Honorable City Council Members:

The Chattanooga-Hamilton County Regional Planning Agency (RPA), following a year of careful research, analysis, stakeholder meetings and a Housing Summit, is presenting you with the final draft of the Chattanooga Housing Study. We give many thanks to the Chattanooga Association of Realtors and the Home Builders of Greater Chattanooga who assisted with the surveys and provided access to the Multiple Listing Service (MLS) data. RPA would also like to thank the staffs of Chattanooga Neighborhood Services and Community Development and Public Works, the Chattanooga Housing Authority, Chattanooga Neighborhood Enterprise (CNE), Habitat for Humanity, the 28th Legislative District Community Development Corporation (CDC), the Chattanooga Community Housing Development Organization (CCHDO), neighborhood representatives, building industry professionals and Chattanooga Organized for Action for participating in this study.

This report indicates that the combined effects of the Great Recession, the significant changes in household size/type over the past several decades and the growing influence of the Baby Boomers (born 1946 - 1964) and Generation Y (born 1984 - 2002) are fundamentally changing the housing needs for Chattanooga’s future and current citizens. Below I have summarized just a few key findings from this report:

» The Great Recession has significantly impacted the financial capacity of households to obtain affordable housing: nationally family net worth actually declined 40% between 2007 and 2010. Between 2000 and 2010 family incomes increased (+25%) at only half the rate of housing costs (+52%).

» While detached single-family homes will continue to be Chattanooga’s primary housing choice option, two key housing drivers (Baby Boomers/Generation Y) representing over 60% of the population will present a growing demand for apartments and smaller housing units located in communities with more convenient access to daily needs. This is already being confirmed by the increasing share of apartment and townhouse development activity which increased from 34% to 54% of all housing units built from 2000-2013.

» Chattanooga has a dwindling supply of undeveloped subdivision lots (can accommodate 1.9 years), and yet has a significant number of vacant lots (10,255 parcels) scattered throughout the City. However, many of these lots are located in neighborhoods that will require revitalization intervention activity to make them attractive for redevelopment.

» Current City codes impact housing affordability and the feasibility for small lot infill due to site engineering, road width and setback requirements which limit options for retaining a site’s natural features or to configure the development in a way that promotes compatibility.
Housing affordability affects all income levels, but is even more acute among those with lower incomes. In Chattanooga 77% of households with incomes less than $15,000 and 51% of households with income of $15,000 - $29,999 have a housing cost burden (spending 30% or more of their monthly income on housing).

These findings implicate a call to action if Chattanooga is to realize its full potential to meet the changing housing needs of all its citizens. To assist in identifying potential solutions, this report lists a variety of recommendations to address the housing gaps identified by this study. It is important to note when looking at solutions, that they respond to the unique character and lifestyles of Chattanooga’s urban and suburban places. To accommodate this important nuance, some of the recommendations are grouped into “urban” and “suburban” strategies. Finally, and most importantly, the study recommends the formation of a Housing Task Force made up of this City’s key housing stakeholders. The purpose of this task force will be to review the findings and recommendations of this study, and based on their review to recommend short-term and longer-term actions for the City to implement in the form of policies, code changes, financial incentives and appropriate revitalization programs.

The good news is that the local housing market is rebounding. However, if Chattanooga is to continue attracting new residents and maintain affordable housing options for all its citizens, this City will need to implement new policies and tools to meet their housing and lifestyle needs. The strategies recommended by this study seek to promote infill development that diversifies Chattanooga’s housing options in a manner that is sensitive to the established character and quality of life of our existing neighborhoods. This is no easy task, but Chattanooga has demonstrated its knack for working together to meet big challenges. This challenge while different is the same in its substantive impact on our City’s future livability. The Regional Planning Agency looks forward to partnering with staffs of other City agencies and other community stakeholders to assist a Housing Task Force to develop an appropriate implementation program that positions Chattanooga to meet its 21st Century livability needs.

Sincerely,

[Signature]

John B. Bridger, Jr.
ACKNOWLEDGEMENTS

This report would not have been possible without the hard work and dedication of everyone who participated in the study. The Greater Chattanooga Association of Realtors and the Home Builders Association of Greater Chattanooga sponsored the survey and their members completed them. The following participated in focus group meetings. All were instrumental in the development of this report.

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INTRODUCTION

THE REQUEST

The Chattanooga City Council requested that the Chattanooga-Hamilton County Regional Planning Agency (RPA) conduct a study of the Chattanooga housing market to assess the housing market, current plans/development policies and how they respond to these new trends. The perceived concern was that current plans/policies/code requirements may be discouraging infill housing development, particularly moderate to high-density development.

The RPA has a history of examining policies and creating plans for the community-at-large and individual neighborhoods. In 2006 the RPA released the “2030 Comprehensive Plan.” The 2030 Comp Plan set a vision for Hamilton County that provides many choices for its residents. It has been seven years since that report was written but we found the goals on housing to still be relevant today:

- Ensure every resident in City of Chattanooga has a livable, safe and affordable place to live.
- Provide new housing opportunities for residents at all income levels.
- Provide for consistent and compatible development to preserve the character of existing neighborhoods.
- Maintain a diverse housing stock which is vital in meeting the wide range of consumer preferences and needs.

HOW THE STUDY WAS CONDUCTED

The RPA began its work by examining demographic changes occurring in Chattanooga and studying national housing market trends. The agency surveyed members of the Greater Chattanooga Association of Realtors® (GCAR) and the Home Builders Association of Greater Chattanooga (Home Builders) on their views of the current housing market and on the future market five and ten years out. RPA also held separate focus groups with neighborhoods, subsidized housing renters, non-profit housing providers, home builders and regulatory agencies to gather different perspectives that should be considered in improving the housing market for everyone. Further analysis included the volume and type of housing that sold from 2000 through 2012, where local residential building was occurring, and where available land existed for future residential development. It became evident that housing is a very complex market with a spectrum of issues that need consideration.
REPORT ORGANIZATION

The first section of the report provides a “housing primer” to introduce key concepts that shape and inform the study analysis and recommendations. The second section provides an in-depth analysis of the Chattanooga housing market and the implications on housing needs. The report concludes with a list of housing strategy options that provide a framework for a City-appointed Housing Task Force to review and then formally recommend short-term and longer-term actions in the form of policies, code changes, financial incentives and appropriate programs for the City to implement.
In order to begin the discussion of the housing market, a description of who and what makes up the market is needed. The housing market is influenced by three key groups (consumers, suppliers, connectors) and government policies. The consumers are buyers and renters who are seeking housing. The suppliers are those who provide housing such as builders, rental agencies, property investors or property owners. A person looking to buy or rent enlists a real estate agent or property manager who find housing options for them to consider. If the person is buying property he/she most likely will need a financial institution to provide the mortgage. The realtors and financial institutions act as connectors between the buyers and sellers. Public policies and codes establish the rules and guidelines within which the consumers, suppliers and connectors act. During the study, the RPA held focus groups and surveyed the players in the housing market.
A person’s lifestyle is reflected in the location, or place, he lives and the housing he lives in. To illustrate two types of lifestyles in Chattanooga, we compare life in an urban place, the Southside neighborhood, with life in a suburban place near Hamilton Place Mall. Housing concerns in the urban environment are not necessarily the same as those in the suburban market. This study’s recommendations attempt to address housing issues that are unique to the location. For example, a zoning change in one environment may not be appropriate in the other.

LIFESTYLES

“The point of cities is multiplicity of choice”
– Jane Jacobs

Urban Lifestyle

In urban places, a variety of housing types usually exists within the same neighborhood. For example, in the Southside an apartment building may be next door to a single-family house that is next door to a mixed-use building with retail on the first floor and lofts above. The neighborhood streets are connected with one another in a grid system with easy access to all nearby streets. The neighborhood includes restaurants and shopping with employment nearby. The people living in the urban landscape are a diverse mixture of races and cultures. They prefer to walk, bike or use public transit to get to destinations and are less dependent on an automobile to meet daily needs and routines. The following map of the Southside shows the mixture of housing styles and the integration of retail, dining and employment within the neighborhood.
Figure 2 Urban Neighborhood: Southside

Figure 3 Urban Neighborhood: Housing Composition
Suburban Lifestyle

The suburban lifestyle is quite different from the urban. Traditional suburban subdivisions tend to feature similar housing types and lot sizes within similar price ranges. Unlike the roadway grid in the urban setting, suburban neighborhoods are not connected to one another except by major arterial streets. The neighborhoods are a series of cul-de-sacs with usually only one entrance onto the arterial streets. This kind of setting generally promotes separation from other more intense uses such as apartments, offices and commercial centers. Employment centers are usually not nearby except for retail, which is usually located more than walking distance away. As a result, suburban residents depend almost exclusively on the automobile to get to work, shop or play.

Using the East Brainerd area near Hamilton Place Mall as an example, one subdivision has large houses on spacious lots, exclusively, while another subdivision further down the road has more modest housing on smaller lots. Seldom does the same neighborhood have different types of housing or housing in a wide range of price points. Attached single-family housing is in one neighborhood and apartments have their own exclusive space.
In summary, urban and suburban places generally have differences in housing configuration within a neighborhood and how they relate to other land uses such as multi-family, commercial and office. Such distinctions should be considered when developing housing strategies and policies for the urban and suburban place.
From 2000 to 2010 the economy suffered two recessions, one in 2001-2002 from a technology boom and bust and the second one in 2007-2009, referred to as the Great Recession. The Great Recession was the worst economic downfall since the Great Depression. A soaring housing boom began in the 2000s, fueled by relaxed borrowing practices by financial institutions and federal policies. In some areas of the country, housing prices mushroomed to two and three times their previous levels. “The primary causes of the housing bubble were low mortgage interest rates, low short-term interest rates, relaxed standards for mortgage loans and irrational exuberance.” (A Summary of the Primary Causes of the Housing and the Resulting Credit Crisis: A Non-Technical Paper, The Journal of Business Inquiry 2009) The housing bubble abruptly burst in 2006 and many found that they owed more on their homes than they were worth. The seriously over-extended homeowners faced foreclosure.

Also during the first decade of the century, income for the lower and middle classes stagnated. The charts to the right illustrate the impact of the Great Recession on households. From 2000 to 2010, the cost of housing and transportation increased by 44% while household income averaged only a 25% increase annually. Compounding the economic stresses on the American household, family net worth actually declined 40% between 2007 and 2010 according to a report released by the Federal Reserve in the summer of 2012. The collective impact of these economic challenges heightens the importance of looking for opportunities to reduce the cost of housing and offering more variety of housing choices.
Chart 1
Rising Housing and Transportation Costs vs. Incomes for the Median-Income Household in the Largest 25 Metro Areas (cost and income are not adjusted for inflation)

Source: The State of the Nation's Housing 2012

Chart 2
Median Family Net Worth (adjusted to 2010 dollars)

Source: www.businessweek.com/articles/2012-06-12/american-families-are-poorer-than-in-1989