



Thank you for a Successful 2025 Session!



- **2026 Session Priorities**

- **KBA's Proposal to Address Housing Crisis**
- **Renewal of New Market Tax Credits**
- **Extension of Historical Tax Credits**
- **Credit Union Limitation**

Kentucky Housing Supply Gap Analysis

Kentucky is lacking the following housing for its residents:

206,207

New Homes

101,569



104,638



Current Housing Needs Broken Down By Area Median Income (AMI) Groups

* Permanent Supportive Housing (PSH) - Housing that offers supportive services and typically includes project-based rental subsidies.

Kentucky Housing Supply Gap

Statewide

Current (2024)

All

Select Current (2024) or Projected (2029) and a county from the list or click on the map to see supply gap needs.

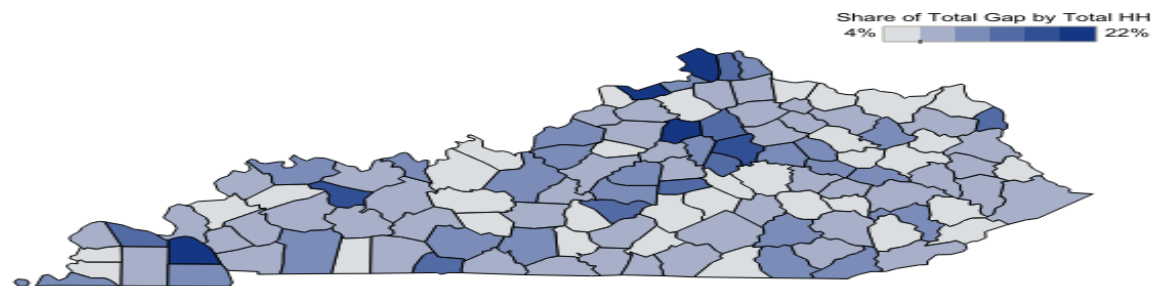
Current (2024) Housing Gap

Total Housing Units Needed

206,207

Total Rental Units Needed: 101,569

Total For-Sale Units Needed: 104,638



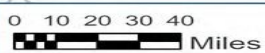
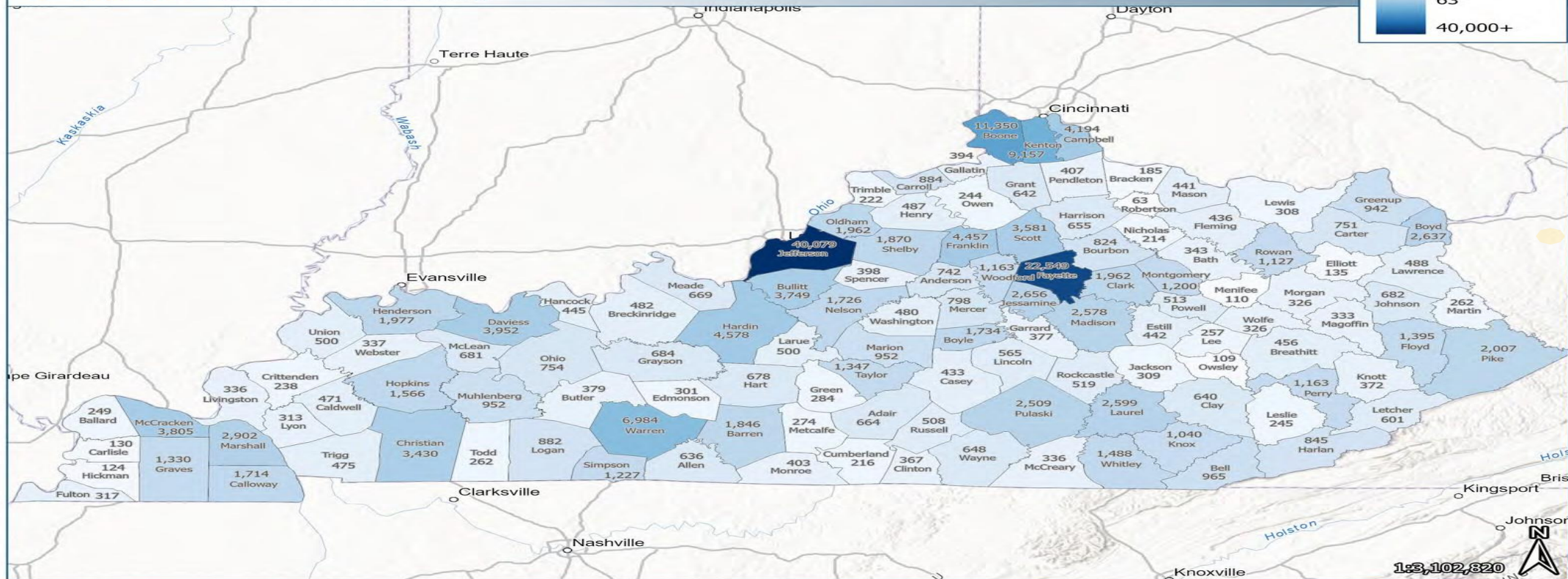
	<30% AMI	31% - 50% AMI	51% - 80% AMI	81% - 120% AMI	121% - 150% AMI	151%+ AMI
Rental Gap	60,385	19,161	13,211	6,980	1,132	700
For-Sale Gap	19,434	14,179	18,599	17,972	13,896	20,558

Housing units needed broken down by Area Median Income (AMI) groups.

[Click here for AMI Dollar Amounts County Table](#)



Overall Housing Gap (2024) State of Kentucky (By County)



City of Bardstown, Nelson County, Esri, TomTom, Garmin, FAO, NOAA, USGS, EPA, NPS, USFWS, Esri, USGS
Additional Source(s): Bowen National Research

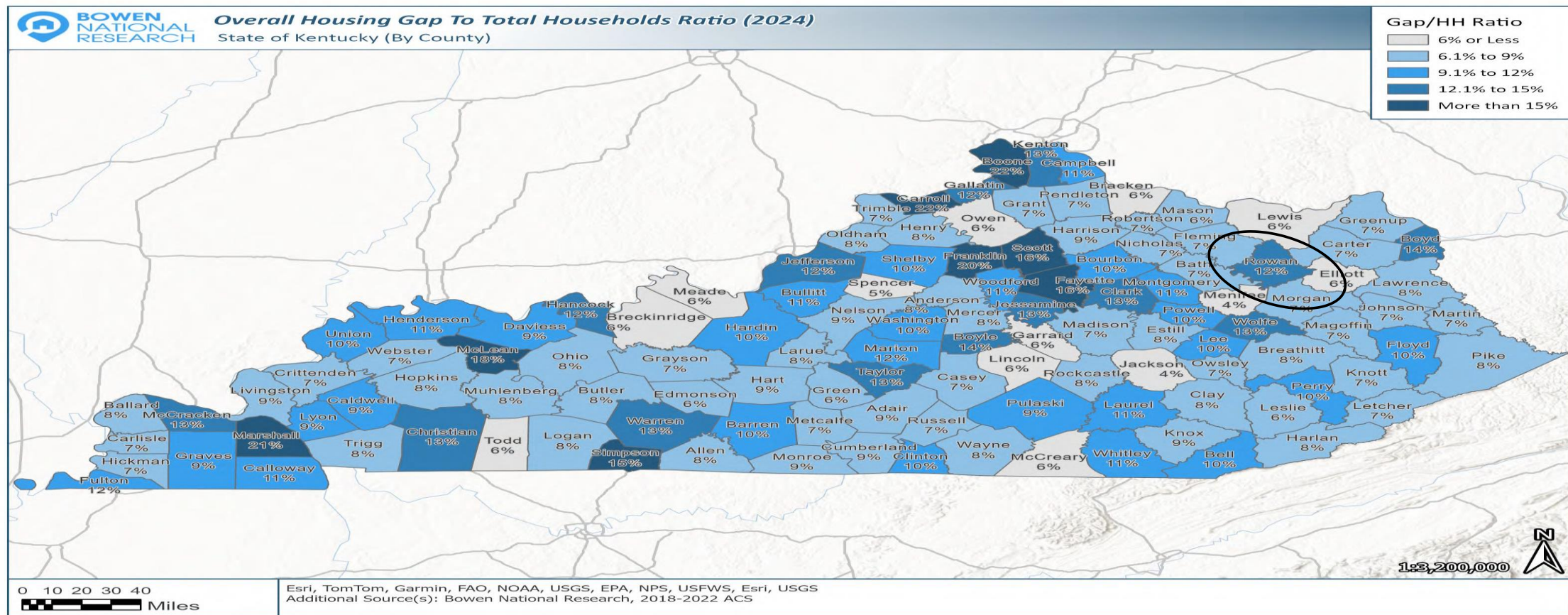
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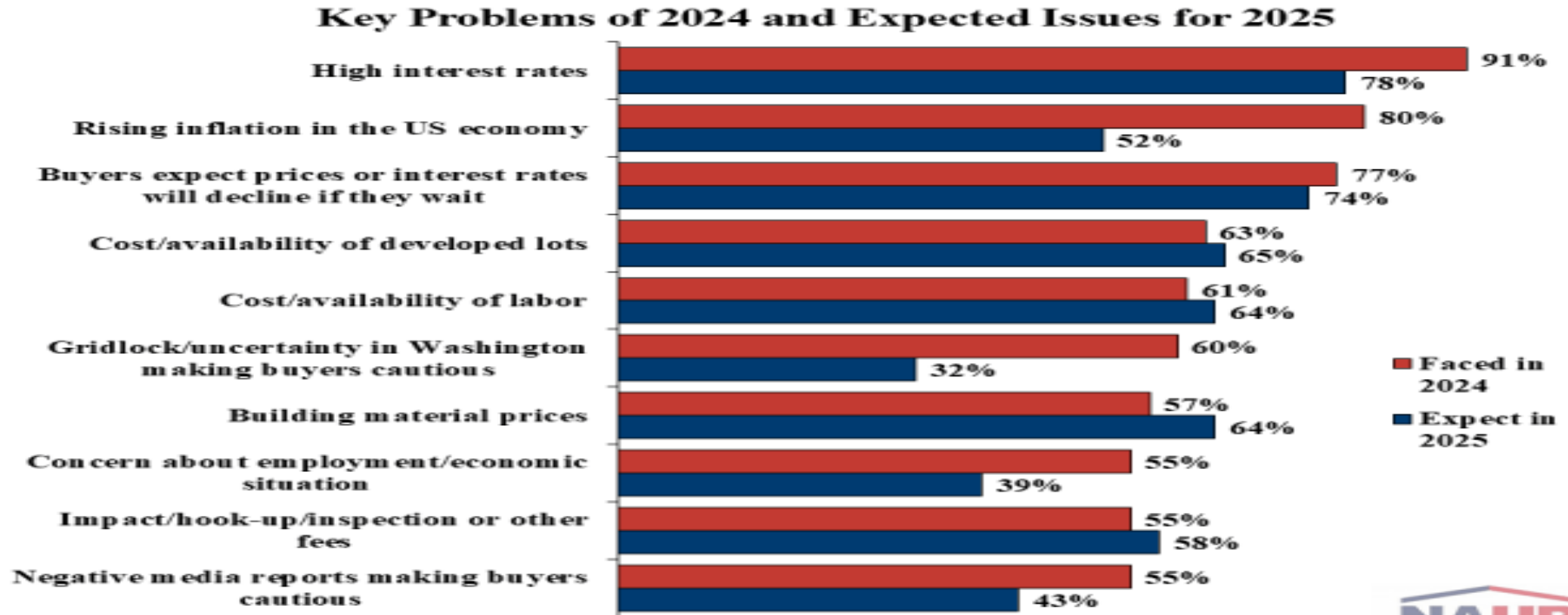
Notable Shortages in Counties

Jefferson	40,079
Fayette	22,549
Henderson	1,977
Madison	2,578
Campbell	4,194
Shelby	1,870
Graves	1,330
McCracken	3,805
Allen	636
Simpson	1,227
Nelson	1,726
Hardin	4,578

KBA Kentucky Bankers Association



Kentucky Bankers Association



Source: HMI Special Survey January 2025, NAHB





The Solution

- Public/Private Partnership
- Banks can address interest rate challenge and uncertainty
- Kentucky Banks have a \$20,000,000 commitment to address housing crisis
- By matching Kentucky banks' \$20,000,000 commitment to affordable housing in the form of tax credits, Kentucky banks and the General Assembly would create affordable housing in areas where it is desperately needed throughout the Commonwealth
- Creating new housing; not purchases of existing housing



Program Administration

- The program would be administered by *Hope of the Midwest*, a Kentucky company that has administered over \$784,000,000 in tax credit construction over the past fifteen years with a zero-default rate.
- Before a development is approved, it would undergo rigorous due diligence. The development would require a market study demonstrating need, require units to be built to current Kentucky Housing standards with construction plans reviewed by a third-party architect.
- Approved developments with tenants not exceeding one hundred percent of the statewide income average based on unit mix and family size. Target rents would be discounted at least 15% to comparable market rates with management companies ensuring tenant eligibility. All developments would have a ten-year compliance period for tenant eligibility with recapture if the development were to become non-compliant. Sole approval would be determined by *Hope of the Midwest* ensuring all communities are equally represented.



Bank Funding

- The \$20,000,000 in bank funding would be placed into a revolving fund, managed by *Hope of the Midwest*, that would be utilized for development costs including, but not limited to, land acquisition, infrastructure construction, loans at below market rates and any other needs to ensure success of the development.
- Funds would be repaid by the developer and redeployed into the revolving fund to construct additional developments.
- Evergreen fund with opportunity to increase



Tax Credits

- Tax credits would be calculated based on twenty percent of eligible construction costs that would not vest until completion of the development.
- The refundable tax credits would be earned over five years by the developer and could be sold to raise capital and ensure program success.



The Why for Banks

- Kentucky banks are examined under the Community Reinvestment Act (CRA) for their CRA efforts.
- As part of meeting their regulatory requirements, and continuously serving as foundations of their communities, Kentucky banks want to collaborate with the General Assembly in addressing our housing crisis.



New Market Tax Credits

- 2024 Session House Bill 485
- 2025 Session House Bill 372
- The credit provides an incentive for investment in low-income communities. Investors receive a tax credit against their income tax.
- Limited to \$10 million per year by KRS 141.432 to 141.434



Historical Tax Credits

- 2024 Session HB 699
- Creates a carry forward of 7 years
- Kentucky historic tax credits provide Kentucky communities the opportunity to rehabilitate historic structures that would otherwise remain in disrepair. However, since its statutory adoption in 2009 (KRS 171.397), a lot has changed.
- Building materials are scarcer, harder to obtain and more costly. Consequently, historic rehabilitation projects take longer to complete. The current strict statutory timelines to maintain tax credit eligibility make completing these projects nearly impossible.
- This amendment to KRS 171.397 will ensure that Kentucky rehabilitation projects are completed in the current environment while allowing Kentucky communities to receive favorable funding below market rates.



Credit Union Acquisitions

- Credit Unions are largely tax exempt. They only pay property tax and payroll taxes and do not pay any form of income tax or local deposit tax
- Credit unions are not purchasing struggling banks. Nearly two-thirds of acquired banks saw an increase in net operating income the five years leading up to their acquisition, while more than three in four grew their total assets in that five-year period according to an ICBA study from September 9, 2025
- Credit Unions are banned from purchasing state-chartered banks in Tennessee, Mississippi and West Virginia
- July of 2025, Y-12 credit union based in Tennessee completed acquisition of First State Bank of the Southeast in Middlesboro
- Why does it matter?



First State Bank of the Southeast Total Assets of \$401,496,000

- **Revenue of \$345,000**

State Taxes of \$205,850 (this will now be lost to the state)

- **Deposits of \$342.63M**

Local Deposit Taxes of \$139,347 (this will now be lost to city/counties)

By City and County

- **Bell County - \$50,279**
- **Middlesboro - \$31,810**
- **Pineville - \$18,469**
- **Whitley County - \$10,148**
- **Williamsburg - \$10,148**
- **Fayette/Lexington - \$9,951**
- **Laurel County - \$4,271**
- **London \$4,271**