A Private Sector Solution
to Build Affordable Housing in Kentucky

Kentucky’s affordable housing crisis is hurting our economy.
Kentucky has a huge lack of affordable housing. Already, 21% of Kentuckians spend more than half their income on rental costs. Absent General Assembly action, however, the problem is going to only get worse.

As a result, many Kentuckians, and their families, move frequently, stay with friends and relatives or take other drastic measures simply to make ends meet. Their children are often forced to regularly switch schools with these moves, causing them to fall behind with their education. Because it’s hard to keep a steady job without steady housing, many Kentuckians work part-time or simply exit the workforce, with the resulting poverty further taxing our social service budgets. We need to maximize the number of Kentuckians in the workforce if Kentucky is to become the manufacturing and engineering hub of excellence in America. Increasing affordable housing is a key to achieving that goal.

A state affordable housing tax credit unlocking private investment is the solution.
There are federal programs in place to build affordable housing, but they are not enough. That’s why Kentucky should join more than a dozen other states in enacting a state affordable housing tax credit, modeled after the successful federal program developed by Jack Kemp and signed into law by President Reagan. Enacting a state credit is the best way for Kentucky to access hundreds of millions of untapped federal dollars, which in turn will spur the private sector to build additional affordable housing projects across the state.

A state tax credit can be used in both rural and urban areas to build new construction or to preserve and rehabilitate existing affordable housing. It can be used to build affordable housing for special populations such as seniors or special needs tenants, such as substance abuse recovery renters, veterans, minors aging out of foster care and the homeless.

State affordable housing tax credits work in other states.
Fifteen states currently have state tax credits. In Georgia and Colorado, the use of a state tax credit has yielded incredible results. In 2016 using the state credit alone, Georgia built 1,219 units, which generated $150 million in local income, $40 million in tax and local government revenue and 2,073 jobs. Colorado’s use of the state credit in 2016 generated 1,299 units, 3,289 jobs and over $525 million in economic impact. Governor Scott Walker recently signed a state tax credit for Wisconsin, and many other states are considering adopting one.

The tax credit pays for itself through increased economic activity.
Projections for Kentucky indicate that over 10 years, the program’s use of private capital will produce at least 11,250 units and generate over $435 million in economic activity in the form of construction, ongoing property operation, increased incomes and property value increases, which should offset the Commonwealth’s $40 million in foregone general fund revenues in the same timeframe. Because development cycles prevent credit redemption for a period of up to four years after the passage of this legislation, there is no fiscal impact in the current biennium.