

# State of Our State: Housing

## Homes are Increasingly Out of Reach for Hundreds of Thousands of Tennesseans

**Tennessee communities are facing a crisis.** Quality housing, for both renters and homeowners, is becoming more scarce and expensive in Tennessee, and wages aren't keeping up. Indeed, hundreds of thousands of Tennesseans must spend more than a third of their income on housing. This burden is especially heavy among Tennesseans with low and moderate incomes.

**When families are forced to spend large portions of their incomes on housing, we all lose.** Rising housing costs leave families with less money for food and healthcare. Moreover, research shows that excessive housing costs can also have negative impacts on the community at large. When teachers have to dedicate more time to helping students with unstable housing catch up, for example, the whole classroom may suffer.

**Together, we can fix the system.** Government, business and community partners each have a role to play in supporting solutions that will ensure access to quality housing at reasonable costs. This brief highlights promising ideas for our state.

### Extremely Low-Income Renters

Extremely low-income (ELI) households have incomes at or below 30% of the area median income. Tennessee has a higher percentage of ELI renters than most states (ranking 32nd). About a quarter of renter households in Tennessee (27%, or 241,225) are ELI. **Over two-thirds (68%) of these households spend half or more of their income on housing costs.**(i)



Where are ELI renters less likely to be severely cost burdened?



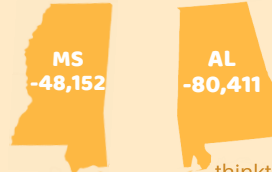
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### Affordable Rental Shortage

**Tennessee has a larger gap between affordable rental supply and demand than most states (ranking 34th).** The state needs an additional 133,581 units that are affordable to ELI renters (50% more than in 2007) to prevent these families from having to spend more than 30% of their income on housing costs.(ii)

**-133,581**

Where is the affordable rental shortage less extreme?



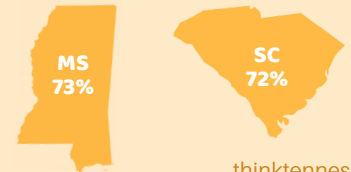
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### Homeownership

The rate of homeownership in Tennessee roughly mirrors the national average (ranking 27th in the country), with about **two in three (67%) Tennesseans owning their home.**(iii) This rate declined by 3% between 2010 and 2015. One contributing factor is the growing gap between the median home price and the median family income in Tennessee.(iv)



Where are levels of homeownership higher?



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## The Gap Between Housing Costs and Wages Exacerbates the Rental Affordability Crisis

The Fair Market Rent for a two-bedroom rental in Tennessee

**\$819/month**

To afford a two-bedroom apartment without spending over 30% of their income, Tennesseans making the minimum wage would have to work:

**87**  
hours/week

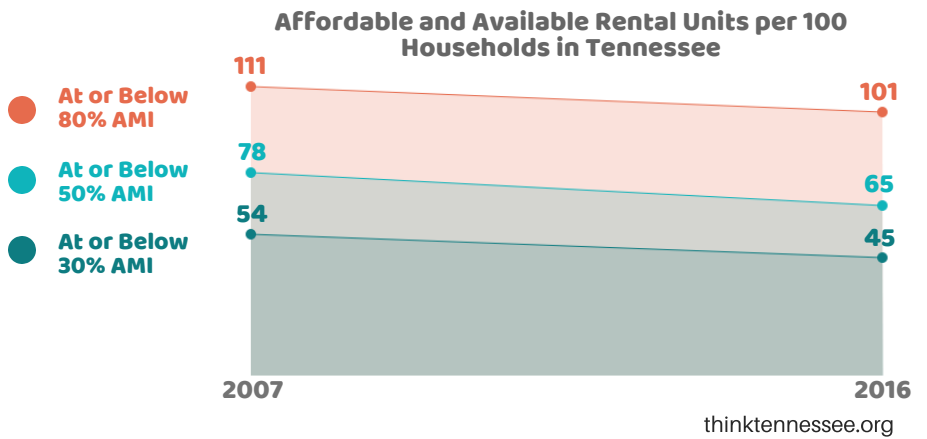
or

**2.2**  
minimum-wage jobs

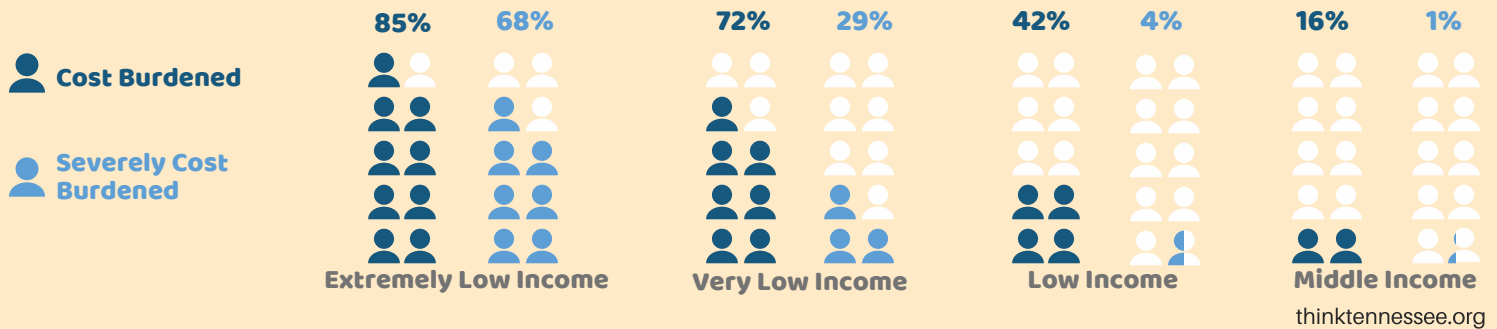
Full-time minimum-wage workers at \$7.25 in Tennessee can only afford \$377 in monthly rent.(v)

## The Strain of Housing Costs Affects Low-Income Tennesseans the Most

For low-income Tennesseans earning between 0-80% of the area median income (AMI), the number of rental units that are both affordable and available has been trending downward for a decade. The lowest income households are most affected, with those at or below 50% AMI experiencing reductions of 16.6%.<sup>(vi)</sup>



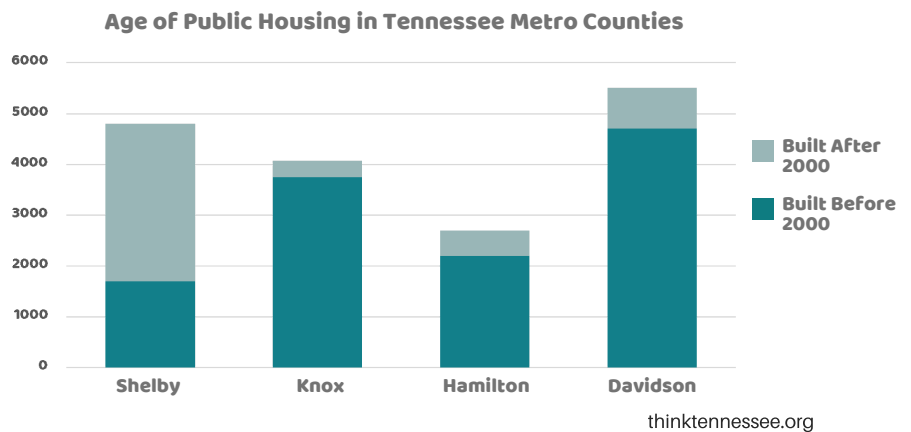
A clear majority of ELI renters (85%) are cost burdened with housing expenses that exceed 30% of their income, and two-thirds (68%) are severely cost burdened, meaning they spend 50% or more of their income on housing and utilities. A significant proportion of Tennesseans who are very low income (31-50% of AMI), low income (51-80% of AMI) and middle income (81-100% of AMI) also face substantial housing cost burdens.<sup>(vii)</sup>



The proportion of Tennesseans burdened by the cost of rent increased significantly between 2007 and 2016 across all income levels. In 2007, 80% of ELI renters, 69% of very low-income renters, 33% of low-income renters and 9% of middle-income renters in Tennessee were considered cost burdened.<sup>(viii)</sup>

## The Demand for Affordable Housing Highlights the Need to Preserve Existing Properties

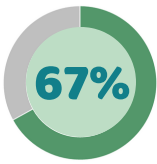
To keep up with growing demand, Tennessee must maintain and rehabilitate its aging stock of affordable housing. For example, **most of the state's public housing (59%) is over 30 years old**. These properties are likely in need of repair and are less energy-efficient, which can add to housing costs. The largest proportion of public housing built after 2000 is located in Memphis.<sup>(ix)</sup>



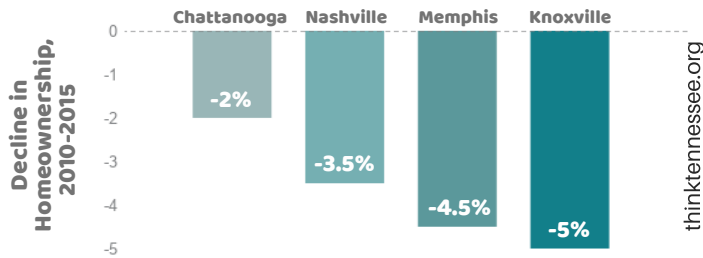
**Funding to maintain the affordability of many publicly-supported rental homes in Tennessee will expire in 2020.** Without this funding, these homes will become unaffordable to thousands of low-income families. Tennessee risks losing one in ten subsidized rental homes (9,404 units), including more than 6,500 Section 8 units, particularly in the state's four major metro areas, where 75% of these units are located.<sup>(x)</sup>

## Homeownership is Increasingly Out of Reach for Many Tennesseans

67% of Tennesseans own their homes, while 33% rent. Yet, **homeownership in our state declined nearly 3% between 2010 and 2015**, three times the rate of decline between 2000 and 2010.(xi)

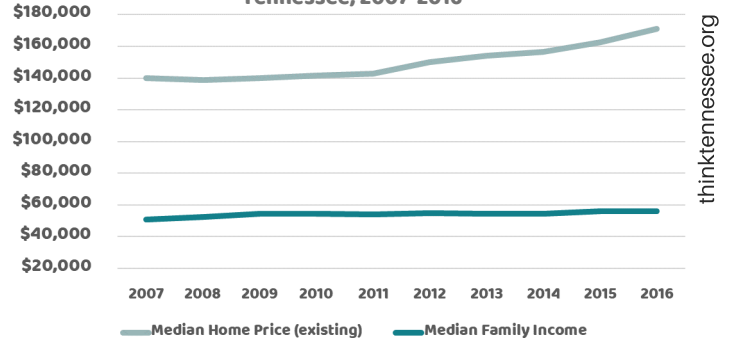


Homeownership has declined most in large urban areas:



The median price of homes in Tennessee increased by nearly \$20,000 in the last decade, while **the median family income has not kept up**. Only 35% of home sales in 2015 were affordable to median-wage earners in Tennessee.(xii)

Gap Between Median Home Price and Family Income in Tennessee, 2007-2016



## Affordable Housing Creates a Ladder of Opportunity for Tennessee Families and Their Communities



**Families with access to affordable housing are more financially secure and more able to contribute to local economies.** Low-income households paying half or more of their incomes on housing are left with about \$300 each month to spend on food, transportation and healthcare, compared to \$500 for low-income families spending 30% or less of their income on housing.(xiii)



A recent study of 8,000 elementary- and middle-school students in Tennessee highlights the **importance of access to affordable housing for children's success in school**, as frequent residential moves can create long-lasting gaps in reading and math test scores. Students with unstable housing also require more attention from teachers to help them catch up, which can be detrimental to school-wide performance.(xiv)



**Access to affordable housing facilitates mental and physical health for children, adults and seniors.** It decreases stress for adults and children, making them less likely to suffer from depression and lack of sleep. For adults 65 or older, who tend to spend a greater percentage of their income on housing (35% on average) and three times more on healthcare than young individuals, access to affordable housing facilitates their ability to cover medical costs or home safety improvement needs.(xv)



**Investments in affordable housing improve neighborhood quality and economic development** by increasing local purchasing power, creating jobs, enhancing property values and boosting property tax revenues.(xvi)

## How is Tennessee Addressing the Housing Affordability Crisis?

The **Tennessee Housing Development Agency (THDA)** oversees most state-led efforts to construct, preserve and finance affordable housing options across the state. THDA administers federal and state programs to create housing opportunities for low- to moderate-income Tennesseans. In 2017, THDA invested over \$1.2 billion in housing affordability programs, serving 136,722 households. 63% of this investment supported rental housing, and 37% supported homeownership programs.(xvii)



**The Tennessee Housing Trust Fund (THTF)** assists nonprofits and local entities in affordable housing projects for residents with limited means. In 2017, the THTF built or rehabilitated nearly 1,000 units for very low-income families.



**The Community Investment Tax Credit** is a state tax credit that provides incentives to nonprofit organizations, public housing authorities and other entities that invest in the creation and preservation of affordable housing for Tennesseans at or below 80% AMI. In 2017, the program helped 1,263 households.



As the state’s housing finance agency, THDA also administers programs that **fund affordable rental developments:**

- **The Low-Income Housing Tax Credit** incentivizes housing developers to create and preserve low-income rental housing. This program supported more than 4,000 rental units in 2017.
- **The Multifamily Tax-Exempt Bond Authority** allows the issuance of tax-exempt bonds for the construction, conversion or rehabilitation of affordable housing rental units. This program supported the development of more than 2,000 rental units in 2017, often in conjunction with the LIHTC program.



THDA assists homebuyers in preparing and paying for a home through their **down-payment assistance and homebuyer education programs:**

- **The Hardest Hit Fund Down Payment Assistance** offers \$15,000 in down payment assistance to Tennesseans buying homes in areas facing economic strife to protect these areas from blight, falling property values and foreclosures. In 2017, the programs assisted 1,474 households. Unfortunately, this program will end in 2018.
- **Homebuyer Education Initiative** provides materials and training to first-time homebuyers to instruct them on the process of purchasing of home. In 2017, the program supported 2,786 households.

## ***Lessons from Other States: Land Banks, Shared Equity and Preservation Databases***



### **Land Banks**

Land banks are created by local government agencies or nonprofits to purchase and manage vacant, abandoned or tax-delinquent properties to facilitate future development. Without redevelopment, these types of properties have cost cities like Philadelphia more than \$20 million in annual maintenance and lost tax revenue.(xviii)

Georgia leads the South with 15 land banks. The state's oldest effort, the Atlanta Land Bank, exempts nonprofits from property taxes for up to three years to facilitate their financing and development plans. It has helped communities meet local housing demand by enabling affordable housing developments, as well as green spaces and other community resources.

Tennessee law restricts the use of land banks, with only three in existence: the Shelby County Land Bank, the Chattanooga Land Bank Authority and the Oak Ridge Land Bank Corporation.(xix)



### **Shared Equity**

Local public entities or non-profits implement shared equity programs to facilitate access to below-market-rate mortgages to low-to-moderate income (LMI) families. Community land trusts (CLT), a common type of shared equity, reduce home prices by excluding the land and its associated cost from the sale. More than 250 CLTs operate in 46 states.(xx)

In addition to increasing homeownership for people with limited means, these programs have helped low-income families build wealth by allowing them to share in the appreciated value of their home. One study found that families realized between \$6,300 and \$70,000 in home resales.(xxi)

In Tennessee, The Housing Fund provides a shared equity option to LMI income first-time homebuyers, investing up to 25% of the home price in loans that stay with the property after resale.(xxii)



### **Preservation Databases**

State-specific preservation databases provide information about public- and/or privately-funded affordable housing, a fundamental resource for assessing the number and condition of affordable housing units at risk of loss without maintenance and rehabilitation.(xxiii)

Florida is the only Southern state with a public preservation database. Produced by the University of Florida’s Shimberg Center for Housing Studies, the Florida Housing Data Clearinghouse website provides data on key indicators by city and county.(xxiv)

## Options for Tennessee Policymakers to Consider in Addressing Housing Affordability



### Support local solutions to housing affordability.

- Ensure local governments and organizations have flexibility to create and implement proven solutions, such as **land banks and shared equity programs**, that provide policy options to meet local housing market needs.
- Ensure local governments have resources to assess current and future housing needs by facilitating the creation of a **statewide preservation database** to help identify and prioritize housing units in need of maintenance and rehabilitation.
- Maintain or extend the amount of time housing developments must comply with **affordability requirements**.



### Prioritize policies that stimulate the housing supply.

- Encourage communities to **provide local market incentives** for new affordable housing developments.
- **Leverage non-federal and non-state dollars** by reinvesting profits from current state programs to create more affordable housing.



Use the tax incentives available in **Tennessee's 176 newly designated Opportunity Zones** to attract capital investments in affordable housing preservation and development. .(xxv)



**Pass legislation, as recommended by the Tennessee Advisory Commission on Intergovernmental Relations and as introduced in the 2018 General Assembly, to support the Low-Income Housing Tax Credit (LIHTC) Program.** The bill, sponsored by Sen. Dickerson and Rep. Faison, would prevent rental property assessments from including the value of LIHTC incentives. This type of legislation would safeguard tax credit benefits received by developers and ensure the long-term affordability and financial viability of LIHTC properties.(xxvi)



## NOTES AND REFERENCES

- (i) Annual Area Median Income for Tennessee is \$61,644. Source: National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Rental Homes," (March 2017) available at <http://nlihc.org/gap>.
- (ii) Ibid.
- (iii) U.S. Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS)," available at <https://www.census.gov/housing/hvs/data/rates.html>.
- (iv) Joe Speer, Megan Morgeson, Bettie Teasley and Ceagus Clark, "Housing Indicators in Tennessee," Tennessee Housing Development Agency (July 2017) available at [https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Research-Publications/Housing-Indicators-Report-final-for-website-7\\_26\\_2017.pdf](https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Research-Publications/Housing-Indicators-Report-final-for-website-7_26_2017.pdf); Hulya Arik, Joseph Speer, Charmaine McNeilly, "Tennessee Housing Market at a Glance 2017," Tennessee Housing Development Agency, available at <https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Tennessee-Housing-Market/TN-Housing-Market-at-a-Glance.pdf>.
- (v) The price of a two-bedroom home is calculated at the U.S. Department of Housing and Urban Development's Fair Market Rent, which is the cost of rent and utilities calculated at the 40th percentile of rents for current renters. Source: National Low Income Housing Coalition, "Out of Reach 2018: Tennessee," available at <http://nlihc.org/oor/tennessee>.
- (vi) : National Low Income Housing Coalition, "Gap Report: Tennessee," available at <http://nlihc.org/gap/2016/tn>.
- (vii) Ibid.
- (viii) Ibid.
- (ix) Laura Swanson, "Aging Affordable Rental Housing in Tennessee and the Need for Preservation," Tennessee Housing Development Agency (March 2016) available at <https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Preservation-Report-FINAL.pdf>.
- (x) Ibid.
- (xi) Joe Speer, Megan Morgeson, Bettie Teasley and Ceagus Clark, "Housing Indicators in Tennessee," Tennessee Housing Development Agency (July 2017) available at [https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Research-Publications/Housing-Indicators-Report-final-for-website-7\\_26\\_2017.pdf](https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Research-Publications/Housing-Indicators-Report-final-for-website-7_26_2017.pdf).
- (xii) Ibid.
- (xiii) Enterprise Community Partners, Inc. "Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base," (2014) available at <http://homeforallsmc.com/wp-content/uploads/2017/05/Impact-of-Affordable-Housing-on-Families-and-Communities.pdf>; Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2017," Harvard Graduate School of Design, Harvard Kennedy School, available at [http://www.jchs.harvard.edu/sites/default/files/harvard\\_jchs\\_state\\_of\\_the\\_nations\\_housing\\_2017.pdf](http://www.jchs.harvard.edu/sites/default/files/harvard_jchs_state_of_the_nations_housing_2017.pdf).
- (xiv) Voight, Adam, Marybeth Shinn, and Maury Nation. "The Longitudinal Effects of Residential Mobility on the Academic Achievement of Urban Elementary and Middle School Students." *Educational Researcher* 41, no. 9 (December 1, 2012): 385-392. doi:10.3102/0013189X12442239. <http://edr.sagepub.com/content/41/9/385>; Mary K. Cunningham and Graham MacDonald, "Housing as a Platform for Improving Education Outcomes Among Low-Income Children," Urban Institute (May 7, 2012), available at <http://www.urban.org/UploadedPDF/412554-Housing-as-a-Platform-for-Improving-Education-Outcomes-among-Low-Income-Children.pdf>
- (xv) Enterprise Community Partners, Inc. "Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base," (2014) available at <http://homeforallsmc.com/wp-content/uploads/2017/05/Impact-of-Affordable-Housing-on-Families-and-Communities.pdf>.
- (xvi) Ibid.
- (xvii) Tennessee Housing Development Agency, "2017 Investments and Impacts Report," available at <https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Impacts-Investments-2017.pdf>.
- (xviii) Morgan Mansa, Tennessee Housing Development Agency Issue Brief: Land Banking to Eliminate Blight & Support Affordable Housing," (July 2016) available at <https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Land-Bank-Issue-Brief.pdf>; Smart Growth America, "Land Banking," available at <http://old.smartgrowthamerica.org/issues/revitalization/land-banking/>; Kimber Williams, "Land banks: a tool for managing urban blight," Emory Report (June 26, 2013), available at [http://news.emory.edu/stories/2013/06/er\\_land\\_banks/campus.html](http://news.emory.edu/stories/2013/06/er_land_banks/campus.html).
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(xxiii) Laura Swanson, "Aging Affordable Rental Housing in Tennessee and the Need for Preservation," Tennessee Housing Development Agency (March 2016) available at <https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Preservation-Report-FINAL.pdf>.

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