## Local Government Mandate Statement Kentucky Legislative Research Commission 2024 Regular Session

**Part I: Measure Information** 

Bill Request #: 1004
Bill #: HB 172
<b>Document ID</b> #:1945
Bill Title: AN ACT relating to eminent domain.
Sponsor: Representative Steven Doan
Unit of Government: X City X County X Urban-County  X Charter County X Consolidated Local X Government
Office(s) Impacted: Treasury
Requirement: X Mandatory Optional
Effect on  Powers & Duties: X Modifies Existing Adds New Eliminates Existing

## Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

KRS 416.660 currently requires that owners of property to be condemned through eminent domain be compensated for the difference in fair market value of the property before the condemnation and the fair market value after the condemnation. HB 172 would amend KRS 416.660 to establish that in addition to the current requirements, if the owners of land condemned pursuant to eminent domain are required to relocate as a result of the condemnation, they shall be compensated for any discount points necessary for them to obtain the same mortgage interest rate on the newly-purchased property as they had on the condemned property.

HB 172 would have an indeterminable but likely negative fiscal impact on local governments. For example, home mortgage rates have increased over the past year and a half, rising to 7.79% in October 2023. However, the 30-year fixed mortgage rate fell to 6.60% the week ending January 18, 2024, and industry experts forecast a slow decline in interest rates in 2024. (<a href="www.forbes.com/advisor/mortgages/mortgage-interest-rates-forecast/">www.forbes.com/advisor/mortgages/mortgage-interest-rates-forecast/</a>). Those owners of condemned property who have owned the property for two

years or more likely are paying a lower interest rate on their mortgage than is currently available.

A local government seeking to condemn a private home, in addition to compensating for the assessed value of the home and property, under the bill would be required to pay more under HB 172 in order for the owner of the condemned property to obtain a mortgage on a new home for the same interest rate as on the home being condemned.

The Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 requires that an individual, partnership, corporation, or association whose real property is acquired or who must move as a result of a project receiving federal funds receive compensation and assistance in moving from the condemned property. Compensation may include the increased mortgage interest costs. (49 DFR 24.401(d)). https://www.hud.gov/sites/dfiles/OCHCO/documents/1378CPDH.pdf).

Input for this mandate statement was requested from the Kentucky League of Cities (KLC). If input is received from KLC this statement may be amended.

**Data Source(s):** Kentucky Association of Counties; websites:

www.forbes.com/advisor/mortgages/mortgage-interest-rates-forecast/), 49

DFR 24.401(d).

https://www.hud.gov/sites/dfiles/OCHCO/documents/1378CPDH.pdf

**Preparer:** ;Mary Stephens (BW) **Reviewer:** KHC **Date:** 1/24/24