



General Government & Social Services Committee

October 12, 2021

Summary and Motions

Committee chair, Council Member Susan Lamb, called the meeting to order at 1:01 p.m. Committee members Vice Mayor Steve Kay and Council Members Richard Moloney, James Brown, Hannah LeGris, Liz Sheehan, Fred Brown, Whitney Baxter, Jennifer Reynolds, and Kathy Plomin attended the meeting. Council Member Josh McCurn attended as a non-voting member.

I. Approval of September 14, 2021 Committee Summary

Motion by Sheehan to approve the September 14, 2021, General Government & Social Services Committee summary; seconded by Plomin. The motion passed without dissent.

II. Review of LFUCG Affordable Housing Initiatives and Projects

Rick McQuady, Affordable Housing Manager, reviewed the purpose of the Affordable Housing Fund (AHF), which is designed to leverage public and private investment to preserve and produce affordable housing. He said preservation is an essential component of the program because we couldn't keep up, otherwise. The quality of construction should not be compromised just because it is for affordable housing. The program provides funds to reduce the debt service (gap financing) so the owners can charge lower rents. AHF projects must serve residents whose income is at most 80 percent of the Area Medium Income but many serve folks at 60 percent AMI or below. The program is governed by the Affordable Housing Board who helps ensure good stewardship of the fund. McQuady also has an advisory committee made up of primary affordable housing providers in Lexington. He reviewed the application process and said nothing is funded until the board of directors approves it. He explained five evaluation criteria in detail; the criteria included the need/market (studies are only done for larger projects), design of the development, financial feasibility, the capacity of the developer, and readiness to proceed.

Since the fund started in FY15, the program has allocated \$18M (over eight years). McQuady reviewed revenue and expenses, which are distributed in the form of grants and different types of loans. The program has collected \$4M in loan receipts since its inception and about \$3.3M is available for allocation. About half of the allocations have been for amortizing loans and half for forgivable loans or grants. The average allocation per unit is \$7,798 and the AHF has funded 2,390 units in total; McQuady's goal is to keep financing under \$10,000 per unit. He reviewed a breakdown of the units that were preserved, ones that were already affordable but rehabilitated, and new construction. Forty-two percent of units have been for special needs populations and for-profit developers partnered with non-profit service providers for many of those projects. The presentation materials also included all AHF projects, which highlight the number of units, financing, and the year they were completed. McQuady anticipates the cost per unit to increase some. At the end of this calendar year, there will be over 600 units under construction for residents at or below 60 percent AMI. That concluded the presentation.

J. Brown mentioned ARPA funding and asked about the city's bandwidth for affordable housing projects. McQuady wants to continue to be the gap financier. He believes he can allocate \$10M to quality projects, very quickly. J. Brown asked about the recommendations made by the Task Force on Neighborhoods in Transition, particularly about one for an ongoing group to look at neighborhoods in transition, gentrification, and affordable housing. McQuady said he primarily works with the Urban League on this

issue. While commending McQuady, Kay said the AHF was estimated to leverage funds eight to one when it was first established but the program has done better than that.

Reynolds talked about how affordable housing projects are challenging to do. McQuady said his advice for people that are new to affordable housing is to start small and to talk to an experienced developer who understands how to put these projects together for larger projects. These funds are just a piece of the puzzle; affordable housing projects require a variety of resources that all come with different rules. McQuady mentioned a couple of examples, including AVOL partnering with Winterwood to develop Stonewall Terrace and a small non-profit that he recommended to partner with a general contractor and property manager.

Lamb and McQuady discussed coordination with the Lexington Community Land Trust. They have an application filed with the Kentucky Housing Corporation for 60 rental units, which is proposed to include a workforce development center and 15 of the units would serve people who were in the foster care system. They hope to hear back about the tax credits in January/February. McQuady is also exploring some affordable housing options with the Community Action Council, particularly about working with other developers on projects that would serve the people that CAC serves.

LeGris asked McQuady to highlight specific projects from the past or that are in the works. First, he pointed out the geographic distribution of AHF projects throughout the community. He mentioned several including one in the Meadowthorpe neighborhood, Ballard Apartments, two in the Kerney Creek area, and a project at Greendale and Citation. Two developments, near Elm Tree Lane and Darby Creek Rd., are rental-based assistance through Section 8 Housing (assistance that stays with the unit) and in desperate need of rehabilitation. McQuady said it's critical to protect Section 8 Housing units because they are too big of a resource to let go. Recently they have focused on elderly developments, which the Kentucky Housing Corporation recognized as a statewide need.

Moloney spoke about the pandemic and asked how that has affected these projects. McQuady explained that aside from tenants who lost their jobs or were unable to work; everyone he worked with received or is in the process to receive Rapid Relief Funds. Projects with AHF loans were granted three months that they didn't have to make payments during but everyone is caught up now. The biggest impact is for general contractors, labor, and costs of materials; construction slowed down for a few developments but they have mostly picked back up. Units are staying over 90 percent occupied and there have not been any major cash flow problems.

Plomin spoke about affordable housing projects being located throughout the community and whether access to public transportation influences the location of these projects, questioning what other transportation modes will help residents that aren't on the beaten path. For the Kerney Family Apartments project, McQuady said the developer is trying to work with LexTran to have a bus stop closer to that site. Most AHF projects have access to public transportation. Plomin mentioned the projects on Cleveland Rd. and near Polo Club Blvd., where residents would have to walk across Man O'War Blvd. because there might be other projects with similar challenges.

Of the total units funded (2,390), Baxter confirmed 400 units are under construction. She asked if there is a goal for Lexington for the number of affordable housing units we need, which there is not. McQuady said the recent study done didn't answer some of the questions he hoped it would but every study he has read indicates a significant need to serve the populations we are trying to serve.

J. Brown and McQuady discussed 1,400 units (estimate) that have annual inspection requirements. Kentucky Housing Corporation inspects units that use their tax credits and forwards their compliance reviews and inspections to McQuady. Otherwise, he coordinates with the Division of Grants and Special Programs and to do the inspections; a new position within the division will help the program get caught up with compliance requirements. The amount of follow-up work and inspections is increasing exponentially; even when projects are under construction, they have to be inspected. Charlie Lanter, Director of Grants and Special Programs, said there is some overlap with projects that have funding from both HOME and AHF; there are more units in HOME because the program has been around longer and the compliance period can run longer. They discussed the asset management database that helps ensure units are compliant and disinvestment is not happening.

Lamb talked about McQuady reporting to the GGSS Committee annually, particularly on the projects that he worked on in that specific fiscal year.

Motion by Sheehan to have an annual presentation on affordable housing initiatives and projects; seconded by Baxter. The motion passed without dissent.

III. Items Referred to Committee

Motion by Kay to remove item 3 (*Planning Commissioner Office*); seconded by Sheehan. The motion passed without dissent.

Motion by Plomin to adjourn (at 2:03 pm); seconded by Baxter. The motion passed without dissent.

Meeting materials: <https://lexington.legistar.com/MeetingDetail.aspx?ID=898131&GUID=CECC0CD0-A779-4324-AD70-5A6A63F13C97&Options=info|&Search>

Recording of the meeting: http://lfucg.granicus.com/player/clip/5447?view_id=4&redirect=true