

Congressional Advocacy for Addressing Kentucky's Housing Crisis

Kentucky Housing Corporation
Advocacy

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Kentucky Housing Corporation (KHC) demonstrated advocacy leadership during the 2025 NCSHA Legislative Conference (LegCon) by implementing an innovative, data-driven approach to educate and influence congressional representatives on critical housing issues affecting the Commonwealth. KHC advanced policy objectives that will directly benefit lower-income households and address Kentucky's growing housing supply gap.

Specifically, KHC created a comprehensive LegCon packet (attached) using excerpts of existing publications and data visualizations to communicate complex housing needs information, allowing each representative to clearly understand the specific housing challenges facing their constituents.

KHC's use of county-level housing gap maps, economic impact data, and forward-looking projections created an advocacy framework that was both visually compelling and persuasive. Representatives and their staff could immediately grasp both the human and economic implications of housing shortages in their specific districts. In fact, several staffers commented on the ingenuity of KHC's toolkit, the breadth of which they had not seen before.

Prior to LegCon, KHC identified legislative issues with the greatest potential impact on Kentucky's housing landscape:

- Drastic reduction of HUD funding and staffing levels
- Expansion of Low-Income Housing Tax Credits (LIHTC)
- Preservation and improvement of tax-exempt housing bonds
- Streamlining of administrative processes across federal programs

KHC's LegCon advocacy sought to communicate how Congress can support affordable housing progress in Kentucky:

- Securing bipartisan support for the Affordable Housing Credit Improvement Act from Kentucky's congressional delegation
- Initiating discussions for regulatory relief and/or delegation of federal authorities to KHC to mitigate federal staff reductions.
- Initiating discussions for regulatory relief and/or delegation of federal authorities to KHC to mitigate federal staff reductions
- Elevating housing affordability as a top-tier economic development issue

These outcomes directly advance KHC's mission to invest in quality affordable housing solutions for families and communities across Kentucky.

KHC's advocacy was firmly grounded in comprehensive data analysis that highlighted:

- Current rental housing supply gap: 101,569 units (17%) statewide
- For-sale housing gap: 104,638 homes (8%) statewide
- Projected increase: 139,162 rental units (24%) and 147,958 for-sale homes (12%) by 2029
- Housing supply gap data by congressional district and county.
- Homelessness trends: record levels of 5,321 individuals in 2024
- KY Chamber of Commerce report on how housing supply is critical to Kentucky's current and future economic vitality

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The packet, rooted firmly in the data, allowed congressional representatives to understand the severe housing challenges facing Kentucky and the economic benefits of addressing them.

Executive Director and Chief Executive Officer Winston Miller, Deputy Executive Director of Housing Wendy Smith, and General Counsel Sam Thorner personally led KHC's LegCon delegation. Their preparation, knowledge, and persuasiveness elevated KHC's effectiveness in meetings with Congressional offices. Their ability to connect housing issues to broader economic development priorities resonated strongly with representatives focused on creating jobs and expanding Kentucky's economy. By framing housing affordability as an essential component of workforce development and business attraction, KHC likely broadened support for housing initiatives beyond traditional advocates.

KHC's advocacy work could directly impact lower-income households across Kentucky by:

- Preserving critical funding for homelessness programs
- Expanding LIHTC resources to create more affordable rental housing for households at 30-80% AMI
- Protecting affordable homeownership programs
- Accelerating the distribution of rental assistance

The congressional relationships strengthened during LegCon will have ongoing benefits as KHC continues to advocate for policies that expand housing opportunities for Kentucky's most vulnerable residents. In fact, bipartisan support was recently secured in the Kentucky House of Representatives for the reintroduction of AHCIA.

KHC's approach to congressional advocacy establishes a replicable model that other housing finance agencies can adopt.

- Use district-specific data that connects housing challenges to local communities
- Create compelling visual materials that clearly communicate complex housing needs
- Build diverse coalitions that demonstrate broad support for housing solutions
- Frame housing as an economic development issue to broaden political appeal
- Combine data with personal stories that illustrate the human impact of housing policies

This model can be adapted by agencies of any size and in any political environment to maximize advocacy effectiveness.

KHC's federal advocacy efforts at NCSHA's LegCon represent a data-driven approach to advancing housing policy that meets all criteria for excellence in advocacy. By combining innovative data presentation, strategic coalition building, and clear prioritization of legislative issues, KHC has created an advocacy model that achieves measurable results for Kentucky's lower-income households while advancing the agency's overall mission. This work exemplifies how housing finance agencies can effectively influence federal policy to address urgent housing challenges while creating economic opportunity for residents and communities.

Addressing Kentucky's Housing Supply Gap

www.kyhousing.org

No state funds were used to produce this document.

About KHC

Created by the 1972 General Assembly, KHC is a self-supporting, quasi-governmental public corporation governed by a 15-member Board of Directors.

As Kentucky's only housing finance authority, KHC administers a wide range of housing programs to finance and fund homeownership, rental housing, and homelessness solutions across the Commonwealth.

Mission

KHC invests in quality affordable housing solutions for families and communities across Kentucky.



Homebuyers and Homeowners

Mortgages, down payment assistance, foreclosure prevention, homebuilding, home repair, and weatherization.



Rental Housing

Multifamily development and preservation, rental assistance.



Homeless Programs

Shelters, rapid re-housing, street outreach, eviction prevention.

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Kentucky's Housing Supply Gap Analysis



Federal Programs Supporting Kentucky's Housing Market



Homeless	Supportive Housing	Affordable Rental Housing	Affordable Homeownership	Market-Rate Rental and Homeownership
<ul style="list-style-type: none"> • HUD Continuum of Care • HUD Emergency Solutions Grant • HUD HOME Investment Partnership • HUD Housing for People with AIDS • Public Housing Authority Capital and Operating Fund 	<ul style="list-style-type: none"> • Treasury Private Activity Bonds: Tax Exempt Bond Financing & 4% Low-Income Housing Tax Credits • Treasury 9% Low Income Housing Tax Credits • Section 8 Housing Choice Vouchers • Section 8 Project-Based Contracts • HUD HOME Investment Partnership • HUD Housing Trust Fund 	<ul style="list-style-type: none"> • Treasury Private Activity Bonds: Mortgage Revenue Bonds • HUD Federal Housing Administration • HUD HOME Investment Partnership • DOE Weatherization Assistance Program 	<ul style="list-style-type: none"> • HUD Federal Housing Administration • Treasury Mortgage Interest Deduction 	
≤ 30% AMI	30-80% AMI	87-120% AMI	≥120% AMI	

AMI = Area Median Income

Kentucky's Housing Supply Gap

206,207
New Homes

101,569	Rental
104,638	For-Sale



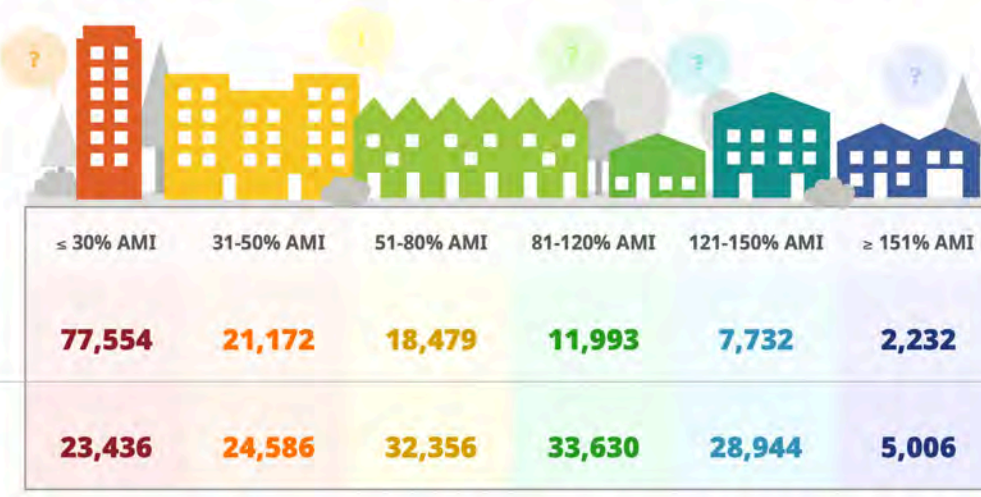
Current Housing Needs Broken Down By Area Median Income (AMI) Groups

* Permanent Supportive Housing (PSH) - Housing that offers supportive services and typically includes project-based rental subsidies.

287,120
New Homes

80,912 (28%)
increase over current housing gap

139,162	Rental
147,958	For-Sale



Future Housing Needs (2029) Broken Down By Area Median Income (AMI) Groups

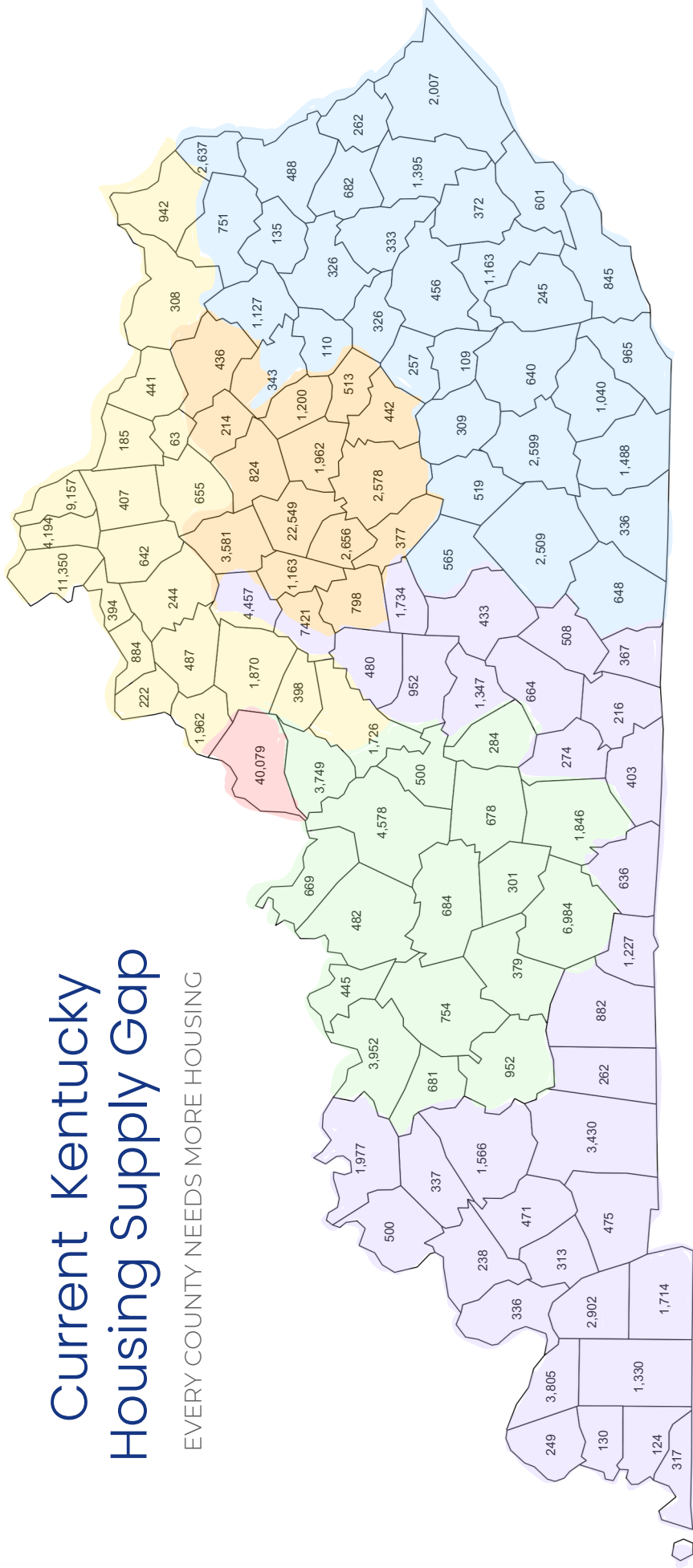
Learn More

To learn more about KHC's Housing Supply Gap reports and more, visit our website at www.kyhousingsupplygap.com or scan the QR code.



Current Kentucky Housing Supply Gap

EVERY COUNTY NEEDS MORE HOUSING



	District 1	District 2	District 3	District 4	District 5	District 6	Statewide
Current Supply Gap (2024)	<u>Rental</u>	13,599 (15%)	21,575 (17%)	15,034 (20%)	11,371 (14%)	23,468 (21%)	101,569 (17%)
	<u>For-Sale</u>	47,402 (8%)	15,805 (7%)	18,504 (9%)	20,282 (10%)	15,217 (7%)	17,052 (9%)
Future Supply Gap (2029)	<u>Rental</u>	23,307 (24%)	22,191 (24%)	28,697 (23%)	21,268 (28%)	14,414 (18%)	139,162 (24%)
	<u>For-Sale</u>	24,095 (11%)	23,602 (11%)	25,471 (12%)	32,273 (15%)	16,435 (8%)	147,958 (12%)







The map and table above display the number of additional housing units needed. The percentages in the table above indicate the district's supply gap as a share of existing occupied housing units.

Data is from the Kentucky Housing Supply Gap Analysis, available at <https://www.kyhousing.org/Data-Library/Housing-Gap-Analysis/Pages/Data.aspx>.

Federal Program Impacts



Impact of HUD Funding in Kentucky

	District 1	District 2	District 3	District 4	District 5	District 6	Statewide
 All Housing Programs	\$117,828,926	\$57,508,440	\$215,494,506	\$69,505,770	\$92,040,988	\$98,595,126	\$650,973,756
 People / Households Served	23,654 (14,607)	16,134 (9,242)	40,920 (21,600)	17,262 (10,532)	26,827 (15,722)	24,578 (13,875)	149,375 (85,578)
 Community Development Block Grant (CDBG)	\$4,931,534	\$6,447,485	\$14,908,916	\$5,874,714	\$4,898,898	\$6,769,041	\$43,830,588
 HOME Investment Partnership	\$2,517,539	\$3,004,726	\$5,843,028	\$3,207,320	\$2,497,482	\$3,972,556	\$21,042,651
 Housing Choice Vouchers	\$53,201,971	\$15,325,179	\$111,944,311	\$29,614,520	\$24,081,079	\$40,081,127	\$274,248,187
 Public Housing Program	\$27,787,958	\$12,889,966	\$31,828,786	\$15,746,457	\$29,896,777	\$19,467,315	\$137,617,259

Homelessness in Kentucky

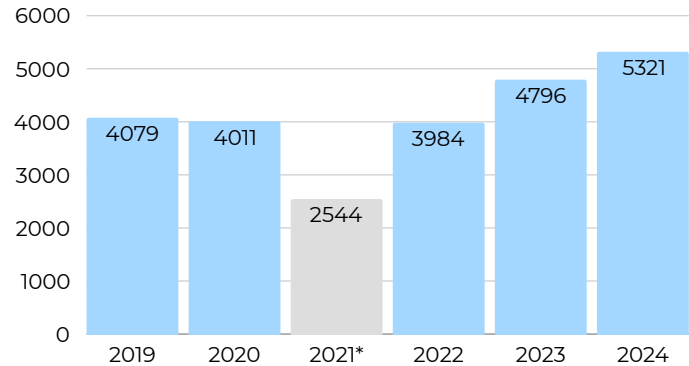
Homelessness has reached record levels in Kentucky as low housing supply drives up rent.

Kentucky is seeing increases in:

- Unsheltered Kentuckians
- First-time homelessness
- Working homeless
- Elderly homeless

We need 60,385 more apartments for our poorest Kentuckians—those at greatest risk to experience homelessness.

Annual January Homeless Count



Data is from the KY 2024 Point-In-Time County.

*Pandemic Undercount

Kentucky is Waiting on \$92M in CoC Funding from HUD

In January 2025, HUD announced competitive Continuum of Care (CoC) awards to Kentucky totaling \$45.9M for FY24 and another \$45.9M for FY25.

Kentucky needs HUD to issue award letters and grant agreements ASAP.

Kentucky is Waiting on \$8M in Annual Rent Assistance for Disabled Kentuckians

In August 2024, HUD awarded Kentucky 811 Project-Based Rental Assistance to help disabled households avoid homelessness. Funds help private landlords cover rent for 250 households.

KHC needs HUD to issue our 811 cooperative agreement ASAP.

Who uses HUD Continuum of Care Funds?



A majority of funds go to private landlords to cover rent for homeless Kentuckians.

CoC funds also support the work of 48 nonprofit shelter and service providers in Kentucky:

Louisville CoC
17 Organizations

Lexington CoC
7 Organizations

Balance of State CoC (118 counties)
24 Organizations

Data is from KHC's Homeless Management Information System.

LIHTC Impact on Kentucky

The Low-Income Housing Tax Credit (LIHTC) is a proven solution to help address the housing supply gap.

LIHTC is our nation's most successful tool for encouraging private investment in affordable rental housing. This U.S. Department of Treasury program has financed 4 million homes for low-income families and individuals nationwide since 1986.

LIHTC in Kentucky

1986 - 2023



	District 1	District 2	District 3	District 4	District 5	District 6
Homes Developed or Preserved in KY	3,751	4,340	8,463	5,467	4,332	4,343
Low-Income Households Served	5,279	6,354	12,277	7,750	6,017	6,019
Tax Revenue Generated	\$209 Million	\$253 Million	\$488 Million	\$307 Million	\$237 Million	\$237 Million
Wages and Business Income Generated	\$588 Million	\$710 Million	\$1.37 Billion	\$863 Million	\$669 Million	\$669 Million

Data is from the ACTION Campaign, updated November 2024. Visit rentalhousingaction.org for data sources and methodologies.

Ways to Accelerate Kentucky's Housing Supply



Top 4 Ways to Support Kentucky's Housing Supply

1 Sustain HUD Funding for Housing Programs

- Continuum of Care (CoC)
- Public Housing Capital and Operating
- Section 8 Housing Choice Vouchers (HCV)
- Section 8 Project-Based Contract Administration (PBCA)
- HOME Investment Partnership Program (HOME)
- Housing Trust Fund
- Emergency Solutions Grant (ESG)
- Housing Opportunities for Persons With AIDS (HOPWA).
- Reduced funding for these programs would result in increased homelessness across Kentucky.

2 Leverage Kentucky's Existing Development Capacity

- Support legislation expanding Low-Income Housing Tax Credits (LIHTC) and Tax-Exempt Housing Bonds, such as the Affordable Housing Credit Improvement Act (AHICIA).
- Maintain funding for HOME Investment Partnership and Housing Trust Fund programs.

3 Increase Homeownership Opportunities

- Preserve tax-exempt status of private activity bonds that finance mortgages.
- Maintain the Federal Housing Administration (FHA) Loan Guarantee.
- Preserve the HOME Investment Partnership.

4 Modernize and Right-Size HUD While Allowing Kentucky's Housing Market to Adapt

- Reducing staff without easing regulatory burdens will obstruct progress.
- Providing advance notice of proposed changes helps developers, nonprofits, local governments, and other stakeholders plan appropriately.
- Allow for input from key stakeholders, such as states and local governments, on flexibilities and streamlining HUD programs.

The Affordable Housing Credit Improvement Act

The bipartisan Affordable Housing Credit Improvement Act (AHCIA) is comprehensive legislation to expand and strengthen the Low-Income Housing Tax Credit. This legislation has previously been co-sponsored by Reps. Andy Barr, Brett Guthrie, James Comer, Morgan McGarvey, and Hal Rogers.

Key Provisions

- Increases Housing Credit amount.
- Lowers the threshold for Private Activity Bond Financing to trigger the 4% Tax Credit.
- Enables the Housing Credit to better serve rural communities.
- Codifies protections for veterans and victims of domestic violence.
- Streamlines and simplifies program rules.

Expected Impact



Kentucky

30,300 additional affordable homes could be developed



Passing the AHCIA would also support nearly:

3 million jobs

\$115 billion in additional tax revenue

\$333 billion in wages and business income



Nationwide

1.94 million additional affordable homes could be developed

Kentucky Chamber of Commerce Housing Report





Kentucky Chamber
Center for Policy & Research

Building a Foundation for **GROWTH**

Meeting Kentucky's Current & Future
Housing Needs



JUNE 2024



“
As Kentucky’s leaders seek to grow the state’s economy and workforce, **meeting the Commonwealth’s current and future housing needs must be a priority.**
”



This report was researched, written, and produced independently by the Kentucky Chamber Center for Policy and Research and was supported by a grant from the Home Builders Association of Kentucky.

Executive Summary

As Kentucky's leaders seek to grow the state's economy and workforce, meeting the Commonwealth's current and future housing needs must be a priority. Communities across Kentucky already face significant housing challenges. One third of the state's housing units were built more than half a century ago or longer. In some of Kentucky's metropolitan areas, median home sale prices have risen from 2.4 times median household incomes in 1992 to as much as 5 times median household incomes 30 years later. Estimates of Kentucky's housing shortage run as high as 206,000 units. In all corners of the Commonwealth, local leaders are raising concerns about how housing challenges are affecting quality of life, economic development, and access to opportunity in their communities.

Kentucky's housing challenges did not emerge overnight. In the aftermath of the 2007-2008 financial crisis, home building activity in Kentucky followed a national downward trend, plummeting 45 percent. As the availability of homes for sale or rent has steadily declined and our population has continued to increase, a market imbalance of limited supply and rising demand has driven housing prices beyond the reach of many Kentucky families and strained household budgets. Meanwhile, more barriers to home building have emerged in the form of opposition from small – yet vocal – groups of local homeowners, overly restrictive land-use and zoning rules, expensive government regulations, limited incentives for low- and middle-income housing, and a growing shortage of skilled construction workers.

As the state continues to attract new business investments and orients public policy to grow our economy and workforce, these housing challenges will intensify, resulting in unsustainable growth and holding back Kentucky's potential. Kentucky's leaders need to act now. Key steps should include collaboration between state government and local governments to reform land-use and zoning rules, a re-examination of government regulations impacting housing and home building, strategically increasing public sector support for low- and middle-income housing through tax policy and targeted funding, helping local communities understand their housing needs, investing in critical housing infrastructure like roads, water, and wastewater, and leveraging our high-schools, post-secondary institutions, and financial aid programs to grow and develop the construction workforce.

It's time to build a literal foundation for growth – and that means more housing and more home building.

Building a Foundation for Growth seeks to elevate housing as a critical economic issue in the Commonwealth and urges state and local leaders to take bold steps to support more home building and ensure healthier housing markets across Kentucky. The report examines a wide range of data and academic research and merges these resources with direct feedback from local Kentucky leaders gathered through live polling at a series of community listening sessions held in six distinct areas of the state.

Key Takeaways Include:

- **Academic research and feedback from community leaders underscore the importance of housing to economic development.** 66.2 percent of local community leaders reported that housing is holding back economic growth and opportunity in their communities, and 89.8 percent said their areas could not meet the housing demands of a major economic development announcement.
- **Kentucky already faces significant housing challenges,** including an aging housing stock, a growing gap between home prices and household incomes, and statewide housing shortages estimated to be as high as 206,000 housing units. 96.6 percent of surveyed local Kentucky leaders reported there is not enough housing in their communities.
- **Housing challenges will intensify in the state as Kentucky leaders seek to accelerate economic development and workforce growth.** The report conservatively estimates that the state may need to build as many as 529,000 new housing units by 2050 to keep pace with population growth and maintain a reasonably healthy housing market.



Introduction

When most of us think of housing challenges, thoughts of high-priced coastal cities like New York, Seattle, Washington, D.C., and San Francisco often come to mind. Few think of Kentucky communities like Ashland, Hopkinsville, Shepherdsville, or Corbin. These areas thankfully do not face the severe housing crises that coastal American cities face. Nonetheless, our research shows that Kentucky communities like these are struggling with housing challenges of their own. Without action from state and local leaders, those challenges could worsen in the coming years, harming Kentucky's unique quality of life and holding back the Commonwealth's economic potential.

This report seeks to prevent that from happening by shining a light on Kentucky's current and future housing challenges and outlining solutions for state and local leaders to consider. The Commonwealth already faces significant challenges with an aging housing stock, limited housing availability, and prices that are far higher than what most Kentucky families can comfortably afford. These factors are straining household budgets and local communities and causing some to question the state's economic future. As state and local leaders position the Commonwealth for accelerated economic and workforce growth through policy reforms and strategic investments, these challenges could become greater unless bold action is taken.

Action, however, starts with understanding, which is what this report aims to provide. *Building a Foundation for Growth* offers a deep dive into Kentucky's current and future housing needs and an overview of programmatic and public policy proposals in support of healthier housing markets across Kentucky. The report examines a wide range of empirical research and data and combines those resources with feedback and perspective from local community leaders across the state.

Housing Listening Sessions

To gather feedback from local leaders, staff from the Kentucky Chamber Center for Policy and Research held a series of listening sessions in six Kentucky communities, including participants from the counties of Christian and Daviess in the west; Bullitt in central Kentucky; Boone, Kenton, and Campbell in the north; Boyd and Greenup in the northeast; and Laurel, Whitley, and Knox in the south.

More than 150 community members engaged in these small-group conversations from December 2023 through March 2024, with representation from local chambers of commerce, city and county government officials, business leaders, planning professionals, home builders, nonprofit professionals, realtors, economic developers, educators, and the general public. Chamber staff conducted live polling during these listening sessions on key housing issues and questions. The results are included throughout this report to complement and give life to the academic research, data, and scientific surveys that the report analyzes. This allows readers to more fully understand how housing issues are impacting Kentuckians and learn how local community leaders are thinking about these challenges and potential solutions.



The Report is Divided into Four Chapters:

- **Chapter 1. Why Housing Matters** explores the impact of housing on workforce participation and economic development.
- **Chapter 2. Kentucky's Current Housing Landscape** examines data and research on current housing challenges in Kentucky, including the age of the state's housing stock, a growing affordability crisis, and a range of estimates of the state's housing shortage.
- **Chapter 3. Kentucky's Future Housing Needs** considers possible population growth trajectories in the Commonwealth and suggests estimates of how much housing the state may need to build by 2050.
- **Chapter 4. Solutions** provides an overview of programmatic and public policy solutions for the state's housing challenges, drawing examples from other states and identifying assets and tools already available in Kentucky.

WHY HOUSING MATTERS

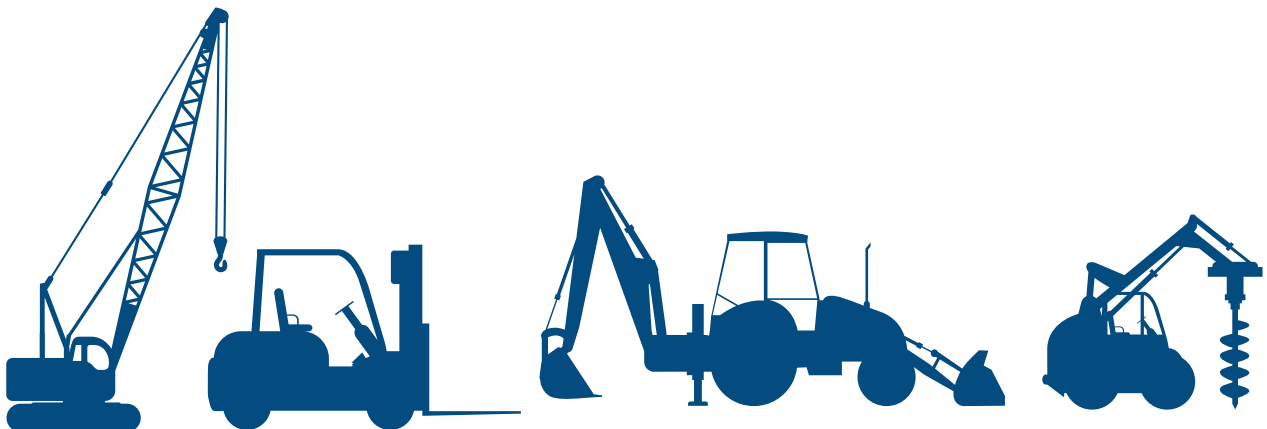
Chapter 1.

Any discussion of housing should start with the foundational question: why does housing matter? This section of the report briefly examines research demonstrating how housing affects workforce participation and economic development.



Key Takeaways:

- As Kentucky continues to struggle with low rates of workforce participation, policymakers should elevate housing as a workforce solution. Academic studies demonstrate that reliable housing helps ensure stable employment, increases worker productivity, and can help connect workers to jobs.
- Kentucky leaders view housing as a major economic development issue. 66.2 percent of local community leaders reported that housing is holding back economic growth and opportunity in their communities, and 89.8 percent said their areas could not meet the housing demands of a major economic development announcement.
- Home building is a significant driver of economic activity and state and local tax revenue, with estimates showing that building 1,000 single-family homes would yield a one-year economic impact of 3,764 full-time jobs and \$57.4 million in tax revenues.
- A study from 2017 concluded that housing shortages in America's metropolitan areas over the past 50 years have caused the U.S. economy to be 9 percent smaller today than it otherwise would be, robbing the average American worker of \$6,775 in higher annual wages.



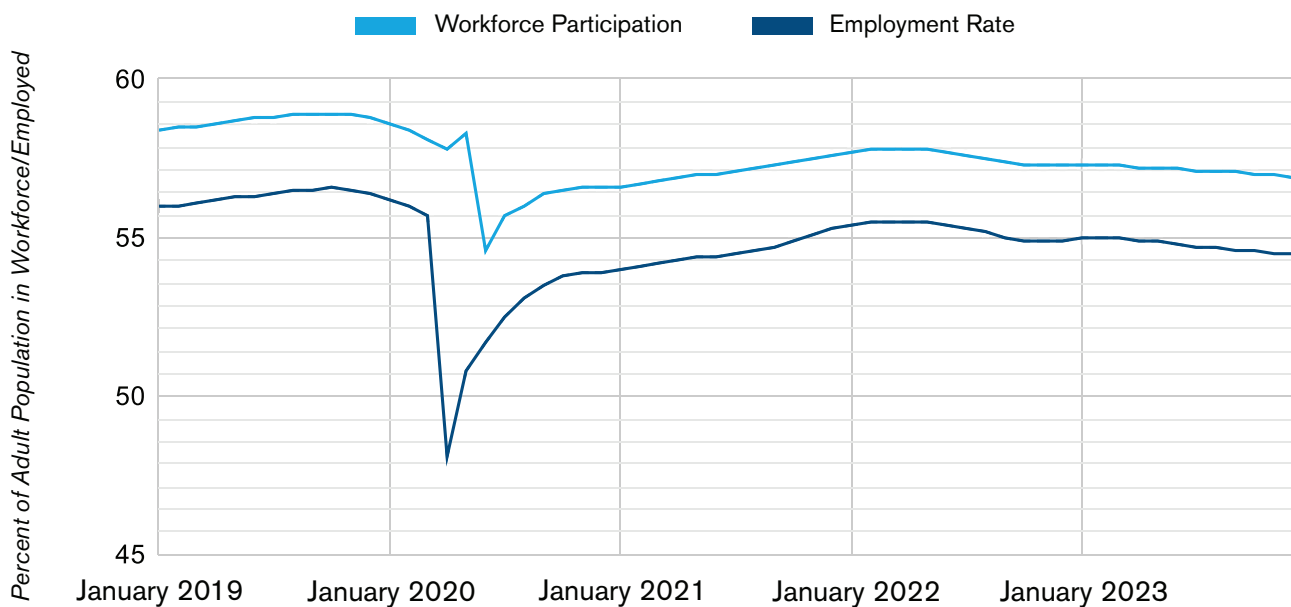
Housing Impacts Employment and Workforce Challenges

Workforce challenges have rightly been a major topic of concern in Kentucky. As demonstrated by a 2021 Kentucky Chamber Foundation report, Kentucky adults participate in the workforce at lower rates than adults in neighboring states and the rest of the nation. Despite important steps forward in public policy and proactive programming, this long-term challenge continues. As of January 2024, Kentucky had an overall workforce participation rate of 56.9 percent, down from 58.6 percent before the pandemic. The state's participation rate among prime-age workers – ages 25 to

54 – was 79.2 percent in 2023. This is 0.3 percentage points lower than before the pandemic and 4.1 percentage points lower than the national average.

Demographic trends such as lower birth rates and immigration tell us that employment and workforce challenges will persist into the future. Policymakers and community leaders will need to think creatively about attracting new workers and optimizing the workforce we already have. Housing should be a big part of this conversation.

Workforce Participation and Employment in Kentucky



Source: Bureau of Labor Statistics



"Policymakers and community leaders will need to think creatively about **attracting new workers** and **optimizing the workforce we already have**. Housing should be a big part of this conversation."

A connection between housing and workforce trends makes sense. Housing insecurity is disruptive and makes it harder to show up to work or devote time to a job search. Not being able to find or afford housing close to employment opportunities means job seekers may not even be able to consider applying for an open position unless they have access to reliable transportation and can make a long-distance daily commute.

Academic research bears this out. In 2016, Harvard researchers showed that workers experiencing housing insecurity were more likely to deliver poor job performances and become unemployed than workers with stable housing arrangements. A paper from 2023 studied the negative impacts of housing insecurity on maternal employment, noting that housing insecurity “creates chaos for families that necessitates more flexibility and support from employers.”

In turn, this dynamic negatively affects these mothers’ employment prospects and stability.

An Urban Institute study from 2019 looked at how the San Francisco area suffers from what the authors called a “spatial mismatch” of a high number of available jobs in the city and a low number of local job seekers who live near those jobs. The study found that job seekers who would be good matches for open jobs in the city lived in the area’s outer suburbs and would have to commute from considerable distances to take these open jobs. This type of job-worker mismatch makes it harder for employers to fill open positions and harder for job seekers to find employment that fits their experience and training. The study concluded that the causes of these mismatches were multifaceted, but San Francisco’s high housing costs were a major factor.

Housing Affects Economic Development

Housing also affects economic development, and we can think about this connection in two ways. First, home building is a major generator of economic activity. The National Association of Home Builders (NAHB) produced a study estimating that building 1,000 single-family homes in Kentucky would have a one-year economic impact of 3,764 full-time jobs and \$316.7 million in income for Kentucky residents. On a recurring basis, building 1,000 single-family homes would have an impact of 757 jobs and \$50.8 million in income for Kentucky residents. These impacts come from the direct activities of home building, indirect effects on other industries, and the positive effects of homeownership and population growth.

These impacts are also meaningful for state and local tax revenues, which fund important services like public safety and education. NAHB estimated \$57.4 million in taxes for local governments and the state as a result of building 1,000 new single-family homes and annually recurring revenues of \$16.6 million.

Second, housing plays an important role in business decisions. When employers study locations for new facilities or expansions (or if they are considering leaving), workforce and housing can be key variables. To fill the new jobs created by business investments, employers need workers; and workers need housing. Organizations like the National League of Cities (NLC) and the National Association of Counties (NACo) understand this dynamic well, informing their members that housing for workers is a driver of business location, relocation, and expansion decisions.

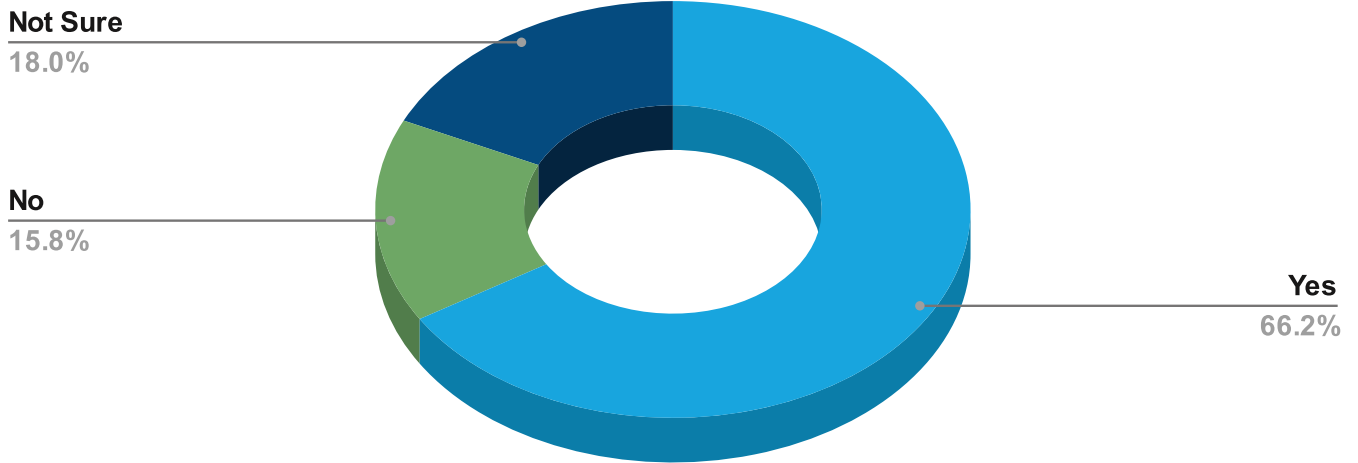


1,000 single-family homes in Kentucky would have a one-year economic impact of 3,764 full-time jobs and \$316.7 million in income.

“Access to affordable housing allows businesses to have access to a reliable workforce. A lack of affordable housing can put pressure on employees with long commutes or financial pressure from unaffordable rents or mortgage payments. A reliable workforce is critical to the financial success of any business of any size. Additionally, housing affordability at all income levels can support a talent attraction strategy.” - NLC

“... businesses are increasingly saying that they are looking at quality of life A key component of that quality of life is housing availability and affordability for workers from the CEO all the way to the line worker or entry level salesperson.” - NACo

Do you think housing challenges are holding back economic growth and opportunity in your community?

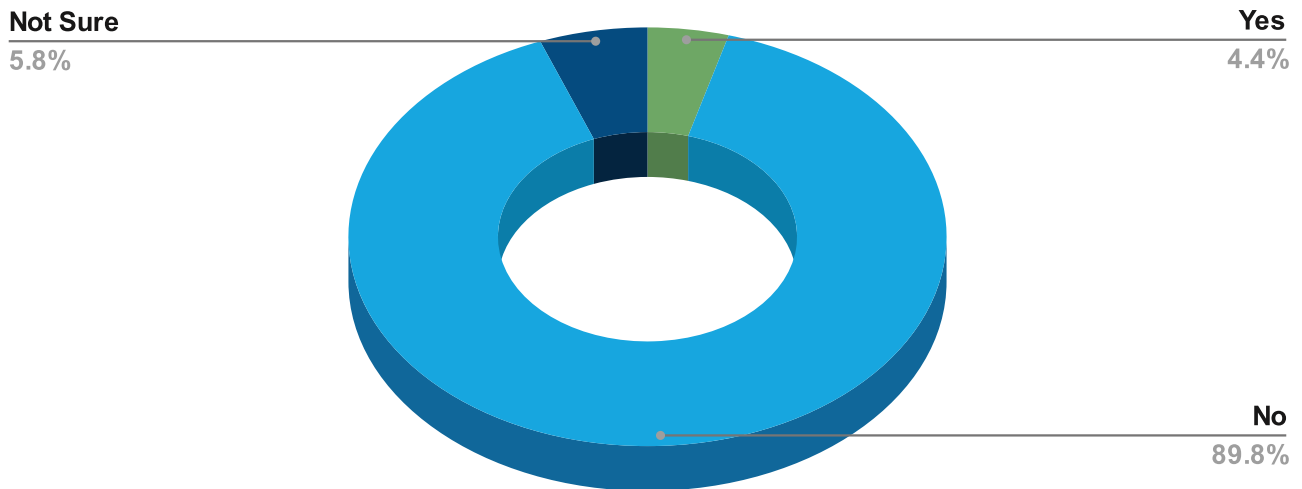


Kentucky Chamber 2024 Housing Tour

Local leaders in Kentucky understand this connection, too. During the Chamber's housing listening sessions, 66.2 percent of participants said housing challenges are holding back economic growth and opportunity in their communities, while 18 percent said they were unsure. When asked if they

thought their community could meet the housing demands to support an unexpected economic development project of 1,000 new jobs, participants were more unified in their response, with 89.8 percent responding "no."

If a major economic investment with 1,000 new jobs was announced in your community tomorrow, do you think your region is currently well-positioned to meet a growing demand for housing?



Kentucky Chamber 2024 Housing Tour

Understanding how housing affects economic development is important because communities that have failed to grasp this concept have paid a price. For example, a study by the Federal Reserve Bank of Boston showed how unsustainable housing prices reduced job growth in California cities. Other studies have shown how housing challenges have affected the U.S. economy. An analysis by researchers at the University

of Chicago and the University of California, Berkeley, concluded that housing shortages in America's metropolitan areas over the past 50 years have caused the U.S. economy to be 9 percent smaller today than it otherwise would be. This has effectively robbed the average American worker of \$6,775 in higher annual wages.



*"Housing shortages in U.S. cities have caused the U.S. economy to be 9 percent smaller today than it otherwise would be. **This has effectively robbed the average American worker of \$6,755 in higher annual wages.**"*

KENTUCKY'S CURRENT HOUSING LANDSCAPE

Chapter 2.

With an understanding of how housing relates to workforce and economic development, let's look at Kentucky's current housing landscape. This section of the report provides an overview of housing facts and statistics and highlights some of Kentucky's current housing challenges, including aging

housing units and affordability. Data resources and feedback from Kentucky leaders reveal significant housing challenges across the state that are already impacting local communities and economic opportunities.



Key Takeaways:

- While a majority of Kentucky's housing units were built between 1970 and 2009, more than 30 percent were built before 1970. Pre-1970 homes tend to be less energy-efficient and more in need of remediation and repairs.
- Rising housing costs are affecting every region of the state, leading 92.7 percent of surveyed local Kentucky leaders to say it would be difficult or very difficult for a middle-income family to find suitable housing in their community.
- Home prices are rapidly outpacing household incomes. In some of the areas of the state, the median sale price for a single-family home is now 5.1 times the median household income, up from 2.4 times the median household income 30 years ago.
- A rising share of Kentucky renters spend more than 30 percent of their monthly income on housing, including 44 percent of renter households in 2022.
- A shortage of housing is at the root of Kentucky's housing challenges, with 96.6 percent of surveyed local Kentucky leaders saying there is not enough housing in their communities.
- Homebuilding activity in Kentucky ground to a halt after the 2007-2008 recession, with average annual new housing permits falling 45 percent.
- Estimates for the national housing shortage range from 1.5 million to 20.1 million, while estimates for Kentucky range from 30,350 to 206,000 depending on the methodology and assumptions used.

The Basics of Kentucky's Housing Landscape

As of 2022, the U.S. Census Bureau estimated 2,023,679 total housing units in Kentucky. 1,828,680 of these units were occupied. Among occupied units, 1,257,737, or 68.8 percent, were owner-occupied and 570,943, or 31.2 percent, were renter-occupied. Kentucky's homeownership rate of 68.8 percent is slightly higher than the rates in the U.S. and Southern region, at 65.2 percent and 66.4 percent, respectively.

An estimated 194,999 housing units were vacant in Kentucky in 2022. Vacant, however, doesn't mean the unit was for sale or for rent or even that it was uninhabitable. In fact, only a small portion of vacant units were for sale or for rent in 2022: 9,237 units for sale and 26,031 available for rent. The remaining vacancy units fall under several different categories, including sold or rented but not yet occupied, for seasonal or recreational use, for migrant workers, or "other," which includes various reasons such as being uninhabitable.

Most Kentucky housing units are single-family detached structures, meaning they are not attached to adjoining structures like other housing units (a townhouse or row

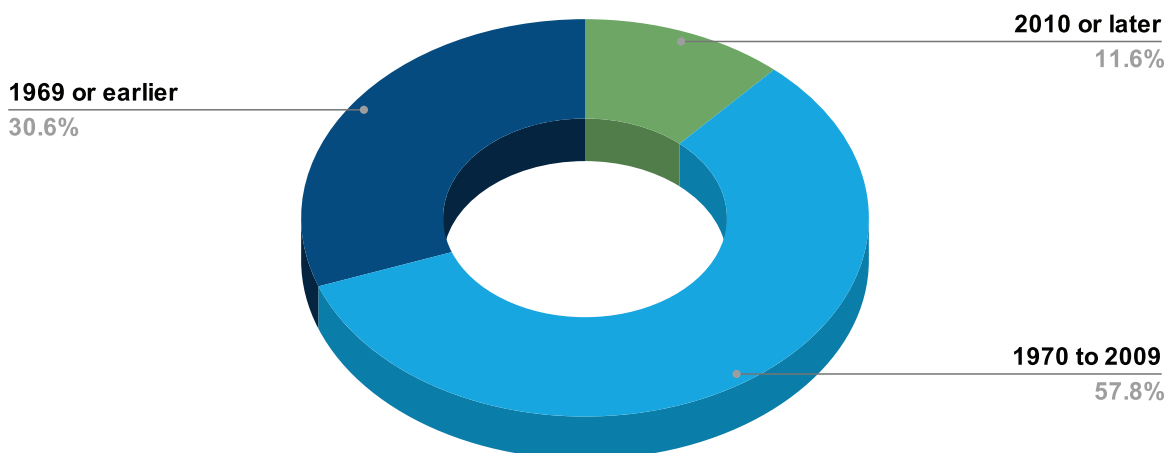
houses, for instance). 67.2 percent of Kentucky housing units met this definition, which is higher than the Southern U.S. region and the country, at 62.8 percent and 61.3 percent respectively. 18.8 percent of Kentucky's housing units are multifamily units (duplexes, triplexes, quadplexes, and apartments). This is lower than the Southern U.S. region (23.2 percent) and the U.S. (26.8 percent). The share of Kentucky housing units in larger multifamily structures is significantly lower than the Southern U.S. region and U.S. Just 3.7 percent of units are in structures with 20 or more units vs. 10.4 percent in the U.S. and 8.9 percent in the Southern U.S.

The majority of Kentucky housing units – 57.8 percent – were built between 1970 and 2009. However, Kentucky has a lot of units that predate the 1970s. A greater share of Kentucky's housing units were built before 1970 than units in the Southern U.S. region. 30.6 percent of Kentucky units predate the 1970s vs. 23.6 percent in the South. Nationwide, 35.3 percent of housing units were built before the 1970s.



"A greater share of Kentucky's housing units were built before 1970 than units in the Southern U.S. region. While older homes can be charming and of historical interest, they can also be less safe, less efficient, and more likely to need renovations."

When Kentucky's Housing Units Were Built



While older homes can be charming and of historical interest, they can also be less safe, less efficient, and more likely to need renovations. As noted by the National Association of Home Builders, “[i]n 1970 there were no codes or standards for energy efficiency, and the resiliency requirements motivated by the experiences with Hurricane Andrew in 1992 and the Northridge earthquake in 1994 were still years off. Many code changes targeting fire safety (such as requirements for smoke alarms, fire separation, fire blocking, draft stopping, emergency escape openings, electrical circuit breakers, and capacity and outlet separation) were also implemented after 1970.” Research by the Pew Research Center has shown that homes as of 2012 were 31 percent more energy efficient than homes in 1970, as measured by energy-usage per square foot.

The age of housing varies across Kentucky counties. In 74 out of Kentucky’s 120 counties, 25 percent or more of housing units were built before 1970. In 19 counties, more than 40 percent of housing units were built before 1970, and this includes a mixture of some of the state’s most urban counties and most rural counties.

Housing Units Built Before 1970			
Year	Kentucky	South	United States
Built 1960 to 1969	9.7%	8.7%	9.8%
Built 1950 to 1959	8.2%	7.1%	9.5%
Built 1940 to 1949	3.7%	3%	4.4%
Built 1939 or earlier	9%	4.8%	11.6%
Built before 1970	30.6%	23.6%	35.3%

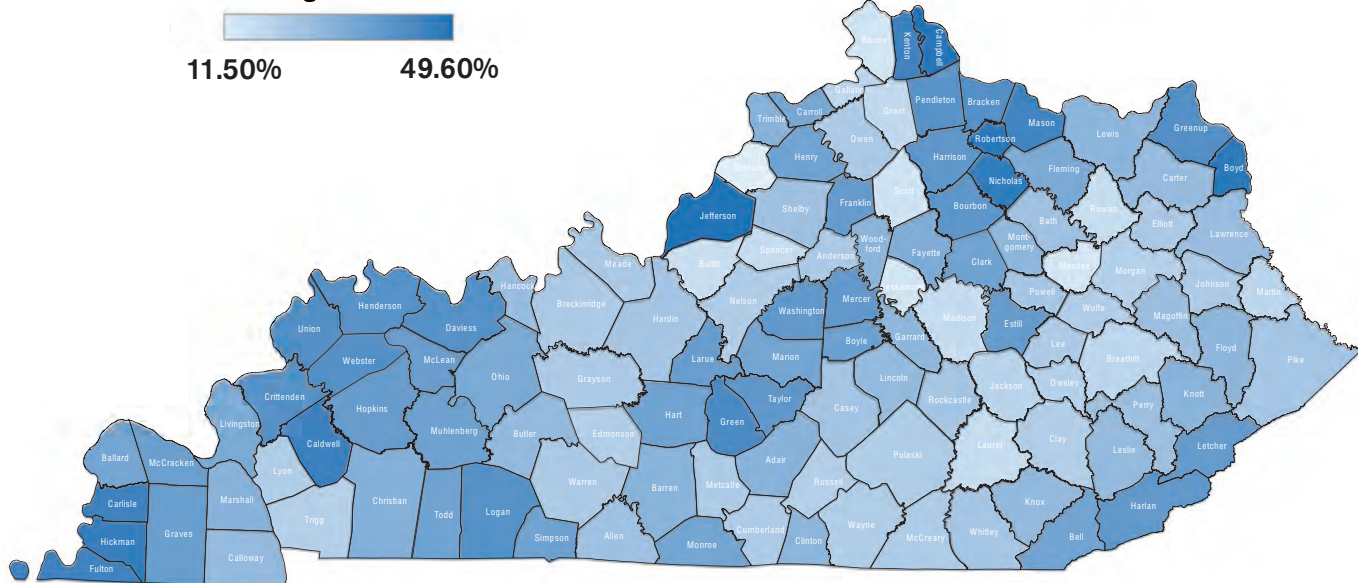
U.S. Census, ACS, 2022 1-Year, DP04



In 74 out of Kentucky’s 120 counties, 25 percent or more of housing units were built before 1970.

Portion of Kentucky Housing Units Built Before 1970 by County

Percent of Housing Units Built Before 1970



Source: ACS, 2022 5-Year Estimates, DP04, calculations by author

Housing Affordability

Any Kentuckian who has tried to buy a home or find a rental in recent years can tell you that housing has become prohibitively expensive for too many families. When we asked local community leaders if they thought housing in their community was affordable to most working families, 65.7

percent said no and 8.6 percent said they weren't sure. When we asked, "if a middle-income family of four was interested in moving to your community within the next three months, how easily do you think they would find housing that fits their needs," 92.7 percent said difficult or very difficult.

Do you think housing in your community is affordable to most working families?

Not Sure

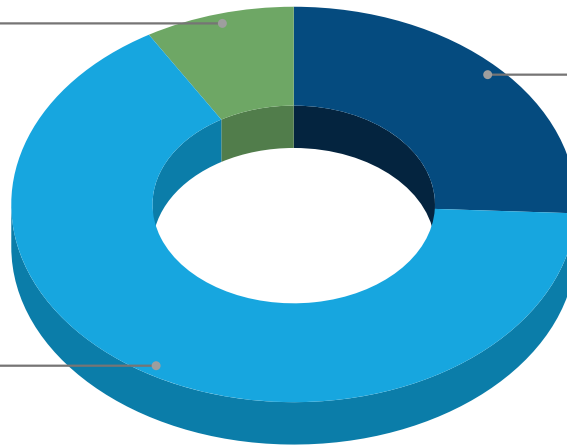
8.6%

Yes

25.7%

No

65.7%



Kentucky Chamber 2024 Housing Tour

Concerns over housing affordability is an issue of national concern. A Pew Research Center survey from 2021 showed that 85 percent of Americans think the availability of affordable housing is a problem in their community, with 49 percent considering it a major problem. Younger Americans view the problem as more severe than older Americans do. For

example, 55 percent of Americans below the age of 50 consider housing affordability to be a major problem while 44 percent of Americans between the ages of 50 and 64 and 39 percent of Americans 65 or older see it as a major problem. A sizable majority of all age groups, however, view affordability as a problem.

If a middle-income family of four was interested in moving to your community within the next three months, how easily do you think they would find housing that fits their needs?

Not Sure

0.7%

Very Difficult

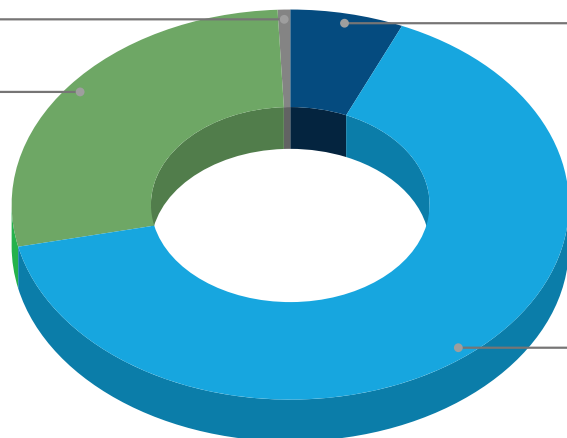
27.7%

Easily

6.6%

Difficult

65.0%



Kentucky Chamber 2024 Housing Tour

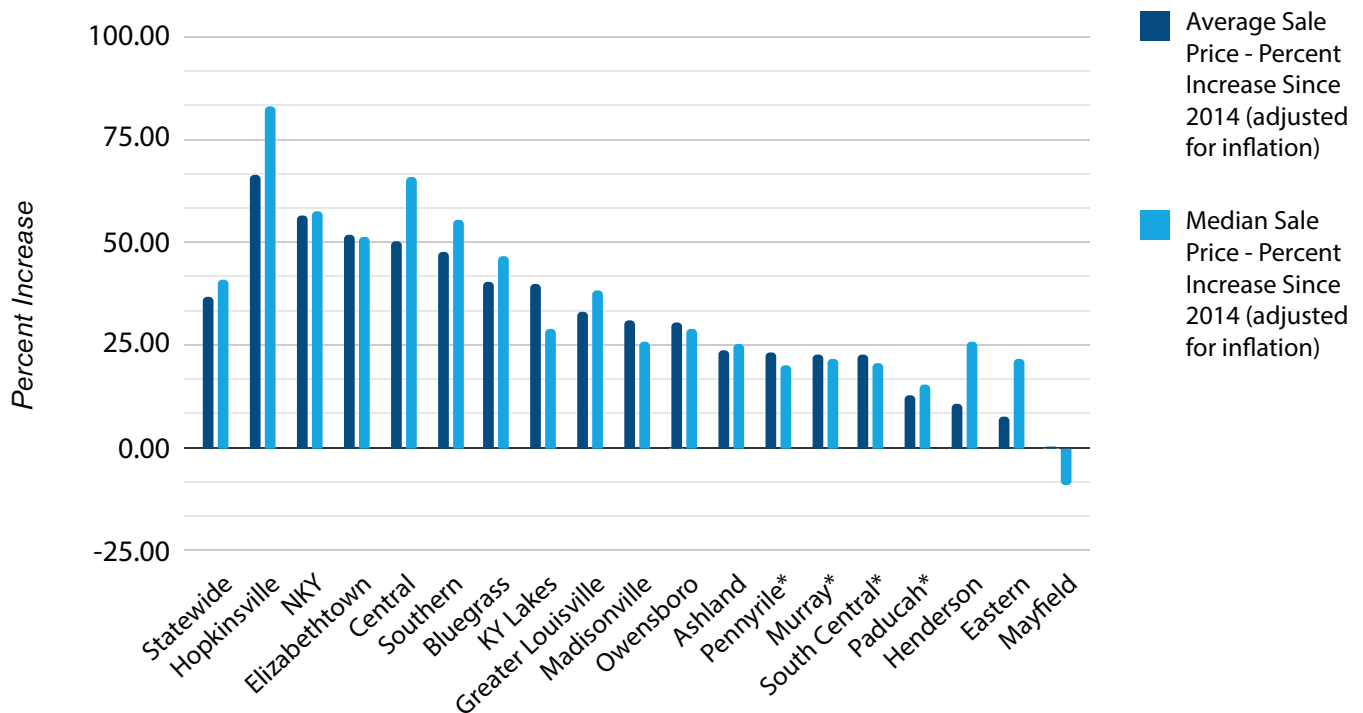
Data from the Kentucky Realtors and other sources underscore how housing costs have risen in the Commonwealth both statewide and regionally. Statewide, the average home sale price in 2023 was \$283,000, while the median sale price was \$245,000. This is a significant increase over where sale prices stood less than a decade prior. Between 2014 and 2023, the average sale price of a home in Kentucky, adjusted for inflation, increased 36.8 percent, based on Kentucky Realtors data. The median sale price increased 41 percent.

Census data shows similar levels of increases. Between 2014 and 2022, the inflation-adjusted median value of owner-occupied housing units increased 28 percent, rising from \$153,000 in 2014 to \$196,000 in 2022. Similarly, the percentage of Kentucky homeowners with total monthly housing costs above \$1,000 has risen. In 2014, 58.3 percent of housing units with a mortgage had total housing costs above \$1,000. In 2022, 73.8 percent were above \$1,000, with 18 percent above \$2,000 (vs. 9.6 percent in 2014).

Kentucky Realtors data shows that rising home sale prices are affecting nearly every region of the state, urban and rural, though sale prices have risen in some areas more quickly than in others. The area around Hopkinsville (which includes a portion of Montgomery County, Tennessee) saw its median home sale price increase by 82.8 percent between 2014 and 2023 and the average sale price increase by 66.4 percent. The median sale price in northern Kentucky increased by 57.3 percent and the average sale price increased by 56.5 percent. The area around Elizabethtown saw its median and average sale prices increase 51 percent. The Mayfield area saw a slight decline in median sale prices from 2014 to 2023. This is likely the result of the December 2021 tornadoes, which destroyed more than 1,000 homes across the state. Median and average sale prices in the area had been steadily rising since 2018. Similarly, flooding that damaged or destroyed nearly 9,000 homes across eastern Kentucky in July 2022 likely slowed rising home sale prices in that area.

Percent Increase in Kentucky Home Sales Prices, 2014-2023

Statewide and by Kentucky Realtors Board Regions, Inflation-Adjusted

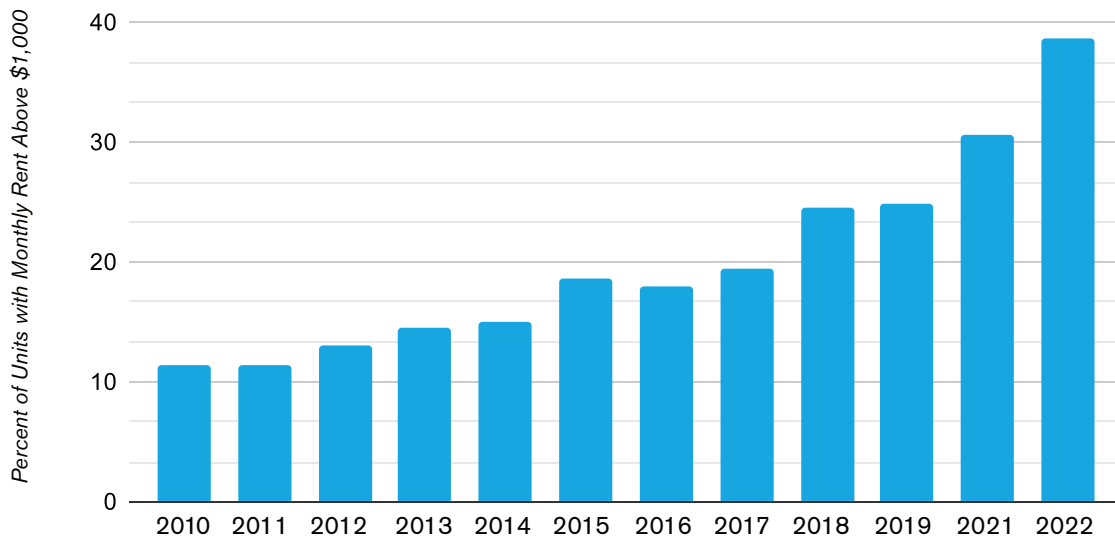


Source: Kentucky Realtors, calculations by author, *indicates data does not go back to 2014



Rental prices have risen steadily over the past decade as well. According to the real estate website Zillow, the median rent for a three-bedroom unit in Kentucky was \$1,600 in February 2024, up \$100 over February 2023. For many Kentucky renters, monthly gross rent above \$1,000 is quickly becoming the norm. Prior to 2014, less than 15 percent of active Kentucky rental units had gross rents above \$1,000. As of 2022, that number had risen to 38.7 percent.

Percent of Occupied Units with Monthly Rent Above \$1,000, Kentucky



Source: ACS, 2022 1-Year Estimates, DP04

Rising wages and household incomes help blunt the rising cost of housing. Hourly median wages have grown steadily in Kentucky's broader Census region since 2014 with accelerated growth coming out of the pandemic. Between 2012 and 2022, inflation-adjusted median household incomes in Kentucky increased 11.5 percent, and median incomes for families increased 12.6 percent.



Wage Growth in Census' East South Central Division (AL, KY, MS, TN)

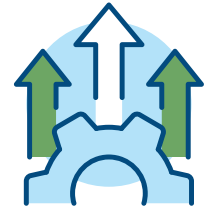
12-Month Moving Average of Median Hourly Wage Growth



Source: Federal Reserve Bank of Atlanta, Wage Growth Tracker

Nonetheless, the cost of housing is out of reach for many Kentuckians. Comparing median home sale prices in 2022 to median household and family incomes helps illustrate this point. **For a buyer to afford a median-priced house in Kentucky in 2022 – \$235,000, based on Kentucky Realtors data – they would need an estimated annual gross income of \$90,494. This is 153 percent of Kentucky’s median household income (\$59,341 as of 2022, the most recent data available) and 118 percent of Kentucky’s median family income (\$76,119).**

A median-priced home in Kentucky would be unaffordable for at least 60.3 percent of households and 49.2 percent of families, using median income data from 2022. In a lower interest rate environment, a new house would still be out of reach for most Kentucky households and families. Using a 5 percent interest rate, a median-priced home in 2022 would require an annual income of \$84,817. This is 142 percent of the median household income and 111 percent of the median family income in Kentucky.



Income in the Past 12 months, 2022	Kentucky Household Estimate (%)	Kentucky Families Estimate (%)
Less than \$10,000	6.8	4.3
\$10,000 to \$14,999	5.8	2.8
\$15,000 to \$24,999	8.9	5.9
\$25,000 to \$34,999	8.9	7.4
\$35,000 to \$49,999	12.4	11.1
\$50,000 to \$74,999	17.5	17.7
Less than \$75,000	60.3	49.2
\$75,000 to \$99,999	12.6	14.7
\$100,000 to \$149,999	14.9	19.5
\$150,000 to \$199,999	6.2	8.4
\$200,000 or more	6	8.2
Median income (dollars)	\$59,341	\$76,119

Source: ACS, 2022 1-Year Estimates, S1901

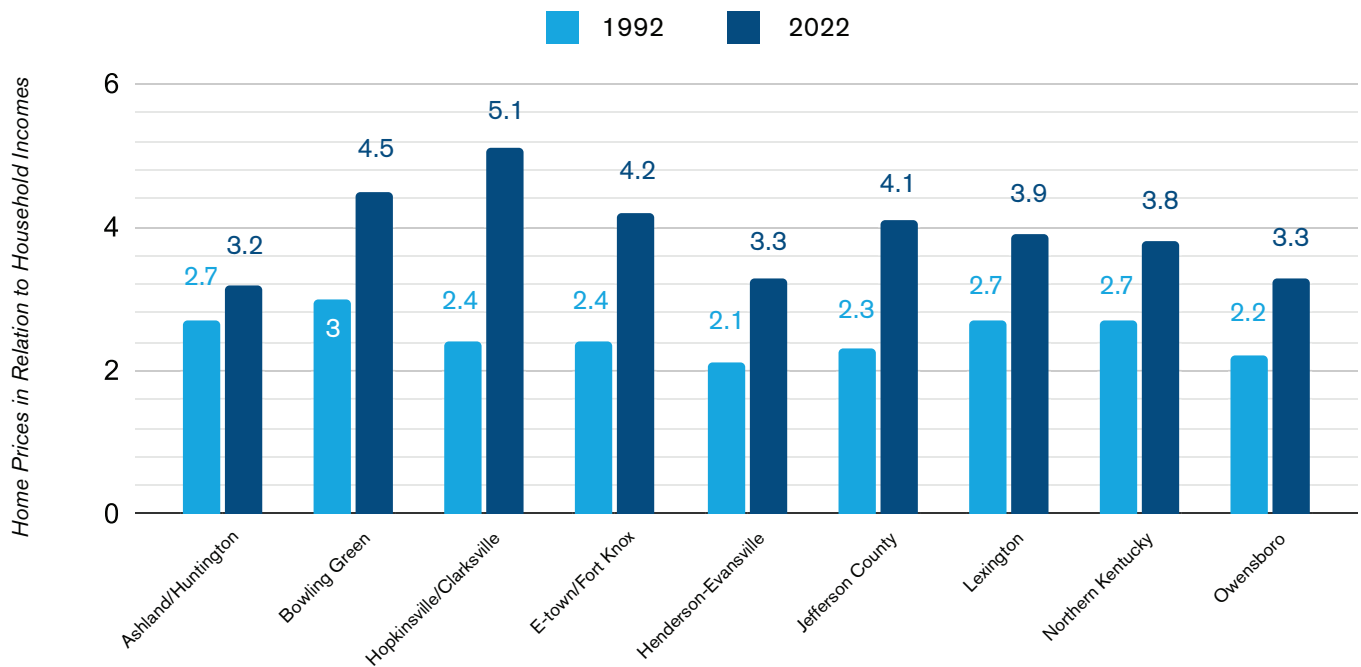
A report by Harvard University’s Joint Center for Housing Studies (JCHS) offers a clear demonstration of how housing prices in Kentucky have begun to outpace incomes by comparing median sale prices for single-family homes to median household incomes in the state’s major metro areas. In the area around Elizabethtown, the median home price in 1992 was 2.4 times the median household income. By 2022, that ratio had risen to 4.2. In Bowling Green, the median home price in 1992 was 3 times the median household income. It was 4.5 in 2022.

The largest increase among these metro areas occurred in the Hopkinsville-Clarksville metro area, where the ratio jumped from 2.4 in 1992 to 5.1 in 2022. Using different data but a similar methodology, we can calculate that the statewide median home price in 2022 was 3.9 times the median household income, roughly in line with what JCHS calculated for areas like Lexington and northern Kentucky. These ratios illustrate a widening gap between how much a single-family home costs in these areas compared to how much households can afford.



The statewide median home price in 2022 was 3.9 times the median household income.

Home Price-to-Income Ratios for Kentucky Metro Areas, 1992-2022



Source: Harvard JCHS

Home Price-to-Income Ratio = median sale price for a single-family home divided by area median household income

As noted earlier, challenges with housing affordability are a nationwide problem and not unique to Kentucky. According to the National Association of Home Builders' "Housing Affordability Pyramid," 64.8 million households out of a total of 132.5 million were unable to afford a \$250,000 home as of 2021. A total of 39 million households were unable to afford a home that costs more than \$150,000.

A consequence of the imbalance between the rising cost of homes and household incomes is that 23 percent of Kentucky homeowners with a mortgage were spending 30 percent or more of their monthly income on housing costs as of 2022. Prior to the pandemic, in 2019, 21.2 percent of Kentucky homeowners with a mortgage were spending 30 percent or more of their monthly income on housing costs. Census and

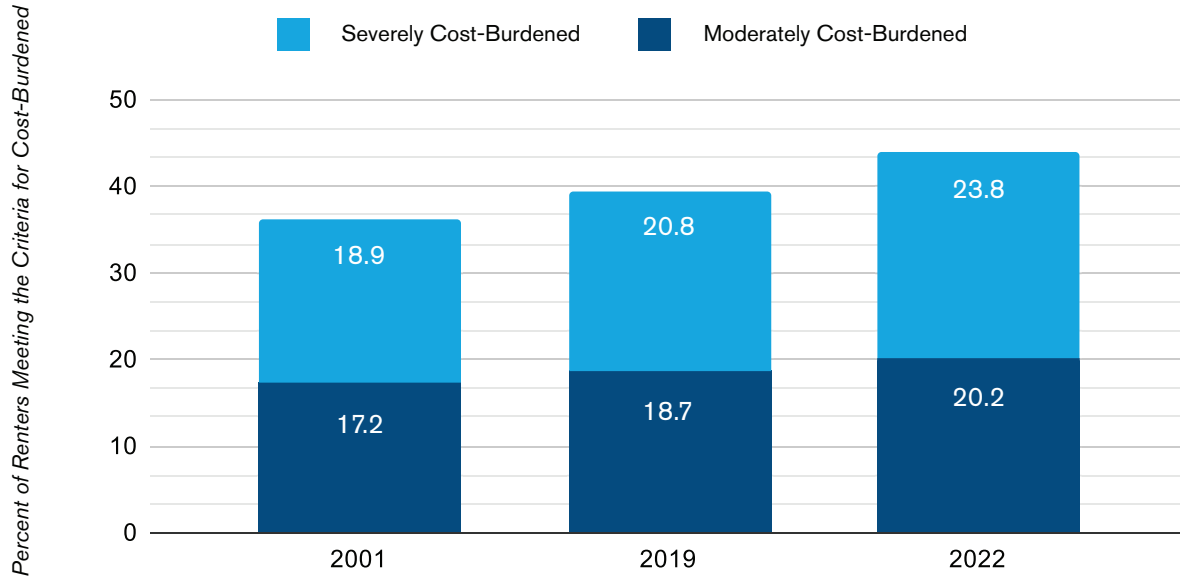
the U.S. Department of Housing and Urban Development consider households that spend more than 30 percent of their monthly income on housing to be "cost-burdened."

Additional research from Harvard's Joint Center for Housing Studies shows how housing prices are affecting renters in Kentucky. In 2022, 44 percent of Kentucky renters were considered cost-burdened by housing. 23.8 percent were considered "severely cost-burdened," spending more than 50 percent of their income on rent and utilities. The share of renters who are cost-burdened has risen since before COVID and since 2001. In 2001, for instance, 36.1 percent of Kentucky renters met the criteria for cost-burdened, and 18.9 percent were severely cost-burdened.



"A consequence of the imbalance between the rising cost of homes and household incomes is that 23 percent of Kentucky homeowners with a mortgage were spending 30 percent or more of their monthly income on housing costs as of 2022."

Cost-Burdened Renter Households, Kentucky

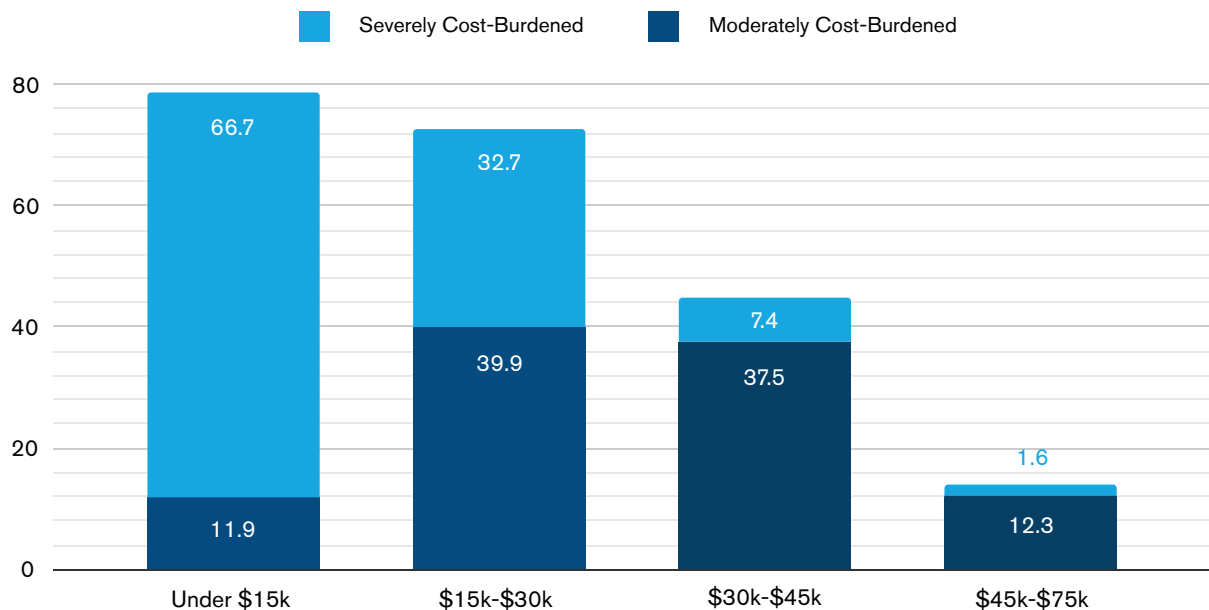


Source: Harvard JCHS

Very low-income households are far more likely to be cost-burdened than other income groups. Among renters with household incomes below \$15,000, 78.6 percent were cost-burdened in 2022 – 66.7 percent were severely cost-burdened. Many middle-income households, however, are

also cost-burdened. Among households with incomes between \$45,000 and \$75,000, 14 percent are cost-burdened. Across all renter households with incomes below \$75,000, the share that meets the criteria for cost-burdened has increased since before the pandemic and since 2001.

Cost-Burdened Renters by Income Groups, 2022



Source: Harvard JCHS



JCHS has also tabulated cost-burdened data on Kentucky renters at the metropolitan and micropolitan area levels. In large and small urban areas across the state, the share of renter households that are cost-burdened ranges from 33 percent to 44 percent.