KENTUCKY HOUSING TASK FORCE 2025

Minutes of the Second Meeting of the 2025 Interim

July 28, 2025

Call to Order and Roll Call

The second meeting of the Kentucky Housing Task Force 2025 was held on July 28, 2025, at 1:00 PM in Room 171 of the Capitol Annex. Representative Susan Witten, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Susan Witten, Co-Chair; Senators Matthew Deneen, Jimmy Higdon, and Gerald A. Neal; and Representatives Mike Clines, Jennifer Decker, Kim Holloway, Shawn McPherson, and Joshua Watkins.

Guests: John Hughes, Director of Government Affairs, Kentucky Chamber of Commerce; Tim Schenk, General Counsel, Kentucky Bankers Association (KBA); John Cooper, Governmental Affairs Consultant, KBA; Billy Wade, Executive Director, Hope of the Midwest; Charles Gardner, Research Fellow, Mercatus Center, George Mason University; Rebecca Hartsough, Ph.D, Senior Policy Director, Babbage Cofounder; Kappie Farrington, Cofounder and Partner, Antecedent Development.

LRC Staff: Mark Mitchell, Cynthia Brown, Christopher Jacovitch, and Faithe Wheatley.

Approval of Minutes from June 30, 2025 meeting

Upon the motion of Co-Chair Mills, seconded by Representative McPherson, the minutes from the June 30, 2025, meeting were approved.

Discussion of Pro-Growth Housing Policies

John Hughes, Director of Government Affairs, Kentucky Chamber of Commerce, stated the chamber has partnered with the Homebuilder's Association to study the current housing situation across the Commonwealth. The connection between housing and economic growth, a snapshot of Kentucky's current housing challenges, and policy solutions were discussed.

In response to Co-Chair Mills, Mr. Hughes stated Kentucky is facing a housing crisis and that it is critical that Kentucky's housing challenges be addressed.

In response to Senator Deneen, Mr. Hughes stated that implementing a model like Indiana's Residential Infrastructure Assistance Program that pairs infrastructure funding with zoning deregulation could be supported by the chamber.

In response to Representative Watkins regarding a shortage of workers in building permit offices, Mr. Hughes stated Kentucky is in the bottom 10 of states in workforce participation rate but that the chamber could not comment on any government specific workforce shortage.

In response to Co-Chair Mills, Mr. Hughes stated the interest rate for Indiana's Residential Infrastructure Program was around three percent and that the interest payments flow back into the fund.

In response to Chair Witten, Mr. Hughes said Indiana's Residential Infrastructure Program began in 2021 and that the implementation process of a similar program to Indiana's would look different in Kentucky.

In response to Senator Higdon, Mr. Hughes stated Industrial Revenue Bonds work similarly to Indiana's Residential Infrastructure Assistance Program. This program would give more flexibility to cities and counties and would be another resource tied directly to residential infrastructure.

Representative McPherson commented that a residential infrastructure assistance program could be set up similarly to Kentucky's Tobacco Settlement Program.

Tim Schenk, General Counsel, KBA, and John Cooper, Governmental Affairs Consultant, KBA, stated the banking industry is committed to the Community Reinvestment Act, and discussed an affordable housing proposal that would be funded with $20,000,000 from Kentucky banks, operated by Hope of the Midwest, and asked for discussions regarding potential matching funds from the state in the form of tax credits.

In response to Co-Chair Mills, Mr. Schenk stated one of the main differences between Hope of the Midwest and the Kentucky Housing Corporation is that they are more efficient and able to get things done more quickly because the program is not bound by the same federal regulations as the Housing Corporation. He also stated Hope of the Midwest's housing focus was traditionally large multi-family units, but it has begun to develop other kinds of housing and is flexible dependent on the need of an area. Mr.

Schenk said banks want to see all communities across the commonwealth positively impacted through its proposal. The $20,000,000 commitment would be theoretically spread over the first round of funding but could be replenished.

In response to Representative Watkins, Mr. Schenk stated that Hope of the Midwest's model has proven successful across different parts of the state, and it would be targeted on wherever there is need. Mr. Schenk later clarified that pursuant to the Community Reinvestment Act, banks cannot target specific areas for funding.

In response to Representative Decker, Billy Wade, Executive Director, Hope of the Midwest, stated the lack of tradesmen and construction workers is a problem across all areas of the state. Representative Decker made a comment about a bill she plans to file concerning educating prison inmates in a trade and that this could have a positive effect on affordable housing by increasing the construction workforce. Mr. Wade stated that a manufactured housing provider that Hope of the Midwest has worked with relies on labor from former inmates.

In response to Senator Higdon, Mr. Wade stated refundable tax credits would give the proposed program more flexibility because there can often be a lack of buyers for non-refundable credits. Mr. Wade stated a tax credit would need to be accounted for in the budget, but would only be available after a project is completed which may take several years.

Charles Gardner, Research Fellow, Mercatus Center, George Mason University, discussed land use reforms across the nation and made recommendations for state-level land use reforms that the General Assembly could pursue to spur housing development.

In response to Co-Chair Mills, Mr. Gardner stated he would provide more in-depth explanations for each of the recommendations/suggestions for land use reforms. He stated legalization of existing conditions would mean new construction would be made legal if similar to other homes in the area. Mr. Gardner also stated that vested rights establish a time when a person's right to use the land becomes insured and cannot be changed by a subsequent zoning action.

In response to Representative McPherson, Mr. Gardner stated most laws referenced contain specific carveouts for Homer Owner's Associations (HOAs) or covenants, but that some proposals require HOAs be renewed so they are not perpetual.

In response to Representative Decker, Mr. Gardner discussed recent state legislation that allows for the construction of single-stair multi-family buildings. He was not aware of any proposal that would prohibit single family homes on a lot, but that states have sought to prohibit zones that only allow for single family homes.

Discussion of Historic Rehabilitation Tax Credit

Rebecca Hartsough, Ph.D, Senior Policy Director, Babbage Cofounder, and Kappie Farrington, Cofounder and Partner, Antecedent Development, discussed the historic tax credit program, how it is working to expand and preserve the housing supply, and potential changes to the historic tax credit program to improve its effectiveness.

Chair Witten commented that the ideas provided were fantastic, and were meant to provide carrots for housing where it is needed.

Representative Decker commented that discussions should be had regarding why subchapter C corporations can purchase tax credits and subchapter S corporations cannot.

In response to Representative Watkins, Ms. Farrington stated that technical assistance for the program is lacking, but her proposal involves eliminating the divided pots of money, and would allow homeowners to be first in line and for commercial developers to be able to obtain whatever credits remain. Ms. Farrington stated she is in favor of providing the Kentucky Heritage Council with resources to provide assistance to homeowners and commercial developers seeking to navigate the process to obtain tax credits.

Chair Witten announced the next meeting date of the Task Force is August 25, 2025.

Adjournment
There being no further business, the meeting was adjourned at 2:43 PM.