



AFFORDABLE HOUSING NEEDS ANALYSIS

LEXINGTON, KENTUCKY

OCTOBER 9, 2024

Prepared for LFUCG Housing Advocacy & Community Development



Key Findings

1. **RENT SURGE:** Lexington's median rent increased by 47% from 2019 to 2024, now averaging \$1,200-\$1,250, with a significant 8.7% growth in the past year.

HOUSING GAP: The city needs 22,549 additional housing units of all types to meet current demand.

AFFORDABLE HOUSING FUND IMPACT: The AHF has invested \$47.5 million, helping to build 1,750 new units and preserve 1,754 units, with an average cost of \$13,556 per unit.

FOCUS ON AFFORDABILITY: Affordable housing in this report targets households earning below the Area Median Income of \$62,908.



\$4.79M

for the city's affordable housing fund

\$1.4M

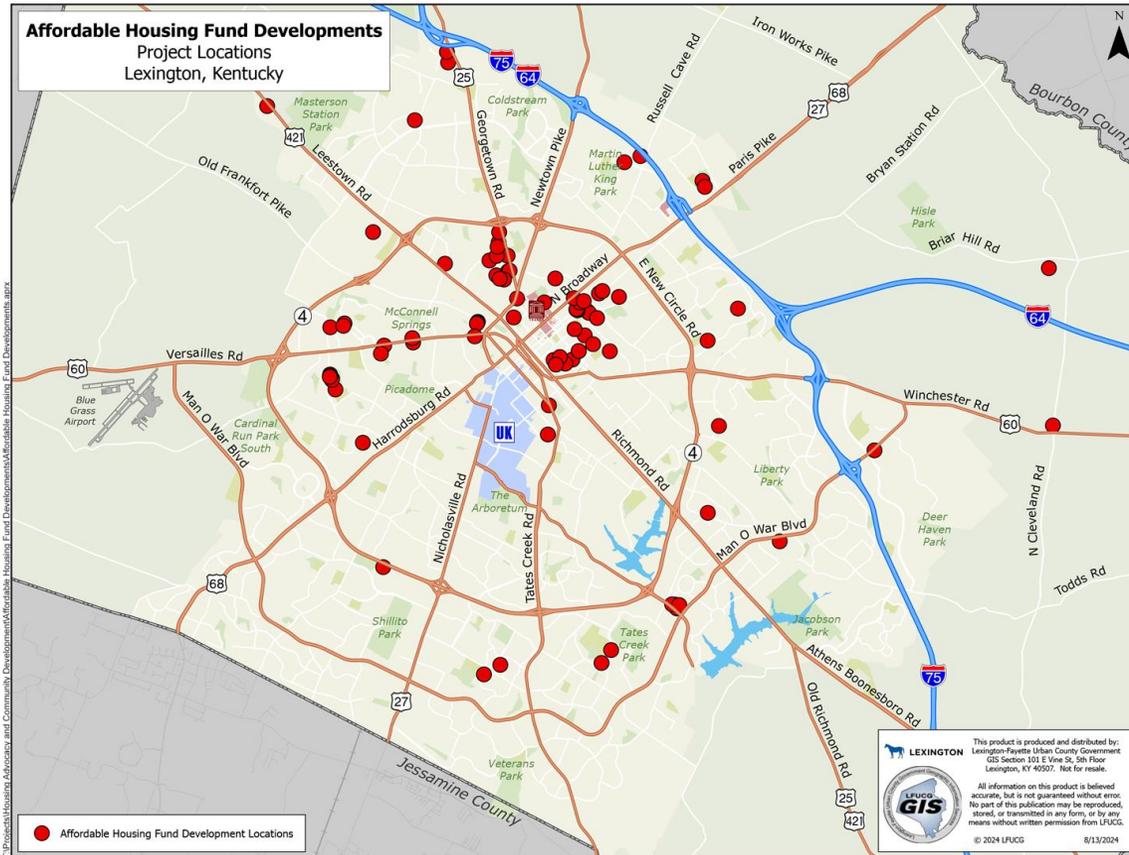
for the Office of Homelessness Prevention and Intervention

\$2M

for winterwarming projects, such as the Hope Village

Both funding for affordable housing and the Office of Homelessness Prevention and Intervention doubles the funding of previous years.

Summary of Affordable Housing Fund Data



Impact: The AHF has helped reduce the housing cost burden for many low- and moderate-income families, providing access to safe and stable housing.

Goals: Expand affordable housing availability and improve housing affordability citywide.

Challenges:

- Securing sufficient funding
- Overcoming community resistance to new developments
- Rising construction and management costs
- Ensuring the long-term sustainability of affordable projects

Significance: The AHF is vital for addressing Lexington's affordable housing needs, fostering a more equitable and inclusive city for all.

Summary of Affordable Housing

Fund Data

Affordable Housing Fund Impact

- **Total Investment:** \$47.5 million invested since 2014, including \$17.1 million from American Rescue Plan Act funds.
- **City Allocation:** \$48.3 million allocated, with \$4.8 million in FY 2025.
- **Unit Development:**
 - New Construction: 1,750 units
 - Preservation: 1,754 units
 - Average Investment: \$13,556 per unit
- **Homeownership:** 33 units designated.
 - 3-bedroom: 443 units
- **Rental Unit Breakdown:**
 - 4-bedroom: 7 units
 - 1-bedroom: 2,059 units
 - 2-bedroom: 962 units
- **Special Populations:**
 - Elderly (55+): 1,068 units (754 preserved, 314 new)
 - Supportive Housing: 314 units for survivors of intimate partner violence, those at risk of homelessness, and individuals with mental illness or disabilities.

Key Data

- **Housing Costs:**
 - Homeowners: \$1,205/month
 - Renters: \$1,036/month
- **Cost Burden:**
 - 54.3% of renters spend over 30% of their income on housing.
 - 28% are extremely cost burdened, spending more than 50%.
 - Homeowners: 21.5% are cost burdened, and 6.8% are extremely cost burdened.
- **Student Housing:** Costs have increased by 33% since 2015.
- **Unemployment Trends:** Spiked in early 2020 due to COVID-19 but have returned to pre-pandemic levels.
- **Affordable Housing Gap:**
 - Lexington needs 22,549 more affordable units.
 - Even excluding 4,760 student households, a gap of 17,789 units remains.



Public Survey Insights

PURPOSE:

The survey aimed to gather local input to help the Lexington-Fayette Urban County Government (LFUCG) improve housing affordability and promote new development.

SURVEY PERIOD:

Open from February 5 to June 20, 2024, receiving over 1,200 responses from more than 60 ZIP codes.

HOMELESS POPULATION:

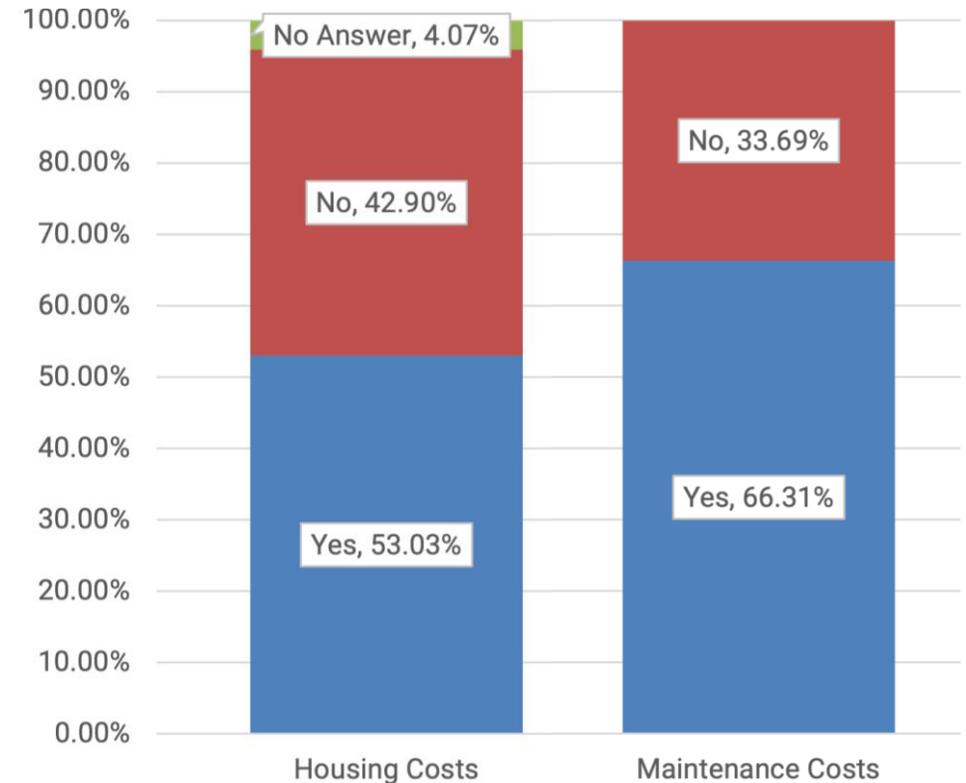
27% of surveyed homeless individuals (45 respondents) participated.



Public Survey Insights – Key Findings

- **Housing Affordability:** Over half of respondents struggle with affording housing costs.
- **Home Maintenance:** Two-thirds face difficulties maintaining their homes.
- **Migration Impact:** High housing costs are driving current and former residents to more affordable surrounding communities.
- **Lack of Housing Variety:** There is a perceived shortage of housing options, especially for seniors and those at risk of homelessness.
- **Support for Solutions:**
 - Repurposing vacant or blighted commercial buildings for residential use.
 - Requiring developers to include affordable units in new developments.
 - Building smaller single-family homes.

Difficulty Affording Housing and Maintenance Costs



Demographics

- STUDY OVERVIEW:** In 2024, the Kentucky Housing Corporation, in collaboration with Bowen Research, estimated the housing gap across Kentucky counties.
- KEY FINDINGS:**
 - Current Housing Stock:** 137,227 units
 - Housing Gap:** 22,549 units needed
 - Increase Needed:** To close the gap, Fayette County would need to expand its housing stock by 16%.

HOUSEHOLD INCOME BY RACE AND %AMI

Lexington-Fayette Households by Income as a Percentage of AMI (2022)										
%AMI	30%	50%	80%	100%	120%					
Income	\$18,872	\$31,454	\$50,326	\$62,908	\$75,490					
	Number of Households									
AMI:	White	Black	Latino	Native	Asian	Pacific	Other	2+	TOTAL	TOTAL (non-white)
<30%	11,733	4,567	771	100	393	0	367	994	18,924	7,192
30-50%	12,208	1,725	1,186	16	412	17	370	2,294	18,230	6,021
50-80%	16,038	3,124	1,634	1	753	1	584	1,232	23,368	7,329
80-100%	9,715	1,059	969	26	574	27	402	896	13,669	3,954
100-120%	8,898	1,252	574	10	299	0	156	493	11,681	2,784
>120%	47,078	5,988	1,950	92	2,690	0	727	3,058	61,584	14,506
TOTAL	105,670	17,716	7,084	245	5,121	45	2,607	8,968	147,456	41,786
	Percent of Households									
AMI:	White	Black	Latino	Native	Asian	Pacific	Other	2+	TOTAL	TOTAL (non-white)
<30%	11%	26%	11%	41%	8%	0%	14%	11%	13%	17%
30-50%	12%	10%	17%	7%	8%	38%	14%	26%	12%	14%
50-80%	15%	18%	23%	0%	15%	2%	22%	14%	16%	18%
80-100%	9%	6%	14%	11%	11%	60%	15%	10%	9%	9%
100-120%	8%	7%	8%	4%	6%	0%	6%	5%	8%	7%
>120%	45%	34%	28%	38%	53%	0%	28%	34%	42%	45%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

100% AMI is the median income for Lexington-Fayette according to the 2022 ACS Data. Every other %AMI was calculated directly from this value.

Demographi

HOUSEHOLD INCOME BY TENURE SOURCE: ACS 2022 1-YEAR ESTIMATES



HOUSEHOLDS BY TENURE (2024)

Renter- and Owner-Occupied (Fayette County)



Housing Cost Trends

Rising Rental Costs

- **2017:** Average rent was \$839 per unit.
- **2024:** Increased to \$1,104 per unit.
- **Projected Increase:** By 2028, the average rent is expected to reach \$1,205, marking a 50% increase.

Naturally Occurring Affordable Housing (NOAH)

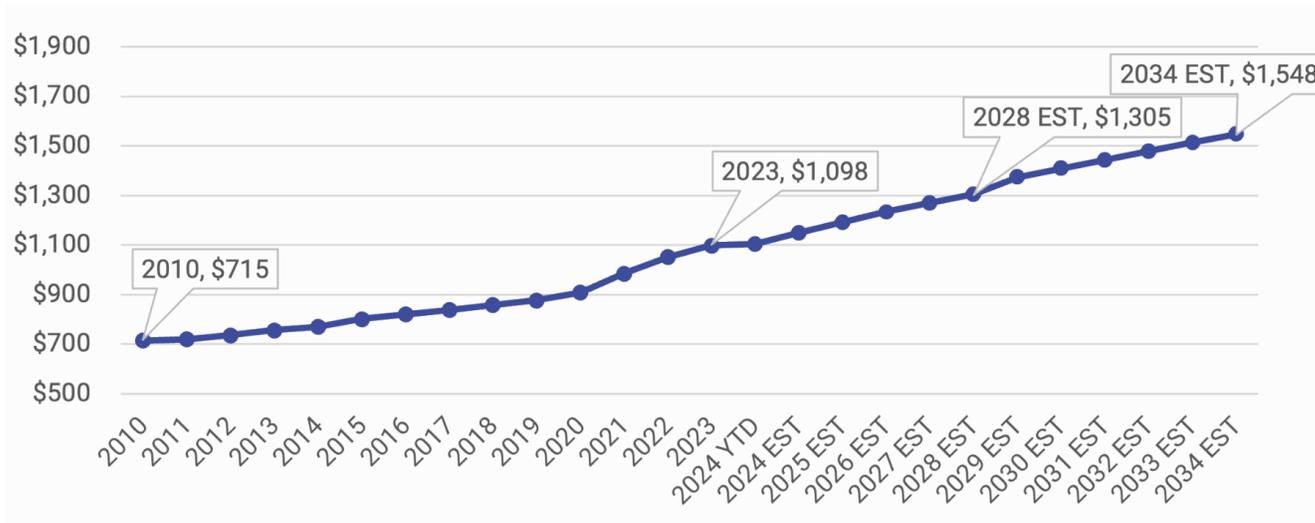
- Areas with lower median rents offer NOAH—affordable without subsidies.
- These units are concentrated in the northend market areas, limiting geographic options for

Bed Size	2024 Fair Market Rents
Studio	\$802
One Bedroom	\$983
Two Bedroom	\$1,177
Three Bedroom	\$1,599
Four Bedroom	\$1,807

Housing Cost Trends



MARKET ASKING RENT PER UNIT SOURCE: COSTAR MULTIFAMILY DATA



MEDIAN SALE PRICE

SOURCE: REDFIN, 2024



Housing Demand

CURRENT HOUSING GAP, FAYETTE COUNTY - (17,005 units / 75% less

	<30% AMI	31%-50% AMI	51%-80% AMI	81% - 120% AMI	121%-150% AMI	151%+ AMI	All Brackets
Rental Gap	8,764	2,672	2,014	973	0	0	14,423
For Sale Gap	1,120	927	1,508	1,442	1,204	1,925	8,126
	9,884	3,599	3,522	2,415	1,204	1,925	22,549

ESTIMATED HOUSING DEMAND BY AMI BRACKET (2,186 less than 80%

Income Level	Projected Demand
0-30% AMI	835
31-60% AMI	809
61-80% AMI	542
81-100% AMI	585
101-120% AMI	470
121%+ AMI	2,390



Housing Costs

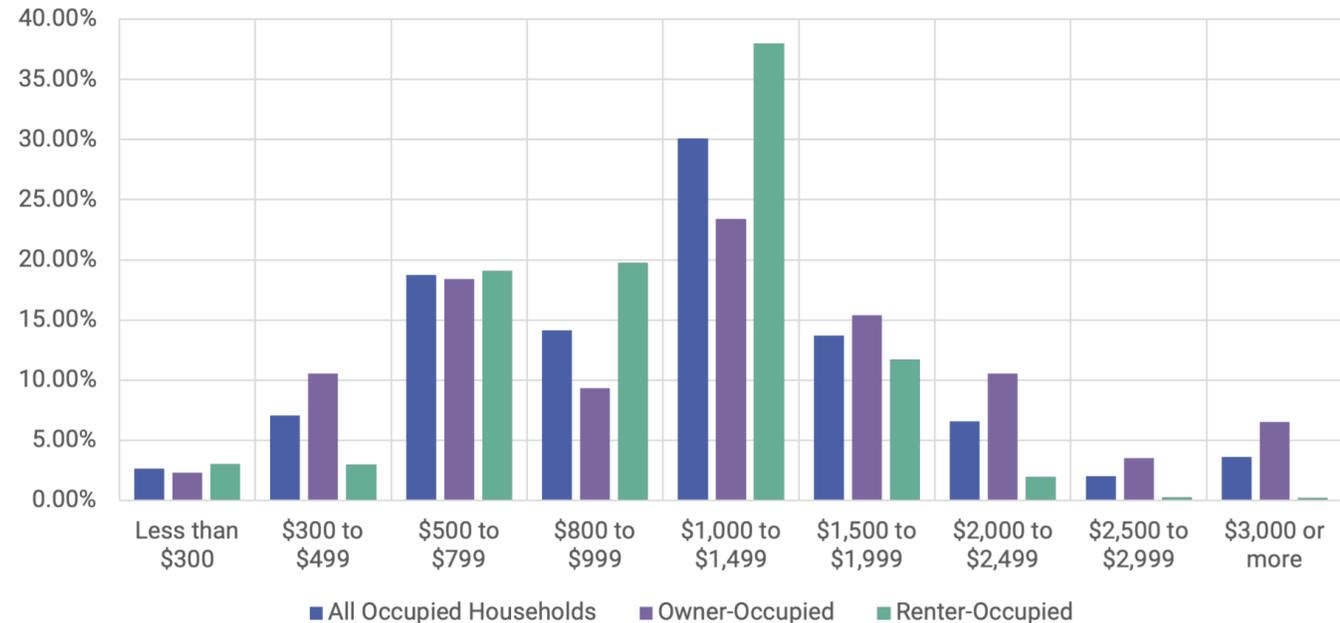
Median Monthly Housing Costs (2022)

- **All Households:** Median housing cost was \$1,095 per month.
- **Owners:** Typically spend more, with a median of \$1,205 per month.
- **Renters:** Spend less, with a median of \$1,036 per month.
- **Cost Distribution:** Overall housing costs follow a standard distribution, with higher costs for owners and lower costs for renters.



MONTHLY HOUSING COSTS BY TENURE

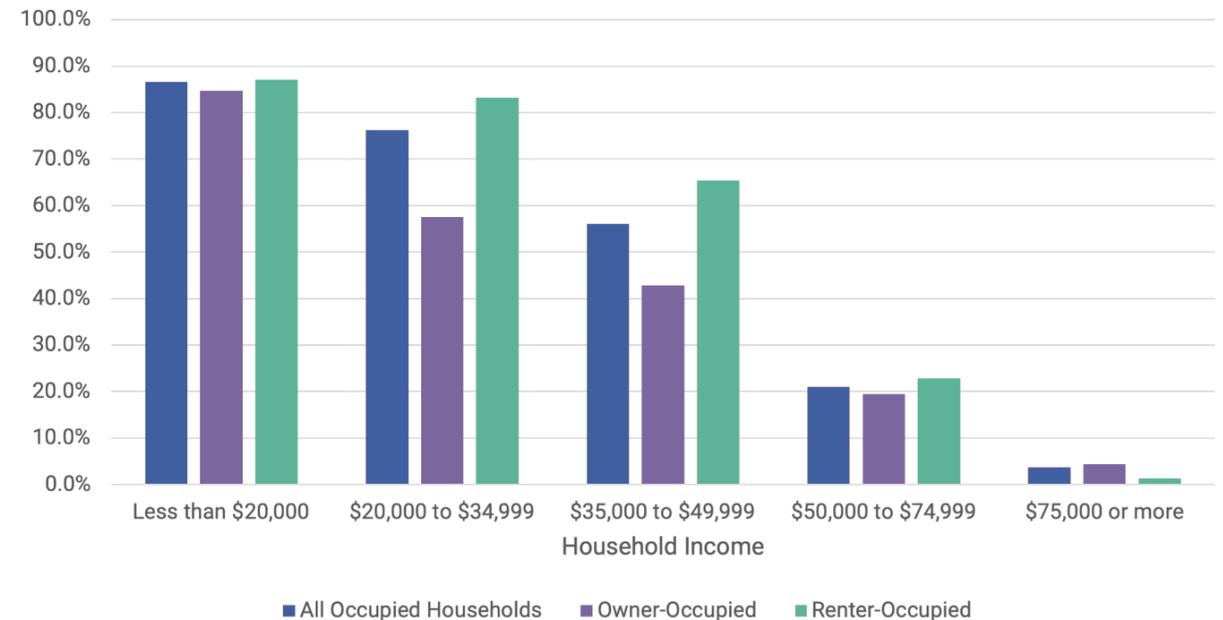
SOURCE: ACS 2022 1-YEAR ESTIMATES



Housing Cost Burden in Lexington-Fayette County

- **HUD Definition:** A household is considered cost-burdened if more than 30% of its income is spent on housing.
- **Hourly Wage Requirement:** To afford a safe, modest 2-bedroom apartment in Lexington, a household needs to earn \$23.08 per hour, assuming full-time work and factoring in essential secondary costs (childcare, healthcare, food, etc.).
- **Cost Burden by Tenure and Income:** Housing cost burdens across different household

PERCENT OF LEXINGTON HOUSEHOLDS THAT ARE HOUSING COST BURDENED BY INCOME BRACKET & TENURE



The Scale of the Affordable Housing Problem

- **Magnitude of the Issue:** The financial requirements to address the affordable housing gap are significant, far beyond the capacity of the Affordable Housing Fund alone.
- **Financial Projection:** A 10-year projection shows that:
 - Simply spending more will not solve the problem.
 - Projected investment strategies we explored are:
 - ✓ Closing the housing gap entirely.
 - ✓ Maintaining the gap at current levels.
 - ✓ Achieving a modest reduction by 3,332 units through direct funding.

PROJECTED COST OF DIRECT SUBSIDY

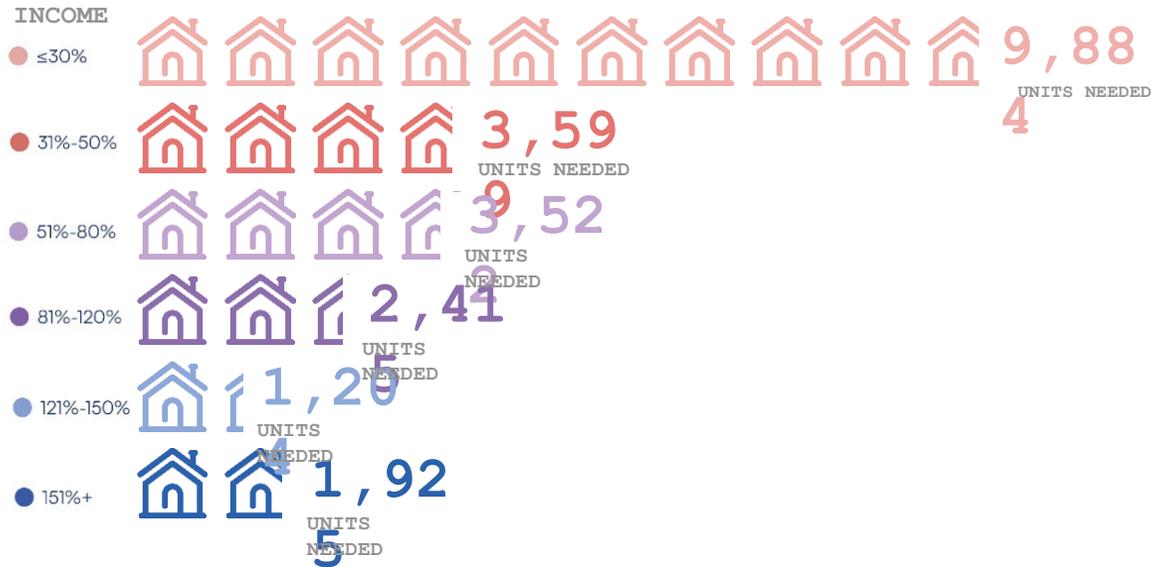
Cost of Subsidizing Affordable Housing Construction			
Year	Eliminating the Gap (1,867 Units/yr)	Maintaining the Gap (167 Units/yr)	Reducing the Gap (500 Units/yr)
Year 1	\$25,313,118.80	\$2,261,140.80	\$6,778,000.00
Year 2	26,199,077.96	\$2,340,280.73	\$7,015,230.00
Year 3	\$27,116,045.69	\$2,422,190.55	\$7,260,763.05
Year 4	\$28,065,107.29	\$2,506,967.22	\$7,514,889.76
Year 5	\$29,047,386.04	\$2,594,711.08	\$47,777,910.90
Year 6	\$30,064,044.55	\$2,685,525.96	\$8,050,137.78
Year 7	\$31,116,286.11	\$2,779,519.37	\$8,331,892.60
Year 8	\$32,205,356.13	\$2,876,802.55	\$8,623,508.84
Year 9	\$33,332,543.59	\$2,977,490.64	\$8,925,331.65
Year 10	\$34,499,182.62	\$3,081,702.81	\$9,237,718.26
TOTAL 10-YEAR EXPENDITURE	\$296,958,148.76	\$26,526,331.72	\$79,515,382.84

Housing Gap

TOTAL HOUSING GAP – LEXINGTON 2024

OVERALL HOUSING GAPS (2024)

Number of Units Needed by Household Income Level (Fayette County)



Total Units **22,549** Share of State **10.9%** Gap to Total Households Ratio **16.4%**

OVERALL RENTAL HOUSING GAP FOR LEXINGTON 2024

OVERALL RENTAL HOUSING GAPS (2024)

Number of Units Needed by Household Income Level (Fayette County)



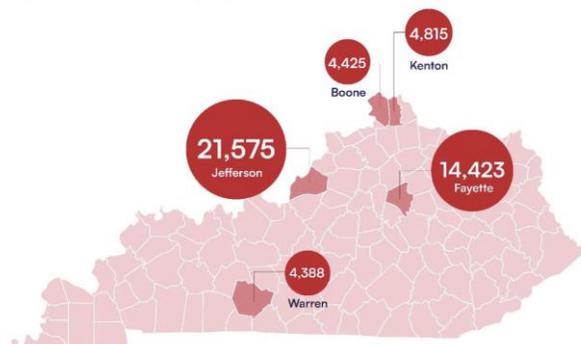
Total Units **14,423** Share of State **14.2%** Gap to Renter Households Ratio **23.9%**

Housing Gap

HIGHEST KY COUNTY RENTAL GAPS

RENTAL HOUSING GAPS (RANKED)

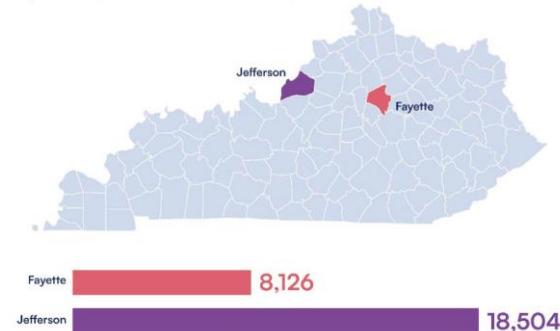
Top 5 Counties Rental Housing Gap Estimates for 2024



COMPARISON OF THE FOR-SALE HOUSING GAP BETWEEN FAYETTE & JEFFERSON COUNTIES

FOR-SALE HOUSING GAP (2024)

Fayette County Compared to Jefferson County



FOR-SALE HOUSING GAP RATIO IN LEXINGTON

FOR-SALE HOUSING GAPS TO TOTAL OWNER HOUSEHOLDS RATIO (2024)

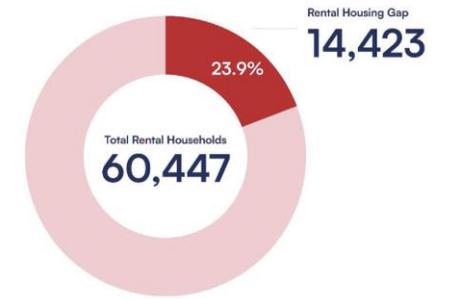
(Fayette County)



RENTAL GAP TO RENTER HOUSEHOLD RATIO

OVERALL RENTAL HOUSING GAP TO TOTAL RENTER HOUSEHOLDS RATIO (2024)

(Fayette County)



Number of Lexington Households by %AMI and Tenure							
	<30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI	TOTAL
Renter	15,165	9,490	10,586	6,235	6,128	12,843	60,447
Owner	4,853	4,451	7,447	6,909	6,855	46,306	76,821
TOTAL	20,018	13,391	18,033	13,144	12,983	59,149	137,268

Percent of Lexington Households by %AMI and Tenure							
	<30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100-120% AMI	>120% AMI	TOTAL
Renter	25.1%	15.7%	17.5%	10.3%	10.1%	21.2%	100%
Owner	6.3%	5.8%	9.7%	9.0%	8.9%	60.3%	100%
TOTAL	14.6%	10.2%	13.1%	9.6%	9.5%	43.1%	100%

PERCENT OF HOUSEHOLDS THAT ARE SEVERELY HOUSING COST BURDENED BY TENURE

SHARE OF SEVERE HOUSING COST-BURDENED HOUSEHOLDS BY TENURE (2024)

(Fayette County)

Households paying excessive amounts of their income toward housing costs are a consideration when assessing the housing needs of a market. Severe cost burdened households are defined as those paying over 50% of their income toward housing costs.



Percentage of Severe Housing Cost-Burdened Households



Housing Gap

COMPLETE HOUSING GAP ESTIMATES FOR LEXINGTON 2024 BY %AMI



Fayette County	Rental Housing Gap Estimates by Income (2024)						Total
Percent of Area Median Income	≤30%	31%-50%	51%-80%	81%-120%	121%-150%	151%+	
Household Income Range	≤\$26,790	\$26,791-\$44,650	\$44,651-\$71,440	\$71,441-\$107,160	\$107,161-\$133,950	\$133,951+	
Rent Range	≤\$670	\$671-\$1,116	\$1,117-\$1,786	\$1,787-\$2,679	\$2,680-\$3,349	\$3,350+	
Vacancy Surplus or Deficit	720	190	-28	-235	-413	-719	-485
Replacement of Substandard Housing	344	116	108	50	0	0	618
External Market Support	3,186	1,612	2,004	1,388	337	470	8,997
Severe Cost Burdened Households	3,957	868	130	13	0	0	4,968
Total Gross Demand #1	8,207	2,786	2,214	1,216	0	0	14,423
Net Step-Down Support	557	-114	-200	-243	0	0	0
Total Gross Demand #2	8,764	2,672	2,014	973	0	0	14,423
Total Rental Housing Gaps	8,764	2,672	2,014	973	0	0	14,423

Fayette County	For-Sale Housing Gap Estimates by Income (2024)						Total
Home Price Range	≤\$86,886	\$86,887-\$133,950	\$133,951-\$200,514	\$200,515-\$267,078	\$267,079-\$333,642	\$333,643+	
Vacancy Surplus or Deficit	226	196	387	405	231	609	2,054
Replacement of Substandard Housing	23	14	21	16	0	0	74
External Market Support	565	508	1,033	1,141	669	1,797	5,713
Severe Cost Burdened Households	149	68	50	14	4	0	285
Total Gross Demand #1	963	786	1,491	1,576	904	2,406	8,126
Net Step-Down Support	157	141	17	-134	300	-481	0
Total Gross Demand #2	1,120	927	1,508	1,442	1,204	1,925	8,126
Total For-Sale Housing Gaps	1,120	927	1,508	1,442	1,204	1,925	8,126

Regulatory Impact on Affordable Housing

- **Role of Zoning:** Zoning regulations can either support or hinder affordable housing development by influencing the type, size, and cost of housing.
 - Large-lot, single-family zoning can limit affordable housing and raise prices.
 - Lengthy permitting processes increase costs passed on to buyers and renters.
- **Proposed Zoning Amendments by LFUCG:**
 - **Density Bonuses:** Incentivizes developers to include affordable units, increasing the supply.
 - **Accessory Dwelling Units (ADUs):** Permitting ADUs boosts the housing stock, offering more affordable rental options.
 - **Diverse Housing Types:**
 - **Multi-Family Zoning:** Expanding zoning for multi-family units creates more opportunities for affordable and mixed-income housing.
- **Increase in Housing Supply:**
 - **Streamlined Approval:** Faster approvals reduce costs, making affordable housing more feasible for developers.
 - **Fee Reductions/Waivers:** Lowering fees further incentivizes developers to build affordable units.
- **Lower Development Costs:**
 - **Inclusionary Zoning:**
 - **Mandatory Affordable Units:** Requires a certain percentage of affordable units in new developments, ensuring continued growth in affordable housing.



Government Initiatives Supporting Affordable Housing

Local Programs

- **Lexington-Fayette Urban County Government (LFUCG) :**
 - Affordable Housing Fund (AHF): Supports construction and renovation of affordable housing.
 - Housing Stabilization Program: Provides emergency financial aid to prevent homelessness.
 - HOME Investment Partnerships Program: Grants for building, buying, and rehabilitating affordable housing.
 - Community Development Block Grant (CDBG): Funds for land acquisition, planning, and other non-construction costs.
- **Lexington Housing Authority (LHA) :**
 - Public Housing: Provides affordable rentals for low-income families, elderly, and disabled residents.
 - Housing Choice Voucher Program (Section 8): Rental subsidies for low-income families.
 - Project-Based Rental Assistance (PBRA) :

State Programs

- **Kentucky Housing Corporation (KHC) :**
 - Low-Income Housing Tax Credit (LIHTC): Tax incentives for affordable housing development.
 - Affordable Housing Trust Fund (AHTF): Supports development for households earning up to 60% of the median income.
 - Tax-Exempt Bond Financing: Bonds for affordable housing projects that can be combined with LIHTC.
 - Small Multifamily Affordable Loan Program (SMAL): Funding for small-scale multi-family affordable projects.

Government Initiatives Supporting Affordable Housing

Federal Programs

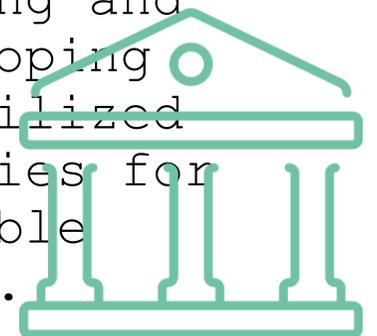
- **HUD:** Federal programs supporting affordable housing.
- **Veterans Affairs (VA) Housing Assistance:** Housing benefits for veterans.
- **National Housing Trust Fund (NHTF):** Grants to preserve affordable housing.
- **New Markets Tax Credits (NMTC):** Tax credits to incentivize investment in low-income communities.

Nonprofit and Private Sector Involvement

- **Nonprofit Developers:** Organizations like Habitat for Humanity, Urban League Local Development Corporation and Lexington Community Land Trust build and renovate affordable housing.
- **Public-Private Partnerships (PPPs):** Collaborations between government and private developers to fund

Additional Tools

- **Inclusionary Zoning:** Requires a percentage of new developments to be affordable.
- **Density Bonuses:** Allows more units if affordable housing is included.
- **Land Banking:** Acquiring and redeveloping underutilized properties for affordable housing.



Strategies and Best Practices for Affordable Housing

1

Public Housing and Section 8:

- LHA manages public housing and Section 8 vouchers, helping low-income families, seniors, and disabled individuals access safe, affordable housing.

2

New Affordable Housing Developments:

- The Affordable Housing Fund has supported townhomes and apartment complexes for low-income families, expanding the city's affordable housing supply.

3

Specialized Housing Projects:

- Focus on housing for seniors and disabled individuals with tailored amenities and support services.

4

Nonprofit and Private Sector Contributions:

- Nonprofits and private developers, supported by government funding and tax credits, have played a significant role in building affordable housing.

Best Practices for Affordable Housing Trust Funds (AHTFs) :



1. Dedicated Revenue Sources:

- Ensure consistent funding through property taxes, real estate transfer fees, or commercial linkage fees.

Community Land Trusts (CLTs):

- Support CLTs for long-term affordability and create mixed-use CLTs to integrate commercial and residential spaces.

Scalability and Replication:

- Develop scalable, adaptable housing models and open-source housing plans to lower development costs.

Innovative Design Incentives:

- Prioritize sustainable, energy-efficient designs and host design

5. Community Involvement:

- Engage community stakeholders and allocate funds for resident-driven projects to ensure alignment with local needs.

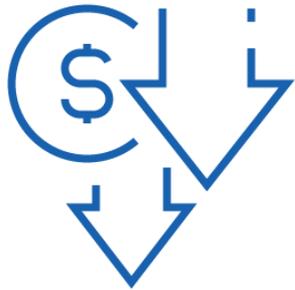
Leveraging Additional Resources:

- Create social impact funds with private investors to finance projects with both financial and social returns.

Holistic Support Services:

- Integrate job training, healthcare, and childcare in affordable housing

Key Takeaways



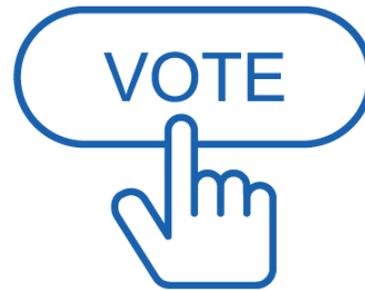
Diversified Funding Streams

Successful cities leverage a mix of local, state, federal, and private funding sources.



Public-Private Partnership

Collaboration with private developers and investors is crucial for maximizing resources.



Voter-Approved Measures

Property tax levies and bond measures often require public approval but can provide substantial and stable funding.



Innovative Financing Mechanisms

Programs like tax increment financing and inclusionary zoning help generate additional funds for affordable housing.



Innovative Financing Mechanisms

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Thank you.