

Increasing Housing Opportunities with ERA2 Funds

Kentucky Housing Corporation

Rental Housing: Encouraging New Construction

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Summary

In response to the COVID-19 pandemic, Kentucky received more than \$260 million in federal funds to assist struggling renters who faced eviction. For more than two years, Kentucky Housing Corporation (KHC) administered the Team Kentucky Healthy at Home Eviction Relief Fund (HHERF) on behalf of the state and later transitioned to the Eviction Diversion Program (EDP) assisting Kentuckians with a court-ordered eviction.

Both programs were funded through the U.S. Treasury with funds from the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act. Though HHERF has since exhausted its funding, EDP is still operational. However, KHC must spend all of its allotted money by September 2025 or return unused funds to the U.S. Treasury.

Based on current usage, KHC projects having surplus funds by the end of September 2025, nearly \$23 million that could benefit KHC partners and Kentucky households. To avoid losing these resources, KHC took action. It petitioned the Treasury for a reallocation of the funds to help housing needs throughout the state.

Based on the recent Kentucky Housing Supply Gap Analysis conducted by KHC, housing supply is the state's chief housing concern. There is a gap of more than 206,000 units nearly evenly spread between rental and for-sale units.

KHC shifted its Qualified Allocation Plan this year to focus primarily on providing more rental units by setting aside 90 percent of its 2025 Low-Income Housing Tax Credits for new construction and 10 percent for rehabilitation/renovation projects. Using the remaining ERA dollars, KHC supplemented the 2024 LIHTC pool.

KHC worked with its partners to identify projects that could best serve the needs of the state. Then, it reallocated \$25.5 million of ERA2 funding to housing development projects that will serve homeless, low-income and elderly Kentuckians – **\$19 million to affordable rental development and \$6.5 million to homeless service providers.**

Responding to State Housing Needs

As evidenced by the Housing Supply Gap Analysis, housing is needed at every level, but those in lower income brackets are disproportionately impacted by the housing gap, especially those who are competing for rental units. Based on population trends, job growth, housing starts and other factors, Kentucky has a current housing gap of 101,569 rental units, which may grow over the next five years.



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The infusion of \$19 million into rental housing development will help to offset that gap by adding (1) 24 units in Leslie County, (2) 34 units in Owsley County, and (3) 45 units in Fayette County, as well as rehabilitating 30 units in Henderson County.

Three of the four projects first applied for support through the competitive funding round for Low-Income Housing Tax Credits (LIHTC). KHC is working with the developers to swap LIHTC for ERA2 funds, a move that freed up millions of dollars in LIHTC funding for other rental developments in Kentucky.

KHC also awarded ERA2 funding to 15 nonprofits who serve Kentuckians experiencing homelessness, paying for hotel/motel stays, lease-up assistance, short-term rent assistance, utility deposits, utility assistance, and housing stability services. These funds are more flexible and allow partners to assist Kentuckians who may not otherwise qualify for assistance. But many partners were on track to run out of funds in spring or summer of 2024. Thus, this new allocation of \$6.5 million will help at least 10 organizations (see below) stay funded through the end of September 2025.

Homeless Service Provider	ADD Service Area*	Pre-March 2024 Award	March 2024 Increase	Net Award Total
Clark County Community Services	Bluegrass ADD	799,190	144,000	943,190
Clark County Homeless Coalition	Bluegrass ADD	1,145,000	400,000	1,545,000
Gateway Homeless Coalition	Gateway ADD	250,000	200,000	450,000
Homeless and Housing Coalition of Ky	Purchase ADD	815,500	400,000	1,215,500
KCEOC Community Action	Cumberland Valley	2,150,000	700,000	2,850,000
Kentucky River Community Care	Kentucky River ADD	1,300,000	500,000	1,800,000
LifeSkills	Barren River ADD	800,000	800,000	1,600,000
Mountain Comprehensive Care Center	Big Sandy ADD	610,000	390,000	1,000,000
Salvation Army- Hopkinsville	Pennyrile ADD	1,220,000	500,000	1,720,000
Volunteers of America Mid-States	Lincoln Trail ADD	601,000	1,141,000	1,742,000
Welcome House	Buffalo Trace ADD	892,500	400,000	1,292,500
Welcome House	Lake Cumberland	456,500	225,000	681,500
Welcome House	Northern Kentucky	1,439,500	700,000	2,139,500
Totals**		12,479,190	\$6,500,000	18,979,190
*For FIVCO, KIPDA and Green River ADDs, services are being provided, but funding levels are already sufficient to sustain the programs into 2025 with no increase.				
**The amounts in columns C and E do not include those awards currently in place for orgs not receiving an increase.				

Measurable Benefits

Town View Apartments

KHC has committed \$5 million in ERA2 funds for 24 new construction units at Town View Apartments in Hyden.

Duplexes in Owsley County



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KHC has committed \$2.5 million in ERA2 funds to Partnership Housing, Inc., a trusted nonprofit, to begin building the first five duplexes (10 units) of a 34-unit development.

Wellington Park Apartments

KHC has committed \$9 million in ERA2 funds for 25 new elderly “co-housing” units at Wellington Park Apartments in Lexington.

Henderson Station II Apartments

KHC has committed \$2.5 million in ERA2 funds coupled with \$2 million of HOME Investment Partnerships (HOME) program funds to rehabilitate 30 units for individuals and families in Henderson.

Volunteers of America Mid-States (VOA)

ERA2 funds have allowed VOA to assist 74 households in 15 counties, providing 13 with Rapid Re-Housing and preventing homelessness for 61 others.

Mountain Comprehensive Care Center (MCCC)

ERA2 funds have allowed MCCC to provide short- and medium-term rental assistance services to 33 homeless or at-risk of homelessness households across five counties.

Welcome House of Northern Kentucky

ERA2 funds have allowed Welcome House to support 339 individuals through Rapid Rehousing and Prevention initiatives, spanning across three regions in Kentucky and covering 23 counties.

KCEOC Community Action Partnership

ERA2 funds have allowed KCEOC to serve over 270 households across eight counties.

Overall, ERA2 funds have so far made a significant difference in Kentucky, serving 978 individuals and 531 households through ERA2 Rapid Re-Housing and 1,336 individuals and 576 households through ERA2 Homeless Prevention initiatives, and will make even more of an impact with the new allocation. These numbers are based on HMIS reports for grantees as of February 27, 2024.

Replicable

The program is replicable in other states that also are at risk of losing ERA2 funds in September 2025. Like Kentucky, most states are facing a housing crisis and have partners who need flexible funding to continue their operations. Working together, KHC was able to lay out a solid case for reallocation to the U.S. Treasury.

Throughout the life of ERA2, KHC has been granted some flexibility with the funds to modify its program to best serve those in need. This reallocation is an extension of the flexibility the U.S. Treasury has granted KHC.

Visual Aids



Kentucky has a housing supply gap of 206,207 homes.



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.

Learn more at kyhousingsupplygap.org.

- [KHC's press release](#)
- [Welcome House's press release](#)
- [KHC's QAP](#)
- [Kentucky Housing Supply Gap Analysis](#)
- [EDP program](#)