

1 AN ACT relating to housing development districts.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 →SECTION 1. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO
4 READ AS FOLLOWS:

5 (1) As used in this section:

6 (a) "Approved project" means a project for which the developer has:

7 1. Filed an application under subsection (6) of this section;

8 2. Negotiated the terms of housing incentive payments with a local
9 government; and

10 3. Commenced a housing development within a district;

11 (b) "Cabinet" means the Cabinet for Economic Development;

12 (c) "Department" means the Department for Local Government;

13 (d) "Housing development district" or "district" means a contiguous
14 geographic area of not more than one thousand (1,000) acres, which may
15 be within one (1) or more cities or counties, defined and created for
16 development or revitalization purposes by an ordinance of a local
17 government in which one (1) or more projects are proposed to be located;

18 (e) "Local government" means a city, county, charter county government,
19 consolidated local government, urban-county government, or unified local
20 government;

21 (f) "New construction" means the planning, design, building, or any
22 combination of these, to erect a completely new structure never before
23 occupied within a district;

24 (g) "Program" means the Housing Incentive Payment Program provided for in
25 this section;

26 (h) "Project" means a housing development within a district that:

27 1. Contains at least fifteen (15) housing units, including multifamily and

mixed-use housing; and

2. Meets the requirements set out in this section and any additional requirements adopted by an ordinance of a local government;

- (i) "Revitalization" means the planning or replanning, design or redesign, acquisition, clearance, development, disposal, rehabilitation, historic preservation, or any combination of these, of a structure within a district and the preparation and use of the structure for residential purposes; and
- (j) "Taxing authority" means a school district or a special purpose governmental entity having ad valorem taxing authority and operating within the jurisdiction of a local government that has established a district.

(2) (a) *A local government may establish a housing development district by:*

1. Adopting an ordinance containing:

a. A map and description of the area to be included within the district;

b. A description of the process by which a developer may apply to construct housing within the district;

c. A statement regarding whether development within the district is:

1

i. Exempt from permitting or review by the planning unit; or

*ii. Subject to an alternative process for permitting or review
except in no instance shall an alternative process be more
stringent than the procedure utilized outside of the district*

d. Any additional requirements or qualifications that developers

2. Notifying the cabinet and the department that a district has been created and transmitting information as required in subsection (10) of

1 *this section.*

2 (b) A developer may petition a local government to establish a district.

3 (c) *A local government shall:*

4 1. Exclude a parcel of property from a proposed district if the local
5 government receives a written request from a property owner seeking
6 exclusion within thirty (30) days of the adoption of an ordinance
7 under paragraph (a) of this subsection; and

8 2. *Amend the map and description of the district accordingly.*

9 (3) (a) If a local government chooses to utilize the exemption to planning and
10 zoning or alternative process under subsection (2)(a)1.c. of this section, the
11 local government shall conduct a public hearing regarding the exemption
12 or alternative process, and a separate vote of the legislative body of the local
13 government shall be required to adopt the exemption or alternative process.

14 (b) *The meeting shall be held solely for this purpose, and no other business*
15 *shall be conducted at the meeting.*

16 (4) (a) Local governments may act jointly, via an interlocal
17 accordance with KRS 65.210 to 65.300, to establish a district.

18 (b) The interlocal agreement shall contain the information set out in subsection
19 (2) of this section, and each participating local government shall be
20 required to adopt an ordinance as set out in subsection (2) of this section.

21 (5) (a) In addition to a local government, any taxing authority may elect to
22 participate in the program by its board enacting a resolution declaring its
23 election to participate.

(b) If a taxing authority elects to participate under paragraph (a) of this subsection, the taxing authority shall proceed to negotiate with the developer as described in subsection (6)(c) of this section.

27 (6) (a) *Following the creation of a district, a local government may accept*

1 applications from developers for a project.

2 (b) A local government shall have the sole discretion to approve or deny an
3 application, but a local government shall not approve a project unless it
4 determines that the project will not commence unless the developer receives
5 the housing incentive payment set out in subsection (7) of this section.

6 (c) If a local government approves an application, it shall:

7 1. Negotiate with the developer to:

8 a. Determine a percentage of the property tax actually paid in any
9 year that will be used to calculate the housing incentive payment
10 described in subsection (7) of this section;

11 b. Set the duration of the housing incentive payments, not to exceed
12 the maximum terms set out in subsection (7) of this section;

13 c. Define when the project shall be considered to have commenced
14 for the purposes set out in subsection (7) of this section; and

15 d. Establish the timing for the housing incentive payments; and

16 2. After agreeing to the terms set out in subparagraph 1. of this
17 paragraph, transmit the application along with a document setting out
18 those terms to the cabinet and the department.

19 (d) An application under this subsection shall not be required for a developer
20 seeking to develop housing within a district if that developer is not seeking
21 to participate in the program. An application shall only be required if a
22 developer is seeking to participate in the program. This section shall not be
23 construed to permit a local government to prohibit a developer from
24 developing housing within the district that would otherwise be permissible
25 outside of the district or in the absence of the existence of a district.

26 (7) A Housing Incentive Payment Program shall be administered as follows:

27 (a) Participating local governments and participating taxing authorities shall

1 each award a housing incentive payment to a developer of an approved
2 project on an annual basis for a period of up to:

3 1. Seven (7) years for a project involving new construction; or
4 2. Fifteen (15) years for a project solely involving revitalization of
5 structures;

6 beginning six (6) months from the commencement of the project as
7 determined under subsection (6)(c)1.c. of this section;

8 (b) The annual housing incentive payment from each participating local
9 government and taxing authority shall be calculated by first determining the
10 total property tax that was actually paid in the preceding year to each
11 participating local government and taxing authority for each parcel of
12 property included in an approved project which has been issued a certificate
13 of occupancy, and applying the percentage agreed to by the participating
14 local governments, other taxing authorities if applicable, and the developer
15 as set out in subparagraph (6)(c)1. of this section; and

16 (c) Any private or nonprofit entity may contribute money to a local government
17 to award as additional housing incentive payment amounts for a project
18 within a district.

19 (8) A local area development district shall, upon the request of a local government,
20 assist with the establishment of a district under this section and with the
21 administration of a program under subsection (7) of this section.

22 (9) (a) The cabinet shall develop and implement strategies and programs to
23 promote awareness of a program operating under this section among
24 businesses and employers it provides services to or conducts business with.

25 (b) When the cabinet engages with a company regarding participation in any
26 incentive or funding program administered by the cabinet, including when
27 it initially communicates with, receives an application from, and approves

1 funding to, any company, it shall provide to the company information
2 regarding:

3 1. The program set out in this section, including a list of local
4 governments that have established districts and implemented programs
5 under this section; and

6 2. The Certified Child Care Community Designation Program under
7 KRS 199.891, including a list of communities that have obtained that
8 designation.

9 (c) The cabinet shall prepare and post a report to the website required in KRS
10 154.12-2035, on November 1 of each year, that contains a list of the local
11 governments that have established districts and implemented programs
12 under this section and a list of communities that have obtained the certified
13 child care community designation under KRS 199.891, and information
14 regarding the cabinet's engagement with companies including the total
15 number of contacts made under paragraph (b) of this subsection.

16 (10) (a) When a local government establishes a district, and no later than each
17 September 1 thereafter, the local government shall transmit information to
18 the cabinet and the department including:

19 1. Whether the district has been established jointly with any other local
20 government, and if so which other local governments;

21 2. A map and description of the area included in the district;

22 3. The density of housing units per acre in the district;

23 4. The total number of developers that have applied for participation in
24 the program including the number approved and denied;

25 5. The total number of projects in the program;

26 6. For each approved project:

27 a. The name of the developer of the approved project;

1 **b. The total assessed value of property that is a part of the approved**

2 **project;**

3 **c. The total number of housing units that have been constructed in**

4 **connection with the approved project;**

5 **d. The total amount of housing incentive payments that have been**

6 **made in connection with the approved project;**

7 **e. The duration of the housing incentive payments that the local**

8 **government has agreed to make to the developer;**

9 **f. The identity of any other taxing authority that has participated in**

10 **the approved project and the total amount of housing incentive**

11 **payments issued from each taxing authority; and**

12 **g. The identity of any private or nonprofit entities that have**

13 **participated in the approved project and the total amount of**

14 **housing incentive payments from each entity;**

15 **7. A running total of the amount of funds all participating local**

16 **governments have expended on all approved projects within the**

17 **district;**

18 **8. A running total of the number of housing units constructed in the**

19 **district by a developer that has received housing incentive payments;**

20 **and**

21 **9. Whether the local government has obtained a certified child care**

22 **community designation.**

23 **(b) Beginning November 1, 2027, the department shall submit an annual report**

24 **to the Legislative Research Commission for referral to the Interim Joint**

25 **Committee on Appropriations and Revenue summarizing the information it**

26 **has received from local governments under paragraph (a) of this**

27 **subsection.**

1 (c) The department may promulgate administrative regulations in accordance
2 with KRS Chapter 13A to carry out this subsection, including the creation
3 of a standardized form to be used by local governments to submit
4 information.

5 (d) A local government shall not be required to submit any further information
6 on an approved project following the disbursement of the final housing
7 incentive payment associated with that project.

8 (11) This section shall not be construed to prohibit or preempt a local government
9 from adopting any other ordinance or regulation or establishing any other
10 program, including an incentive program, concerning housing development.