

# TACIR

The Tennessee Advisory Commission  
on Intergovernmental Relations



# 5

226 Anne Dallas Dudley Blvd., Suite 508  
Nashville, Tennessee 37243-0760  
Phone: (615) 741-3012  
Fax: (615) 532-2443  
[www.tn.gov/tacir](http://www.tn.gov/tacir)

## ***MEMORANDUM***

**TO:** Commission Members

**FROM:** Cliff Lippard  
Executive Director

**DATE:** 15 November 2023

**SUBJECT:** House Joint Resolution 139 (Housing Affordability, Impact Fees, and Development Taxes)–Update

At its June 2023 meeting, the Commission adopted into the work program House Joint Resolution 139 by Representative Sparks, which requested a study of the factors behind housing affordability in the state. By most any measure, housing affordability has grown worse in recent years, and as noted by panelists at the Commission’s last meeting, many Tennesseans are facing challenges, whether being priced out of some communities or being unable to renovate aging homes in disrepair. Today’s memo provides an update on the major factors driving these affordability concerns in Tennessee. While a number of factors, including median income, are associated with affordability (see attachment A), ultimately, county-level data for Tennessee, stakeholders from across the state, and the existing literature widely agree that the problem of housing affordability comes down largely to a simple fact of undersupply: for a variety of reasons, there are not enough homes to meet the demand—and needs—of Tennesseans.

There are several factors that contribute to undersupply, and while these vary across cities and counties, two of the most prominent are population growth and land use regulations:

- Population Growth—As identified through interviews with Tennessee stakeholders and a review of literature, population growth is a driver of housing undersupply. Further, the Commission staff’s quantitative analysis of state data corroborated population growth is associated with measures of undersupply.

- Land Use Regulations—Land use regulations, including single-family zoning, permitting processes, and minimum parking requirements, contribute to undersupply, based on interviews with Tennessee stakeholders and national studies. These regulations vary across cities and counties in the state and are difficult to quantitatively assess because of a lack of detailed and comprehensive data. Staff included two land use measures, the degree of zoning and impact fees, in its preliminary analysis and continues to explore ways to quantify the effect of these and other factors.

Stakeholders also raised concerns about the effect of impact fees on the cost of new housing and the costs to existing residents of financing growth through property taxes (see attachment B). In some locations, the presence of short-term rentals<sup>1</sup> and the influence of large, institutional investors on rental markets may also be affecting housing affordability.<sup>2</sup> Other factors include national economic factors such as elevated interest rates<sup>3</sup> and the higher cost of construction materials following supply chain shocks during the pandemic.<sup>4</sup>

### ***Undersupply and Population Growth***

As many stakeholders have said, a shortage of homes to satisfy demand may be the linchpin of the state’s current affordability issues. In contrast to the housing crash of the Great Recession, “today, this is entirely a matter of supply and demand. . . . We’ve gone the better part of 15 years not building enough housing, and that is especially noticed in

---

<sup>1</sup> Interview with Dan Reuter, executive director, Chattanooga-Hamilton County Regional Planning Agency, August 4, 2023; interview with Nicole Heyman, chief housing officer, City of Chattanooga, August 3, 2023.

<sup>2</sup> Interview with Dan Reuter, executive director, Chattanooga-Hamilton County Regional Planning Agency, August 4, 2023; interview with Angela Hubbard, director of housing division, Metro Nashville Planning Department, August 23, 2023; interview with Ken Chilton, professor, Department of Public Administration, Tennessee State University, October 6, 2023.

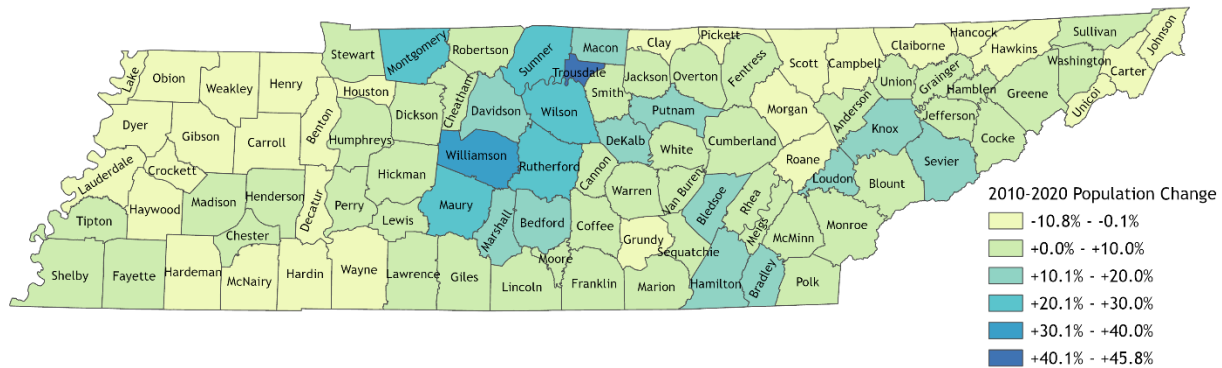
<sup>3</sup> Interview with Retha Patton, housing program director, Tennessee’s Community Assistance Corporation, September 18, 2023; interview with Mayor Ken Moore, City of Franklin, August 1, 2023; interview with Ashley Sugar, governmental affairs director, Tennessee Association of Realtors, July 13, 2023; Bentley; interview with Hunter McDonald, Chris Wilson, Candy Joyce, and Ryan Folz of Middle Tennessee Association of Realtors, July 7, 2023.

<sup>4</sup> Interview with David Hayes, owner, Hayes Associates, September 6, 2023; interview with Nicole Heyman, chief housing officer, City of Chattanooga, August 3, 2023; Perrey; interview with Julie Keel, program director, Mountain TOP, August 28, 2023.

states like Tennessee where literally every day hundreds of people move to join us.”<sup>5</sup> When the population in a community grows but the number of homes does not keep pace, demand will outstrip supply, and competition for the few homes available can lead to higher prices for all.

Tennessee’s population has been growing at a rapid pace for some years, although that growth is concentrated more in some counties than others. Many stakeholders said there is a direct connection between the influx of new residents from out of state—particularly those relocating to take advantage of the flexibility in remote work—and increased competition for the limited supply of homes in their areas.<sup>6</sup> But there is also migration within the state, especially towards more urban areas. But whatever the source, population growth tends to be associated with lower rates of availability,<sup>7</sup> a commonly used measure of housing supply (compare maps 1 and 2; see attachment C for detailed data).

**Map 1. Population Growth by County, 2010-2020**



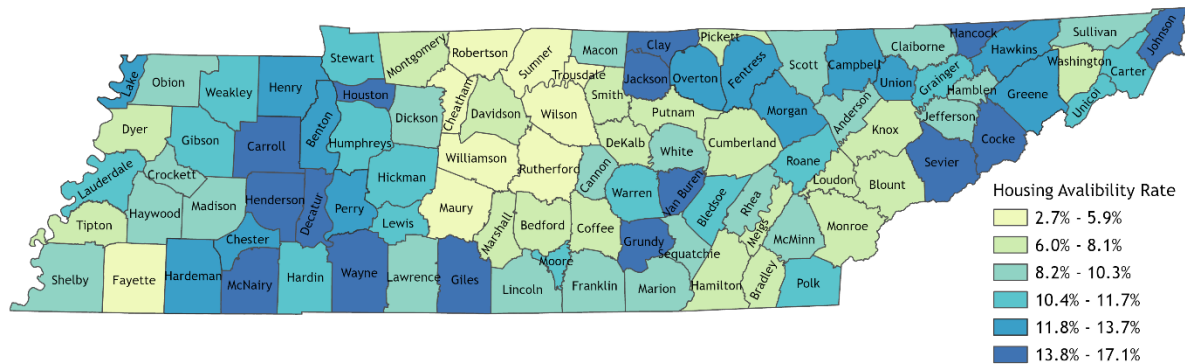
<sup>5</sup> Ralph Perrey, executive director, Tennessee Housing Development Agency, at the TACIR meeting on September 28, 2023.

<sup>6</sup> Interview with Jenny Schuetz, senior fellow, Brookings, August 17, 2023; interview with Angela Hubbard, director of housing division, Metro Nashville Planning Department, August 23, 2023; interview with Retha Patton, housing program director, Tennessee’s Community Assistance Corporation, September 18, 2023; interview with David Connor, executive director, Tennessee County Services Association, July 11, 2023; interview with Kay Senter, councilmember, Morristown, August 10, 2023; interview with Rebecca Dillow, director of strategy and development, Clinch-Powell RC&D, September 12, 2023; interview with Kevin Rigsby, town planner, City of Smyrna, July 11, 2023.

<sup>7</sup> The availability rate is the percentage of housing units in a county that are vacant, excluding housing units that are sold or rented but not occupied or that are for seasonal, recreational, occasional, or migrant workers’ use.

Source: US Census, American Community Survey.

**Map 2. Housing Availability Rate by County as of 2021**



Source: US Census, American Community Survey.

Additionally, preliminary Commission staff analysis of county-level data shows a 4% greater population growth rate from 2010 to 2020 was associated with a 1% lower housing availability rate. The correlation between population growth over that timeframe and the availability rate is -65%, meaning the higher the population growth, the lower the availability. Two variables reflecting land use regulation—whether a county has an impact fee and the percentage of the population of a county that lives where there is zoning—are also negatively correlated with availability rate at -55% and -46%, respectively (see table). The availability rate itself is negatively correlated with measures of housing price and housing affordability, meaning higher availability is associated with lower prices (see attachment A). Staff continues to explore ways to quantify the effect of these and other factors.

**Table. Correlations of Selected Variables with Availability Rate**

	Availability Rate
2010-2020 Population Growth	-65%
County Has an Impact Fee	-55%
2020 Percent of Population Zoned*	-46%

Source: Commission staff analysis of US Census American Community Survey 5-Year Estimates and Bureau of Labor Statistics data.

## ***Undersupply and Land Use***

Research has increasingly pointed to local land use and zoning policies as restricting new housing supply. Single-family zoning has been called a “self-inflicted wound,”<sup>8</sup> creating a hard limit on the number of homes that can be built to meet growing population. But other measures can have similar effects. For example, some housing advocates said that minimum parking space requirements for apartments and businesses can consume large amounts of land—in some cities, parking requirements have resulted in more than 20 parking spaces per household—and related studies suggest that parking requirements undercut the number of housing units in new developments while adding to their cost<sup>9</sup> (as of this year, each parking space in a new parking structure typically costs \$29,000). Others have argued that long or complex permitting processes add to the cost of housing, with a study by the National Association of Homebuilders claiming that delays in planning approvals for multifamily projects averaged 7.4 months and added nearly 6% to the total project cost; Tennessee stakeholders said they also experience delays.

## ***Other Factors Affecting Affordability***

Stakeholders have cited many other factors that may be adding pressure to the housing market and pushing up costs, among them shortages of vacant and affordable land in

---

<sup>8</sup> Interview with Ed Pinto, co-director, AEI Housing Center, September 18, 2023.

<sup>9</sup> Interview with Ralph Perrey, executive director, Tennessee Housing Development Agency, August 30, 2023; interview with Jeremy Heidt, director of government affairs, and Dhathri Chundururu, director of research and planning, Tennessee Housing Development Agency, July 10, 2023; interview with Mayor Hollie Berry, City of Red Bank, August 29, 2023; interview with Mayor Scott Conger, City of Jackson, August 30, 2023; interview with Nick Ogden, owner, Clear Blue Development, September 13, 2023; interview with Jason Edmonds, policy analyst, Beacon Center, August 17, 2023; interview with Yonah Freemark, senior research associate, Urban Institute, August 7, 2023.

some areas,<sup>10</sup> impact fees,<sup>11</sup> elevated interest rates,<sup>12</sup> the higher cost of construction materials following supply chain shocks during the pandemic,<sup>13</sup> the presence of short-term rentals,<sup>14</sup> and the influence of large, institutional investors on rental markets.<sup>15</sup> There is an expansive body of academic research on housing costs that shows most of these can be contributing factors to housing costs. In addition, counties with greater poverty rates are associated with lower housing prices and greater affordability (see attachment A).

***Numerous alternatives for improving housing affordability have been put forward.***

Given the complexity and range of housing issues across Tennessee cities and counties, stakeholders said that there is no blanket solution that will serve the entire state, while experts in housing affordability also said that measures that might work in higher-demand markets may not be appropriate for lower-demand ones. Existing literature and stakeholders have proposed an expansive list of tools that the state and local

---

<sup>10</sup> Interview with Jens Christensen, CEO, Habitat for Humanity of Greater Chattanooga, August 7, 2023; interview with Bobby Eason, executive director, Foothills Community Development Corporation, September 12, 2023; interview with Retha Patton, housing program director, Tennessee’s Community Assistance Corporation, September 18, 2023; interview with Jeremy Heidt, director of government affairs, and Dhathri Chunduru, director of research and planning, Tennessee Housing Development Agency, July 10, 2023.

<sup>11</sup> Interview with Hunter McDonald, Chris Wilson, Candy Joyce, and Ryan Folz of Middle Tennessee Association of Realtors, July 7, 2023; interview with Ashley Sugar, governmental affairs director, Tennessee Association of Realtors, July 13, 2023; interview with Jann Dower, director, Home Builders Association of Tennessee, July 19, 2023.

<sup>12</sup> Interview with Retha Patton, housing program director, Tennessee’s Community Assistance Corporation, September 18, 2023; interview with Mayor Ken Moore, City of Franklin, August 1, 2023; interview with Ashley Sugar, governmental affairs director, Tennessee Association of Realtors, July 13, 2023; Bentley; interview with Hunter McDonald, Chris Wilson, Candy Joyce, and Ryan Folz of Middle Tennessee Association of Realtors, July 7, 2023.

<sup>13</sup> Interview with David Hayes, owner, Hayes Associates, September 6, 2023; interview with Nicole Heyman, chief housing officer, City of Chattanooga, August 3, 2023; Perrey; interview with Julie Keel, program director, Mountain TOP, August 28, 2023.

<sup>14</sup> Interview with Dan Reuter, executive director, Chattanooga-Hamilton County Regional Planning Agency, August 4, 2023; interview with Nicole Heyman, chief housing officer, City of Chattanooga, August 3, 2023.

<sup>15</sup> Interview with Dan Reuter, executive director, Chattanooga-Hamilton County Regional Planning Agency, August 4, 2023; interview with Angela Hubbard, director of housing division, Metro Nashville Planning Department, August 23, 2023; interview with Ken Chilton, professor, Department of Public Administration, Tennessee State University, October 6, 2023.

governments might avail themselves of. These include measures to address the availability of land, reform land use and zoning, streamline permitting, incentivize development or investment in affordable housing, ease taxation or financing for affordable housing, directly assist renters and homebuyers, and bolster long-term investments in the construction industry.

Recently, several states have undertaken legislative actions to address housing. Most have sought to reform local land use regulations to facilitate the construction of housing. California, Florida, Maryland, Massachusetts, Montana, Oregon, Rhode Island, Texas, Washington, Utah, and Vermont, among others, have required local governments to adopt zoning and permitting reforms to bolster housing development, such as allowing for duplexes and other multi-unit housing on lots zoned for single-family use, allowing accessory dwelling units to be built, expediting permitting, decreasing or eliminating minimum lot sizes, increasing allowed building heights, reducing parking requirements, increasing density around transit sites, or automatically rezoning commercial areas to allow for mixed-use development. Arizona and Colorado also considered land use reform legislation this year, which would have used several of the measures above, though those bills did not pass. Oklahoma has created a \$215 million housing trust fund—mostly for zero-interest construction loans for affordable homes—while Massachusetts has dedicated over \$4 billion to a slate of housing construction and preservation initiatives. California recently authorized faith institutions and nonprofit universities to use their land for affordable housing if they so choose, and without the need for rezoning.

While some local governments in Tennessee are encouraging more infill development, removing regulatory barriers, or simplifying codes and permitting, stakeholders who have spoken with Commission staff have expressed a general interest in having more land use planning tools and technical support, though they have also spoken of the importance of local governments being able to tailor their land use policy to their own needs. Other suggestions from state and local stakeholders include conducting public land inventories and, where possible, making such land available for housing developments; simplifying permitting processes; assessing ways to adjust building codes that might reduce construction costs so long as the same safety and quality standards are maintained; offering funding for home repairs; enabling local governments to use land banks (as TACIR previously recommended in its 2019 report *Improving Management of Government-Owned Real Property in Tennessee*) or land trusts for housing; finding some means of reducing property taxes and fees for affordable housing in particular; and, not least, building a more thorough and timely system of

data to help governments gain a clearer picture of the state of housing needs in their communities.



## Attachment A. Correlations of Housing Affordability across Tennessee Counties

	Median House Price	Ratio of Median House Price to Median Household Income	Ratio of Median House Price to Average Annual Wage	Percent of Households Cost-Burdened (>30%)
Median Household Income	92%	45%	71%	16%
Per Capita Income	85%	56%	58%	33%
Average Number of Jobs per Household	56%	44%	41%	60%
Percent Urban	55%	47%	48%	62%
Average Number of Households per Square Mile	47%	46%	35%	59%
Percent of Workers Commuting from Another County	39%	17%	14%	-2%
Percent of Residents Commuting to Another County	-7%	-18%	-13%	-48%
GINI Coefficient	-19%	9%	-19%	6%
Vacancy Rate	-44%	-30%	-28%	-47%
Availability Rate	-70%	-53%	-60%	-37%
Poverty Rate	-70%	-32%	-54%	-15%

Source: Commission staff analysis of US Census, American Community Survey 5-Year Estimates, US Bureau of Labor Statistics, US Bureau of Economic Analysis, Tennessee Comptroller of the Treasury, and American Planning Association, Tennessee Chapter, and National Association of Realtors data.

**Attachment B. Local Government Impact Fees and Development Taxes in Tennessee**

County	City	Tax/Fee	Authorizing Legislation	Revenue, FY 2021-22
Bedford		School Facilities Tax	TCA 67-4-2901 et seq. (County Powers Relief Act)	\$ 781,039
Cannon		School Facilities Tax	TCA 67-4-2901 et seq. (County Powers Relief Act)	\$ 92,338
Cheatham	Kingston Springs Pegram	Adequate Facilities Tax	Private Acts of 1997, Chapter 54	\$ 10,919
Cheatham		Adequate Facilities Tax	Private Acts of 1997, Chapter 53	\$ 6,749
Cheatham		Development Tax/ Adequate Facilities Tax	Private Acts of 1997, Chapter 28; Private Acts of 2000, Chapter 145; Private Acts of 2011, Chapter 20; Private Acts of 1997, Chapter 89	\$ 1,133,698
Dickson		Adequate Facilities Tax	Private Acts of 2000, Chapter 158; Private Acts of 2002, Chapter 162	\$ 1,228,671
Fayette		Adequate Facilities Tax	Private Acts of 2001, Chapter 69; Private Acts of 2003, Chapter 38	\$ 928,587
Hickman		Land Development Privilege Tax	Private Acts of 2003, Chapter 21	\$ 294,480
Jefferson		School Facilities Tax	TCA 67-4-2901 et seq. (County Powers Relief Act); Resolution 2007-35	\$ 1,520,746
Loudon		School Facilities Tax	TCA 67-4-2901 et seq. (County Powers Relief Act)	\$ 3,308,441
Macon		Development/Impact Fee	Private Acts of 2004, Chapter 138 (amended 2021)	\$ 968,873
Marshall		Adequate Facilities Tax	Private Acts of 2001, Chapter 22; Private Acts of 2007, Chapter 61	\$ 886,604
Maury		Adequate Facilities Tax	Private Acts of 1991, Chapter 118; Private Acts of 2000, Chapter 123	\$ 3,733,279
Maury	Columbia	Sewer Impact Fee	Private Acts of 1994, Chapter 194	\$ 417,740
Maury, Williamson	Spring Hill	Road Impact Fee	Private Acts of 1988, Chapter 173; Ordinance 15-04	\$ 3,181,985
Maury, Williamson	Spring Hill	Adequate Facilities Tax	Private Acts of 1988, Chapter 176; Ordinance 94-02	\$ 1,664,428
Montgomery		Adequate Facilities Tax	Private Acts of 2004, Chapter 90	\$ 2,983,940
Robertson	White House	Impact Fee	TCA 6-2-201 (Mayor Aldermanic)	\$ 495,705

County	City	Tax/Fee	Authorizing Legislation	Revenue, FY 2021-22
Robertson	Portland	Adequate Facilities Tax	Private Acts of 1996, Chapter 213	\$ 2,485,980
Robertson, Sumner		Impact Fee	Private Acts of 2003, Chapter 31	\$ 105,590
Rutherford	La Vergne	Impact Fee	TCA 6-2-201 (Mayor Aldermanic)	\$ 338,666
Rutherford	Murfreesboro	School Facilities Tax	TCA 67-4-2901 et seq. (County Powers Relief Act); supersedes development tax that applied to platted subdivisions recorded prior to July 1, 2021.	\$ 5,484,390
Rutherford		Impact Fee	Private Acts of 1990, Chapter 180; Ordinance 23-O-21	effective FY 2023-34
Rutherford		Smyrna	Impact Fee	Private Acts of 1999, Chapter 42; Private Acts of 2000, Chapter 68
Sumner		Adequate Facilities Tax	Private Acts of 1999, Chapter 57	\$ 3,440,718
Trousdale		School Facilities Tax	TCA 67-4-2901 et seq. (County Powers Relief Act)	\$ 162,050
Williamson	Brentwood	Road Impact Fee	Private Acts of 1987, Chapter 115	\$ 549,606
Williamson	Brentwood	Adequate Facilities Tax	Distribution from County	\$ 528,221
Williamson	Fairview	Adequate Facilities Tax	Private Acts of 1988, Chapter 150; Private Acts of 1998, Chapter 150	\$ 343,542
Williamson	Franklin	Adequate Facilities Tax/ Impact Fee	Private Acts of 1987, Chapters 114 and 117; Ord. No. 2000-24	\$ 15,826,819
Williamson	Nolensville	Adequate Facilities Tax	Private Acts of 1987, Chapters 113 and 118; Private Acts of 1990, Chapter 173; Private Acts of 1991, Chapter 121	\$ 8,099,458
Williamson		Impact Fee	Private Acts of 1987, Chapter 120	\$ 22,761,451
Williamson		Impact Fee	TCA 6-2-201 (Mayor Aldermanic); Ord. #07-12, June 2007	\$ 1,872,269
Williamson	Nolensville	Adequate Facilities Tax	Private Acts of 1997, Chapter 100	\$ 1,140,117
Wilson	Lebanon	Impact Fee		\$ 2,953,338
Wilson	Mt. Juliet	Impact Fee	Public Acts of 1998, Chapter 965; Ord. 98-16	\$ 991,268
Wilson		Adequate Facilities Tax	Private Acts of 2003, Chapter 60; Private Acts of 2007, Chapter 22	\$ 16,936,412

County	City	Tax/Fee	Authorizing Legislation	Revenue, FY 2021-22
Counties				\$ 77,231,155
Cities				\$ 33,123,277
Total				\$ 110,354,432

Source: Commission staff review of Tennessee state law; Tennessee Comptroller of the Treasurer; and correspondence with staff of cities and counties.

**Attachment C. Population Change by County, 2010-2020, and Housing Availability Rates, 2021**

County	Change in Population, 2010-2020	Percent Change in Population, 2010-2020	Rate of Available Housing, 2021
Anderson	2,486	3.3%	10%
Bedford	5,121	11.4%	6%
Benton	(360)	-2.2%	14%
Bledsoe	2,341	18.2%	12%
Blount	11,650	9.5%	6%
Bradley	10,145	10.3%	6%
Campbell	(885)	-2.2%	12%
Cannon	1,034	7.5%	9%
Carroll	(707)	-2.5%	14%
Carter	(965)	-1.7%	12%
Cheatham	2,000	5.1%	6%
Chester	287	1.7%	13%
Claiborne	(186)	-0.6%	10%
Clay	(227)	-2.9%	14%
Cocke	583	1.6%	16%
Coffee	4,829	9.1%	8%
Crockett	(395)	-2.7%	10%
Cumberland	5,545	9.9%	8%
Davidson	67,599	10.8%	7%
Decatur	(145)	-1.2%	17%
DeKalb	2,115	11.3%	8%
Dickson	4,718	9.5%	9%
Dyer	(1,638)	-4.3%	7%
Fayette	3,181	8.3%	6%
Fentress	825	4.6%	13%
Franklin	1,421	3.5%	10%
Gibson	(527)	-1.1%	11%
Giles	51	0.2%	14%
Grainger	911	4.0%	11%
Greene	746	1.1%	12%
Grundy	(241)	-1.8%	14%

County	Change in Population, 2010-2020	Percent Change in Population, 2010-2020	Rate of Available Housing, 2021
Hamblen	2,576	4.1%	10%
Hamilton	35,185	10.5%	7%
Hancock	(316)	-4.6%	17%
Hardeman	(2,409)	-8.8%	12%
Hardin	(425)	-1.6%	11%
Hawkins	(51)	-0.1%	13%
Haywood	(1,803)	-9.6%	10%
Henderson	290	1.0%	14%
Henry	(293)	-0.9%	12%
Hickman	695	2.8%	12%
Houston	(136)	-1.6%	15%
Humphreys	56	0.3%	12%
Jackson	228	2.0%	14%
Jefferson	3,634	7.0%	9%
Johnson	(391)	-2.1%	15%
Knox	43,350	10.0%	7%
Lake	(844)	-10.8%	12%
Lauderdale	(2,371)	-8.5%	11%
Lawrence	2,573	6.1%	9%
Lewis	193	1.6%	11%
Lincoln	1,189	3.6%	10%
Loudon	6,341	13.1%	7%
McMinn	1,925	3.7%	10%
McNairy	(386)	-1.5%	15%
Macon	2,602	11.7%	9%
Madison	58	0.1%	10%
Marion	698	2.5%	9%
Marshall	4,405	14.4%	8%
Maury	18,604	23.0%	6%
Meigs	766	6.5%	6%
Monroe	2,681	6.0%	8%
Montgomery	41,890	24.3%	7%
Moore	93	1.5%	12%

County	Change in Population, 2010-2020	Percent Change in Population, 2010-2020	Rate of Available Housing, 2021
Morgan	(564)	-2.6%	13%
Obion	(1,676)	-5.3%	9%
Overton	490	2.2%	12%
Perry	169	2.1%	12%
Pickett	(25)	-0.5%	7%
Polk	14	0.1%	11%
Putnam	8,589	11.9%	7%
Rhea	1,639	5.2%	8%
Roane	(368)	-0.7%	11%
Robertson	5,963	9.0%	4%
Rutherford	76,668	29.2%	5%
Scott	(142)	-0.6%	10%
Sequatchie	1,059	7.5%	10%
Sevier	9,532	10.6%	16%
Shelby	8,335	0.9%	10%
Smith	1,135	5.9%	8%
Stewart	548	4.1%	12%
Sullivan	1,951	1.2%	8%
Sumner	34,922	21.7%	5%
Tipton	910	1.5%	8%
Trousdale	3,597	45.8%	5%
Unicoi	(556)	-3.0%	12%
Union	1,079	5.6%	13%
Van Buren	391	7.0%	14%
Warren	1,781	4.5%	11%
Washington	7,304	5.9%	7%
Wayne	(497)	-2.9%	15%
Weakley	(1,681)	-4.8%	11%
White	1,860	7.2%	10%
Williamson	62,140	33.9%	3%
Wilson	34,067	29.9%	5%

Source: Commission staff analysis of US Census Bureau American Community Survey 5-Year Estimates.