

SB 129 – Urban Infill for Jefferson County

Presentation to Housing Task Force

Adams, Hodgson, Nemes

Current Challenges

- **Metro Louisville** has a hollowed out urban core – depopulation accelerated rapidly since 2020. Not a sustainable path.
 - Most folks downtown are tourists, convention goers – very few residents or businesspeople out buying lunch, etc.
 - Most of the resident departure is due to crime problems that went off the charts in 2020, and are somewhat improved how
- **Suburban development has exploded**, but with virtually no infrastructure improvements – 2 lane roads are gridlocked
 - Home prices have skyrocketed, un-affordable for average families. Development industry is only offering "McMansions" and High-Density Apartments – neither of which are the 1st choice for average families
 - Police/Fire/EMS coverage is thin, and double-paid by taxpayers
 - There are few walkable areas, public parks and other amenities
 - "Catching up" road infrastructure is over a decade away – the "urban sprawl" model is destructive and unsustainable and will drive people out of the County.

Opportunities:

- Mayor Greenberg says there is ample infrastructure for 200,000 more residents inside the Watterson – sewer, sidewalks, wide streets, amenities, Transportation, Police/Fire/EMS coverage, etc.
- There are areas inside the Watterson that have potential for "brownfield development" - low value properties that could be scraped clean and made available for **ownership opportunities**: homes, townhouses, condos, which would improve the tax base
- There are buildings in the downtown area that could be re-purposed for residential use, like the Starks Building and others. SB129 provides incentives if such a conversion is over 50% residential

Challenges

- "Brownfield" sites may require government subsidy for remediation, to make the cost per homesite equivalent to suburban "greenfield" development -
 - However, the increased tax value of the new homes could offset taxpayer investment over time
- There may be local resistance to upgrading older areas
- Many of the downtown buildings would require \$10s of millions in structural modifications to be converted to residences – likely requiring some government subsidy to make them financially feasible

What do we need for "workforce housing"?

- **Ownership Opportunities** inside the Watterson:
 - 1-2 BR Condos for urban living in the \$120,000 range
 - Could be urban high-rise conversions
 - Ideal for walkable neighborhoods with public transit nearby
 - Could include assisted living communities for elders, etc, near medical complexes
 - 1-3 BR Townhomes/duplexes/quads in the \$150,000 range for singles and couples
 - Can fit 30-40 townhomes on an acre of ground
 - 3-4 BR Single Family homes in the \$250,000 range for young families
 - High end manufactured homes fit this niche nicely
 - **\$250-300K is roughly what can be bought @ 7% mortgage for 30% of AGI of \$67K**

Obstacles to Overcome

- **Developers** report that profit on \$250K homes is \$20K, while a single "McMansion" can have \$200+k Profit in it – so they must build 10 smaller homes for equivalent profit – not financially attractive to developers
- **High Density Apartments** are very profitable for developers, but usually have an "affordable housing" component included to reap government incentives, but they are not truly "affordable" by average families
 - NOT appropriate for the suburbs with gridlocked roads, limited infrastructure and no public transit or amenities
 - May be ideal for brownfield redevelopment inside the Watterson

The Path Forward

- Get developers to the table with Louisville and State leaders to **find development opportunities inside the Watterson** for housing opportunities that normal working families can afford
 - Urban apartments and ownership condos in repurposed buildings
 - New ownership townhouse developments on brownfield sites
 - New single-family tracts on brownfield sites, with potentially R5 density
- Examine incentives to equalize the "ground" cost between urban brownfield and suburban greenfield development – increased real estate values can offset the taxpayer investment over time