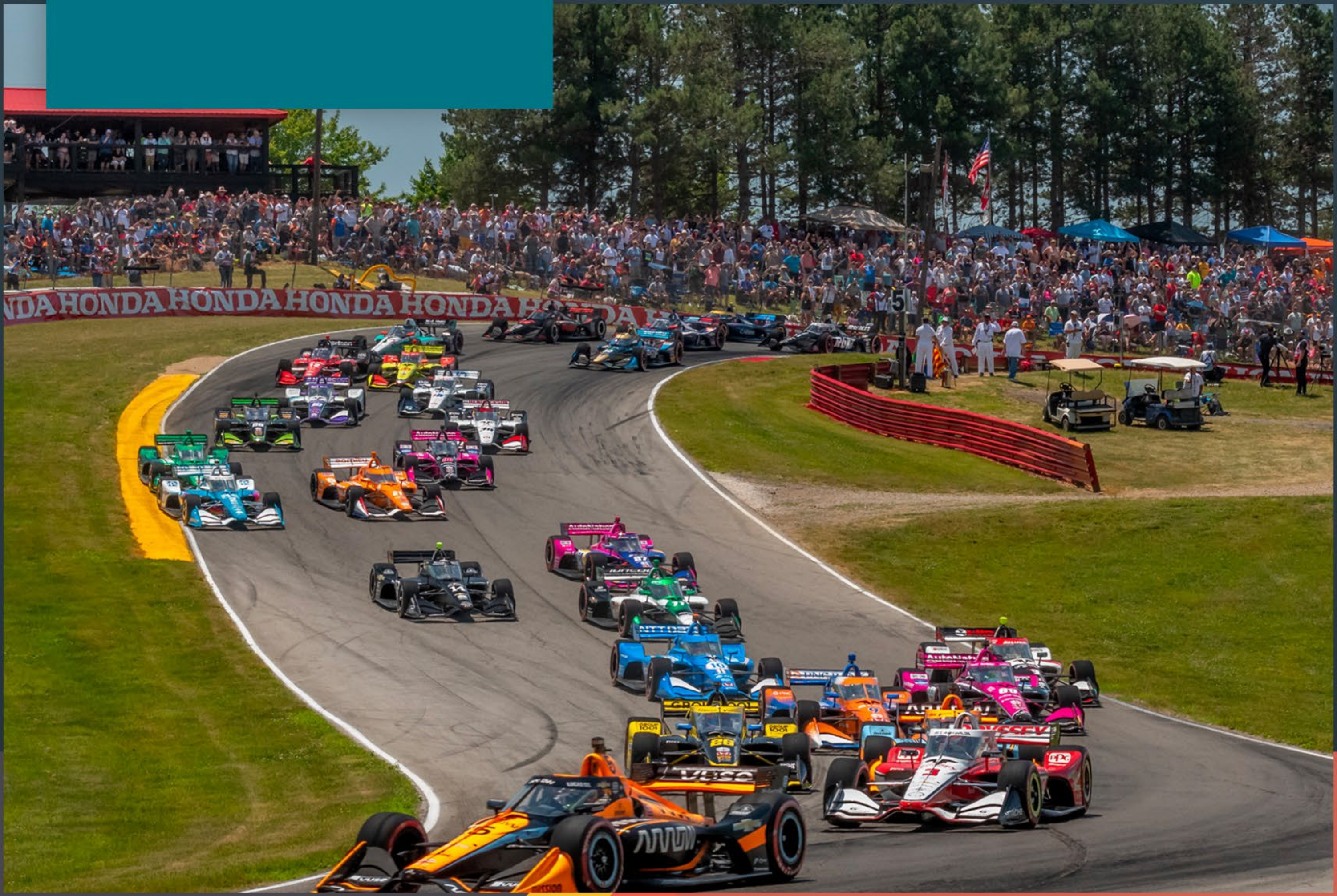
Lexington Housing Needs Assessment



Mid-Ohio Sports Car Course
Lexington, OH

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Lexington Housing Needs Assessment

Introduction

This document provides a Housing Needs Assessment for the Village of Lexington. The Housing Needs Assessment reviews information presented in other portions of the *Richland County Housing Needs Assessment and Action Plan*, as well as presenting analysis unique to Lexington regarding its housing market, land uses, zoning, and site suitability. The report concludes by identifying recommendations to strengthen Lexington's housing market and encourage development of affordable, attainable, and market-rate housing.

Throughout the broader *Richland County Housing Needs Assessment and Action Plan*, we have divided the housing market into three tiers: affordable, attainable, and market-rate.

- **Market-rate housing** comprises housing for households earning above 120 percent of area median income, or over $62,280 for a single-person household or $88,920 for a family of four. Households in this income category are seeking a higher-end housing product with amenities like more square footage, a larger yard, pool, finished basement, or other comforts. For Richland County, we define market-rate homeownership as homes selling for over $200,000. For market-rate rental housing, we define it as rental properties with rents that exceed $1.00 per square foot.
- **Attainable housing** comprises housing for households earning between 80–120 percent of Area Median Income. Per HUD's 2022 income limits, this comprises single person households earning between $41,550–$62,280 a year and four-person households earning between $59,300–$88,920 a year. Households in this income category earn too much to qualify for federal rental assistance, and they are often in the market for 'starter' or entry-level homes. For Richland County, we define 'attainable' homeownership as houses in good condition that are available for $100,000-$200,000, and attainable rental housing as unsubsidized units that rent for between $0.70 and $0.99 per square foot.
- **Affordable housing** comprises housing for households earning below 80 percent of the Area Media Income (AMI). For 2022, this amount is $41,550 for a single-person household and $59,300 for a family of four in Richland County. While not all households earning below those amounts reside in subsidized housing—in fact, the vast majority do not—80% AMI is typically

the limit for most subsidized housing programs. For this study, we define affordable homeownership as houses in good condition that are available for under $100,000, and affordable rental housing as either subsidized rentals or any unit that rents for under $450 per month.

We have created a Richland County Housing Needs Assessment map at this link (this link is customized to Lexington and the map automatically opens to Lexington, but the user can pan and zoom to other portions of the county). All of the mapped data collected through this project will be mapped at that link. We have created a short 'how to' video of how to use the map here.

Housing Data Review

This first section reviews key data points related to Lexington's housing market. It first summarizes the node's demographic data before discussing housing tenure, cost burdens, and the node's affordable housing inventory. Note that the data presented here are sourced from the American Community Survey 2016–2020 estimates, and that we have interpolated Census tract data to Lexington. We discuss this method in more detail in the Housing Inventory Report.

Demographics. Compared to Richland County as a whole, Lexington's population is much more likely to identify as non-Hispanic White (93% vs. 85% of the county's population) and is much more likely to have attended college (65% of the population vs. 51% for all of Richland County). Among all the nodes, Lexington has the highest proportion of residents with a bachelor's (21%) or graduate (10%) degree.

In terms of age distribution, Lexington's population is somewhat less likely to be older—17 percent of its population is over the age of 65, compared to 20 percent of Richland County's population. In comparison, Lexington has more young and middle-aged adults—those between the ages of 35–64—than the county as a whole (44% of the population vs. 38% for Richland County).

For special housing populations, Lexington's poverty rate of 5 percent is well below the county's poverty rate of 14 percent, and as expected there are no tracts of concentrated poverty in Lexington. However, 12 percent of Lexington's population has at least one disability, and the most common disabilities among residents include ambulatory (5% of the population), cognitive (5%), hearing (4%), and independent living (3% of the population).

Housing tenure and demographics. Per the most recent U.S. Census, about 76 percent of housing units in Lexington are owned while another 24 percent are rented. This means that Lexington's homeownership rate is higher than the county's overall homeownership rate (which is 67%), and that Lexington has the fourth-highest homeownership rate of any node in the county (after Ontario, the rural townships, and Bellville). Postal service vacancy data indicates that less than one percent of residential units in Lexington are vacant and that the Lexington's vacancy rate declined from 2.3 percent in 2012.

As one would expect given the node's age breakdown, Lexington has the highest proportion of middle-aged homeowners (those aged 35–64) in the county has the highest proportion of older homeowners in Richland County—63 percent of homeowners are within this age band. Lexington also has the lowest proportion of older homeowners (those over age 65) in the county, with only a quarter of homeowners falling within this category. As middle-aged homeowners age, they may be looking for units that will allow them to downsize yet remain in Lexington, suggesting the need for smaller housing units to accommodate this population.

Housing cost burden. Thirty-nine percent of renters in Lexington are cost-burdened, meaning they pay over 30 percent of their income toward housing costs (including rent and utilities). However, a worrying 24 percent of all renters are severely cost-burdened, meaning they pay over 50 percent of their income toward housing costs. Thus, while in absolute terms there are very few severely cost-burdened renters in Lexington (only 38 households), this comprises nearly a quarter of all renters in the node, suggesting the need for additional affordable housing investments. In addition, 12 percent of Lexington's homeowners are cost-burdened, meaning they pay over 30 percent of their income toward mortgages and other housing costs.

Housing inventory. The majority of housing units in Lexington are single-family detached (78%), which exceeds the county-wide figure of 73 percent. As expected, there are relatively few multifamily units in Lexington, as these comprise less than a quarter of the total housing inventory. There are also no mobile homes in Lexington either. Very few housing units in Lexington suffer from any serious housing problems (such as lacking plumbing or kitchen facilities or being overcrowded).

Affordable housing inventory. We have mapped affordable housing developments across Richland County at this link. As of Summer 2022, there are 138 subsidized housing units in Lexington. Of those, 85 are subsidized through the Low-Income Housing Tax Credit program, 44 are subsidized through the USDA's Rural Housing (Section 515) program, and nine are subsidized through the HOME program.

Metro Housing has issued approximately 1,900 Housing Choice Vouchers (HCV) to tenants in Richland County, and we have mapped the location of those voucher holders at the Census tract level at this link. These data are at the Census tract level, so we are unable to directly identify how many HCV households reside in Lexington specifically. However, across the two Census tracts that Lexington intersects (Tracts 21.02 and 22), there are a total of 47 HCV families (41 in Tract 22 and six in Tract 21.02). Given that Tract 22 is home to some of the subsidized housing developments in Lexington, it is likely that those developments are where the majority of Lexington's HCV population resides.

Summing it up. Overall, Lexington's current housing and demographic conditions suggest a housing inventory heavily oriented toward single-family homes occupied by well-educated young and middle-aged adults. The node's poverty rate is very low, and while there are a number of Lexington residents with a disability, this figure is comparable to or lower than other nodes in the county. There are relatively few multifamily units in the node and very few mobile homes in the node. Nevertheless, given Lexington's relatively low population, there are a substantial number of subsidized housing units in the node, through many of Lexington's renters still pay a disproportionate amount of their income toward rent.

Housing Market Analysis

This next section provides an overview of Lexington's housing market. It first reviews residential permitting in the node over the past twenty years before reviewing home sales in the node over the last 10 years.

Permitting data

We have visualized single-family, 2- to 4-unit, and multifamily (4+ unit) permits here for all of the nodes in Richland County and have mapped them here. In general, Lexington has seen a steady stream of single-family residential permits filed in the node. In fact, since 2011, at least one residential permit has been filed in Lexington in every year.

In the last 10 years (2013 and beyond), 28 residential permits have been filed in Lexington. Of those, 26 were for single-family dwelling units, while 2 were for an apartment building (both filed in 2021-for The Gables on Lipizzan Dr.). The year 2021 also saw the largest number of permits filed in Lexington since the Great Recession, with six permits filed this year (the previous year with more permits filed was 2007, when 16 permits were filed).

Sales data

We have created a data visualization of home sales by quarter in Lexington going back to January 2012 at this link. Among all the nodes, Lexington has seen some of the strongest price appreciation, especially since early 2020. We summarize this trend, as well as others, in the following points.

First, the number of affordable and lower-end attainable home sales—those selling for less than $150,000–declined over the time period shown here. Within this period, we see the number of sales below $100,000 declining to nearly zero by 2020. Then, beginning in mid-2021, the number of sales below $150,000 also declines to very few in any quarter.

Second, there has also been an increase in sales in higher price tiers (those exceeding $200,000) since early 2021, including some sales in very high price ranges (those above $250,000). While still a relatively small part of Lexington's housing sales, sales in these ranges have, in recent quarters, constituted up to a third of all home sales in Lexington.

Third, despite the increasing sales prices in the node, we do not see a strong trend of increasing number of sales. This trend—increasing sales prices without increasing number of sales—suggests that a lack of supply is causing Lexington's housing prices to increase. It also suggests that there is substantial unmet demand for housing in Lexington. However, as discussed later in this report, there is very little undeveloped land in Lexington, indicating that the village will need to annex additional land if it would like to grow its housing stock.

Summing it up. Overall, then, we find that the sales data in Lexington indicates:

- Increasing demand overall for housing in the node as evidence by increasing home sale prices.
- Appreciation of the lowest-priced housing (under $100,000 and increasingly under $150,000) into relatively higher sales bands.
- While most homes sold in Lexington are in the 'attainable' housing category, there are increasingly large numbers that are sold in the 'market-rate' category.

We have also visualized home sales in Lexington in 2021 at the Housing Needs Assessment map (link here).

Tax Delinquencies and Demolitions

Tax delinquencies and demolitions can signal either neighborhoods at risk of decline (tax delinquencies) or neighborhoods in significant decline but with land available for redevelopment (demolitions).

Tax delinquencies

As of Summer 2022, there are 25 tax delinquent properties in Lexington (see map here). Here, tax delinquent properties are at least two years delinquent on their taxes. While these properties are spread throughout the node, there does appear to be a small concentration immediately north of downtown Lexington, including two larger parcels. Nevertheless, the low number of delinquent properties (especially combined with the node's strong house price appreciation) in Lexington suggests that the node will not see a large number of tax foreclosures in the coming years.

Demolitions

According to the Richland County Land Bank, as of Summer 2022, they have not conducted any demolitions on properties in Lexington.

Zoning Analysis

This next section provides an overview of land use and zoning in Lexington. It first reviews the city's zoning map before moving to an analysis of the city's zoning codes.

Zoning Map

We have mapped Lexington's zoning code at this link. In general, the maximum density allowed by Lexington's zoning decreases as one moves past downtown Lexington. Residential zones closest to downtown Lexington are zoned for R3, those slightly beyond those areas are zoned for R2, and beyond that are R1 zones.

Zoning codes

We have summarized Lexington's zoning code at this link and have summarized all residential zoning codes in the county (except for those in the rural townships) at this link. Lexington 's R1 zoning only allows for one-family dwellings as a permitted (by-right) use and does not allow for any other uses as conditional uses. In terms of minimum floor area, Lexington requires some of the largest dwelling units (minimum floor area of 1,250 ft^2) compared to any of the nodes. However, in terms of minimum lot size, setbacks, and maximum density, Lexington's R1 zoning code is similar to most of the other nodes in the county.

Lexington's R2 zoning district allows for one- and two-family dwellings by right and for zero-lot line dwellings as a conditional use. In general, the R2 zoning district allows for greater density, smaller housing units, and smaller lot sizes than its R1 zoning, even for single-family homes (which are allowed in both zoning districts. For instance, the minimum floor area for a single-family house in the R2 zoning district is 1000 $ft^{2,}$ compared to 1,250 ft^2 in the R1 zoning district.

Lexington's R3 zoning district allows for zero-lot line units, two-family dwellings, multi-family dwellings, and elderly/retirement housing by-right, as well as group residential facilities as a conditional use. However, multifamily developments in this zone are subject to certain restrictions, including:

- They must provide a 15' greenbelt on any sides of the development that abut a one-family or two-family residential development
- They must provide screen plantings whenever a parking lot abuts a one- or two-family development
- Accessory buildings must be developed only for the use of residents and their guests

Beyond these restrictions, several other aspects of Lexington's R3 zoning code make the development of multifamily housing challenging. For one, the maximum building height by-right is 35', which would limit any apartment building to three stories. Second, and probably more concerning, the minimum lot size for any multifamily development is 3000 ft^2 multiplied by the number of units. This limits the density of any apartment complex to about 14.5 units per acre.

Finally, Lexington has several additional zoning districts that also allow for housing. These include:

- The R-S (Suburban Residential) zone. The parameters of this zone are functionally the same as the R1 zone, though it requires larger lot sizes and thus has a lower maximum density allowed.
- The CD (Conservation District) zone. This zone only allows one-family dwelling units as a permitted use and mandates a very large minimum lot size (5 acres).
- The T (Transitional) zone allows elderly/retirement housing as a permitted use and multifamily dwellings as a conditional use.

Summing it up. Overall, Lexington's zoning code is very similar to the other nodes in the county. It only allows for single-unit dwellings in its R1 zoning, and for one- and two-family dwelling units in its R2 zoning districts. Furthermore, multifamily dwelling units are only allowed in its R3 zoning code, and the requirements for siting multifamily housing would only make large, suburban-style developments feasible.

Housing Development and Site Suitability Analysis

This section presents a site suitability analysis for the Village of Lexington. It first details opportunities to encourage the development of market-rate housing before discussing the suitability of developing affordable housing either through the competitive tax credit program or through other programs. It also identifies a site immediately outside the village where a competitive tax credit could be developed. If developed in this location, it could be annexed into the village.

Market-rate housing

As noted elsewhere in this report, there is very little developable land remaining in Lexington. However, given the village's proximity to Interstate 71 and to commuters to Delaware County and Columbus, there is strong demand for additional housing development in Lexington. Furthermore, given the village's high housing prices, Lexington is one of the few markets in the county where single-family home construction could potentially be done profitably given today's cost environment.

With that, Lexington should consider the annexation of land surrounding the village in Troy Township. Much of this land is already zoned for residential use, and some of it is already zoned for medium-density residential. The primary challenge in any annexation would be the provision of utilities, especially sewer, into any annexed land.

Given the likelihood of additional development at the Interstate 71/OH-97 interchange, Lexington could also consider annexing land along OH-97 in Washington Township. This land could be zoned for relatively higher densities, as it is likely that the residential development along this corridor will learn toward multifamily uses, including apartments, townhouses, and condos. Closer to Lexington, there may also be additional demand for single-family housing.

Affordable housing

The largest affordable housing program in the U.S. is the Low-Income Housing Tax Credit program, or LIHTC. LIHTC programs are administered by the Ohio Housing Finance Agency (OHFA). There are two types of tax credits available through LIHTC—competitive (9%) tax credits and non-competitive (4%) tax credits. The allocation process for both types of tax credits is governed by a Qualified Action Plan (QAP), which OHFA produces once every two years.

As expected given their name, there is strong demand for receiving competitive tax credits, and the QAP sets out the criteria by which OHFA will award those tax credits to developments. To minimize the amount of discretionary review of tax credits, OHFA has adopted (in both its current QAP and in prior ones) strict geographic criteria that award 'points' to tax credit proposals under the title of 'New Affordability Pool Priorities." Given the incredibly competitive nature of these proposals, it's crucial that proposed developments be located in the highest-scoring areas. In fact, missing out on even a single point means that projects may not be funded.

One unique aspect of how OHFA awards tax credits is that it has classified every Census tract in the state as central city, metro/suburban, and rural. OHFA then awards tax credits to developments in each of these 'pools,' so that a disproportionate number of tax credit developments are not awarded to, say, central city tracts. Lexington is somewhat unique in that the Village, despite its small size, intersects two Census tracts (21.02 and 22). Of those tracts, 21.02 is classified by OHFA as 'metro/suburban' while 22 is classified by OHFA as 'rural.

OHFA has created an interactive map here for rural tracts and here for metro/suburban tracts with the various geographic criteria it considers when awarding competitive tax credits for new construction. In terms of the Census tract which comprise Lexington, developments would receive points for the following criteria:

- Transit access: For tract 22, no points *unless* the development provided transportation (3 points), or an on-demand service (coordinated by the property) was available (5 points). For tract 21,02, developments would receive 0 points.
- Number of bedrooms: developments can receive 5 points if 15 percent or more of units are three or more bedrooms
- Amenity proximity: developments in Lexington would receive points for proximity to the following amenities

- Supermarket: 3 points (anywhere in Lexington)
- Pharmacy: 2 points (anywhere in Lexington)
- Medical clinic: developments in tract 22 would receive 1 point (with the exception of the extreme southwestern part of Lexington). Developments in tract 21.02 would receive 0 points
- Public park: 1 point (anywhere in Lexington)
- Public library: 1 point (anywhere in Lexington)
- Public school: 1 point (anywhere in Lexington)

- Low poverty area: any development in Lexington would receive the maximum of 5 points
- Job access: any development in Lexington would receive the maximum of 5 points
- Neighborhood revitalization: These points are available to only family (i.e., non-senior) developments. There are three ways to earn points under this category.
  - Nearby real estate investment: developments can earn 5 points if they're located within "two miles of real estate and/or community development investments of at least $10,000,000" completed in 2019–2021 or planned for 2022–2024
  - Revitalization plan: developments can earn 5 points if they are is in the area of a revitalization plan dated within the past 10 years,
  - Neighborhood opportunity: any development in Tract 22 would earn the 5 out of a possible 5 points. Any development in Tract 21.02 would earn 3 out of a possible 5 points
- Senior center (senior developments only): any development tract 21.02 would earn 5 points (out of a maximum of 5 points) if it was located within 2 miles of the Lexington Senior Civic Center. Any development in Tract 22 would earn 5 out of a possible 5 points.

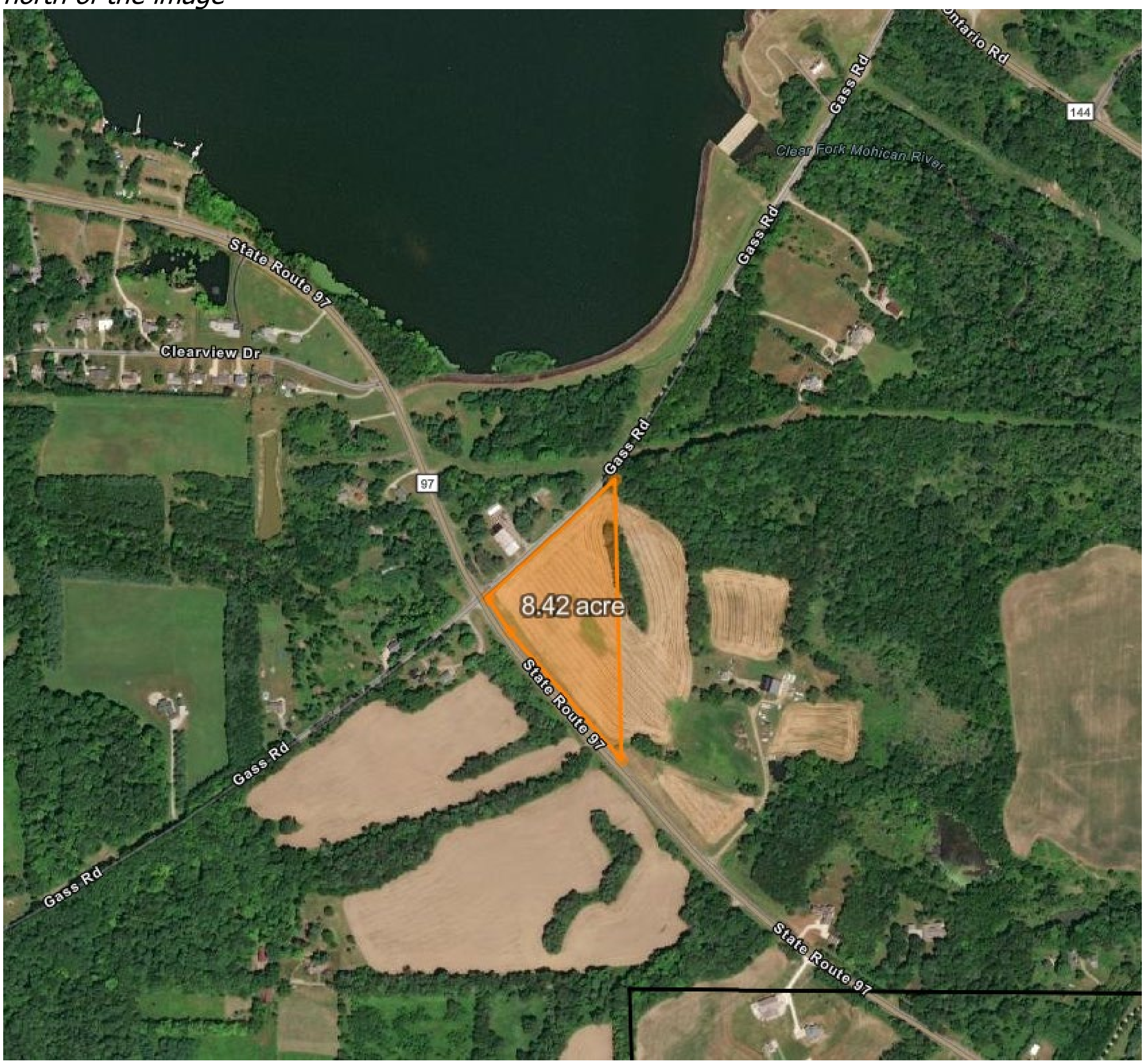
In conclusion, LIHTC developments in Tract 22 could earn the maximum number of points *if* the development coordinated an on-demand transit service. This is one of the few places in the county that could receive the maximum number of OHFA points, and stakeholders should seriously consider applying for LIHTC development in next year's round. However, given the more stringent location criteria for metro/suburban tracts, it is unlikely that any competitive tax credit proposal in Tract 21.02 would be funded.

We have identified a potential site for a competitive tax credit development in the image below (see Exhibit 1). This approximately 8.5-acre site is located at the corner of State Route 97 and Gass Road. It is located within Troy Township but is less than half a mile from the Lexington municipal boundary, so the site would need to be annexed into the village. The site is currently zoned R1, so it would require a rezoning (and likely a variance) to allow for more dense residential development.

At a density of 8 units per acre, the site could support approximately 60 duplex housing units. The site does not currently have sewer access, though this could be extended with an annexation. There are also many wells in the area, suggesting that the site could also operate a community sewer. Given the site's proximity to Lexington, Ontario, and the recreation opportunities of Clear Fork Reservoir, the site would likely lease up very quickly.

One should note, though, that to obtain the maximum number of points on its LIHTC application, the site would need to coordinate an on-demand travel service for tenants. This may be more appropriate for a senior development, as the property could operate a small van (similar to what you see at many senior homes). Given senior's likely smaller travel needs (i.e., not needing to commute to a job), the transportation service would also likely be less expensive for a senior development than for a non-senior targeted development.

Exhibit 1: Potential competitive tax credit site in Troy Township. Clear Fork Reservoir is to the north of the image



Beyond the tax credit program, there are opportunities for affordable developments in Lexington using non-competitive tax credits or through other means. In fact, given the many opportunities in Lexington (good schools, access to employment, relatively low crime), developing additional affordable housing in Lexington would greatly benefit the lives of those who would live there. Further, it would provide a nearby workforce for many of the service-sector businesses that are located in the node.

Identifying Housing Needs and Recommendations

This document has provided a Housing Needs Assessment for the Village of Lexington. Based on the findings presented in this document, we make the following recommendations to address Lexington's housing needs and to strengthen its housing market.

There is very little developable land within Lexington's current municipal boundaries. As noted earlier, within Lexington's current municipal boundaries, only a handful of parcels remain for future residential development. This suggests that, should Lexington desire to expand the number of housing units within its municipal boundaries, it should consider annexing land in nearby townships.

Given the lack of developable land in Lexington, many of the recommendation below are premised on the idea that Lexington would annex land to bring them to fruition.

Consider encouraging the development of an application for competitive tax credits in Tract 22. As noted earlier, Ohio's QAP changes every two years, and the criteria against which proposals are judged change with that QAP. Under the rules of the current QAP, any tax credit development in Tract 22 (where the majority of Lexington is located) would be very competitive, especially regarding the QAP's 'New Affordability Pool Priorities.' To promote tax credit development, the Village could identify a suitable parcel and then put together an RFP requesting that an experienced tax credit developer partner with the Village and a local non-profit to develop the parcel. The development could either target families or seniors, though it would need to provide on-demand transportation services to earn the most possible points.

Consider expanding the amount of land zoned R2. As noted earlier, Lexington's R1 zoning requires quite large single-unit dwellings, and when combined with the relatively high price of land in the node, makes developing attainable housing quite difficult. However, Lexington's R2 zoning allows single-unit dwellings by-right and provides for smaller homes on smaller lots, in addition to permitting two-unit dwellings by-right. Thus, to increase the amount of attainable housing in the node, Lexington may consider expanding the amount of land zoned R2, or by allowing two-unit dwellings to be allowed by-right in R1 zones.

Simplify zoning rules for multifamily residential housing, especially smaller developments. Like many of the nodes, Lexington's R3 zoning places substantial barriers on the development of multifamily housing, such as requiring a greenbelt surrounding the property, screening of any parking lots, and a density cap of approximately 14 units per acre. Such zoning rules strongly limit the amount of attainable multifamily housing that can be developed (such as townhouses) and orients any multifamily development toward larger, suburban-style complexes that might not fit within Lexington's small-town character. The village could consider modifying these requirements for smaller multifamily developments to promote their construction while maintaining the village's unique feel.