

1 AN ACT relating to affordable housing programs established by local governments.

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) "Affordable housing" means a residential dwelling unit which is reserved*
7 *via a deed restriction for a low-income household;*

8 *(b) "Applicant" means one (1) or more persons or entities that apply to a local*
9 *government for funds from the program established under this section;*

10 *(c) "Local government" means a city, county, consolidated local government,*
11 *urban-county government, charter county government, or unified local*
12 *government that establishes a program under this section;*

13 *(d) "Low-income household" means an individual or family whose income*
14 *does not exceed eighty percent (80%) of the median income for the area as*
15 *set out by the United States Department of Housing and Urban*
16 *Development; and*

17 *(e) "Program" means a revolving loan program fund established under this*
18 *section.*

19 *(2) A local government may establish a revolving loan program fund by enacting an*
20 *ordinance. The ordinance shall state the:*

21 *(a) Amount that the local government will initially place in the fund;*

22 *(b) Terms of any loans that the local government will issue as part of the*
23 *program;*

24 *(c) Methods by which the local government will secure repayment of any loans*
25 *issued under the program aside from those set out in this section;*

26 *(d) Process by which applicants may apply to the local government for program*
27 *funds; and*

- 1 (e) Criteria the local government will use to select applicants to be issued loans
2 from the program.
- 3 (3) A local government may issue bonds, notes, or other debt obligations for the
4 purpose of funding a revolving loan program fund. The amounts in the fund may
5 be used to:
- 6 (a) Issue loans to developers for the purpose of developing affordable housing
7 projects;
- 8 (b) Issue loans to a low-income household for the purpose of repairing or
9 renovating a primary residence;
- 10 (c) Defray administrative expenses, including overhead costs associated with
11 operating the program, which shall not exceed one percent (1%) of any
12 revenue placed in the fund; and
- 13 (d) Refinance the bonds, notes, or obligations consistent with applicable law.
- 14 (4) A local government shall use revenue collected from the repayment of loans
15 issued pursuant to subsection (3) of this section, any interest earned and any fees
16 collected for the payment of any bond, note, or other obligation issued pursuant
17 to this section.
- 18 (5) The maximum term of any bond, note, or other debt obligation issued under this
19 section shall not exceed thirty (30) years from the date of first issuance.
- 20 (6) If an applicant fails to repay a loan, the local government may assess additional
21 interest of one percent (1%) per month, and a penalty of one percent (1%) per
22 month may be added to any outstanding amount owed by the applicant.
- 23 (7) A loan issued from the fund, and any interest accruing on the loan, shall
24 constitute a lien on the property for which a loan has been issued. The lien shall
25 be superior to a lien of any trust deed, mortgage, mechanic's lien, or other
26 encumbrance, but shall not be superior to any lien for the payment of taxes or a
27 lien possessed under KRS 65.8835. Amounts collected by a local government

1 shall not be allocated to the payment of a loan until all taxes, penalties, and
2 interest relating to ad valorem taxes imposed by any governmental entity have
3 been paid in full.

4 (8) If any loan is or becomes delinquent and the property subject to the loan has been
5 sold to the local government as a result of the delinquency, redemption of that
6 property is allowed upon payment, not later than one (1) year after the date of
7 sale, of the full amount of any outstanding loan amounts, plus interest and
8 penalties.