when the cost of transportation is factored in, 56.7% of Louisville families pay 45% or more of their income on housing plus transportation – a more comprehensive view of housing affordability**.

Interactive maps of this and related data can be found at the Center for Neighborhood Technology, http://htaindex.cnt.org.

Homeowners: Percent of income spent on housing + transportation	Population	Percent of Population
Jefferson Co. Total	693,604	100%
60% and greater	**116,599**	**16.8%**
50 to 60%	**231,745**	**33.4%**
45 to 50%	**181,218**	**26.1%**
40 to 45%	106,736	15.4%
Less than 40%	48,592	7%
No data available	8,714	1.3%

Renters: Percent of income spent on housing + transportation	Population	Percent of Population
Jefferson Co. Total	693,604	100%
55% and greater	**27,218**	**3.9%**
48 to 55%	**65,035**	**9.4%**
42 to 48%	**155,254**	**22.4%**
37 to 42%	234,622	33.8%
Less than 37%	193,739	27.9%
No data available	17,736	2.6%

Endnotes

1 Louisville Metro Department of Housing *Five Year Strategic Plan* (2010) reports half of Extremely Low Income households spend over 50% on just their housing, not including necessary utilities. Low-income households spend an average of 23% of their income on basic utilities, according to MHC (2008). The average low-income households spends about one in five of their dollars on home energy costs every year; if a middle-class household making $50,000 a year faced the same home energy costs, they would spend $10,000 a year on utilities, according to the Citizen's Energy Corporation (2002).

2 Calculated as 300,561 households in Jefferson County, and a poverty rate of 15.5% (U.S. Census 2011 Quickfacts).

3 Louisville Metro Department of Housing *Five Year Strategic Plan* (2010) reports 4,913 Low Income households and 41,680 Very Low income and Extremely Low Income households with a severe housing problem, which includes both families in severely substandard housing (overcrowded or lacking complete plumbing or kitchen facilities) and families severely cost-burdened by their housing (paying over 50% of their income for housing). Their data is based on the 2000 Census and 2006-2008 American Community Survey data. The table in Appendix B shows more complete information.

4 National Low Income Housing Coalition (2011) analysis of 2009 American Community Survey data for Kentucky's Congressional District 3 reports 91,999 households live in unaffordable housing in Louisville and 48,227 of those in unaffordable housing are renters. The U.S. Census reports 219,545 homeowners housed in unaffordable housing in Louisville. If the remaining households in unaffordable housing are homeowners (91,999 - 48,227), 43,772 homeowners are in unaffordable housing.

5 Based on Wider Opportunities for Women and the Center for Social Development of Washington University 2010 Kentucky statewide analysis and their *The Basic Economic Security Tables for Kentucky*. Jefferson County BEST Index adjusted for Bureau of Labor Statistics 2010-2011 inflation rate, 3.2%. Occupations are arranged in order of total openings due to Louisville growth through 2018. LAHTF's own calculations based on Kentucky Office of Employment and Training Kentucky, Louisville Occupational Wages (2011) and Louisville Occupational Projections (2008-2018).

6 Figure is from the Housing Partnership, Inc *2011 Annual Report*. Based on the number of foreclosures filed in 2010 (5,299 in Louisville) as reported in Metropolitan Housing Coalition's 2011 report *Louisville's Foreclosure Recovery: Understanding and Responding to the Impact of Foreclosure Sales*, divided by the number of weeks in a year (52), which equals 101.9.

7 Calculated as the number of homes in foreclosure that cost less than $150,000 at the time of sale (1,226) divided by the total number of homes in foreclosure at all purchase prices (1,509), according to data provided by Metropolitan Housing Coalition in their 2008 report *Louisville's Foreclosure Crisis*.

8 Calculation of the number of Louisville families at risk of foreclosure represents not just actual foreclosure orders, but also those at immediate risk of such action because they are delinquent in their mortgage payments and therefore eligible for the mortgage holder to initiate foreclosure proceedings, according to the Mortgage Bankers Association's 2011 article, *Short-Term Delinquencies Fall To Pre-recession Levels, Loans in Foreclosure Tie All-time Record in Latest MBA National Delinquency Survey*.

9 Based on MHC's 2011 report, *Louisville's Foreclosure Recovery: Understanding and Responding to the Impact of Foreclosure Sales*. The report is a follow up to the 2008 report, *Louisville's Foreclosure Crisis*, in which three neighborhoods were examined to determine how neighborhoods and populations were affected by foreclosures. Data was taken from Louisville/Jefferson County Information Consortium (LOJIC), Jefferson County Property Valuation Administrator (PVA), Jefferson County Circuit Court Office, Louisville Metro Department of inspections, Permits, and Licenses, and the Jefferson County Clerk's Office. In Highview, 95% of the 66 properties subject to a foreclosure filing were owner-occupied in 2007, but in 2011 82% of these properties remained owner-occupied. In Shively, 96% of the 77 properties in foreclosure in 2007 were owner-occupied and in 2011, 62%. In California, 50% of the 40 properties in foreclosure in 2007 were owner-occupied, and only 26% remain owner-occupied in 2011.

10 Based on income for a four-person household at 80%, 50% and 30% of the Area Median Income for 2011 for Louisville. AMI was $62,900 for a four-person household in 2011 in Louisville; $50,320 for a two-person household, and $39,627 for an individual, as reported in by HUD at www.huduser.org/portal/datasets/il/il11/HUD_Sec8_11_sig.pdf. The Federal Poverty Level is issued each year by the U.S. Department of Health and Human Services and is available at http://aspe.hhs.gov/poverty/12poverty.shtml. The national average amount spent on utilities by income group was reported in 2002 by the Citizens Energy Corporation, and the amount for families who rely on SSI as their sole source of income was reported by the U.S. Department of Housing and Urban Development at http://www.hud.gov/offices/cpd/library/energy/homelessness.cfm. The U.S. Department of Housing and Urban Development reports Fair Market Rent for Louisville as $694 for a two-bedroom, $585 for a one-bedroom, and $506 for an efficiency rental apartment for 2011. Calculations of amount left to spend on housing are based on the standard measure of affordability as not more than 30% of income may be spent on housing and utilities combined. Therefore, if a household must spend 8% of gross income on utilities, it may spend only 22% on housing. If a household must spent 23% of gross income on utilities, it may spend only 7% on housing. Some households will have less income than the top threshold in their income category, and will have even less to spend on housing. Calculations of amount left to spend on housing for category "households whose sole income is SSI" are based first on a one-person household, and second on a two-person household, with a range of income left to spend on housing after utilities given as $74 to $111, if the national average of 19% of income for a VLI SSI-only household is spent on utilities.

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