



# TACIR INSIGHT

TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

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## REDUCING THE BURDEN: INCREASING HOUSING SUPPLY TO LOWER HOUSING COSTS AND IMPROVE AFFORDABILITY

### Background

Like much of the country, Tennessee has seen housing prices soar in the last several years, moving homeownership out of reach for many, while homeowners and renters alike are under financial strain just to keep the homes they already have. In response, House Joint Resolution 139 by Representative Sparks in the 113th General Assembly requested that TACIR study impact fees and their relationship to housing affordability. After discussions with the sponsor, legislative leadership, and stakeholders, the scope of the study was broadened to explore factors affecting housing affordability beyond impact fees. The resolution passed in the House and was referred to the Senate State and Local Government Committee, but no further action was taken. Many factors have contributed to these rising housing costs, but the one problem that stands out is that housing supply does not meet demand, resulting in a loss of affordability, driven at least in part by zoning and land use policies that can constrict housing development.

### Findings and Recommendations

The Commission's study finds that local governments already possess—and should retain—land use tools to encourage housing production. A draft finding that the state authorize local governments to make multiyear funding commitments to affordable housing was enacted as Senate Bill 1137 by Senator Oliver and House Bill 1229 by Representative Hemmer in the 113th General Assembly. Additionally, the Commission recommends that

- the state offer an incentive for local governments to adopt zoning reforms that support housing development,
- state and local governments adopt policies to mitigate the effects of zoning reform on existing residents,
- the state fund either the existing housing trust fund or a new trust fund using a portion of the realty transfer and mortgage tax revenues or some other revenue source,
- the state could also reserve realty transfer and mortgage tax revenues for infrastructure in ways that smooth out the ups and downs of the business cycle,
- all local governments be allowed to establish land banks, and
- local governments be allowed to add links to their own surplus real property to the state's website where the state advertises its surplus real property.

See TACIR's full report at the following link for additional information: <https://www.tn.gov/tacir/tacir-publications.html>.