Local Government Mandate Statement
Kentucky Legislative Research Commission
2026 Regular Session

Part I: Measure Information

Bill Request #:	1742	**Bill #:**	SB 9/HCS1
Document ID #:	9995	**Sponsor:**	Sen. Robert Mills
Bill Title:	AN ACT relating to housing districts.		

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

Office(s) Impacted: City legislative bodies, fiscal courts, planning commissions, zoning and planning departments, building inspection and permitting offices, sheriffs

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

Section 1 would create a new section of KRS Chapter 65 to define terms used in Sections 1 to 6 of the Act relating to residential infrastructure development districts. It would define terms including developer, establishing ordinance, infrastructure, infrastructure costs, initiating petition, local government, owner, residential infrastructure development district, and special assessment. It would also define a residential infrastructure development district as an area with a residential development of at least five acres, requiring at least $5 million in capital costs, with more than half of its space dedicated to residential housing.

Section 2 would create a new section of KRS Chapter 65 to establish the process for creating a residential infrastructure development district. It would require the developer and each property owner within the proposed district to sign and submit an initiating petition to the local government with specified information about the project, the

property, anticipated infrastructure, and the proposed special assessment. It would require approval from mortgage or lien holders before encumbered property could be included. It would require the local government, within 90 days, to approve or deny the petition in its discretion, and if approved, to hold a public hearing and adopt an establishing ordinance containing specified information. It would provide that a signed property owner could not remove his or her name from the petition and would require the district to be dissolved once all debt obligations for infrastructure costs are paid.

Section 3 would create a new section of KRS Chapter 65 to authorize a local government to issue bonds, notes, or other debt obligations to pay for infrastructure costs identified in the establishing ordinance, reimburse a developer for prior qualifying infrastructure costs, or refinance those obligations. It would require revenue from special assessments levied under Section 4 to be used to pay those obligations and would limit the term of the debt to no more than 30 years from first issuance.

Section 4 would create a new section of KRS Chapter 65 to authorize a local government, after adopting an establishing ordinance, to levy special assessments on all property within the district to pay infrastructure costs and certain administrative costs. It would require the local government to determine the total costs to be paid through the assessments and apportion them among properties according to the benefits conferred, taking into account factors such as frontage, area, and assessed value. It would require the assessments to be imposed and collected annually, allow up to 5 percent of assessment revenue to be used for administrative expenses, require the preparation and updating of an assessment roll, and impose monthly interest and penalties on delinquent assessments.

Section 5 would create a new section of KRS Chapter 65 to establish that a special assessment, accrued interest, and collection costs would constitute a lien on the assessed property. It would provide that the lien would be superior to deeds of trust, mortgages, mechanic's liens, and other encumbrances, but not superior to tax liens or a lien under KRS 65.8835. It would also require taxes, penalties, and interest on ad valorem taxes to be paid first before amounts collected are applied to the special assessment, and would allow redemption within one year of property sold to the local government because of delinquent assessments if the full amount due, plus interest and penalties, is paid.

Section 6 would create a new section of KRS Chapter 65 to allow two or more local governments to jointly form a residential infrastructure development district. It would require the participating local governments to enter into an interlocal agreement under KRS 65.210 to 65.300, follow the procedures in Section 2, and allow them to satisfy the public hearing requirement through one joint hearing. It would also require the local governments, before finalizing the establishing ordinances, to determine which local government will be responsible for specified infrastructure costs and collection of special assessments, and to include that information in the ordinance and interlocal agreement.

Section 7 would create a new section of KRS Chapter 65 to authorize local governments to establish housing development districts and administer a Housing Incentive Payment Program for certain residential projects. It would define terms used in the section,

including approved project, housing development district, project, revitalization, and taxing authority. It would authorize a local government to establish a district by ordinance, notify the Cabinet for Economic Development and Department for Local Government, and notify affected property owners by certified mail, with an opportunity for owners to request exclusion from the district. It would allow a developer to petition for a district and require exclusion of a parcel if the owner timely requests it. It would also allow a local government to exempt development in the district from normal planning and zoning review or provide an alternative review process, subject to a public hearing, mailed notice, and a separate vote.

Section 8 would create a new section of KRS Chapter 65 to establish that an applicant for a building permit, development plan, or subdivision plat obtains a vested property right in the property subject to the application on the date the applicant files an application that substantially complies with local requirements. The vested right would allow the applicant to use the development standards in effect on the date of application, subject to limited exceptions, and would continue for specified vesting periods unless terminated under the section. "Development standards" would include standards adopted by a planning unit or local government relating to planning and zoning, stormwater, construction or building requirements, streets, alleys, curbs, sidewalks, layout or design, and lot size or dimension, but would exclude standards required by federal or state law. The bill would clarify that the development standards in effect would be determined by the date the application is submitted, and that the authority could not deny an application due to a change in development standards that occurs after submission but before the authority decides whether to approve or deny the application. If the vested right arises from a building permit, the right would begin on the date of application and remain in effect for the duration of the permit, including approved renewals, but would terminate if the applicant fails to pursue site preparation or construction with reasonable diligence. If the vested right arises from approval of a preliminary development plan, the initial vesting period would be three years following approval. To maintain the right, the applicant would be required to obtain approval of a final development plan if required, secure all necessary permits, and pursue site preparation or construction with reasonable diligence. If these requirements are met, the vesting period would extend an additional two years, during which construction must begin, and would continue during construction until final completion is certified, subject to a maximum of ten years from initial approval. For phased developments, separate vesting periods would apply to each phase, but the total vesting period would not exceed fifteen years from initial approval. A relevant authority, defined as a local governmental entity that enforces development standards and has a planning unit, could grant extensions of vesting periods but could not require an applicant to waive vested rights as a condition of approval. The section would authorize a relevant authority to terminate vested rights during the vesting period upon written notice if the applicant materially violates an approved plan or local ordinance, if state or federal law precludes the approved development, or if the applicant intentionally supplies inaccurate or misleading information. The applicant would be given ninety days to cure the violation. A relevant authority could allow the right to remain vested upon a written determination that doing so is in the community's best interest. The section would allow enforcement of new or contrary development standards despite a vested right if the

applicant consents, if a compelling public health, safety, or welfare interest exists that cannot be reasonably mitigated, if a newly discovered natural or manmade hazard poses a serious threat that cannot be reasonably mitigated, or if a new standard is required by state or federal law. Certain findings would be required to be made in writing. The section would clarify that a vested property right does not alter eminent domain powers under the Eminent Domain Act of Kentucky. It would also provide that the section does not impair a planning unit's general planning and zoning authority, but that a vested right would preclude planning and zoning actions that would alter, impair, diminish, or delay development in accordance with the approved application. If a moratorium on development or construction is enacted, the vesting period would be tolled during the moratorium. The section would require an applicant seeking to amend an approved development plan to obtain approval from the relevant authority and would authorize denial of amendments that substantially alter the proposed use, expand the development, increase density with substantial impacts, alter the size of nonresidential structures, or substantially increase public expense. If an amendment is denied, the applicant could proceed under the previously approved plan and retain the vested right or allow the vested right to terminate and apply for new approval.

Section 9 would amend KRS 100.347 to limit standing to challenge a final action of a planning and zoning authority to the applicant who initiated the proceeding; the owner of the property that is the subject of the final action; or a third party who owns real property within the same zone as the subject property, would sustain actual damages that are personal and distinct from those suffered by the public generally, and participated in the approval process before the final action by submitting a written statement or speaking at a public hearing. Other persons or entities would not have standing to challenge a final action under the section.

Section 10 would create a new section of KRS Chapter 198B to establish timelines and procedures for permit review and allow the use of qualifying third-party inspectors for certain residential construction projects of 10 or fewer units. It would require regulatory authorities to provide applicants with permit requirements, notify applicants within five business days whether an application is complete, and conduct plan reviews within 10 business days and inspections within five business days, subject to limited extensions.

Section 10 would allow applicants to use qualifying third-party inspectors to perform plan reviews and inspections, either when a regulatory authority cannot meet deadlines or at the applicant's discretion. If a regulatory authority cannot meet deadlines, it would be required to refund certain fees, and if it fails to meet deadlines after indicating it could, it would be required to issue a temporary permit and refund fees.

Section 10 would require third-party inspectors to meet licensing, competency, insurance, and reporting requirements and to submit affidavits certifying compliance with applicable standards. It would require regulatory authorities to rely on third-party inspections unless a deficiency is identified, void conflicting local rules, allow stop-work orders for safety concerns, and provide immunity from liability for regulatory authorities related to third-party inspector actions.

Section 11 would amend KRS 198B.060 to allow a person seeking a plan review or inspection to have that review or inspection performed by a licensed third-party inspector in accordance with Section 10 of the Act, notwithstanding any provision of law to the contrary.

Section 12 would amend KRS 381.785 to declare that planned communities should not include any group of individual lots that would otherwise be required to comply with KRS 381.785 to 381.801, but which has four or fewer individual lots in the group.

Section 13 would amend KRS 381.794 to exempt associations for planned communities containing fifteen or fewer lots from existing financial recordkeeping and reporting requirements. It would also allow those smaller associations to voluntarily adopt those financial reporting standards through their governing documents.

Section 14 would amend KRS 381.9197 to exempt condominium associations containing fifteen or fewer units from existing financial recordkeeping and reporting requirements. It would also allow those smaller condominium associations to voluntarily adopt those financial reporting standards through their governing documents.

Section 15 would create a new section of KRS Chapter 65 to prohibit local governments and special districts from adopting or enforcing occupancy limits of fewer than two occupants per bedroom or restrictions based on familial relationship or marital status. It would clarify that local governments may still enforce state building codes and fire and safety regulations.

Section 16 would create a new section of KRS Chapter 100 to limit local minimum parking requirements. It would prohibit planning units from requiring more than one parking space per residential unit and from requiring minimum parking for change-of-use projects, licensed child-care facilities, deed-restricted affordable housing, or assisted living facilities. It would allow developers to provide additional parking voluntarily and permit planning units to request modifications if reduced parking would create substantial transportation or traffic impacts.

Section 17 would create a new section of KRS Chapter 100 to require mixed-use residential and multifamily residential developments to be permitted uses in commercial zones. It would prohibit local governments from banning these developments, imposing more restrictive requirements than other commercial uses, or requiring additional parking beyond the limits established in Section 16. It would exempt properties within historic overlay districts unless a local government elects to apply the provisions.

Section 18 would create a new section of KRS Chapter 65 to limit local regulation of short-term rentals. It would prohibit local governments from requiring conditional use permits, imposing density limits, restricting operation in residential zones, limiting the number of short-term rentals, imposing residency requirements, restricting platforms, or prohibiting tenant-operated short-term rentals with landlord permission. It would allow

local governments to require registration with limited information and capped fees, provide limited enforcement and revocation authority, allow health and safety regulations applied uniformly, and preempt conflicting local ordinances while preserving private homeowners association restrictions

Section 19 would amend KRS 198B.030 to require the Department of Housing, Buildings and Construction, when proposing a new or amended administrative regulation, to conduct a cost-benefit analysis evaluating the impact on residential construction. The analysis would be required to include estimated compliance costs for residential builders, potential public benefits, and any projected increase or decrease in residential construction. The section would also require the analysis to be completed before submission of the regulation to the applicable committee and to be included as an attachment when the regulation is filed with the Legislative Research Commission.

Section 20 would amend KRS 211.203 to revise the exemption from lifeguard and safety requirements for certain private residential pools. It would remove language exempting pools used by guests who gained access through a sharing platform or paid a fee, and instead exempt any pool located on the same plat as a single-family residence that is not used in connection with a home occupation or business.

Section 21 would create a new section of KRS Chapter 65 to allow low-voltage battery-charged security fences on nonresidential property without requiring local permits or approvals, except for alarm permits if required. It would define qualifying fences, establish safety and signage requirements, prohibit use on residentially zoned property, and clarify that local governments may still regulate nonelectric perimeter barriers under generally applicable safety, building, and zoning requirements.

Section 22 would create a new section of KRS 383.200 to 383.285 to require automatic expungement of forcible detainer cases where the case is dismissed or judgment is entered for all defendants after appeal rights have expired or become final. It would require courts and clerks to expunge records without a motion, remove records from court and consumer reporting systems, prohibit disclosure of the case, and allow individuals to deny the existence of the case for employment, credit, or other purposes.

Section 23 would create a new section of KRS 383.200 to 383.285 to prohibit naming minors as defendants in forcible detainer actions unless the minor is the primary leaseholder. It would allow the minor, a parent or guardian, or another defendant to petition to expunge the minor's name, require dismissal of the minor if improperly named, and clarify that the eviction may proceed against other defendants and that minors may still be evicted through "all occupants" eviction actions.

Section 24 would amend KRS 383.240 to require courts, in forcible detainer actions where judgment is entered for the defendants or the case is dismissed, to notify the parties that the record will be expunged pursuant to Section 22 after the appeal period expires or after any appeal becomes final. It would also provide that notice of the expungement

order is waived unless a party files a written request for notice before entry of the expungement order.

Section 25 would amend KRS 383.250 to require the clerk of the court to preserve all papers, records, files, and proceedings relating to a forcible detainer case and would remove language requiring the clerk to provide transcripts of those materials upon request.

Section 26 would amend KRS 367.310 to prohibit consumer reporting agencies from maintaining information related to dismissed forcible detainer actions and would revise existing language related to criminal charges.

The fiscal impact of SB 9/PHS1 is indeterminable.

Some provisions would create optional programs that local governments could choose to use, while other provisions would preempt existing local land use and regulatory authority and could affect local administrative costs and fee revenue.

Sections 1 to 7 could increase administrative workload for any local government that chooses to establish a residential infrastructure development district or housing development district. Those costs could include public hearings, ordinance drafting, assessment administration, reporting, and ongoing program oversight. For residential infrastructure development districts, up to 5 percent of special assessment revenue could be retained for administrative expenses, which could offset some local costs. For housing incentive payment districts, however, participating local governments and other participating taxing authorities could incur direct fiscal impacts because incentive payments would be based on property taxes actually paid. Because participation in these programs would be discretionary, the magnitude of the fiscal impact would depend on whether and how often local governments elect to use them.

Sections 8 through 11 could increase administrative and legal costs for planning units and local governments by requiring them to track vested rights from the date of application, administer vesting periods and extensions, make written findings in certain cases, review amendment requests, and process permit applications under new timelines. Sections 10 and 11 could also reduce local fee revenue in some cases because regulatory authorities would be required to refund certain review or inspection fees if deadlines are not met, and applicants could choose to use third-party inspectors. At the same time, Section 9 could reduce some litigation costs by narrowing standing to challenge final planning and zoning actions. The net effect of these provisions would depend on local development activity, staffing levels, and the frequency of permit disputes and litigation.

Under Section 9 local governments and planning units would have additional administrative expenses related to determining whether applications substantially comply with local requirements, tracking vesting periods from the date the application was submitted, administering multi-year vesting periods and potential extensions, issuing written notices and findings in certain situations, and processing and documenting approvals, denials, and terminations. The magnitude of these expenses would vary by jurisdiction and would likely be greater in jurisdictions experiencing higher levels of development activity. Developers could more frequently challenge local government actions related to vesting determinations, which could result in additional legal costs for local governments. At the same time, Section 10's limitation on standing to challenge final planning and zoning actions could reduce the number of appeals or lawsuits that local governments must defend, which could partially offset administrative and legal costs in jurisdictions where land use decisions are frequently litigated. SB 9/PHS1 would limit local governments' ability to apply newly adopted development standards to projects with vested rights. Locking developments into earlier standards could have fiscal effects depending on the nature of those standards. In some cases, new standards may increase local government costs, and the bill could reduce those costs by allowing projects to proceed under earlier standards. In other cases, new standards may reduce local government costs, and locking in earlier standards could limit those savings. The direction and magnitude of these impacts would depend on the specific standards involved, how often standards change, the pace of development within a jurisdiction, and whether developments qualify for and maintain vested rights. While the bill allows enforcement of certain new standards under limited circumstances, the fiscal effect of these provisions is also indeterminable. The requirement that the relevant authority review and approve amendments to approved development plans could also result in fiscal impacts. Developers may submit amendment requests that require administrative review and evaluation, which could increase workload for local governments. At the same time, the authority may deny amendments that would substantially increase public expense, which could prevent additional costs to the local government. The overall fiscal impact of this provision is indeterminable because it depends on the number of amendment requests submitted, how often the proposed amendments would increase public expenses, the magnitude of those potential costs, and whether the relevant authority elects to deny those amendments under the permissive language of the section.

Sections 15 through 18 and Section 21 could reduce local regulatory flexibility and, in some jurisdictions, reduce local fee revenue. In particular, Section 18 could have a negative fiscal impact on jurisdictions that currently regulate short-term rentals through conditional use permits or similar local approval processes, because the bill would limit those tools and cap registration fees at $150. These sections could also require local governments to revise ordinances and administrative practices. In addition, Sections 16 and 17 could indirectly affect local infrastructure and service costs if reduced parking requirements and broader allowance of multifamily or mixed-use residential development lead to additional development activity. Those impacts could be positive or negative depending on local conditions, development patterns, and whether additional development expands the local tax base.

Sections 12 through 14, 19, and 20 do not appear to have a direct fiscal impact on local governments. Sections 22 through 26 primarily affect court procedures, expungement, and consumer reporting practices and likewise do not appear to create a direct fiscal impact on cities, counties, or other local governments.

Overall, the fiscal impact of SB 9/HCS 1 on local governments is indeterminable. Some jurisdictions could experience increased administrative and legal costs and reduced fee revenue, while others could see limited impacts or potential offsets depending on the extent of local participation in the optional programs and the level of development activity.

Data Source(s): LRC Staff

Preparer: AS **Reviewer:** JB (MDA) **Date:** 4/1/26