



STATE OF

Metropolitan Housing Report

2008



Metropolitan Housing Coalition

Letter to MHC Members

The Metropolitan Housing Coalition (MHC) releases its sixth *State of Metropolitan Housing Report*, an ongoing report card of the affordable housing challenges and successes in the Louisville metropolitan region. In it, we look at nine measures of housing conditions in our region.

The data in this year's report shows us that:

- ▶ Subsidized housing remains concentrated in areas of our community that are economically disadvantaged.
- ▶ 14.5 percent of all Metro Louisville residents have incomes below the federal poverty level.
- ▶ The median wage for 37 percent of all wage earners in the Louisville MSA was not enough to afford a two-bedroom unit at Fair Market Rent.
- ▶ In Louisville Metro there are 15,612 households on a waiting list for either a subsidized housing unit or housing vouchers.
- ▶ As foreclosure numbers continue to increase, families are spending more on utilities, food, fuel, and other living expenses that make it more difficult to keep their homes.
- ▶ Approximately 7,600 homeless students were enrolled in the Jefferson County Public School system last year, 300 more students than the year before, with totals projected to be considerably higher for the current school year.
- ▶ Federal Community Development Block Grant (CDBG) funding continues to decrease, as it has every year since the first *State of Metropolitan Housing Report*.

Each year the State of Metropolitan Housing Report focuses on a topic that relates to the affordability of housing in our community. This year the report discusses utilities cost and energy efficiency as an integral component of housing affordability. It examines how both energy cost and consumption have increased, as well as what policies and programs need to be in place to address these concerns.

The year in review:

Our nation is faced with challenges to our economy arising from the foreclosure crisis that MHC began to document in 2004. This has exacerbated the affordable housing crisis for low-wage workers and people on a fixed income. Significant numbers of foreclosures, the heartbreak of rising numbers of homeless children in our public schools and the anticipated fallout this winter of dramatically rising heating costs are challenges to our region. MHC has been at the forefront of collecting meaningful data to understand these problems and of advocacy and education for policy and program reform.

MHC released a comprehensive study on *Louisville's Foreclosure Crisis*, which included a dissection of all foreclosures filed between January 1 and June 30, 2007, information from Property Valuation and analysis from interviews with people in foreclosure. This report has been pivotal in designing local programs to address the growing foreclosure problem. MHC has presented this information and advocated for reform all around the state. Moving forward, MHC and the Fair Housing Coalition will be addressing the disproportionate impact of sub-prime lending on the African-American community in the Louisville Metropolitan Statistical Area.

MHC hosted seven major events for more than 1,000 community participants, learning about and testifying for affordable housing issues. Highlights include more than 400 attending the Annual Meeting in May with keynote speaker Bill Purcell and the April 11th unveiling of the Historical Marker for memorializing

Anne and Carl Braden at their home on Virginia Avenue—it was pouring down rain and still the most well-attended unveiling in Kentucky historical marker history!

MHC has followed up the 2007 *State of Metropolitan Housing Report* analysis of how transportation policy affects affordable housing in the Louisville Metro area by working with TARC and advocacy groups on funding public transit.

MHC has worked with neighborhood associations and housing developers in Louisville Metro to identify barriers to and solutions for community revitalization. MHC also worked with an advisory group with Louisville Planning and Design on how to encourage the production of affordable housing for workers and those on fixed incomes.

MHC coordinated over 20 individual and organizational partners in a public education campaign on the benefits of affordable housing throughout the entire city through the Yes! In My Back Yard (YIMBY) campaign.

MHC conducted conversations in low-income neighborhoods to qualitatively examine the relationship between health care costs and housing stability, resulting in the publication, *Housing Insecurity: Neighborhood Conversations on Health Care Costs*.


MHC partnered with Women In Transition, Kentucky Youth Advocates, and Advocacy Action Network in organizing and training neighborhood residents to advocate on health care reform on the state level. As a result, MHC brought health care advocates and citizens concerned about health care costs together to advocate new health policies.

Of course, MHC continued our work of facilitating industry meetings for 21 member organizations under the Non-profit Housing Alliance. MHC made loans to non-profit developers for construction or rehabilitation of affordable housing.

MHC celebrated successes with our partners, such as the passage of the local Affordable Housing Trust fund legislation by Metro Council and the mortgage lending reform bill in the Kentucky legislature. Together we can and do make a difference!

MHC has 180 organizational and 200 individual members. MHC appreciates the grant awards of the **Louisville Metro Government, Louisville Metro Health and Wellness Department, Kentucky Housing Corporation, Gannett Foundation, PNC Bank, Catholic Charities, Presbyterian Church (USA), Republic Bank & Trust, The Making Connections Network, The Louise Judah Irrevocable Trust and the special support of Janet Dakan**. This support allows us to maintain a strong focus on safe, fair and affordable housing in the region.

MHC emphasizes the Coalition part of our name. Thank you for your continued support of the work of the Metropolitan Housing Coalition, both financially and with your time and effort. We invite new partners to join us in addressing pressing fair affordable housing needs in our metro area. Truly, working as a coalition and with the effort of everyone, we can build a healthier and vibrant community.



Phil Tom
President, MHC Board of Directors
Church and Community Ministry Office
Presbyterian Church (USA)



Cathy Hinko
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Metropolitan Housing Coalition

Table of Contents

Letter to MHC Members	i
Utilities Cost and Housing Affordability	1
Measures of Housing Affordability	
Measure 1: Concentration of Subsidized Housing.....	10
Measure 2: Housing Segregation by Gender, Race/Ethnicity, and Income	11
Measure 3: Renters with Excessive Cost Burden.....	13
Measure 4: Production and Rehabilitation of Affordable Housing	14
Measures 5–7: Homeownership Rate, Affordability, and Foreclosures	15
Measure 8: Homelessness.....	18
Measure 9: CDBG Funds	19
Appendix	
Data Sources.....	20
Definitions.....	21
References	23
Annual Meeting Sponsors	25
Braden Home Historical Marker Donors	25
Gifts Honoring the Anniversary of Soni & Brad Castleberry	25
MHC Board of Directors	26
MHC Staff	26
Acknowledgements	26
MHC Individual Members	27
MHC Organizational Members	28

Utilities Cost and Housing Affordability

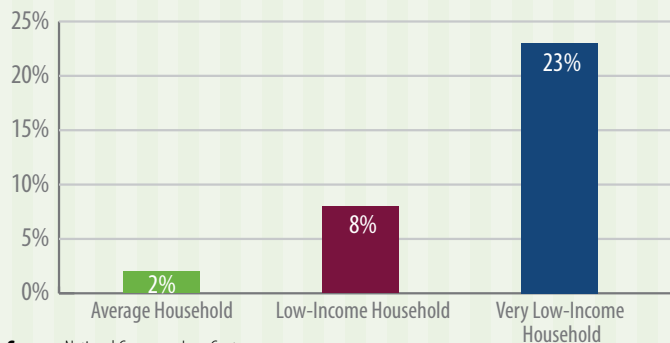
Introduction

Housing is more than just bricks and mortar. A home is also the services it provides to those who live there. Housing provides shelter, convenience, comfort, and safety. When a family moves into a home the cost of living there does not end, nor does the cost remain stable. Property taxes, rents, and even some mortgages can increase over time. One variable cost that factors into a home's affordability is that of utilities. While historically utilities costs in Kentucky have been relatively low, the past decade has seen a substantial increase in the cost of energy. The cost of heating and cooling a home, and of powering an ever-increasing number of household appliances and electronics, plays an increasingly important role in a home's affordability. Thus, affordable housing not only must be affordable in terms of rent or a mortgage payment, but also in terms of utilities cost for residents.

Low-income families often cannot pay the full cost of their energy bills, spending three to four times as much on energy as a median income household (Tannenbaum et al., 1998).

Low-income households spend about 8 percent of their total income on electricity, and very low-income households (those living at less than half of the federal poverty level) spend 23 percent. In contrast, the average household spends only about 2 percent of their income on electricity (Oppenheim, 1998). According to the U.S. Department of Housing and Urban Development (HUD), utilities cost imposes a disproportionate burden on the poor. For single, elderly poor and disabled persons living on Supplemental Security Income (SSI), the average energy burden is 19 percent of SSI, and in some states it is as high as 25 percent of SSI. For Aid to Families with Dependent Children (AFDC), the energy burden is, on average, seven times greater than for families at median income. AFDC families pay an average of 26 percent of their income toward utilities, while median income families spent an average of less than 4 percent of their income on utilities. The average low-income household spends about one in five of their dollars on home energy costs every year. Thus, if a middle-class household making \$50,000 a year faced the same home energy burden as a low-income household they would spend \$10,000 a year on utilities (Citizen's Energy Corporation, 2002).

Percent of Income Spent on Electricity In The U.S.



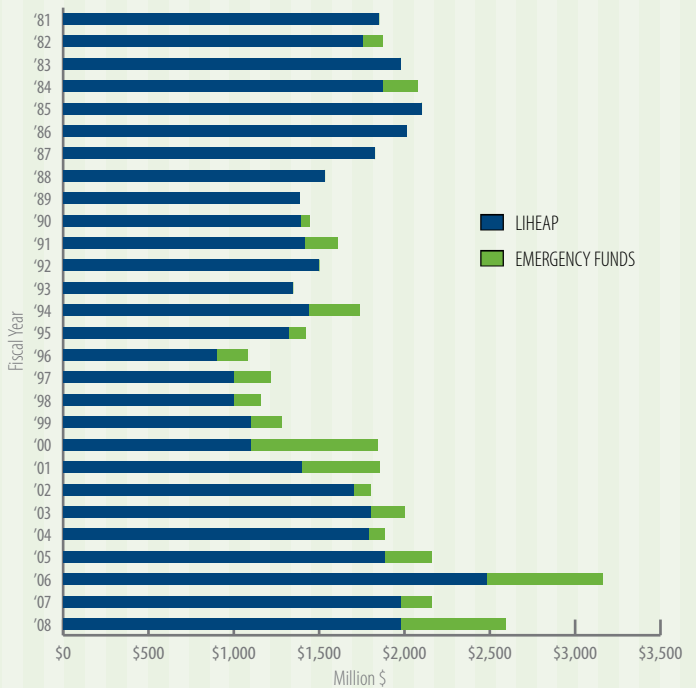
Source: National Consumer Law Center

Utility companies, government agencies, and social service agencies provide numerous programs to try and help families pay their energy bills, including the Low Income Home Energy Assistance Program (LIHEAP), charitable bill payment, leveled billing, rate discounts, home weatherization, energy usage education, and debt forgiveness. Despite these efforts, the problem is growing.

The largest of the assistance programs is the federal LIHEAP program. To qualify for LIHEAP assistance, families must have incomes between 110 percent and 150 percent of the federal poverty level. The current federal poverty level is about \$21,200 for a family of four. Two-thirds of families that receive LIHEAP assistance earn less than \$8,000 per year. Over 6 million households received support in fiscal year 2006, only 16 percent of the population eligible for assistance. LIHEAP funding continues to decrease as the need for assistance increases. Because LIHEAP is funded through federal appropriations, the amount granted to the program changes from year to year. In addition, each state is given flexibility in determining eligibility criteria for the program. A state can either choose to set an income limit within the 110 percent to 150 percent of federal poverty level guidelines, or up to 60 percent of the state's median income. Eligibility limits can also be set above 150 percent of poverty as long as it does not violate the 60 percent of state median income rule (Federal Funds Information for States, 2008).

For FY2008, Kentucky received \$27,230,294 in LIHEAP funds to distribute through local Community Action Agencies. In order to qualify, residents must make 130 percent or below the federal poverty level, and can receive up to \$250 to help pay their heating bills. Approximately 100,000 Kentucky households were served in 2007 (LIHEAP, 2008).

LIHEAP Funding History



Source: National Center for Appropriate Technology

In addition to LIHEAP, there are also local sources for bill payment assistance, as well as assistance with weatherization and home energy audits. Local organizations providing these services include Metro United Way, Affordable Energy Corporation, LG&E, Project Warm, Community Winterhelp, Community Ministries and the Louisville Metro Community Action Partnership (a division of Louisville Metro Department of Housing and Family Services).

Change in energy cost

When energy costs rise the burden is greatest on low-income families. Utilities costs are fixed, meaning they do not differ based on a family's income; costs rise the same amount for everyone. Since low-income households have less money, each rise in utilities cost imposes a disproportionate burden on those families.

Residential electricity prices are projected to increase nationally at a rate of 5 percent in 2008 and 10 percent in 2009 (Energy Information Administration, 2008a). From 2000 to 2007, the U.S. cost of electricity has risen 9.4 percent, while utility gas cost has risen 36.5 percent in the same period (numbers adjusted for inflation). These increases are occurring at a time when the costs of other basic necessities such as food and gasoline are skyrocketing. Gasoline prices nationally have risen 55.6 percent since 2000, and the cost of a loaf of bread has risen 9 percent. In 2007, the U.S. median family income rose to \$61,173, a 1.7 percent increase from the previous year and in Louisville Metro it was \$57,450, an increase of 1.1 percent over 2006. If we look at this over a period of seven years and adjust for inflation, since the year 2000, the rise in U.S. median family income increased only 2.4 percent nationally; however median family income in Metro Louisville actually decreased 2 percent – a negative difference of 4 percent from the national median family income. These numbers indicate that nationally the rate of increase for energy and other basic costs is far outpacing any increase in families' income. Locally, energy and other costs are continuing to increase as family incomes decrease.

Change in U.S. Energy and Consumer Goods Prices Relative to Income

2000-2007

	2000	2007	% change*
Gasoline (per gallon of regular)	\$1.51	\$2.80	+55.6%
Utility Gas (per 100Ccf)	\$77.68	\$126.55	+36.5%
Electricity (per 1000kWh)	\$46.25	\$60.36	+9.4%
Bread (per loaf)	\$0.93	\$1.21	+9.0%
Median Family Income	\$50,046	\$61,173	+2.4%

Sources: U.S. Bureau of Labor Statistics, 2000 U.S. Census, 2007 American Community Survey

*Numbers adjusted for inflation

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Economic and Social Benefits of Investment

Low-Income Energy Efficiency Programs

If all Americans lived in weatherized and energy efficient homes and had the income to pay their full share of utility bills, all other ratepayers would save nearly \$6 billion in poverty costs. These costs include fuel assistance, rate assistance, weatherization and energy efficiency costs, and the costs of delinquent utility payments and service disconnections. There are numerous benefits that can result from investments in the weatherization and energy efficiency of low-income homes. One mill (one-tenth of one cent) per kilowatt hour of electricity used, which for a typical residential customer would be about \$1.00 a month, would raise about \$3.8 billion for low-income efficiency programs in the U.S. Over time this investment would be returned seven-fold (Oppenheim and MacGregor, 2007).

Benefits of one mill (one tenth of one cent) per kWh dedicated to low-income efficiency in the U.S. (based on numbers from 2001) each year

Low-income homes served	3,500,000
kWh saved (life of measures)	84 Billion
Participating Customer bill savings	\$6.9 Billion
Savings to other ratepayers (arrear, shut-offs)	\$1.4 Billion
Saved moving costs	\$540 Million
Increased earnings of children (from staying in school without being homeless)	\$28 Million
Avoided fire damage	\$2.7 Billion
Saved uninsured medical costs & lost work	\$2.9 Billion
Increased property values	\$8.9 Billion
Net GDP gain	\$280 Million
Net wage & salary gain	\$1.4 Billion
Water saved	\$1.6 Billion
Total of these savings (life of measures) as multiple of cost 7.0	\$26.6 Billion
Families saved from homelessness	1,100,000
Net new jobs	75,303
Gallons of water saved	400 Billion
CO2 saved (Tons)	52 Million
Equivalent to removing cars	1.3 Million
Natural gas saved (MCF)	941 Million

Sources: *All savings are stated on a lifetime basis. Costs and savings were based on studies by the Oak Ridge National Laboratory and experience in Massachusetts.

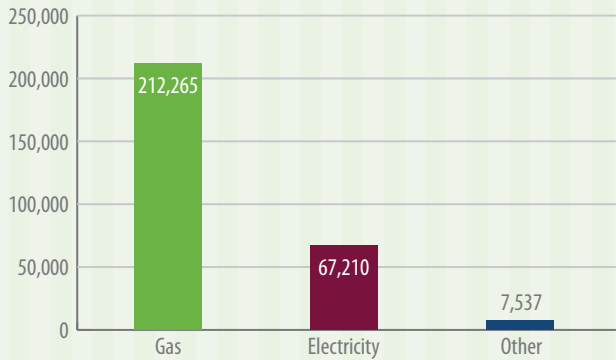
Utilities Cost and Housing Affordability

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In August of 1998, an LG&E customer paid \$38.56 per 70 Ccf of natural gas. In August of 2008, they paid \$134.78 for that same amount of natural gas.

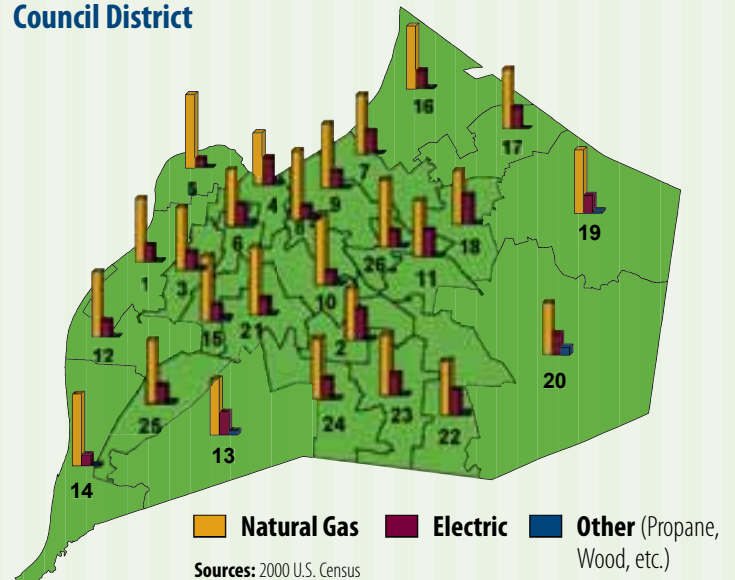
As the cost of utility gas is increasing at nearly three times the rate as electricity, it is important to note that most homes in Louisville (74 percent) use gas for heat (U.S. Census, 2000). Only 23.4 percent heat their homes with electricity and less than 3 percent use another fuel type. With the current rate of increase in utility gas prices, most Louisville families are dedicating a greater percentage of their income to heat their homes each winter. LG&E has recently announced an expected increase in gas bills in the coming months.

Louisville Metro Households Heating Fuel Type




Sources: 2000 U.S. Census

Residential Heating Fuel Type by Louisville Metro Council District



An LG&E bill for natural gas includes three main components: 1) a meter charge, 2) a distribution charge, and 3) a pass-through cost. The meter charge is a flat rate and is the same for every gas customer regardless of usage. The distribution cost charges a certain amount for every 100 cubic feet (Ccf) used by the customer. The pass-through cost is the cost of purchasing the gas, also called the Gas Supply Cost (GSC) and is charged per Ccf. The GSC is automatically adjusted quarterly. This is the actual cost of the gas that LG&E pays, with no mark up or additional charge to the customer. The GSC cost has risen about 32 percent for this quarter (August through October, 2008) and is expected to increase during the winter months of 2008 and early 2009. The GSC cost alone accounts for most of the expected increase





in natural gas bills. As of August 1, 2008, the current GSC is 163.725 cents per Ccf, which will be effective until October 31, 2008. This is a 39.2 percent increase over the previous GSC cost of 117.652 cents per Ccf, which was effective May 1 through July 31 (Public Service Commission, 2008). Thus, for every 50Ccf an LG&E customer uses each billing period, a Louisville area household now spends \$23 per month more on natural gas than they did in July, based on GSC cost increase alone.

The most recent GSC filed with the PSC is 110.867 cents per Ccf, which is slightly lower than the current GSC cost and, if approved, would go into effect on November 1, 2008. Although this is a slight decrease, a fluctuation of this type is normal for this time of year and customers would still spend 19 percent more than the same time last year for the same amount of natural gas.

The other two components of the utility gas bill are also expected to increase. The meter charge is expected to increase 60.6 percent (from \$8.50 to \$13.65) and the distribution charge is expected to increase 21.2 percent (from \$15.47 per Ccf to \$18.75 per Ccf) (Wolfe, 2008). These proposed increases have been filed with the Public Service Commission and are currently under review. If approved, these increases can go into effect as early as January 2009. In addition, repair costs from the September 2008 storm damage will also be passed on to utility customers, although the exact amount has yet to be determined.

Change in energy consumption

The rising cost of energy is not the only concern. As energy prices continue to rise, so does energy consumption. Electricity consumption is projected to increase by about 1.2 percent each year for the next two years, while natural gas consumption is expected to increase by 3 percent in 2008 and by 1.7 percent in 2009 (Energy Information Administration, 2008). Today households use more energy to power an increasing number of small electronic devices and appliances, as well as to heat and cool larger homes. As the condition of Louisville's aging housing stock deteriorates, efficiency is reduced and energy consumption increases. Climate change has also had effects on energy consumption. As global temperatures increase, so will peak demands for electricity. In addition, areas in the United States that have high temperatures in the warmer months, such as Louisville, will see an increase in energy usage to cool their homes (U.S. Climate Change Science Program, 2008).

One way that energy consumption can be lowered is through Demand Side Management (DSM) programs, funded through grants from LIHEAP. The goal of DSM programs is to help low-income families lower their utility bills by installing conservation measures that reduce their energy usage. This is achieved by lowering energy usage at peak times, which helps to decrease overall peak energy demand. This results in a reduced need for construction of new power plants, the cost of which is passed on to energy customers, as well as reducing utility bills for households that pay more for their energy at peak times. There are currently two types of DSM programs in Kentucky: conservation programs and percentage of income programs.

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Utilities Cost and Homelessness

High utilities cost can lead to homelessness. A study conducted in 2001 by The National Energy Assistance Directors' Association found that as many as 3.6 million families in 18 states, plus the District of Columbia, were at risk of having their energy cut off because of the effects of rapidly-increasing energy costs (National Energy Assistance Director's Association, 2005). Some states do not allow energy to be cut off during the coldest months of the year, but others have no regulations in place to protect households in danger. Since 2001, energy costs have continued to rise at an ever-increasing speed, which has likely resulted in even more families at risk for energy service cut off. Termination of energy service can threaten the health, safety, and possibly the lives of household members. The Energy CENTS Coalition in St. Paul, Minnesota conducted a study based on St. Paul municipal records on evictions due to condemnation. The study found that 26 percent of evictions were due to electric and gas termination and 40 percent of evictions were due to water cutoffs (Copeland, 1997).

Research shows that termination of utility service can lead to families being forced to find other shelter or even become homeless. For example, a study by Liz Robinson of the Energy Coordinating Agency of Philadelphia and Institute for Public Policy Studies of Temple University found that, of homes where utility service was terminated, 32 percent of electric and 24 percent of gas terminations led to a family leaving their home. In addition, 7.9 percent of individuals living in emergency shelters cited termination of utilities as the cause of their homelessness. The study also noted that mitigation of high energy costs is one of the causes of homelessness that is "most susceptible to remedy" (Robinson, 1991). Another study of homelessness conducted in Northern Kentucky had similar findings, determining that utility shutoffs were among the primary causes of homelessness in their region (Woods, 1990).

There are other costs associated with homelessness that are not often considered. During the 2007-2008 school year, approximately 7,600 homeless students were enrolled in the Jefferson County Public School system, 300 more students than the year before. The numbers are projected to be considerably higher for the 2008-2009 school year. The number of students qualifying for subsidized school meals has increased as well. Last school year approximately 58,000 Louisville Metro students were eligible for subsidized meals, with the number expected to increase to about 62,000 this school year (Dillon, 2008). Thus, helping families coping with poverty and homelessness can also reduce a growing financial burden on local school systems.

A study conducted by Oppenheim and MacGregor calculated a seven-fold return on investments in improving energy-efficiency in low-income homes. They caution that even this estimate is conservative because it does not account for many of the other benefits that are realized from weatherizing low-income homes, such as health and stability. Such improvements reduce forced mobility by reducing the amount a family pays to maintain a viable standard of living, which in turn leaves additional money to spend on rent, mortgage payments, or household maintenance. In addition, weatherization improvements help to mitigate substandard living conditions that could lead to health problems and eventual relocation (Oppenheim and MacGregor, 2007).

Utilities Cost and Housing Affordability

Energy Efficiency in Different Eras of Homebuilding

Homes today are built much differently than they were 100 or even 50 years ago. Building technologies, materials, and codes have changed so that newly constructed homes must be considerably more energy efficient than those built in the early and mid-1900s. To illustrate some of these differences, three Louisville neighborhoods are examined that each represent a different era of building: Germantown (early 1900s), Okolona (mid-1900s), and Freys Hill (today).

GERMANTOWN

Most of the homes in Germantown were built in the 1890s in the shotgun and camelback styles, housing types common in Louisville's older neighborhoods. This style of house originated in the Caribbean and was introduced to New Orleans in the 1800s (Welch, 2006). Thus, they were originally designed for a much warmer climate than Louisville. They are typically single-story frame houses, although some were built using brick. Insulation was not used in the construction of homes built in this time period, and many homes still have no insulation to this day. Turn-of-the-century homes were also built with wooden single-pane windows which do little to insulate the home from outside weather conditions. In addition, most homes of this era were not constructed to be air tight, and decades of settling can leave large openings around windows and doors. Most of these homes were originally fitted with radiator heat or had coal burning fireplaces, and now often rely on space heaters that are extremely inefficient. All of these practices considered, most homes built in Germantown and other similar neighborhoods are very difficult to heat and cool unless they have been carefully updated with new windows, insulation, and heating/cooling systems. Because of their size and simple design, shotgun homes are relatively inexpensive and simple to renovate with energy efficiency in mind.



OKOLONA

After World War II, home construction began to see some significant changes as the automobile became the primary mode of transportation for most Americans. Homes were situated on larger lots than homes in older urban neighborhoods, which allowed for construction of one-level ranch houses. These houses were typically made of brick, had wood windows, and more appliances than houses built in the early part of the century. Most of the



homes in Okolona fit this pattern and were built in the 1950s. Around this time some builders began installing insulation in walls and under roofs, although it was much thinner and less efficient than the insulation required in homes built today. However, some homes built in this era had no insulation and still do not to this day. Windows were generally more efficient than those used in turn-of-the-century construction, but still did not have the efficiency technology of those used today. Floor heating was common when these homes were built, which is far less efficient than today's forced-air systems, and appliances such as stoves and water heaters were less efficient as well. While some mid-century homes have been updated over the years, many of these homes still have the original appliances and heating systems. Homes like the ones in Okolona are often more air-tight than the shotgun homes of Germantown, but the codes were not yet in place to insure that windows and doors were tightly sealed, and cracks often appear as the homes settle. While homes built in this time period are generally more efficient than those built in the early part of the century, they still did not have the technologies and building requirements that exist today.

FREYS HILL

The Freys Hill neighborhood in Louisville's East End contains homes built mostly in the 1990s. A uniform building code for the state of Kentucky was adopted in the 1980s and the energy code has continually increased its energy efficiency requirements since its inception. Homes in Freys Hill represent building practices that are used in new construction today. These homes have more insulation, both in the walls and under the roof (where most inside air loss occurs). Windows now have specially coated glass and double panes with argon gas to prevent air loss. Energy efficient appliances and high-efficiency furnaces are now common, and homes are constructed to be more air-tight with no gaps to allow inside air to escape. When all of these building practices are considered together, newer homes such as the ones built in Freys Hill use less energy per square foot than older homes built in Germantown and Okolona.



Information obtained through personal communications with staff members of Louisville Metro Codes and Regulations

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Louisville DSM conservation programs currently receive about \$2 million annually from LIHEAP, which are regulated by the Public Service Commission. These programs are operated by Community Action Agencies and community-based non-profits throughout Kentucky. One example of a conservation program is a partnership between Community Action Kentucky and Kentucky Power that provides ongoing assistance to low-income customers during the peak cold and hot months of the year, when energy demand and utility bills are highest. The primary local conservation program is Project Warm, who partners with both LG&E and Louisville Metro government.

Percentage of income programs (PIP) address the concern that low-income households pay a much greater percentage of their income to cover heating costs than middle-income households. PIP tries to limit the percentage of income spent by low-income households on heating by providing bill payment assistance. Since heating costs can be costly for these households, many fall behind in their utility payments, building up large arrears, and ultimately result in termination of service. The debt in these cases is passed on to other utility customers (KY Community Action Partnership, 2008). The Affordable Energy Corporation operates a year-round PIP assistance program in the LG&E service area called ASAP, partnering with POWER, Metro Human Needs Alliance, and LG&E

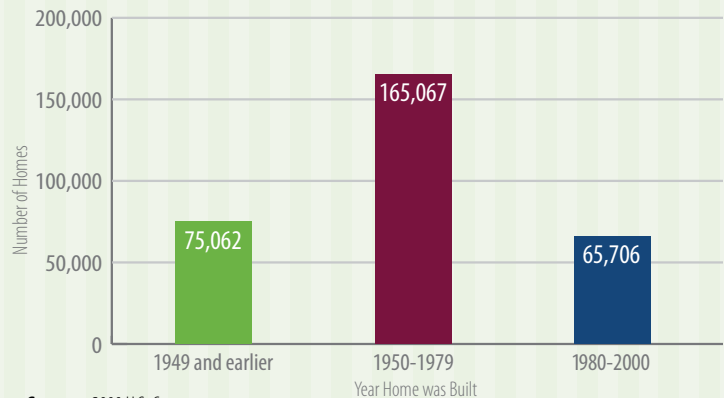
Household energy consumption increases dramatically when homes are less energy efficient. The lowest-income residents typically live in older homes which are less energy efficient than newer homes.

The U.S. Department of Energy provides weatherization assistance to households up to 150 percent of poverty level. These households spend 16 percent of their income (about \$1,700) on energy every year compared to 5 percent for median income households (U.S. Department of Energy, 2007).

In the Southern and Midwestern United States, homes built before 1970 are 20 percent to 25 percent less energy efficient than homes built since 1990 (Joint Center for Housing Studies, 2007).

Older homes are less efficient primarily because it was not cost effective to build homes with insulation in the early to mid-1900s because energy was so inexpensive at that time. Homes built in the first half of the century often had no insulation, and homes built in the 1950s and 1960s often had wall insulation but no roof insulation. When energy prices began to rise dramatically in the 1970s, insulation became a building code requirement for all new homes and major home renovations. The codes were also changed to require homes to be “air-tight,” a building standard that has recently been shown to have adverse effects such as trapping moisture that can lead to mold and health problems related to allergens. Updated codes have begun to change to provide more venting in new homes to prevent these problems.

Age of Homes in Louisville Metro



Sources: 2000 U.S. Census

Most of the homes in Louisville, about 240,000, were built before the 1980s when insulation became a requirement in the local building code. About 75,000 of these were built before 1950 and may still have original windows, lighting, and older appliances that are far less efficient than those available today. While most turn-of-the-century homes are smaller than homes built today, meaning less square footage to heat and cool, many still have no wall or attic insulation. Most also have original large single-pane windows that are not air-tight. In addition, many of Louisville’s historic homes are shotgun-style homes in which every room in the house has an exterior wall, making it more difficult to heat and cool the home. Many older homes also have older appliances and lighting that are less efficient than new ENERGY STAR rated appliances and compact fluorescent light bulbs.

Another type of housing that often serves as an alternative for low- to moderate-income households is the mobile home. According to the Kentucky Manufactured Housing Institute, the annual median household income for purchasers of mobile homes is \$26,900 (Kentucky Manufactured Housing Institute, 2008). In the Louisville MSA, 5.1 percent of all homes are mobile homes, and the number jumps to 10.9 percent when Jefferson County is excluded. Building standards for mobile homes are set and regulated by HUD through the 1976 Federal Manufactured Home Construction and Safety Standards Acts, or “HUD Code.” These standards were updated in 1994 to require higher insulation levels and double-pane windows to improve energy efficiency, but even the U.S. Department of Energy (2008a) states that more stringent requirements need to be in place on this type of housing.

Improving energy efficiency for the whole community can provide clear and tangible financial benefits. ENERGY STAR qualified homes provide \$200 to \$400 in annual savings compared to conventional homes, not including additional savings on home maintenance. A Habitat for Humanity program in Ohio created 150 ENERGY STAR certified homes which generated an average annual savings of \$460 (Center for Public Management, 2005). Improving the

► *Continued on page 7*

Utilities Cost and Housing Affordability

Environmental Impact of Energy Consumption

Reducing energy consumption by improving energy efficiency helps protect the environment. Reducing energy use also reduces carbon dioxide (CO₂) emissions and other forms of air pollution such as methane (CH₄) and nitrous oxide (N₂O) (U.S. Environmental Protection Agency, 2008a). These emissions contribute to climate change, as well as affecting both the health of our environment and our families. Carbon dioxide is the primary greenhouse gas that contributes to global climate change. Most CO₂ emissions result from the burning of fossil fuels such as oil, coal, and gas. Residential homes in the U.S. emit 1.2 billion metric tons of CO₂ each year. Almost all of these emissions are energy-related carbon dioxide, over 70 percent of which are produced by power plants that provide electricity to homes. Home energy emissions continue to grow, increasing 1.4 percent annually since 1990 (Energy Information Administration, 2008b).

Electricity production has a strong environmental impact through the production of greenhouse gases that contribute to climate change. In 2004, 40 percent of all greenhouse gas emissions were from the production of electricity. Thirty-five percent of this total was from electricity produced for residential, higher than the percentage for either industrial or commercial use. Thus, residential electricity consumption represents about 15 percent of all greenhouse gas emissions in the U.S. (Low-Impact Living, 2008).

Depending on where in the country you live, you may be creating more or less greenhouse gases when you consume electricity. In states where coal is the primary fuel used to generate electricity, residents contribute more pollution per kWh than states that use alternative forms of electricity production. In 2000, Kentucky produced 2.23 lbs. of CO₂ per kWh of electricity used (U.S. Environmental Protection Agency, 2008b). This means the average household in Kentucky emits about 10 tons of CO₂ per year, which is the same as driving a car that gets 20 mpg nearly around the world. States that produce electricity using other forms of production such as nuclear or hydroelectric power produce on average 0.3 lbs. of CO₂ per kWh, less than 15 percent of states that use coal as their primary means of energy production (Low-Impact Living, 2008).

► *Continued from page 6*

energy efficiency of existing multi-family buildings can result in an energy savings of 25 percent to 40 percent. This includes improvements such as boiler upgrades, ceiling insulation, caulking, sealing, and storm windows, which would cost about \$2,500 per unit. The savings would pay back the costs in 5-10 years. For single-family homes with similar improvements, \$3,000 spent on energy efficient features can result in average savings of about 30 percent. A full-scale retrofit of a single-family home would cost roughly \$50,000 and would improve energy efficiency by about 50 percent (Wilson and Wendt, 2007).

There are also social and economic benefits to improving the energy efficiency of homes. The U.S. Department of Energy estimates that every \$1 million invested in home weatherization programs creates 52 low-income community jobs (U.S. Department of Energy, 2006). Money saved through lowering energy consumption can be used for other necessities which provides economic stimulus and improves the financial well-being of families that might otherwise need public assistance for food, clothing, etc. In addition, lower energy consumption puts less strain on the natural environment and non-renewable sources of energy.

Public Sector

The majority of affordable housing in the U.S. is provided through rental subsidies in the form of Section 8 program vouchers. In addition to rental assistance, Section 8 also provides an allowance for utilities that varies depending on the fuel source and the type of housing. The goal of Section 8 is to combine a rental subsidy with a utility allowance to reduce the cost of shelter for program participants to 30 percent of their income. In order for landlords to participate in Section 8 they must adhere to a limit set on how much they can charge in rent. This amount, plus the utility allowance, may not exceed *Fair Market Rent* (a shelter cost standard set annually by HUD).

Local public housing authorities are responsible for calculating a utility allowance so that the sum of the Section 8 renter's uncovered utility bill plus rent will not exceed 30 percent of that renter's income. However, when subsidies are calculated in this way problems arise. Since the combination of rent and utilities cost is typically calculated to equal 30 percent of the renter's income (the maximum allowed), for every dollar increase in the utility allowance the amount in rent a Section 8 landlord is allowed to charge must decrease in order to stay at or below Fair Market Rent. Although it is assumed that the utility allowance will be equal to the actual utility bill, this is not always the case. Thus, this methodology provides an incentive for the local housing authority to keep utility allowances artificially low so an increased portion of the Fair Market Rent can be provided to participating landlords.

If the Fair Market Rent ceiling is not adequate to provide both rent and actual utilities cost, it is more likely the utility allowance will be lowered to keep rental prices high to draw in more local properties to the Section 8 program. The result of this problem is that tenants receiving Section 8 vouchers may not have utility

allowances that are adequate to cover their actual utilities cost. This inability to pay often leads to ongoing arrears and eventual disconnection of utility service, which can also lead to dismissal from the Section 8 program. In order to address this problem, HUD must examine more closely the actual utility bills for Section 8 residents and increase Fair Market Rents as necessary (Colton and Sheehan, 1994).

The Louisville Metro Housing Authority (LMHA) calculates the utility allowance for local families that receive housing assistance. These utility allowances are calculated annually using a formula derived from a study conducted in the 1980s on typical household energy usage. Each year the formula is updated to reflect changes in local utility rates, including electricity, gas, water, and sewer costs. Although there has been discussion of updating this formula to reflect changes in energy consumption since the time of the initial energy study, it has not yet been changed. The utility allowance formula takes into account the type of housing unit (apartment, single-family home, townhouse, mobile home), number of bedrooms, how the unit is heated (electric, natural gas, fuel oil, or bottled gas), type of stove and water heater (electric or gas), and if the unit is air-conditioned. For example, a typical utility allowance for a two-bedroom apartment averaged over 12 months is \$93 per month, which includes \$44 for gas heat, \$6 for an electric stove, \$22 for other electric use, \$5 for air-conditioning, and \$16 for a gas water heater (Heimann, 2008).

New construction and some home remodels are regulated by the Kentucky Residential Code, which adheres to the model code published by the International Code Council (ICC). This code is updated every 3 years, and was most recently updated in October 2007. The most recent update has more stringent requirements for new home construction in terms of energy efficiency, but for existing homes only minimum standards were required to meet codes, such as windows and doors being tightly sealed. Small changes to existing homes are not regulated by these codes (Schreck, 2008).

Incentives

The Home Energy Efficiency Improvement Tax Credits provide federal tax incentives for improving the energy efficiency of homes. Improvements such as energy efficient windows, insulation, doors, roofs, heating/cooling equipment, and some solar improvements are eligible for tax credits. However, tax credits are only available for improvements to new homes; improvements to existing homes are no longer eligible as of December 31, 2007. The current tax credits for new homes will expire on December 31, 2008. In addition, the improvements must be installed in or on the taxpayer's principal residence, so improvements to rental properties are not eligible (U.S. Department of Energy, 2008b).

Kentucky recently passed legislation to allow for a state income tax credit starting in 2009 for residents who install certain types of energy efficiency features in their homes. The tax credits range from \$100 to \$1,000 and the features must be added to their principal residence. Eligible upgrades include

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LG&E Utility Bills: Then and Now

LG&E Electricity Cost 1998 VS. 2008 (Per 1000kWh)

	August 1998		August 2008	
	Rate	Cost	Rate	Cost
Customer Charge	\$3.29	\$3.29	\$5.00	\$5.00
kWh (first 600 hrs.)	\$0.06237	\$37.42	\$0.06404	\$64.04
kWh (adtl. 400 hrs.)	\$0.06411	\$25.64	No block rate	No block rate
FAC	-\$0.00133	-\$1.33	\$0.00355	\$3.55
DSM	\$0.00290	\$2.90	\$0.00260	\$2.60
Trimble County Credit	-\$0.00039	-\$0.39	NA	NA
ECR	1.0593%	\$0.72	1.02%	\$0.77
Merger Surcredit	NA	NA	-1.499%	-\$1.14
Home Energy Assistance	NA	NA	\$0.10	\$0.10
TOTAL		\$68.25		\$74.92

FAC – Pass-through of fuel costs

DSM – Promotes conservation programs

Trimble County Credit – Refund of cost to build Trimble County power plant

ECR – Pass-through of environmental compliance costs

Merger Surcredit – Savings achieved from merger of LG&E and KU

Home Energy Assistance – Fund to assist residential customers pay their bills

LG&E UTILITY GAS COST 1998 VS. 2008 (per 70Ccf)

	August 1998		August 2008	
	Rate	Cost	Rate	Cost
Customer Charge	\$4.48	\$4.48	\$8.50	\$8.50
Distribution Cost	\$0.11099	\$7.77	\$0.15470	\$10.83
Gas Supply Cost (GSC)	\$0.35602	\$24.92	\$1.63725	\$114.61
DSM	\$0.01990	\$1.39	\$0.01069	\$0.75
Home Energy Assistance	NA	NA	\$0.10	\$0.10
TOTAL		\$38.56		\$134.78

DSM – Promotes conservation programs

Value Delivery Surcredit – Savings achieved from best practices

Home Energy Assistance – Fund to assist residential customers pay their bills

Utilities Cost and Housing Affordability

► *Continued from page 8*

insulation, windows, storm doors, HVAC, lighting, as well as construction of a new ENERGY STAR home for use as their principal residence. A state income tax credit of up to \$500 is also available for renewable energy features that use solar, wind, and geothermal power (DSIRE, 2008).

Some utility companies in the Louisville Metropolitan Statistical Area also offer incentives. Duke Energy, which serves some Southern Indiana counties, offers rebates to builders who install ENERGY STAR heat pumps, air conditioning units, and geothermal heat pumps. Rural Electric Membership Cooperatives in Clark and Harrison Counties in Southern Indiana, and Shelby County in Kentucky, also offer rebates for installation of efficient heating and cooling systems.

Some incentives do currently exist for developers to include energy efficient features in their projects. Organizations that provide funding for the construction of affordable housing often have energy efficiency standards that developers must adhere to. These standards are typically represented as a point system where developers get points for each energy efficient feature in their design, with a greater number of points increasing their chance of getting project funding. The Green Initiative is a nationwide initiative introduced by HUD to encourage owners and purchasers of affordable, multi-family properties to rehabilitate and operate their properties with a focus on sustainability, energy efficiency, recycling, and indoor air quality (U.S. Department of Housing and Urban Development, 2008). The primary target of the program is Section 8 housing and is one of the few energy efficiency programs focused on rehabilitation rather than new construction.

There are currently no incentives in place targeting landlords for improving the energy efficiency of their rental properties. Since tenants typically pay their own utility bills, it is unlikely that landlords would invest time and money into improving their housing, as they would not reap the benefits of these investments. Since many low-income families are renters there is currently little hope for lowering their utility cost through energy efficient upgrades.

Other cities and states have put programs in place to encourage more energy efficient building. Portland, Oregon has established a Green Investment Fund that awards grants up to \$425,000 for green building projects that exceed the Oregon Energy Code by 50 percent. Illinois provides grants through the Energy Efficient Affordable Housing Construction program to Illinois-based non-profit housing developers to include energy efficient features in their developments. The grants are available for both rehabilitation and new construction of affordable housing units. Since its implementation in 1988, the program has had an average energy savings of between 50 percent and 75 percent. For homes constructed in Cincinnati that meet certain energy efficiency requirements, 10 to 15 year complete property tax abatement is available. Other incentives offered by cities and states include sales tax exemptions on energy efficient products, loan programs to help homeowners purchase energy efficient equipment, and rebate programs for renewable energy upgrades (DSIRE, 2008).

Conclusion and Recommendations

When homes are more energy efficient and utility costs are less of a burden everyone benefits. When a family reduces the amount spent each month on utilities there is more money left over for spending in other areas of the economy. More money is left for food, clothing, education, savings, and healthcare. Many family members take second or even third jobs to pay for the rising cost of housing. Spending less time at work means lower stress, better health, and stronger communities. One of the leading causes of homelessness is the inability to pay utility bills (Robinson, 1991). As foreclosure rates continue at a record pace, more and more families face losing their homes. Reducing utilities costs increases the likelihood that a family can pay their mortgage and keep their home.

As the cost of energy continues to rise, low-income families are facing an even greater difficulty in paying already high utility bills. By reducing energy consumption the amount of energy needed to heat and cool a home decreases. Education programs must be expanded to teach consumers about prudent energy use, energy efficiency, and effective budgeting. Weatherization and efficiency programs must also be expanded to help low-income households lower their energy consumption by making their homes more energy efficient. Finally, funding must be increased for energy affordability programs that provide direct assistance in paying energy bills, including utility-sponsored energy assistance programs, for those who need immediate relief.

MHC recommendations:

- More funds should be allocated for Demand Side Management (DSM), Home Energy Assistance (HEA), and weatherization programs and initiatives. Together these initiatives target both the consumption and cost of utilities for low-income families.
- Utility companies should work closely with families facing high utility bills and arrears to insure that utility shutoffs are kept to a minimum.
- Louisville Metro Housing Authority should update their energy usage study that is used in the calculation of utility allowances for families that receive housing assistance. The updated study should also take into account the age of the home, as this is an important factor in energy efficiency and consumption.
- Funding should be readily available at the local and state levels for the rehabilitation of older homes to increase their energy efficiency. This funding can take the form of grants, low-interest loans, or tax-incentives.
- Incentives should be put into place at the local and state levels for landlords to rehabilitate their rental units and homes to be more energy efficient.
- Building codes should ensure that all new construction and rehabilitation of homes are energy efficient. Locally we can be proactive and strive to be ahead of the curve in terms of the energy efficiency of homes in the Louisville area.
- Home sellers should provide records of utility costs to potential buyers so that they may better judge the affordability of utilities for that home.

Measure 1 CONCENTRATION OF SUBSIDIZED HOUSING

Typically subsidized housing is concentrated primarily in areas with low-income populations, low property values, and little new economic development. This is particularly true for Louisville Metro (see map Subsidized Housing in Louisville Metro 2008). While all council districts in Louisville Metro have at least some Section 8 housing (either voucher or site-based), most of these housing units are located within seven districts. Districts 1-6 and 15 contain 66 percent of all Section 8 housing in Louisville Metro and Districts 7 and 16 have the lowest percentage of total Section 8 housing units. Both the concentration of these units in these seven districts and the scarcity within council Districts 7 and 16 have remained unchanged since the first MHC report was released in 2003. More than half (55 percent) of the Section 8 site-based housing is located in Districts 4 and 6.

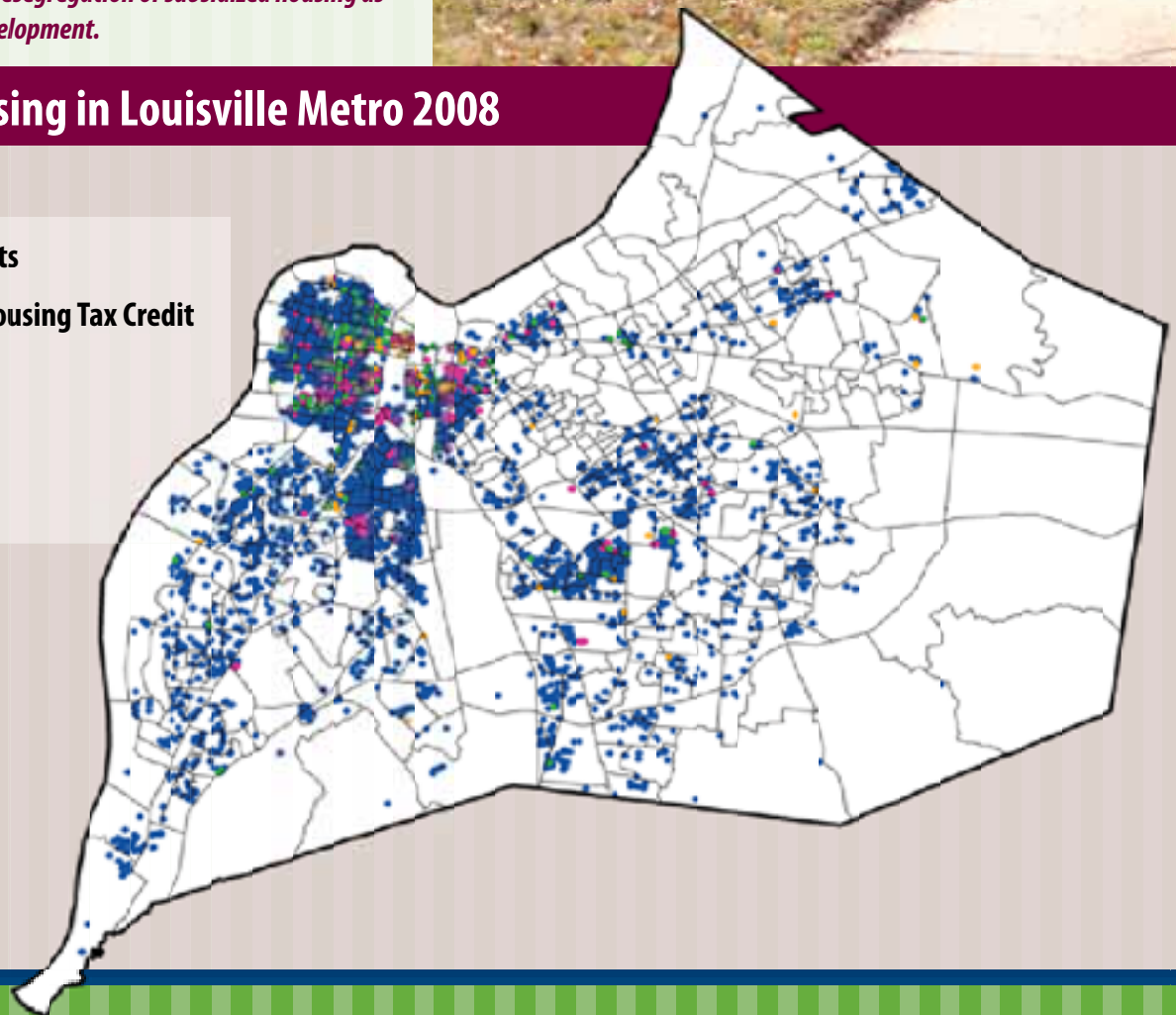
Also unchanged since 2003 is the concentration of public housing, with 87 percent of all public housing located in Districts 4, 6, and 15. Over half of all public housing in Louisville Metro is located in District 4 (52 percent). Ten out of the 26 districts have no public housing. Taken as a whole, these concentrations indicate that subsidized housing in Louisville Metro is consistently and disproportionately located in Districts 4, 6, and 15.

MHC advocates for the desegregation of subsidized housing as a strategy for economic development.



Subsidized Housing in Louisville Metro 2008

- Site-Based Units
- Low-Income Housing Tax Credit
- Public Housing
- Section 8
- Housing unit



Measure 2

HOUSING SEGREGATION BY GENDER, RACE/ETHNICITY, AND INCOME

In 2007, 14.5 percent of Jefferson County residents had incomes below the federal poverty level. This is slightly lower than in 2006, when 15 percent lived in poverty. In the Louisville MSA, which includes the surrounding Kentucky and Indiana counties, the 2007 poverty numbers are lower at 13.2 percent, virtually unchanged from 13.3 percent in 2006 (U.S. Census, American Community Survey, 2006, 2007).

The 2000 Census is the most current data source for Jefferson County poverty levels broken down by districts. Based on this data, there are five districts in Jefferson County where the percentage of people living below the federal poverty level is at least 25 percent. District 4 has the highest percentage of people living in poverty at 46.9 percent, followed by District 6 at 31.7 percent. Districts 1, 5, and 15 have poverty levels that range from 25 percent to 29 percent. The council districts with the highest percentage of people living in poverty are also the districts with the highest percentage of Section 8 rental units (see Measure 1). This illustrates that current housing policies are locating subsidized housing in the poorest areas of the city, further concentrating poverty rather than dispersing it throughout the city.

Because utilities are a fixed cost, they impose a disproportionate burden on the poor. Low-income families often spend three to four times as much on energy as a median income household (Tannenbaum, et. al., 1992). Low-income families spend about 8 percent of their total income on electricity, and very low-income households (those living at less than half of the federal poverty level) spend 23 percent. In contrast, the average household spends only about 2 percent of their income on electricity (Oppenheim, 1998). Since older housing is typically less energy efficient than newer housing, owners and renters of older homes pay more per square foot to heat and cool their homes (Joint Center for Housing Studies of Harvard University, 2007). In Louisville Metro the council districts with the highest percentage (at least 55 percent) of homes built before 1940 are Districts 4, 5, 6 and District 8. Two of these districts, 4 and 6, also have the highest percentage of people living in poverty. The other highest poverty council districts, 1, 5, and 15, also have high percentages of older homes (33.4 percent, 67.3 percent, and 42.1 percent, respectively). Thus, those families who have the lowest incomes are often living in older homes that cost more to heat and cool.



Gender

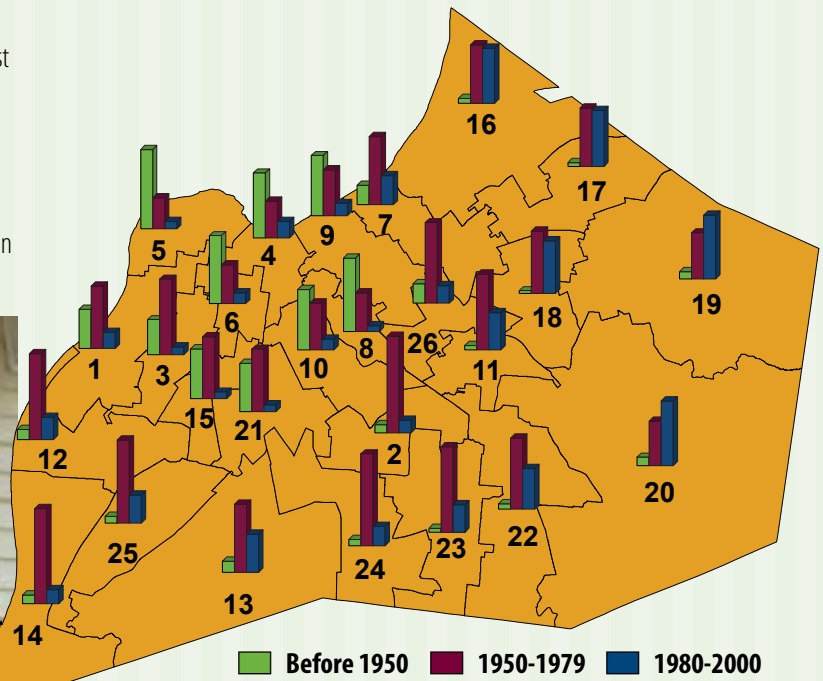
In Jefferson County, 10 percent of families had incomes in the past 12 months that were below poverty level (U.S. Census, American Community Survey, 2007). Two-thirds of these families are headed by women with no husband present. In the recent report *The Dividing Line: Women and Housing Patterns in Louisville*, MHC found that 40 percent of single mothers in Jefferson County are concentrated in five council districts: 1, 2, 4, 5, and 15 (Metropolitan Housing Coalition, 2007).

Race/Ethnicity

The 2007 median household income for Black or African-American households in Jefferson County was \$25,935 as compared to the overall 2007 median household income of \$43,262 (U.S. Census, American Community Survey, 2007). This disparity in incomes was relatively unchanged from the previous year. However, the median household income for Hispanic or Latino households in Jefferson County dropped from \$40,737 in 2006 to \$36,273 in 2007.

MHC advocates for affordable housing policies that promote integration and diversity of housing types, price-points, and people throughout all metro council districts, as well as the entire Louisville MSA.

Age of Homes by Louisville Metro Council District (Year Built as Percent of Total)



Source: 2000 U.S. Census

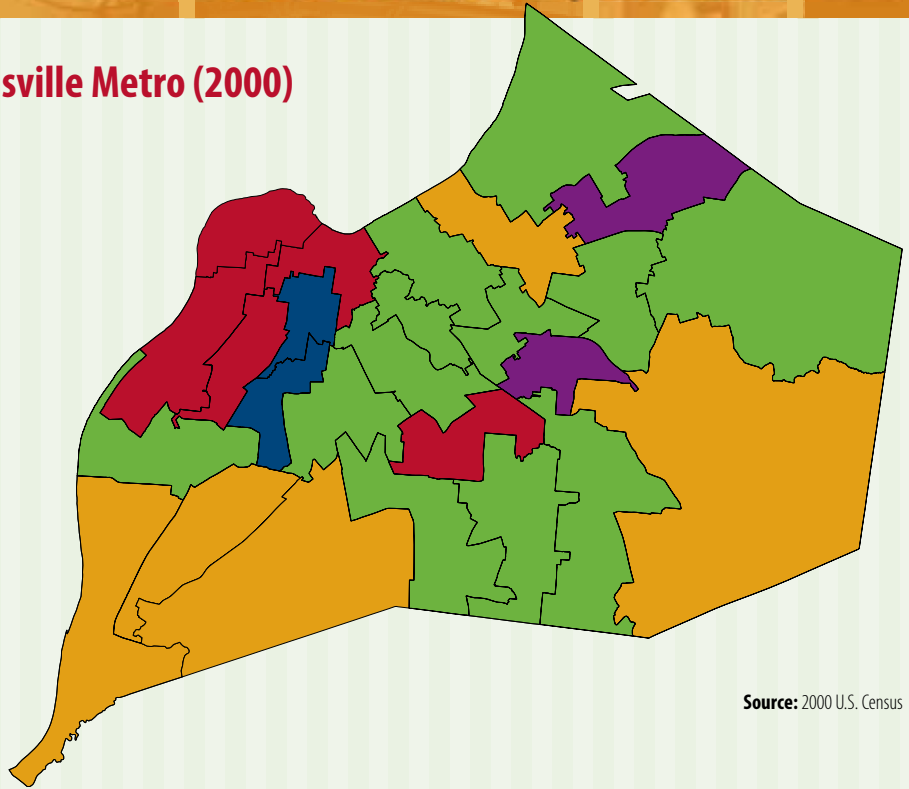
Measure 2

HOUSING SEGREGATION BY GENDER, RACE/ETHNICITY, AND INCOME

African-American Population, Louisville Metro (2000)

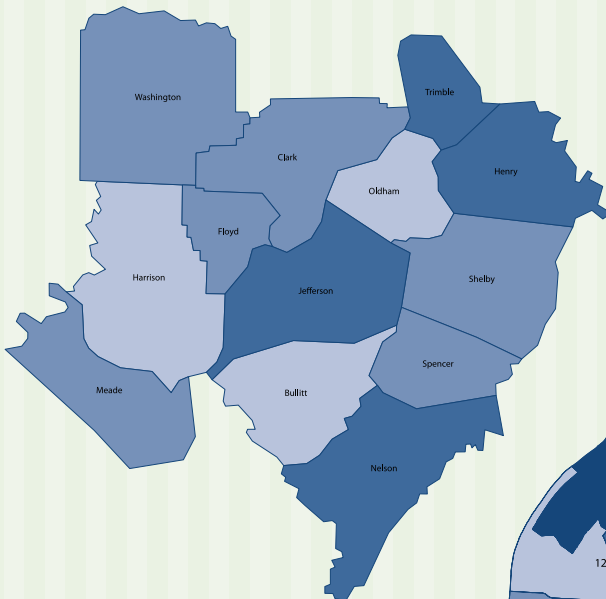
In Louisville Metro, African-American children are twice as likely to live in poverty as other children.

- Under 5%
- 5 to 9.9%
- 10 to 19.9%
- 20 to 49.9%
- 50% and above

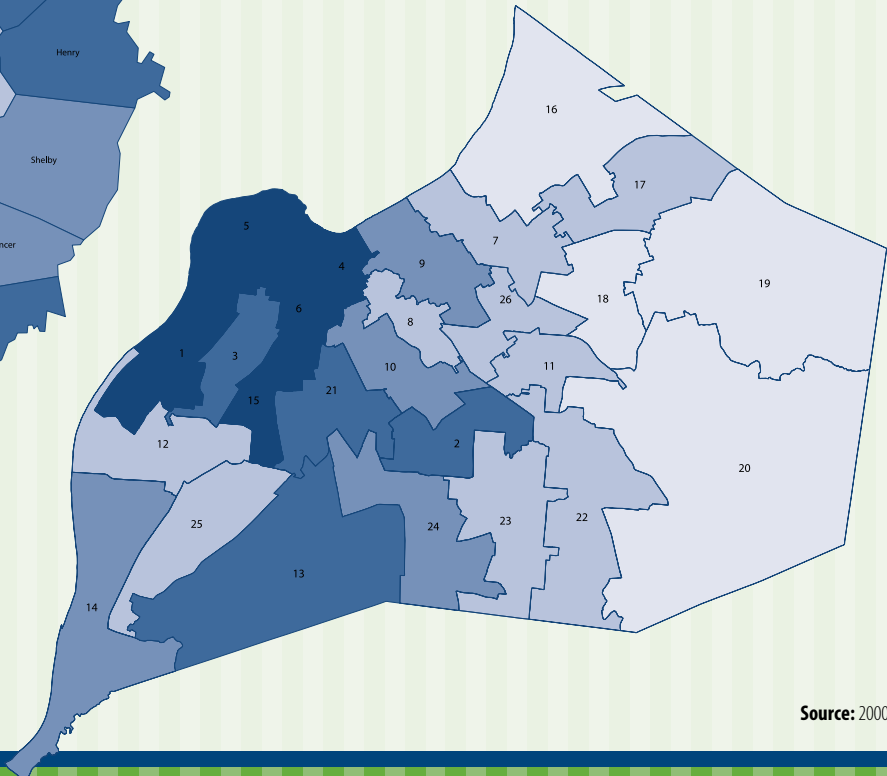


Source: 2000 U.S. Census

Poverty in the Louisville MSA (1999)



- Less than 4%
- 4.0% to 7.9%
- 8.0% to 11.9%
- 12.0% to 23.9%
- 24% and above



Source: 2000 U.S. Census

Measure 3

RENTERS WITH EXCESSIVE COST BURDEN

The 2008 Fair Market Rent (FMR) for a two-bedroom rental unit located within the Louisville MSA is \$663 per month, an increase of \$79 from 2007 and a 32 percent increase over 2000. This increase occurred when HUD updated their data source from the 2000 Census to the most current American Community Survey (ACS). The 2006 ACS data was used in conjunction with regional Consumer Price Index (CPI) data to calculate an accurate rent estimate for FY2008. By definition, FMR represents the point at which 40 percent of a region's standard-quality rental housing units are deemed affordable for families and households, even though these units may not be available.

To afford a two-bedroom unit at FMR, a family or household would need an annual income of \$26,520 (\$12.75 per hour at 40 hours per week for one year). The median hourly wage for 37 percent of all wage earners in the Louisville MSA is less than \$12.75 per hour, placing a heavy burden on many families and households in the region to find the means to pay their rent. Not only is finding a job with decent wages difficult, but keeping an existing job is also a challenge for many in the region. In June 2008, the unemployment rate for the Louisville MSA was reported to be 6.4 percent, up from 4.9 percent the previous year.

A little over one-third of all households in the Louisville MSA are renters. Louisville Metro Districts 4 and 6 have the highest concentration of renter-occupied housing units (74.1 percent and 72.3 percent, respectively) as well as the highest poverty rates of all 26 council districts. Less than 20 percent of occupied housing units in Districts 14, 16, 19, and 20 are rental, and poverty rates for these same districts are each less than 4 percent.

As the cost of consumer goods has risen at a steady pace, median wages for many wage earners have not kept up, and in some cases they have even dropped. The tables below illustrate sales occupations with median wages below \$12.75, as well as rent burden and the change in median wages from 2000 to 2007.

MHC advocates that local governments within the Louisville MSA work closely with housing agencies and advocates to set numeric goals for the development of more low- to moderate-income rental housing units throughout the region.

Louisville MSA Occupational Groups 2007 Median Hourly Wages Less Than \$12.75/Hour

	Number of Workers as a Percentage of All Wage Earners		FMR as a percent of monthly wages		2000 Median Wage*	2007 Median Wage	Change in Median Wage 2000-2007
	2000	2008	2000	2008			
Healthcare Support Occupations	2.2%	2.7%	34%	33%	\$11.79	\$11.90	1.0%
Food Preparation & Serving Related Occupations	8.3%	8.6%	46%	53%	\$8.59	\$7.58	-11.7%
Building and Grounds Cleaning and Maintenance Occupations	2.8%	3.0%	40%	39%	\$10.01	\$10.10	0.9%
Personal Care and Service Occupations	2.0%	2.0%	40%	45%	\$9.87	\$8.92	-9.7%
Sales and Related Occupations	10.1%	10.4%	36%	35%	\$11.09	\$11.35	2.3%
Farming, Fishing, and Forestry Occupations	0.1%	0.1%	37%	38%	\$10.90	\$10.48	-3.8%
Transportation and Material Moving Occupations	9.4%	10.5%	31%	32%	\$12.99	\$12.63	-2.8%
Percentage of Total Wage Earners	34.9%	37.3%					

*2000 wages adjusted for inflation

Source: Bureau Labor Statistics, HUD

Measure 4

PRODUCTION AND REHABILITATION OF AFFORDABLE HOUSING

The number of families receiving housing assistance – whether public housing, the Housing Choice Voucher Program (HCVP) which formerly was referred to as tenant-based Section 8, or site-based Section 8 – was relatively unchanged from 2007. When comparing the 2008 numbers to the 2002 totals that were reported in the 2003 *State of Metropolitan Housing Report* (Metropolitan Housing Coalition, 2003), there has only been a slight increase in the total number of families served by local public housing agencies and HCVP. This is accompanied by a slight dip in the number of site-based housing units available to families in need.

There is a striking imbalance between the stagnation of federal housing subsidies and an increasing number of households needing assistance. In Louisville Metro alone there are 15,612 households waiting for either a subsidized housing unit or housing vouchers (Louisville Metro Housing Authority, 2008). As costs for basic necessities such as utilities, food, and transportation are steadily increasing, households are left with fewer options for safe and affordable housing.

MHC recommends using existing resources and finding future revenue sources to rehabilitate existing lower-rent housing units to become more energy efficient, thereby making them truly affordable.

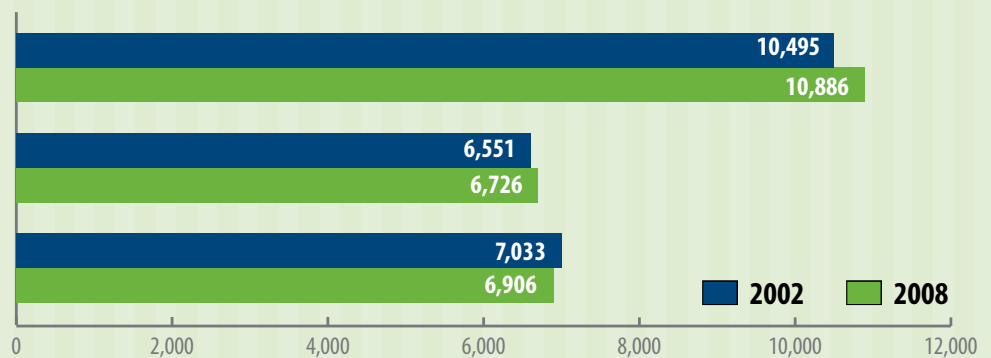


Numbers of Subsidized Rental Housing Units, Louisville MSA, Years 2002 and 2008

Total Section 8 Vouchers

Total Units Public Housing

Total Site Based



In past MHC *State of Metropolitan Housing* reports there have been separate measures for *Measure 5 – Homeownership Rate*, *Measure 6 – Homeownership Affordability*, and *Measure 7 – Foreclosures*. In this year’s report we believe that these three measures of housing conditions cannot be considered separately, but rather must be considered together in order to understand the current state of housing. Thus, we have combined them into a single topic of discussion.

Homeownership Rate

According to the U.S. Census Bureau, the homeownership rate for the Louisville MSA counties was 67.2 percent in 2007. This is a slight increase over the 2006 figure of 66.4 percent and the 2005 figure of 62.9 percent (U.S. Census, 2007). The U.S. Census Bureau updates homeownership rates every 10 years with regards to location, gender, and race/ethnicity, thus the most recent information on homeownership rates for these specific groups is from the 2000 U.S. Census.

Homeownership rates in Louisville Metro vary depending on location. According to the 2000 U.S. Census, four council districts (Districts 14, 16, 19, and 20) have homeownership rates of at least 80 percent. By comparison, in Districts 3 and 6 only about a quarter of the homes are owner-occupied (25.9 percent and 27.7 percent, respectively). In Districts 2 and 15 the homeownership rate is about 50 percent (48.9 percent and 51.5 percent, respectively).

Married couples own the majority of homes in the Louisville MSA (62.6 percent). For the remainder of homeowners who are single heads of household, 24.2 percent are female and 13.1 percent are male. Narrowing the sample to family households, male householders with no wife present represent only 2.3 percent of all owner-occupied homes in the MSA, and the homeownership rate for female single head of household with no husband present is 12.7 percent (U.S. Census, 2000).

A little over three-fourths (78.9 percent) of the population in Jefferson

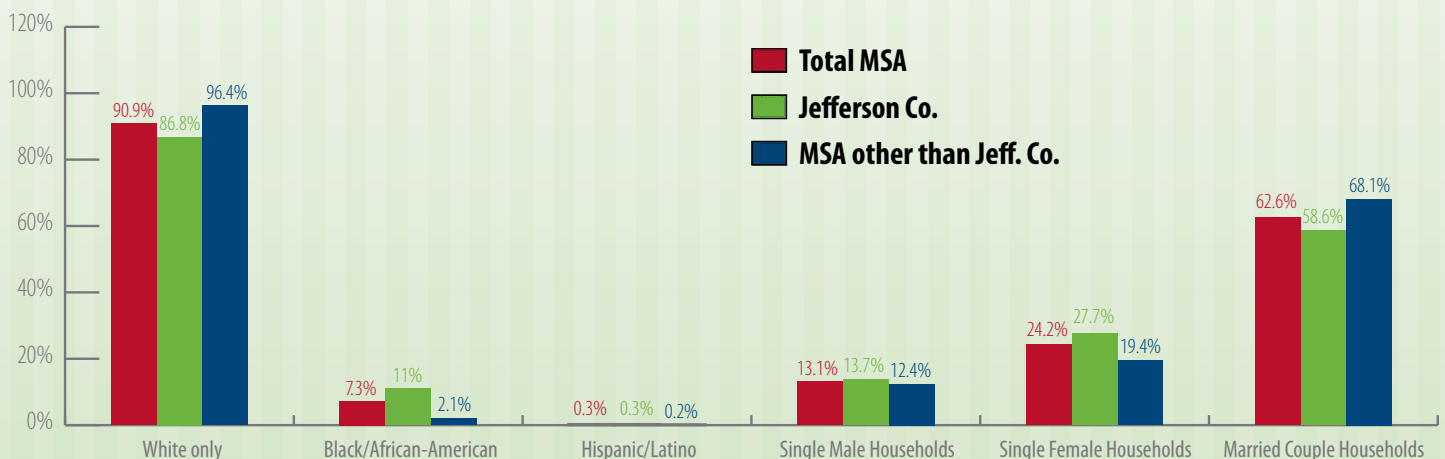
County that is 18-years and older is classified as white and not Hispanic or Latino. This group represents 86.8 percent of all owner-occupied households. Black/African-Americans 18-years and older represent 17 percent of the county’s total population while accounting for only 11 percent of all owner-occupied housing units, a smaller proportion than those who are white and not Hispanic or Latino. The 1.6 percent of the population 18-years and older who are Hispanic or Latino represent only 0.3 percent of the total number of homes that are owner-occupied in Jefferson County (U.S. Census, 2000).

Outside of Jefferson County, the population 18-years and older in other counties in the Louisville MSA is 93.5 percent white and not Hispanic or Latino, 3.8 percent black/African-American, and 1.4 percent Hispanic or Latino. Homeownership rates for these groups are 96.4 percent, 2.1 percent, and 0.2 percent, respectively (U.S. Census, 2000).

When considering homeownership in terms of race, minorities are at much higher risk of receiving a poorly-underwritten high-cost home loan. In addition, racial differences in lending increase as income levels increase. In the Louisville MSA, low and moderate-income (LMI) African-Americans are almost twice as likely to have sub-prime mortgages (51.4 percent) as LMI whites (27.1 percent). Shockingly, when considering middle and upper-income African-Americans compared to whites, the discrepancy is even more pronounced. For MUI African-Americans in the Louisville MSA, 41.6 percent of mortgages are sub-prime compared to 17.5 percent for MUI whites (National Community Reinvestment Coalition, 2008). High-cost loans are intended to compensate for additional risk to lenders when the borrower has credit imperfections. However, even when controlling for creditworthiness and other housing market factors, minorities receive a disproportionately large amount of high-cost loans. This results in a loss of home equity because of higher payments made to lenders, as well as exposure to imprudent types of loans that are more likely to result in default and foreclosure.

Homeownership Rate Louisville MSA

2000 U.S. Census



Measures 5-7

HOMEOWNERSHIP RATE, AFFORDABILITY, AND FORECLOSURES

Homeownership Affordability

The First-Time Home Buyer Affordability Index is a tool used to track the affordability of homes for first-time home buyers. An index score of 100 indicates that a family with an annual income that is at 70 percent of the area median income should be able to afford a starter home priced 85 percent lower than the median price for all houses sold within that area. As the index score increases in value, the opportunity for homeownership also increases. The Affordability Index score for 2007 was 124, a substantial improvement over the score of 116 for 2006. In 2007, the median family income was \$57,527 and the median sales price for a home was \$137,400; thus, a family living in the Louisville MSA would need an annual income of at least \$40,629 to afford a starter home priced at \$116,790.

The Affordability Index score for 2007 increased due to several factors. One contributing factor was a slight decrease in the 2007 median sale price for a single-family home in the Louisville MSA when compared to the previous year (-3 percent after adjusting for inflation). Another factor was a dip in the average annual effective rate on conventional home mortgages. It is also important to note that the index does not include a number of relevant variables such as credit requirements, down payment requirements, and the types of mortgage products available. All of these variables play an important role in determining whether or not a family can qualify to purchase a home.

Though first-time homeownership in the metropolitan region is still considered affordable, maintaining ownership can be a challenge when facing increases in utility, transportation, and food costs. In particular, utility cost is an

integral component of homeownership affordability. Rising utility costs may offset any savings gained from lower home sale prices for potential homebuyers.

Foreclosures

In 2007, the U.S. saw a total of 2,203,295 foreclosure filings on 1,285,873 properties. This represents an increase of 75 percent over filings in 2006, and a 150 percent increase over 2005. Over 1 percent of all U.S. households were in some stage of foreclosure during 2007, up from 0.6 percent of households in 2006. Kentucky filings totaled 8,793 on 5,105 properties, with a foreclosure rate of 0.3 percent. Even though Kentucky's foreclosure rate is lower than the U.S. rate, this represents an increase of 24 percent over 2006 and 75 percent over 2005. For 2007, Kentucky was ranked 35th in the nation in terms of rate of foreclosure (RealtyTrac, 2008).

Within the Louisville MSA there were a total of 4,321 foreclosures ordered in Kentucky and 1,337 filed in Southern Indiana.* In the Kentucky counties, this is an increase of 29 percent over 2006, with Spencer, Meade, and Bullitt each seeing increases of more than 50 percent. Jefferson County saw a 14 percent increase in foreclosures ordered over 2006. In Southern Indiana counties the rate of foreclosures filed only increased by 1 percent over 2006, but Washington County saw an increase of 12 percent over 2006. Both Floyd and Harrison Counties saw decreases in the number of foreclosures filed in 2007.

Since MHC first published the *State of Metropolitan Housing Report* in 2003, there has been a 183 percent increase in the number of foreclosures ordered in Kentucky counties within the Louisville MSA and a 60 percent

► *Continued on page 17*

First Time Homebuyers Affordability Index



*The terms *filed* and *ordered* represent different stages of the foreclosure process. *Filed* refers to the filing of a property with the local County Recorder's office to say that a loan is delinquent, while *ordered* refers to the order to sell a property that is delinquent on a loan

Measures 5-7

HOMEOWNERSHIP RATE, AFFORDABILITY, AND FORECLOSURES

► *Continued from page 16*

increase in the number of filings in the Southern Indiana counties. In Kentucky, Bullitt County has seen the largest increase at 333 percent, followed by Spencer County at 153 percent and Jefferson County at 145 percent. In Southern Indiana, Washington County saw the largest increase in filings at 82 percent, followed by Clark County at 78 percent.

Conclusion

When considered together, these measures indicate a housing market where prices and interest rates on mortgages have dropped, which makes homes more affordable and has resulted in a slight increase in the homeownership rate. However, foreclosure rates continue to dramatically increase. Thus, although it is easier for more families to purchase a home, it is becoming increasingly

difficult for those families to afford to keep their homes. Imprudent mortgage lending practices, combined with rising energy, fuel, and food costs (see Utilities Cost and Housing Affordability) have made it difficult for families to maintain homeownership, even when it may be somewhat easier to obtain homeownership.

MHC advocates the expansion of Individual Development Account (IDA) programs, a matched savings plan to help lower-income families make down payments, build equity, and engage in financial literacy. MHC also advocates for foreclosure intervention in the form of financial assistance to help families keep their homes and refinance into prudent mortgage products. MHC also advocates for fair lending practices that improve the inequity of mortgage products between racial groups.

Numbers of Foreclosures Ordered in Kentucky Counties in the Louisville MSA

County	2002	2003	2004	2005	2006	2007	% Change from 2006 to 2007	% Change from 2002 to 2007
Bullitt	104	171	N/A	250*	300	450	50%	333%
Jefferson	1,262	2,161	2,610	2,508	2,710	3,089	14%	145%
Oldham	71	89	105	112	127	140	10%	97%
Henry/Trimble	N/A	N/A	116	81	108	120	11%	3%
Nelson	N/A	N/A	125	125	156	178	14%	42%
Shelby	N/A	80	83	86	101	134	33%	68%
Spencer	N/A	N/A	N/A	30**	46	76	65%	153%
Meade	90	72	92	102	89	134	51%	49%
Total	1,527	2,573	3,131	3,014	3,337	4,321	29%	183%

N/A – data not available

*estimate

**reflects 2nd half of year only

Numbers of Foreclosures Filed in Indiana Counties in the Louisville MSA

County	2002	2003	2004	2005	2006	2007	% Change from 2006 to 2007	% Change from 2002 to 2007
Clark	369	385	429	455	621	655	5%	78%
Floyd	253	212	323	304	379	341	-10%	35%
Harrison	112	141	117	152	159	155	-3%	38%
Washington	102	123	119	90	166	186	12%	82%
Total	836	861	988	1001	1,325	1,337	1%	60%

In 2007, a total of 12,550 persons were served by homeless service providers in the greater Louisville area, which includes Southern Indiana (Coalition for the Homeless, 2007). This total number includes persons served by homeless shelters, transitional housing, and permanent supportive housing. The total number of persons served has dropped about 9 percent since 2006, with a decrease in both Louisville Metro and Southern Indiana. This is in contrast to last year, which also saw a decrease in persons served in Louisville Metro but saw an increase in the number served in Southern Indiana. It is important to note that these figures only take into account the number of homeless persons and families who either chose to seek shelter from local agencies or had access to a shelter. Thus, these figures should be considered a conservative estimate of the number of homeless individuals in need of services in the Louisville MSA.

During the 2007–2008 school year, approximately 7,600 homeless students were enrolled in the Jefferson County Public School system, 300 more students than the year before. The numbers are projected to be considerably higher for the 2008–2009 school year (Dillon, 2008).

Homeless shelters in the Louisville Metro area, both transitional and emergency, conduct an annual survey to determine who receives their services and why. In January of 2008, a total of 2,401 people were surveyed. Of these respondents, 22 percent are chronically homeless and 11 percent are military

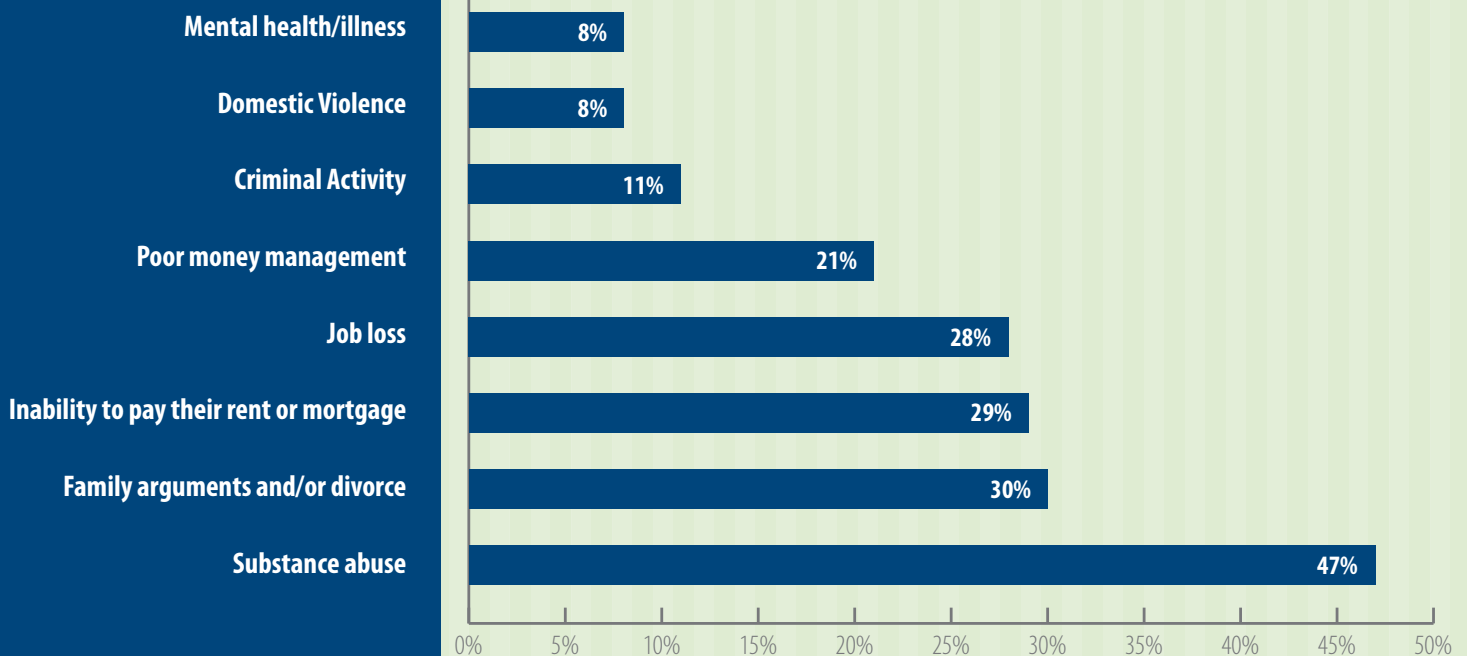
veterans. In addition, 51 percent were in emergency shelters, 43 percent were in transitional housing, and 6 percent had no shelter.

Haven House Services reported that foreclosures have had a “huge impact” on homelessness and agencies across Indiana are reporting increased homeless populations. Furthermore the agency said that although the capacity of their shelter is 65 persons, since November of 2007 Haven House has served an average of at least 90 people per night and at times has had to use an adjacent church for additional shelter.

As the price of gas and electricity rises, homeless service providers are spending an increasing percentage of their operating budgets on utilities. Based on information gathered from five Louisville-based homeless shelters, 2 to 9 percent (with an average of 4.8 percent) of their total operating budgets were spent on utilities in 2007. As utility costs continue to rise so will the amount of resources dedicated to paying those utility bills, which leaves less funding for other programs and initiatives targeting the homeless.

MHC advocates for an increase in the number of available homeless prevention programs (such as bill payment assistance) to prevent families from losing their homes, whether from foreclosures, utility costs, loss of family member, or loss of employment.

Top Reasons for Becoming Homeless (Multiple Answers) Louisville Coalition for the Homeless, January 2008



Source: Coalition for the Homeless, 2008 Louisville Point-in-time Survey

The Community Development Block Grants (CDBG) program has been administered by the U.S. Department of Housing and Urban Development (HUD) since 1974. It has provided over \$120 billion to state and local governments to target community development initiatives, including rehabilitation of affordable housing, improvement of public facilities, job growth and economic development. Funds are distributed based on a community's population, poverty, age of its housing stock, and the extent of overcrowded housing. Louisville's funding is targeted to improve local communities by helping to rebuild neighborhoods and their affordable housing stock.

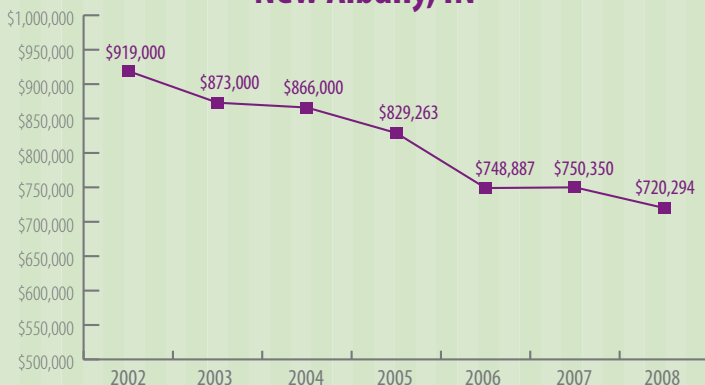
In 2007 Louisville Metro received \$12,172,624 in CDBG funds, a slight decrease not only from the previous year, but for every year since 2002. The city's 2008 allocation of CDBG funds further decreased to \$11,728,024, a 4 percent drop from 2007. Federal allocations from HUD have decreased 24 percent since 2002, yet from 2000 to 2007 there was a 4.4 percent increase in the number of families in Jefferson County with incomes below poverty level. In 2007 most of the local CDBG funds were spent on housing rehabilitation and construction (23.6 percent), followed by administrative and planning services (22.3 percent) and public

improvements (19 percent). The only other community within the Louisville MSA that receives CDBG funds is New Albany, IN. The city received \$750,350 in CDBG funding for 2007, a slight increase over 2006. However, New Albany's 2008 allocations decreased to \$720,294, marking a 22 percent decrease since 2002.

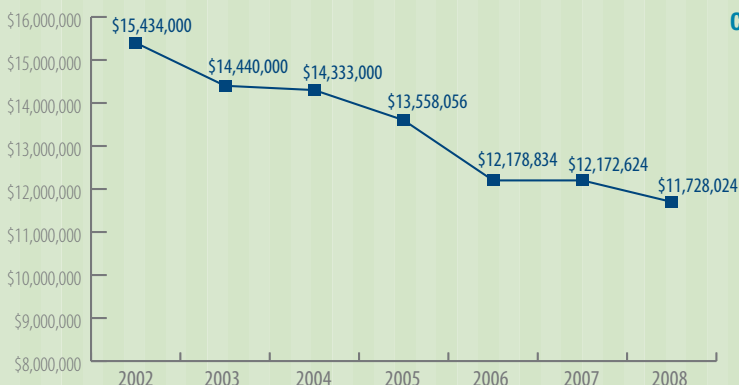
Louisville Metro also receives funding from HUD's HOME Investment Partnerships Program. In 2007 Louisville Metro received \$3,748,775 in HOME funds exclusively for the production of affordable housing for low-income families. This is slightly less than the allocation for 2006, and Louisville's funding decreased again to \$3,630,385 in 2008. From 2002 to 2008 Louisville's HOME funding has decreased 20 percent.

With CDBG and other federal funding continuing to decrease, MHC advocates for the dedication of more local resources to neighborhood and community development, affordable housing construction and rehabilitation, a dedicated funding source for a local Affordable Housing Trust Fund, and the provision of safe and energy efficient housing for low-income families in our community.

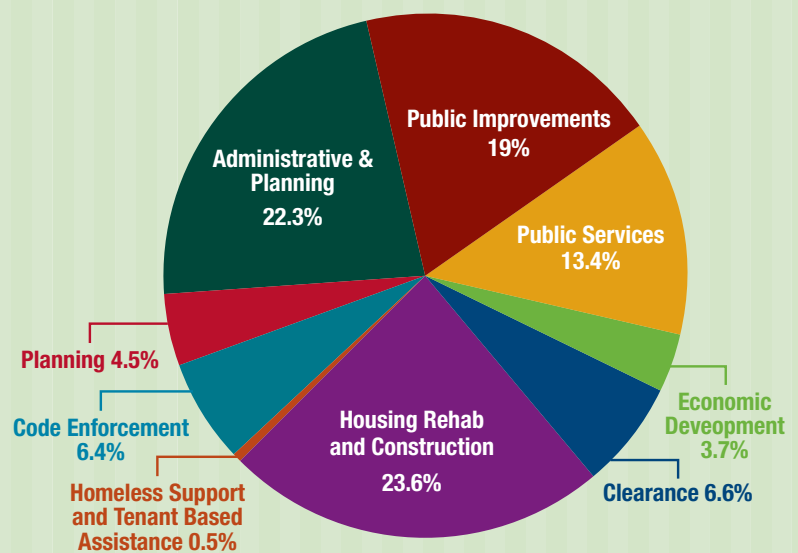
**Federal CDBG Allocations, 2002–2008
New Albany, IN**



**Federal CDBG Allocations, 2002–2008
Louisville Metro**



**CDBG Expenditures, 2007
Louisville Metro**



Source: U.S. Department of Housing and Urban Development (HUD)

Measure 1: Concentration of Subsidized Housing *pg. 10*

Statistics on subsidized housing by council district were obtained by geocoding administrative data by street address and then capturing the data for the districts. Subsidized housing data were provided by the Louisville Metro Housing Authority, the U.S. Department of Housing and Urban Development, the Kentucky Housing Corporation, and the Indiana Housing Finance Authority.

The population data (used as the basis for assessing the geographic distribution of subsidized units) are drawn from the 2000 census Summary File 1. Within Jefferson County, census block group data were aggregated to obtain statistics for the districts. Where a district boundary split a block group, the data were partitioned by overlaying a land use map on a map of the LOJIC master address file. Residential addresses were then captured for each “split” and census data were allocated to the “splits” based on their share of residential addresses in the entire block group.

Measure 2: Housing Segregation by Gender, Race/Ethnicity, and Income *pg. 11*

The poverty, race, and age of housing data are drawn from the 2000 Census Summary File 3. The household income data is from the 2006 and 2007 American Community Survey. Census block group data were aggregated to obtain statistics for the districts. Where a district boundary split a block group, a land use map was overlaid on a map of the LOJIC master address file. Residential addresses were then captured for each “split” and census data that were allocated to the “splits” based on their share of residential addresses in the entire block group. A comparison was made for the number of persons in poverty with the number of persons for whom poverty level was determined (rather than the total population) in each geographic area.

Measure 3: Renters with Excessive Cost Burdens *pg. 13*

Annual income data were obtained from the Bureau of Labor Statistics Occupational Employment Survey and dollars were adjusted for inflation using the Bureau’s inflation calculator. Median gross rent data was gathered from the U.S. Census and American Community Surveys.

Measure 4: Production and Rehabilitation of Affordable Housing *pg. 14*

Subsidy data were obtained from the Indiana Housing Finance Authority, Kentucky Housing Corporation, Louisville Metro Housing Authority, New Albany Housing Authority, Jeffersonville Housing Authority, Charlestown Housing Authority, Sellersburg Housing Authority, and the Indiana and Kentucky offices of the U.S. Department of Housing and Urban Development (HUD). Section 8 and public housing numbers refer to units allocated by HUD; LIHTC numbers refer to units in service.

Measure 5: Homeownership Rate *pg. 15*

Owner and renter occupant status data are obtained from the 2000 Census Summary File 3 and the U.S. Census Bureau’s Annual Statistics on Housing Vacancies and Homeownership. The definition of the Louisville Metropolitan Statistical Area (MSA) changed between 2000 and 2007; however, we report 2000 data for the same counties as those included in the 2003 definition of the Louisville MSA.

Measure 6: Affordability of Homeownership *pg. 15*

House price data for the Louisville region are obtained from the National Association of Realtors and median family income data are from the 2007 American Community Survey. For 2001–2007, the first-time home buyers affordability index for the Louisville MSA was calculated based on the following assumptions: median purchase prices for first-time home buyers are about 15% lower than the median for all houses sold; first-time home buyers make a 10% down payment; consequently they must pay for mortgage insurance, which increases the cost of financing; and first-time home-buyer incomes are about 30% lower than median household incomes.

Measure 7: Foreclosures *pg. 15*

Court records regarding foreclosure data are maintained differently in the two jurisdictions of the Louisville MSA. Therefore, for all Kentucky counties in the Louisville MSA, we have defined the rate to be the number of actual foreclosures (or orders of sale) as a percentage of the number of owner-occupied homes with mortgages. The foreclosure rates for Indiana counties in the MSA reflect the number of foreclosures filed as a percentage of the number of owner-occupied homes with mortgages for all Indiana counties in the MSA. The number of foreclosures was obtained from the relevant court clerks in each county.

Measure 8: Homelessness *pg. 18*

Shelter usage data were provided by the Coalition for the Homeless for the Kentucky counties and Haven House for the Indiana Counties. The data may include some duplication of individuals. The demographic data for individuals using homeless shelters were provided by the Coalition for the Homeless, based on a survey (*The 2008 Louisville Point-in-time Survey*) conducted by the Coalition for the Homeless of persons living in Louisville area shelters.

Measure 9: CDBG Funds *pg. 19*

Data were obtained from Louisville Metro Housing and Community Development and the New Albany Economic and Redevelopment Department.

Affordable Housing – As defined by HUD, housing is affordable when a low-income family pays no more than 30 percent of its income for housing and utilities combined.

CDBG – The Community Development Block Grant program (CDBG) is a federal program aimed at creating prosperous communities by providing funds to improve housing, the living environment, and economic opportunities, principally for persons with low and moderate incomes. The CDBG program was established in 1974. At least 70 percent of the CDBG funds received by a jurisdiction must be spent to benefit people with low and moderate incomes. The remaining 30 percent can be used to aid in the prevention or elimination of slums and blight—often used by local government officials to justify downtown beautification—or to meet an urgent need such as earthquake, flood, or hurricane relief. Both Louisville Metro and the City of New Albany are entitlement cities eligible for CDBG funds.

Emergency Shelter – Emergency shelter is basic, overnight accommodation provided for persons and families. The shelter is generally for one night only, and provides a cot for sleeping and perhaps a meal. Shelters typically provide service referrals to clients.

Family Household (Family) – For statistical purposes, a family consists of a householder and one or more people living in the same household who is related by birth, marriage, or adoption. Each person living in the same house that is related is considered to be part of the same family. If there is a person (or persons) living in a family household that is not related to the householder, that person (or persons) is not included in the family household census tabulations.

Gross Rent – Gross rent, as defined by the U.S. Census Bureau, is “... *the sum of contract rent, utilities (electricity, gas, and water), and fuels, (oil, coal, kerosene, wood, etc.) [and] as a percentage of household income, is a computed ratio of monthly gross rent to monthly household income.*” Excluded in these totals are units for which no cash rent is paid and units occupied by households that report no income or net loss.

HOME Program – The largest federal block grant to state and local governments, the HOME Program is designed exclusively to create affordable housing for low-income households. Fifteen percent of HOME funds must be used for projects sponsored, owned, or developed by Community Housing Development Organizations (CHDOs). Participating jurisdictions may allocate more funds for CHDOs, but 15 percent is the minimum amount.

Participating jurisdictions may use HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; acquire or

improve housing sites; demolish dilapidated housing to make way for HOME-assisted development; and pay relocation expenses. HOME funds can also support tenant-based rental assistance for up to two years.

Householder – As defined by the U.S. Census Bureau, a householder is “*the person, or one of the people, in whose name the home is owned, being bought, or rented.*” If that person is not present, than any household member, age 15 and over, is considered the householder for census purposes.

HUD – The United States Department of Housing and Urban Development is the cabinet-level department of federal government whose mission is to ensure “a decent, safe, and sanitary home and suitable living environment for every American.” HUD allocates federal funds for housing to states and local governments and public housing authorities.

Low Income – HUD defines low income as those families whose annual incomes do not exceed 80 percent of metropolitan area median family income. This figure is adjusted for the size of the family. In 2006, 80 percent of median income for a family with children in Louisville Metro was \$44,263.

Low Income Housing Tax Credit – Created by the Tax Reform Act of 1986, the Low Income Housing Tax Credit (LIHTC) has assisted in the production of more than one million affordable homes for low-income renters, by providing investors in eligible affordable housing developments with a dollar-for-dollar reduction in their federal tax liability. Developers, including nonprofit community-based organizations, typically do not have sufficient tax liability to use the tax credits, so they sell the credits to corporations. Corporations purchase 98 percent of all housing credits, as tax code rules effectively prevent individuals from investing. Developers then use the cash they receive from the corporations to finance the affordable housing. The Credit accounts for most new affordable apartment production and drives up to 40 percent of all multifamily apartment development. There is some overlap between LIHTC and Section 8. For this reason, LIHTC units are presented separately from units subsidized by the other programs.

Median Income – Median income is the midpoint of the income distribution; 50 percent of families are above the median and 50 percent are below the median.

Moderate Income – HUD defines those of moderate income as having income greater than 80 percent up to 120 percent of area median income.

Poverty Threshold – The U.S. Department of Health and Human Services defines the poverty threshold and, except for adjustments for household composition, it is the same across the 48 contiguous states. The original poverty

thresholds were developed in the early 1960s and they have been revised annually by the Consumer Price Index since then. Poverty thresholds are significantly lower than the low-income thresholds defined by HUD.

Public Housing - The public housing program is the nation's oldest effort to provide decent and affordable housing for families, elderly persons, and people with disabilities who have very low incomes. Public housing was created in the 1937 Housing Act, and is owned and operated by public housing agencies (PHAs) that are chartered by the states in which they operate and governed by locally appointed or elected Boards of Commissioners.

Section 8 - Also called Housing Choice Vouchers, Section 8 is federal tenant-based rental assistance. It works two ways. One is by providing certificates and

vouchers, each with different rental payment formulas. Housing vouchers are one of the major federal programs intended to bridge the gap between the cost of housing and the incomes of low wage earners and people on limited fixed incomes. The Housing Choice Voucher program provides flexibility and options by issuing vouchers to eligible households to help them pay the rent on privately owned units. Project-based Section 8 provides a housing subsidy directly to the leasing agent of buildings that are designated as Section 8 properties.

Subsidized Housing - The term subsidized housing refers to houses and multi-family dwellings (generally apartments) that receive some federal funding either in their construction, or in the form of assistance to families renting the units.



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The Metropolitan Housing Coalition exists to bring together this community's private and public resources to provide equitable, accessible housing opportunities for all people through advocacy, public education and support for affordable housing providers.

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