Building a Foundation for GROWTH

Meeting Kentucky's Current & Future Housing Needs

Kentucky Chamber
Center for Policy & Research



JUNE 2024

Executive Summary

As Kentucky's leaders seek to grow the state's economy and workforce, meeting the Commonwealth's current and future housing needs must be a priority. Communities across Kentucky already face significant housing challenges. One third of the state's housing units were built more than half-a-century ago or longer. In some of Kentucky's metropolitan areas, median home sale prices have risen from 2.4 times median household incomes in 1992 to as much as five times median household incomes 30 years later. Estimates of Kentucky's housing shortage run as high as 206,000 units. In all corners of the Commonwealth, local leaders are raising concerns about how housing challenges are affecting quality of life, economic development, and access to opportunity in their communities.

Kentucky's housing challenges did not emerge overnight. In the aftermath of the 2007-2008 financial crisis, home building activity in Kentucky followed a national downward trend, plummeting 45 percent. As the availability of homes for sale or rent has steadily declined and our population has continued to increase, a market imbalance of limited supply and rising demand has driven housing prices beyond the reach of many Kentucky families and strained household budgets. Meanwhile, more barriers to home building have emerged in the form of opposition from small - yet vocal - groups of local homeowners, overly restrictive land-use and zoning rules, expensive government regulations, limited incentives for low- and middle-income housing, and a growing shortage of skilled construction workers.

As the state continues to attract new business investments and orients public policy to grow our economy and workforce, these housing challenges will intensify, resulting in unsustainable growth and holding back Kentucky's potential. Kentucky's leaders need to act now. Key steps should include collaboration between state government and local governments to reform land-use and zoning rules, a re-examination of government regulations impacting housing and home building, strategically increasing public sector support for low- and middle-income housing through tax policy and targeted funding, helping local communities understand their housing needs, investing in critical housing infrastructure like roads, water, and wastewater, and leveraging our high-schools, post-secondary institutions, and financial aid programs to grow and develop the construction workforce.

It's time to build a literal foundation for growth – and that means more housing and more home building.

Building a Foundation for Growth seeks to elevate housing as a critical economic issue in the Commonwealth and urges state and local leaders to take bold steps to support more home building and ensure healthier housing markets across Kentucky. The report examines a wide range of data and academic research and merges these resources with direct feedback from local Kentucky leaders gathered through live polling at a series of community listening sessions held in six distinct areas of the state.



Key Takeaways Include:

• **Academic research and feedback from community leaders underscore the importance of housing to economic development.** 66.2 percent of local community leaders reported that housing is holding back economic growth and opportunity in their communities, and 89.8 percent said their areas could not meet the housing demands of a major economic development announcement.

• **Kentucky already faces significant housing challenges,** including an aging housing stock, a growing gap between home prices and household incomes, and statewide housing shortages estimated to be as high as 206,000 housing units. 96.6 percent of surveyed local Kentucky leaders reported there is not enough housing in their communities.

• **Housing challenges will intensify in the state as Kentucky leaders seek to accelerate economic development and workforce growth.** The report conservatively estimates that the state may need to build as many as 529,000 new housing units by 2050 to keep pace with population growth and maintain a reasonably healthy housing market.

• **Kentuckians want to see more housing and are looking to state and local leaders for action.** 75.4 percent of surveyed local Kentucky leaders said they would support new housing developments even if it was near where they lived, and 86.4 percent said state and local policymakers should do more to support home building and address housing challenges.

• **Key priorities in building a stronger foundation for growth in Kentucky** should include encouraging local land-use and zoning reforms, being smarter about government regulations, incentivizing more affordable housing, and supporting and growing the home building workforce. State and local leaders can pull policy examples from other states such as Indiana, Montana, Utah, and Nebraska and more effectively leverage existing tools and assets to support home building and housing production.

Building a Foundation for Growth is not an exhaustive review of all the housing challenges facing Kentucky. Nor does it have all the answers. Instead, it offers a framework for state and local leaders to understand housing issues and provides an opportunity for them to consider their role in supporting home building and healthier housing markets. As the report demonstrates, Kentucky families and communities across the Commonwealth need housing solutions now. Without bold action, this need will intensify as efforts by Kentucky leaders to grow the state's economy and workforce continue to deliver results. Ensuring that growth in Kentucky is sustainable must be a top priority, and home building and housing are the keys to making sure that happens.

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