



HOUSING WHITE PAPER

a regional needs assessment

December 2023



WHY THIS WHITE PAPER?

This white paper is part of a five-part technical analysis on the following topics that affect the entire region of West Tennessee.

1. Transportation
2. Utilities
3. Economic Development
4. Land Use Regulations
5. Housing

These topics were studied to understand the regional needs and the context in which those needs exist from a physical, policy, resource, and/or regulatory standpoint. They are intended to:

- provide a consistent understanding of the current condition of each topic
- identify specific challenges related to responsibly managing community growth
- inform the next steps for the West TN Planning team and/or inform a discussion about a regional or state effort that could be considered to advance growth opportunities and resources

Although these analyses are publicly available, they have not been made specific to individual community needs. Rather, they include general recommendations at the local and state level that can be taken into consideration during subsequent planning and policy efforts to encourage a replicable approach to each topic by the consultant team as well as local, regional and state-level partners.

ACKNOWLEDGMENTS

The four REALTORS® associations serving the 21-county West Tennessee region provided data regarding listings, days on market, and sales price for 2022 and for January 1, 2023 to June 30, 2023.

- Memphis Area Association of REALTORS®
- Central West Tennessee Association of REALTORS®
- Tennessee Valley Association of REALTORS®
- Reelfoot Regional Association of REALTORS®

The Tennessee Advisory Commission on Intergovernmental Relations (TACIR) provided background data as noted within this document.

Main report prepared by: Younger Associates on behalf of the West TN Planning team for TNECD.

CONTENTS

- Executive Summary 1**
- National Housing Industry Planning Context 3
- State Planning Context 4
- Regional Context 6
- West Tennessee Regional Housing Market Statistics..... 9
- Potential Regional Housing Demand 12
- Summary and Next Steps 13
- Prior Housing Demand and Market Studies 15
- Local and Regional Housing Organizations 16
- Recommendations..... 17

EXECUTIVE SUMMARY

The purpose of this memorandum is to summarize the housing need in West Tennessee at the regional scale. As the population of west Tennessee increases to meet the employment opportunities generated by Ford/SK, housing availability will be among the top deciding factors as to where the growth will occur. The 2023 *West Tennessee Planning Forecasts for Population* report anticipates a population increase of more than 79,500 individuals by 2030 and more than 176,300 by 2045.

Based on this forecast, the change in population will drive the need for more than 70,500 additional housing units in West Tennessee by 2045. The size, type and characteristics of these units will vary; and government entities and private developers will look toward localized housing studies to guide their investments.

Each community has unique needs and is in varying stages of planning for growth and development. Key items that communities must identify to plan effectively include:

- The community's vision for if and how it wants to grow
- Goals to support that vision
- The physical infrastructure and economic circumstances that may limit or interfere with those goals
- Public services and amenities that attract and support growth
- Competitive environment assessment to determine what is likely to attract housing development to a community or county versus other locations
- Determination and adoption of any needed regulations and policies
- An implementation strategy that includes funding opportunities and potential incentives

WEST TN PLANNING OVERVIEW

In late 2021, Governor Bill Lee announced that the Ford Motor Company and SK Innovation (Ford/SK) selected the 3,600-acre Megasite in Haywood County for a vehicle and battery manufacturing campus. This Ford Motor Company campus, known as BlueOval City, is expected to spur additional industrial, commercial, and residential development throughout West Tennessee. As a result, many of the predominantly rural communities in the region face unprecedented growth and development. In response to this, the Tennessee Department of Economic and Community Development (TNECD) is overseeing a five-year West Tennessee Planning effort to assist these communities as they prepare for the anticipated growth catalyzed by BlueOval City. The West TN Planning team is working with state, regional, and local agencies to help understand the regional impact on all aspects of community development.

In early listening sessions for the West Tennessee Planning effort led by TNECD, communities expressed interest in attracting population and housing growth at a variety of scales, ranging from reversing population decreases, to achieving a moderate growth rate, to maximizing growth potential. Even in cases where a community wants to simply sustain its population, formalized planning efforts are critical to meeting that goal. Further, a lack of planning may lead to a continuing loss of population, or to attracting the types or levels of growth that could negatively impact the local government's ability to provide services and amenities to existing residents.

The data collected for this memorandum sets the stage for planning to improve communities for existing residents by attracting sustainable growth if growth is desired, and to make communities attractive to compatible developers that may want to invest in residential development. It forecasts an overall regional demand for housing generated by Ford/SK and contrasts that demand against existing housing inventory data.

While local housing studies will be helpful for some areas in the region, each jurisdiction is currently at a different stage of planning and will require different levels of data research and resources to meet its needs. This memo is meant to summarize that information at a regional level; identify gaps in housing resources; and provide recommendations on next steps for future planning for these communities.

In general, this analysis led to the following next steps recommendations:

- Local housing studies to identify demand potential in conjunction with land availability, infrastructure, and ability to offer public services and quality of life amenities. These studies will have the most benefit for counties that have planning, zoning, and building codes.
- A regional housing study focused on the primary (60-minute) commute zone for BlueOval City that goes beyond local supply and demand research and provides key information for attracting housing development.
- Creation and implementation of housing development incentives, and policies for use, that yield a return on investment for local taxpayers.
- Strategies to attract developers who operate on a scale that would have a meaningful impact on the West Tennessee housing supply.

Additional information on these recommendations can be found in the final section of this document.

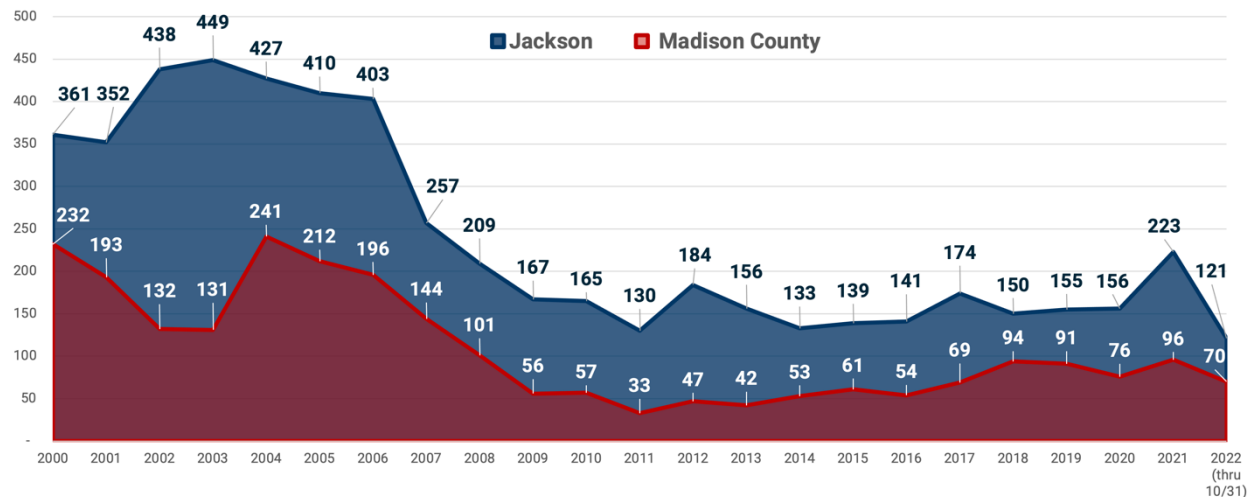
NATIONAL HOUSING INDUSTRY PLANNING CONTEXT

Major disruption in the U.S. financial markets, and particularly in the mortgage market, in 2007-2008 caused a large decline in residential construction. This decline proved to be long-lasting with the number of new units built remaining below the peak levels of the late 1990s and early 2000s through the 2020s pandemic years. Single family housing starts in West Tennessee followed this national pattern.

While not all of the communities and counties in West Tennessee require building permits or report housing permit data to the Department of Commerce, data from Madison County provides a good illustration of the decline in housing starts. Madison County requires building permits county-wide and because of its size and central location in West Tennessee is a bellwether for housing and consumer markets in the region. The graphic below illustrates the extended decline in new housing starts.

New Housing Starts Jackson & Madison County

Housing Starts 2000 - October 31, 2022



SOURCE: City of Jackson Planning Department

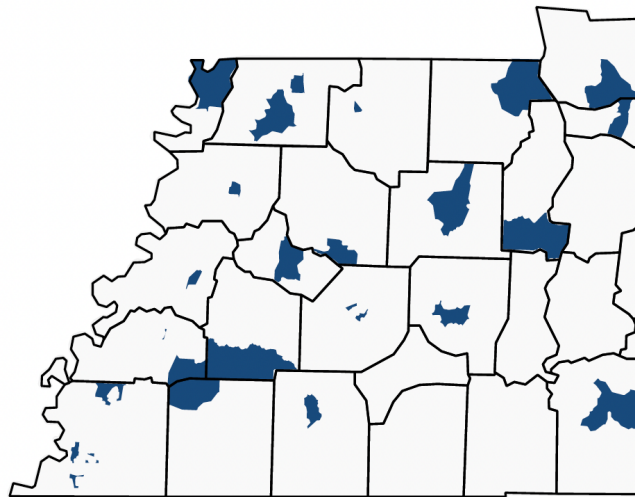
Several years of low housing starts have left West Tennessee with a low inventory of available housing. At the same time, a large cohort of Millennial generation homebuyers has increased demand both nationally and regionally. The market impact of these supply and demand factors is reflected in higher average home sales prices and shorter number of days on the market for homes listed for sale throughout the housing market. (See West Tennessee Housing Market Statistics Section later in this report.)

STATE PLANNING CONTEXT

The Tennessee Housing Development Agency (THDA)¹ is the state's housing finance agency. It focuses on very low-, low-, and moderate-income individuals and families by promoting the production of more affordable new housing and the preservation and rehabilitation of existing housing. THDA offers loan products through private-sector lending partners and offers down payment assistance as an optional second loan, and administers LIHTC, Choice Voucher HUD programs. The agency is 100 percent federally funded with no expectation for state funds at this time.

There are several federally designated Opportunity Zones² in Tennessee that are designed to drive long-term capital to low-income communities. Investors receive a federal tax incentive to re-invest capital gains into Opportunity Funds. If the property is held in the fund for less than ten years, the capital gains tax can be deferred; however, if the money is in the fund for more than 10 years, no tax is owed on the original gain invested in the fund. Locations of opportunity zones in West Tennessee are shown in the map below.

OPPORTUNITY ZONES IN WEST TENNESSEE



Tennessee law allows for Payment in Lieu of Taxes (PILOT) incentives, which have been applied across the state to not only industrial projects but also multi-family housing developments and mixed-use developments that contain housing.

Tax Increment Financing (TIF) is another tool available in Tennessee law that allows future increases in tax revenue to be used to develop public infrastructure related to the project. TIF financing has been used in mixed-use developments that contain significant housing developments.

Footnotes:

1 Tennessee Housing Development Agency (THDA) – thda.org

2 Opportunity Zones: TN Dept. of Economic & Community Development – tn.gov/content/tn/ecd/opportunity-zones.html/

Tourism Development Zones (TDZs) allowed by Tennessee law allow future tax revenue increases from surrounding areas to be directed to financing new amenities with public benefit. While this tool could possibly be used by communities to develop attractive amenities that induce residential development, this is less likely to be used because TDZs must be approved by the state legislature and require an existing generator of significant sales tax revenue.

The Tennessee Advisory Commission on Intergovernmental Relations (TACIR)³ is the state's research division related to the organizational patterns, powers, functions, and relationships among federal, state, and local governments. In June of 2023 they were tasked with creating a Housing Affordability Study⁴ pursuant to House Joint Resolution 139 by Representative Sparks. A draft report will be available in December 2023, with a final report in January 2024.

In an effort to not duplicate any state resources, this memo will not focus on the topics included in the TACIR report. Rather, the West TN Planning team will utilize that report as reference material in future planning efforts.

Footnotes:

3 Tennessee Advisory Commission on Intergovernmental Relations (TACIR) – tn.gov/tacir.html

4 TACIR Housing Affordability Study Memo – tn.gov/content/dam/tn/tacir/commission-meetings/2023november/2023Nov_Tab5HousingAffordability_Memo.pdf

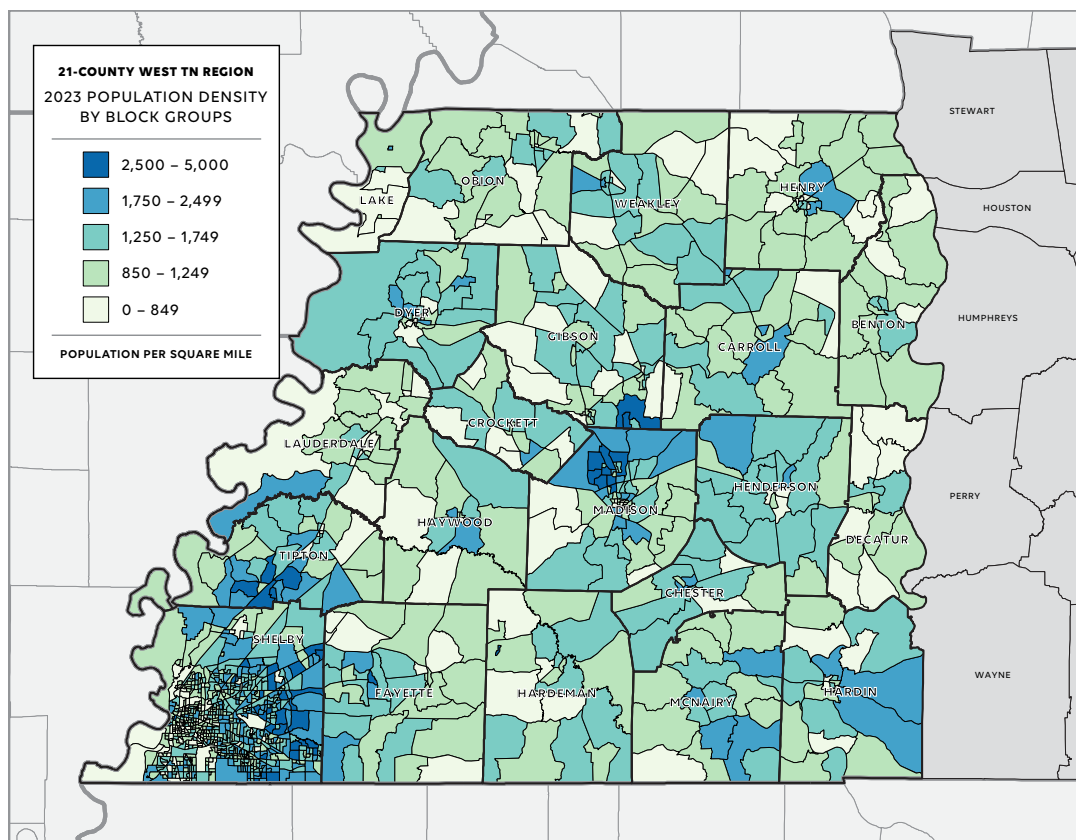
REGIONAL CONTEXT

It is important to understand housing at a regional level and identify communities that may be more unprepared than others for growth as well as areas that can absorb the most immediate growth generated by Ford/SK. While land use and zoning regulation are strongly connected to housing, they are not the only factors that determines the location, type, and size of housing in a community. Available developable land and supporting infrastructure such as roads, water, sewer, and other utilities will have a large impact on where housing may be developed. Further, quality of life amenities such as schools, emergency services, access to consumer goods, entertainment, and employment centers all have an impact on where growth occurs. (See *2023 West Tennessee Planning Forecasts of Population* for more information on these impacts for each county in West Tennessee.)

Many of the areas immediately surrounding BlueOval City lack the utility infrastructure and quality of life amenities to support substantial growth in the near future. Therefore, it is expected that housing growth will occur first where these already exist. However, since these locations are limited and may add additional commute time, more sites for new development will be needed, especially in the 60-minute commute zone for BlueOval City, and wherever possible within the 20-minute commute zone given that employees related to the automotive industry will work 12-hour shifts.

Concentrated growth will be necessary in many communities due to available/developable land, the common goal of preserving farmland and recreation areas, and the cost of new infrastructure. Neighborhood revitalization and infill development may offer opportunities for communities to remove blight and build on existing infrastructure to meet housing demand.

Map 1 shows the current population density in West Tennessee, summarized by Census Block Groups. Some of the areas where the density is low are developable and offer opportunities for population growth.



Many rural communities currently lack the physical infrastructure to support development. Most frequently noted is that public wastewater systems, if they exist, are at the end of their useful life and capacity. Numerous water, wastewater and road studies are at various stages of completion in West Tennessee.

Residential developers with the capability to build entire subdivisions or multi-family housing have not been active in rural West Tennessee in the past. An effort will likely be needed to attract developers and inform them that residential development in rural communities is a sound investment. Providing developers and investors with housing study data can give them the market intelligence needed to consider the West Tennessee market and prepare for development.

Multi-family housing in most rural counties in West Tennessee is limited to low-income and subsidized housing. Substantial numbers of apartments and condominiums are found only in Shelby and Madison Counties. Some communities feel that multi-family housing is inconsistent with the sense of place and historical building patterns of their community.

As documented in the 2023 West Tennessee Planning Land Use Regulation White Paper, a significant number of local jurisdictions lack the planning, policies, and regulations to ensure quality development and construction.

This can act as a deterrent to developers seeking a predictable process to make an investment with acceptable financial returns.

West Tennessee is subject to national market forces that affect the housing industry. Material costs have increased as demand for housing rises. The pandemic, along with sharp increases in demand, have created supply issues that lengthen the construction process. Low unemployment rates are reflected in workforce shortages, especially in the construction sector where interest in the trades was dampened by the long decline in housing development.

Mortgage interest rates are rising and have reached the highest level since 2000 according to recent Reuters financial news reports. Higher interest rates decrease the purchase price a homebuyer can afford. This environment creates a squeeze between what buyers can afford to pay, and the cost builders incur with the high and rising costs of materials and labor.

POTENTIAL REGIONAL CHALLENGES TO NEW HOUSING DEVELOPMENT:

1. Builder/developer availability and interest
2. Lack of infrastructure
3. Lack of developable land
4. Local resistance to multi-family housing and/or apartments
5. Lack of predictable planning, policies and building regulations
6. Interest rates (national)
7. Material costs and supply (national)
8. Workforce shortages for construction (national)

AMONG WEST TENNESSEE COMMUNITIES
33% OF TOWNS DO NOT HAVE ZONING
42% DO NOT HAVE SUBDIVISION REGULATIONS
44% DO NOT HAVE LOCAL BUILDING CODES

*Source: 2023 West
Tennessee Planning Land
Use Regulation White Paper*

WEST TENNESSEE REGIONAL HOUSING MARKET STATISTICS

The primary factors that influence housing choices are household income, age of heads of household, and number of people in the household. The average age of the population in West Tennessee is lower than the state and national averages; this can be attributed to the large percentage of the regional population located in the Memphis metropolitan area counties. Rural counties have a higher concentration of people above retirement ages. The average household size in West Tennessee is lower than the state and national average, reflecting fewer households with children under age 18. The average household income is lower than the state and national average, which influences what level of rent or mortgage payment households can afford.

COMPARISON OF WEST TENNESSEE HOUSEHOLD DEMOGRAPHICS

| 2023 ESTIMATE | UNITED STATES | TENNESSEE | 21-COUNTY WEST TN REGION |
|--------------------------|---------------|-----------|--------------------------|
| Average Age | 40.20 | 40.40 | 39.57 |
| Average Household Size | 2.50 | 2.50 | 2.47 |
| Average Household Income | \$104,972 | \$87,975 | \$83,208 |
| Median Household Income | \$73,336 | \$62,829 | \$56,808 |

Source: Claritas, Environics Spotlight

RENTER-OCCUPIED HOUSING

In West Tennessee a larger percentage of households rent than the state and national averages.

| 2023 ESTIMATE | UNITED STATES | TENNESSEE | 21-COUNTY WEST TN REGION |
|-----------------------|---------------|-----------|--------------------------|
| Owner-Occupied Units | 64.41% | 66.55% | 60.40% |
| Renter-Occupied Units | 35.59% | 33.45% | 39.60% |

Source: Claritas, Environics Spotlight

Estimates based on the American Community Survey (ACS) report there are currently 243,898 renter-occupied units in West Tennessee. The average West Tennessee contract rent reported in the ACS for the period 2017-2021 is \$760 per month. (Contract rent is rent only and does not include cost of utilities paid by the renter.) The average contract rent for the U.S. for the same time period is \$1,045. The percentage of average household rent to average income is lower in West Tennessee than the national percentage.

OWNER-OCCUPIED HOUSING

In 2023, there are an estimated 371,948 owner-occupied housing units in West Tennessee. The median value is \$190,288.

Related to lower income levels, the value of owner-occupied housing is lower in West Tennessee than the state and national benchmarks. However, it should be noted that there are wide variations in home values within West Tennessee as the table below illustrates.

| 2023 OWNER-OCCUPIED HOUSING UNITS BY VALUE | UNITED STATES | | TENNESSEE | | 21-COUNTY WEST TN REGION | |
|--|-------------------|-------------|-------------------|-------------|-----------------------------|-------------|
| | Count | Percent | Count | Percent | Count | Percent |
| Value Less Than \$20,000 | 1,647,124 | 1.99 | 37,068 | 1.99 | 7,833 | 2.11 |
| Value \$20,000 - \$39,999 | 1,616,626 | 1.96 | 35,404 | 1.90 | 9,933 | 2.67 |
| Value \$40,000 - \$59,999 | 1,636,666 | 1.98 | 43,474 | 2.33 | 15,030 | 4.04 |
| Value \$60,000 - \$79,999 | 2,098,713 | 2.54 | 57,596 | 3.09 | 21,915 | 5.89 |
| Value \$80,000 - \$99,999 | 2,660,239 | 3.22 | 75,165 | 4.03 | 27,186 | 7.31 |
| Value \$100,000 - \$149,999 | 7,699,144 | 9.32 | 229,973 | 12.34 | 66,321 | 17.83 |
| Value \$150,000 - \$199,999 | 7,790,080 | 9.43 | 217,910 | 11.69 | 45,848 | 12.33 |
| Value \$200,000 - \$299,999 | 15,444,175 | 18.69 | 417,305 | 22.39 | 72,398 | 19.46 |
| Value \$300,000 - \$399,999 | 11,780,132 | 14.26 | 283,325 | 15.20 | 43,856 | 11.79 |
| Value \$400,000 - \$499,999 | 8,403,566 | 10.17 | 162,185 | 8.70 | 22,639 | 6.09 |
| Value \$500,000 - \$749,999 | 10,588,900 | 12.81 | 177,832 | 9.54 | 23,868 | 6.42 |
| Value \$750,000 - \$999,999 | 5,343,945 | 6.47 | 66,739 | 3.58 | 8,318 | 2.24 |
| Value \$1,000,000 - \$1,499,999 | 3,342,685 | 4.04 | 36,342 | 1.95 | 4,004 | 1.08 |
| Value \$1,500,000 - \$1,999,999 | 1,191,796 | 1.44 | 11,908 | 0.64 | 1,307 | 0.35 |
| Value \$2,000,000 or more | 1,393,977 | 1.69 | 11,820 | 0.63 | 1,492 | 0.40 |
| Total | 82,637,768 | 100% | 1,684,046 | 100% | 371,948 | 100% |
| 2023 Est. Median All Owner-Occupied Housing Value | \$ 305,389 | | \$ 253,854 | | \$ 190,288 | |

Source: Claritas, Environics Spotlight

The percentage of single-family homes in West Tennessee built since 2020 is much lower than the percentages built in this timeframe for the state and nation. This underscores how West Tennessee housing starts did not rebound from the national housing starts decline that started in 2007-2008.

Pent up demand that has developed over this period must be met along with the new demand generated by Ford/SK.

| 2023 HOUSING UNITS BY YEAR STRUCTURE BUILT | UNITED STATES | | TENNESSEE | | 21-COUNTY WEST TN REGION | |
|---|-------------------|--------------|-----------------|--------------|-----------------------------|--------------|
| | Count | Percent | Count | Percent | Count | Percent |
| Built 2014 or Later | 7,909,404 | 5.55 | 226,205 | 7.30 | 21,972 | 3.20 |
| Built 2010 to 2013 | 4,039,546 | 2.83 | 108,203 | 3.49 | 16,994 | 2.47 |
| Built 2000 to 2009 | 19,594,686 | 13.74 | 495,797 | 16.01 | 89,153 | 12.98 |
| Percentage of Housing Built Since 2000 | 31,543,636 | 22.12 | 830,205 | 26.80 | 128,119 | 18.65 |
| Built 1990 to 1999 | 19,561,234 | 13.72 | 542,503 | 17.52 | 114,695 | 16.70 |
| Built 1980 to 1989 | 18,667,377 | 13.09 | 419,390 | 13.54 | 93,532 | 13.61 |
| Built 1970 to 1979 | 20,864,776 | 14.63 | 452,063 | 14.60 | 113,405 | 16.51 |
| Built 1960 to 1969 | 14,509,302 | 10.18 | 298,053 | 9.62 | 77,733 | 11.31 |
| Built 1950 to 1959 | 13,988,736 | 9.81 | 254,299 | 8.21 | 80,455 | 11.71 |
| Built 1940 to 1949 | 6,567,616 | 4.61 | 131,271 | 4.24 | 39,133 | 5.70 |
| Built 1939 or Earlier | 16,867,618 | 11.83 | 169,219 | 5.46 | 39,940 | 5.81 |
| 2023 Est. Median Year Structure Built | 1,979.28 | | 1,986.67 | | 1,979.35 | |

Source: Claritas, Environics Spotlight

Statistics obtained from the four Associations of REALTORS® in West Tennessee provide a snapshot of home sales in West Tennessee for the calendar year 2022. This includes all single-family houses listed and sold in the MLS. Due to differences between the statistics for the Memphis metro and the smaller markets, the statistics were compiled in total, and without Shelby County.

| HOMES SOLD AS OF 12/31/22 | 21-COUNTY WEST TN REGION | 21-COUNTY WEST TN REGION WITHOUT SHELBY COUNTY |
|-----------------------------------|-----------------------------|---|
| Number Sold | 7,247 | 5,079 |
| Average Price | \$167,218.00 | \$171,656.05 |
| Average Days on the Market | 47.13 | 47.82 |
| Average Square Feet | 1,648 | 1,670 |
| Average Price per Sq. Ft. | \$99.73 | \$101.26 |
| Average # of Bedrooms | 2.9 | 3.0 |

Source: Association of REALTORS® in West Tennessee

POTENTIAL REGIONAL HOUSING DEMAND

Based on the *2023 West Tennessee Planning Forecasts of Population* and current demographic data, a broad estimate can be made regarding the number of housing units that will be required to support the population growth. These projections are based on the generalized assumptions that the average household size for West Tennessee will increase towards the state and national averages as more working age families with children move into the region to meet the employment demand generated by Ford/SK. Also assumed is that the ratio of home ownership to renting will increase toward the state ratio over the longer term as multi-family housing becomes more available in both the metro and rural areas of West Tennessee.

| YEAR | 2030 | 2045 |
|---|--------|---------|
| Forecasted Population Increase | 52,064 | 176,341 |
| Estimated Average Household Size | 2.4 | 2.5 |
| Number of Housing Units Required | 21,693 | 70,536 |
| Percentage of Owner-Occupied Homes | 60% | 65% |
| Number of Owner-Occupied Units Required | 13,015 | 45,848 |
| Percentage of Renter-Occupied Homes | 40% | 35% |
| Number of Renter-Occupied Units Required | 8,677 | 24,687 |

Sources: Younger Associates, Claritas, Environics Spotlight, ESRI

According to the U.S. Department of Commerce, new housing starts reported in West Tennessee were as follows: (See *2023 West Tennessee Planning Forecasts of Population* report for complete list by county)

| NUMBER OF UNITS | 2021 | 2022 |
|-----------------|--------------|--------------|
| 1 Unit | 3,588 | 5,078 |
| 2 Units | 6 | 40 |
| 3-4 Units | 40 | 0 |
| 5 Units | 1,790 | 1,632 |
| Total | 5,394 | 6,750 |

Sources: U.S. Census Bureau Building Permit Survey Data 2020 - June 2023, extracted from the Master Compiled Data Set, July 2023, Younger Associates

Note: Not all counties and municipalities require building permits, nor do all who require permits report their data. This data represents those cities and counties reporting data for the time frame shown.

SUMMARY AND NEXT STEPS

Over the next 20 to 25 years, West Tennessee will need to develop new housing at a much faster rate than ever before experienced in the region. This housing expansion will be required to support the population growth forecasted as a result of Ford/SK, and to supply pent up housing demand that has been developing for over a decade. Land use planning will need to be extended to all communities to guide growth, preserve community vision, prevent predatory developer practices, and encourage quality development that will be sustainable for many years.

Local housing studies are needed to identify demand potential in conjunction with land availability, infrastructure, and ability to offer public services and quality of life amenities. Development costs and home affordability will differ among communities because of the number of local factors that influence both cost and affordability.

If possible, these studies should be focused on areas that are forecasted to have the highest demand. Many people and businesses will locate within the 60-minute commute zone surrounding BlueOval. An in-depth regional housing study that encompasses this area would help identify the best opportunities for housing growth.

From numerous analyses of commute times, it is known that the preferred commute time for workers is approximately 20 minutes. This preference will likely hold true considering the 12-hour shift times in many of the new industries locating in West Tennessee. Current housing availability and infrastructure within this preferred commute time around BlueOval is limited, although there is land where housing may be developed. A regional study could help identify where housing can be available most immediately within the 60-minute commute zone, and where housing may be developed over time within the 20-minute zone.

Growth strategies must take into account the time required for infrastructure development. The regional housing study could identify likely timelines for infrastructure readiness and phases of housing development that optimize regional growth.

Other counties in West Tennessee may also benefit from housing studies that helps them identify potential for growth as well as the type and level of growth that is consistent with their community vision. These studies can provide an unbiased assessment of how competitive a county currently is for attracting residential growth. Planning can help preserve quality of life for current residents and allow agriculture to remain a vibrant economic engine for West Tennessee. These individual county studies will have the most benefit for counties that have planning, zoning, and building codes in place.

Strategies are needed to attract corporations and large-scale housing developers to operate and invest in West Tennessee. The published data on West Tennessee that is widely available does not include the forecasted growth potential from Ford/SK. A complete picture of the market potential should be delivered to potential developers.

A professional, regional approach is needed to attract developers, investors, and corporations in the building industry. TNECD could target large scale residential developers as a target industry and familiarize them with

West Tennessee. Other states, including Mississippi and Alabama, have targeted large-scale residential developers as a growth strategy.

Outside of Memphis, the use of incentives is not as prevalent in West Tennessee for housing as it is for industrial and commercial development. In Memphis, the non-profit Memphis Health Education and Housing Board provides Payment in Lieu of Tax (PILOT) agreements and bond financing for low-income multi-family housing developments.

The Economic Development Growth Engine of Memphis and Shelby County (EDGE) initiated a trial program to provide PILOTs to market rate multi-family housing developments in the Midtown and Downtown areas. The PILOTs were quickly utilized by qualifying developments. EDGE and the Downtown Memphis Commission have also approved Tax Increment Financing (TIF) agreements to provide infrastructure funding for mixed-use developments with large housing components.

Jackson and Madison County recently approved the first Tax Increment Financing (TIF) agreement for a mixed-use development that will contain primarily single family and multi-family housing.

Other rural counties have expressed an interest in providing incentives for housing and mixed-use developments. They are seeking to put the required legal structures and administrative support in place and to create guidelines for the use of incentives. Realistic expectations must be set for the understanding of return on investment.

Since many communities are exploring ways to develop and implement incentives for housing development, an informational program can be offered within West Tennessee. Some training programs have been offered by the University of Tennessee. The resources used for those programs could be assembled and the content customized to offer educational training in West Tennessee that explains the variables involved in the development of incentives and addresses the urgency of the Ford/SK timeline. This can be done collaboratively through TNECD West Tennessee Planning and the UTCIS Economic Development Services. TNECD is already setting the stage to provide this resource.

PRIOR HOUSING DEMAND AND MARKET STUDIES

Local housing studies have previously been conducted in West Tennessee prior to the West Tennessee Planning effort. The information below does not comprise a comprehensive list; it contains analyses completed recently by Younger Associates.

An in-depth *Housing Market Study for Jackson/Madison County* was prepared for the Greater Jackson Chamber in December 2022 to address potential market changes from Ford/SK. This study included both single family and multi-family supply with an analysis of likely development sites. Data from the study is being used to attract development and investors.

Some communities, or private developers investigating the feasibility of development, have commissioned housing demand studies. These include the following multi-family housing studies, and year conducted.

- Millington, June 2023
- City of Lexington, 2022
- Martin, 2020
- Medina, 2020
- Humboldt, 2020
- Jackson, 2017

The studies conducted prior to the announcement of BlueOval City in 2022 are outdated and would not reflect current potential demand. The more recent studies listed are limited in scope since they were primarily focused on specific project feasibility, unlike the more in-depth study completed for Madison County. Other counties in West Tennessee can benefit from a current housing market analysis.

LOCAL AND REGIONAL HOUSING ORGANIZATIONS

Below is a partial listing of organizations in West Tennessee that advocate for and influence the development of housing in West Tennessee. These should be considered as collaborators as planning efforts proceed and as implementation strategies are developed for meeting housing demand.

1. Jackson Housing Authority, affiliate of the Tennessee Housing Development Agency
2. Habitat for Humanity Organizations Registered with National Association⁵:
 - Gibson County
 - Jackson/Madison County
 - Carroll County
 - Northwest Tennessee Dyersburg/Dyer County
 - McNairy County
 - Obion County
 - Weakly County
 - Dresden
3. West Tennessee Home Builders Association
4. Home Builders Association of Tennessee
5. Memphis Housing Authority
6. Memphis Rental Housing Partnership Program
7. Neighborhood Economic Development Opportunities program (NEDO), Memphis
8. Memphis Affordable Housing Trust Fund
9. Memphis/Shelby County has several public/private Community Development Organizations targeting specific localities, Community Housing Development Organizations (CHDO) that meet HUD requirements for funding, and non-profits that have housing programs with a specific focus such as tiny homes or handicap accessible housing.

Footnotes:

5. None of the Habitat for Humanity organizations in West Tennessee have operated at a scale that would contribute significantly to the housing supply.

RECOMMENDATIONS

Housing is a top challenge for West Tennessee communities in preparing for BlueOval-generated growth. Housing supply is already limited because an extended downturn in residential development and aging housing stock. Due to years of low housing demand many communities lack infrastructure and key development tools such as land use planning and community zoning.

Expected high population growth rates, due to the thousands of new jobs being created in West Tennessee will cause a significant gap between demand and housing availability. Early estimates, which should be refined by local and regional housing market analyses, show that more than 70,500 new housing units will be needed in West Tennessee by 2045. Communities stand at different levels of preparedness for growth, so each will have a different path toward achieving potential growth and integrating desired amounts of growth.

These recommendations presented in this Housing Needs Analysis can be summarized as:

- Facilitate local planning and visioning to guide how a community wants to grow.
- Engage in land use planning (for communities that do not have a land use plan) or update existing land use plans to incorporate population forecasts and housing demand forecasts generated by the West Tennessee Planning effort to prepare for BlueOval-related growth.
- Develop local housing studies to identify demand potential in conjunction with land availability, infrastructure, and ability to offer public services and quality of life amenities. These studies will have the most benefit for counties that have planning, zoning, and building codes, so those communities should be prioritized in conducting housing market analysis. (Refer to *Land Use Regulations White Paper* for list of communities.)
- Complete of an in-depth regional housing study focused on the primary (60-minute) commute zone for BlueOval City that provides key information for attracting housing development. This regional study can be researched and developed as underlying local housing studies are still in progress.
- Creation and implementation of housing development incentives, and policies for use, that yield a return on investment for local taxpayers. TNEDC is planning to provide a training opportunity that offers working examples for communities that are considering or implementing an incentive program for the first time.
- Connect communities with THDA so that they have an understanding of the programs THDA offers for developers of low-income housing and subsidized rental housing should be.
- Develop and deploy strategies to attract developers who operate on a scale that would have a meaningful impact on the West Tennessee housing supply.



Tennessee Department of Economic
and Community Development
312 Rosa L. Parks Ave.
Nashville, TN 37243

office: 615.741.1888

