Kentucky Chamber
Center for Policy & Research

LET KENTUCKY BUILD

Bold Housing Reforms to Renew the American Dream in the Commonwealth



2026

In Partnership With

HBAK Home Builders Association Of Kentucky "Building Kentucky Together"

KENTUCKY REALTORS®

To grow Kentucky's economy.

To solve workforce challenges.

To help more Kentuckians achieve the American Dream.

WE NEED MORE HOUSING.

The Economic Impacts of Housing

$3.7B

Kentucky has missed out on an estimated $3.7 billion in economic output due to its housing shortage.

32,600

Since 2008, the state could have generated 32,600 more jobs with more home building activity.

1.5M

1.5 million Kentucky adults do not own a home, missing out on a key part of the American Dream.

It's time to let Kentucky build.

Contents

FRONT MATTER

Introduction 4

Report Guide 6

About Our Sources 7

PART I

The National Context 8

PART II

Six Facts That Explain Kentucky's Housing Crisis 13

1. Homeownership in Kentucky is more limited than you might think. 14

2. Home sale prices in Kentucky are rising more quickly than household incomes. 18

3. Kentucky's homeowner and rental markets have been tightening for more than a decade. 22

4. Kentucky isn't building enough housing. 24

5. Regulations, infrastructure mandates, and delays are making it harder to build – and driving up prices. 27

6. The costs of Kentucky's housing crisis are mounting. 35

CLOSING

It's time to let Kentucky build 53

About the Kentucky Chamber Center for Policy and Research 54

PART III

12 Bold Housing Reforms for Kentucky 39

1. Modernize rules for minimum lot sizes and setbacks. 41

2. Let the market determine how much parking is necessary for new housing. 42

3. Make the rules for development more predictable through vested rights protections. 43

4. Set expectations for expedient approval and review timelines. 44

5. Reduce costly delays by allowing third-party inspections. 45

6. Reduce barriers to mixed-use developments in commercial areas. 46

7. Let the market—not government—drive decisions on home building aesthetics. 47

8. Reduce delays caused by procedural challenges. 48

9. Encourage more public-private partnerships to increase housing supply. 49

10. Create opportunities for cost-sharing approaches to residential infrastructure. 50

11. Ease restrictions on shared housing to expand affordable housing options. 51

12. Require state agencies to consider the impacts on home building and gather more feedback from industry experts. 52



Introduction

In June 2024, the Kentucky Chamber Center for Policy and Research published a report titled, "Building a Foundation for Growth," calling for solutions to the state's housing challenges to ensure a stronger, more prosperous Kentucky economy.

> *"As the state continues to attract new business investments and orients public policy to grow our economy and workforce, these housing challenges will intensify, resulting in unsustainable growth and holding back Kentucky's potential. Kentucky's leaders need to act now."*
>
> — Building a Foundation for Growth, June 2024

Much has changed since then, but the need for solutions to our housing crisis has not. Despite advocacy from the business community and partners across the state, Kentuckians continue to face an unsustainable housing landscape—and public policy has yet to catch up.

This dynamic must shift. As reforms in Frankfort have stalled, housing challenges have persisted in Kentucky and, in some communities, worsened. Young Kentuckians struggle to find homes where they can start and raise a family. Local businesses can't hire workers and employers can't create new jobs because housing is too limited in their areas. Local leaders worry about residents leaving and the future of their communities.

It doesn't have to be this way. Just two decades ago, the Commonwealth built housing at a rate that could meet the needs of growing communities and new families. But that progress came to a halt after the Great Recession of 2007-2009, and a multitude of barriers emerged that have made it harder to build.

If we are serious about growing the economy, solving workforce problems, and helping more Kentuckians achieve the American Dream, we need a strong public policy foundation for building more housing in the Commonwealth—which is exactly what this report seeks to provide. It's time to reform our housing laws in the Commonwealth and let Kentucky build.



If we are serious about growing the economy, solving workforce problems, and helping more Kentuckians achieve the American Dream, we need a strong public policy foundation for building more housing in the Commonwealth.

This report stems from a partnership between the Kentucky Chamber Center for Policy and Research, the Home Builders Association of Kentucky, and KY REALTORS®. It reflects more than two years' worth of research and the combined experience and expertise of the state's business community, home building professionals, and licensed realtors. Each organization approaches this issue from different perspectives but shares a common belief: Kentucky needs more housing in order for our Commonwealth to thrive. And while solutions are needed from various corners—including the private and philanthropic sectors—there is a role that state policymakers can play to help ensure that Kentucky's public policy environment supports home building and access to housing.

This isn't about government interfering in the market. This is about making government work better by removing barriers to home building, supporting economic growth, and expanding opportunities for more Kentuckians to achieve the American Dream.

This isn't about government interfering in the market. This is about making government work better by removing barriers to home building, supporting economic growth, and expanding opportunities for more Kentuckians to achieve the American Dream.

Report Guide

This report is divided into three sections:

PART I

The National Context

Housing challenges are impacting communities across the country, and researchers from all sides of the ideological spectrum agree that the problem is fundamentally a housing supply shortage. Driven largely by restrictive government regulations, it's become harder to build in the United States, leaving everyday Americans with fewer options, higher prices, and less access to the bedrock of the American Dream: homeownership.

PART II

Six Facts That Explain Kentucky's Housing Crisis

As home building in Kentucky fell by 46 percent after the Great Recession of 2007-2009 and has been slow to recover, home prices have risen at unsustainable rates and local markets have tightened. Meanwhile, the consequences are mounting, as Kentucky businesses struggle to hire, community leaders worry about the future, and Kentuckians lose hope in the American Dream. Echoing the findings of academic research, Kentucky builders and realtors explain that a combination of government regulations, infrastructure mandates, and costly delays has made it harder for them to build and meet buyers where they are.

PART III

12 Bold Housing Reforms for Kentucky

Bold housing reforms are readily available. From cutting red tape and streamlining government bureaucracy to encouraging public-private partnerships and making development rules more predictable, state lawmakers can act quickly and boldly, following in the steps of states that have acted already. Kentuckians are looking to lawmakers to do their part and help strengthen access to housing and the American Dream in the Commonwealth.

About Our Sources

In developing this report, the Kentucky Chamber Center for Policy and Research drew from a wide range of different sources, making this report one of the most unique accounts of Kentucky's housing landscape.

Our key sources include:

01 Original analysis of data from the U.S. Census Bureau.

02 Quantitative analysis from organizations like the Harvard Joint Center for Housing Studies, the Federal Reserve Bank of Minneapolis, the U.S. Chamber of Commerce, Realtor.com, the National Association of Home Builders, and more.

03 Peer-reviewed research published in elite academic journals.

04 The results from six community listening sessions conducted by the Kentucky Chamber in July and August 2026, which included informal live polling of more than 100 community leaders in all regions of the state.

05 Feedback received from industry expert panels conducted by the Kentucky Chamber in partnership with KY REALTORS® and the Home Builders Association of Kentucky.

06 A survey of 600 registered Kentucky voters commissioned by the Kentucky Chamber and conducted by UpOne Insights August 30-September 2, 2026.

PART I

The National Context

227%

In the past 30 years, the total monthly cost of owning a median-priced home in the U.S. rose 227 percent.

20.7M

20.7 million U.S. homeowner households spend 30 percent or more of their household income on housing.

25.2M

25.2 million adults under 35 were still living with their parents last year.

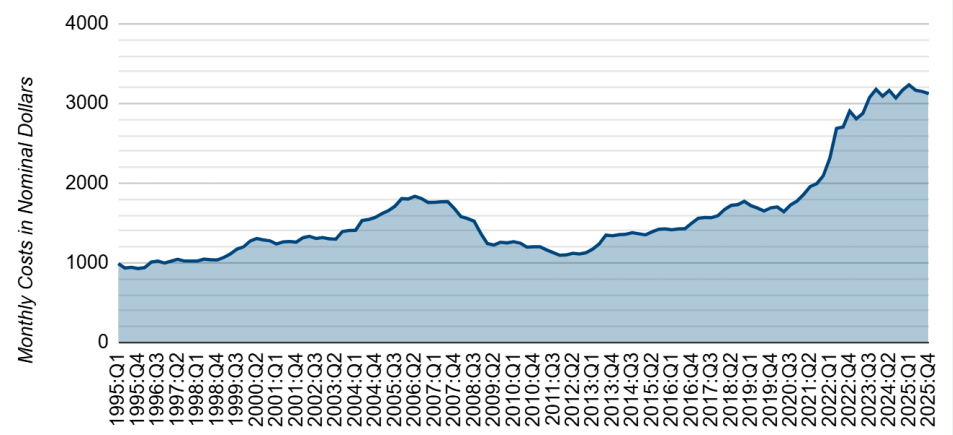
Researchers from all sides of the political spectrum argue that government regulations make it harder to build and have led to a nationwide housing shortage.

The U.S. housing crisis is no secret. Ask any young person about their experience buying—or attempting to buy—their first home, and you will hear stories of high prices, bidding wars, and few realistic options. The same could be said for many working-class families trying to put food on the table, workers getting back up on their feet after a spell of unemployment, single mothers trying to balance housing costs with child care and gas prices, seniors seeking out single-floor living, a teacher moving to a new school district, or a long-time renter trying to own a slice of property of their own for the first time. These personal stories reflect what we see in volumes of data and research.

FIGURE 1

Total Monthly Costs on a Median-Priced Home

Assumes a 3.5% down payment, 30 yr. 0.55% PMI, 0.35% insurance; 1.15% tax



Source: Harvard JCHS

Between 1995 and 2025, the total monthly cost of owning a median-priced home in the U.S. rose from $990 to $3,234, a staggering 227 percent increase over 30 years.

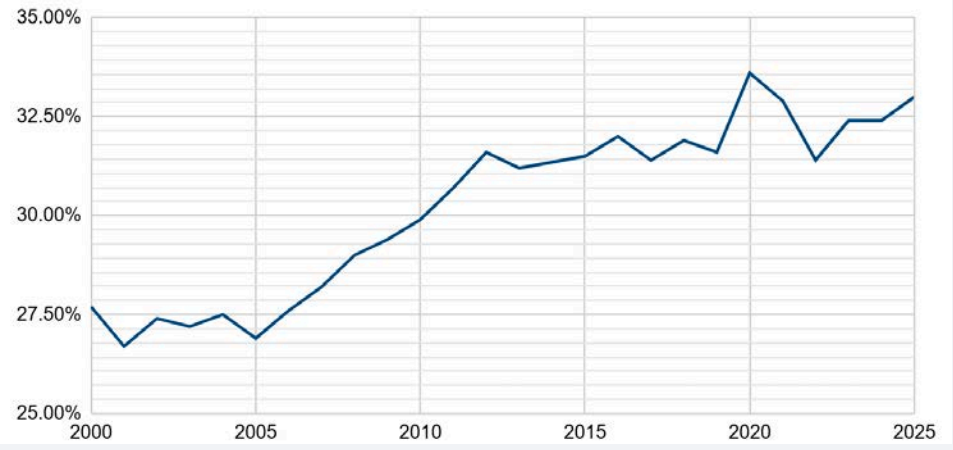
Because of rising housing costs, millions of Americans now spend more than 30 percent of their income on housing. In 2024, this included 20.7 million U.S. homeowners and 22.7 million renters.

This is not just a coastal problem. In areas like Nashville, TN, Columbia, MO, Columbus, OH, and Oklahoma City, OK, more than one-third of households spend at least 30 percent of their income on housing costs.

Another consequence of high housing costs: 2025 set a record for the number of U.S. adults under 35 still living with their parents. A review of Census data by economists at Realtor.com found that 25.2 million adults under 35 - roughly 33 percent - were still living with their parents last year.

FIGURE 2

Share of Young Adults Living with Parents



Source: Realtor.com analysis of IPUMS CPS Microdata

Researchers are nearly unanimous in identifying the main driver of America's housing crisis: **we have made it too hard to build, leading to an unprecedented imbalance between supply and demand. As a result, housing is hard to find and unaffordable for working-class families in America.**

The consensus around this explanation represents a rare instance of widespread agreement among economic policy scholars, who rarely agree on much of anything.

> *"**America's affordability crisis is a housing shortage**… The U.S. is short roughly 6 million homes. Home prices more than doubled over the past 15 years, but in many cities the policy response has been to make new homes harder to permit, harder to build, and thus harder to afford. Families are paying the price."*
>
> **THE AMERICAN ENTERPRISE INSTITUTE**

> *"The inability of working families to afford homes today has metastasized into more than an economic drag—it's becoming a social crisis. **Current housing regulations seem intentionally designed to drive up home prices.** This is great for well-off Boomers who see their homes primarily as 401(k)s with finished basements. But it's catastrophic for young couples hoping to get married and start families. **By some estimates, the U.S. housing shortage is already more than four million units.** Federal regulations should not stand in the way of new home building."*
>
> **THE HERITAGE FOUNDATION**

> *"The burden of soaring housing costs is primarily driven by the fact that the United States does not have enough housing to meet demand… **After years of underbuilding, we'll need sustained, above-average production to bring supply back in line with demand and ease the affordability crisis**… we cannot make headway on housing affordability over the long run without seriously scaling up home building at the same time."*
>
> **CENTER FOR AMERICAN PROGRESS**

> *"American cities are facing a housing affordability crisis because they are experiencing a housing shortage. **If we make it easier to build dense housing in these cities, then the resulting supply boost will ease the cost burden on renters and put homeownership within closer reach for millions of households.** Pro-housing policies that do things like eliminate restrictive zoning and streamline permitting won't eradicate homelessness or end the cost-of-living crisis on their own, but they would constitute a large and necessary step in the right direction."*
>
> **ROOSEVELT INSTITUTE**

> *"**The main cause of housing price rises is a shortage:** a disparity between the existing housing stock and demand for housing, especially at affordable rates. When the housing supply lags behind demand, a growing number of buyers compete for limited supply of homes, which drives up prices. **Today, America is short millions of homes at the exact moment that millions of young adults are ready to buy them.** The consequences are immediate and personal, as there is a growing sense that the American Dream is slipping away. Given evidence of historically low levels of construction, solutions to address the shortage should primarily focus on increasing stock by removing artificial barriers and costs to building."*
>
> **AMERICA FIRST POLICY INSTITUTE**

> *"Over the past two decades, housing costs have outpaced income growth in the United States, increasing the rent burden and heightening barriers to homeownership. **Policy experts and academics widely agree that these trends reflect a long-run housing supply shortage, which is a key driver of housing unaffordability.**"*
>
> **THE BROOKINGS INSTITUTION**

> *"The United States has underbuilt housing by millions of homes over the past 15 years. … **A housing supply inadequate to meet demand affects not just major coastal cities but also communities of all types across America.** The housing shortage directly hurts families by raising their housing costs to unaffordable levels."*
>
> **BIPARTISAN POLICY CENTER**

> *"Yet today, the most urgent challenge facing the housing market is declining affordability, fueled by a persistent and widening gap between supply and demand. **A severe shortage of over 4.7 million homes has created cascading economic and social challenges, from skyrocketing prices to reduced workforce mobility.** This deficit, rooted in a decade of underbuilding following the Great Recession and surging demand from millennials entering prime home-buying years, has driven up prices and worsened affordability."*
>
> **U.S. CHAMBER OF COMMERCE**

America's housing crisis comes with significant repercussions. Not only are millions of American households stretching their budgets thin due to high costs, but our economy is paying a price as well. Analysis by the U.S. Chamber estimates that housing challenges in the country's four largest state economies - California, New York, Texas, and Florida - resulted in lost economic output worth $156 billion in those states from 2008 to 2025. These states account for 37 percent of the U.S. economy.

LOST ECONOMIC OUTPUT, 2008–2025 · U.S. CHAMBER OF COMMERCE

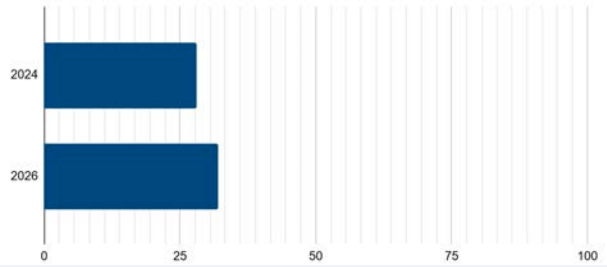
CALIFORNIA	NEW YORK	TEXAS	FLORIDA
$63,115,033,650	**$29,295,455,903**	**$38,385,504,157**	**$25,831,270,240**

More troubling than the economic impacts are the potential social impacts. The U.S. housing crisis may be causing some Americans to lose hope in the American Dream. In a 2026 survey by Gallup, "financial security and homeownership" were the second most common words respondents selected when asked, "What words or phrases come to mind when you think about the American Dream?"

That same survey found that 32 percent of Americans do NOT think they will ever achieve the American Dream, up from 28 percent in 2024. Even more disagree with the statement that "everyone in this country has the opportunity to achieve the American Dream."

FIGURE 3

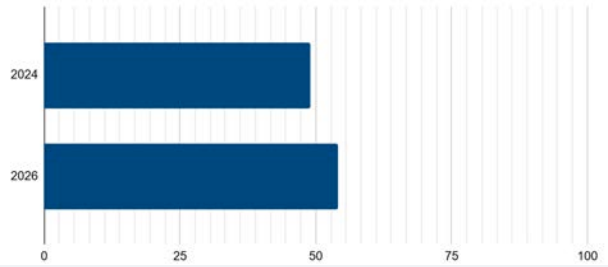
Share of American adults who do NOT think they will ever achieve the American Dream



Source: Gallup, June 2026

FIGURE 4

Share of American adults who do NOT think everyone in this country has the opportunity to achieve the American Dream



Source: Gallup, June 2026

The housing crisis is dragging down the U.S. economy—and putting a defining feature of American life out of reach for millions of Americans.

PART II

Six Facts That Explain Kentucky's Housing Crisis

The housing crisis sweeping the nation is playing out differently in states and communities across the country. Kentucky has been far from immune to this contagion. Once viewed as one of the most affordable states in the nation and a strong producer of new housing units, housing has since become a major challenge in Kentucky communities. Today, residents face high prices and limited options; businesses struggle to hire and grow jobs; local leaders have serious concerns about the economic future of their areas; and many Kentuckians are growing pessimistic about the American Dream in the Commonwealth and prospects of homeownership for the next generation.

THE SIX FACTS

01

Homeownership in Kentucky is more limited than you might think.

02

Home sale prices in Kentucky are rising more quickly than household incomes.

03

Kentucky's homeowner and rental markets have been tightening for more than a decade.

04

Kentucky isn't building enough housing.

05

Regulations, infrastructure mandates, and delays are making it harder to build – and driving up prices.

06

The costs of Kentucky's housing crisis are mounting.



01 FACT 1 OF 6

Homeownership in Kentucky is more limited than you might think.

KEY FINDINGS

- 1.5 million Kentucky adults are not homeowners, missing out on a key part of the American Dream.
- 68 percent of community leaders we spoke to said it was unlikely a college graduate could move back to their community and find an affordable starter home or rental.
- 94 percent of 18- to 34-year-old registered voters in Kentucky think it is harder to find and afford a home today than it was for their parents when they were their age.

Kentucky's homeownership rate is typically cited at 68 percent, giving the impression that 68 percent of Kentucky adults are homeowners. But this metric doesn't measure that. Instead, it describes the share of occupied housing units that are owner-occupied. The share of Kentucky adults who are homeowners is lower, raising concerns about access to the American Dream and long-term financial security for Kentuckians.

Using a metric called the homeownership-to-population ratio created by the Federal Reserve Bank of Minneapolis, 57.9 percent of Kentucky adults were homeowners in 2024 - roughly 10 percentage points lower than the traditional homeownership rate estimate. This means there are an estimated 1.5 million Kentucky adults who are non-homeowners.

A smaller share of our adult population owned a home in 2024 compared to the period preceding the Great Recession. In 2006, 60.1 percent of Kentucky adults were homeowners. Ratios declined following the Great Recession but began recovering around 2016. In 2024, the recovery stalled, with homeownership dropping from 59.2 percent to 57.9 percent.

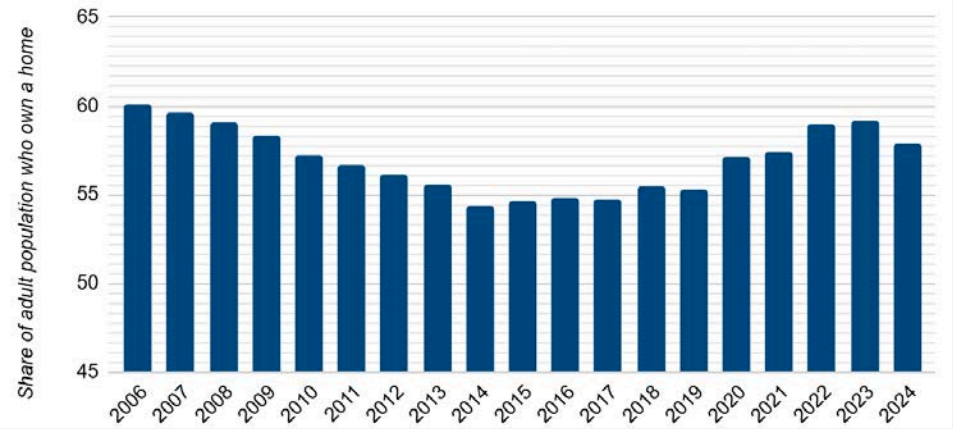
TWO WAYS TO MEASURE HOMEOWNERSHIP IN KENTUCKY

Traditional homeownership rate (share of housing units owner-occupied)	68%
Homeownership-to-population ratio, 2024 (share of adults who own a home)	57.9%

Source: Federal Reserve Bank of Minneapolis

FIGURE 5

Homeownership-to-Population Ratio in Kentucky, 2006-2024

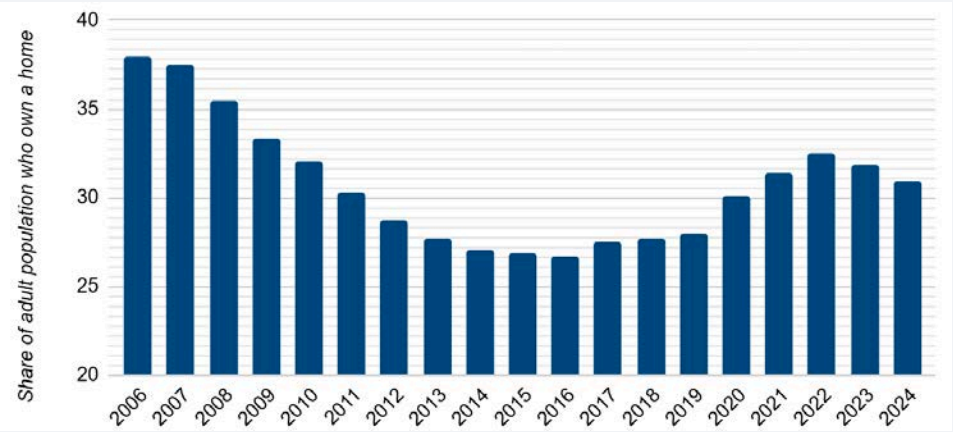


Source: Federal Reserve Bank of Minneapolis

Homeownership among young adults is much lower than among the general adult population. Nationwide, the homeowner ratio for adults ages 25-34 years is only 30.9 percent. This number has fallen since 2006 when it was 38 percent.

FIGURE 6

Homeownership-to-Population Ratio, 25- to 34-Year-Olds, 2006-2024

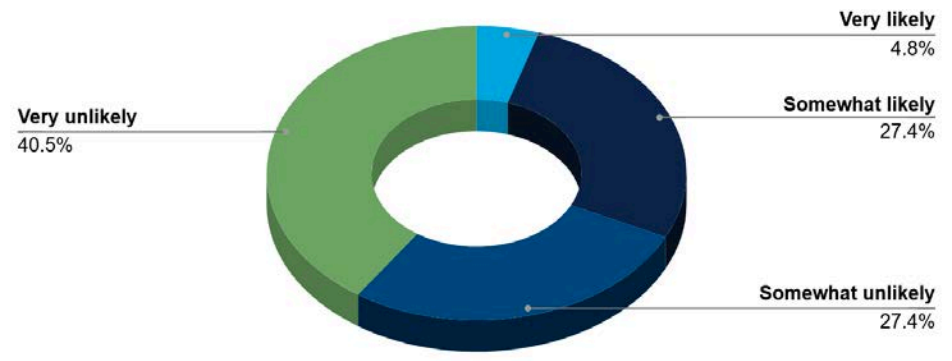


Source: Federal Reserve Bank of Minneapolis

Economists at the Federal Reserve Bank of Minneapolis did not break down state-level data by age, but the national data on homeownership among young adults echoes feedback we heard during our community listening sessions around the state.

FIGURE 7

If a young adult grew up in your community and wanted to move back after college, how likely is it that they could find an affordable starter home or rental?



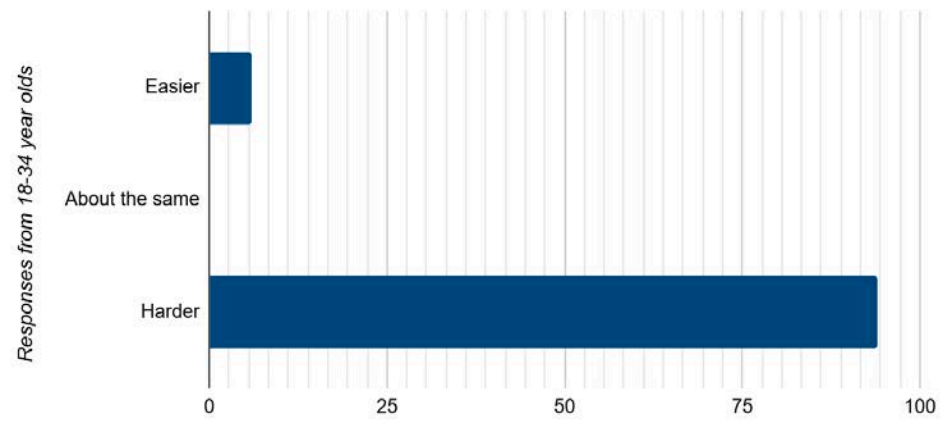
Source: Out of 84 Respondents; Kentucky Chamber Community Listening Sessions, August 2026

One question we asked participants was, "If a young adult grew up in your community and wanted to move back after college, how likely is it that they could find an affordable starter home or rental?" 68 percent of respondents said unlikely, including 40.5 percent who said very unlikely.

Younger adults in Kentucky feel pessimistic about their prospects of homeownership. Our UpOne Insights survey of registered voters found that 94 percent of 18-to 34-year-old Kentuckians felt that it is harder to find and afford a home today than it was for their parents when they were the same age.

FIGURE 8

Compared to your parents when they were your age, is it easier or harder to find and afford a home or about the same?



Source: UpOne Insights Survey of 600 Registered Voters, 8/30-9/2/2026

Participants in our industry expert panels also discussed challenges facing young adult, first-time homebuyers. Experts noted that this group faces many barriers to buying their first home, including savings for a down payment and access to financing. A bigger challenge, the panel noted, was a lack of available starter homes – such as homes under 1,000 square feet.

Increasing rates of homeownership should be a priority for policymakers. While rentals are an important part of the housing market, homeownership is closely linked to long-term wealth generation. "Roughly nine out of 10 households in the top 20 percent by income own their homes compared to fewer than five of 10 households in the bottom 20 percent," according to the Federal Reserve Bank of Cleveland. But homeownership is particularly important for young adults. Economists at Realtor.com have found that buying a first home before 30 is associated with a 22.5 percent higher net worth by 50 compared to someone buying a first home in their 40s.

HOMEOWNERSHIP BY INCOME · HOUSEHOLDS THAT OWN THEIR HOMES, OUT OF 10



Source: Federal Reserve Bank of Cleveland



02

FACT 2 OF 6

Home sale prices in Kentucky are rising more quickly than household incomes.

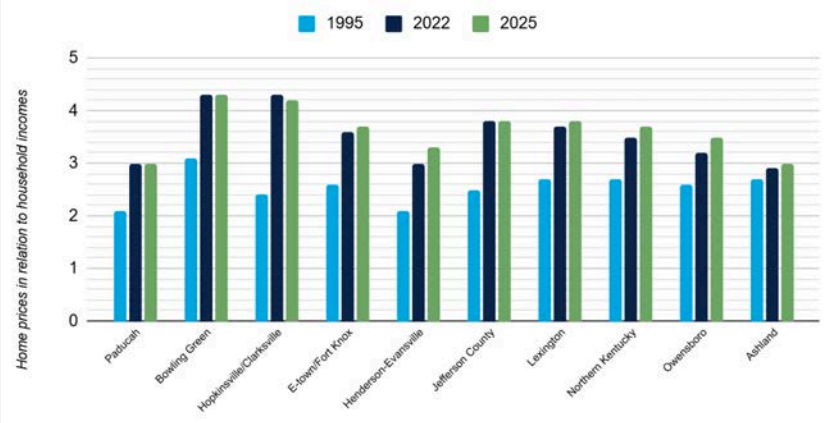
KEY FINDINGS

- In areas like Bowling Green and Lexington, a typical home now costs roughly four times the standard household income.
- 61 percent of registered Kentucky voters believe their local housing market has worsened in recent years.
- Of the community leaders we spoke to, only one thought it would be easy for a worker like a nurse or teacher to afford a home in their area that fits their needs.

In the 1990s, it was typical across metro areas of Kentucky and elsewhere in the nation for home sale prices to be 2.5 times household incomes. Fast forward to 2025, that trend has given way to a new reality in which home sale prices are now more than four times household incomes in some of the state's metro areas.

FIGURE 9

Home Price-to-Income Ratios for Kentucky Metro Areas



Source: Harvard JCHS

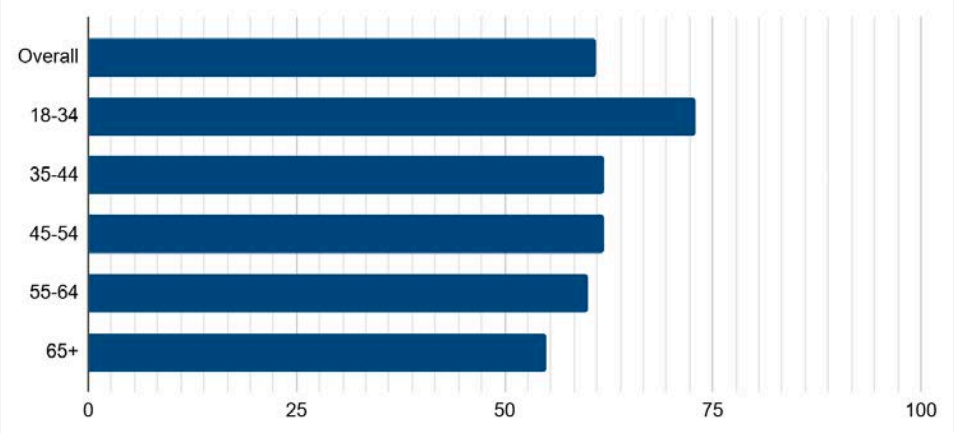
Across 10 of Kentucky's largest metro areas, the home price-to-income ratio has risen over the past 30 years, indicating that home sale prices are rising faster than household incomes.

In our 2024 report, we also looked at home price-to-income ratios. At that time, the available data was from 2022. As seen in the chart, affordability challenges did not lessen between 2022 and 2025. In fact, in several communities – like Northern Kentucky and Owensboro – the situation worsened.

Kentuckians are feeling this pressure. In our UpOne Insights survey, 61 percent of Kentucky adults felt that the housing market has worsened in recent years, with younger Kentuckians most likely to express this sentiment at 73 percent.

FIGURE 10

Share of Kentuckians who say the housing market in their local community has "gotten worse" recently

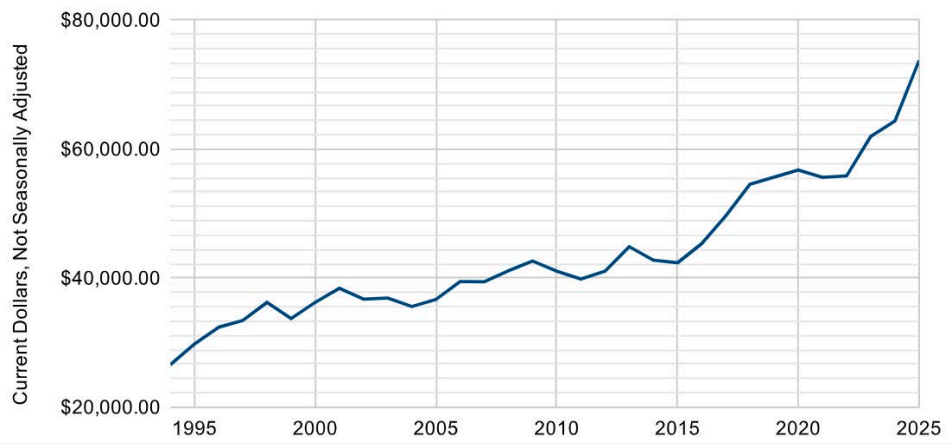


Source: UpOne Insights Survey of 600 Registered Voters, 8/30-9/2/2026

During this period, in which home price-to-income ratios rose, median household incomes increased in Kentucky. In nominal dollars, Kentucky's median household income rose from $26,600 in 1994 to $73,750 in 2025. These figures are not adjusted for inflation.

FIGURE 11

Median Household Income in Kentucky, 1994-2025



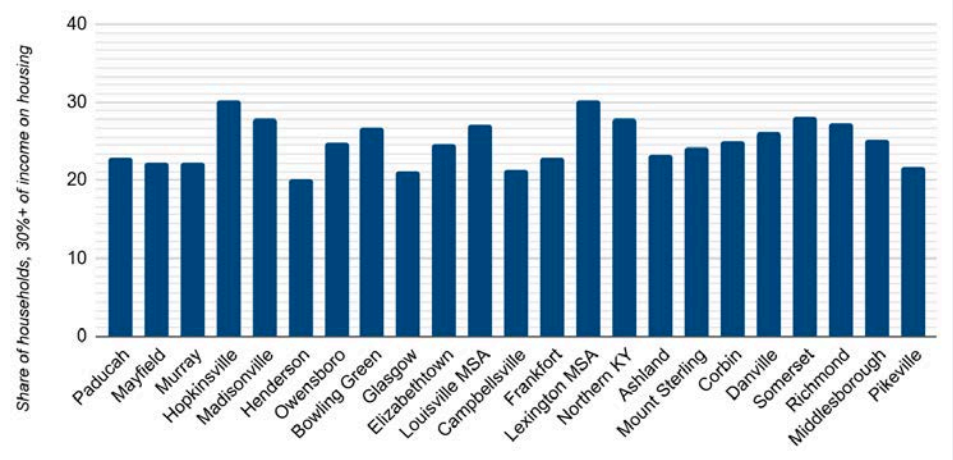
Source: U.S. Census Bureau via FRED®

When home sale prices rise faster than household incomes, fewer people can buy homes and households must stretch their budgets even further. The strain on household budgets is most evident from looking at the share of households that spend 30 percent or more of their income on housing.

FIGURE 12

Share of Households Spending 30% or More of Their Income on Housing

U.S. Census Core Based Statistical Areas

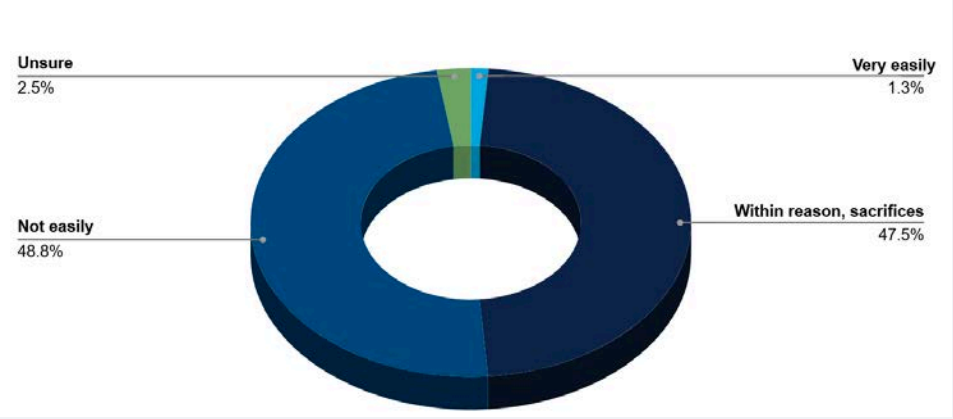


Source: Harvard JCHS

Here, again, the data echoes feedback gathered in our community listening sessions. Participants were asked, "How easily could a new teacher or nurse moving to your community buy a home that fits their needs and is close to where they work?" Only one respondent felt this could be done easily in their community. 48 percent said that it would not be easy and that finding housing would be a challenge, while 47 percent responded, "within reason, but they would need to make sacrifices."

FIGURE 13

How easily could a new teacher or nurse moving to your community buy a home that fits their needs and is close to where they work?



Source: Out of 80 Respondents; Kentucky Chamber Community Listening Sessions, August 2026

This feedback aligns with the findings of a February 2026 analysis by the National Association of Home Builders, which concluded that the annual minimum income needed to afford a median-priced home in Kentucky was $109,299. The annual median wage for a middle school teacher in Kentucky last year was $61,120. For a registered nurse, the median wage was $81,040.

CAN A TEACHER OR NURSE AFFORD A MEDIAN-PRICED KENTUCKY HOME?



Many participants in our listening sessions noted that the cost of housing for individuals with these types of middle-income jobs would be a stretch in their communities. Participants in our industry expert panels felt that this income level was perhaps the most stressed under current housing conditions.



03 FACT 3 OF 6

Kentucky's homeowner and rental markets have been tightening for more than a decade.

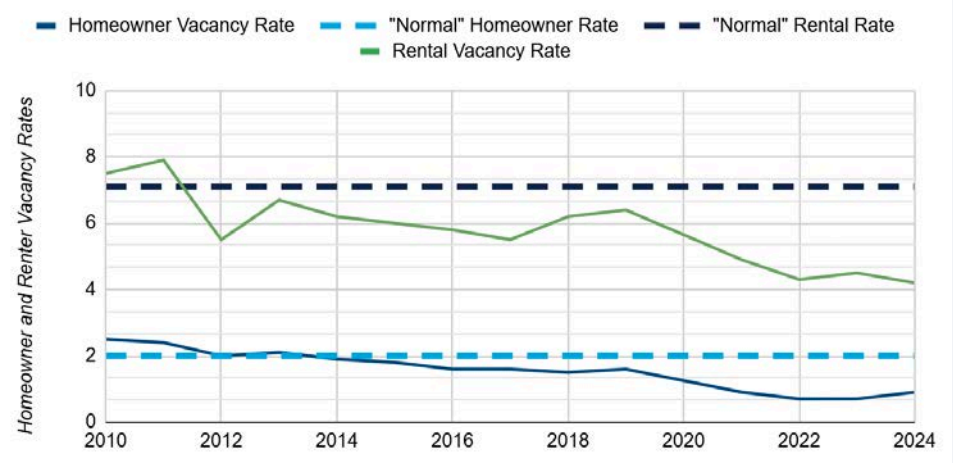
KEY FINDINGS

- The share of the state's housing supply that is for sale or rent has been declining since at least 2010.
- Estimates of Kentucky's housing shortage run as high as 206,000 units.

As with the national housing crisis, Kentucky's challenges with affordability are rooted in a growing housing shortage. This dynamic is best displayed through a U.S. Census Bureau metric called the "vacancy rate." In simple terms, the vacancy rate is the share of housing units that is actively available for sale or rent. Housing units that are seasonal, recreational, used only occasionally, or uninhabitable are excluded from this metric. As noted by economists with the National Association of Home Builders, "Homeowner and rental vacancy rates are one of the key statistics that are used to judge the health and direction of the housing market. The current low homeowner and rental vacancy rates are typically interpreted as a sign of tight housing markets, with abnormally low vacancy rates signaling a greater housing shortage."

FIGURE 14

Homeowner and Renter Vacancy Rates, Kentucky



Source: ACS, 1-Yr Estimates, DP04, NAHB Estimates

Kentucky's homeowner and rental vacancy rates have trended downward for more than a decade. The homeowner vacancy rate has fallen from 2.5 percent in 2010 to 0.9 percent in 2024. The rate has improved only marginally since our previous report when we tracked a homeowner vacancy rate of 0.7 percent in 2022.

Economists at the National Association of Home Builders (NAHB) have computed a "normal vacancy rate" for Kentucky based on historical data from the 1990s and early 2000s. Kentucky's homeowner vacancy rate would be 2 percent for a healthier housing market where buyers have more options, according to NAHB's analysis.

The rental vacancy rate has followed a more uneven trajectory but has still trended downward overall, falling from 7.5 percent in 2010 to 4.2 percent in 2024. This rate has gotten worse since the pandemic. NAHB's estimate for a "normal vacancy rate" in Kentucky is 7.1 percent.

Vacancy rates demonstrate a growing tightness in the housing market and reflect the conditions we would expect to see with a growing housing shortage. Some analysts have sought to quantify Kentucky's housing shortage more directly. We listed some of these estimates in our 2024 report, but the most exhaustive is an estimate from that same year produced by Bowen National Research and the Kentucky Housing Corporation. At the time, they estimated a statewide shortage of 206,207 units.



04 FACT 4 OF 6

Kentucky isn't building enough housing.

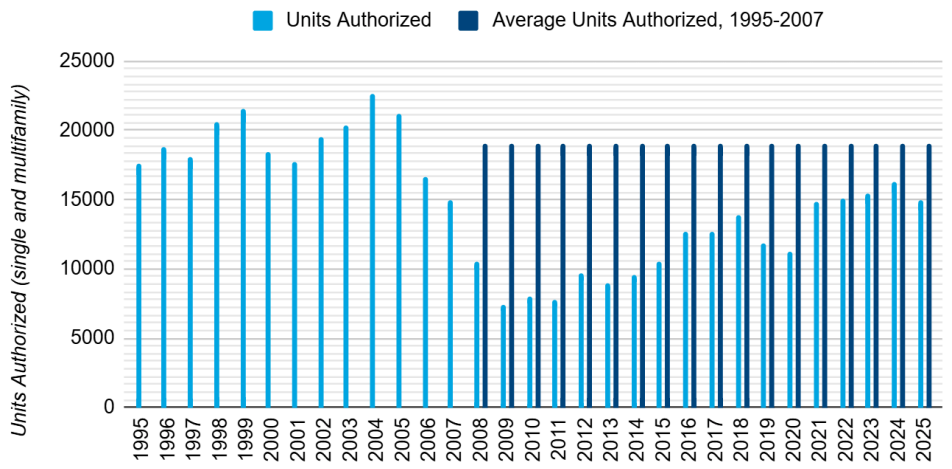
KEY FINDINGS

- Home building activity in Kentucky fell by 46 percent in the years following the Great Recession of 2007-2009, while the state's population continued to grow.
- The decline in home building activity led to a housing deficit and an imbalance between supply and demand.
- Home building has increased since the pandemic, but annual levels still fall short of erasing the state's housing shortage.

Kentucky has a housing shortage because we stopped building like we used to. This is evident from looking at U.S. Census data on residential building permits, which serves as a proxy for home building activity. From 1995 to 2007, Kentucky averaged 19,000 authorized housing units per year. During and after the Great Recession of 2007-2009, the annual number of authorized housing units in the state plummeted by about half. From 2008 to 2019, the annual average for authorized housing units was only 10,200, just 53.8 percent of the preceding period and a 46 percent decrease overall. Since the pandemic, we have averaged about 15,300 units per year.

FIGURE 15

Kentucky Residential Building Permits Data, 1995-2025

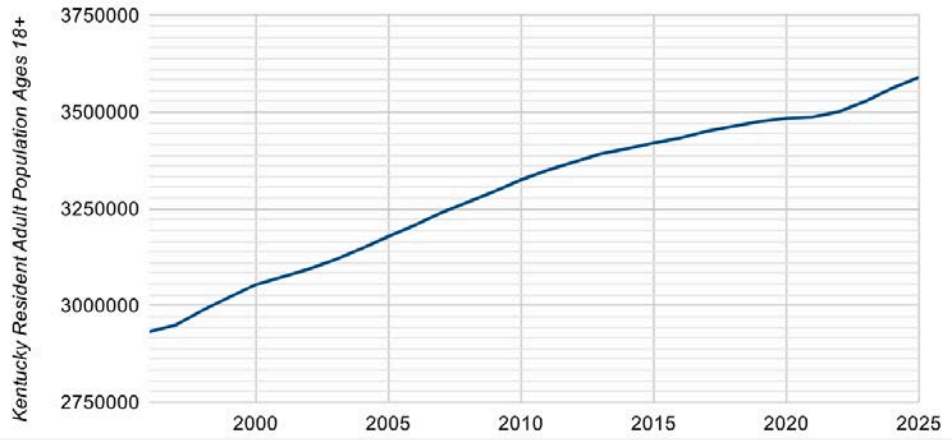


Source: U.S. Census Bureau; Calculations by Kentucky Chamber Center for Policy and Research

The consequence of the drop in home building activity that kicked off in 2008 was the accumulation of a housing deficit. As home building activity declined, Kentucky's population continued to increase. The state's adult population grew from 2,902,941 in 1995 to 3,590,081 in 2025, a 23.6 percent increase.

FIGURE 16

Kentucky Adult Population Growth, 1995-2025



Source: U.S. Census

To place home building activity in the context of population growth, Kentucky authorized 66 new housing units for every 100 adults added to the population in the years before the Great Recession (1995-2007). From 2008 to 2019, that rate fell to 52 new housing units per 100 additional adults. During this period, as we saw with homeowner and rental vacancy rates discussed previously, the housing market in Kentucky tightened as not enough new homes were built to meet the needs of a growing population. Housing supply failed to keep up with housing demand.

NEW HOUSING UNITS AUTHORIZED PER 100 ADULTS ADDED TO THE POPULATION



Source: U.S. Census Bureau; calculations by Kentucky Chamber Center for Policy and Research

But home building activity and population growth are only part of the story. We also need to consider the types and costs of homes being built over the past 20 years to fully understand how housing supply and demand became so imbalanced. This is where government regulations and mandates come into play.



05 FACT 5 OF 6

Regulations, infrastructure mandates, and delays are making it harder to build – and driving up prices.

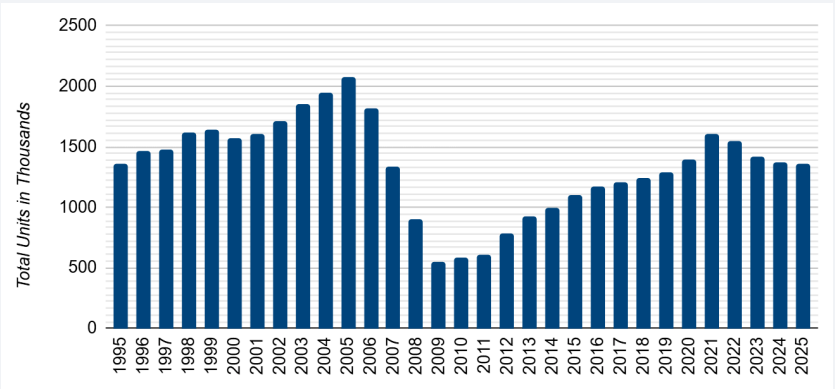
KEY FINDINGS

- The number one barrier to home building we heard about from industry experts was government regulations that make it harder and more expensive to build.
- Every $1,000 increase to the price of a median-priced home keeps 2,112 Kentucky households from being able to afford a new home.
- In Kentucky, government regulations are estimated to account for $66,100 of the final sale price of an average single-family home.
- Home builders also cited challenges with infrastructure mandates that drive up costs and delays caused by slow bureaucracy and procedural challenges.

Why did home building activity fall after the Great Recession? This trend was not unique to Kentucky. Home building activity nationwide fell after the Great Recession and has remained comparatively low ever since. The causes are many.

FIGURE 17

New Privately-Owned Housing Units Started, U.S., 1995-2025



Source: U.S. Census Bureau; U.S. Department of Housing and Urban Development via FRED

For example, the number of home building companies fell by 50 percent between 2007 and 2012, according to NAHB analysts. At the same time, the construction trades workforce experienced significant declines, still sitting below pre-2008 levels as recently as 2022.

Rising materials costs have also put a damper on home building, with higher tariffs serving as a new driver in recent years. NAHB estimates that 7 percent of materials used in new residential construction are sourced from international trading partners. Canadian softwood, for example, is a common product in American home building. The federal government has imposed tariff rates on Canadian lumber as high as 45 percent recently. Tariffs have also been levied on materials like cabinets, vanities, and steel and aluminum.

The most significant barriers we learned about from academic reviews and conversations with industry experts were three-fold:

1

state and local regulatory barriers

2

infrastructure mandates

3

delays, caused by slow bureaucracy and procedural challenges

Each of these barriers not only makes it harder to build but also raises the cost of housing. Often, these financial impacts may seem trivial at first glance, but even a modest increase in the price of a home can put housing out of reach for thousands of Kentuckians. The National Association of Home Builders has created a "priced out" methodology estimating that a $1,000 increase to the price of a median-priced home can price out 2,112 Kentucky households. Already in Kentucky, according to NAHB, 71.3 percent of Kentucky households cannot afford a median-priced new home in the state.

2,112

Every $1,000 increase to the cost of a median-priced home keeps 2,112 Kentucky households from being able to afford a new home.

— NATIONAL ASSOCIATION OF HOME BUILDERS

REGULATIONS

Kentucky builders told us about a multitude of regulatory challenges at the state and local levels that make it harder and more expensive to build homes:

- **Strict requirements for parking spots per each new residential unit**
- **Lengthy timelines for permits**
- **Delays caused by mandated inspections and inspector shortages**
- **Changes to land-use rules after a project has already been approved**
- **Excessive minimum lot size requirements**
- **Large, required buffers between the home and property lines, known as setbacks**
- **Expensive aesthetic requirements for new homes – such as requirements to use high-end materials**
- **Multiple layers of approval and slow bureaucracy**
- **Expensive and ineffective code requirements**
- **Unique requirements for townhomes and duplexes**
- **Strict notification engagement requirements for new developments**
- **Mixed or contradictory messages from approving agencies**
- **Restrictions on mixed-use and infill development projects**

Kentucky builders noted that challenges like these can have multiple negative effects. In most instances, the outcome is higher prices. As builders experience delays or are forced to hire more consultants and attorneys to navigate government regulations, those costs eventually get baked into the final sale prices. In other instances, builders are forced to change their plans or find themselves unable to build what the market wants.

For example, builders told us that regulations like strict minimum lot sizes or excessive setback requirements can make it nearly impossible to build smaller starter homes and workforce housing. These types of homes work best when they can be built closer together and sit closer to the street. This allows builders to optimize the number of units that can be configured on a parcel of land, which makes the economics of starter homes and workforce housing more feasible. But when government regulations require large lot sizes and homes to be built far away from property lines, builders become literally "boxed in" with limited ability to provide what the market needs.

CASE STUDY

When government decides what type of siding you need

Several builders told us stories about local agencies imposing specific aesthetic requirements on new home builds. The intent behind these requirements is to help ensure new housing "fits in" with the pre-existing homes in the area. The effect, however, is more costly housing that first-time buyers and working-class families might not be able to afford.

One builder recounted a project where they had set out to build workforce housing units with a target sale price in the ballpark of $200,000 per unit. The builder planned to use vinyl siding on these homes, which is a practical and highly common building material. According to a review of Census data by the National Association of Home Builders, vinyl and vinyl-covered aluminum were the most common exterior wall materials used for new home construction in 2024. Using a product like vinyl helps the builder provide a quality build while also meeting buyers where their budgets are.

Local agency officials informed this builder that they would prefer the use of a fiber cement siding product for these new units because most of the pre-existing homes in the area featured this material. Fiber cement is a strong but more expensive siding product than vinyl siding. It is also more labor intensive to install. One estimate we found suggests that vinyl siding on a 2,000-square-foot house averages $11,000, while fiber cement would run between $25,000 and $27,000.

Another builder told us there are jurisdictions in Kentucky that may require brick exteriors or require at least a portion of the exterior to be brick. We also heard about other aesthetic requirements such as specific roof pitches, home styles, window and door placements, and required ornamental features.

Academic research validates the stories and feedback we heard from Kentucky builders. For example, a major paper published in the Journal of Urban Economics in 2016 examined permitting and regulatory changes across 402 cities. Each additional land-use restriction was associated with an average 4 percent reduction in residential permits and 40 fewer new homes built per year than would be expected absent the new regulation in the average city studied.

> *"The data suggest that the implementation of an additional land use regulation reduces the housing stock by about 40 units per year, for the average city. Residential permits are reduced by an average of about 4 percent per restriction."*

— K. Jackson, "Do land use regulations stifle residential development? Evidence from California cities," Journal of Urban Economics, January 2016

A Kentucky-specific study by Home Innovation Research Labs, prepared for the Home Builders Association of Kentucky, found that regulations accounted for an average of $66,100 of the final sale price of a single-family home. When builders incur costs like these, they are left with no good options: pass costs onto buyers, cut into their own profits, forgo wage increases, change development plans, or all of the above. Smaller, local builders might have even fewer good options. However a builder chooses to navigate regulatory impacts of $66,100 for a new home, homebuyers are the ones who ultimately bear the costs – in the form of higher prices and less availability.

> *"Applying the findings of the Kentucky cost of regulation study, we estimate that regulation accounted for an average of $66,100 in a new single-family home… the cost of all regulation in the development and construction of new single-family homes means that about 137,700 fewer households in Kentucky can afford a new single-family home."*
>
> — Home Innovation Research Labs, "Government Regulation in the Price of New Homes in Kentucky," April 2026

Another piece of feedback we heard from industry experts was that regulatory challenges have gotten worse over time. Several more experienced builders noted that home building in Kentucky was easier earlier in their careers than it is today.

This is another area where we find parallels in the academic literature. In 2020, a National Bureau of Economic Research paper authored by scholars from the University of Pennsylvania and Harvard compared two questionnaires from 2006 and 2018 that surveyed thousands of local jurisdictions about their land-use policies. They found that land-use regulations impacting home building became more complex during this time. For example, 45 percent of jurisdictions increased the number of government bodies involved with approving projects. The share of communities with minimum lot size requirements increased from 84 percent to 94 percent. 41 percent of communities increased minimum lot sizes. Based on this research, the seasoned builders we heard from were observing a change in the regulatory environment that academic scholars have been able to document.

HOW LOCAL LAND-USE RULES CHANGED, 2006 TO 2018

84→94%

Share of communities with minimum lot size requirements

45%

Jurisdictions that increased the number of government bodies approving projects

41%

Communities that increased minimum lot sizes

Source: National Bureau of Economic Research, 2020

CASE STUDY

An effort to build workforce housing tries to survive a regulatory gauntlet

A small Kentucky builder set out to build 12 workforce housing units across three lots in a downtown corridor, close to key areas of employment and amenities. His small business acquired the property in February. His intended monthly price points for these units ranged from $800 studios to $1,200 two-bedroom units.

The builder brought on an architect as a consultant, who contacted the city's planning office to confirm they could combine three lots and build a 12-unit complex. Planning officials confirmed this would be feasible. But after the builder formally submitted the plan for approval, he received a denial notice in response. City planning officials informed him that, if he combined the three lots, he could only do a five-unit project. If he kept the lots separate, he could build up to two units on each lot for a total of six, half the number he originally set out to build.

The builder and the architect go back to planning officials with a plan for six units based on building three duplexes. This receives approval but planning officials then inform the builder that he may need to acquire a variance from the adjustment board because buildings in this particular zone are required to have a 30-foot setback from the road. According to the builder, other residential buildings on the same street do not feature 30 feet of front yard space. To determine if a variance request is necessary, the builder is told that he must consult with another local agency. After finally determining that a variance is necessary, the builder is informed that a hearing before the adjustment board will not take place until October.

After acquiring the property in February, the builder may, in the best-case scenario, be on track to break ground for new housing in his community eight months later. The project, however, will not only be smaller than originally planned; the builder has also taken on additional costs in the form of consultants and delays.

INFRASTRUCTURE MANDATES

Another barrier we frequently heard about from home builders was expectations for them to bear all costs for infrastructure associated with new housing developments. Builders told us stories of covering the costs of water and wastewater connectivity, new pump stations, new turning lanes, traffic lights, sidewalks, bike lanes, and road widenings. One builder recounted a situation where an agency not only required them to provide a new stormwater system but even dictated the specific materials that were to be used. When builders bear infrastructure costs alone, they are forced to pass those costs onto future homeowners. This results in higher final sale prices.

Builders told us that the costs of new infrastructure used to be shared across whole communities, with local governments leveraging public resources to support growth. But that dynamic changed, and local jurisdictions instead began looking to builders to shoulder these costs alone. A series of academic papers in the 1990s documented this transition.

One writes, "Historically, infrastructure financing in U.S. cities relied on the cost-sharing approach… In the last several decades, however, cities have increasingly turned to the alternative scheme, where new residents pay for the cost of incremental infrastructure. Such payments are made through land-use exactions levied on real estate developers…. [T]he developer is asked to build streets, water mains, sewers, parks, and even school structures as a condition of carrying out a development project." Another paper found that cost-sharing across a community was the most common method of funding residential infrastructure costs in the 1960s. That trend had shifted to builders carrying the costs by the 1980s.

CASE STUDY

New housing takes an expensive turn

A Kentucky home builder set out to build more than 100 new homes in one of the fastest-growing regions of the state. The sale price for many of these homes was expected to fall below the county's median sale price. The project fit within the area's long-term planning vision, and the builder navigated the review and application processes without major issues.

Challenges emerged when other residents in the area objected to perceived impacts on traffic and demanded that the builder provide a new turning lane for the project. In response, the builder completed a traffic impact study, which concluded that a turning lane was not necessary. State officials reviewed and approved the study's methodology and findings. Nonetheless, staff at the local planning agency recommended that the builder be required to add a turning lane to the project as a condition for approval.

The builder had not included constructing a turning lane in their original estimates for the project. They estimated total costs for this unexpected addition at $800,000 (partially due to having to relocate a water main), with a final impact of an additional $6,000 per unit.

HOW ONE TURNING LANE PRICED OUT KENTUCKY HOUSEHOLDS

$800,000
Unexpected cost of the required turning lane

→

$6,000
Added to the cost of each new home

→

12,672
Kentucky households priced out

DELAYS

A final barrier we heard about is the impact of delays. Multiple factors delay home building projects: the approval process, inspections, slow-moving bureaucracies, mandated studies, just to name a few. Another driver of delays we heard about was procedural challenges. Builders told us about various third parties that weaponize the labyrinth of regulations that govern home building in Kentucky to delay projects, in the hope that enough delays might force a builder to delay or cancel a project.

Using delays to stop new home building can be an effective tactic, but the most likely result is more expensive housing. Builders frequently take on debt to purchase land, modify sites, pay for materials, and compensate consultants well before any actual home building activity occurs. They budget into their projects periods of time when they accrue interest before being able to monetize the project and bring in revenue. These costs are often called holding costs. When unexpected delays occur, this leads to unexpected expenses, which, in turn, drives up the final sale price of new homes. A study of the impact of delays in the state of Washington found that each week of delays cost a homebuyer an average of $1,104 in holding costs in 2022. So, if a project is delayed by an unexpected six months, that could lead to $28,704 in unplanned holding costs. However, if procedural challenges are the reason for delay, attorney fees could cause those costs to rise dramatically, resulting in more expensive homes for buyers.

THE COST OF WAITING · HOLDING COSTS FROM DELAYS

$1,104
Average holding cost per week of delay (Washington, 2022)

6 months
An unexpected delay

$28,704
Unplanned holding costs — before attorney fees

CASE STUDY

Bureaucratic hurdles and delays make affordable housing less affordable

An affordable housing developer in Kentucky proposed to construct 10 single-family homes for families below 80 percent of the Area Median Income (AMI), helping more working families achieve a key part of the American Dream. The property was properly zoned, and so, constructing the 10 homes was "by-right." The builder was required to apply for an amended final development plan and preliminary subdivision plan. This was an infill project on vacant land, and the city's adopted plan for the area recommended single-family homes for the property. The project was a clear fit.

Delays emerged when members of the local planning commission claimed that the builder had not sufficiently engaged with nearby residents to gain their approval. In addition, local officials began criticizing the design of the affordable homes, arguing that they were "too suburban" and showed a "lack of creativity." They also discussed mandating that the builder ensure that certain trees on the property—which was privately owned—were maintained.

To navigate these complexities, the builder had to enlist the aid of an attorney. The builder estimated that they spent approximately $20,000 in professional fees and materials to prepare for more than 15 hours' worth of meetings and hearings on issues that extended well beyond official local regulations. This was despite the fact that the project fit cleanly within the city's intended use for that property. The $20,000 incurred by the builder resulted in raising the cost of each home by $2,000.

On top of all this, local officials also required, as a final condition for approval, that one of the trees on the property be maintained in perpetuity, the costs of which will be borne by a future homeowner with a household income at 80 percent AMI or below.



06 FACT 6 OF 6

The costs of Kentucky's housing crisis are mounting.

KEY FINDINGS

- Between 2008 and 2025, Kentucky missed out on $3.7 billion in economic output and 32,601 additional jobs because of the home building slowdown.
- 93 percent of community leaders we spoke to were pessimistic that their communities could meet the housing needs of a 1,000-job economic development announcement.
- 91 percent of registered Kentucky voters view homeownership as part of the American Dream. However, only half of voters think the American Dream is still attainable in Kentucky.

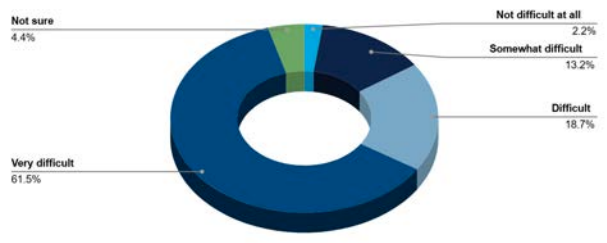
What happens if we do nothing and simply allow the status quo to carry on?

The economic costs are already mounting. The U.S. Chamber of Commerce conducted an analysis of the economic impact of Kentucky's dramatic slowdown in home building activity that followed the Great Recession. Between 2008 and 2025, the U.S. Chamber estimates that Kentucky missed out on $3.7 billion in economic output and 32,601 additional jobs because of the home building slowdown.

Results from our community listening sessions further illustrate how housing challenges impact economic development in Kentucky. We asked participants, "If a manufacturing company wanted to bring 1,000 new jobs to your community, how difficult do you think it would be for your area to make enough housing available to meet demand?" 93 percent of respondents felt this would be difficult, with 61.5 percent saying it would be "very difficult." Only two respondents we spoke to during these sessions felt this would be "not difficult at all."

FIGURE 18

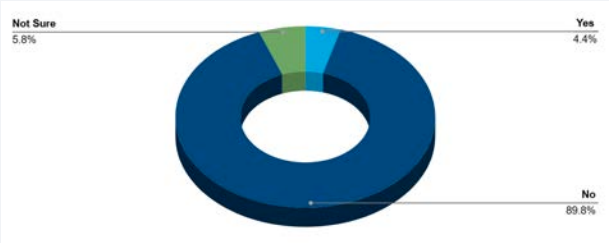
If a manufacturing company wanted to bring 1,000 new jobs to your community, how difficult do you think it would be for your area to make enough housing available to meet demand?



Source: Out of 91 Respondents; Kentucky Chamber Community Listening Sessions, August 2026

FIGURE 19

If a major economic investment with 1,000 new jobs was announced in your community tomorrow, do you think your region is currently well-positioned to meet a growing demand for housing?



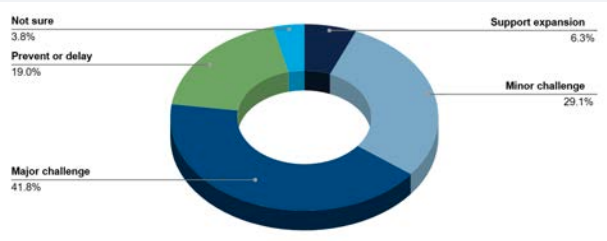
Source: 2024 Housing Listening Tour

These results echo responses we received to a similar question we asked in our 2024 housing listening sessions. 89.8 percent of our 2024 participants said, "no," when asked, "If a major economic investment with 1,000 new jobs was announced in your community tomorrow, do you think your region is currently well-positioned to meet a growing demand for housing?"

In this year's listening sessions, we also asked if housing could be a barrier to smaller economic development announcements. When asked, "If an existing local employer wanted to expand their headcount by 100 new employees, would housing availability in your community help or hurt that expansion?" 60.8 percent of respondents said housing would be a "major challenge" or even "prevent or delay expansion." Only 6.3 percent said the housing dynamics in their area would "support the expansion."

FIGURE 20

If an existing local employer wanted to expand their headcount by 100 new employees, would housing availability in your community help or hurt that expansion?



Source: Out of 79 Respondents; Kentucky Chamber Community Listening Sessions, August 2026

Another way to think about the economic impacts of housing is to flip the script and think about what we could gain – not what we could lose or have already lost. The National Association of Home Builders has estimated that building 1,000 single-family homes in Kentucky would have a one-year economic impact of 3,764 full-time jobs and $316.7 million in income for Kentucky residents. On a recurring basis, building 1,000 single-family homes would have an annual impact of 757 jobs and $50.8 million in income for Kentucky residents.

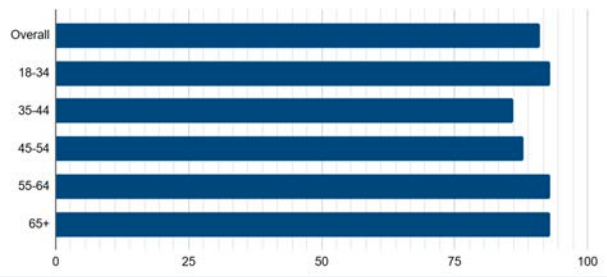
BUILDING 1,000 SINGLE-FAMILY HOMES IN KENTUCKY · NAHB ESTIMATES

ONE-YEAR IMPACT	ONE-YEAR IMPACT	RECURRING ANNUAL IMPACT	RECURRING ANNUAL IMPACT
3,764	**$316.7M**	**757**	**$50.8M**
full-time jobs	income for Kentucky residents	jobs	income for Kentucky residents

Preserving the status quo carries other consequences beyond just economics. Housing challenges are causing Kentuckians to lose hope in the American Dream and grow more pessimistic about the future. In our UpOne Insights survey, we found that 91 percent of registered Kentucky voters view homeownership as part of the American Dream. However, only half of voters think the American Dream is still attainable in Kentucky. Equally as troubling, 3 in 4 Kentucky adults think it will be harder for their children to find and afford a home when they grow up.

FIGURE 21

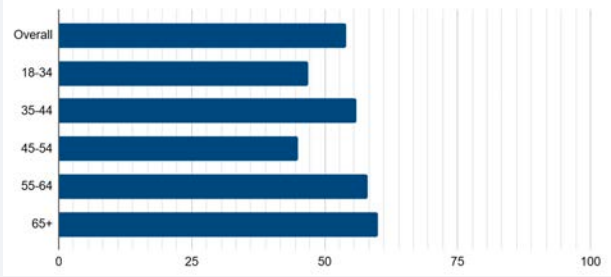
Share of Kentucky adults who think owning a home represents part of the American Dream



Source: UpOne Insights Survey of 600 Registered Voters, 8/30-9/2/2026

FIGURE 22

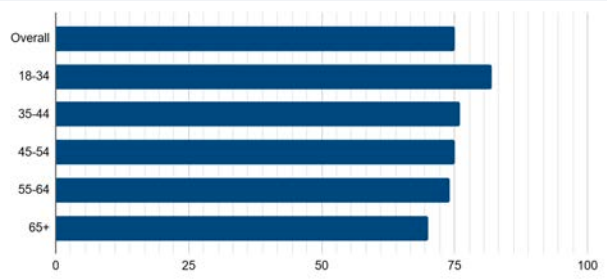
Share of Kentucky adults who think the American Dream is still attainable in the Commonwealth



Source: UpOne Insights Survey of 600 Registered Voters, 8/30-9/2/2026

FIGURE 23

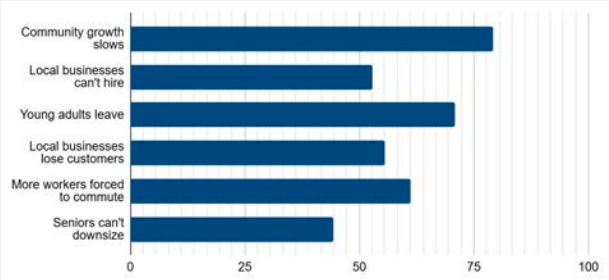
Share of Kentucky adults who think it will be harder for their children to find and afford a home



Source: UpOne Insights Survey of 600 Registered Voters, 8/30-9/2/2026

FIGURE 24

Top risks if housing costs continue rising faster than local incomes



Source: Kentucky Chamber Community Listening Sessions, August 2026

We also heard concerns from community leaders about what would happen if the status quo was allowed to continue. 70 percent feared that young adults and their families would leave their communities in search of better housing options elsewhere. More than half feared employers would not be able to hire workers and that local businesses in their communities would lose customers. The biggest concern—at 79.2 percent—was that their communities would stop growing and become stagnant.

KENTUCKIANS AND THE AMERICAN DREAM

91%

Of registered Kentucky voters view homeownership as part of the American Dream

1/2

Of voters think the American Dream is still attainable in Kentucky

3 in 4

Kentucky adults think it will be harder for their children to find and afford a home

Source: UpOne Insights survey of 600 registered voters

To grow Kentucky's economy, to support more jobs, and strengthen access to the American Dream, it's time to shake up the status quo. Kentuckians are ready for it.

PART III

12 Bold Housing Reforms for Kentucky

Kentucky's housing challenges are rooted in multiple causes, which means they are not solvable through a singular new program or minor tweaks to regulations. Kentucky needs bold housing reforms, and Kentuckians are ready for policymakers to act. When we asked participants in our community listening sessions if they felt housing was an issue that state lawmakers should address in the 2027 legislative session, 96 percent said yes. In our UpOne Insights survey, 63 percent of registered voters support comprehensive housing reform legislation after hearing about the specifics, compared with only 18 percent who oppose.

KENTUCKIANS ARE READY FOR REFORM

96%

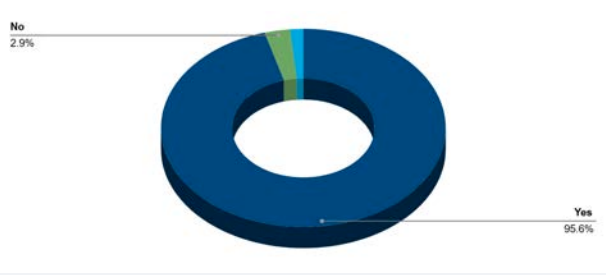
Of listening-session participants said lawmakers should address housing in 2027

63%

Of registered voters support comprehensive housing reform legislation, while just 18% oppose

FIGURE 25

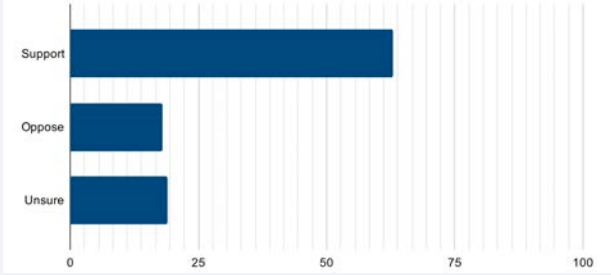
In general, do you think housing is an issue that state lawmakers in Kentucky need to address in the 2027 session?



Source: Out of 68 Respondents; Kentucky Chamber Community Listening Sessions, August 2026

FIGURE 26

How Kentucky Adults View Housing Reform Legislation



Source: UpOne Insights Survey of 600 Registered Voters, 8/30-9/2/2026

Federal policy is also calling on state policymakers to act. In June 2026, Congress passed the 21st Century ROAD to Housing Act with bipartisan support. The new law marked the most significant federal housing reform package in a generation. It includes more than 60 pieces of legislation modernizing federal housing programs, addressing issues with institutional investors, piloting new initiatives, streamlining environmental reviews, and more. State policymakers should be aware that jurisdictions that have implemented bold housing reforms are best positioned to benefit from the new law. The new Innovation Fund is a key example. Only jurisdictions that have addressed major regulatory barriers to housing may be eligible to receive flexible funding from this program. The new law establishes similar requirements for pilot programs. Without action, Kentucky will not fully benefit from the new opportunities in the ROAD to Housing Act.

Solving Kentucky's housing challenges is not up to government alone. There are important roles to be played by the private, nonprofit, and philanthropic sectors. But there are key reforms and solutions that state policymakers can pursue that will help builders build and allow the market to create more housing. Many state legislatures throughout the country have already acted on bold reforms. This includes blue, red, and purple states, and reforms are often passed with strong bipartisan support. It's time for Kentucky to catch up.

12 Bold Housing Reforms

01
Modernize rules for minimum lot sizes and setbacks.

02
Let the market determine how much parking is necessary for new housing.

03
Make the rules for development more predictable through vested rights protections.

04
Set expectations for expedient approval and review timelines.

05
Reduce costly delays by allowing third-party inspections.

06
Reduce barriers to mixed-use developments in commercial areas.

07
Let the market—not government—drive decisions on home building aesthetics.

08
Reduce delays caused by procedural challenges.

09
Encourage more public-private partnerships to increase housing supply.

10
Create opportunities for cost-sharing approaches to residential infrastructure.

11
Ease restrictions on shared housing to expand affordable housing options.

12
Require state agencies to consider the impacts on home building and gather more feedback from industry experts when creating or modifying regulations.



01

REFORM 1 OF 12

Modernize rules for minimum lot sizes and setbacks.

Local governments commonly establish minimum lot sizes and dimensions for residential development. Local rules also establish setbacks, which determine how far a home must be from property lines.

These regulations can help manage demands on roads and schools, provide room for easements, and support public safety. However, large minimum lots and deep setbacks can limit the number and types of homes that can be built on a parcel. By "boxing in" builders, these requirements can make it difficult to develop starter homes and single-family workforce housing.

State law should set modernized standards for minimum lot sizes and setbacks. This would give builders greater predictability across communities and help prevent regulations from effectively excluding smaller homes affordable to first-time buyers and middle-income families. These standards could preserve appropriate local flexibility to address public safety and access to government services while allowing builders to use larger lots and deeper setbacks when appropriate.

STATE POLICY REFORM SPOTLIGHT

Texas



In 2025, Texas established statewide standards for certain new residential developments. Under the law, covered municipalities cannot require lots to be larger than 3,000 square feet, wider than 30 feet, or deeper than 75 feet. The law only applies to tracts of land that are five acres or more and to larger cities in the state. The legislation still allows local jurisdictions to address concerns related to public safety and environmental issues.

02 REFORM 2 OF 12

Let the market determine how much parking is necessary for new housing.

Many Kentucky jurisdictions require a minimum number of parking spaces for new housing units, including both single-family and multi-family housing. Some, for example, will require a builder to provide two parking spots per unit, while other jurisdictions may require a parking spot for each bedroom in the housing unit in some instances.

Although well-intended, these mandates can make starter homes and workforce housing harder to build. A developer might fit 20 small homes on a parcel with one space per unit but only 15 homes with a 1.5-space requirement. Spreading land and infrastructure costs across fewer homes raises the cost per unit and may force the developer to build larger, more expensive homes.

Lawmakers should modernize parking standards across the state, limiting requirements to no more than one parking space per housing unit. Builders could provide additional parking when supported by consumer demand, but government would not mandate it. This standard would create greater statewide consistency and give builders more flexibility to meet local housing needs based on market principles instead of government mandates.

STATE POLICY REFORM SPOTLIGHT

Montana



In 2025, the Montana legislature passed legislation that set statewide parking requirements for new housing developments. Under the new law, in certain size cities, multifamily developments cannot be required to provide more than one parking space per unit, or more than half a space for units under 1,200 square feet. For other residential units, the law bars requiring more than one space per unit and bars any requirement for non-multifamily units under 1,200 square feet. Importantly, the law clarifies that ADA requirements still apply, and developers may provide more parking spaces for new developments if they determine this is what the market wants.



03 REFORM 3 OF 12

Make the rules for development more predictable through vested rights protections.

Housing developments require years of planning. Builders submit permit or development-plan applications based on the rules in effect at that time and rely on those standards after approval. Requiring compliance with later changes can force them to redesign projects, assume unexpected costs, and delay or cancel construction.

Statewide vested rights would allow builders to proceed with projects under the rules in place when an application is submitted or approved. Lawmakers could establish a defined vesting period—for example, three years from application—to give developers reasonable certainty while preventing dormant projects from permanently retaining outdated standards.

STATE POLICY REFORM SPOTLIGHT

North Carolina



North Carolina has provided statutory vested rights protections for development projects since 1991. Under current law, approval of a qualifying site-specific development plan generally gives a landowner the right to complete the project under the regulations in effect when the plan was approved, even if the local government subsequently changes its zoning or development rules. These rights ordinarily last two years, although local governments may extend them to as long as five years, while qualifying multiphase developments receive seven years of protection.

04 REFORM 4 OF 12

Set expectations for expedient approval and review timelines.

As demonstrated earlier in this report, delays and long approval and review timelines can drive up costs and result in more expensive housing. Delays can come at various points in a development project, but there are specific points where state policymakers could normalize more expedient timelines. These points include notification of when an application is complete or incomplete after it has been submitted; timelines for completing plan reviews; and responding to requests for mandated inspections. At least for smaller and straightforward development projects, state law could set clear expectations for how long local jurisdictions should take to complete these types of approval and review steps. This could reduce delays for builders, make approval and review timelines more predictable, and ultimately reduce costs for homebuyers.

STATE POLICY REFORM SPOTLIGHT

Georgia



Georgia passed legislation in 2019 to require local building departments to determine whether a permit application is complete within five business days and to indicate whether they can complete plan review within 30 days and provide an inspection within two business days of a request. Time spent reviewing a permit application counts toward the 30-day review period. If a locality commits to the review deadline but fails to meet it, the applicant must be issued a project-initiation permit allowing compliant initial work to begin.



05 REFORM 5 OF 12

Reduce costly delays by allowing third-party inspections.

Another major source of delay is inspections. Builders are required to have multiple systems in a housing unit inspected to ensure safety. Requiring inspections is sensible and protects homebuyers and the general public, but local jurisdictions can quickly accumulate backlogs due to a shortage of inspectors or complex projects. This leads to more delays for builders and increases costs.

A safe way to fix this problem is to authorize private third-party inspectors. State law could set qualifications for third-party inspectors and determine what types of projects could be eligible. Builders could then have the option to work with the local agency inspector or a qualified third party. Having more options can help prevent delays. Several states already expressly allow for third-party inspectors, including Florida, Georgia, North Carolina, South Carolina, Tennessee, Texas, Utah, and Wisconsin.

STATE POLICY REFORM SPOTLIGHT

Florida



Florida has authorized private inspectors since 2002. State law allows a builder to hire a licensed private provider to review building plans, conduct required inspections, or both. The private provider must be independent, properly licensed, insured, and certify that the work complies with applicable codes; local officials generally must accept that work but retain authority to audit inspections, identify code deficiencies, and stop construction if they determine it presents an immediate safety threat. Local governments remain responsible for issuing permits and certificates of occupancy and must reduce their fees to reflect services performed privately.

06 REFORM 6 OF 12

Reduce barriers to mixed-use developments in commercial areas.

Commercial corridors are often well-suited but under-utilized areas for new housing. They frequently have access to existing roads, utilities, businesses, and other community services, and some contain underused shopping centers, office buildings, and vacant properties that could be redeveloped. Mixed-use development can bring new residents and customers into these areas while allowing people to live closer to jobs, stores, restaurants, and services. However, zoning rules may prohibit housing in commercial zones or require a developer to complete a lengthy rezoning or special approval process before moving forward.

These requirements can add costs, delay projects, and prevent otherwise viable properties from being used to help meet a community's housing needs.

State lawmakers should make it easier to build mixed-use and multifamily housing in commercially zoned areas. This could be done by clarifying that mixed-use residential developments and multifamily developments are permitted uses in commercial zones. This approach could remove unnecessary zoning barriers while allowing local governments to continue applying generally applicable development, building, and safety requirements.

STATE POLICY REFORM SPOTLIGHT

Montana



In 2023, Montana passed legislation to ensure that municipalities allow multifamily and mixed-use development as permitted uses in commercial zones. To qualify, a property must have commitments for service from municipal water and sewer systems; multifamily buildings must contain at least five units, while mixed-use projects must devote more than half of their square footage to residential uses and limit nonresidential uses to the first floor of buildings with two or more stories. The law also prohibits covered municipalities from requiring more than one off-street parking space per housing unit.



07 REFORM 7 OF 12

Let the market—not government—drive decisions on home building aesthetics.

It's reasonable for governments to weigh in on building materials and appearances to ensure quality and safety, but when this extends to aesthetic preferences, government overrides market preferences and drives up prices. Decisions on things like siding materials, roof pitches, the placement of windows and garage doors, door styles, landscaping, and architectural details should be left up to builders and market forces to the greatest extent possible.

This is another area where state law should set reasonable statewide standards. Builders want to build what the market wants, and consumer preferences—not government—should be the primary driver of home building aesthetics.

STATE POLICY REFORM SPOTLIGHT

North Carolina



Since 2015, North Carolina has provided a consistent statewide framework for regulating the appearance of homes governed by the state Residential Code. Under the law, decisions about exterior colors and siding materials, roof and porch styles, architectural ornamentation, and the placement or design of windows and doors are generally left to builders, homebuyers, and the market rather than varying among local jurisdictions. The framework applies to both direct requirements and indirect approaches that produce the same result, while preserving local flexibility for historic preservation, public safety, and design conditions voluntarily accepted during the development-approval process.

08 REFORM 8 OF 12

Reduce delays caused by procedural challenges.

Procedural challenges designed to delay new housing projects were among the biggest challenges highlighted by Kentucky home builders. These challenges frequently weaponize Kentucky's labyrinth of government regulations to litigate final decisions by local planning agencies and disregard months—or even years—of good-faith negotiations and community engagement. In many instances, the parties initiating these challenges may not even live in or near the area of a development. Moreover, while concerns over traffic are frequently at the forefront of these challenges, challengers can be motivated by other factors such as environmental advocacy, anti-density preferences, or opposition to workforce housing.

The impact of procedural challenges on home building can be significant. Builders take on not only increased holding costs but also unexpected attorney fees. Many builders also told us it discourages them and other companies from building in certain jurisdictions if the threat of procedural challenges is persistent.

Kentucky lawmakers have already taken meaningful steps to reduce procedural challenges meant to delay home building. To build on these efforts, policymakers should refine the characteristics of parties who have standing to appeal final decisions on development projects by local zoning boards, planning commissions, and legislative bodies. For instance, an aggrieved party should be required to own real property in the same zone as the approved project and have participated in some form in the public outreach process involved in the project. They should also be required to demonstrate an actual or imminent injury resulting from the local agency's final decision. Parameters like these could help both builders and local governments, while still ensuring that impacted property owners in the area can bring forward concerns and fully engage in the process.

STATE POLICY REFORM SPOTLIGHT

Idaho



Idaho limits procedural challenges to local land-use decisions to people with a bona fide interest in real property that may be adversely affected by the decision. Challengers must first exhaust available administrative remedies before seeking judicial review, which generally must be requested within 28 days. These requirements help ensure that procedural challenges are brought by parties with a direct stake in the outcome and that objections are raised locally before a final planning commission decision becomes subject to a challenge.



09 REFORM 9 OF 12

Encourage more public-private partnerships to increase housing supply.

Many communities throughout Kentucky are ready for home building and are eager for opportunities to partner with home building professionals to increase housing supply in their areas. State policymakers should lay the foundations for more public-private partnerships where builders and communities can work together to shoulder the costs of home building. The beneficiaries of such partnerships will be future households and individual communities that commit to supporting growth.

Lawmakers have many options to consider, and legislation has already been filed in previous sessions that would create meaningful opportunities for builders and communities to work together. For example, local governments could have the ability to create residential infrastructure development districts where a special assessment could be levied on future homeowners to help finance infrastructure costs. State law could also expressly permit local governments to utilize future property tax revenues from new developments to create grants or incentives for builders. Other options might include targeted tax credit programs to support workforce housing and leverage private sector and philanthropic funds as well as local government funding streams. For example, 32 states offer state-level versions of the federal Low-Income Housing Tax Credit, which supports public and private investments in affordable housing projects.

STATE POLICY REFORM SPOTLIGHT

Tennessee



Tennessee enacted the Residential Infrastructure Development Act in 2024 to give local governments a new tool for financing infrastructure needed to support housing development. The law allows developers and participating property owners to petition a local government to establish a residential infrastructure development district, after which the local government may finance roads, sidewalks, utilities, stormwater facilities, and other infrastructure through bonds or other debt obligations. These obligations are repaid through annual special assessments on properties within the district based on the benefits they receive, rather than through taxes imposed across the broader community.

10 REFORM 10 OF 12

Create opportunities for cost-sharing approaches to residential infrastructure.

Infrastructure costs are a major pain point for builders in Kentucky. As demonstrated earlier in this report, communities frequently expect builders to carry the full costs of any related infrastructure improvements associated with a new development. These costs can significantly increase overall project costs and ultimately raise prices for homebuyers.

Ideally, more local communities would address these challenges by allocating a greater share of infrastructure spending to areas identified for growth in their long-term planning documents. Another approach, however, might involve the state establishing a revolving low-interest loan fund that local governments and builders can use to finance infrastructure identified as necessary for a project. Other states have prioritized access to programs like this for communities that have voluntarily implemented pro-housing development reforms. This has a two-fold effect of helping address infrastructure needs while also incentivizing pro-housing policies at the local level.

STATE POLICY REFORM SPOTLIGHT

Indiana



Indiana established its Residential Housing Infrastructure Assistance Program in 2023 to provide low-interest, revolving loans to local governments for infrastructure that enables new housing development. Loans can finance publicly owned water and sewer systems, streets, bridges, sidewalks, stormwater facilities, traffic signals, streetlights, and utility lines; participating communities repay the loans so the funding can be reused for future projects. According to the Indiana Finance Authority's fiscal year 2025 report, the program had closed approximately $62.8 million in loans for 25 projects supporting a projected 3,425 new homes as of June 30, 2025. In 2025, Ohio created its own version of this program called the Residential Development Revolving Loan Program with a $100 million investment.



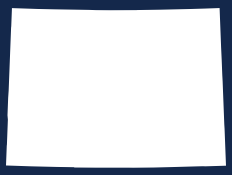
11 REFORM 11 OF 12

Ease restrictions on shared housing to expand affordable housing options.

Most recommendations in this report focus on increasing housing supply, but geographic factors and limited land availability can make new construction challenging in some communities. To give families and workers more options, lawmakers should remove restrictions that prevent unrelated individuals from sharing a single-family home solely because they are unrelated, while acknowledging that governments may continue to enforce occupancy caps in health and safety regulations like building and fire codes. Such changes could benefit students, workers, and seniors by allowing them to share housing expenses. Versions of this reform proposal in other states sometimes invoke the television show "The Golden Girls," which featured four senior women sharing a household together.

STATE POLICY REFORM SPOTLIGHT

Colorado



In 2024, Colorado enacted legislation prohibiting local governments from limiting the number of people who may share a home based on family relationship. The law preserves local authority to establish occupancy limits based on demonstrated health and safety standards, including building codes, fire codes, and wastewater and water quality standards, as well as applicable affordable housing program guidelines. This approach expands shared housing opportunities while maintaining safeguards for residents and communities.

12 REFORM 12 OF 12

Require state agencies to consider the impacts on home building and gather more feedback from industry experts when creating or modifying regulations.

Building regulations play an essential role in protecting public health and safety, but they can also affect the cost and feasibility of building new homes. New requirements may increase the cost of materials, labor, design, and compliance, and even relatively modest costs can accumulate when several requirements are added over time. These costs are ultimately reflected in home prices or rents and, in some cases, may make projects financially infeasible. State policymakers should therefore understand how proposed regulations could affect housing costs and construction while weighing those effects against expected safety and quality-of-life benefits.

To address these challenges, lawmakers should require state agencies to evaluate the effects of any proposed new or amended regulations on residential construction.

Before adopting a regulation, agencies should conduct a cost-benefit analysis estimating builders' compliance costs and public benefits, including safety and quality-of-life improvements, as well as an analysis of whether the regulation could increase or decrease housing construction. These findings should be presented to legislators before final decisions are made.

In addition to cost-benefit analyses, lawmakers should set greater expectations at the state and local levels that home building professionals be consulted when government mandates are created or modified that affect their industry. This can help ensure that regulations are both effective and productive.

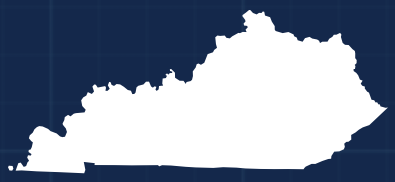
STATE POLICY REFORM SPOTLIGHT

Wisconsin



Wisconsin law requires state agencies to prepare a housing impact analysis before adopting a regulation that may directly or indirectly affect the cost or availability of housing. The analysis must examine potential effects on development and construction costs, home prices, financing, ownership costs, housing availability, and development standards such as density, setbacks, and building size. Agencies must also evaluate the relative impact on low- and moderate-income households and quantify the effects when reasonably possible. This process provides policymakers with information about a regulation's potential consequences for housing affordability and production before it takes effect.

It's time to let Kentucky build



We know what the problem is.

Kentucky is not building enough homes to meet demand, and government regulations, infrastructure, and bureaucratic delays have made it harder and more expensive to build.

We know what the impacts are.

Everyday Kentuckians, local businesses, and communities are paying the price for the state's housing challenges in the form of higher prices, workforce challenges, and fewer opportunities for economic growth and investment. Even worse, Kentuckians are losing hope in the American Dream, and communities are becoming pessimistic about their futures.

We know what needs to be done.

Kentucky needs bold housing reforms focused on cutting red tape, removing bureaucratic barriers, and supporting public-private partnerships.

It's time to let Kentucky build—and Kentuckians are ready for it.



About the Kentucky Chamber Center for Policy and Research

The Kentucky Chamber of Commerce is the state's largest business association and has a long history of producing high-quality and influential research products, including the Chamber's well-regarded "Leaky Bucket" reports. In 2021, the Chamber established the Kentucky Chamber Center for Policy and Research to lead the organization's economic and public research initiatives. The Center for Policy and Research has released several major reports, white papers, and articles on topics such as workforce challenges, state tax policy, substance use disorder, education, child care access, and more. Reports by the Center have been cited in local, state, and national media outlets. The Center for Policy and Research has become a trusted and in-demand resource for policymakers, providing guidance and recommendations on issues such as unemployment insurance, tax reform, workforce solutions, and economic development.

Kentucky Chamber
Center for Policy & Research

The Center for Policy and Research is led by Dr. Charles Aull. Dr. Aull holds a Ph.D. from Indiana University and has studied at Georgetown University and the Villanova University School of Law. He has published reports, book chapters, academic articles, white papers, and news articles on the economy, public policy, and government and has testified before legislative bodies in Kentucky and Indiana. As Senior Vice President of Research and Policy Development at the Chamber, his perspective is frequently sought out by policymakers, legislators, and other stakeholders.

Overseeing the Center for Policy and Research is a Board of Advisors, which includes business leaders from a range of industries representing different parts of the state.



FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

Charles Aull
Senior Vice President of Research and Policy Development
caull@kychamber.com

Learn more at
kychamber.com/research

SCAN ME

