AN ASSESSMENT AND RECOMMENDATIONS FOR THE CREATION AND FUNDING OF AN AFFORDABLE HOUSING TRUST FUND

December 4, 2006

To: Jerry E. Abramson, Mayor
Louisville Metro Government

The Mayor's Affordable Housing Trust Fund Task Force
Melissa B. Barry, Chair

Executive Summary

One of the key objectives of the Mayor's *Comprehensive Housing Strategy for Louisville Metro* (CHS) is the creation of an affordable housing trust fund (AHTF). An AHTF is commonly defined as "a distinct fund established by a city, or other government entity, that permanently dedicates a renewable public revenue source to support local affordable housing efforts."

The Mayor's Affordable Housing Trust Fund Task Force (AHTF-TF) has outlined key recommendations and a legislative agenda for the implementation and funding of a local AHTF. It has embraced the principles and objectives contained in the CHS to advance "housing choice" throughout the Louisville Metro community. The Task Force's key recommendations include the following:

Governance:

- **Creation.** Louisville Metro Council shall create a local AHTF by ordinance and it shall be named the Trust. Its form and relationship will be similar to an entity like the Louisville Waterfront Corporation.
- **Purpose**. The Trust shall fund and facilitate the rehabilitation, repair, and or production of affordable housing and housing related support programs to the residents of Louisville.
- **Incorporation**. The Trust shall be incorporated as an entity capable of receiving and administering both private and public dollars. It is the express belief of the Task Force that the public-private partnership status is the best vehicle for maximizing the use of both private and public dollars.
- **Administrator**: In order to avoid program duplication and to capitalize on its skill set, Louisville Metro Housing and Community Development shall administer the Trust.
- **Governing Board**. The governing board shall have final decision-making authority for the Trust and shall be comprised of 13 members reflecting a broad-based, cross-section of interests.
- **Appointment.** Board members shall be appointed by the Mayor and ratified by Louisville Metro-Council pursuant to the requirements of local and state law. Board members shall serve in staggered terms.

Program:

- **Income Targeting.** 50% of any public dollars allocated to the Trust shall be dedicated by ordinance or other means to serving households at or below 50% AMI; the remaining 50% shall serve households at or below 80% AMI. The Trust shall be authorized to accept private gifts, grants, donations, and other contributions and may use these funds to serve households at or below 110% AMI.
- **Periodic Needs Assessment.** An initial needs assessment shall be conducted during the first year of operation. The frequency of the needs assessment shall be determined by the governing board and shall occur at least every three years. In addition, the governing

board shall identify 10 key elements or indications of the need for affordable housing to be updated annually.

- **Leverage.** Trust programs shall be designed to *leverage* and *maximize resources* available to create affordable housing that *stimulate an increase* in affordable housing options in Louisville.
- **Flexible Terms.** The Trust shall offer a variety of funding vehicles including loans, forgivable loans, and grants. The Trust must remain flexible so that that it can maximize and leverage resources from a variety of sources and facilitate innovative approaches.
- **Sustainability.** The Trust will ensure sustainability by instituting duration and affordability requirements perfected through financial incentives and penalties, deed restrictions and other enforceable agreements.
- **Eligible Applicants.** Eligible applicants will include non-profit and for-profit affordable housing developers and service providers, public housing authorities, and units of government.
- **Funding Distribution Process.** The governing board shall develop a transparent fund distribution process utilizing any number of methods including, but not limited to, notices of funding availability (NOFA), requests for proposals (RFP), and direct funding.

Revenue:

- **Funding Objective**. The objective is to lay the foundation for an AHTF that annually invests $10 million dollars into affordable housing projects. A multi-year approach will be necessary to achieve full and adequate funding for the Trust.
- **Multiple Revenue Sources.** No single source of funding will measure up to the Trust's funding objective. The Trust must be created through a combination of several dedicated, renewable, public income streams and an endowment of other private resources and contributions.
- **Public Revenue Source Priority.** A significant investment of public revenue sources must be sought prior to private contributions. It is recommended that the Trust be initially seeded with a contribution from Louisville Metro Government.
- **Educational Campaign**. To build public and political support for the necessary changes in state legislation and budgetary authority, a concerted educational campaign must be undertaken. With Mayor Abramson taking a lead role, the goal is to spread community awareness regarding the importance of securing a local affordable housing trust fund.

Introduction: The Mayor's Charge

"Louisville Metro will expand financing mechanisms for housing development in order to support the creation of diverse housing types and price points."

During the period of June through November 2006, the Mayor's Affordable Housing Trust Fund Task Force and its committees met with members of the staff of Louisville Metro Housing and Community Development to devise a detailed strategy to meet this objective. Specifically, it assessed the need for the creation of an AHTF, examined existing "best practices" in this field, and made recommendations to create a local AHTF that would meet the affordable housing and community development needs of the Louisville Metro community.

This white paper begins with a summary of a state legislative initiative to authorize and fund a local AHTF that was undertaken during the winter of 2005-2006. This initiative yielded mixed results. The effort fell short of its objective to create state legislation that would create a dedicated source of public revenues for local AHTFs. It created a dedicated source of public revenue that would annually feed the Kentucky Affordable Housing Trust Fund. Local affordable housing providers and units of local government are eligible for participation in the Kentucky Affordable Housing Trust Fund. However, there is no earmark of funding specifically dedicated to the Louisville Metro Community.

This white paper then addresses the three central issues necessary to create an effective AHTF: governance, program and revenue. The Task Force created three separate committees to examine these focus areas. The detailed recommendations of the committees, which have been adopted by the entire Task Force, comprise the remainder of this report. The report concludes with several appendices: a listing of the Task Force membership and other process participants; an annotated revenue matrix that assesses potential public revenue sources; an assessment of affordable housing need (indicators) within the Louisville Metro community; and an economic impact analysis of an AHTF.

Finally, it should be noted that the Task Force and, in particular, the Governance Committee found "best practices" research particularly relevant to the creation of the AHTF. This information is documented, shall be preserved, and is located in the office of Louisville Housing and Community Development.

Legislative Summary

In the last days of the 2006 Kentucky General Assembly legislative session, lawmakers on April 10 2006 by a vote of 26-6 in the Senate, and 66-26 in the House, established an estimated $4.4 million or more in dedicated public revenue source for the Kentucky Affordable Housing Trust Fund.

Originally, HB 537 increased some fees collected by the County Clerks and increased by $30 the Sheriffs' fee for any agency or person requesting help from the Sheriff not on behalf of Kentucky. Rep. Jim Wayne submitted Senate Committee Substitute 2 included as an amendment to HB 537, which added an additional $10 to the Sheriffs' fee increase and an additional $12 to the County Clerks' fees, and specified that $6 of the additional $12 County Clerks' fee increase go to the Kentucky Affordable Housing Trust Fund, and the other half to the County Clerk's office.

HB 537 passed the Kentucky General Assembly on April 10, and was delivered to Gov. Fletcher on April 12. On April 25, HB 537 became law without the governor's signature, though he had previously stated he was "neutral" on a dedicated public revenue source for the AHTF and that he "would follow the legislature" on this issue. The effective date for this legislation is "the first moment of" July 12, 2006.

The original affordable housing legislation considered this session, HB 338, would have created a stable revenue source and generated more money for the trust fund by adding a $10 fee to closing costs on mortgages and also adding $1.5 million to the trust fund each year from delinquent tax collections in excess of the $7 million already budgeted and spent elsewhere in the General Fund. This legislation passed the House, but stalled in the Senate.

Just before the final negotiating days, Rep. Jim Wayne amended SB 43, a bill dealing with mortgage escrow accounts that had already passed the Senate, and added the compromise Affordable Housing Trust Fund language from HB 338. The House passed SB 43 with the amendment but the House and Senate were unable to reach agreement on the amended version of the bill, and eventually the House withdrew the amendment and SB 43 passed in its original form, without the AHTF language.

A few days later, just hours before HB 537 passed, an AHTF bill through amended language on HB 437 (which would have dedicated a portion of the already-proposed fee increase on vehicle/driver's licenses, to the KY AHTF and included the delinquent tax collection revenue from HB 338. In fact, most people, including legislators, thought this bill passed. However, the driver's license funding source must only go to the road fund, not any other source unrelated to transportation so it was ruled unconstitutional and the AHTF did not pass here.

In the final hours and days of the session, both the House and Senate approved HB 537, which included a provision that will generate at least $4.8 million a year for the trust fund by raising the recording fees on deeds and certain other documents from $8 to $12, with $6 of that going into the Trust Fund. The amended version of HB537 passed both the House and Senate.In the end all local trust fund language was dropped from the state bill, it was this turn of events that led Mayor Abramson to move ahead with the appointment of his own Task Force and commitment to the creation of Louisville's own AHTF.

Governance Guidelines

Preamble

The Governance committee, on behalf of Mayor Abramson's Affordable Housing Trust Fund Task Force (AHTF-TF), recommends the following guidelines/recommendations be codified in an enabling ordinance:

Establishment and Composition of the Louisville Metro Affordable Housing Trust Fund Governing board:

Establishment:

The Department of Louisville Metro Housing and Community Development shall administer the Trust. The Trust shall be incorporated as an entity capable of receiving and administering both private and public dollars. It is the express belief of the committee that the public-private partnership status is the best vehicle for maximizing the use of both private and public dollars. By ordinance, the Trust shall be empowered to oversee and manage a fund whose purpose is to facilitate the rehabilitation, repair, and or production of affordable housing and housing related support programs to the residents of Louisville.

Q*ualifications:*

The governing board shall broadly represent Louisville Metro's affordable housing community and shall have decision making powers. It shall be comprised of 13 members reflecting the following composition:

- 1 member from the banking community
- 1 member At-Large
- 1 eligible or current affordable housing consumer
- 1 low income housing advocate
- 1 Metro-Council member
- 1 neighborhood representative
- 1 member from the Metro Government directly reporting to the Mayor
- 1 non-profit developer
- 1 social service provider
- 1 member from the Homebuilders Association of Louisville
- 1 member from the Apartment Association of Louisville
- 1 representative of homeless individuals
- I member from the Greater Louisville Association of Realtors

Appointment:

Board members will be appointed by the Mayor and ratified by Louisville-Metro Council pursuant to the requirements of state and local law.

Term:

Board members will serve a 3-year term with no more than two consecutive terms being served, beginning on a staggered basis with five members serving an initial 3-year term, four members an initial 2-year term, and four members with an initial 1-year term.

Operation of the Trust

Appointment:

The governing board will appoint a president or executive director for the purposes of carrying out the responsibilities of the Trust. The executive will not be a member of the governing board; rather, the president or executive director will be hired by the board to provide executive direction to and management of a small professional staff. The Governance committee of the AHTF-TF encourages the governing board to select the executive among applicants having government relations experience.

Trust Executive Responsibilities:

The president or executive director will report directly to the chair and its governing board. Core responsibilities will include:

- Operate the corporation with fiscal discipline
- Develop and execute Trust operations to deliver funding grants for affordable housing and related programs consistent with the Trust's mission and legislative mandates
- Develop new fund raising strategies to grow the balance of the Trust
- Prepare an annual report to the community on the Trust's activities

Powers and Duties of the Trust include:

- Establish and maintain an independent, professionally managed, fiscally accountable fund
- Evaluate housing needs and priorities by conducting a formal needs assessment process during its first year of operation to guide Trust policy. The frequency of the needs assessment shall be determined by the governing board and shall occur at least every three years
- Establish policies and procedures for Trust operations including disbursement of funds
- Establish procedures for monitoring and evaluating the Trust's activities

- Develop responsibilities for reporting to the public and elected officials by producing an annual report to the community
- Coordinate the Trust activities with communitywide approaches to meeting affordable housing needs
- Seek additional funds, both private and public, to support Trust activities
- Ensure a timely disbursement of funds subject to a timeframe to be determined by the governing board.

Operational responsibilities of the entity will include at a minimum the following:

1) Compliance with Trust operational and administrative mandates
2) Budget Management
3) Applications and Award Process
4) Underwriting Process and Guidelines
5) Funds Disbursement
6) Reporting and Auditing
7) Fundraising and Growing the Trust through legislative action
8) Needs Assessment

Program Guidelines

Preamble

The following guidelines and recommendations are specifically focused on the program areas of the Trust. The Program committee strongly endorses a broadly based, inclusive, and flexible scope for the Trust's program areas, which shall be governed primarily by a needs assessment.

Major Stakeholders

The committee identified the following major stakeholders in an effort to frame discussion in terms of tailoring program areas to best address stakeholder concerns, resources, and needs.

1) Low Income Housing Consumer
2) Public Sector
3) Non-Profit Sector
4) Private Sector

The committee emphasizes that the Trust should offer win-win elements for each stakeholder in order to garner broad support.

Sustainability

The Trust programs shall be designed to *leverage* and *maximize resources* available to *stimulate an increase* in affordable housing options in Louisville. After much discussion, sustainability has come to be understood as referring to a dedicated, renewable source of public revenue. However, sustainability in no way limits the types of available funds.

Loans and Grants

The Trust shall offer loans, forgivable loans, and grants. The idea is to keep the Trust flexible such that it can maximize and leverage resources. The governing board will prioritize loans and grants based on a needs assessment.

Governing Board

The governing board of the Trust is charged with a variety of tasks. The committee encourages the governing board to exercise maximum flexibility in its decision making power. It shall select specific program areas from the following recommendations and guidelines.

The committee recommends that the following should be incorporated into an enabling ordinance.

Needs Assessment:

The governing board will make decisions pursuant to conclusions drawn from an affordable housing needs assessment. It shall:

1) Review programs to insure they meet current, identified affordable housing needs
2) Review fund distribution mechanisms to ensure flexibility in application and efficiency in administration
3) Revise program offerings and fund distribution methods based upon an affordable housing needs assessment

Affordability Requirements and Deed Restrictions:

After the governing board convenes and appoints an executive, the board shall design specific guidelines for affordability requirements and deed restrictions. The committee encourages the governing board to consider broadly based, inclusive, and flexible approaches to maintain maximum flexibility.

In doing so, the governing board may wish to consider the following questions:

1) Should multi-family rental properties carry 15 year affordability requirements?
2) Should multi-family guidelines be consistent with Low-Income Housing Tax Credit Guidelines (LIHTC)?
3) Should requirements match/coordinate with other programs such as HOME, LIHTC, etc. in order to reduce administrative costs, increase efficiency, and user friendliness, etc.?

Fund Deployment: Time Limitations and Preferences:

Similarly, soon after the governing board convenes, it shall design specific guidelines for fund deployment time limitations and preferences. However, the funds must be distributed within three years of collection. Again, the committee encourages the governing board to consider broadly based, inclusive, and flexible approaches to maintain maximum flexibility.

In doing so, the governing board may wish to consider the following questions:

1) How long will awardees have to deploy funds before the recapture of the award?
2) What is the Trust recapture policy?
3) Will the Trust offer time extensions?
4) What happens to the recaptured funds?
5) Will the governing board select alternate projects during the application review process?

6) Will the recaptured funds be deposited into a general pot for new awards?
7) Will the funds be forwarded in advance of work or reimbursed?
8) Will funds be dispersed as “first dollar in” vs. “last dollar” in?
9) Will the funds be disbursed in increments as certain project benchmarks are achieved or dispersed in one lump sum?

Housing Scorecard:

The governing board shall design a housing score card with which to rate applications to the Trust. To measure performance and accountability, the housing score card shall also rate the impact and performance of awarding. In addition, the performance measurements should be consistent with a needs assessment.

Funding Distribution Process

The governing board will select a funding distribution process from a combination of the following:

A Notice of Funding Availability (NOFA) **–** Refers to pool of money made available on a first come first serve basis until funds are depleted. There is an open window of opportunity.

Example: Emergency Repair

Request for Proposal (RFP)—Refers to a competitive application cycle with a defined window of opportunity.

Example: Low Income Housing Tax Credit

Direct Funding- Rental Assistance--Refers to a specific funding initiative, for a specific purpose, for a specific organization. The governing board would direct funds without hosting a specific application process per se.

Example: The expansion of a Section 8 Program.

Eligible Applicants

The committee unanimously agreed to the following list of eligible applicants. Low income housing residents will be the ultimate beneficiaries of the fund, but they will not apply directly to the Trust’s programs; rather, they will apply to an administering entity in receipt of Trust grants and loans.

Non-Profits
For Profits
Public Housing Authorities
Units of Government

Program Areas

The Trust shall implement program areas to include the following:

1) Homeownership and Rental
    - Acquisition
    - New Construction Financing
    - Rehabilitation Construction Financing
    - Emergency Repair—need to define emergency
    - Down Payment Assistance
    - Permanent Financing
    - Rental Assistance
    - Production
    - Maintenance
    - Safety (lead based paint, weatherization, etc.)
2) Technical Assistance Training
    - Developer Service Providers
    - Training for Low-Income Housing Consumer
3) Support Services
    - Developer Service Provider
    - Training for low-income housing consumer
    - Handicap Repair
    - Accessibility Rehab
4) Programs that directly impact stable, safe, affordable housing
    - Foreclosure Intervention
    - Individual Development Accounts

100% of committee members wish to keep the Trust as flexible as possible. The program areas lists are not intended to exclude any program, nor are they intended to be exhaustive.

Income Targeting

Committee members expressed a wide range of opinions with respect to income targeting. After lengthy discussion, the committee reached a compromise during the November 8 Task Force meeting. The Task Force unanimously approved the Revenue committee's final position shortly thereafter.

50% of any public dollars allocated to the Trust shall be dedicated by ordinance or other means to serving households at or below 50% AMI; the remaining 50% shall serve households at or below 80% AMI. The Trust shall be authorized to accept private gifts, grants, donations, and other contributions and may use these funds to serve households at or below 110% AMI.

Revenue Guidelines

Preamble

The following recommendations specifically concern the revenue guidelines of the Trust. The Revenue committee of the AHTF-Task Force evaluated approximately 50 potential revenue sources against 17 criteria. Their work produced two priority lists recommending sources to be pursued immediately in Louisville and those requiring a change in state legislation.

To inform their work, the Revenue committee surveyed various community organizations, consulted government agencies, studied the current practices of existing state and local AHTF funding sources, and sought the expertise of Housing Trust Fund Project Director, Mary Brooks from the Center for Community Change. The committee also produced an "Indications of Need" document to justify the dollar goal of the Trust. Lastly, the Revenue committee produced an economic impact analysis. This study illustrates the economic benefit to Louisville in terms of local income, tax revenue and jobs supported.

Revenue Sources

To achieve maximum flexibility, sustainability, and effectiveness, the Trust shall be funded by multiple sources of dedicated, renewable, public revenue. Best practices research strongly suggests that securing the previously mentioned revenue sources are critical to the viability of the Trust. The Trust shall accept both one-time seed money and private contributions.

Furthermore, a significant investment of public revenue sources must be sought prior to private contributions; otherwise, the Trust will be unable to garner political and public support for public investment in the Trust.

The Revenue committee prioritizes its recommendations for revenue sources into two classes.

> **Priority 1** revenue sources should be pursued immediately, aiming to secure these sources by the end of the 2008 Kentucky General Assembly.
> **Priority 2** revenue sources will take longer to build political and public will, but are important revenue sources that should be pursued across a longer time frame.

<u>Priority 1</u>

Dedicated ongoing public revenue sources that <u>Louisville Metro can enact now</u>, without state legislative changes, to be pursued with Metro Council immediately**:**

- 3% Rental Car Fee
- Percent of Proposed Increase in Rate and/or Dividends from Louisville Water Company
- Bingo Sales Tax

Dedicated ongoing public revenue sources that <u>require state legislative changes</u>, to be pursued in the 2007 General Assembly session**:**

- Restaurant Fee
- Increase Metro Government's share of the Hotel/Motel Tax (currently at 7.5%)
- Dedicate the County Clerk Surplus to the AHTF
- *AHTF License Plate (not an ongoing public revenue source, but requires one-time state legislative change. Will raise limited, one-time money; the Revenue Committee considers this an opportunity more for public relations than revenue generation).*

Revenue sources that Louisville Metro can enact now but which require annual reauthorization (and therefore are not dedicated ongoing public revenue):

- $2 million General Fund Commitment from Metro Council to capitalize the fund
- Commit Annual Arena Bond Surplus to the Trust
- Metro Bonds Financing including provisions for the Trust

Revenue Sources that are private contributions but require a change in state legislation

- Private, voluntary contribution source of Income Tax Credit for Contributions to Neighborhood Assistance Program (NAP) (not public revenue, but can be enacted by Louisville Metro now)
- Private, voluntary contribution source of Voluntary Income Tax Contribution to Louisville Metro AHTF Option (not public revenue, but requires one-time state legislative change)

<u>Priority 2</u>

Dedicated ongoing public revenue sources that <u>Louisville Metro can enact now</u>, without state legislative changes, to be pursued with Metro Council in 2008 and beyond:

- Create Special Tax District
- Create Tax Increment Financing Project (TIF) and dedicate excess revenue to AHTF

Dedicated ongoing public revenue sources requiring <u>state legislative changes</u> to be pursued in the 2008 General Assembly session and beyond:

- Mixed Drink Tax
- Increase All County Clerk Fees by a percentage and dedicate to AHTF
- Increase Insurance Premium Tax and dedicate to AHTF (if not capped)
- Repeal HB44 – Cap on new property tax income – and dedicate new revenue to AHTF
- Local Cable Franchise Fee

Sources of Private, Voluntary Contributions:

- Private Funds – Foundations, Corporations, Individual Contributions
- Cable Company Charitable Contributions
- Percentage of the sale of real estate owned by the school district

Dollar Goal

The Revenue Committee recommends a multi-year approach and multiple revenue sources to achieve full and adequate funding for the Trust. The aim is to lay the foundation for the Trust to grow to over $10 million dollars through bond financing and other leveraging.

Louisville should commit some amount of local revenue and sources to the Trust before the 2007 General Assembly session. Louisville will demonstrate a good-faith effort before pursuing changes in state legislation related to additional revenue sources for the Trust. Political strategy might require Louisville to work for legislative changes that apply only to merged metro governments or certain class cities, rather than the Commonwealth.

Please see Appendix C detailing the "Indicators of Need" Document.

Educational Campaign

To build public and political support for the necessary changes in state legislation, Mayoral leadership shall coordinate an educational campaign. The goal is to spread community awareness regarding the importance of securing a local affordable housing trust fund. It should begin before 2008. Again, the economic impact analysis is critical the garnering the support of both the public and private sectors.

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Appendix A: Task Force Members, Proxies, and other Participants

Chair:
Barry, Melissa
Metro Housing and Community Development

Members:
Barry, Tim
Louisville Metro Housing Authority

Burks, Jane
Volunteers of America (VOA)

Cook, Ben
Kentucky Housing Corporation

Dunlap, Kevin
Fannie Mae Corporation

Dutschke, David
Catholic Charities, CLOUT

Gliessner, Joseph
New Directions Housing Corporation

Gordon, Marlene
Coalition for the Homeless, Inc.

Hampton, Maria
Federal Reserve Bank of St. Louis

Hinko, Cathy
Metropolitan Housing Coalition

Horneffer, Fred
BB&T Bank

Howard, David
National City Bank

Jenkins, Joni. L
State Representative 44th District

Kavanaugh, Chuck
Home Builders Association of Louisville

Luallen, Lynn
Housing Partnership, Inc.

Mills, Krista
U.S. Department of HUD

Poe, Steve
Poe Companies (Apartment Association)

Pruitt, Andrew
Realtors Association

Ward-Pugh, Tina
Louisville Metro-Council

Roehrig, Becky
River City Housing

Scrivener, Drane
NAACP

Walsh, Jane
Independent Consultant

Willis, Marita
PNC Bank

Proxy List:
Corrigan, Timothy
The Rotunda Group, LLC (Realtors Association)

Hurst, Rachel
Coalition for the Homeless

Lively, Gale
Louisville Apartment Association

Logsdon, Tommy
Home Builders Association of Louisville

Martos, Arden
CLOUT

Scruggs, Marlo
BB&T Bank

Temple, Janel
Habitat for Humanity of Louisville Metro

Wayne, Jim
State Representative 35th District

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Appendix A (Continued): Metro Government Task Force Members

Cabinet for Community and Economic Development

Traughber, Bruce
Cabinet Secretary for Community & Economic Development

Tivitt, Shannon
Assistant Cabinet Secretary for Community & Economic Development

Fleischaker, Rebecca
Communications Director for Community & Economic Development

Louisville Metro Housing & Community Development

Barry, Melissa
Director, LMHCD

Malysz, Carl
Deputy Director, LMHCD

Hamilton, Lisa
Assistant Director, LMHCD

Boykins, Karen
Executive Assistant to Melissa Barry, Director of LMHCD

Sullivan, Kevin
Grants Coordinator

Mott, Daro
Housing Program Specialist

*   *   *   *   *   *   *   *   *   *   *   *   *

Appendix B: Revenue Matrix

Excel Spreadsheet.

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Appendix C: Indicators of Need

Indications of Need for Affordable Housing in Louisville: The Case for an Adequate Louisville Metro Affordable Housing Trust Fund

- **Charitable contributions in Metro Louisville have decreased by 8.4%** between 2001-05 (9.4% nationally). *(Metro United Way, 2006)*
- **400% increase in foreclosures** in Metro Louisville since 1996. (*MHC, 2005)*
- **6,000 homeless children** in Jefferson County Public School system *(JCPS)*
- **1,051 households** containing 11,251 men, women, and children and 490 unaccompanied youth used Louisville homeless services in 2005. *(The Coalition for the Homeless Point-in-Time 2006)*
- **95 homeless individuals** on the street in Jan 2005. (*The Coalition for the Homeless Street Count 2005)*

<u>Unavailable/Decreasing Federal Funding for Housing:</u>

- Federal housing budget shrunk by 48% since 1970's.
- Nationally, during the 1990s, 100,000 units of housing for very low-income families have been lost to the housing stock without replacement.
- In the late 1990s, Section 8 rental units declined by 65,000 nationally. *"The State of the Nation's Housing," Joint Center for Housing Studies of Harvard University, Graduate School of Design, John F. Kennedy School of Government, 1999.*
- Between 1995 and 1999 no new Section 8 vouchers were issued by the federal government leading to a net loss of assisted households in Kentucky and nationwide. *Maney, Brian and Sheila Crowley. "Scarcity and Success: Perspectives on Assisted Housing." The National Low Income Housing Coalition, 2001.*

<u>Louisville Metro Housing Authority:</u>

- **2,074 households** on Public Housing waiting list
- **10,758 households** on Section 8 housing voucher waiting list (number down due to purging the roles)

<u>Louisville Metro Housing & Community Development:</u>

- **92 homeless families** on HOME Tenant-Based Rental Assistance Program waiting list (program closed, so cannot be served by program)
- **120 homeless disabled families** on Shelter + Care waiting list
- **25 homeless families with HIV/AIDS** on HOPWA waiting list
- **94 families on the waiting list for CAP** Program. Average cost is $9,500. Needs include:
    - 22 families with roof leaks accompanied by major, structural damage;
    - 21 families with roof leaks with non-structural damage;
    - 20 families with minor roof leaks and code violations; and
    - 31 households which need inspection.

- **733 homes in need of repair, costing an average of $20,000 each,** are on the Home Repair waiting list.
- Currently 0 families on the waiting list for Down Payment Assistance, Weatherization Program, or Emergency Repair Program. Emergency Repair Program currently serving 12 households bearing a total cost of $24,210.

Daro Mott, Housing Program Specialist, LMH&CD, Nov 2006

<u>Low-Income Housing Tax Credit:</u>

In the past 3 years, nearly twice as many units were unfunded rather than funded: 1,303 units unfunded and 629 units funded since 2004.

  - In 2004, 346 units unfunded and 245 units funded
  - In 2005, 325 units unfunded and 127 units funded
  - In 2006, 632 units unfunded and 257 units funded

Daro Mott, Housing Program Specialist, LMH&CD, 2006

<u>Homeless Partnership Grants shortfall:</u>

- From 2003-2006, **$3,292,281 of unfunded housing projects and services to end homelessness** due to lack of funds. Actual need was higher, but HPGC had to place a maximum on what could be requested for a project due to decreasing available funds.
- funding continues to decrease and is projected to decrease significantly for FY 2007
- In **2006 Metro Louisville had $1,600,202 less** in Federal Entitlements than the year before
- Committee administers federal and local funds allocated or mandated to serve the homeless - Community Development Block Grant funds, Metro United Way dollars, and federal Emergency Shelter Grant dollars

Rachel M. Hurst, Coalition for the Homeless, 2006

<u>Chafee Independence Program:</u>

175 persons each year in foster care in Jefferson County will "age out" of the foster care system to live on their own as adults with no support, and most will need affordable housing to avoid poverty and homelessness.

Fawn Conley, State Coordinator/Project Administrator, Chafee Independence Program, 2006

<u>Habitat for Humanity of Louisville:</u>

- Approves only 10% of applications it receives because do not have capacity to serve more; the remaining 90% are in dire need of affordable housing but have limited options.
- **Total of 540 unserved families** seeking affordable housing in the last 12 months, including:
  - **390 families denied housing or were lost from the program** when agency closed their applications, due to lack of resources and funding.
- **Could not serve 150 families** who wanted to live in areas other than those in which we build because of lack of affordable housing opportunities, especially land, in other neighborhoods.

Janel Temple, Habitat for Humanity of Louisville, 2006

<u>Continuum of Care unmet need for homeless families:</u>

- Unmet need of **736** Permanent Supportive Housing **beds for homeless families**
- Unmet need of **218** transitional housing **beds for homeless families** as they work toward permanent housing

- **602 homeless persons** living on the streets in Jan. 04, including 89 families with children containing 257 adults and children, and 345 single adults
- **1,631 families** containing 3,451 adults and children could not afford their housing in 2005 and who received services through the member agencies of The Coalition for the Homeless to temporarily stabilize them. Affordable housing is an immediate and critical issue for these families, without which they may not be stably housed.

Coalition for the Homeless 2006 Point-in-Time and 2005 Street Count;
Louisville homeless Continuum of Care Exhibit 1 submission to U.S. Department of Housing and Urban Development (HUD), 2006

<u>Volunteers of America of Kentucky:</u>
- VOA will be unable to serve **358 homeless families** in 2006 in just one of their programs, because they are already at capacity.
- VOA receives requests from 484 families in just one program in a year, but will only be able to serve 74 families.
- **14 families** are "stuck" in VOA programs due to lack of permanent affordable housing and a 14-month waiting list.
- 80% are single mothers with children, but also single fathers with children, 2-parent families.

Katie Receveur, VOA KY, 2006; John W. Campbell, VOA KY, 2006

<u>St. Vincent DePaul:</u>
- SVDP forced to turn away **676 homeless families** in 2005 in just one program because they were already at capacity. Mostly single mothers w/ children, but also single fathers with children, 2-parent families.
- The lack of affordable permanent housing caused **11 people** in 2005 to exit transitional housing into housing they couldn't afford, because they were discouraged after waiting extremely long amounts of time for housing that didn't become available.

Laura Albovias, SVDP, 2006

<u>Dare to Care Food Bank:</u>
- Dare to Care Food Bank provides food for an estimated 82,250 different Jefferson County people annually and 13,160 different Jefferson County people weekly.
- **37,013 people** (45%) served by Dare to Care Food Bank reporting having to choose between paying for food and paying for utilities or heating fuel.
- **32,078 people** (39%) had to choose between paying for food and paying their rent or mortgage.
- **32,900 people** (40%) had to choose between paying for food and paying for health care or medicine.
- 27% of the people served are children under 18 and 8% are under 5.
- 12% of the people served are elderly.
- 26% of the households served included at least one employed adult.
- 80% of the households served had incomes below the official federal poverty level during the month prior to receiving food assistance.

Hunger in Kentuckiana report, America's Second Harvest, 2006; Stan Siegwald, 2006

The Salvation Army

- In a year forced to turn away **more than 40 families** seeking housing because agency at capacity (more than 20 in six months).

Margaret Saunders, The Salvation Army, 2006

Families & Children First:

- Must turn away **260-520 families or individuals** each year (5-10/week) who need both services and housing assistance but cannot be served because agency at capacity.
- **Closed their waiting list** for case management services 1 year ago, Dec 2005, since serving at capacity since then.
- Current waiting list of **6 individuals** or families for case management.
- **8 families** currently being served do not have adequate permanent housing because no subsidy is available.
- Before KHC's Safe Haven voucher program went into effect Jan. 06, the number was 55 families. KHC's Safe Haven program is temporary and will last at most 2 more years.

Wade Jordahl, Families & Children First, 2006

Home of the Innocents:

- **47 homeless young adults** (age 18-24) on waiting list but cannot be currently served because agency at capacity.
- Recently forced to **cancel 15 homeless young adults** needing services and housing due to lack of resources creating a length of time on waiting list so long that agency loses contact with some on the list by the time they can be served.
- In their portion of SAFAH (collaborative program to stabilize homeless families and individuals to obtain and maintain permanent housing), lack of available affordable housing leads to increasing number of families never completing program since housing is not provided or available. These are 50% single mothers with children, and 50% individuals.

Steve Williams, Home of the Innocents, 2006

The Healing Place:

- **4 families** (mothers with children) ready to exit transitional housing but cannot due to lack of affordable permanent housing; some of them waiting for months.

Carol Humphrey, The Healing Place, 2006

ElderShelter Network/Catholic Charities:

- Program estimates a **need for 60 additional units** of affordable permanent supportive housing/assisted living **for persons 60 years of age and older** with a maximum annual income of $25,000 (1 person family).

Joyce Connor, Catholic Charities, 2006

Bellewood Presbyterian Homes for Children:

- **Waiting list of 25 families** (mostly mothers with children) for permanent housing and transitional housing to move families to stabilization before permanent housing, due to lack of affordable housing opportunities and resources.

Elizabeth Green, Bellewood, 2006

Project Women, Inc.:

- **39 families (homeless mothers going to school who have children) on the waiting list**. Although a pre-residential program was developed to provide these families case management, academic advising, and peer support activities, there is currently no available housing space for them in the program.

Jocelyn Fetalver, Project Women, 2006

Kentucky Housing Corporation:

- 1**, 529 Jefferson County homes lack complete plumbing**
- **2,141 Jefferson County homes lack complete kitchen facilities**

Kentucky Housing Needs Assessment: Phase II (2004)-Data Profiles-County, State, and ADD *http://www.kyhousing.org/uploadedFiles/Publications/Research/HNAIIProfiles.pdf*

Kentucky Affordable Housing Trust Fund/Kentucky Housing Corporation:

- **"Due to lack of more funding, more than $19 million in requests to the AHTF have gone unfunded since 1994."** *KHC KY AHTF brochure*
- For example, **$55,000 denied** for lack of sufficient funding in the KY AHTF in program requests by Choices Inc. in 1998 and 1999. *Beth Hedges, Choices Inc., 2006*
- Some Jefferson County programs can no longer apply for continued funding for some programs administered by KHC, having received the maximum funding permitted by KHC; therefore**, $19 million unfunded is an undercount**. A program may not receive more than $10,000 cumulatively through HouseWorks Repair, or more than $250,000 in the past 5 years through the Home Repair and Emergency Housing Assistance Program. New Directions Housing Corporation, for example, can no longer apply for needed funds in either of these programs.
- Through August of 2006, Jefferson County projects have received allocations (net of recaptured funds) from the Affordable Housing Trust Fund totaling $3,735,586.75.
- This is $3,220,726 through KY AHTF, or $2,857,250 if the amount recaptured by KHC is included in the total (our percent received is then 7%).
- Jefferson County contains 25% of the state population.

Rick McQuady, Kentucky Housing Corporation, 2006
Joe Gliessner, New Directions Housing Corporation, 2006
KHC AHTF Brochure, http://www.kyhousing.org/uploadedfiles/HFC/Programs/AHTF_Brochure.pdf
KHC HouseWorks Repair Program Application & Guidelines,
http://www.kyhousing.org/uploadedfiles/HFC/Homeownership_Production/HouseWorksRepairProgram.doc
KHC Home Repair and Emergency Assistance Program Application & Guidelines,
http://www.kyhousing.org/uploadedfiles/HFC/Homeownership_Production/HomeRepairEAPApplication.doc

Type of Housing Wanted in 5 Years by Louisville Homeless Shelter Participants:

- 72.4% homeownership
- 20.1% rental apartment
- 1.7% sleeping room

Type of Housing Wanted Now by Louisville Homeless Shelter Participants Want Now:

- 26% homeownership
- 52% rental apartment
- 8.7% sleeping room

The Coalition for the Homeless, 2005 Continuum of Care Needs Survey

Type of Housing Preferred by Louisvillians:

33% apartment/rental
67% single family home

Gale Lively, Louisville Apartment Association, 2006

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Appendix D: Economic Impact Analysis

Louisville Affordable Housing Trust Fund Economic Impact

With every $1,000,000[i] of Affordable Housing Trust Fund dollars, we:

- **create 84 units of affordable housing**[ii] in Louisville
- **support 112 jobs** in year 1**,** and **44 jobs** on an annual ongoing basis
- **generate $6,468,000 in local revenue** in year 1, and **$3,061,800** on an annual ongoing basis

Initial one-year impact[iii] of building 84[iv] units of affordable housing in Louisville:

local income generated:	$5,871,600
local business owner income generated:	$1,366,680
local wages and salaries generated:	$4,504,920
local tax revenue generated[v]:	$ 596,400
local property tax generated[vi]:	$ 131,000
local jobs supported:	112
TOTAL 1-year impact[vii]:	**$6,468,000 and 112 jobs supported**

Ongoing annual effect that occurs when these 84 affordable housing units are occupied[viii]:

local income generated:	$2,674,560
local business owner income generated:	$1,100,400
local wages and salaries generated:	$1,573,320
local tax revenue generated:	$ 387,240
local property tax generated:	$ 131,000
local jobs supported:	44
TOTAL ongoing annual impact:	**$3,061,800 and 44 jobs supported**

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[i] $1,000,000 in AHTF dollars leveraged 6:1 for a total investment of $7,000,000. The Kentucky AHTF averages 7:1 leveraging, according to Kentucky Housing Corporation. A national survey of state and local AHTFs showed leveraging ranging from 6:1 to 13:1, according to the Center for Community Change. The group chose a conservative estimate of 6:1 leveraging for these calculations.

[ii]**Cost to construct one affordable housing unit: $85,000***
Value of one affordable housing unit: $120,000**

*Louisville Apartment Association, Habitat for Humanity, and River City Housing Corporation estimated the 2005 cost to develop a basic unit of affordable housing is approximately $85,000.

- According to a 2006 survey of for-profit developers of multifamily affordable housing units by Louisville Apartment Association, the cost breaks down as: $55,000 for construction, $14,000 development costs, $10,000 site costs, $6,000 common area costs, and $7,500 land costs for 1 multi-family unit of housing and a total of $85,500.
- Habitat for Humanity of Louisville's 2005 cost of developing a 3-bedroom, 1-bath, 1100 square foot affordable single family home was $50,000 to $60,000 plus labor expenses, and concurred with the $85,000 total cost.
- The AHTF-TF Revenue Subcommittee estimates the development cost of one affordable single family home at $95,000 to $100,000.
- River City Housing's data is based on a basic 1,100 square foot single family home with 3 bedrooms and 2 bathrooms with a development cost of $85,800.

Therefore, the group chose the common figure $85,000 as the cost of one affordable unit of either multi-family or single family home.

*The 2005 Jefferson County Area Median Income (AMI) was $59,800 for a family of four. A family of four earning 60% AMI, or $36,000, if they spent 30% of their income on housing costs (spending more than 30% is considered "unaffordable"), would be able to afford $11,360 a year for housing, or $900 a month for housing. Factoring in an estimated $50/month for insurance and $80/month for taxes, a family of four earning 60% AMI in Jefferson County in 2005 can afford to pay no more than $770/month for housing costs, and can afford a home valued at $110,000 to $115,000 with a 30-year mortgage, no down payment, and 6.5% interest rate.

*A family of four earning 80% AMI, or $48,000, if they spent a maximum of 30% of their income on housing costs, would be able to afford $14,400 a year for housing, or $950 a month for housing. Factoring in an estimated $50/month for insurance and $80/month for taxes, a family of four earning 80% AMI in Jefferson County in 2005 can afford to pay no more than $870/month for housing costs, and can afford a home valued at $120,000 to $130,000 with a 30-year mortgage, no down payment, and 6.5% interest rate.
--*Estimations from The Homebuilders Association of Louisville*

** The AHTF-TF Revenue Subcommittee estimates a housing unit that costs $85,000 to create would be valued at $120,000.

[iii]One-year impact includes Phase I: Direct and Indirect Impact of Construction Activity, and Phase II: Induced (Ripple) Effect of Spending the Income and Taxes from Phase I. From *The Local Impact of Home Building in a Typical Metropolitan Area: Income, Jobs, and Taxes Generated*. Oct. 2005, National Association of Home Builders.
The group used the NAHB summary of "Impact of Building 100 Multifamily Units in a Typical U.S. Metropolitan Area" because our Louisville numbers for cost and value of one unit of single family or multi-family affordable housing was the same (see endnote 2), and NAHB's multifamily unit value was closest to ours ($112,000 NAHB vs. $120,000). We calculated 84% of each NAHB figure given (representing the impact of constructing 84 units rather than 100).

[iv] Louisville Apartment Association states 33.3% of Louisvillians prefer to live in apartments or multifamily units. Therefore, a typical mix of affordable homes for Louisville would be 28 multifamily units and 56 single family homes, for a total of 84 units.

[v] "The term local taxes is used as a shorthand for local government revenue from all sources: taxes, fees, fines, revenue from government-owned enterprises, etc." --*The Local Impact of Homebuilding in a Typical Metropolitan Area: Income, Jobs, and Taxes Generated,* Oct. 2005 National Association of Home Builders.

[vi] Because the property tax rate for Louisville varies by type and location of the housing unit, we gathered information about the average property tax rate as reported by the Urban League, Home Builders Association of Louisville, Habitat for Humanity of Louisville, and Louisville Apartment Association. **The average 2005 property tax rate, which we used in our calculations, was $1.30 per $100 of assessed value:**

- AHTF-TF Revenue Subcommittee: 2005 average property tax rate of $1.20 per $100 of assessed value. Habitat for Humanity of Louisville also uses this figure.
- Louisville Apartment Association: 2005 average property tax rate of $1.26 per $100 of assessed value, with most units in the urban services district
- Urban League: 2005 average property tax rate of $1.45 per $100 of assessed value

[vii] According to Habitat for Humanity of Metro Louisville's 2005 Economic Impact Report and "Determining Your Affiliate's Economic Impact: A Formula for Success**," the total direct economic impact of creating 84 affordable housing units valued at $120,000 each is $70,560,000.** This is based on $10,080,000 in value of the units, multiplied by 7, "a common figure used by many Chambers of Commerce" as an indicator of "the number of times a dollar 'turns over' before it comes to rest or leaves your community."

[viii] "Ongoing Annual Effect that Occurs When New Homes Are Occupied," *The Local Impact of Home Building in a Typical Metropolitan Area: Income, Jobs, and Taxes Generated*. Oct. 2005, National Association of Home Builders.
The group used the NAHB summary of "Impact of Building 100 Multifamily Units in a Typical U.S. Metropolitan Area" because our Louisville numbers for cost and value of one unit of single family or multi-family affordable housing was the same (see endnote 2), and NAHB's multifamily unit value was closest to ours ($112,000 NAHB vs. $120,000). We calculated 84% of each NAHB figure given (representing the impact of constructing 84 units rather than 100).