



MY LOUISVILLE HOME

A Comprehensive Housing Strategy

For a Connected, Healthy, Authentic, Sustainable, Equitable and Safe City





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EXECUTIVE SUMMARY

Louisville-Jefferson County Metro is a place that attracts families, individuals, and businesses that want to experience its diverse, authentic and connected community. **Safe, affordable, quality housing is the foundation of a thriving, vibrant city and must be present in all neighborhoods, not just in other people’s neighborhoods.**

Plan 2040, Louisville’s Comprehensive Plan, established a vision for the future of Louisville, and the CHASE (Connected, Healthy, Authentic, Sustainable and Equitable) Principles.

My Louisville Home is a comprehensive housing strategy to create and preserve 15,000 units of affordable housing by 2027 – a goal larger than any other city Louisville’s size has ever attempted before. *My Louisville Home* will accomplish its goal by increasing the overall supply of market, workforce, and affordable housing through the implementation of multiple strategies.

My Louisville Home will:

- Revise the Land Development Code to allow more density, remove regulatory barriers, and eliminate other hurdles to expedite housing development;
- Produce new housing options across our entire city, especially for lower income households underserved by the private market;
- Encourage private and public partnerships to address the severe lack of housing in our community; and
- Further Louisville’s health and environmental goals by promoting sustainable building technologies.

By implementing *My Louisville Home*, the city and its partners will serve the housing needs for residents of all ages, abilities, and incomes, both current and future, and establish Louisville as a community of choice – a place where families and individuals can safely live, grow, and thrive! **More housing is needed for Louisville’s economy to grow and for more opportunities to be created for all residents. Without more housing, our city will stagnate, at best.**

To understand the housing needs shaping our future, Louisville Metro, in partnership with the Louisville Affordable Housing Trust Fund (LAHTF), conducted a comprehensive analysis of existing conditions in the 2019 Housing Needs Assessment (2019 HNA). This effort evaluated existing supply and demand, examined factors of housing affordability and quality, assessed existing programs and tools, and engaged key stakeholders and residents through focus groups, public meetings, and surveys to solicit feedback. The 2019 HNA will continue to guide this strategy moving forward.

My Louisville Home is the roadmap to address the 2019 HNA findings and establish Louisville as a community of choice. It outlines our approach to increase LMG’s capacity and target current and future resources to address specific housing needs and market conditions. This plan will guide LMG’s actions over the short- (6 months), medium- (12 months), and long-term (18 months or longer) to leverage increased capacity and build on past efforts.

Implementation requires change, expanded tools, resources, and new partnerships. This plan will require increased coordination and capacity across LMG departments and expanded partnerships to support implementation.

My Louisville Home includes several new or expanded policies, programs, funding, and financing tools:

- 1) Continuing to provide incentives to create and preserve dedicated affordable housing units throughout the community by updating regulations, streamlining policies and processes, and finding a permanent funding source for LAHTF;
- 2) Creating long-term affordable homeownership opportunities through new methods such as a community land trust and shared equity programs;
- 3) Preserving existing affordable housing units by working with developers to bring vacant units back to the market and provide incentives to keep affordable units in the market;
- 4) Generating new capital sources for affordable housing development by using Faircloth-to-RAD and Essential Services Bonds, and leveraging innovative funding tools such as the Energy Project Assessment District (EPAD) and Solar Over Louisville project to achieve environmentally sustainable building technologies in housing projects; and
- 5) Assisting low- and moderate- income (LMI) households with access to capital to increase their ability to afford private-market homes through the continuation of the home repair program, the REVERT program and supporting the Section 8 to Homeownership program.

Two of the most important actions are the full funding and expansion of the Louisville Affordable Housing Trust Fund (LAHTF) and updating the Land Development Code to allow for more density by right. *My Louisville Home* also seeks to maximize existing resources available to meet its proposed goals. For instance, it proposes to increase the use of project-based vouchers through a partnership with the Louisville Metro Housing Authority (LMHA) and to improve housing quality and safety through support of LMHA's Section 8 to Homeownership program.

Other major policy initiatives aim to streamline development and diversify the county's housing supply. Louisville must modernize the Land Development Code (LDC) to allow more density by right to achieve many of its goals by pursuing inclusionary zoning in a targeted way, expanding of the use of accessory dwelling units, and expediting permitting for mixed-income development.

Louisvillians need affordable housing options throughout the entire city, not just in particular areas, and these strategies reflect this need. The city's focus on development must be aligned with its equity goals when engaging developers and contractors. LMG will be intentional when investing and developing so that the economic benefits of this plan are felt by everyone in the community. Several strategies are focused on revitalizing vacant and abandoned properties, concentrations of which negatively impact residents, public safety, property values, and quality of life. We must be intentional with these strategies because concentrations of both vacant and abandoned properties and affordable housing are currently located in the same neighborhoods.

My Louisville Home requires a significant commitment from the Mayor's Administration, Metro Council, public agencies, private sector and non-profit partners. Working together, this plan will provide high-quality and diverse housing options to Louisville residents so we build a Connected, Healthy, Authentic, Sustainable, Equitable and Safe community.

MY LOUISVILLE HOME (PLAN)

Our vision is to create a stronger and vibrant Louisville through increased affordable housing options that are sustainable and accessible in every part of our community. This vision will be achieved with five primary strategies.

Goal

Create and/or preserve 15,000 affordable housing units by increasing the overall supply of market, workforce, and affordable housing.

Strategy

My Louisville Home will substantially increase the number of available and affordable housing options for Louisville residents across all income ranges.

Federal guidelines suggest that households should spend no more than 30% of their income on housing and utility payments. However, more than 40,000 Louisville households spend more than 50% of their income on rent and homeownership costs. As a result, many people do not have enough income remaining to adequately pay for food, healthcare or other basic needs, and some households have chosen to move farther away from employment centers to find more affordable housing options. While this may reduce housing costs, it increases transportation costs and the length of their commute and decreases overall community health.

Although housing is a stabilizing factor for affordable, equitable, and resilient communities, this plan is intended to complement, not replace, other city efforts, such as those focused on public safety, education, or public health. All these issues must be addressed to increase economic mobility and security for our residents and to ensure an equitable city.

Provide incentives to create and preserve affordable housing units throughout the community

- Establish incentives and requirements for affordable housing through amendments to regulations
- Establish incentives for innovative construction methods to create quality affordable housing
- Create affordable housing units through existing federal and local financial subsidy methods for housing development
- Provide financial subsidy for infrastructure in support of affordable housing
- Participate in land acquisition and disposition to reduce affordable housing development project costs

Create long-term affordable homeownership opportunities

- Continue to support the Community Land Trusts to increase the stock of permanently affordable units
- Support Shared Equity Model housing with financial incentives
- Continue to allocate funding for the Solar Over Louisville Program to help low-to-moderate income residents invest in renewable energy sources

Preserve existing affordable housing units

- Provide financial incentives to improve existing affordable housing units through programs such as LMG's Rental Repair Program and Code Alleviation Program
- Implement rights of first refusal for affordable housing developments acquiring land from LMG/Landbank
- Implement a Lien Forgiveness in Exchange for Affordability Program for developers to acquire and renovate dilapidated privately owned single-family units
- Implement targeted code enforcement on sub-par landlord-owned properties

Generate new revenue for affordable housing development

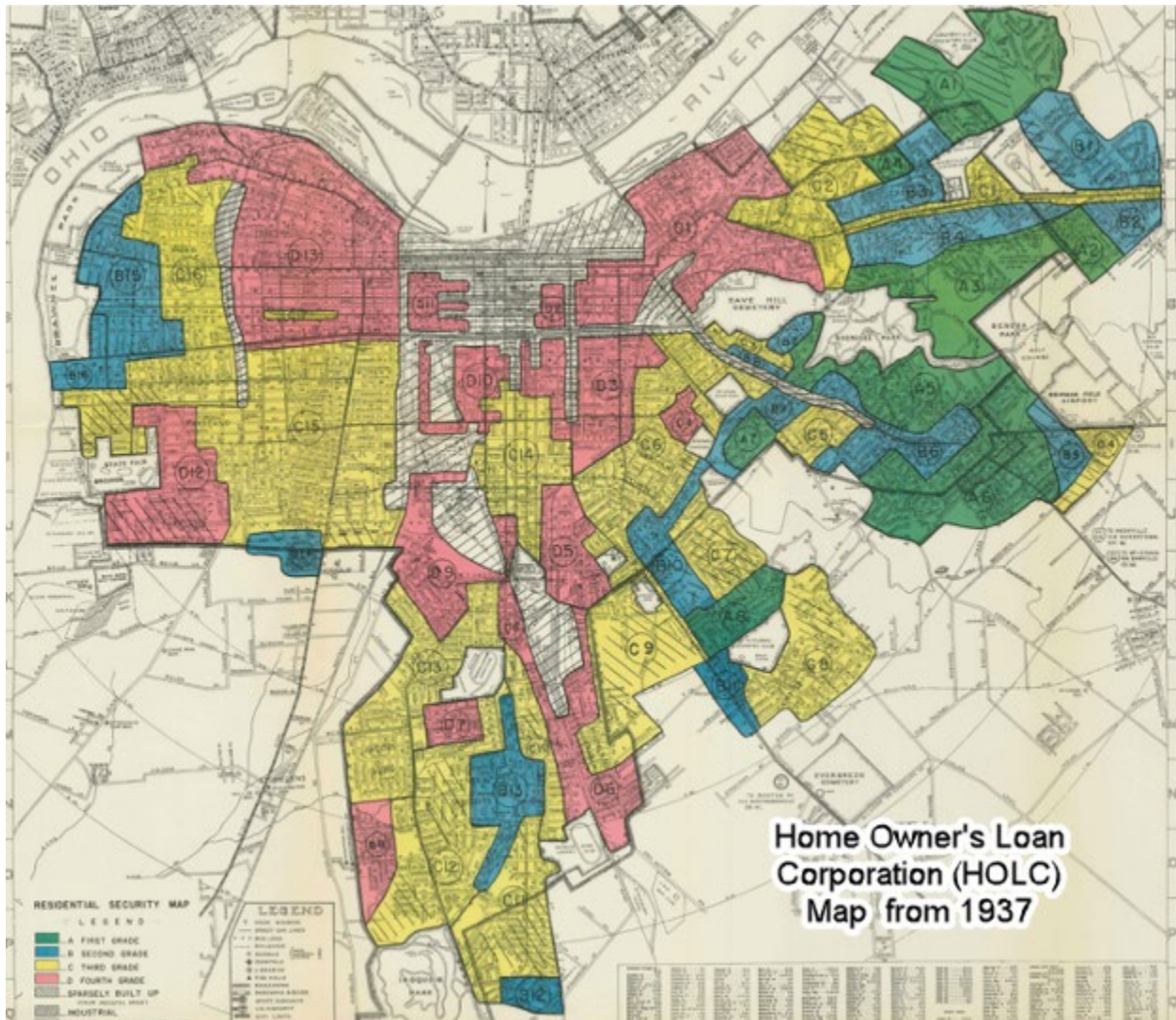
- Implement previously unused innovative financing tools
- Advocate for state affordable housing tax credit
- Support and champion employer-assisted housing programs

Assist Low- to Moderate-Income (LMI) households with access to capital to increase ability to afford private-market homes

- Reduce barriers to homeownership
- Fund the downpayment assistance program at \$3 million a year
- Continue to fund the Home Repair Program

The Housing Gap

To address our housing needs and lack of affordability in Louisville, we must understand the current need and the path that brought us here. Lack of housing is the result of several factors that have been building for years. It is the direct result of redlining, and the effect of continued underinvestment in formerly D-graded areas (shown in pink on the map below). This cycle must be disrupted to eliminate the disparity in neighborhood opportunity that exists today.

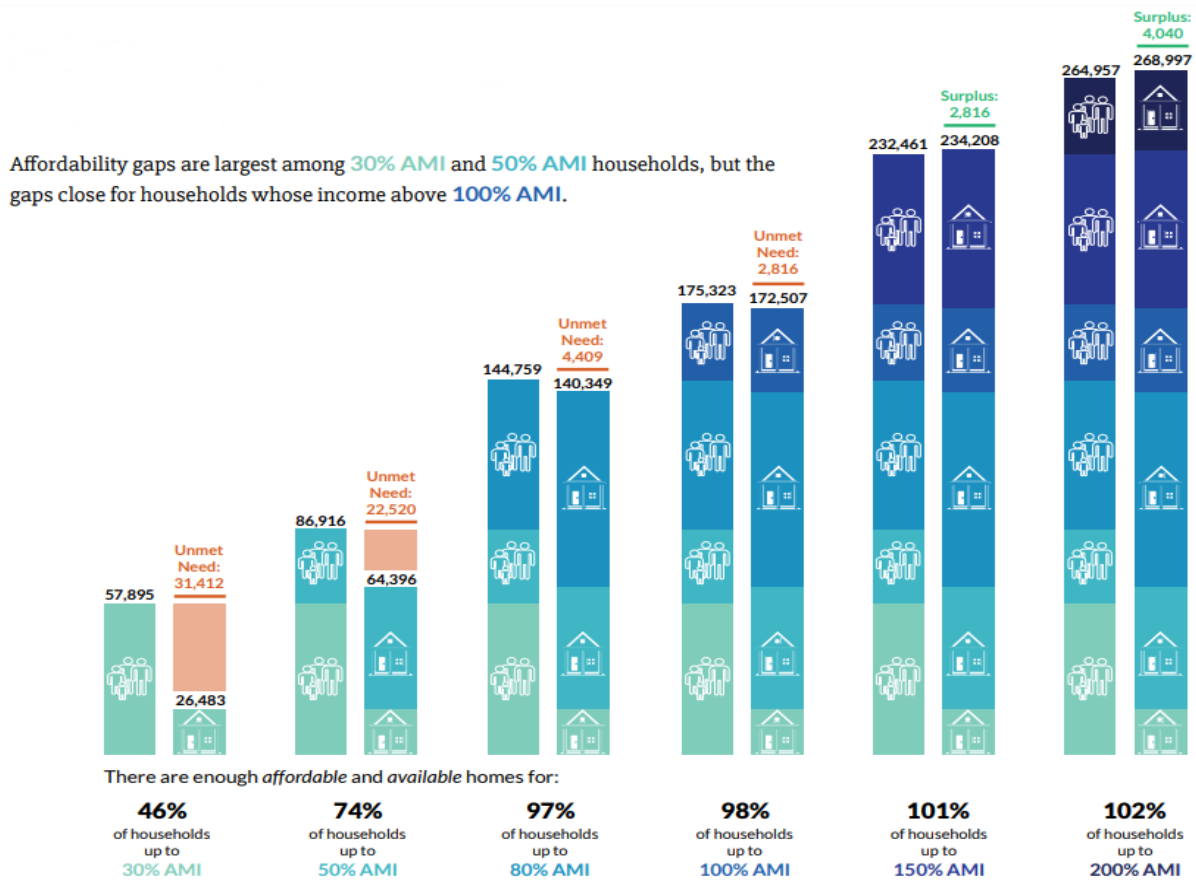


The practice of redlining was not unique to Louisville; communities and families across the U.S. are impacted by its grading system and the effects linger in our city and others to this day. Louisville has made a concerted attempt to dismantle the barriers that were constructed and replace them with areas of opportunity and prosperity.

In 2019, Louisville-Jefferson County Metro Government partnered with the Louisville Affordable Housing Trust Fund (LAHTF) and commissioned the Housing Needs Assessment (HNA) which set out

to diagnose symptoms of these disparate impacts in Louisville neighborhoods and to identify potential strategies to reshape a housing market that works for the benefit of all Louisvillians.

The 2019 HNA identified the need for at least 31,000 units of housing for the lowest income households in Louisville, and an additional 22,500 units for those households earning up to 50% of area median income. This means that approximately 50,000 households in our community need housing that is affordable. Addressing this need will have a cascading effect. Not only will it increase the supply of housing and opportunities available to individuals below 50% of area median income, but it will also create more housing choice for people making between 60% and 100% of area median income.



The cost to develop 31,412 new units of housing affordable for Louisville’s lowest income households is estimated to be over \$5 billion. The cost of not addressing the need is unimaginable in terms of impact to the economic future and safety of our citizens.

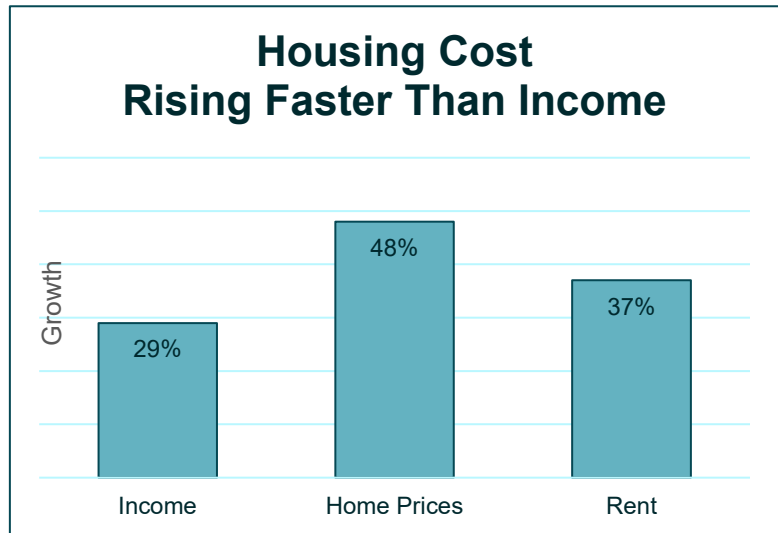
Real wages in Louisville are not keeping up with the cost of living. Sectors with the greatest numbers of employees have actually seen wages stagnate or decline. In total, two thirds of the area’s workforce is employed in a sector in which median annual wages have stagnated or declined since 2010, according to the HNA.

Income Growth Does Not Match Housing Costs Growth

The global pandemic affected many Louisvillians in catastrophic ways, but the most notable is the rapid rise in housing costs the community has seen.

Citing numbers from the 2012-2016 American Community Survey, the HNA reported that the median rent in Louisville was \$770 per month, and the median home price was \$174,000. Median income was \$50,099.

Flash forward to today, and income has lagged behind rising housing costs. Rent in Louisville has risen to \$1,057 a month, a 37% increase, and median home prices jumped 48% to \$242,900. During that same period, median income rose 29% to 64,619 (SOURCE: U.S. Census Bureau, 2022 data).



Area Median Income for Louisville

Area Median Income (AMI) is determined each year by the U.S. Department of Housing and Urban Development (HUD). AMI differs from median household income. Median household income is simply a mathematical median of the incomes of each household in Louisville, while AMI adjusts each household's income based on the number of people who live in the household as well as local housing cost factors. AMI is described as the *median income for a family of four* and is used, among other purposes, to set income restrictions for assisted affordable housing units. In 2023 Louisville's AMI for a family of four is \$89,650.

Figure 4: Income Groups by Income Range

In Louisville, almost 58,000 families are considered to be in poverty. Low-wage jobs, employment volatility, and narrow work opportunities exacerbate the likelihood that a family's income will not exceed the Federal Poverty Level, which is \$30,000 in 2023.

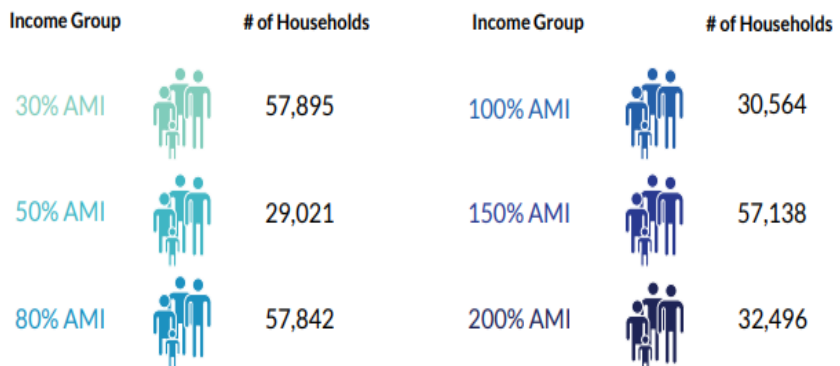


Figure 5: Households by Income Group

Source: Public Use Microdata Sample (PUMS) data based on 2012-2016 American Community Survey estimates

Cost Burden Analysis

Households paying more than 30% of their income in housing expenses each month are defined as cost burdened, while those paying more than 50% are considered severely cost burdened. Cost burdened households may have more trouble paying for other basic necessities like food, transportation, and childcare. In 2018, 29% of households in Louisville were considered to be cost burdened and 13% were considered severely cost burdened.

Income, rents, homeownership rates, evictions, race/ethnicity, and other demographic and housing characteristics vary greatly across our community, with significant differences between neighborhoods in the east and west. Data have shown that rates of cost burden are highest where incomes are lowest. In Louisville, cost burden is especially common throughout the west and south of Louisville and particularly in the majority of single female headed households. In some neighborhoods in the west end of Louisville, more than 50% of households were paying 30% or more of their income on housing costs, while less than 25% of renting households were housing cost burdened in the east.

Cost Burden

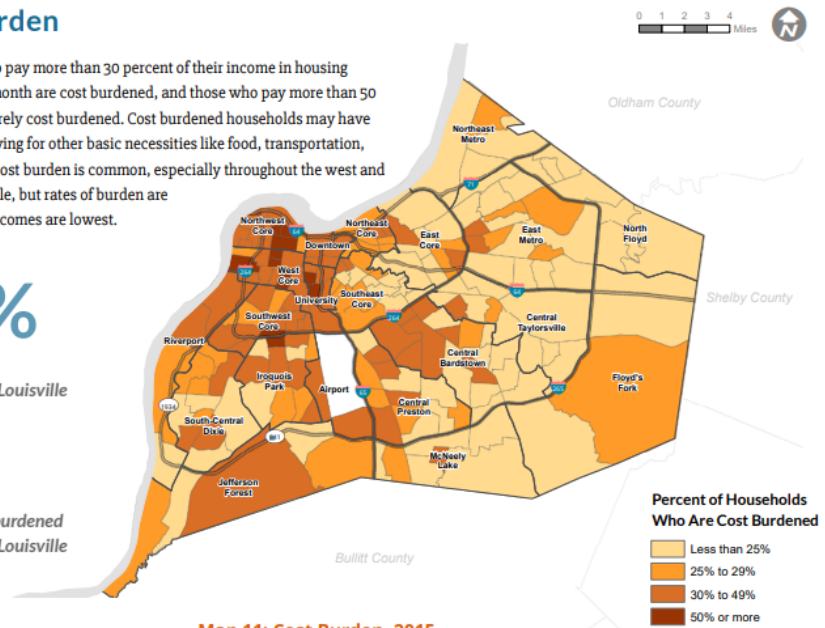
Households who pay more than 30 percent of their income in housing expenses each month are cost burdened, and those who pay more than 50 percent are severely cost burdened. Cost burdened households may have more trouble paying for other basic necessities like food, transportation, and child care. Cost burden is common, especially throughout the west and south of Louisville, but rates of burden are highest where incomes are lowest.

29%

Cost burdened households in Louisville

13%

Severely cost burdened households in Louisville



Map 11: Cost Burden, 2015

Source: 2011-2015 Comprehensive Housing Affordability Strategy data

Available Vacant Land

Developing 15,000 units of housing using a traditional single-family (R4) design model would require over 3,100 acres of land. To develop the number of housing units needed with our current available land and funding resources, a variety of building design types must be considered. While we recognize the role single family, neighborhoods and large-scale apartment complexes play in meeting our housing needs, we also must consider other types of units, known as the “missing middle”. These types of units include duplexes, triplexes and cottage-style units that will allow development to address our supply shortage at a more rapid pace, while also using vacant land in a more sustainable fashion. A simple numerical example illustrates how redevelopment of existing single-family lots with higher density can improve affordability and utilize available land.

By rezoning land to allow for more density by right, we can reduce the needed 3,100 acres to just 431 acres and reduce the overall cost to the community. Urban sprawl creates strain on our residents, infrastructure, the environment, and local budgets. We must consider designs that include walkability standards, creating sustainable resident lifestyles, create green environments, and encourage pedestrian safety and community.

The construction of multi-family rental housing is an essential tool needed to address the current supply shortage.

Redeveloping single-family lots with more homes increases affordability

	One-family detached	Townhomes (3)	Condo bldg (6 units)
Acquisition	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Construction costs			
• Demolition & site prep		\$ 100,000	\$ 100,000
• Hard costs: labor & materials		\$ 1,140,000	\$ 1,476,000
• Soft costs: design & permitting		\$ 124,000	\$ 157,600
Financing Costs		\$ 62,000	\$ 78,800
Developer Fee		\$ 181,950	\$ 210,930
Total development costs		\$ 2,607,950	\$ 3,023,330
Construction loan interest		\$ 172,125	\$ 199,540
Equity Return		\$ 219,068	\$ 253,960
Total cost/resale price	\$ 1,000,000	\$ 2,999,143	\$ 3,476,830
Resale price per unit	\$ 1,000,000	\$ 999,714	\$ 579,472

Source: Brookings.edu, January 2020

Housing Affordability

Housing affordability is critical for all Louisvillians. Every person, regardless of their income, life stage, or the area they live in, should have decent, safe, quality affordable housing. It is not just about low-income housing. It is about ensuring that as a city we are offering affordable housing opportunities for our firefighters, police officers, child-care workers, teachers, sanitation workers, construction workers, young professionals, small business owners and other working families.

Affordable housing is about providing meaningful access to opportunities for our residents. It is about providing housing opportunities for our service industry workers and healthcare workers who fuel our economy and care for us and our loved ones. It is about providing housing opportunities for our veterans who have served our country and fought for our freedom. It is about providing housing opportunities for young adults and young families, who are our future, as well as existing residents who have fueled our economic growth. It also means enabling our seniors and legacy residents to age in place

Currently, the average rent for a one-bedroom apartment in our community is approximately \$1,189 per month, which is affordable to households earning at or above \$47,000 annually. Our community's average rent is not affordable to residents earning minimum wage, which includes service industry and many other essential workers. The current median home price in Louisville is \$242,900 (U. S. Census Bureau). The only income level that can afford to purchase a median-priced home, are families that make at least 100% of AMI, which has risen to \$89,700 for a family of four.

This chart, from the 2019 HNA, provides a visual of the area median incomes, the maximum rents households earning those incomes can afford, and the maximum affordable mortgage for each household. It is important to note that as interest rates rise, the affordability of a mortgage decreases.

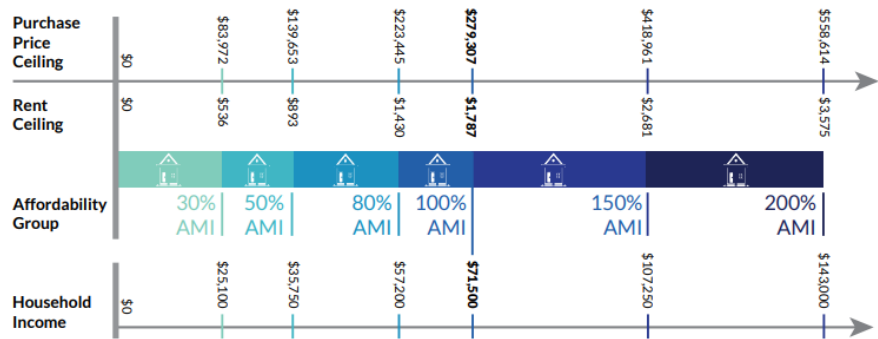


Figure 16: Affordability Group Rent & Purchase Price Ceilings

The financial burden associated with housing can result in tough trade-offs, such as foregoing or delaying healthy food, preventative healthcare, or essential medications to manage chronic conditions. This trade-off is felt most frequently by lower income renters and those experiencing homelessness. A family may also sacrifice housing quality for the sake of its affordability or pay higher rent in order to live in a neighborhood with quality schools. Extreme financial burden can strain social and mental health as well.

Additionally, a 2016 Greenhouse Gas Inventory study found that residents will bear higher costs in energy bills, property damage, and insurance as Louisville experiences worsening urban heat island effect, storms, flooding, and other increasingly extreme and frequent weather impacts. These factors further drive up the cost for residents to both attain and maintain homeownership. A household is considered energy burdened if over 6% of household income is spent on energy costs. Data provided by the U.S. Department of Energy indicates that 8.5% of Louisville’s population is energy burdened.

Those who have difficulty affording their homes are more likely to be financially unstable and face involuntary displacement in the form of eviction for renters or foreclosure for homeowners. Unsurprisingly, foreclosure and eviction rates are higher in areas that have lower income and higher poverty rates.

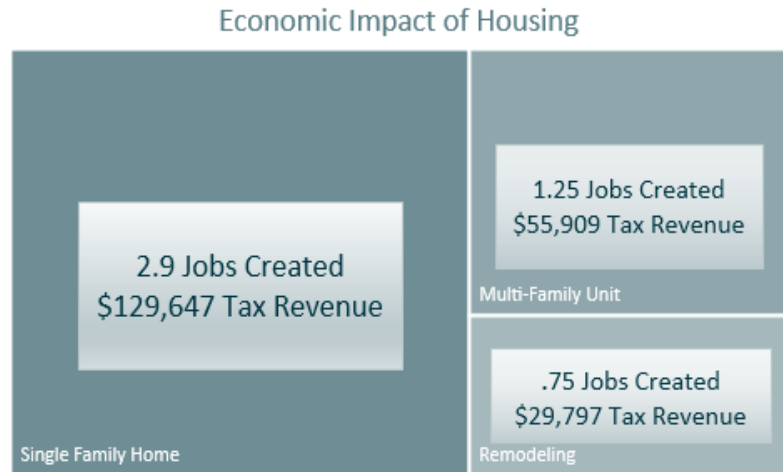
Infrastructure

Simply put, housing is infrastructure.

Like roads and bridges, sidewalks and sewers, housing is a long-term asset that provides a safe, quality living environment for families in our community. Interest rate increases and significant increases in construction costs have hindered growth in affordable housing. Lack of affordable housing options prevents households from moving to our city where they may find more economic opportunity. This makes it difficult for businesses to attract and retain the workers they need.

Every dollar invested in housing infrastructure boosts our local economy and creates public-private partnerships that lift resident earnings and local tax revenue, as well as supports job creation and retention. In fact, the National Association of Home Builders estimates that, for every single-family home constructed, 2.9 jobs are created and \$129,647 in taxes are generated.

Construction of an average rental apartment is estimated to generate 1.25 jobs and \$55,909 in taxes. \$100,000 spent on remodeling is estimated to generate 0.75 jobs and an additional \$29,797 in taxes. Increasing affordable housing supply has a clear and direct link to increasing economic opportunity in our city. (National Association of Home Builders, National Impact of Home Building and Remodeling: Updated Estimates, 2020)



Health, Sustainability and Housing

The neighborhood a person lives in is one of the most significant determinants of life expectancy. In Louisville, the poorest neighborhoods have lower life expectancies, sometimes as much as 10 years shorter than the overall Louisville Metro life expectancy.

The underlying determinants of life expectancy are broad-reaching and pervasive. They include the quality and quantity of housing (including the degree of residential segregation), education, income and employment, transportation, natural and built environment, air quality, community safety, and access to healthy food, parks and opportunities for physical activity. Collectively, these factors exacerbate one another, and neighborhoods in south and west Louisville are more likely to experience several of these factors simultaneously, creating an exponentially greater effect. (Source: Louisville Metro Health Equity Report, 2011) Place matters and neighborhoods impact opportunities for health.

Because the research has shown that differences in neighborhood environments can predict health and wellbeing, it is important to place housing in areas with many opportunities, such as transportation, quality schools, employment corridors, grocery stores, and community spaces.

The ability to be stably housed in a quality home is a basic foundation of overall quality of life. It is a foundation upon which other positive health outcomes, including physical and mental health can be built. This ability is currently much more difficult to achieve in some of the city’s neighborhoods than it is in others.

Recognizing that sustainability contributes positively to life expectancy, *My Louisville Home* will integrate and incentivize impactful energy efficiency and sustainability strategies in the housing sector.

A pivotal opportunity that will be transformational in the coming decade is the Inflation Reduction Act (IRA). This is the federal government's largest ever investment in climate, which is making billions of dollars available to catalyze the adoption of environmentally sustainable technologies.

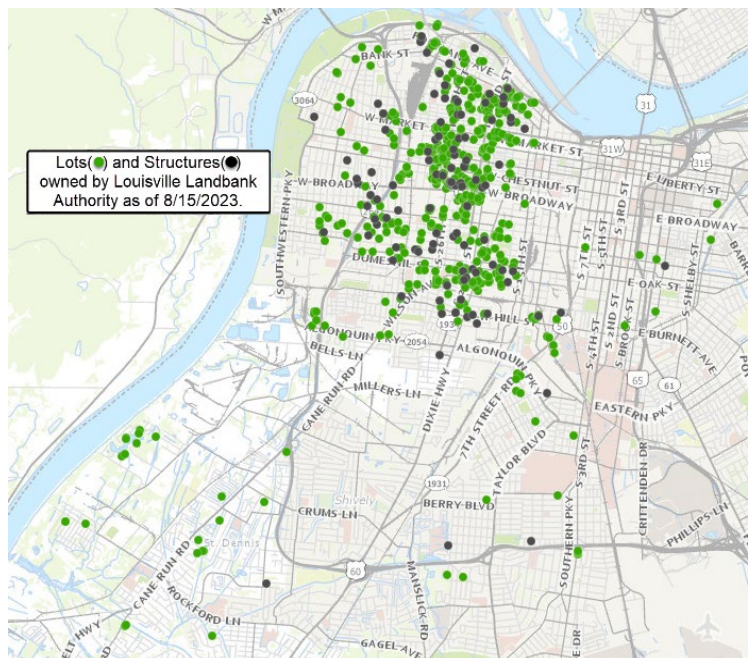
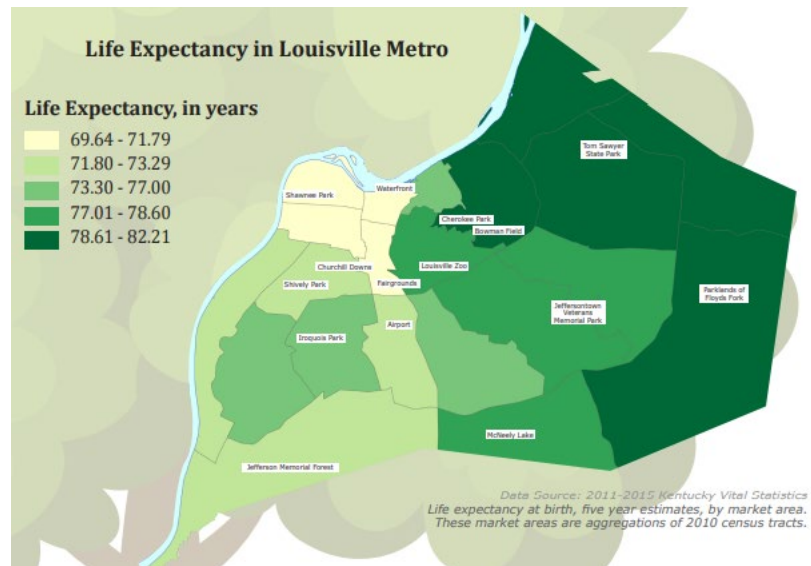
To make the most of this once in a generation opportunity, this plan will include strategies to leverage the tax credit, rebates, grants, and other incentives that will drive down costs of building and retrofitting housing to be highly efficient.

In addition to the falling costs of energy efficient technologies, the IRA now offers up to \$5,000 in tax credits for builders that achieve U.S. Department of Energy's Zero Energy Ready (ZER) Home certification. Establishing a Green Bank, as proposed in this plan, will serve as a key catalyst to integrate resources and transform the market to deploy these essential standards and technologies at scale over the next several years.

In 2022, Louisville applied and received the U.S. Department of Energy's Communities Local Energy Action Program (LEAP) technical assistance grant, which will by the end of 2023, furnish a roadmap to integrating sustainability into housing. This work, which will be completed by the end of 2023, will include recommendations for energy efficient technologies, policy, benchmarking, workforce, and finance. Recommendations from the plan will be evaluated and integrated into *My Louisville Home*.

Vacant and Abandoned Properties

Vacant and abandoned properties (VAPs) negatively impact quality of life for Louisville's residents, particularly in areas of high VAP concentrations. Many affordable



housing strategies have the potential to positively impact Louisville’s concentrations of VAPs by repurposing land and abandoned structures. Many dilapidated properties are maintained by the city but are privately held and are not able to be sold or redeveloped without a lengthy legal process such as foreclosure. Those properties differ from properties already under LMG control. The Louisville Landbank – a partnership between LMG, JCPS, and the Commonwealth–acquires formerly abandoned properties, cleans the title of liens, and disposes of those properties for a community benefit, like affordable housing. The Louisville Landbank’s inventory includes mostly vacant lots with only a few structures and is concentrated in western neighborhoods where affordable housing is also concentrated. Strategies around the repurposing of vacant properties for affordable housing will focus on increasing new construction in neighborhoods in which limited options exist.

Housing Quality

Shelter is a basic human need, along with food and water, but today, the cost and availability of affordable and quality housing is scarce for our lowest income community members. Many citizens in our community live in places that are unsafe or unfit.

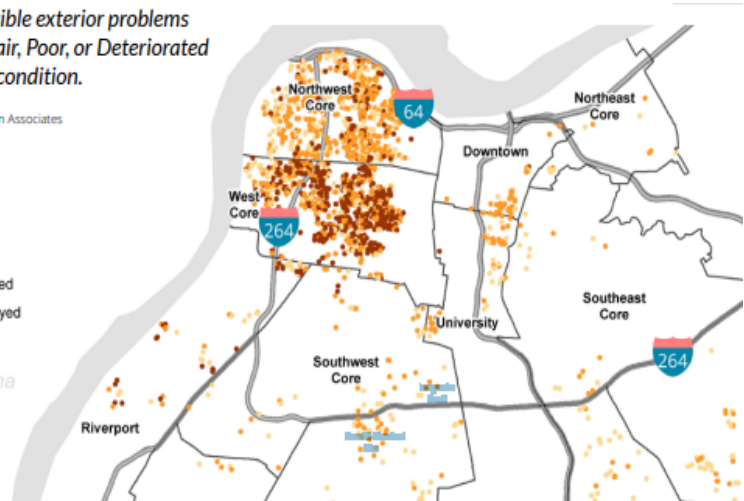
For example, the presence of lead-based paint, asbestos and other toxic materials, poor maintenance resulting in mold or allergens, and aging housing stock can result in a dangerous and unsafe living environment.

For our homeless community, physical risk is higher still, as unhoused persons are exposed to a host of threats to health and well-being, from increased exposure to violence to the lack of a safe place to store medicine or recover from a medical procedure. Communicable and chronic disease, mental illness and poor childhood development can result from, and can be compounded by, poor housing conditions.

Homes with visible exterior problems were marked Fair, Poor, or Deteriorated based on their condition.

Source: Mullin & Lonergan Associates

- Fair
- Poor
- Deteriorated
- Not Surveyed



The Value of Homeownership

Where we live, the neighborhood and the opportunities in the community matter. Residing in a home near quality schools, parks, and healthy food retailers provide residents with opportunities that positively impact their overall wellbeing. Research shows the consequences of historic disinvestment, such as concentrated poverty or limited opportunity for wealth building, result in other negative outcomes, such as violent crime. Violent crime also can deter economic investment, which further limits neighborhood development. (Source: Louisville Metro Health Equity Report, 2017)

Owning a home is largely considered a tool for creating wealth. It is not, however, a foolproof recipe for creating wealth. The home's neighborhood has a major impact on its value. In west Louisville, many neighborhoods suffer from low home and land appraisal values even after significant redevelopment has occurred.

Some populations have faced distinct challenges in finding, securing, and maintaining housing that supports health and provides opportunity. This was caused largely by federal, state, and local governments that created policies and programs that discriminated against and intentionally limited housing opportunities for people of color, people with disabilities, survivors of domestic violence, LGBTQIA communities and different age groups. While many of these policies and programs may no longer be legal, some are still practiced. The impact of these discriminatory practices can be seen today in wealth and income disparities, which ultimately influence health and access to opportunity.



STRATEGIES & INITIATIVES

This plan sets out the groundwork for the development, renovation and preservation of 15,000 affordable units.

In the following pages, we will detail the five key strategies the city will undertake. Each strategy is supported by several key initiatives and the policies needed meet the 15,000 affordable unit goal.

Strategy #1: Provide incentives to create and preserve affordable housing units throughout the community

- a. Establish incentives and requirements for affordable housing through amendments to regulations**
 - i. Update the Land Development Code to allow more density by right throughout Jefferson County**

The Land Development Code (LDC) is a regulatory document that was “created to implement the goals, objectives and policies in Louisville Comprehensive Plan”. (<https://louisvilleky.gov/government/planning-design/land-development-code>) Our current Comprehensive Plan, completed in 2019, is known as “*Plan 2040*” and lays out the vision of a Connected, Healthy, Authentic, Sustainable, and Equitable community.

The current LDC, however, was created in 2006. Although it has had several minor updates in the years since, it is critical that we update the LDC to align with Plan 2040 and to ensure development can keep up with and foster growth.

One key component of the required update is that we allow more density by right throughout Jefferson County and improve the development process. Many decades ago, R4 (single-family residential) was the default zoning for all county property, and it is estimated that about 75% of vacant land in our community is zoned R4. This absolutely must change if we are to create the necessary housing this community needs.

The Office of Planning currently is working to create a mixed housing and mixed-use development priority area map and implementation strategy for the mapped priority areas. The timeline for completion is Summer 2024.

The Office of Planning also is working to implement LDC reforms that, among other changes, will streamline the currently complicated time-consuming process developers must go through to obtain approval for multifamily housing. Metro will be seeking

recently announced HUD funding to assist with this process. The timeline for completion of the LDC reform work is August 2024.

ii. Market and promote the existing Mixed Residential Development Incentives (MRDI) that allow density bonuses in multifamily developments with a percentage of units remaining affordable

Passed in 2015, Mixed Residential Development Incentives (MRDI) are a unique tool in the LDC that offers incentives through increased density to build developments containing both single-family and multifamily housing, with a certain percentage of units designated as affordable. Integrating affordable units into large single-family and multifamily developments is key to creating housing opportunities and choice for people in all areas of Jefferson County.

iii. Expedited permitting/approvals for affordable housing development projects

All proposed developments, whether new construction or rehab of existing buildings, must go through the review process to ensure compliance with building code, land use laws, and other regulations. This can be a lengthy process and can kill a project before it ever gets off the ground. In Louisville, some projects have taken up to 18 months to make it through the approval process.

By accelerating the entitlement and permitting process for developers of projects in which some or all the units are reserved for lower-income households, it will reduce overall project development costs and encourage the timely delivery of affordable developments. As part of a package of incentives, this can be a valuable benefit, particularly in areas where the permitting process is lengthy.

LMG should streamline the permitting process to encourage development of affordable housing. We will:

- Establish a separate “fast-track” permit application for qualifying developments.
- Offer a “project concierge,” or dedicated staff member, to walk affordable housing projects through the LMG and external agency approval process, including but not limited to MSD, LG&E and LWC. This position is intended to assist developers with communication between agencies. As the concierge becomes familiar with the specific requirements and restrictions of affordable housing development, they will be uniquely positioned to recommend changes to make the process become more streamlined.
- Move projects that include at least 20% of the units for lower-income households to the front of the line and guarantee a permitting decision within 45 days.
- Commit to moving rezoning cases for affordable housing developments through the rezoning process within three months of a full application being submitted to

the Office of Planning. This means that projects that include a significant percentage of affordable housing units have the potential to move through the permitting process up to six times faster than other developments.

LMG will set clear eligibility criteria so that developers understand what qualifies on the front end. The criteria will include the percent of affordable housing units, the standard of quality, the length of commitment, and the depth of the affordability and presence of sustainable building technologies.

To expedite the permitting process for developments that meet affordability criteria, LMG will review its ability to waive certain review processes or reduce the level of scrutiny required. These strategies may assist in accelerating the process, but the ultimate goal is to ensure that we are permitting a safe and healthy living environment.

iv. Market existing tax abatements/exceptions

Tax abatements or exemptions can provide a financial incentive for the construction or rehabilitation of homes or provide indirect assistance to lower-income households to rehab or maintain their homes. LMG will work with the Property Valuation Administration and the Jefferson County Attorney's Office to determine if the presence of Section 8 Vouchers can be added to the Property Tax Assessment Moratorium. In addition, Metro will identify programs to incentivize construction of housing in more dense neighborhoods such as the Central Business District.

v. Redevelop city-owned land with mixed-income housing

The Office of Housing and Community Development will utilize existing city-owned land to develop more affordable housing in more areas of the community. The city will inventory vacant properties and land owned by the city and issue Requests for Proposal to redevelop the building and/or land into affordable housing. Currently, the city has three such requests in process.

b. Establish incentives for innovative construction methods to create quality affordable housing

i. Add units quickly and cost-effectively through modular construction methods, including missing middle housing, single-family infill, and multifamily

Modular and manufactured construction can serve as a faster and more affordable housing solution. Modular construction is a repeatable and economical option, costing the same or less than traditional stick-built housing. It can compress the construction schedule and improve sustainability, as modular units are built in environmentally controlled and clean factory settings, producing less construction waste than stick built

on-site development. Modular housing also provides a viable option for infill housing on vacant, Landbank-controlled lots that tend to be smaller and narrower.

The Office of Housing and Community Development will issue a Solicitation of Interest for current developers to develop attainable housing using modular and/or factory-built units. This SOI will include ten vacant landbank lots in various areas of the city and up to \$500,000 of city funds to assist the successful contractor with the capital needs to install infrastructure and foundation for placement of the units.

ii. Provide financial incentives for modular construction companies to locate in Louisville and train local contractors as installers

The Department of Economic Development will actively recruit a supplier and offer incentives to one or more suppliers who establish a factory in Jefferson County. KentuckianaWorks and other partners will work with the supplier to find the necessary workforce to be trained as contractors and installers with a focus on diversity, equity, and inclusion.

The Office of Sustainability will coordinate with the Department of Economic Development, workforce development agencies, industry associations, and technical assistance and private sector partners to facilitate green workforce development targeted at populations historically underrepresented in the green workforce. Prevailing wage jobs will be prioritized to benefit workers and qualify builders for higher tax credit thresholds.

c. Create affordable housing units through existing federal and local financial subsidy methods for housing development

i. Fund Louisville Affordable Housing Trust Fund with Louisville Metro general funds to provide financial incentives to affordable housing developments with a preference shown to developments serving households at 50% AMI and below

The city recognizes that the Louisville Affordable Housing Trust Fund (LAHTF) is a vital piece of the affordable housing toolbox. To this end, it is imperative that funding be awarded in such a manner that the funding becomes a permanent revolving loan fund to fill the gap created by targeting units to the lowest of low incomes in our community.

Seed funding for the LAHTF is critical to meeting this goal. Therefore, LMG should permanently fund the LAHTF with a minimum of \$20 million annually through the city's budget or another funding source. Examples of permanent funding sources to consider include:

- Increasing the filing fee on the transfer of property or for evictions within Jefferson County with the additional fee going towards the LAHTF

- Dedicating tax revenue from projects that are built on land that was previously owned by the Landbank Authority
- Levy a 3% Car Rental Fee
- State legislated appropriation to LAHTF and a percentage of the state AHTF allocated to Louisville's fund

ii. Continue to provide financing through LMG's Housing Development Notice of Funds Availability (NOFA)

The HUD HOME Investment Partnerships Program (HOME) provides annual block grants to local government to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

The Community Development Block Grant (CDBG) Program provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment.

LMG can align NOFAs through both of the above federal programs with Kentucky Housing Corporation's Low Income Housing Tax Credit and/or Tax-Exempt Bond NOFAs. The funds also can leverage Inflation Reduction Act tax credits to advance the use of environmentally sustainable technologies.

iii. Revolve the Louisville Creating Affordable Residences for Economic Success (CARES) funding to continue to utilize the funds for the creation of affordable units

Louisville CARES consists of a revolving loan fund to provide gap and/or bridge financing to developers building affordable workforce housing or incorporating affordable workforce housing into market-rate projects. The program was developed to address the need for affordable multifamily housing for households making 80% or less of the Area Median Income (AMI). Through Louisville CARES, Louisville Metro also will purchase land near employment centers to be offered as an incentive for multifamily workforce rental housing development.

iv. Provide financing for Permanent Supportive Housing that will provide affordable rents in tandem with holistic supportive services

Permanent Supportive Housing combines affordable housing with voluntary supportive services that help individuals exiting homelessness obtain and maintain housing, as well as improve health and connect with the community. Supportive housing is targeted to individuals and families with high-acuity needs, including people who have experienced chronic homelessness, have co-occurring disorders or a history of incarceration, are

transitional age youth, are engaged with child welfare, and are survivors of domestic violence, sexual assault, or human trafficking.

v. Work with local hospitals and health care systems to invest in supportive housing with both capital and service funding

We are seeing more unhoused citizens on our streets, and we know there is a cost to our hospital systems when people are unhoused. People struggling with homelessness are often frequent users of emergency departments. On average, they visit the emergency room five times per year and are the highest users of emergency departments visit weekly. Each visit costs \$3,700. That is \$18,500 spent per year for the average person, and \$44,400 spent per year for the highest users of emergency departments. (SOURCE: Greendoors.org, *The Cost of Homelessness Facts*)

Louisville allocates funds to assist our unhoused population, but more funds are needed to solve this growing problem. Partnerships with our local health care systems and business community at large are vital pieces to solving the homelessness issues plaguing our city. It is imperative that we engage both public and private partners to raise the capital and operationalize supportive housing. Just as Louisville has dedicated funds for educational and arts needs, we need a dedicated fund to end the homelessness crisis in our city, which should focus on supportive housing, providing mental health and addiction treatment services, and other services needed to reduce the number of homeless people and ensure every Louisvillian has access to safe and healthy streets and public spaces.

vi. Provide Tenant-Based Rental Assistance Vouchers and continue to advocate for additional vouchers

While there are multiple housing voucher programs in our community, the largest, known as Section 8, is administered by Louisville Metro Housing Authority and has more 11,000 vouchers at work in the community. While that number is significant, there are still more than 6,000 people on the waitlist, and the wait time to receive vouchers is approximately two years.

While other agencies also provide vouchers in our community, most of them are reserved for a specific population, such as persons with AID/HIV or persons with disabilities. LMG will continue to advocate for the increase in the allocation of these federal vouchers.

d. Provide financial subsidy for infrastructure in support of affordable housing

By funding infrastructure investments for undeveloped or underdeveloped plots of land, we will provide the support for the future development of affordable housing. Infrastructure is an

expensive part of development, and many times it is the barrier to creating affordable housing. By investing in infrastructure, LMG can reduce the end cost of a unit to a low-income family. We have seen this model work in several communities in Louisville, such as Park Springs in the eastern part of the city, and on Cedar Street in the Russell neighborhood.

e. Participate in land acquisition and disposition to reduce affordable housing development project costs

i. Continue to dispose of LMG-controlled vacant land at below market rate to incentivize the development of affordable housing

By making Metro-controlled vacant land, a valuable asset, available to developers at rates below market value, Metro can incentivize affordable housing development. Metro can prioritize and further incentivize affordable housing developers who are incorporating specified environmentally sustainable building standards and technologies.

ii. Acquire land with the intention to sell the property to subsidize affordable housing developments, particularly in areas of our city with little affordable housing

The Office of Housing and Community Development will make intentional land purchases in areas of the community that lack affordable housing but have an abundance of amenities such as groceries, parks, or public transportation. Once acquired and properly zoned, the land will be made available to private developers through Solicitations of Interest to construct housing that meets certain affordability requirements.

Strategy #2: Create long-term affordable homeownership opportunities

a. Continue to support the operation of the Community Land Trusts to increase the stock of permanently affordable units

Apart from insufficient affordable rental units, a major challenge facing Louisvillians is the availability of affordable single-family housing. A Community Land Trust (CLT) helps increase the number of permanently affordable units in the community and supports family wealth building by creating affordability in perpetuity. The CLT, made up of residents of the housing units, owns the land while the individual homeowners own the structures. This unique ownership model creates homeownership opportunities for lower-income households as the land costs are decreased from the property cost. When that buyer sells the unit, the equity earned is based on a predetermined and agreed-upon formula. As a unit that is held within a CLT sells from one buyer to the next, the provision of affordability stays with the unit, thereby creating permanent affordability. This model works best in areas with high or rapidly increasing land costs and can significantly improve the geographic diversity of affordable housing units.

Clean energy technologies such as solar panels and energy storage systems can be built into this model to allow the CLT to own these assets and claim tax credits more effectively than individual homeowners with lower tax liability. This will allow residents to access the benefits at a reduced cost. These assets will serve as reliable resilience hubs for the homeowners in case of power outages.

b. Support Shared Equity Model housing with financial incentives

Similar to the CLT model, the Shared Equity Model (SEM) also creates permanently affordable homeownership opportunities, often in areas with higher-valued homes. This model increases homeownership among income-qualified homebuyers by providing a portion of down payment assistance, which will then stay with the property as equity upon sale, thereby creating permanent affordability with the unit.

c. Continue to allocate funding for the Solar Over Louisville Program to help low- to moderate-income resident invest in renewable energy sources and make their units more sustainable

Louisville Metro Government has partnered with the Kentucky Solar Energy Society and the Louisville Sustainability Council to launch the Solar Over Louisville solarize campaign to give households the opportunity to go solar together and support the city's 100% clean energy goals. Louisville has allocated Community Development Block Grant funds to assist qualified low- to moderate-income households participating in this program obtain discounted wholesale rates for solar installation.

Strategy #3: Preserve existing affordable housing units

a. Provide financial incentives to improve existing affordable housing units through programs such as LMG's Rental Repair Program and Code Alleviation Program

These programs provide funding to landlords to improve property conditions and increase the efficiency and sustainability of the housing, while requiring units to remain affordable for five to 10 years. Existing home improvement programs can also incentivize and subsidize specified environmentally sustainable standards and technologies.

b. Implement rights of first refusal for affordable housing developments acquiring land from LMG/Landbank

After a buyer purchases property from the Landbank Authority and redevelops it into affordable housing, the buyer would be required to offer it to the Landbank Authority first before selling it on the private market. The Landbank could then re-sell the property as affordable housing.

c. Implement a Lien Forgiveness in Exchange for Affordability Program for developers to acquire and renovate dilapidated privately owned single-family units

When owners of vacant and abandoned properties (VAPs) are located, they often are not in a financial position to sell the property due to code enforcement liens dwarfing the property's value. Buyers of privately-owned VAPs participating in this new forgiveness program will have code liens waived when the property is redeveloped and sold to an income-eligible household.

d. Implement targeted code enforcement on sub-par landlord-owned properties

Landlords have an ethical responsibility to provide housing that meets Chapter 156 of the Louisville Metro Codified Ordinances and KRS 383.595 of the Kentucky Residential Landlord Tenant Act. Simply stated, "*a landlord shall make all repairs and do whatever is necessary to put and keep the premises in a fit and habitable condition.*" By targeting sub-par landlords who fail to meet this basic general obligation, the City will ensure that existing properties do not fall into disrepair and are removed from the existing stock.

Strategy #4: Generate new revenue for affordable housing development

a. Implement previously unused innovative financing methods

i. Access the Faircloth to Rental Assistance Demonstration conversion units

By working with LMHA and a private developer, LMG can add approximately 2,000 units through this HUD program. This can be an acquisition/rehabilitation of an existing mixed-finance public housing property, a new construction or a federalization of a market-rate or other type of housing property. The number of units is capped by the approximately 2,000 units available through LMHA.

ii. Issue Industrial Revenue Bonds/Essential Services Bonds through multiple bond issuers for the development of certain types of affordable housing

Units of government and government agencies in certain instances can act as a conduit for the issuance of bonds. In Louisville, we have several entities that have the capability. Bonds may be an excellent option for certain sized deals because they can reduce a portion of the tax liability on the property as the property remains owned by the issuing authority. Often, they are a lower cost of borrowing.

iii. Establish a Green Bank

LMG will establish a Green Bank to:

- Leverage available local, state, federal, and utility-based incentives and grants for environmentally sustainable technologies, including the U.S. Environmental Protection Agency's \$27 billion Greenhouse Gas Reduction Fund to develop local and national green banks.
- Mobilize private capital towards environmentally sustainable technologies by de-risking investments through mechanisms such as green municipal bonds, loan loss reserves, principal and interest rate buy downs, subordinate loans, forgivable loans, innovative ownership models and more.
- Provide gap financing to allow developers to build to Zero Energy Ready (ZER) standards with low- to no- additional cost.
- Seamlessly integrate sustainable technology offerings into existing programs such as development incentives, housing subsidies, home improvement loans, and mortgage programs, and develop new incentives, financial products, and programs as needed.

b. Advocate for state affordable housing tax credit

Currently 21 states have state affordable housing tax credits. The tax credit goes to work for the Commonwealth in the form of increased economic activity and tax revenue generation. Projections for Kentucky indicate that over 10 years, the program's use of private capital will produce at least 14,565 units and generate over \$112 million in new tax revenue over the life of the program, in the form of construction, ongoing property operation, increased incomes and property value increases.

A state credit can also be used in conjunction with Kentucky's tax-exempt Private Activity Bonds which would allow developments access to hundreds of millions of federal dollars. This in turn will spur the private sector to build additional affordable housing projects across the state.

c. Support and champion employer-assisted housing programs

Under an employer-assisted housing program, employers finance or otherwise assist in the provision of affordable homes for their employees in our community where their business operates, and their employees live. Employer assistance housing can be a specific program, or it can be broad and cover many potential activities including funds for a portion of the down payment, closing costs, a soft second mortgage, or a permanent interest rate buy-down on the employee's first mortgage; subsidized homeownership or rental counseling; and developing and managing rental properties for employees.

LMG currently has employer assisted housing available for Louisville Metro Police Officers to encourage officers to live in the communities in which they work. LMG will actively engage employers in the community to initiate employer assisted housing.

Strategy #5: Assist Low-to Moderate Income (LMI) households with access to capital to increase ability to afford private-market homes

a. Reduce barriers to homeownership

i. Combat generational disinvestment through homeownership incentives such as LAHTF’s Redlining Mitigation Program (REVERT), designed to incentivize homeownership by families impacted by redlining

A new initiative funded by American Rescue Plan funds, this program will connect persons who have been affected by years of disinvestment and redlining, by providing direct assistance to help them acquire, and renovate (if necessary), a house in the community.

ii. Continue to provide Down Payment Assistance for LMI homebuyers

One of the most successful programs offered by the Office of Housing and Community Development, the Down Payment Assistance Program helps about 150 low-income households a year become homebuyers by providing up to 20% of the purchase price in a combined loan/grant program. LMG is committed to providing at least \$3 million annually to the program.

iii. Continue providing home repair funds to LMI residents that are at risk of displacement, allowing the units to remain in the hands of LMI residents

The Home Repair Program is by far the most popular program operated by OHCD annually assisting over 300 low-income households with needed repairs to allow them to remain in their home. These repairs cover major systems such as roofs, plumbing, electric and HVAC systems and create sustainable units by investing in renewable energy sources and energy efficient repairs.

iv. Work with the Louisville Metro Housing Authority in support of the Section 8 to Homeownership program to assist in creating homeownership opportunities for LMI Section 8 recipients

LMHA’s Section 8 to Homeownership has assisted over 300 households become homeowners, utilizing their Section 8 assistance to help cover a portion of their mortgage. OHCD will continue to work with LMHA as a partner on this program.

Strategy Policy Initiatives	Short Term 6 Months or Less	Medium Term 12 Months	Long Term 18 Months or Longer	Ongoing
#S1. Provide incentives to create and preserve affordable housing units throughout the community				
a. Establish incentives and requirements for affordable housing through amendments to regulations		✓		
i. Update the Land Development Code to allow more density by right throughout Jefferson County				✓
ii. Market and promote existing Mixed Residential Development Incentives (MRDI) that allow density bonuses in multifamily developments with a percentage of units remaining affordable				✓
iii. Expedited permitting/approvals for affordable housing development projects	✓			
iv. Market existing new tax abatements/exceptions		✓		
v. Redevelop city-owned land with mixed income housing				
b. Establish incentives for innovative construction methods to create quality affordable housing	✓			
i. Add units quickly and cost-effectively through modular construction methods, including missing middle housing, single-family infill, and multifamily	✓			
ii. Provide financial incentives for modular construction companies to locate in Louisville and train local contractors as installers		✓		
c. Create affordable housing units through existing federal and local financial subsidy methods for housing development				✓

i. Fund Louisville Affordable Housing Trust Fund with Louisville Metro general funds to provide financial incentives to affordable housing developments with a preference shown to developments serving households at or below 50% AMI				✓
ii. Continue to provide financing through LMG's Housing Development Notice of Funds Availability (NOFA)				✓
iii. Revolve the Louisville Creating Affordable Residences for Economic Success (CARES) to continue to utilize the funds for the creation of affordable units				✓
iv. Provide financing for Permanent Supportive Housing which will provide affordable rents in tandem with holistic supportive services				✓
v. Work with local hospitals and health care systems to invest in supportive housing with both capital and service funding		✓		
vi. Provide Tenant-Based Rental Assistance Vouchers and continue to advocate for additional vouchers	✓			
d. Provide financial subsidy for infrastructure in support of affordable housing				✓
e. Create affordable housing by participating in land acquisition and disposition to reduce affordable housing development costs	✓			
i. Continue to dispose of LMG-controlled vacant land at below market rate to incentivize the development of affordable housing	✓			
ii. Acquire land with the intention to sell the property to subsidize affordable housing developments, particularly in areas of our city with little affordable housing.	✓			

#S2. Create long term affordable homeownership opportunities				
a. Continue to support the creation and operation of at least one Community Land Trust to increase the stock of permanently affordable units				✓
b. Support Shared Equity Model housing with financial incentives				✓
c. Continue to allocate funding for the Solar Over Louisville Program to help low- to moderate-income resident invest in renewable energy sources and make their units more sustainable				✓
#S3. Preserve existing affordable housing units				
a. Provide financial incentives to improve existing affordable housing units through programs such as LMG's Rental Repair Program and Code Alleviation Program		✓		
b. Implement rights of first refusal for affordable housing developments acquiring land from LMG/Landbank.	✓			
c. Implement a Lien Forgiveness in Exchange for Affordability Program for developers to acquire and renovate dilapidated privately owned single-family units	✓			
d. Implement targeted code enforcement on sub-par landlord-owned properties	✓			
#S4. Generate new revenue for affordable housing development				
a. Implement previously unused innovative financing tools			✓	
i. Access Faircloth to Rental Assistance Demonstration conversion units		✓		
ii. Issue Industrial Revenue Bonds / Essential Services Bonds through multiple bond issuers for the development of certain types of affordable housing			✓	

iii. Establish a Green Bank		✓		
b. Advocate for the state affordable housing tax credit	✓			
c. Support and champion employer-assisted housing programs	✓			
#S5. Assist Low- to Moderate-Income (LMI) households with access to capital to increase ability to afford private-market homes				
a. Reduce barriers to homeownership				✓
i. Combat generational disinvestment through homeownership incentives such as LAHTF's Redlining Mitigation Program (REVERT), designed to incentivize homeownership by families impacted by redlining				✓
ii. Continue to provide Down Payment Assistance for LMI homebuyers				✓
iii. Continue to provide home repair funds to LMI residents that are at risk of displacement, allowing units to remain in the hands of LMI residents				✓
iv. Work with the Louisville Metro Housing Authority in support of the Section 8 to Homeownership program to assist in creating homeownership opportunities for LMI Section 8 recipients				✓