



# HOUSING SUPPLY GAP ANALYSIS

## OVERVIEW

Kentucky Housing Corporation (KHC) is conducting a comprehensive statewide housing supply gap analysis to determine each county and Area Development District's current housing needs as well as the projected housing shortages in five years. KHC hired Bowen National Research, a national real estate analysis firm, to conduct the study and to provide detailed data that will help identify the shortages and guidance for local leaders and stakeholders as they begin discussing ways to address the gaps.

## REASONING

Lack of affordable housing is a national problem impacting big cities and small communities. KHC began to see some problems emerge in the housing market and in the communities it serves:

- Moderate-income homebuyers cannot find affordable homes.
- With increased housing prices and interest rates, people who purchased a home in the late 2000s are not moving, so there is not a market for new homebuyers.
- Low-, moderate-, and middle-income households are competing for the same rental units.
- Low-income tenants with rental assistance cannot find reasonably priced apartments that will accept a voucher.
- Homelessness rates are increasing even among those who are employed.

KHC hosted its Kentucky Affordable Housing Conference in 2023, where its three keynote speakers detailed the problems they had seen in California, Seattle, Texas and other growing areas that were not prepared for the explosion in population.

The Kentucky Housing Supply Gap Analysis will provide KHC, local and state leaders, housing organizations, developers, financial institutions, and other stakeholders the information they need to craft policies, practices and strategies to fix the current shortages and prevent further gaps from forming.

## DETAILS

- Kentucky Housing Corporation began examining its housing gaps in 2023, consulting with other states who had experienced housing crises.
- In 2024, KHC launched a housing supply gap analysis to begin studying its own shortages.
- In January, KHC issued a request for proposal to seek firms to conduct the study and selected and contracted with Bowen National Research in February.
- Bowen has already begun collecting data on county-by-county needs as of 2024. Those results were released April 16.
- Next, Bowen will collect data about projected needs in 2029. Those results will be released in the summer of 2024.

- Lastly, KHC will seek public input on the results and begun working with policymakers and housing professionals to begin plotting a course to bolster the state’s housing supply.

## TAKEAWAYS

- Kentucky is facing a housing crisis. It already had a housing shortage that was exacerbated by the tornado of 2021, flooding in 2021 and 2022, pandemic and recession in 2008. The natural disasters alone caused nearly 5,000 people to lose their homes.
- Lack of adequate housing supply is the biggest cause of homelessness and housing stability in Kentucky.
- The state has an **overall housing gap of 206,207 units**; with the gap split relatively evenly between rental units (101,569 units, 49.3 percent of the overall statewide housing gap) and for-sale units (104,638 units, 50.7 percent of the overall statewide housing gap).
- The **largest overall housing gap is by AMI level is among households earning up to 30 percent** of Area Median Income, representing 79,819 units or 38.7 percent of the state’s overall housing gap, meaning those who make the least are the most impacted, but people across the income spectrum are affected.
- Rental housing gaps serving households earning less than or equal to 80 percent of AMI have a combined rental housing gap of 92,757 units, representing 91.3 percent of the statewide rental housing gap.
- For-sale housing represents just over half of the state’s overall housing gap; gaps are distributed relatively evenly among the different levels of affordability.
- Many rural or non-urban markets in Kentucky have disproportionately high shares of housing gaps relative to their overall number of households.
- Typically, around 40 percent of non-resident commuters indicated that they would move to the same county they work in if housing was available and affordable.

## IMPACTS

Housing shortages lead to:

- Higher housing costs
- Lower homeownership rates
- Less available workforce housing
- Higher eviction rates
- More homeless Kentuckians
- Less household stability

## POSSIBLE SOLUTIONS

KHC already has taken steps to close the gap. It now uses the majority of its Low-Income Housing Tax Credits to create new rental units for low-income Kentuckians. Previously, KHC used its annual allotment to fund both new development projects and rehabilitation of existing units.

As part of its regular programs, KHC provides housing by:

- Providing mortgages and down payment assistance to new homebuyers.
- Funding the construction of new rental properties for low-income renters.
- Funding the construction of new homes for moderate- to low-income homebuyers.
- Paying a share of the monthly rent for more than 26,000 households.
- Administering programs focused on homelessness and energy efficiency.

As counties and cities begin discussing how to address their gaps, they can consider:

- Updating land use and zoning policies and decisions locally.
- Encouraging development projects that meet market demand.
- Funding disaster recovery efforts.
- Identifying available land for development.
- Addressing local issues including homelessness, community revitalization, insufficient infrastructure.
- Discussing barriers to creating new units, including outside investors buying available units, appraisal values are not covering the development costs.

**For more information and resources, visit [kyhousingsupplygap.org](https://kyhousingsupplygap.org).**