

Kentucky's Housing Supply Gap

KY Housing Task Force - June 24, 2024

Wendy K. Smith

Deputy Executive Director, Housing Programs

Kentucky Housing Corporation

Kentucky Housing Corporation

Who We Are

Mission:

KHC invests in quality affordable housing solutions for families & communities across Kentucky.

**State Housing
Finance Agency**

**Self-
Supporting**

**Quasi-
Governmental**

Private, Federal & State Funding/Financing Sources



KHC



KY Affordable Housing Trust Fund

KY Rural Housing Trust Fund

Federal Housing Tax Credits

Tax Exempt Bonds




Fannie Mae/Ginnie Mae

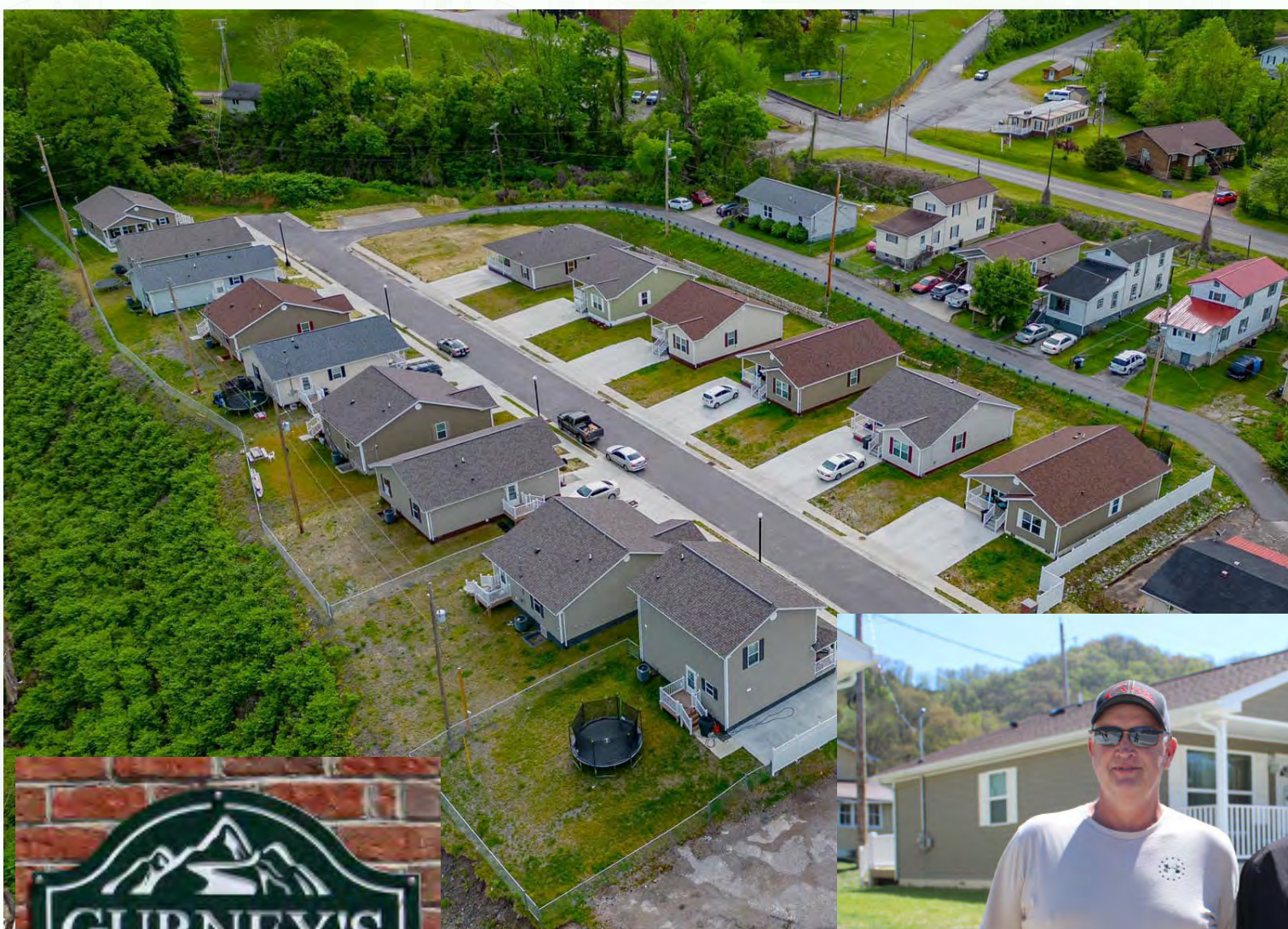
HUD Programs

Treasury COVID Relief

DOE/Weatherization

What We Do

Homebuyers & Homeowners	Rental Housing	Homelessness Programs
 <p>Mortgages, Down Payment Assistance, Foreclosure Prevention, Homebuilding, Home Repair, Weatherization</p>	 <p>Development & Preservation Rental Assistance</p>	 <p>Homelessness Programs: Shelter Rapid Re-Housing Street Outreach Eviction Prevention</p>



**15 homes
in Perry
County**





**Scheper Place
Senior Apartments
in NKY by Episcopal
Retirement
Services.**

**Duplex in
Owsley
County by
Partnership
Housing.**





Linda's Place Senior Apartments

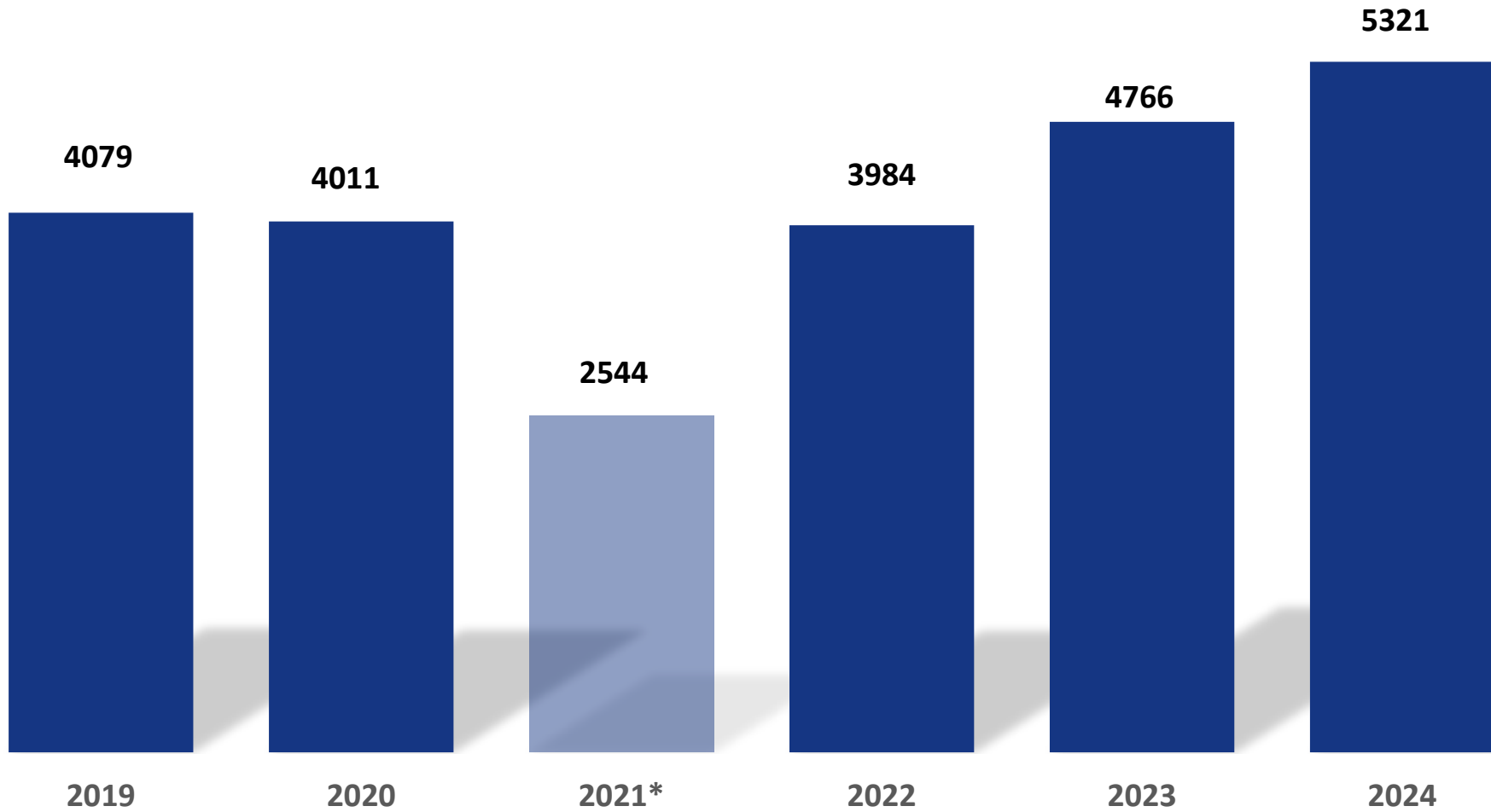
New 87 units construction project by SOCAYR, Inc. located in Shepherdsville, Bullitt County.



The background features a light gray grid pattern. Several squares are highlighted in various colors: a pink square in the upper left, a light blue square in the upper center, a light purple square in the upper right, a light yellow square in the middle right, a light orange square in the lower left, and a light green square in the lower right. The main title is centered over this grid.

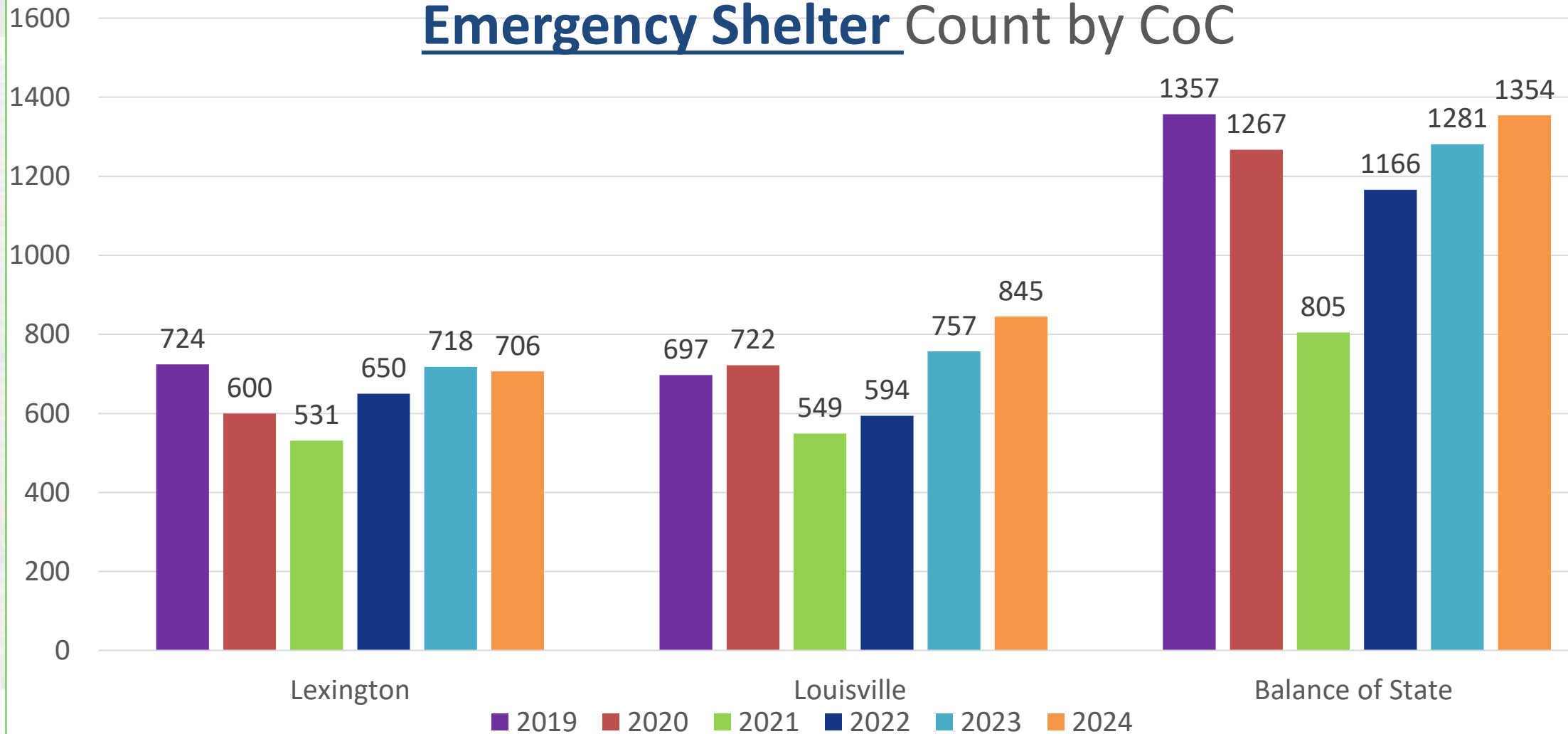
Trends in KY Homelessness

2019 -2024 Kentucky Point-in-Time Count Homelessness Kentucky Total



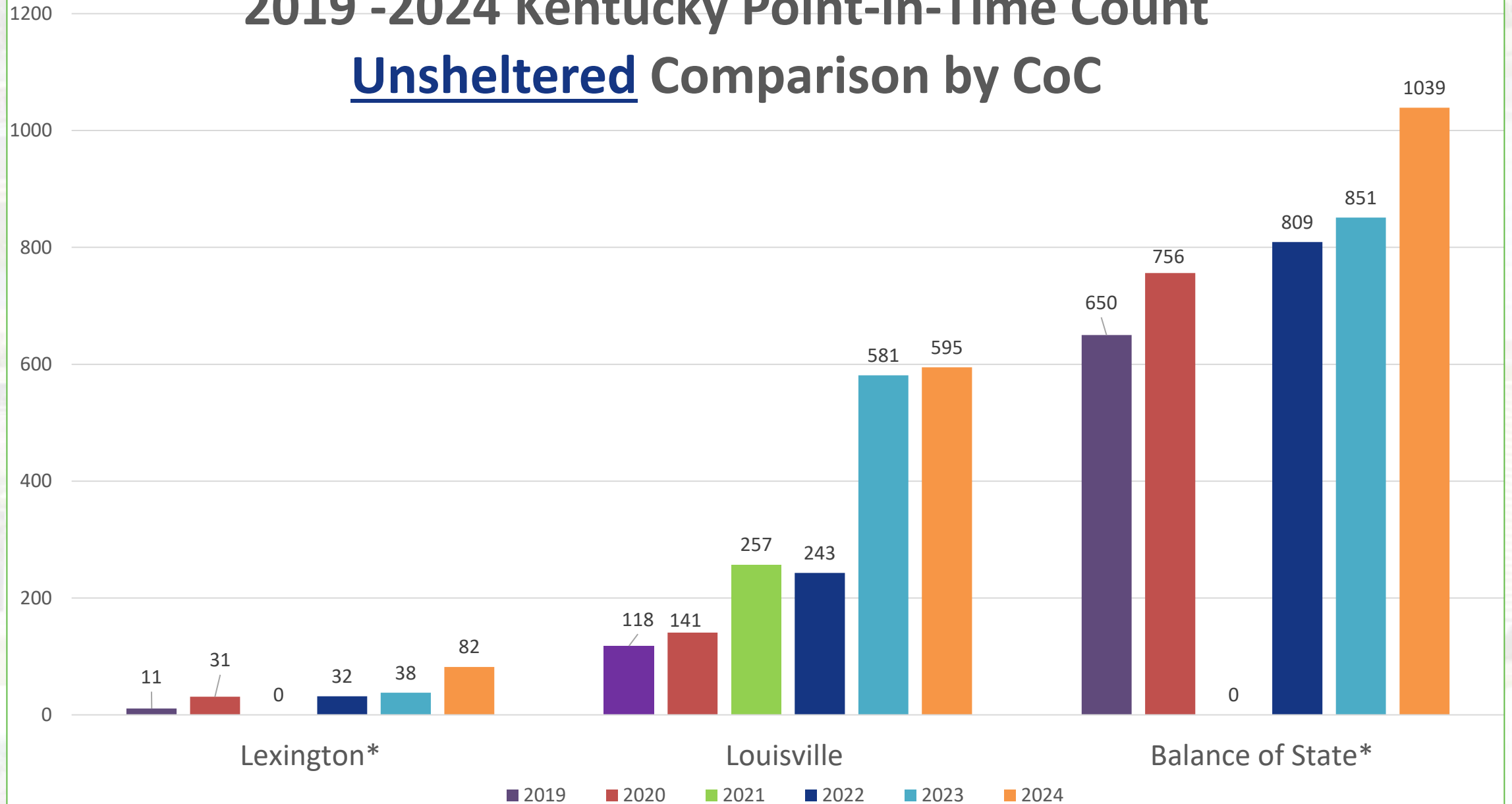
2019 -2024 Kentucky Point-in-Time Count

Emergency Shelter Count by CoC



2019 - 2024 Kentucky Point-in-Time Count

Unsheltered Comparison by CoC



What Causes Homelessness?

SUPPLY & DEMAND: Musical Chairs Analogy



What Causes Homelessness?

STRUCTURAL CAUSES

Insufficient Supply
Especially Alongside
Economic &
Population Growth!

CONTRIBUTING CAUSES

Substance Use Disorders
Mental Illness
Eviction
Job Loss
Divorce/Domestic Split



Area Median Income (AMI)

THE HOUSING CONTINUUM

Movement Along the Continuum = Adequate Supply of Affordable Housing Stock

Housing Stability | Supportive Services | Completed Education | Access to Affordable Health Care | Job Opportunities | Build Savings | Build Equity

Eviction | Addiction | Natural Disasters | Health Issues | Loss of Partner | Loss of Job | Lack of Savings | Excessive Debt | Downsizing

Key Takeaways

1. Homelessness is caused by structural factors.
2. Individual factors increase the risk of homelessness but are not the driving causes.
3. Rapid economic growth without commensurate housing construction lead to escalating housing costs, housing instability, housing mismatch, and homelessness.
4. **Additional housing supply ALL ALONG the continuum benefits many household types in a community.**

Kentucky Housing Supply Gap Analysis



Why Did KHC Commission a Housing Supply Gap Analysis?

KHC's own programs are having a hard time serving low- & moderate-income Kentuckians because the Commonwealth doesn't have enough housing:

- Moderate-income homebuyers can't find affordable homes.
- Very low-income tenants with rent assistance can't find reasonably price apartments that will accept a voucher.
- Kentuckians are experiencing homelessness for the first time at higher rates, and unsheltered homelessness is increasing.
- Middle, moderate, and low-income households are competing for the same units.

Why Did KHC Commission a Housing Supply Gap Analysis?

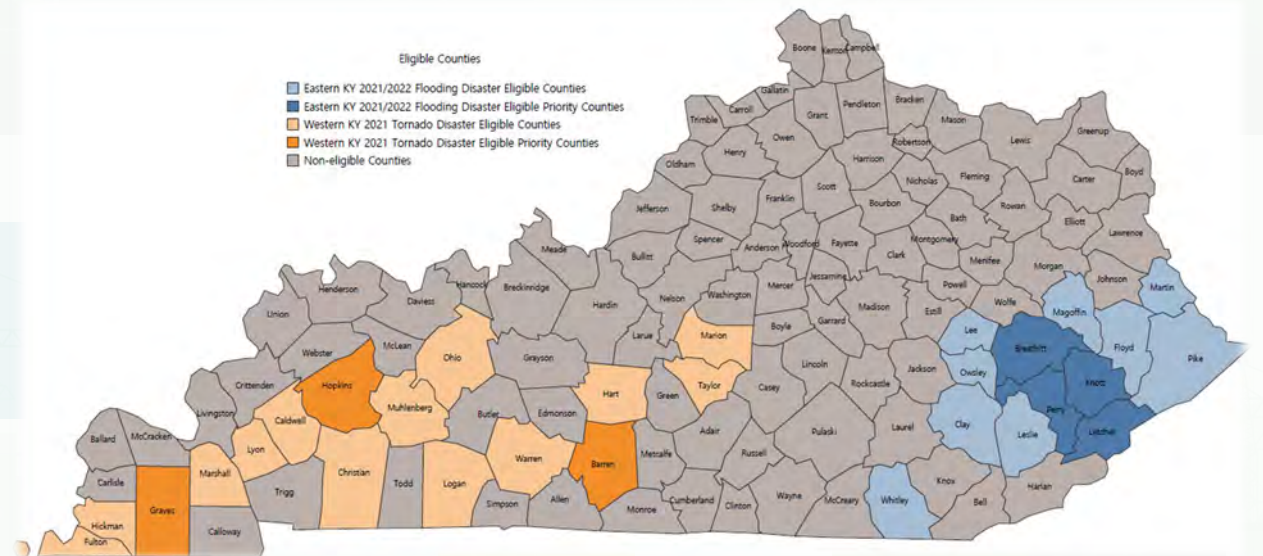
KHC has heard from leaders and partners across Kentucky that they need more housing for middle, moderate & low-income households.

- KY League of Cities
- Homebuilders Association of KY
- KY Economic Development Cabinet
- I-71 Economic Development Alliance
- EKY Leadership Foundation
- DLG Local Issues Conference
- Maysville Rotary Club
- Woodford County Economic Dev.
- Johnson County
- Burkesville Housing Authority
- Northern KY ADD
- Lincoln Trail ADD

The Supply Gap: **Factors at Play**

Factors at Play for Kentucky **Natural Disasters**

- December 2021 tornadoes in WKY destroyed or majorly damaged roughly 2,600 units.
- July 2022 flooding in EKY destroyed or majorly damaged 2,300 units.



KY Property Owners Face Escalating Insurance Costs

[How is Climate Change Impacting Homeowners Insurance in Your State?](#)
[The New York Times \(nytimes.com\)](#)

Profitability of homeowners insurance in **Kentucky**



Source: AM Best Ratio of revenue to costs for homeowners insurance statewide.

Factors at Play for Kentucky **Economic Growth**

- Kentucky has experienced record numbers of new job announcements over the past 3 years.
- New housing supply is needed to support economic growth.
- Without more housing, Kentuckians with the fewer resources will risk housing instability and homelessness.

Factors at Play for Kentucky

Local Resistance

- Local resistance to higher-density and affordable developments.
- Resistance takes the form of exclusionary zoning, NIMBYism, disallowing manufactured housing construction, and so on.

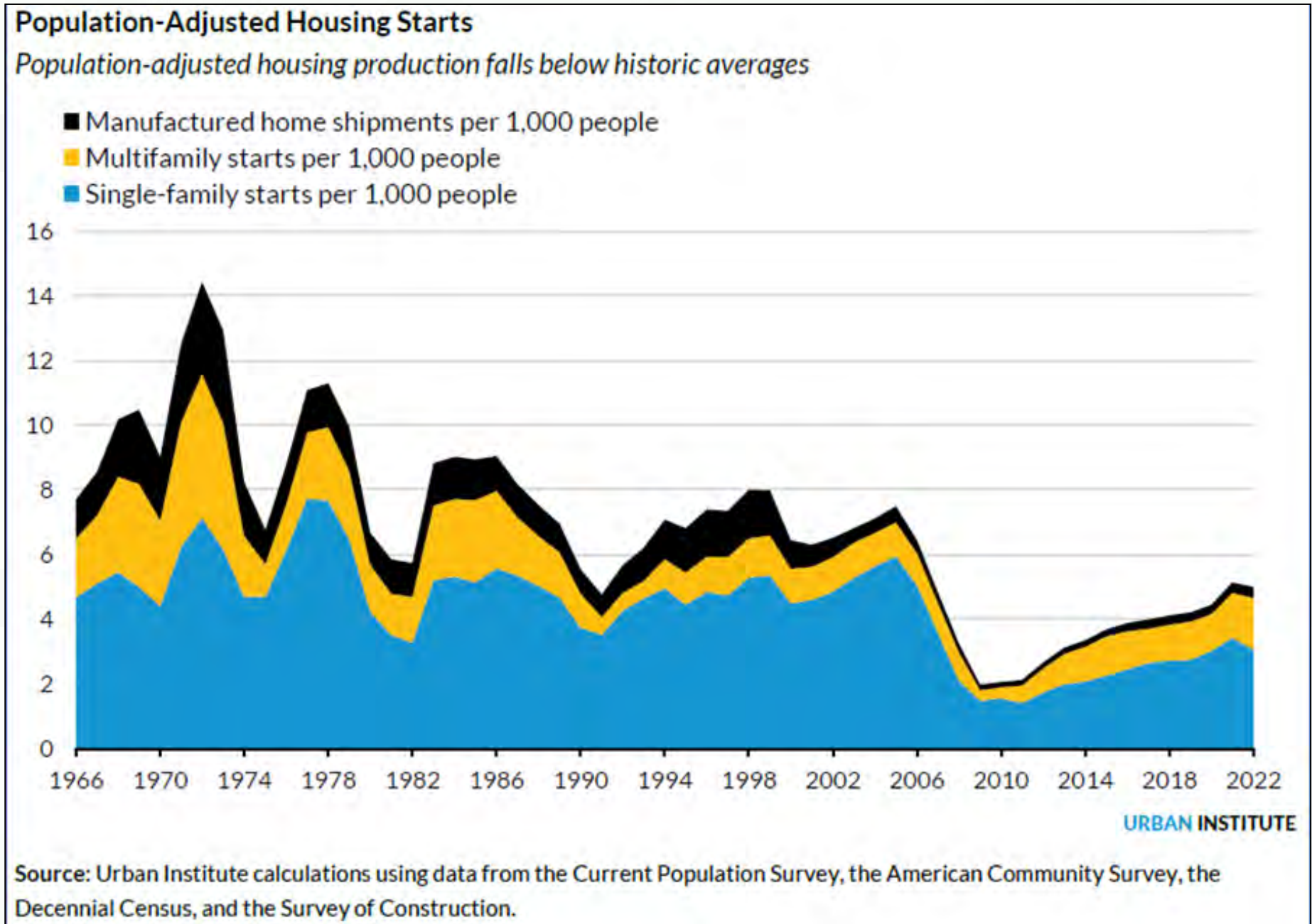


Factors at Play for Kentucky

Lost Builder Capacity

- Lost builders and contractors after the 2008 Housing Crisis/Great Recession.
- Capacity has not rebounded.
- Hard for smaller builders to get access to lending, credit, land, etc.

Low Housing Starts Since 2008



The Construction Workforce Has Not Rebounded

Significantly Smaller than During the Mid-2000s Housing Boom



Source: JCHS tabulations of US Census Bureau, American Community Survey.

Missing Middle Housing

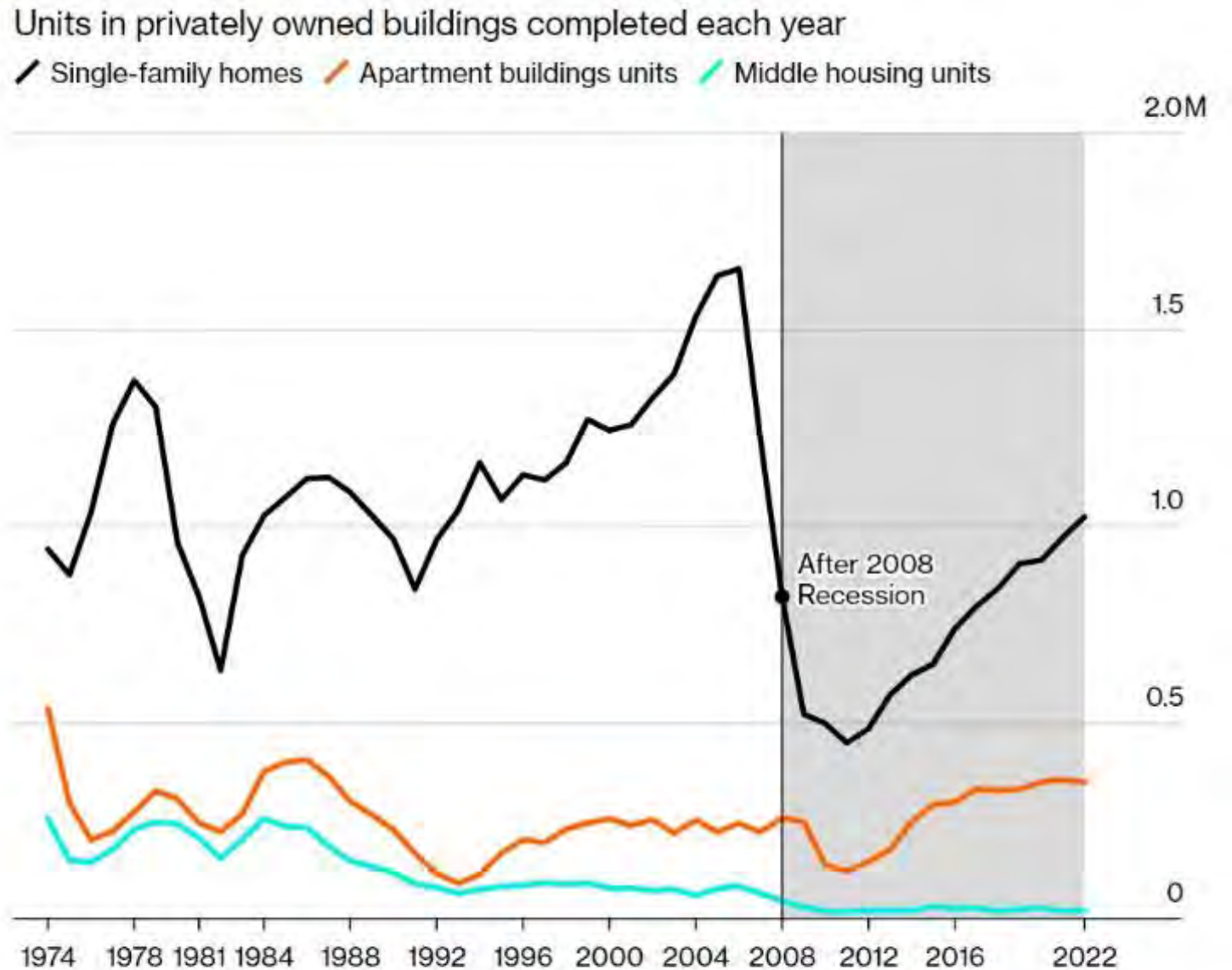
A lower-impact way to increase density.



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Middle Housing Construction Never Recovered After the 2008 Recession

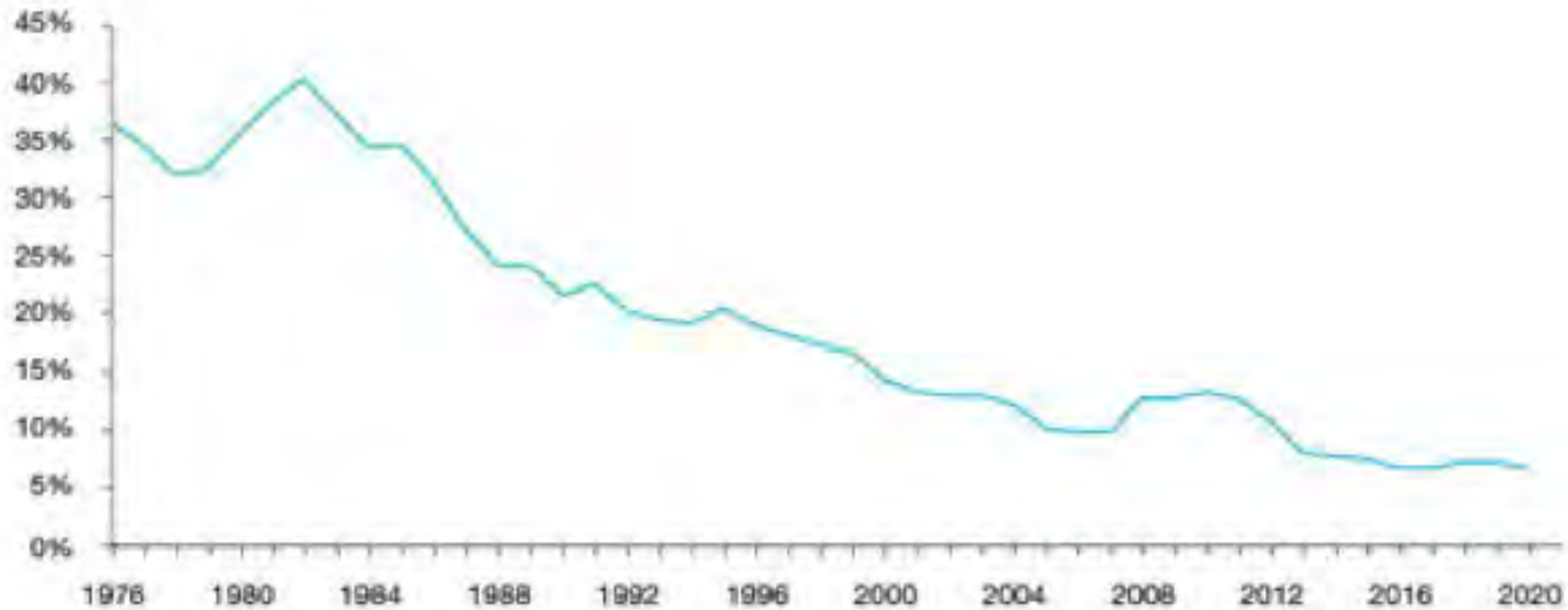


Source: US Census Bureau

Note: Middle housing units are those in buildings with two to nine units. Apartment building units are those in buildings with 10 or more units.

Construction of Smaller Homes

Percentage of New Homes
with Less than 1,400 Square Feet



Source: U.S. Census Bureau.

Factors at Play for Kentucky

High Interest Rates

- Diminishes homebuyers' purchase power.
- Keeps homes off the market.
- Limits homebuilders from obtaining credit.
- Creates new funding gaps in affordable housing apartment development projects.

Factors at Play for Kentucky

Slow Delivery of Units to Market

- Builders must navigate land acquisition, zoning, approvals, site development costs, etc.
- Most housing units across KY are still stick built.
- Need build-ready sites.
- Need increased advancement in construction technology such as modular, panelized, and manufactured homes.

Factors at Play for Kentucky

Stagnant Funding Landscape

Federal funding to develop affordable housing has remained relatively flat

HUD CPD Formula Allocations

Program	Grantee	FFY21	FFY22	FFY23	FFY24	23-'24 Change	
HOME	KHC	\$13,949,142	\$15,558,209	\$15,095,567	\$12,035,322	-\$3,060,245	-20.3%
ESG		\$2,595,355	\$2,646,300	\$2,656,768	\$2,669,926	\$13,158	0.5%
HOPWA		\$1,001,179	\$1,244,026	\$1,392,747	\$1,427,884	\$35,137	2.5%
NHTF		\$6,716,410	\$7,560,281	\$3,515,069	\$3,144,833	-\$370,236	-10.5%
CDBG	DLG	\$27,441,044	\$26,625,579	\$26,492,151	\$26,355,588	-\$136,563	-0.5%
Recovery Housing		\$974,776	\$1,044,020	\$1,461,639	\$1,501,532	\$39,893	2.7%
Total		\$52,677,906	\$54,678,415	\$50,613,941	\$47,135,085	-\$3,478,856	-6.9%

Factors at Play for Kentucky

Stagnant Funding Landscape



Few resources to fund develop of:
“Missing Middle” Housing
Middle Income Housing

Kentucky's Supply Gap: **Data & Findings**

Kentucky Housing Supply Gap Analysis

Kentucky is lacking the following housing for its residents:

206,207
New Homes

101,569

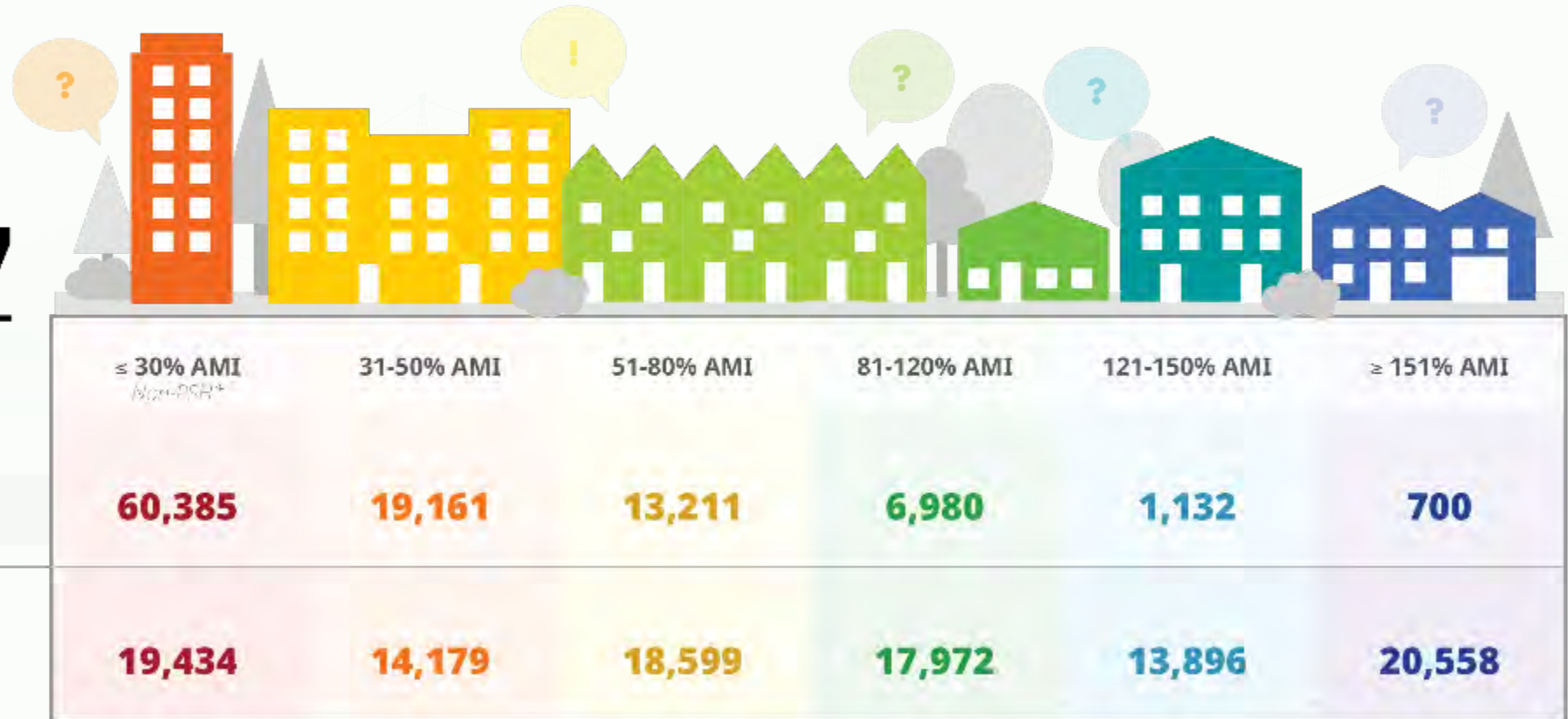


Rental

104,638



For-Sale



Current Housing Needs Broken Down By Area Median Income (AMI) Groups

** Permanent Supportive Housing (PSH) - Housing that offers supportive services and typically includes project-based rental subsidies.*

A few data notes

- Phase 1: Current supply gap (released April 16)
- Phase 2: 5-year gap projection (August 21)
- Don't be misguided by overall vacancy data!

It include units NOT available to rent/buy because they are:

- In such poor shape they are uninhabitable.
- Short-term rentals/vacation rentals.
- Second homes.
- Vacant due to heirship issues.
- Vacant due to an unresolved foreclosure.

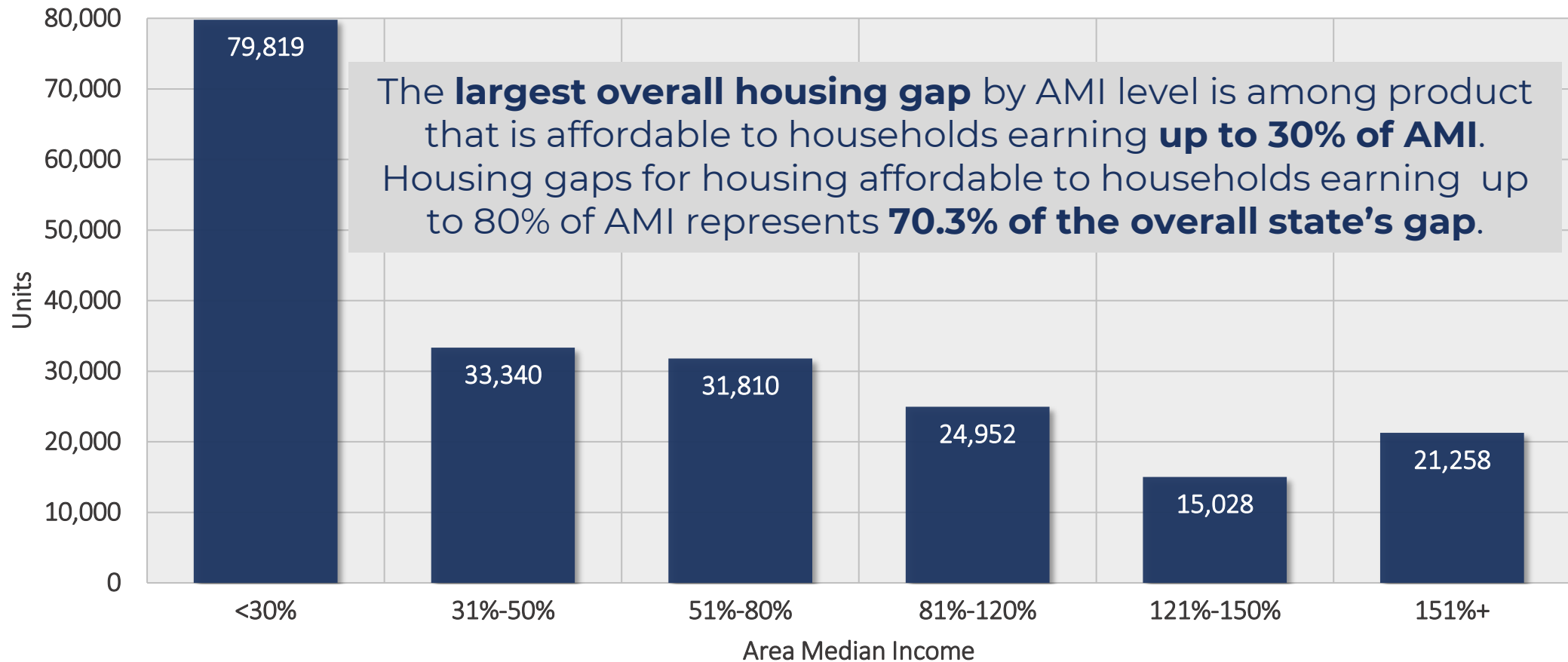
County-by-County Demographic Data Available In the Full Report

1. Population
2. Number of Households
3. Homeownership Rate
4. Rental Tenure Rate
5. Household Income
6. Substandard Housing
7. Severe Housing Cost Burden
8. In-Commuter Population
9. Vacant Available Housing
10. Annual Housing Turnover Rates
11. Homeownership Supply Gap by Income
12. Rental Supply Gap by Income

Overall Housing Gaps by Area Median Income (2024)

Renter and Owner Combined

Kentucky's Overall Housing Gaps by Area Median Income (2024)



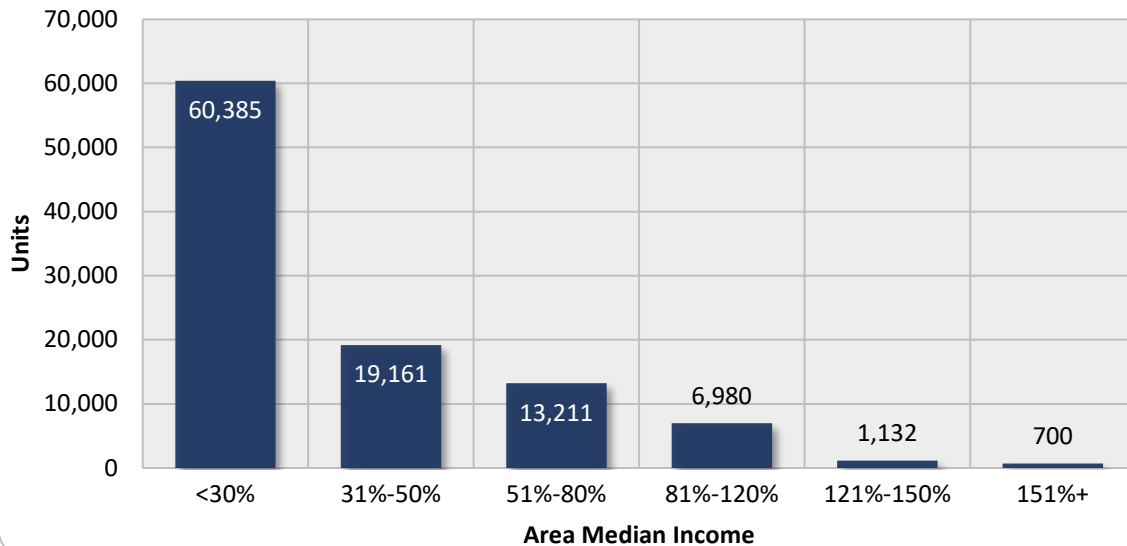
Housing Gap by Area Median Income (2024)

Renter & Owner Combined

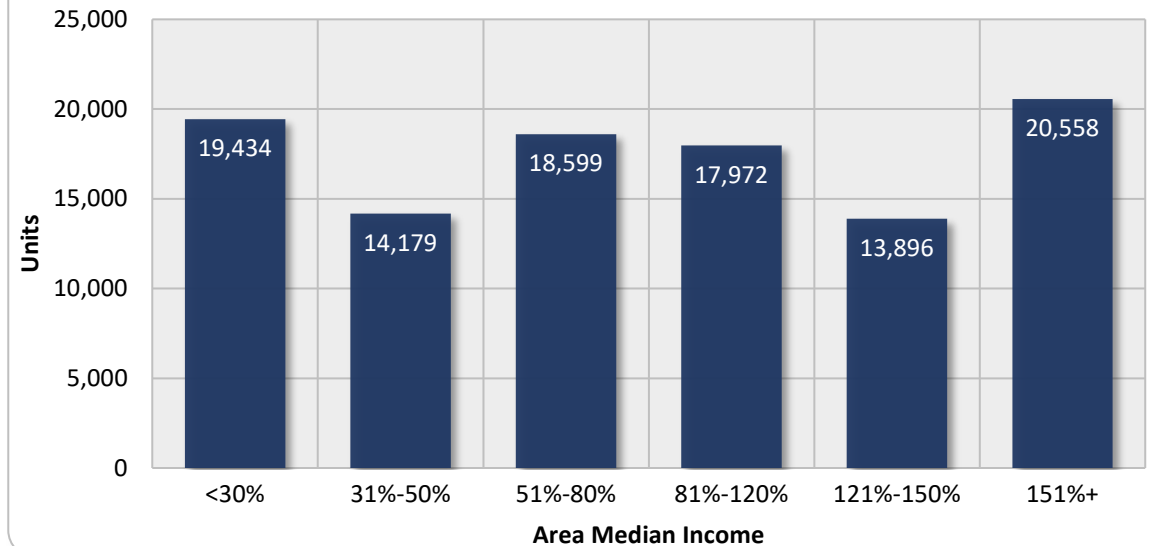
The greatest rental housing gap is for the most affordable product, units affordable to households earning at or below 30% of Area Median Income (AMI).

The for-sale housing gaps are distributed relatively even among the different affordability levels.

Kentucky's Rental Housing Gap by Area Median Income (2024)



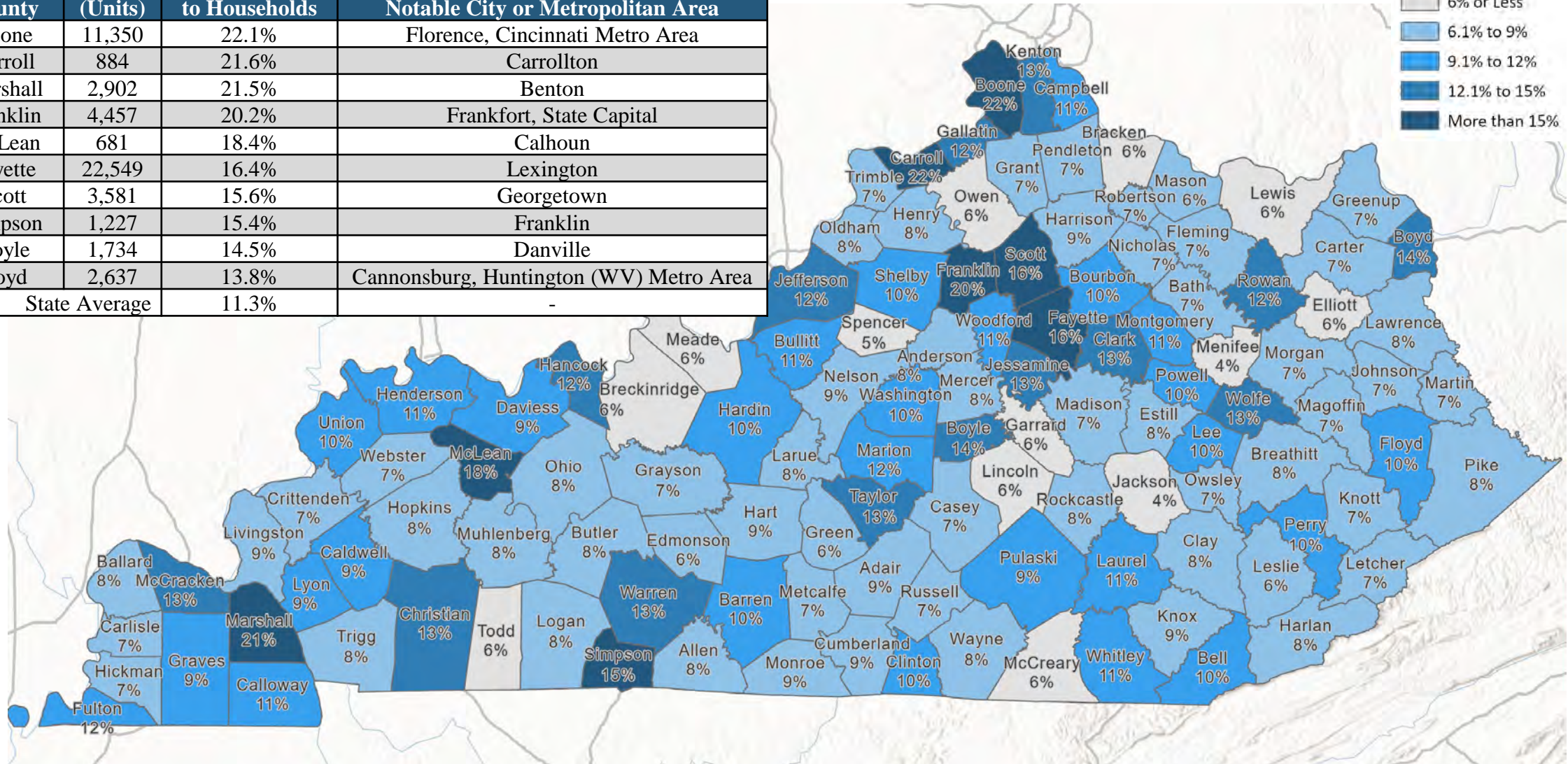
Kentucky's For-Sale Housing Gaps by Area Median Income (2024)



Overall Housing Gaps to Total Household Ratios (2024)

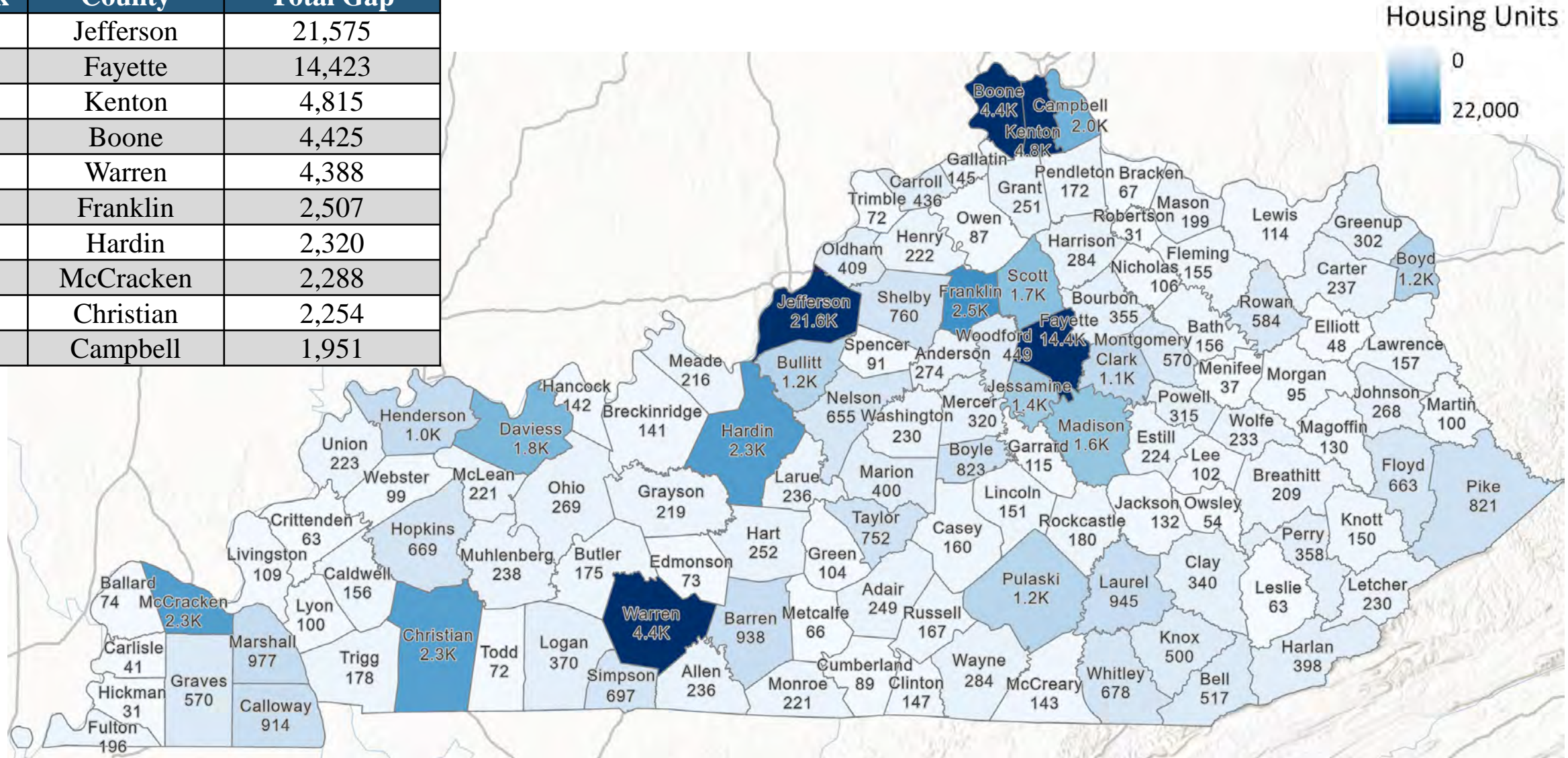
Renter & Owner Combined

Rank	County	Overall Housing Gap		Notable City or Metropolitan Area
		Gap (Units)	Ratio of Gaps to Households	
1	Boone	11,350	22.1%	Florence, Cincinnati Metro Area
2	Carroll	884	21.6%	Carrollton
3	Marshall	2,902	21.5%	Benton
4	Franklin	4,457	20.2%	Frankfort, State Capital
5	McLean	681	18.4%	Calhoun
6	Fayette	22,549	16.4%	Lexington
7	Scott	3,581	15.6%	Georgetown
8	Simpson	1,227	15.4%	Franklin
9	Boyle	1,734	14.5%	Danville
10	Boyd	2,637	13.8%	Cannonsburg, Huntington (WV) Metro Area
State Average			11.3%	-



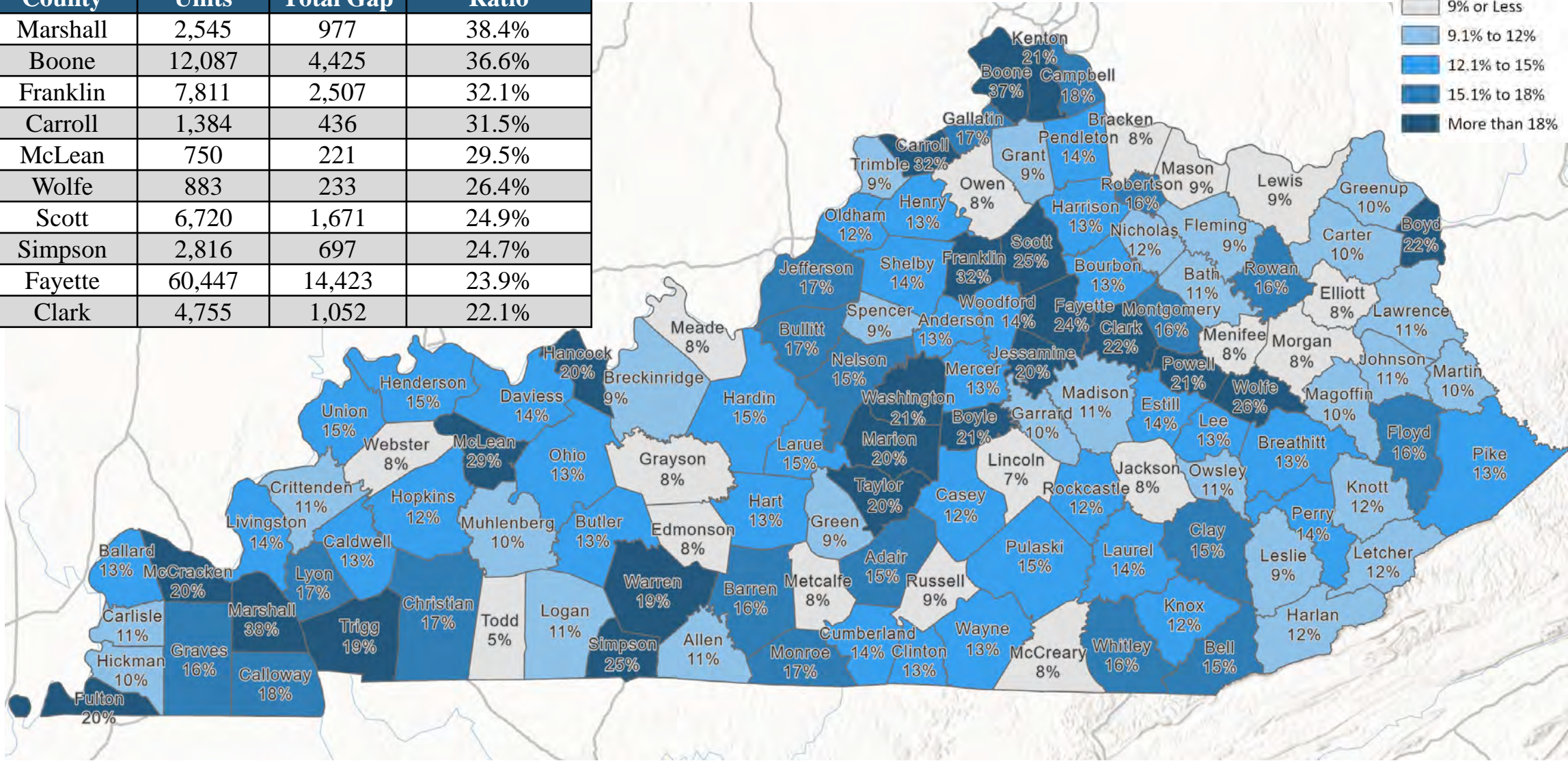
Rental Housing Gaps (Number of Units) by County (2024)

Rank	County	Total Gap
1	Jefferson	21,575
2	Fayette	14,423
3	Kenton	4,815
4	Boone	4,425
5	Warren	4,388
6	Franklin	2,507
7	Hardin	2,320
8	McCracken	2,288
9	Christian	2,254
10	Campbell	1,951



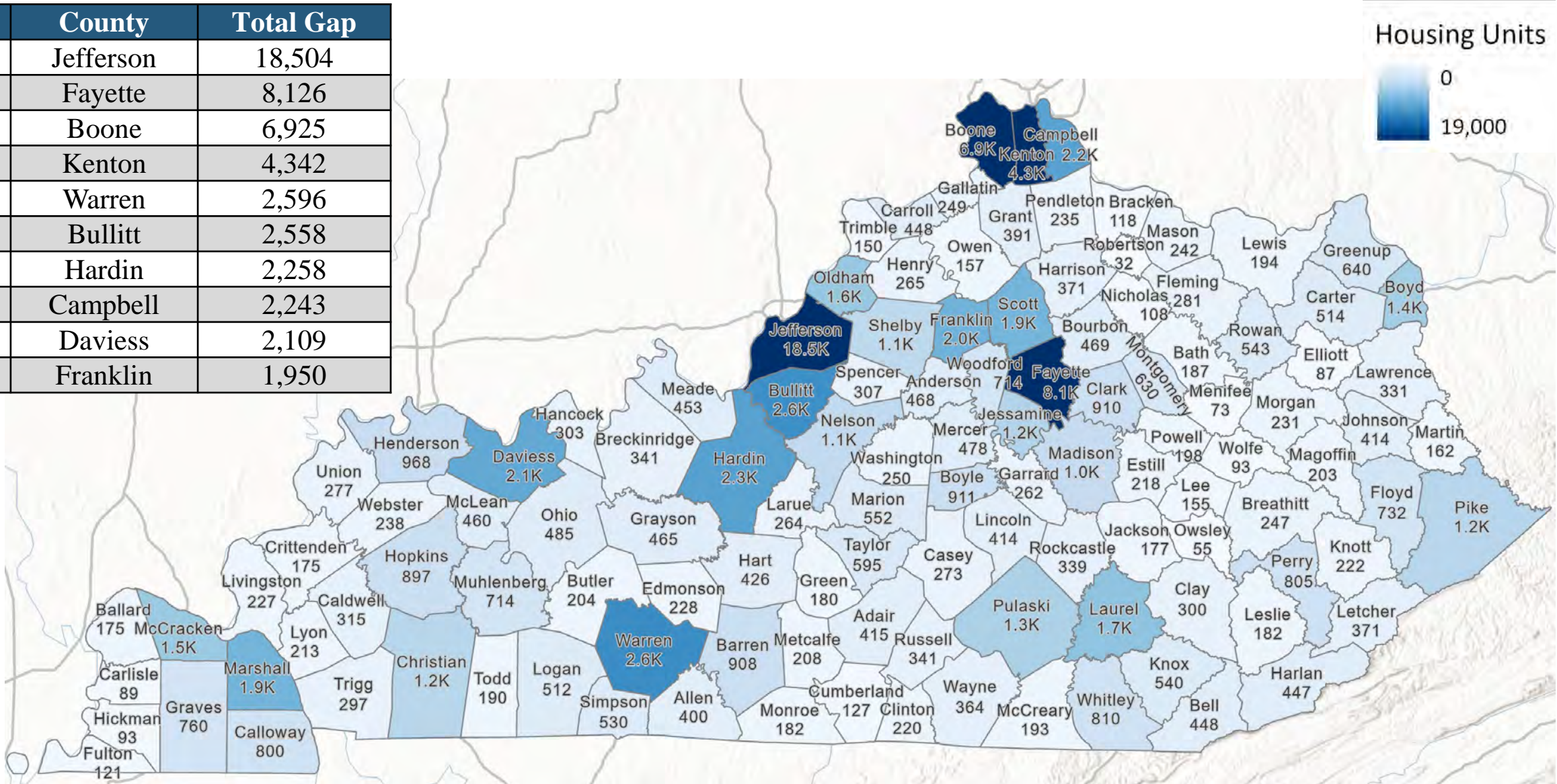
Rental Housing Gaps to Renter Households Ratio (2024)

Rank	County	Rental Units	Total Gap	Gap to Units Ratio
1	Marshall	2,545	977	38.4%
2	Boone	12,087	4,425	36.6%
3	Franklin	7,811	2,507	32.1%
4	Carroll	1,384	436	31.5%
5	McLean	750	221	29.5%
6	Wolfe	883	233	26.4%
7	Scott	6,720	1,671	24.9%
8	Simpson	2,816	697	24.7%
9	Fayette	60,447	14,423	23.9%
10	Clark	4,755	1,052	22.1%



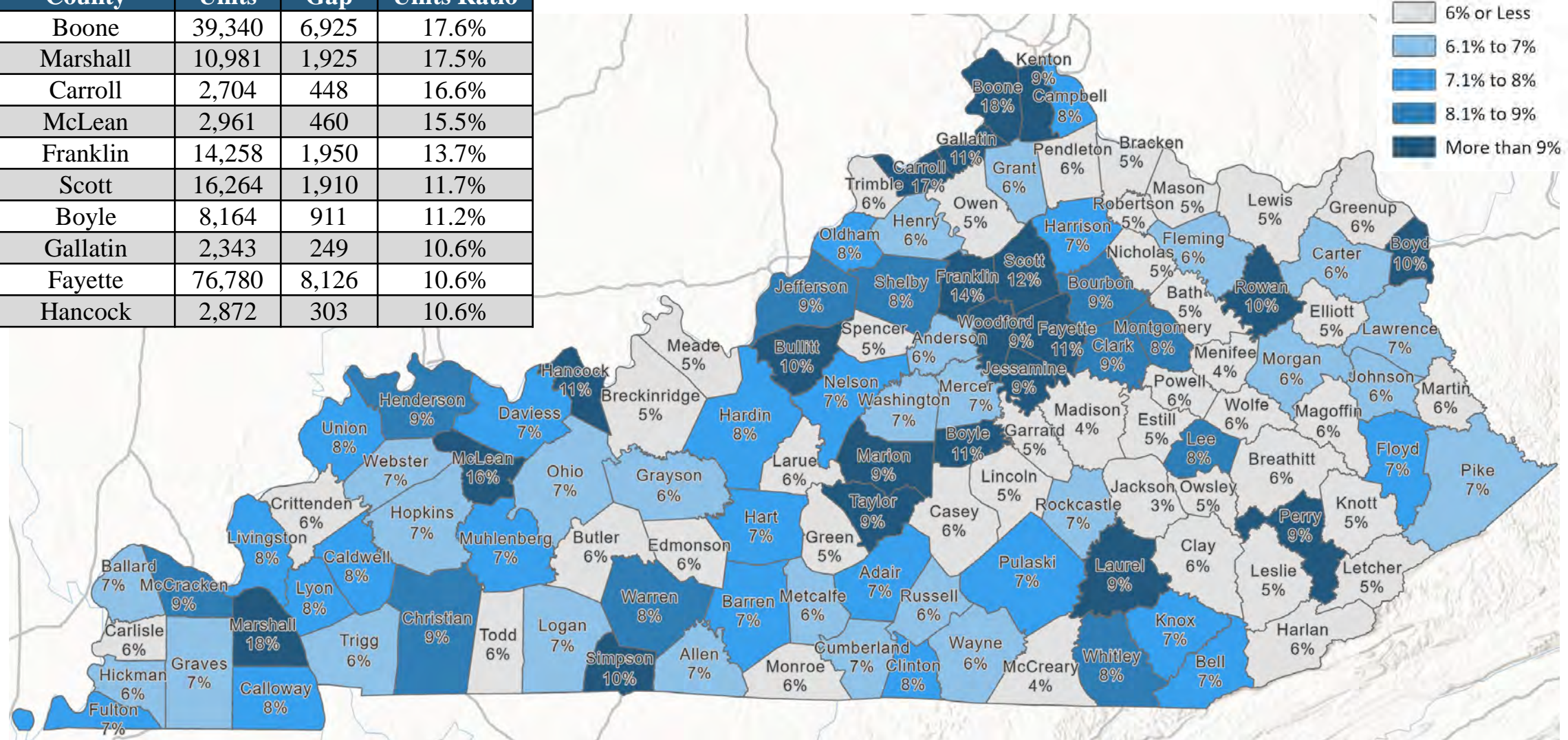
For-Sale Housing Gaps (Number of Units) by County (2024)

Rank	County	Total Gap
1	Jefferson	18,504
2	Fayette	8,126
3	Boone	6,925
4	Kenton	4,342
5	Warren	2,596
6	Bullitt	2,558
7	Hardin	2,258
8	Campbell	2,243
9	Daviess	2,109
10	Franklin	1,950

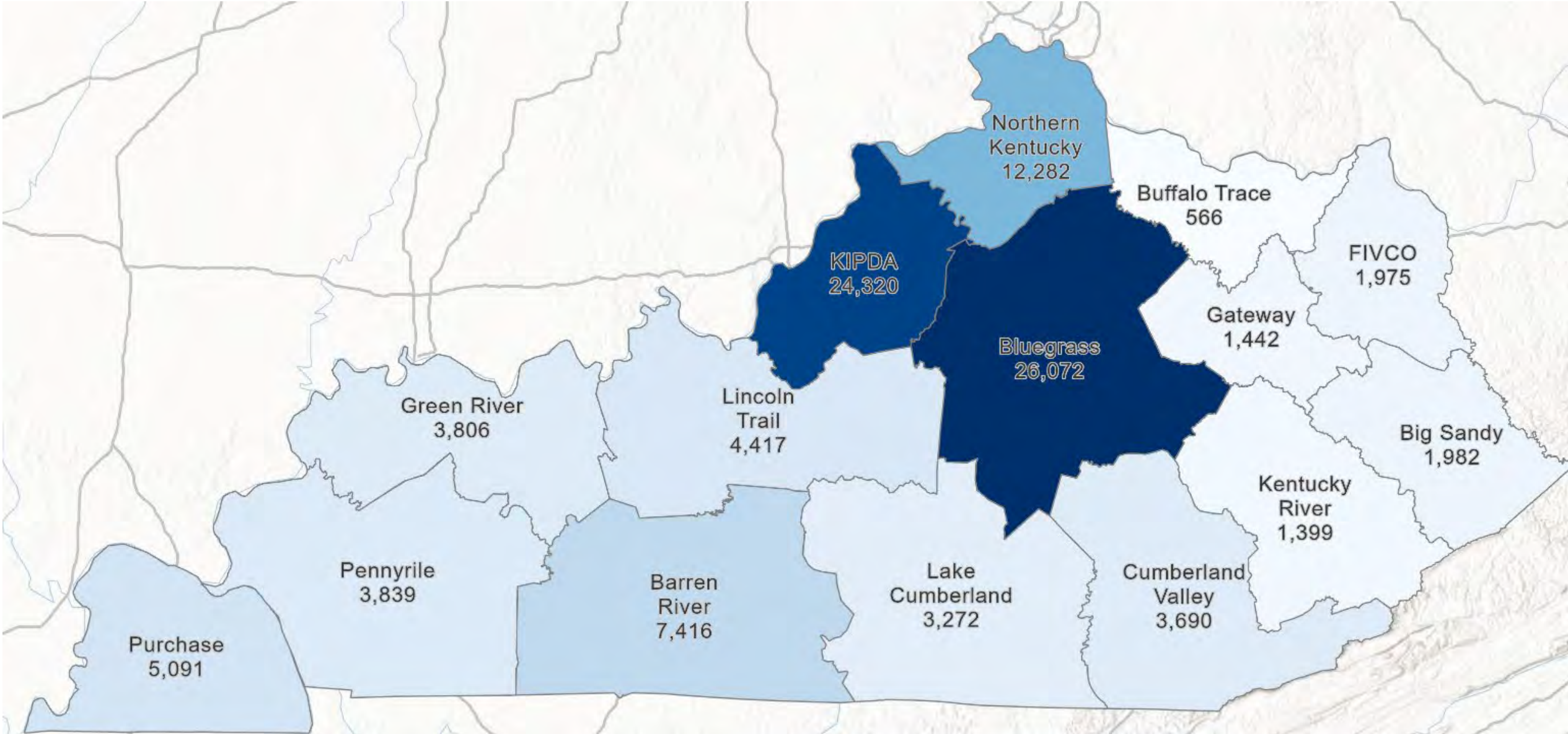


For-Sale Housing Gap to Owner Households Ratio (2024)

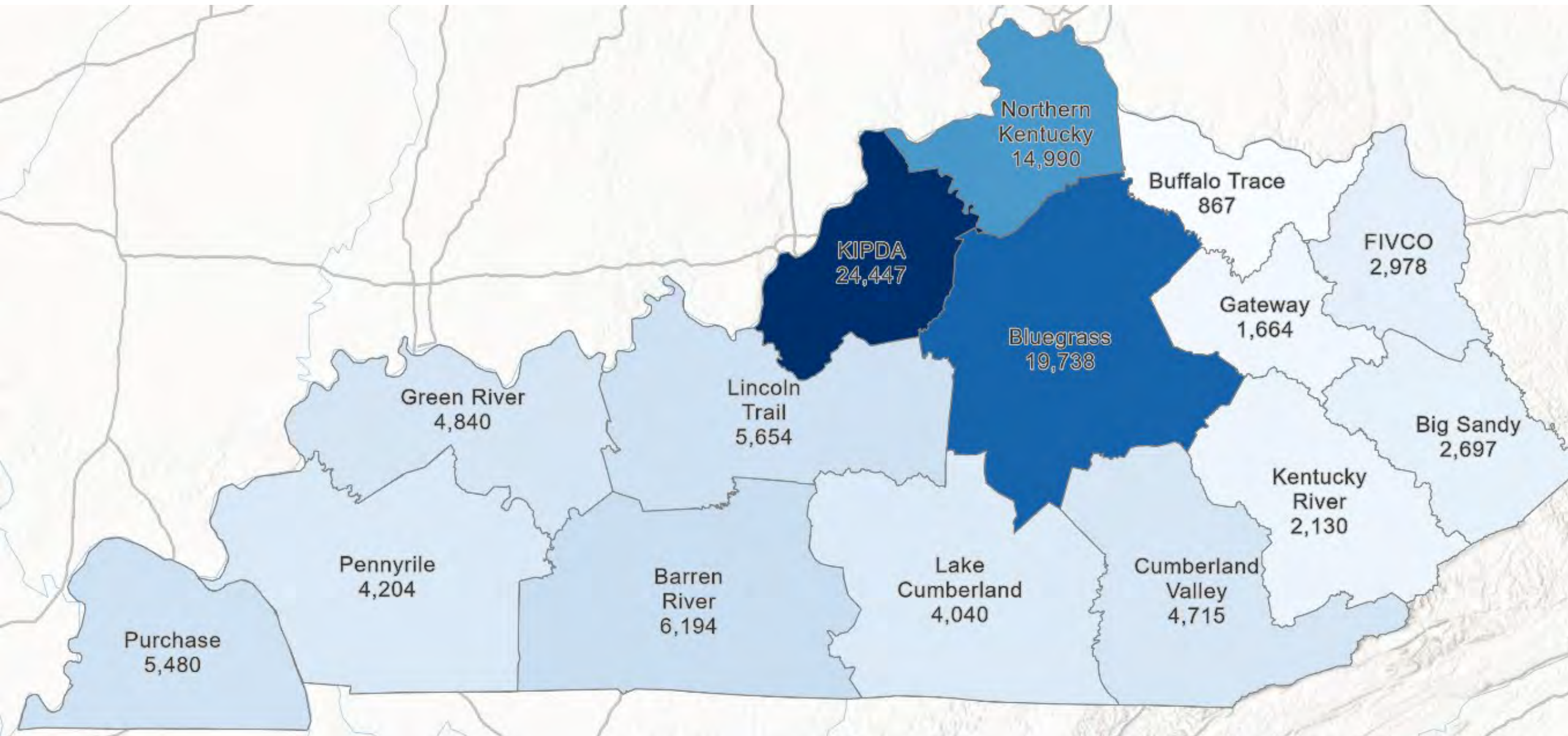
Rank	County	Owner Units	Total Gap	Gap to Units Ratio
1	Boone	39,340	6,925	17.6%
2	Marshall	10,981	1,925	17.5%
3	Carroll	2,704	448	16.6%
4	McLean	2,961	460	15.5%
5	Franklin	14,258	1,950	13.7%
6	Scott	16,264	1,910	11.7%
7	Boyle	8,164	911	11.2%
8	Gallatin	2,343	249	10.6%
9	Fayette	76,780	8,126	10.6%
10	Hancock	2,872	303	10.6%



Rental Housing Gap by Area Development District (2024)



For-Sale Housing Gap by Area Development District (2024)



Framing the Issue

**THE HOUSING SUPPLY SHORTAGE
IS KENTUCKY'S MOST URGENT HOUSING ISSUE.**

**ALL OF KENTUCKY'S
120 COUNTIES
NEED MORE RENTAL &
FOR-SALE HOMES.**

If Kentucky had enough housing units, we'd see:

- Lower average housing costs.
- Higher homeownership rates.
- More workforce housing.
- Lower eviction rates.
- Fewer homeless Kentuckians.
- Increased household stability.

**HOUSING IS KEY TO KENTUCKY'S ECONOMY:
HOMES ARE WHERE JOBS GO TO SLEEP AT NIGHT.**

Avoid distraction by niche or secondary housing issues.

If we're not focused on increasing Kentucky's HOUSING SUPPLY, we're focused on the wrong thing.

Housing is key to economic development

“Homes are where jobs go to
sleep at night.”

kyhousingsupplygap.org

KHC Kentucky Housing Corporation
Investing in quality housing solutions.

Quick Links ▾ Search KHC 's Website

Kentucky Housing Supply Gap

Kentucky is lacking the following housing for its residents:

	< 30% AMI	31-50% AMI	51-80% AMI	81-120% AMI	121-150% AMI	> 151% AMI
206,207 New Homes						
101,569 Rental	60,385	19,161	13,211	6,980	1,132	700
104,638 For-Sale	19,434	14,179	18,599	17,972	13,896	20,558

Income (AMI) Groups

County	KY Area Development District	Total Population (2024)	Total Households (2024)	Total Renter HH (2024)	Total Owner HH (2024)	Overall Housing Gap	Total Rental Gap	Total For-Sale Gap	Ratio of Total Gap to Total HH	<30% AMI Rental
1	County					1330	570	760	9%	324
43	Graves	Purchase	26423	10482	2744	684	219	465	7%	145
44	Grayson	Lincoln Trail	11152	4643	1096	284	104	180	6%	70
45	Green	Lake Cumberland	35340	14315	3027	942	302	640	7%	247
46	Greenup	FIVCO	9187	3588	716	445	142	303	12%	77
47	Hancock	Green River	113288	44237	15705	28531	4578	2320	10%	1247
48	Hardin	Lincoln Trail	25958	10959	3334	7626	845	398	8%	318
49	Harlan	Cumberland Valley	18638	7425	2205	5221	655	284	9%	191
50	Harrison	Bluegrass	19742	7617	1916	5700	678	252	9%	143
51	Hart	Barren River	43957	18125	6920	11205	1977	1009	11%	694
52	Henderson	Green River	15632	6090	1679	4411	487	222	8%	135
53	Henry	KIPDA	4378	1861	318	1543	124	31	7%	10
54	Hickman	Purchase	44764	18474	5519	12955	1566	669	8%	466
55	Hopkins	Pennyrile	18865	7381	1658	5723	309	132	4%	86
56	Jackson	Cumberland Valley	789044	332543	126512	206031	40079	21575	12%	13094
57	Jefferson	KIPDA	54806	20213	7051	13162	2656	1425	13%	679
58	Jessamine	Bluegrass	22430	9154	2400	6754	682	268	7%	203
59	Johnson	Big Sandy	172204	69271	22936	46335	9157	4815	13%	2699
60	Kenton	Northern Kentucky	13757	5618	1263	4355	372	150	7%	99
61	Knott	Kentucky River	29525	11797	4098	7700	1040	500	9%	395
62	Knox	Cumberland Valley	15217	6039	1580	4459	500	236	8%	130
63	Larue	Lincoln Trail	63542	24729	6896	17833	2599	945	11%	665
64	Laurel	Cumberland Valley	16367	6493	1466	5027	488	157	8%	128
65	Lawrence	FIVCO	7310	2695	776	1918	257	102	10%	77
66	Lee	Kentucky River	10056	4076	692	3384	245	63	6%	34
67	Leslie	Kentucky River	20766	8775	1992	6783	601	230	7%	176
68	Letcher	Kentucky River	12800	5149	1291	3858	308	114	6%	72
		Buffalo Trace	24178	9689	2032	7657	565	151	6%	124
					777	2991	336	109	9%	57
							370	512	8%	212
									9%	64

**Available online:
webinar,
report,
raw data
& tools.**



Kentucky Affordable Housing Conference

**Phase II of the Housing Supply Gap Analysis:
A 5-year projection of future supply gaps.**

Released Wednesday, August 21, 2024

Kentucky International Convention Center - Louisville

Thank You.

Wendy K. Smith
Deputy Executive Director
of Housing Programs

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502-605-1336



How KHC is Addressing the Gap

- Focusing development funding on new construction = new supply.
- New partnerships: Economic Development, KLC, ADDs, KY Chamber, local governments.
- WKY 953 units via DLG partnership
- Rural Housing Trust Fund launch
- Switch to hybrid MRB/Secondary Mkt funding & nearly \$600M in loans
- Increased Downpayment loans
- Secured more \$ for Homeless Programs

How other states are addressing the housing supply gap

Ohio Housing Finance Agency Single Family Housing Tax Credit

[Single-Family Housing Tax Credit Program](#)

Established as a public-private partnership in the FY 2024-2025 State Budget bill, provides \$50 million a year in ten-year tax credits, for four years, to incentivize the construction of new single-family homes for Ohio's growing workforce. Brings together local government entities with a project development team (homebuilders, investors, and realtors) to identify the location and scope of construction of single-family homes in a community. The local government entity and the development team apply for tax credits to help finance the construction of the houses.

Georgia Dept. of Community Affairs Rural Workforce Housing Initiative

[Equity Fund - Rural Workforce Housing Initiative](#)

The purpose of the Equity Fund is to provide financial investments that include grants, loans, grant/loan combinations to finance workforce housing on a competitive basis to projects that address:

- Ongoing workforce housing needs, as identified by a recent housing study;
- Difficulty satisfying workforce needs in communities or regions with low unemployment; or
- A community or regional commitment to expand and improve existing housing stock.
- Infrastructure grants are limited to 2,500,000. Construction finance is limited to \$1,000,000.

How other states are addressing the housing supply gap

Michigan Missing Middle Housing Program

<https://www.michigan.gov/mshda/developers/missing-middle>

MMHP is a housing production program designed to address the general lack of attainable housing...by increasing the supply of housing stock to support the growth and economic mobility of employees by providing cost defrayment to developers investing in, constructing, or substantially rehabbing properties targeted to Missing Middle households. MMHP is funded by \$100M in American Rescue Plan Funds. Missing Middle grants are designed to reduce construction costs by funding gaps, The grant amount is limited to the actual labor and material cost of the construction or rehabilitation with a maximum award of \$80,000 per unit for projects of ≤ 12 units and \$70,000 per unit for all other projects.

Montana Growth Policy Resource Book

https://comdev.mt.gov/_shared/CTAP/docs/Growth-Policy-Resource-Book-2020.pdf

Oklahoma Housing Stability Program

<https://www.ohfa.org/housingstability/>

The Oklahoma Housing Stability Program (HSP) provides development loans for the new construction of single-family homes and for single and multifamily rental housing. Their legislature appropriated \$200 million for a variety of purposes.

<https://www.koco.com/article/oklahoma-housing-finance-agency-program-215-million/46554827>

National League of Cities & American Planning Association
Housing Supply Accelerator Playbook



Housing Supply Accelerator Playbook: Solutions, Systems, Partnerships.