

1       AN ACT relating to housing 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       *As used in Sections 1 to 6 of this Act:*

6       *(1) "Developer" means one (1) or more persons or entities that petition a local  
7       government for the establishment of a district under Section 2 of this Act, and  
8       that are responsible for the development of residential property within a district;*

9       *(2) "Establishing ordinance" means an ordinance of a local government  
10       establishing a district under Section 2 of this Act;*

11       *(3) "Infrastructure" means:*

12       *(a) The streets, roads, bridges, sidewalks, water, wastewater, natural gas,  
13       electric, telecommunications, and storm water facilities required for the  
14       development of residential property within a district, whether located within  
15       or without the district, that benefit the properties within the district; and*

16       *(b) The land within the boundaries of the district required to be donated,  
17       dedicated, or otherwise made available to a local government for public  
18       purposes;*

19       *(4) "Infrastructure costs" means:*

20       *(a) All costs that may be capitalized under generally accepted accounting  
21       principles for purchasing, constructing, installing, and equipping  
22       infrastructure;*

23       *(b) The fees or costs imposed by a municipality or utility service provider:*

24       *1. Related to the construction or installation of infrastructure; or  
25       2. As a condition to the delivery of utility services to properties within a  
26       district; and*

27       *(c) The cost of any land required to be donated, dedicated, or otherwise made*

1                   available to a governmental entity for public purposes, which land shall be  
2                   valued at either the developer's demonstrated cost or, if the value of the land  
3                   has subsequently been appraised, its appraised value, whichever is higher;

4        (5) "Initiating petition" means a petition submitted to a local government requesting  
5                   the establishment of a district under Section 2 of this Act;

6        (6) "Local government" means a city, county, consolidated local government, urban-  
7                   county government, charter county government, or unified local government that  
8                   establishes and operates a district under Sections 1 to 6 of this Act;

9        (7) "Owner" means the owner of record of a parcel of property within a district or  
10                   the owner's authorized representative;

11        (8) "Residential infrastructure development district" or "district" means an area  
12                   that:

13                   (a) Is composed of five (5) or more acres of land;

14                   (b) Requires a capital cost to complete development that is equal to or greater  
15                   than five million dollars (\$5,000,000);

16                   (c) Upon its complete development will have more than one-half (1/2) of its  
17                   space dedicated to residential housing; and

18                   (d) Is established under Sections 1 to 6 of this Act; and

19        (9) "Special assessment" means a special charge levied by a local government on  
20                   property to finance infrastructure costs under Sections 1 to 6 of this Act.

21                   ➔ SECTION 2. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO  
22                   READ AS FOLLOWS:

23        (1) A residential infrastructure development district shall be established as follows:

24                   (a) The developer and each owner of property proposed to be included in a  
25                   district shall sign an initiating petition requesting the establishment of a  
26                   district, which shall be submitted to a local government. The initiating  
27                   petition shall set forth:

- 1      1. The name and address of the developer;
- 2      2. The local government to be responsible for overseeing the district;
- 3      3. A map and description of the area to be included within the district;
- 4      4. A list of each parcel of property to be included within the district that  
5      contains each parcel's mailing address;
- 6      5. A site development plan for the district showing the area in the district  
7      that is anticipated to be used for residential housing;
- 8      6. A description of the infrastructure that the developer anticipates will  
9      be necessary to complete the development and an estimated cost of that  
10     infrastructure;
- 11     7. The cost that the developer anticipates is necessary to complete the  
12     development;
- 13     8. The proposed rate of the special assessment to be imposed; and
- 14     9. A formal request that the local government establish the district;

15     (b) Upon receipt of the initiating petition a local government shall, within  
16     ninety (90) days, approve or deny the petition. The decision to approve or  
17     deny a petition is solely at the discretion of the local government. To  
18     approve a petition a local government shall:

- 19     1. Determine whether the petition contains the information required in  
20     paragraph (a) of this subsection;
- 21     2. Conduct a public hearing concerning the proposed establishment of  
22     the district, notice of which shall be provided in the usual method of  
23     providing notice of a public meeting and shall also include mailed,  
24     written notices to each property owner whose property is proposed to  
25     be included in the district; and
- 26     3. Adopt an establishing ordinance that contains:
  - 27     a. The name and address of the developer;

- 1        b. The local government responsible for overseeing the district;
- 2        c. A map and description of the area to be included within the
- 3        district;
- 4        d. A list of each parcel of property to be included within the district
- 5        that contains each parcel's mailing addresses;
- 6        e. A statement that the properties in the district may be subject to a
- 7        special assessment;
- 8        f. A description of the infrastructure that the local government has
- 9        authorized to be financed via a special assessment;
- 10       g. A description of the method of assessing and collecting special
- 11       assessments under Section 4 of this Act;
- 12       h. The time and manner in which the special assessment shall be
- 13       paid; and
- 14       i. The portion of the special assessment to be retained by the local
- 15       government for the payment of administrative expenses under
- 16       Section 4 of this Act; and

17       (c) The establishing ordinance may differ from the initiating petition, but the

18       local government shall endeavor to negotiate with the developer and the

19       owners of any property to be included within the district regarding

20       differences between the initiating petition and the establishing ordinance

21       prior to its passage.

22       (2) A property owner that signs a petition pursuant to subsection (1)(a) of this section

23       shall not be permitted to remove the property owner's name from the petition.

24       (3) Each district established under Sections 1 to 6 of this Act shall be dissolved by the

25       local government immediately upon the payment and discharge of all outstanding

26       debt obligations incurred as a result of infrastructure costs for the district.

27       ➔ SECTION 3. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO

1 READ AS FOLLOWS:

2 (1) A local government shall have the power to issue bonds, notes, or other debt  
3 obligations for the purpose of any of the following:

4 (a) Paying infrastructure costs identified in the establishing ordinance;  
5 (b) Reimbursing the developer for the payment of prior infrastructure costs  
6 identified in the establishing ordinance; or  
7 (c) Refinancing those bonds, notes, or obligations consistent with applicable  
8 law.

9 (2) A local government shall use revenue collected from special assessments levied  
10 under Section 4 of this Act for the payment of any bond, note, or other obligation  
11 issued pursuant to this section.

12 (3) The maximum term of any bonds, notes, or other debt obligations issued under  
13 this section shall not exceed thirty (30) years from the date of first issuance.

14 ➔ SECTION 4. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO  
15 READ AS FOLLOWS:

16 (1) Upon the adoption of an establishing ordinance, a local government is authorized  
17 to levy special assessments against all properties located in a district. The revenue  
18 collected from special assessments shall be applied to infrastructure costs  
19 identified in the establishing ordinance and may be applied to administrative  
20 costs under subsection (4) of this section.

21 (2) The local government shall determine the total costs and expenses to be paid from  
22 special assessments, and apportion those costs and expenses upon the various  
23 properties located in the district in accordance with the benefits conferred upon  
24 the properties. In determining the benefits to each property, the local government  
25 may consider factors regarding the property, including:

26 (a) Frontage to infrastructure;  
27 (b) Total area; and

(c) Proportion that the assessed value of each property has to the total property in the district.

3 (3) A local government that levies a special assessment under this section shall  
4 impose and collect the special assessment annually.

5 (4) A local government may provide that up to five percent (5%) of the revenue  
6 collected from a special assessment may be used for its administrative expenses,  
7 including overhead costs associated with the collection of the special assessment.

8     (5) A local government shall prepare an assessment roll that lists the address and  
9         owner of each property in the district and the assessed value of the property, and  
10         shall update the roll whenever property listed on the roll is subdivided or its value  
11         is reassessed.

(6) If a property owner fails to pay a special assessment on or before the date determined by the local government, interest of one percent (1%) per month and a penalty of one percent (1%) per month shall be added to the assessment.

15 ➔ SECTION 5. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO  
16 READ AS FOLLOWS:

(1) A special assessment, any interest accruing on the assessment, and the costs of collection of the assessment under Section 4 of this Act constitute a lien on the property upon which the assessment is levied. The lien shall be superior to a lien of any trust deed, mortgage, mechanic's lien, or other encumbrance, but shall not be superior to any lien for the payment of taxes or a lien established pursuant to KRS 65.8835.

23 (2) Amounts collected by a local government shall not be allocated to the payment of  
24 a special assessment until all taxes, penalties, and interest relating to ad valorem  
25 taxes imposed by any governmental entity have been paid in full.

26 (3) If any special assessment is or becomes delinquent and the property subject to the  
27 *assessment has been sold to the local government as a result of the delinquency,*

1        *redemption of that property is allowed upon payment, not later than one (1) year*  
2        *after the date of sale, of the full amount of assessments due, plus interest and*  
3        *penalties.*

4        ➔ SECTION 6. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO  
5        READ AS FOLLOWS:

- 6        *(1) A residential infrastructure development district may be formed by two (2) or*  
7        *more local governments acting jointly.*
- 8        *(2) Each local government acting jointly to establish a district shall enter into an*  
9        *interlocal agreement in accordance with KRS 65.210 to 65.300 concerning the*  
10        *district.*
- 11        *(3) Each local government acting jointly to establish a district shall follow the*  
12        *procedures set out in Section 2 of this Act, but may satisfy the public hearing*  
13        *requirement set out in subsection (1)(b)2. of Section 2 of this Act by conducting a*  
14        *single joint public hearing.*
- 15        *(4) Prior to the completion of establishing ordinances, local governments acting*  
16        *jointly shall determine which local government will be responsible for the*  
17        *specified infrastructure costs and the collection of any special assessments*  
18        *authorized under Section 4 of this Act. This information shall be provided in the*  
19        *establishing ordinance and the interlocal agreement.*

20        ➔ SECTION 7. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO  
21        READ AS FOLLOWS:

- 22        *(1) As used in this section:*

- 23        *(a) "Approved project" means a project for which the developer has:*
  - 24        *1. Filed an application under subsection (6) of this section;*
  - 25        *2. Negotiated the terms of housing incentive payments with a local*  
26        *government; and*
  - 27        *3. Commenced a housing development within a district;*

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

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

3                   (d) "Housing development district" or "district" means a contiguous

4                   geographic area of not more than one thousand (1,000) acres, which may

5                   be within one (1) or more cities or counties, defined and created for

6                   development or revitalization purposes by an ordinance of a local

7                   government in which one (1) or more projects are proposed to be located;

8                   (e) "Local government" means a city, county, charter county government,

9                   consolidated local government, urban-county government, or unified local

10                  government;

11                  (f) "New construction" means the planning, design, building, or any

12                  combination of these, to erect a completely new structure never before

13                  occupied within a district;

14                  (g) "Program" means the Housing Incentive Payment Program provided for in

15                  this section;

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

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

18                   mixed-use housing; and

19                   2. Meets the requirements set out in this section and any additional

20                  requirements adopted by an ordinance of a local government;

21                  (i) "Revitalization" means the planning or replanning, design or redesign,

22                  acquisition, clearance, development, disposal, rehabilitation, historic

23                  preservation, or any combination of these, of a structure within a district

24                  and the preparation and use of the structure for residential purposes; and

25                  (j) "Taxing authority" means a school district or a special purpose

26                  governmental entity having ad valorem taxing authority and operating

27                  within the jurisdiction of a local government that has established a district.

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

2        1. Adopting an ordinance containing:

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

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

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

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

10             ii. Subject to an alternative process for permitting or review  
11            except in no instance shall an alternative process be more  
12            stringent than the procedure utilized outside of the district  
13            for similar developments; and

14            d. Any additional requirements or qualifications that developers  
15            must meet to be eligible for participation in the program; and

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

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

20        (c) A local government shall:

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

25            2. Amend the map and description of the district accordingly.

26    (3) (a) If a local government chooses to utilize the exemption to planning and  
27            zoning or alternative process under subsection (2)(a)1.c. of this section, the

1           local government shall conduct a public hearing regarding the exemption  
2           or alternative process, and a separate vote of the legislative body of the local  
3           government shall be required to adopt the exemption or alternative process.

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

6           (4) (a) Local governments may act jointly, via an interlocal agreement in  
7           accordance with KRS 65.210 to 65.300, to establish a district.

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

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

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

17           (6) (a) Following the creation of a district, a local government may accept  
18           applications from developers for a project.

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

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

24           1. Negotiate with the developer to:

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

1                   **b. Set the duration of the housing incentive payments, not to exceed**  
2                   **the maximum terms set out in subsection (7) of this section;**  
3                   **c. Define when the project shall be considered to have commenced**  
4                   **for the purposes set out in subsection (7) of this section; and**  
5                   **d. Establish the timing for the housing incentive payments; and**  
6                   **2. After agreeing to the terms set out in subparagraph 1. of this**  
7                   **paragraph, transmit the application along with a document setting out**  
8                   **those terms to the cabinet and the department.**

9                   **(d) An application under this subsection shall not be required for a developer**  
10                   **seeking to develop housing within a district if that developer is not seeking**  
11                   **to participate in the program. An application shall only be required if a**  
12                   **developer is seeking to participate in the program. This section shall not be**  
13                   **construed to permit a local government to prohibit a developer from**  
14                   **developing housing within the district that would otherwise be permissible**  
15                   **outside of the district or in the absence of the existence of a district.**

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

17                   **(a) Participating local governments and participating taxing authorities shall**  
18                   **each award a housing incentive payment to a developer of an approved**  
19                   **project on an annual basis for a period of up to:**

20                   **1. Seven (7) years for a project involving new construction; or**  
21                   **2. Fifteen (15) years for a project solely involving revitalization of**  
22                   **structures;**

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

25                   **(b) The annual housing incentive payment from each participating local**  
26                   **government and taxing authority shall be calculated by first determining the**  
27                   **total property tax that was actually paid in the preceding year to each**

1                   participating local government and taxing authority for each parcel of  
2                   property included in an approved project which has been issued a certificate  
3                   of occupancy, and applying the percentage agreed to by the participating  
4                   local governments, other taxing authorities if applicable, and the developer  
5                   as set out in subparagraph (6)(c)1. of this section; and

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

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

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

15                   (b) When the cabinet engages with a company regarding participation in any  
16                   incentive or funding program administered by the cabinet, including when  
17                   it initially communicates with, receives an application from, and approves  
18                   funding to, any company, it shall provide to the company information  
19                   regarding:

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

23                   2. The Certified Child Care Community Designation Program under  
24                   KRS 199.891, including a list of communities that have obtained that  
25                   designation.

26                   (c) The cabinet shall prepare and post a report to the website required in KRS  
27                   154.12-2035, on November 1 of each year, that contains a list of the local

1           governments that have established districts and implemented programs  
2           under this section and a list of communities that have obtained the certified  
3           child care community designation under KRS 199.891, and information  
4           regarding the cabinet's engagement with companies including the total  
5           number of contacts made under paragraph (b) of this subsection.

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

- 9           1. Whether the district has been established jointly with any other local  
10           government, and if so which other local governments;
- 11           2. A map and description of the area included in the district;
- 12           3. The density of housing units per acre in the district;
- 13           4. The total number of developers that have applied for participation in  
14           the program including the number approved and denied;
- 15           5. The total number of projects in the program;
- 16           6. For each approved project:
  - 17           a. The name of the developer of the approved project;
  - 18           b. The total assessed value of property that is a part of the approved  
19           project;
  - 20           c. The total number of housing units that have been constructed in  
21           connection with the approved project;
  - 22           d. The total amount of housing incentive payments that have been  
23           made in connection with the approved project;
  - 24           e. The duration of the housing incentive payments that the local  
25           government has agreed to make to the developer;
  - 26           f. The identity of any other taxing authority that has participated in  
27           the approved project and the total amount of housing incentive

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

g. The identity of any private or nonprofit entities that have participated in the approved project and the total amount of housing incentive payments from each entity;

7. A running total of the amount of funds all participating local governments have expended on all approved projects within the district;

8. A running total of the number of housing units constructed in the district by a developer that has received housing incentive payments; and

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

(b) Beginning November 1, 2027, the department shall submit an annual report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue summarizing the information it has received from local governments under paragraph (a) of this subsection.

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

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

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