

# Lexington's Transformational Housing Affordability Partnership

## Project Overview:

- The lack of available land and high development costs are significant barriers to affordable housing in Lexington.
- Five local banks, five local affordable housing developers, the City of Lexington, Commonwealth of Kentucky, Commerce Lexington, Lexington For Everyone, and the Building Industry Association are working together on a unique public-private partnership.
- For the pilot project, the local banks created a \$3M revolving capital investment loan fund and purchased 12.5 acres of land in Lexington, the former site of Transylvania University's baseball field, for a mixed-use affordable housing development.

## Local Banks Create Revolving Capital Loan Fund:

- The investment loan fund includes \$3M in start-up capital to purchase land and hold it interest-free to reduce barriers to entry for affordable housing developers.
- Bank partners include Central Bank, Traditional Bank, Republic Bank, Community Trust Bank, and Stockyards.
- The participating affordable housing developers will repay the banks as the property is developed, which then will allow the banks to invest the funds in additional affordable housing projects.
- The land will be deed restricted to serve residents earning less than 80% of the area median income through both rental and homeownership opportunities. This allows the banking participants to qualify for Community Reinvestment Act credit.

## What Are The Solutions?

- Create Kentucky low-income housing tax credit (LIHTC) program to increase access to housing capital for developers.
- Increase state investment in the Kentucky Affordable Housing Trust Fund and Rural Housing Trust Fund.
- Expand access to state housing funds for workforce housing projects (80% or less of Area Median Income).



## Unique Affordable Housing Developer Partnership:

Collaborating Lexington-based affordable housing developers include the Urban League of Lexington, AU Associates, Winterwood, Lexington Habitat for Humanity, and the Lexington Housing Authority. The partners are working with EHI Consultants on a master plan. The plan is to build a combination of housing types, including homeownership opportunities (50 units) and rental (150 units) for families in the 30% to 80% area median income.

## Financing Plan:

Developers estimate \$53M in total site development costs for 200 units, including infrastructure needs, land cost repayment, and construction. The estimated cost of construction per unit for the project is \$250,000-\$300,000. The goal is to reduce the cost of development through private, federal, state, and local funding to ensure access to affordable rental and homeownership opportunities. The financing plan includes:

- \$24M in private investment through equity and debt leveraged by housing tax credits and Tax-Exempt Private Activity Bonds allocated by the Kentucky Housing Corporation.
- \$9M in mortgages and private donations.
- \$5M in investment from the City of Lexington using a combination of federal and local funding.
- \$5M in additional federal funding/grants through Kentucky Housing Corporation.
- \$10M in state funding for infrastructure to ensure immediate site development.

## Next Steps:

Rezoning with the city by the end of 2024. The groundbreaking for the first rental project is expected in June/July 2025.