

# LEXINGTON HERALD LEADER

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## New program tackles shortage of affordable housing in Lexington

BY BETH MUSGRAVE [bmusgrave@herald-leader.com](mailto:bmusgrave@herald-leader.com)

John Sanders' room on the second floor of [St. James Place](#) is comfortable yet cramped.

There is no storage space for his pots and utensils in the small kitchenette on one side of his room.

Thanks to an overhaul of the building — built in 1995 — Sanders and other residents of St. James Place in Lexington soon will have refurbished rooms that will include new kitchenettes with cabinets and storage space in addition to new flooring, new toilets and new refrigerators.

Money for the overhaul, which is being done in phases, is coming from a \$403,000 grant from Lexington's recently created affordable housing fund.

Created in September 2014 with an initial allocation of \$3 million, the program has financed 433 affordable housing units in the past 18 months. Of those 433 units, 269 were existing units that needed to be rehabilitated. The program has financed 164 new units, said Rick McQuady, director of [Lexington's affordable housing fund](#).

McQuady gave the Urban County Council the first update on the fund's progress during a council work session March 8. In addition to the \$3 million in 2014, the city committed \$2 million in fiscal 2016 and has pledged to put \$2 million into the fund each year. To date, the fund has given \$5.3 million in grants or low-interest loans to groups developing affordable housing projects.

Approximately \$3.4 million has been given in the form of loans.

"We can recycle these dollars and we can continue to use them over time," McQuady said.

In addition, \$1.8 million has been granted in forgivable loans or grants.

Those affordable housing units also have attracted \$10.2 million in federal, state, nonprofit or private financing. That means the city has spent about \$12,231 per unit to create or retain the 433 affordable housing units, McQuady said.

McQuady, the former director of Kentucky Housing Corp., said his goal is to get the cost per unit to \$10,000.

The cost is higher than \$10,000 now because the city's current affordable housing stock is aging. To keep the stock the city has, those units had to be updated. There is less money from federal and other sources for the rehabilitation of units, which means more of the city's money had to be used to update them, McQuady said.

St. James Place on Deweese Street was built 21 years ago. Except for a few rooms that had to be remodeled because of damage, the 102-unit building has not had any updates since it opened in 1995.

"Within the next year or so, we will not be able to put people into some of these rooms because they are no longer rentable," said Phil Gray, president of the Foundation for Affordable Housing, the nonprofit umbrella that runs St. James Place and a 40-unit apartment complex for veterans.

"This grant from the city has been a real savior," Gray said. The fund "is really doing what it is said it was going to do, and the taxpayers can be really proud of that."

The \$403,000 has been used to remodel the entire first floor, including 30 apartments, several showers, kitchens and common areas. Thanks to Home Depot, which extended a line of credit and helped secure discounted materials, the nonprofit is able to stretch that \$403,000. St. James also has done all of the work itself.

St. James Place has renovated 16 rooms and hopes to have the entire first-floor renovation completed this summer. The organization already has applied to the affordable housing fund for more money to start renovations on the second floor, Gray said.

St. James Place residents pay \$360 a month for the single-occupancy rooms. Sanders lived in a homeless shelter for several months before hearing about St. James Place. He has lived there for six years. All of the residents at St. James Place were formerly homeless.

"I can't really afford anything else," said Sanders, who worked in security and events for years before becoming homeless.

Nearly one-third of the units that have been financed are for special-needs populations, including the homeless, survivors of domestic violence, mentally and physically disabled people, and the elderly, McQuady said.

"If we lose those units that we already have in service, we will never catch up," he said.

The fund also has given grants and loans for new apartments and homes.

On York Street, less than a mile from St. James Place, construction continues on six homes that are part of the LuigART Makers project spearheaded by [North Limestone Community Development Corp.](#) The group received a \$159,103 loan and a \$163,096 grant from the affordable housing fund. In addition, the project received funding from other

sources, including a grant from the [John S. and James L. Knight Foundation](#) and [ArtPlace America](#).

One of the homes is being built by [ReContained](#), which is repurposing two shipping containers and welding them together to create a one-bedroom, one-bathroom, 640-square-foot home. [The containers were delivered in January](#). Since then, crews have welded the containers together, cut in windows and doors, and installed framing and insulation. On Friday, ReContained crews were working on the roof.

Bob Eidson, one of the owners of ReContained and [Emerge Contracting](#), said the goal is to finish the container home in early May. The shipping container home won't cost any more than the traditional houses being built on either side of it, Eidson said.

In addition to the container home, Emerge has received money through the affordable housing fund for two other projects: the rehabilitation of apartments on Wilson Street and the rehabilitation of another apartment building at Fifth and Smith streets.

"It's not just for the homeless. It's not just for the elderly. It's not just for artists," Eidson said of the variety of projects financed so far. He said the fund also allows Emerge and North Limestone Community Development Corp. to preserve north Lexington's working-class neighborhoods. Without low-interest loans and grants, that wouldn't be possible.

"This is a tool that allows us to keep those rents below market for a decade," Eidson said.

### **A growing need**

The fund was created in 2014 after seven years of debate and after three separate studies showed Lexington was losing affordable housing faster than it was building it.

A 2014 consultant's report showed that over the previous two decades, the city had lost 28,000 apartments that were affordable for minimum wage workers. And affordable-housing advocates fear the problem is getting worse.

In 1990, there were 35,017 apartments that someone making a minimum wage could afford — about 88 percent of all apartments and rental units. In 2010, minimum-wage employees could afford only 17 percent of apartments and rental units, the study found.

About 15,000 non-student households cannot afford fair market rent in Lexington of \$750, the 2014 report found. About 9,000 of those households receive some form of housing assistance, according to the study. That means 6,000 of those households are paying more than 30 percent of their wages for rent, or they live in substandard or overcrowded conditions.

The housing crunch has been caused by rising rents and stagnating wages for service sector and other lower-paying jobs, the report said. Meanwhile, wages in high-tech jobs have increased dramatically, driving up housing and rent prices.

Lexington is losing about 400 affordable rental units each year to higher rents, the report said.

McQuady and others say that since the 2014 report, the number of affordable housing units has continued to decline.

“About once a month, I get a call from someone who says their apartment complex has been purchased and they are being kicked out because they can no longer afford the rent,” McQuady said.

Charlie Lanter, the city’s director of homeless prevention and intervention, said that in addition to upgrades to older apartments that are pushing people out of once-affordable units, more units no longer accept Section 8 vouchers, a federal rental-assistance program.

“We continue to get calls from people who are struggling to find a place that will take Section 8,” Lanter said.

### **Fund moving forward**

McQuady said that in addition to the 433 units that are financed, he has talked to various groups that want to rehabilitate or create an additional 300 to 500 units in the coming year.

“One of the things that we want to do is have a training for developers on how to utilize the affordable housing fund,” McQuady said. If a developer receives money from the fund, it must continue to keep rents low. A developer cannot get money from the city and then charge market rents.

In addition, McQuady said he would like to develop a referral service for all of the calls his office receives from people who need affordable housing.

Vice Mayor Steve Kay, who pushed for the affordable housing fund and sits on the fund’s board, said he was pleased with the number and quality of projects the fund has been able to finance in its first 18 months.

“I have been really thrilled about how quickly these projects have been funded and the quality of the projects that have so far been approved,” Kay said. “There has been a lot of pent-up demand.”

## **FUNDED AFFORDABLE HOUSING UNITS INCLUDE:**

- St. James Place, rehabilitation of 30 units on Deweese Street
- North Limestone Community Development Corp., construction of six homes on York Street
- Lexington Housing Authority, one home for a homeless family on Wilgus Avenue
- 7 Upper Apartments, seven units at Seventh and Upper streets
- Parkside III, construction of 36 units on Cross Keys Drive
- Ferrill Square Apartments, renovation of 59 units on Price Road
- Fifth Street Apartments, acquisition and rehabilitation of four units at Fifth and Smith streets
- Bob Brown House, rehabilitation of 14 units on Rogers Road
- Wilson Street Apartments, rehabilitation of four units on Wilson Street
- Parkway Plaza Apartments, rehabilitation of 180 units on Rogers Road
- Stonebridge Apartments, rehabilitation of 47 units on Village Drive
- Kentucky Council Against Domestic Violence, construction of 12 units and rehabilitation of 12 units in scattered locations
- Community Ventures, construction and rehabilitation of 20 units at Race, Goodloe and Warnock streets
- Habitat for Humanity, one home on Ash Street

**Source:** *Lexington Affordable Housing Fund*

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<http://www.kentucky.com/news/local/counties/fayettecounty/article65976037.html#storylink=cpy>