



Metro Council – Community Affairs and Housing Committee

**Affordable Housing in Louisville Metro
Wednesday, October 26, 2016
1:30 p.m.**

Christie McCravy, Executive Director

Development/Funding Highlights

- 15 units from Revolving Loan Fund
 - Total Loan Proceeds - \$277,000
 - Average cost per unit - \$18,467
 - 9 units rental
 - 6 homes sold

- 23 units from federal HOME funds
 - Nearly \$700,000 expended
 - Down payment assistance and developer subsidy
 - Avg. amount to date per homes closed – approx. \$44,500
 - To date – 15 home buyers at or below 50% AMI
 - Program set for completion 1st quarter 2017

Administrative/Operational Highlights

- New Executive Director started March 2016
- Total staff – 1.25 FTE; Soon to increase staff to 2.0 FTE.
- Participated in GiveLocal Louisville for first time in September 2016.
- Identified new board members to fill vacancies

Status of 2016-2017 Funding

- Funds available - \$2.25 million for development; \$25,000 grant pool for supportive housing services.
- Conducted three RFP training application sessions. 17 developers were in attendance.
- Application window opened on October 11, 2016. To date, five applications have been received requesting \$1.625 in funding. More applications are expected.
- Estimated time for supportive housing services grants is January 2017.

The single, most
misunderstood term
in affordable
housing is the word
AFFORDABLE.

Louisville Metro Housing Facts

- ✓ In Louisville/Jefferson County, 24 percent of all families with children have annual incomes below the poverty level.
- ✓ On average, 60 percent of families with children in poverty who live in Louisville/Jefferson County have children ages 6 to 17.
- ✓ Council districts 1, 2, 4 and 6 house the majority of all Low Income Housing Tax Credit (LIHTC) properties and public housing and Section 8 properties.
- ✓ 15% of all households in Louisville/Jefferson County have incomes less than \$15,000.
- ✓ Fair Market Rent (FMR) ranges from \$551 for an efficiency to \$1,275 for a 4 bedroom unit. However a person making the former minimum wage of \$9.00 hour at 40 hours a week (annual salary of \$18,720) can only pay \$468 affordably- 30% of their gross monthly income of \$1,560.

More Louisville Metro Housing Facts

- ✓ 60,000 Louisville household are housing cost-burdened, meaning they spend more than 30% of their incomes on housing and utilities. (*The American Community Survey generated by the United States Census Bureau*). Of that number, nearly 24,000 households are **severely** cost burdened, meaning that they spend more than 50% of their income on housing and utility costs.
- ✓ The National Association of Realtors Market Database names Louisville as the seventh tightest rental housing market in the country, meaning landlords are able to charge much more than the federal FMR for vacant units.
- ✓ More than 21,000 households are on waiting lists for either public housing or Section 8 housing at the Louisville Metro Housing Authority.

Housing Affordability and Incomes – Louisville Metro

The FMR Standard

Since Congress established the Section 8 program in 1974, there have been three definitions of FMRs. The current definition, which became effective in 1995, contains several elements:

*The FMR is the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market.*³ *40th percentile:* The 40th percentile is that point in a distribution of numbers at which 40 percent of the numbers are less than or equal to it and 60 percent of the numbers are greater than or equal to it. In the set of numbers {\$395, \$458, \$486, \$517, \$675}, \$458 would be the 40th percentile.⁴ The 40th percentile is similar in concept to a median; the median is the 50th percentile.

Gross rents: Gross rent is the sum of the rent paid to the owner plus any utility costs incurred by the tenant. Utilities include electricity, gas, water and sewer, and trash removal services but not telephone service. If the owner pays for all utilities, then gross rent equals the rent paid to the owner.

Source: <https://www.huduser.gov/periodicals/ushmc/winter98/summary-2.html>

Louisville Metro Housing Facts

Area Median Income - Median income is the amount that divides the income distribution into two equal groups, half having income above that amount, and half having income below that amount. All numbers discussed reference data for the Louisville Metropolitan Statistical Area. HUD's 2016 limits are as follows:

FY 2016 Median Income = \$67,000
(Household Size)

Income Category	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
Very Low Income (50%)	\$23,450	\$26,800	\$30,150	\$33,450	\$36,200	\$38,900	\$41,550	\$44,250
Extremely Low Income (30%)	\$14,100	\$16,100	\$20,160	\$24,300	\$28,440	\$32,580	\$36,730	\$40,890
Low Income (80%)	\$37,550	\$42,900	\$48,250	\$53,600	\$57,900	\$62,200	\$66,500	\$70,800

Funding Sources for Affordable Housing

Making the numbers work for housing that will be affordable is the single most complex equation of development.

- Housing Authorities – households up to 30% AMI
- Low Income Housing Tax Credits – households up to 60% AMI
- Federal Home Loan Bank – households up to 80% AMI
- Federal HOME funds – households up to 80% AMI
- Louisville Cares – households from 60% to 80% AMI
- LAHTF – households up to 80% AMI
- Kentucky Housing Corp – households up to and above 80% AMI

Funding Sources for Affordable Housing

*Most deals have **multiple** layers of funding, or a combination of the sources listed above, in order to make deals cash flow at a sustainable level for project success.*

This is due to the repayment requirements or funding limitations of the sources available.

Affordable Housing Crisis in America

All of the municipalities listed below are taking steps to address affordable housing in their communities.

Lexington, KY
Columbus, OH
Nashville, TN
Denver, CO
Portland, OR
Minneapolis, MN

Working to Avert A Bigger Crisis

Over the next five years, more than **3,100** tax credit units will have expiring affordability requirements. Of those units, more than half (1,667) are in areas of non-impact.

These units are **most at risk** because developers can earn greater returns by converting the units to market rate housing.

What can Council Do?

1. Commit to a \$5 million annual allocation.
2. Commit to funding the Trust Fund with an allocation from general funds over the next 5 years.
3. Continue to work with LAHTF staff to identify a regular, recurring source of funding to fulfill the commitment made in 2008.



Metro Council – Community Affairs and Housing Committee

Affordable Housing in Louisville Metro

Christie McCravy, Executive Director

1469 S. 4th Street

Louisville, KY 40208

502-637-5372

christie@louisvilleahtf.org