#KAHC26

KAHC

Kentucky Affordable Housing Conference

Building on Faith: YIGBY Housing Development with Purpose

KAHC

Projected Church Closings

15,000 closures expected in 2025 alone:

- Analysts and denominational consultants estimate that up to 15,000 churches could close in 2025 due to demographic shifts, declining attendance, and financial strain.

100,000 closures over the coming years:

- The National Council of Churches has warned that approximately 100,000 U.S. churches—around a quarter of the estimated 350,000 – 400,000 churches—may close in the foreseeable future.

Much of the closures results from small congregations with fewer than 50 members. Megachurches remain relatively stable.

HB 333
"Yes In God's Back Yard" (YIGBY Bill)

Bill Details

Affordable housing developed by a religious developer shall be considered a permitted use.

The development shall not be subject to permitting, review, or other regulation under KRS Chapter 100, except for ministerial review by a planning unit for compliance.

Definitions

"Affordable Housing" means a residential dwelling unit for a household earning up to 80% AMI.

"Homeless Shelter" means a facility used primarily to provide temporary shelter, including day shelters, overnight shelters, or temporary cooling or warming shelters, for the homeless. May provide:

1. Overnight sleeping accommodations;
2. Meals; and
3. Ancillary social, educational, or health services.

Definitions

"Religious Developer" means a religious institution or any property developer working on behalf of a religious institution.

"Religious Institution" means a bona fide church, religious denomination, or religious organization, determined by the IRS to be tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

Ministerial Review Requirements

To qualify under HB333, a development must:

- Be located on property owned by the religious institution.
- The property must have been purchased by the religious institution prior to January 1, 2026.
- The property must be owned by the religious institution for fifteen (15) years from the date of the certificate of occupancy, or, if a certificate of occupancy is not required, from the date of the final building permit inspection.
- The development must be exclusively for affordable housing and have twenty-four (24) or fewer units.

Ministerial Review Requirements

A development must:

- Be located on a parcel in a commercial or business zone;
- Be on a parcel in a residential zones that is adjacent to a road classified as part of the state primary road system pursuant to KRS 177.020 and is adjacent to a parcel in a commercial, business, or industrial zone; or
- Contain a structure that was used as a school prior to July 15, 2026 and the development is for the conversion of the structure into affordable housing.

Ministerial Review Requirements

- The development must not lead to more than twenty-four (24) affordable housing units being located on the parcel, any contiguous parcel owned by the religious institution, or cumulatively on parcels owned by the religious institution within one-half (1/2) mile of the development.
- The obligation that units developed are affordable must be recorded in a legally binding agreement or deed restriction and maintain affordability for fifteen (15) years from the date of the certificate of occupancy (CO) or final building permit inspection when a CO is not required.

Ministerial Review Requirements

- The religious developer must submit an annual report to the certifying planning unit that the requirements above continue to be met for the property.
- The religious developer must have obtained all other permits, including building permits.
- Should the development at some point no longer meet the ministerial requirements, the property owner must seek all approvals for the development from the planning unit that would normally be required had the property not met the ministerial review requirements.

Homeless Shelter

A religious institution that seeks to privately operate a homeless shelter designed to provide temporary living accommodations or a temporary cooling or warming center during extreme weather events shall be considered a permitted use in all commercial, business, or industrial zones provided the religious institution has obtained all other permits required by law.

Benefits of Development to Religious Institutions

- Long-term revenue streams: Can create stable, predictable income to support the institution's mission.
- Future-proofing the institution: Housing projects can secure financial sustainability for congregations experiencing declining membership or underutilized assets.
- Expanding social impact: Affordable housing development can become part of broader outreach initiatives, such as food programs, childcare, or workforce services.
- Fostering goodwill and trust: Visible community investment often strengthens relationships with neighbors, local government, and civic organizations.

Most religious institutions don’t have development expertise.

However, developers do.

Benefit of Working with a Developer

- Technical expertise - affordable housing finance, construction, and regulations
- Experience structuring deals using tax credits, grants, and public funding
- Project management capacity – architects, contractors, engineers, and consultants
- Financial Risk Management – Secure capital stack / financial modeling
- Property & Operations Expertise – property management, maintenance, and compliance
- Community & Political Navigation – Work with city officials and neighbors

HB 333 Has a Catch: Ownership Requirements

- Religious institutions can't sell to a developer and benefit from HB 333.
- The religious institution must maintain ownership for 15 years after CO or date of final building permit inspection if CO is not required.

Workaround: Church Maintains Ownership and Enters Into Ground Lease

Advantages of Ground Leases

Protects Long-Term Ownership

- Allows church to keep ownership of the land while partnering with a developer who builds and operates the housing.
- Ensures property remains aligned with its mission.

Creates Stable, Predictable Income

- Typically provide reliable lease payments over 50-99 years.
- Becomes a steady revenue stream that can support ministry, building maintenance staffing, or outreach programs.

Advantages of Ground Leases

Reduces Financial and Development Risk

- Church avoids taking on construction debt, operational risk, or complex compliance responsibilities.

Ensures Mission Alignment Over Time

- Ground leases can include terms that protect affordability, community-serving uses, or religious values.
- Ensures project continues to serve the population the church intended—often for decades.

Advantages of Ground Leases

Leveraging Underused Land Without Selling It

- Many churches have excess land, parking lots, or aging buildings.
- Ground lease lets them put the land to use without giving it up permanently.
- Helpful for congregations concerned about stewardship of generational assets.

Advantages of Ground Leases

Enables Future Flexibility

- At the end of the lease term, the land—and often the building—returns to the church.
- Ensures long-term flexibility for future needs.

Strengthens Community Presence

- Churches increase their visibility and role in the neighborhood—which can revitalize congregational engagement.

HB 333 is now in effect.

How to Work With Churches

Learn the church's mission and culture first.

- Understand their theology around community service, land stewardship, and housing.
- Review their website, ministries, and outreach activities.
- Approach with respect for their mission—not just with a development proposal.

How to Work With Churches

Start with Relationship, Not Real Estate

- Request an informal meeting with the pastor or administrative leader.
- Share who you are and why you want to partner—not a fully baked concept.
- Demonstrate genuine interest in the congregation’s history and goals.

How to Work With Churches

Present Community Needs Clearly and Respectfully

- Share data about housing needs in the area (e.g., seniors, families, workforce).
- Explain how affordable housing can extend the church's ministry footprint.
- Frame your message in mission-aligned language (care, service, community strength).

How to Work With Churches

Emphasize Benefits to the Church

- Long-term revenue without selling land
- Mission-driven impact
- Retaining ownership through ground leases
- Reduced development and operation risk
- Stabilizing or revitalizing congregational presence

How to Work With Churches

Address Common Fears Upfront

Churches often worry about:

- Losing control of their property
- Being taken advantage of
- Community backlash
- Internal conflict among members

Address each clearly, with examples of successful faith-based projects.

How to Work With Churches

Offer Multiple Development Models

- Ground lease
- Joint venture
- Air rights development
- Adaptive reuse of buildings

Giving options empowers the church and builds trust.

How to Work With Churches

Provide Visuals and Real Examples

- Photos of other church-based housing projects
- Simple diagrams of how the land could be used
- Clear explanations of lease structures

Concrete examples help congregations imagine possibilities.

How to Work With Churches

Create Space for Discernment

Churches often move more slowly than developers.

- Expect multiple internal meetings and prayer/discernment periods.
- Encourage them to ask questions and involve key stakeholders.

This patience builds long-term partnership rather than transaction.

How to Work With Churches

Bring Experienced Advisors

- Attorneys knowledgeable in church property
- Faith-based development consultants
- Real estate experts who have worked with nonprofits

This signals credibility and reduces perceived risk.

How to Work With Churches

Partner in Community Outreach

If the project moves forward:

- Attend congregational meetings
- Help prepare materials for church members
- Lead informational sessions for neighborhood residents

This strengthens community support and reduces opposition.

How to Work With Churches

Maintain Transparency Throughout

- Clear development timeline
- Honest explanation of financials
- Open communication about risks

Churches value trust—protecting it is essential.

How to Work With Churches

Keep Mission at the Center

Always return to:

- Who the housing will serve
- How the project supports the church's vision
- Why the partnership matters for the community

This is how decisions are made in faith-based institutions.

Technical Assistance

KHC Resources

Coming Soon!

Resources on KHC's website
- This slide deck
- Toolkit

In the meantime, contact Heather Hairgrove, KHC's Housing Supply Accelerator, at hhairgrove@kyhousing.org.

Questions?