

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2025 Regular Session**

**Part I: Measure Information**

|                        |  |                 |                              |
|------------------------|--|-----------------|------------------------------|
| <b>Bill Request #:</b> | 359  | <b>Bill #:</b>  | HB 514                       |
| <b>Document ID #:</b>  | 3852   | <b>Sponsor:</b> | Representative Sarah Stalker |
| <b>Bill Title:</b>     | AN ACT relating to affordable housing developed on property owned by religious institutions. |                 |                              |

Unit of Government:     City                       County                       Urban-County  
                                   Charter County         Consolidated Local       Unified Local

Office(s) Impacted:    Any entity that enacts zoning regulations

Requirement:             Mandatory             Optional

Effect on Powers & Duties:     Modifies Existing     Adds New     Eliminates Existing

Other Fiscal Statement(s) that may exist:     Actuarial Analysis             Corrections Impact  
     Health Benefit Mandate     State Employee Health Plan

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

HB 514 would create a new chapter within KRS 100 to establish a framework allowing religious institutions to develop affordable housing on their property. In areas with zoning regulations, a religious institution’s affordable housing development would be permitted in all zones that allow residential use and would be subject only to a ministerial review by a planning unit to ensure compliance with statutory requirements.

To qualify, the development must be located on property owned by a religious institution for at least two years prior to application, exclusively contain affordable housing units for low-income households (except for dwellings associated with the primary religious use), and maintain this status for at least ten years. Additionally, the development must be secured under a legally binding agreement or deed restriction and be subject to annual reporting requirements.

HB 514 would limit each development to 25 units and prohibit a religious institution from exceeding that number on contiguous properties or within a half-mile radius. All other necessary permits, including building permits, would still be required. While developments would have to comply with applicable zoning design standards, religious developers would be allowed to seek variances, which planning units would have the authority to decide.

If a development no longer met the bill's requirements, the property owner would need to seek standard planning approvals applicable to other developers. Religious institutions could also propose larger affordable housing projects beyond the 25-unit limit, but such projects would require a public meeting and planning commission approval.

**The fiscal impact of HB 514 is indeterminable.**

The fiscal impact of HB 514 would likely vary by jurisdiction, depending on factors such as the level of interest from religious institutions in developing affordable housing, the existing demand for such housing, and the availability of suitable properties. Urban areas may see more engagement in these developments due to greater housing needs and a higher concentration of religious institutions.

A 2023 report from the Kentucky Housing Corporation estimates that Kentucky faces a housing shortage of approximately 206,000 units. According to the Canopy Forum on the Interactions of Law & Religion, religious organizations involved in housing development nationally often partner with independent, secular developers or operate through faith-based non-profit community development corporations (CDCs). A 2010 industry survey found that 14% of CDCs identified as faith-based, though the level of participation in affordable housing development varies.

The potential impact on property tax revenues is uncertain. While affordable housing developments could provide economic and social benefits, their placement in residential zones may influence surrounding property values. According to the Kentucky League of Cities, property taxes are a critical revenue source for Kentucky cities, accounting for 22.1% of total city revenues in FY 2023, with cities collectively generating \$534 million from this source. Any changes in property values could affect tax revenues, with smaller cities being more vulnerable due to their reliance on this funding. The Kentucky Association of Counties also noted that fluctuations in property values could impact county property tax revenues.

**Data Source(s):** LRC Staff; Kentucky Housing Corporation; Canopy Forum on the Interactions of Law & Religion; Kentucky League of Cities; Kentucky Association of Counties

**Preparer:** AS **Reviewer:** JB (MDA) **Date:** 2/18/25