

Louisville CARES Fact Sheet

Louisville Creating Affordable Residences for Economic Success (CARES) Goal:

To address the need for affordable housing for low to moderate income, working households by establishing a revolving loan fund to create and retain affordable housing units over the next 30 years.

Definition of Affordable Housing:

Housing is considered affordable when a family pays no more than 30% of its gross income on housing costs, including utilities.

Affordable Housing Basics/Program Need:

- The American Community Survey generated by the United States Census Bureau shows that 60,000 Louisville households are in need of affordable housing because they are currently cost burdened. (Spending more than 30% of income on housing)
- Of that number, nearly 24,000 Louisville households are severely cost burdened, meaning that they spend more than 50% of their income on housing costs.
- The Louisville Area Median Household Income (AMI) is \$67,000.
- 46% of Louisville households have incomes at or below 80% of AMI. This equates to an income of \$53,600 for a family of 4 or \$37,550 for an individual.
- A Jefferson County family must earn \$28,200 per year or \$13.55 an hour (43% of AMI) to afford a non-subsidized 2-bedroom apartment. 37% of Louisville's workforce (roughly 218,000 workers) earns less than \$28,200 per year. (Federal Housing Finance Agency)
- Over 21,000 subsidized units occupied; over 21,000 households on waiting list for housing assistance.
- Over 60% of extremely-low income renters (making less than 30% AMI or \$20,100 per year or \$9.66 per hour) are severely cost burdened, spending over 50% of income on housing costs.
- 1,700 households lack complete kitchen or complete plumbing as cited in the Comprehensive Housing Affordability Strategy prepared for HUD.
- Nearly 3,000 affordable housing units created or retained since 2011 by using CDBG or HOME Funds. (On target for 5,000 by 2018)
- 1,200 residents are homeless on any given night. 95% of homeless reside in shelters with the remainder on the street. (HUD Point in Time Count)
- Annually, 8,600 residents experience homelessness. (Coalition for the Homeless)
- Over 6,800 JCPS students experienced severe housing instability in the 2013-2014 school year, meaning they share the housing of others including relatives and friends due to a loss of housing, economic hardships, or other similar reasons. This group includes children and youth temporarily placed by CFC or who are unaccompanied youth living in emergency runaway shelters, public or private nighttime shelters, special care facilities, spouse abuse centers, hotels or motels, and uninhabitable places such as cars, camping grounds or parks, abandoned buildings, substandard

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housing, or bus and train stations. Highly migratory children and youth awaiting permanent foster care placement are also considered homeless.

Program Details:

- Approximately \$11 million revolving loan fund (matches request for recurring revenue for affordable housing, total fund is dependent on prevailing bond rates) targeting construction of multi-family rental housing for individuals living at 80% or less of AMI, targeting those who are cost-burdened or severely cost-burdened (those who spend more than 30% or 50% of income respectively on housing costs, including utilities).
- Loan fund to be created by bonding \$1.3 million in General Fund revenue, 30-year bond term
- Administered by Louisville Forward through Develop Louisville's Office of Housing and Community Development and Louisville Affordable Housing Trust Fund (LAHTF). The \$1.3 million will be used for both debt service and administration.
- LAHTF helped to develop loan criteria, and through representation on the Loan Review Committee, will advise on deployment of loan funds. LAHTF Executive Director will continue to manage Board relations, private fundraising and advocacy for the Trust.
- Private and not-for-profit developers, lenders, housing advocates and other subject-matter experts were consulted on program design leading to the release of lending criteria and a loan application for private and not-for-profit developer response (similar to the METCO loan program available through the Department of Economic Development for small business development, gap financing and similar uses).
- \$1 million land acquisition pilot to incentivize affordable housing near employment centers to combine job growth with housing planning.
- This is a demonstration project to show need for recurring revenue source and explore alternate incentives for affordable housing development; addresses Metropolitan Housing Coalition, Human Relations Commission, Fair Housing Report and LAHTF recommendations and priorities. It also provides proof of concept for the proposed strategies to create affordable housing in today's economy.
- This initiative will benefit the households in need of quality, affordable housing near jobs and transportation. The idea is to create housing that is priced in a way that allows these households to spend less of their income on housing, minimizing cost burdening for people.
- Louisville CARES complements existing CDBG and HOME programs that provide a variety of housing assistance, including rehabilitation and repair grants, for low- to moderate-income individuals. These programs have created or retained roughly 3,000 units of housing since 2011 and are on track to create or retain an additional 2,000 units by 2018.

Program Outcomes:

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- Creates or retains a total of 1,500 units in the first two years. The loan fund itself creates roughly 750 *new* affordable units, but through housing filtering effects, will positively affect 750 additional households for a total of 1,500 units. Louisville CARES creates a ladder to economic stability by creating opportunities for cost-burdened households to move into more affordable housing. As cost-burdened households move up the ladder to units that reduce or eliminate their cost-burden, they create space in the housing market for other cost-burdened families to find less expensive housing options. For example, if a cost-burdened household paying \$600/month for housing is able to move into a new unit created through Louisville CARES, a second cost-burdened household paying \$700/month for housing will be able to move into the less expensive vacant unit, which will reduce its cost burden.
- Part of a larger solution needed for new goal to work with the community to collectively create or retain 24,000 units by 2030.
- Demonstration of need and operational capacity to deploy this type of funding.
- Proof of concept for proposed incentives to create or retain affordable units.

Program Timeline:

May-June 2015	Budget reviewed and passed by Metro Council
June-October 2015	Focus groups with private and non-profit developers, housing lenders, LAHTF Board Members, housing advocates, and other subject-matter experts to develop Louisville CARES Initiative lending criteria
November-December 2015	Draft lending criteria released for public review and comment
December 2015-January 2016	Louisville CARES Initiative base funding taken to bond market, bonds sold
February 2016	Louisville CARES program launched, applications accepted on a rolling basis, funds awarded and deployed to coincide with award of tax credits and other project financing

Other Questions:

Q: Will Louisville CARES solve the entire problem of affordable housing?

A: No. \$11 million will only address about 5% of this goal. But it's a 15-year goal and we'll be looking for not only a recurring revenue source but other partners, including the Kentucky General Assembly, Kentucky Housing Corporation, the Louisville Metro Council, private lending community, developers, non-profits and foundations to help us address it. Affordable housing is a community-wide issue, and it will take a community-wide effort to fully address the need.

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Q: How will Louisville CARES offset the cost of developing affordable housing and how did the city estimate the number of units that can be created through the Program?

A: Louisville CARES is gap financing for affordable multi-family residential development. In much the same way that METCO operates, a developer will access Louisville CARES funds to make up the difference between existing project financing and the extra costs associated with creating affordable units, which generate less project income through rents. Loans will be made at below-market interest rates to support affordable housing development.

The projected number of units to be created through Louisville CARES is based on a loan amount that equals around \$16,000 per unit. This is a conservative per-unit estimate based on research into affordable housing support provided through the LAHTF, CDBG and HOME programs, and into the gap that developers need to fill in creating affordable units. This research showed a gap of between \$10,000 and \$17,700 per unit that could be filled through Louisville CARES. The goal is to create the maximum number of affordable units to support working families who need to reduce their housing cost burden while making projects financially feasible for private and not-for-profit developers.

Q: What are other steps being taken to address affordable housing needs in the community?

A: There are many steps being taken to address affordable housing needs in the community. Some of these include: *Educational attainment and workforce development* (Mayor Fischer's Cradle to Career Initiative, including 55K, Kentucky FAME, Code Louisville, SummerWorks, Kentuckiana Works, Kentucky Manufacturing Career Center, and others), *Wage-related goals*, including raising minimum wage over time, and incentivizing higher wage job creation, *Long-range planning* (Move Louisville, Choice Neighborhood Grant, Vision Louisville), *Financing mechanisms* (METCO/Micro-Loan programs, SBA, SCORE, CDBG, HOME.)

Q: How were the lending criteria for Louisville CARES developed?

A: The lending criteria for Louisville CARES were developed through an extensive public engagement process that occurred from May through December 2015. During this time period, Louisville Forward's Develop Louisville staff convened focus groups with developers, lenders, housing advocates and other subject-matter experts to understand how best to structure the Louisville CARES loan program. Additionally, the LAHTF provided expertise and insight into developing lending criteria. Finally, the draft lending criteria were made available for public review, and additional revisions were made based on questions and comments received during that period.

Q: Why did Louisville Metro Government change the process of applying for Louisville CARES funding from a Notice of Funding Opportunity ("NOFA") to a rolling application process?

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A: Louisville Metro Government learned from participants in public engagement and stakeholder meetings that a NOFA process would be limiting for many potential Louisville CARES borrowers, and could make the program less appealing as a source of financing. In the interest of being as flexible as possible in addressing the need for gap financing in multi-family affordable rental housing projects, Louisville CARES has been structured as a rolling application process in which developers can seek financing as it is required for their projects rather than as a more structured formal competitive process.

Q: Why will the Louisville CARES initiative be staffed by Develop Louisville rather than having the LAHTF administer Louisville CARES?

A: Louisville CARES is funded through a Louisville Metro Government general obligation bond issue, and therefore the city has ultimate responsibility for management and oversight of the funds. The LAHTF has helped in the development of Louisville CARES, and will participate on the Louisville CARES Loan Review Committee to make lending decisions.

Q: Does the creation of Louisville CARES mean that this administration will not pursue a recurring, dedicated revenue source for affordable housing?

A: Absolutely not. Mayor Fischer is committed to addressing affordable housing and will continue to explore all options for the creation of a recurring, dedicated revenue source.

Q: Where will the housing be built?

A: We believe that there should be housing choices for all citizens throughout the city, with the understanding that market forces to develop housing must also be in place for projects to succeed. We have also set aside \$1 million to buy land near our employment centers, so that more people can live near where they work.