



SECTION 2 CHATTANOOGA HOUSING MARKET ANALYSIS

The housing market is a complex system. This study seeks to understand the market itself and those factors influencing it. Towards that end the RPA reviewed a variety of data to help characterize Chattanooga's current housing supply and demand, as well as the factors that influence them. Demand fuels the market and yet it is constrained by the current supply. By reviewing the supply and demand in more detail the RPA was able to identify gaps or opportunities for action within the housing market.

In studying the Chattanooga housing market, the RPA collected and analyzed building permit data, census

data, subdivision, zoning, and land use data to identify developable land. To better understand housing market perceptions the agency surveyed builders and realtors for their opinions on short and long term trends. To hear other perspectives, RPA held specific focus groups with subsidized housing renters, neighborhood leaders, housing developers, non-profit housing providers, and personnel from the City's Land Development Office and Neighborhood Services.

HOUSING MARKET - SUPPLY

A diversifying housing stock hit by the Great Recession.

The next sections describe the supply and demand for the housing market in Chattanooga. Housing supply includes what type and how much housing is being built, how much vacant land is available for housing, and how fast subdivision developments are filling up.

Building Permits

An analysis of residential building permits from 2000 through 2012 vividly portrays the housing bust that began in 2007 (Chattanooga tends to lag behind national trends). Single-family starts fell sharply in 2008 and then stabilized. By 2012 units permitted rose slightly to above the 2008 level, but were still only 36 percent of the peak in 2005.

During the time period of 2000-2012, there was a surge in the number of apartment units built. There were over 4000 apartment units built during that time period. Apartments made up over 36% of all housing units built. By 2012, fifty-four percent of new housing units permitted were for either attached single family or apartments.

Table 2 Chattanooga Residential Building Permit Housing Units Source: RPA

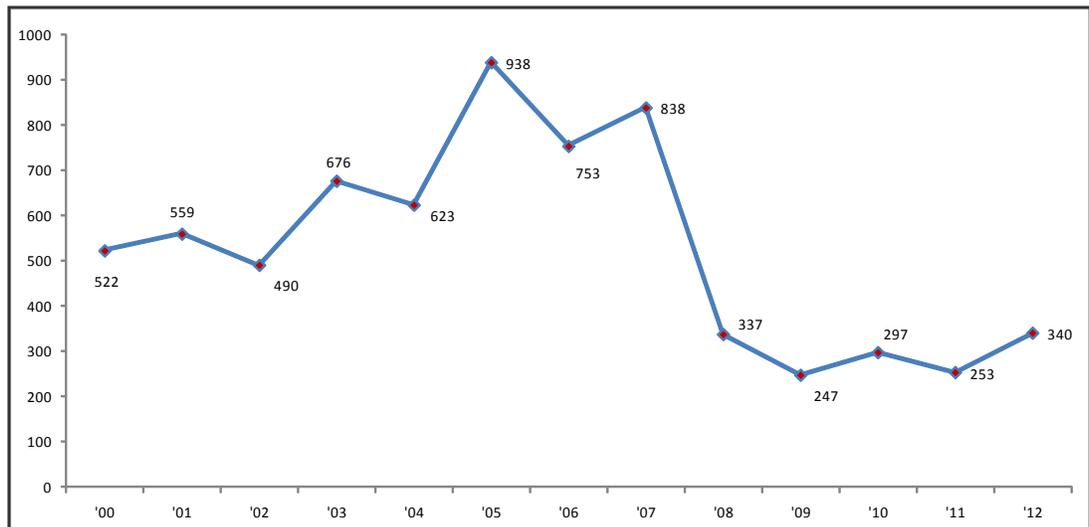
	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	Total
Single Family, Detached	453	453	451	555	445	595	446	414	296	208	267	240	275	5,098
Single Family, Attached*	69	106	39	121	178	343	307	424	41	39	30	13	65	1,775
Duplex	18	30	60	50	34	48	34	20	12	6	4	2	2	320
Apartments and Dorms	167	226	30	1,139	30	121	86	775	255	442	389	166	257	4,083
Totals	707	815	580	1,865	687	1,107	873	1,633	604	695	690	421	599	11,276

* Includes Townhouse and Condo

Chart 3

Chattanooga Single-Family Building Permit Housing Units

Source: RPA



Residential Subdivision Activity

Existing residential subdivisions are one source for housing. While not all lots available for residential development are in subdivisions, an analysis of subdivision growth and absorption can indicate the number of prepared lots available and the amount of time it will take to fill them up. The RPA summed the number of lots platted in major subdivisions from 2000-2012 and used building permits issued for lots to determine the number of residential lots still available for development. (A major subdivision is defined as having four or more lots or a subdivision where a new road was built.)

From 2000-2012 there were 4,191 subdivision lots recorded in the City of Chattanooga. During that same time period building permits were issued for 3,117 of those lots. Therefore, at the beginning of 2013 there were 1,074 lots in Chattanooga still available for new housing. Based on the amount of time it took to absorb the 3,117 lots, the RPA estimates that there are currently enough subdivision lots available in the City of Chattanooga for the next 1.9 years.

Table 3

Absorption Rate of Subdivisions within Chattanooga

Source: Chattanooga-Hamilton County Regional Planning Agency & City of Chattanooga

Time Frame	
1/1/2000 through 12/31/2012	4,747 days
Development Summary	
Number of Developable Lots	4,191
Number of Lots with Building Permit Issued	3,117
Number of Lots Remaining	1,074
Rate of Building (buildings per day)	
Number of Lots with Bldg Permit Issued / Time Frame	0.7
Absorption Rate	
Number of Lots Remaining/Rate of Building	705.2 days 1.9 years

Inventory of Available Vacant Land

With the use of Geographic Information Systems (GIS), the RPA identified an inventory of vacant land within Chattanooga that is suitable for residential development. To determine the capacity of the land for new dwelling units, the RPA considered the following factors:

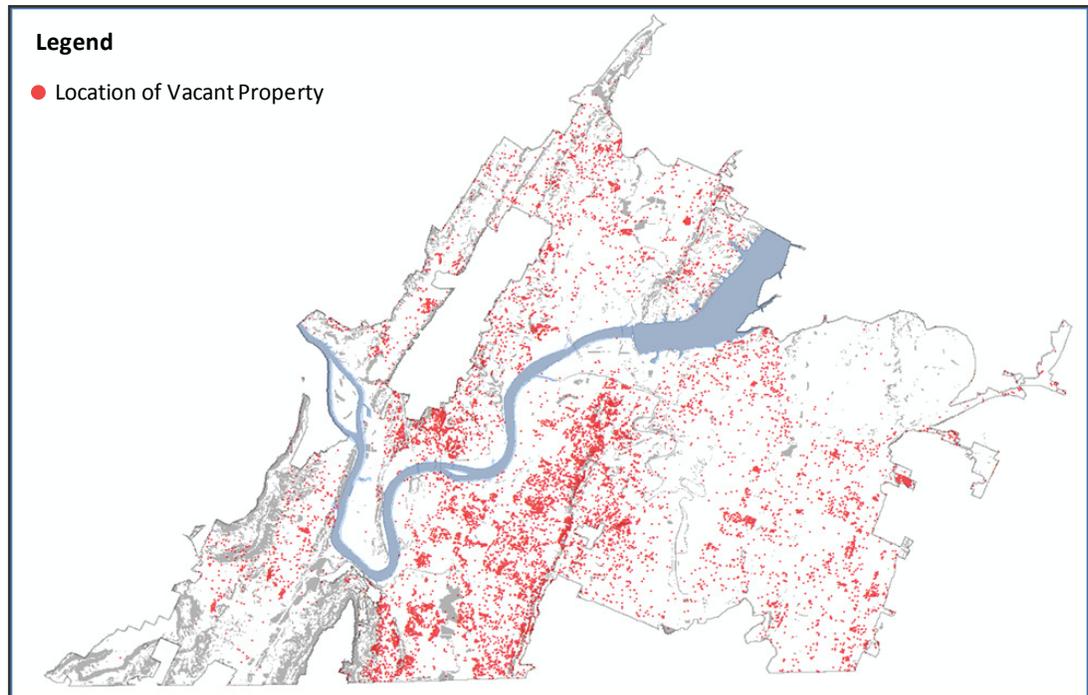
1. Residentially-zoned vacant land
2. Environmental constraint such as slopes over 20% and large contiguous wetlands
3. Capacity of the land based on its current zoning

If built to the maximum allowed in the zoning code, approximately 45,500 to 56,500 dwelling units could be built. At the current household size of 2.29 persons, housing for roughly 104,252 to 129,270 individuals is possible.

Figure 6

Location of Vacant Residentially Zoned Parcels

Source: Chattanooga-Hamilton County Regional Planning Agency & Hamilton County Assessor's Office



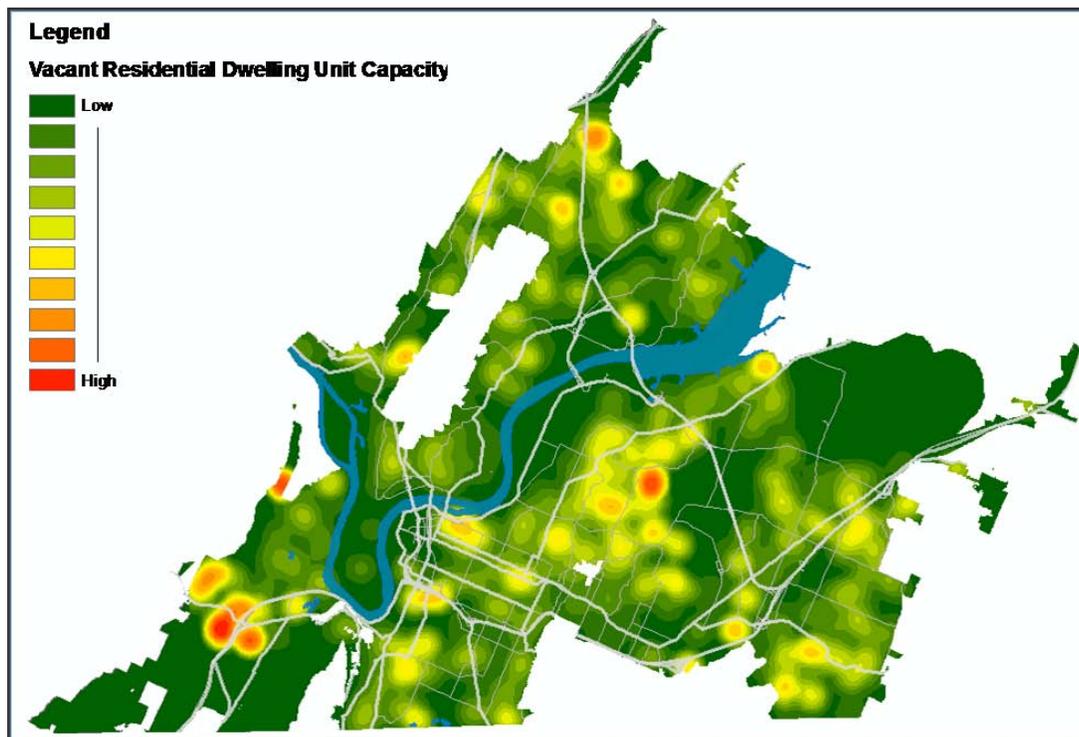
Vacant residential parcels are spread throughout the city with concentrations showing up east of Missionary Ridge in older urban neighborhoods and in areas of steep slope (Figure 6). There are very few large residential parcels without considerable environmental constraints, such as steep slopes or the presence of wetlands. In addition, some urban areas have scattered vacant lots located within neighborhoods that have historically struggled to attract private housing investment. As

a result, it will be difficult to develop these vacant lots without a targeted neighborhood revitalization program to stabilize neighborhood conditions and assemble properties for redevelopment. This also provides an opportunity for infill housing and for creative designs on smaller properties. Figure 7 shows the concentration of vacant parcels based on the number of units that could be built according to current zoning.

Figure 7

Capacity of Vacant Residentially Zoned Parcels

Source: Chattanooga-Hamilton County Regional Planning Agency & Hamilton County Assessor's Office



Builder Perceptions

As was mentioned earlier in the report, the RPA surveyed home builders in early 2012. Two of the questions pertained to the availability of land in Chattanooga suitable for housing development. Tables 4 and 5 show the builders feel it will become more and more difficult

to find suitable land. While 30% were able to find suitable land in the past, only nine percent feel they will be able to locate property with ease in the future. (A complete description of survey findings is in the Appendix.)

Table 4

Past Ability to Locate Developable Property

Source: Chattanooga-Hamilton County Regional Planning Agency

Do you agree with the following statements related to locating developable property for your development plan?				
	Agree	Neutral	Disagree	Don't know
I'm always able to find land without site constraints	30%	22%	44%	4%
I'm always able to find land with needed public infrastructure	26%	22%	47%	4%
I'm always able to find land with needed zoning	22%	26%	47%	4%

Table 5

Future Ability to Locate Developable Property

Source: Chattanooga-Hamilton County Regional Planning Agency

Do you agree with the following statements related to locating developable property for your development plan?				
	Agree	Neutral	Disagree	Don't know
I will be able to locate property without significant site related constraints	9%	36%	45%	9%
I will be able to locate property with sufficient public infrastructure	14%	41%	36%	9%
I will be able to locate property already zoned properly for my development plan	9%	36%	41%	14%



Housing Supply Key Findings

While the GIS analysis shows that there is vacant land available for residential development in Chattanooga, the land is scattered and there is not a lot of contiguous land in desirable areas that can be assembled. The existing subdivisions have a relatively short supply (1.9 years) of remaining lots available. The residential building market is gaining momentum and while there is growing interest in living in the city, according to builders land is more difficult to find for subdivision development.

A February 6, 2013 Chattanooga Times Free Press article reported, "Total home sales in Chattanooga in 2012 peaked above \$1 billion for the first time since 2008, growing to \$1.1 billion from \$886 million the prior year, according to (GCAR) Realtors reports for 2012. Home inventory is at an eight-year low, and the number of rental households has climbed almost 25% in the last decade, straining current capacity." This article points to the emerging rebound of the Chattanooga housing market and the immediate supply constraints.

The City of Chattanooga will need to revise development policies to promote more infill housing development that would include a greater variety of housing options. Moving forward, in order to ensure adequate housing supply and to fully accommodate growing housing needs within the city, the City will need to consider a combination of neighborhood revitalization, property assembly, incentives and code modifications to promote the redevelopment of these properties.

HOUSING MARKET - DEMAND

Generation Y's influence is beginning to be felt.

To determine the demand for housing, the RPA began by studying demographic changes that are occurring nationally and locally. Significant generational changes in the population are creating a demand for a wider variety of housing options. The current trends have an increasingly aging population coupled with a surge in young adults. From 1970 through 2010 Chattanooga experienced dramatic changes in household size and family composition. These dramatic changes, described in more detail below, have significant implications for Chattanooga's current and future housing needs.

Demographics

Who/what is driving the market?

Generations

The U.S. population is divided into several age groups referred to as generations that typically span 20 years. Graphs on the following page show the distribution of each generation in 2010 for the United States and the City of Chattanooga. Chattanooga closely mirrors the national proportions of the generations. We can conclude that the generational impacts on the housing market at the national level will also apply to Chattanooga.

Chart 4

United States:
Millions of People by
Generation

Source: US Census 2010

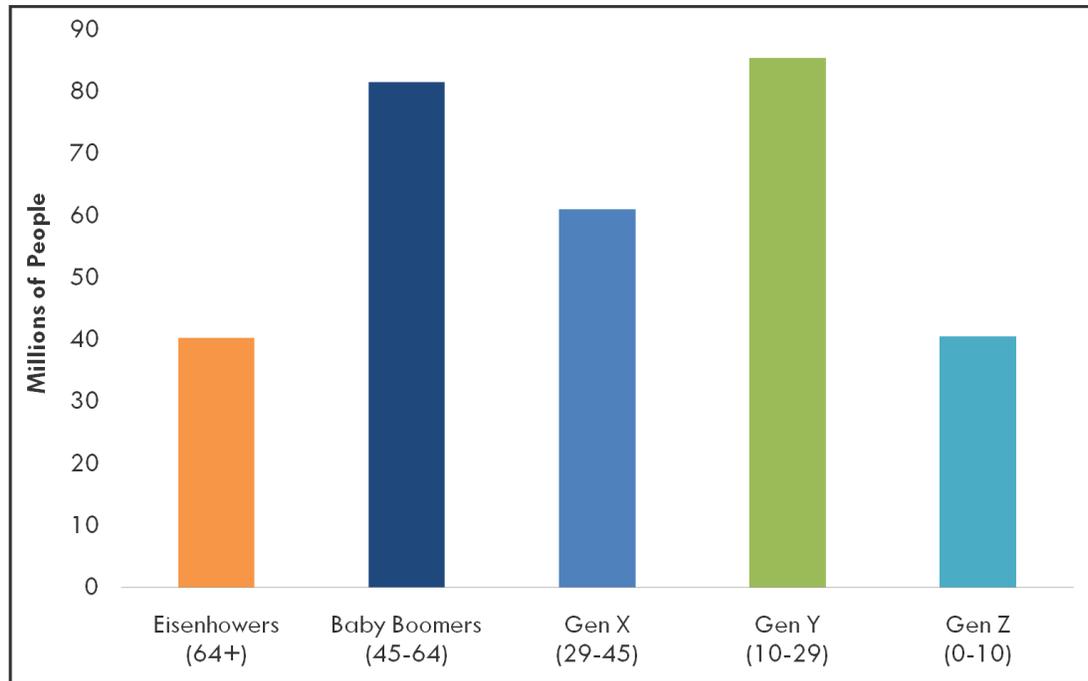
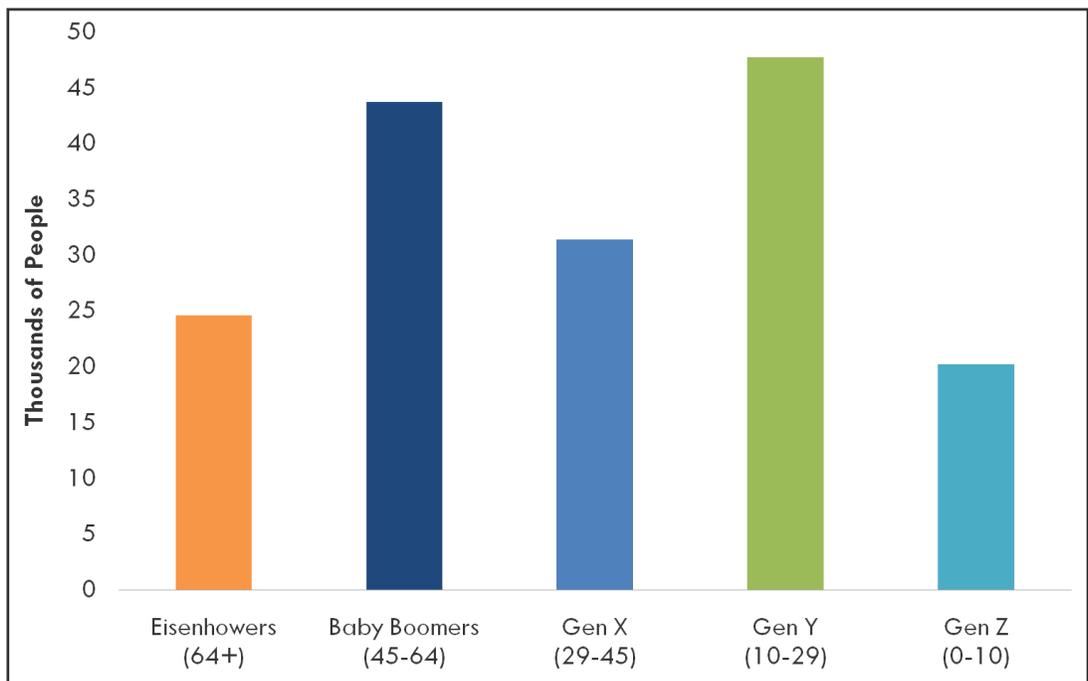


Chart 5

Chattanooga:
Thousands of People
by Generation

Source: US Census 2010



The Eisenhower generation was born during the Depression and through World War II (1927-1945). They were 64 years or older in 2012. This generation is smaller in number than the others because fewer babies were born during the Depression. The Baby Boomers span the years of 1946-1964. Generation X, those born in the years 1965-1983, has fewer people than the generations before and after them. Generation Y (Gen Y) is the largest generation ever and were born from 1984 through 2002. A higher birthrate and an influx of immigrants contributed to Gen Y's size. Generation Z is halfway

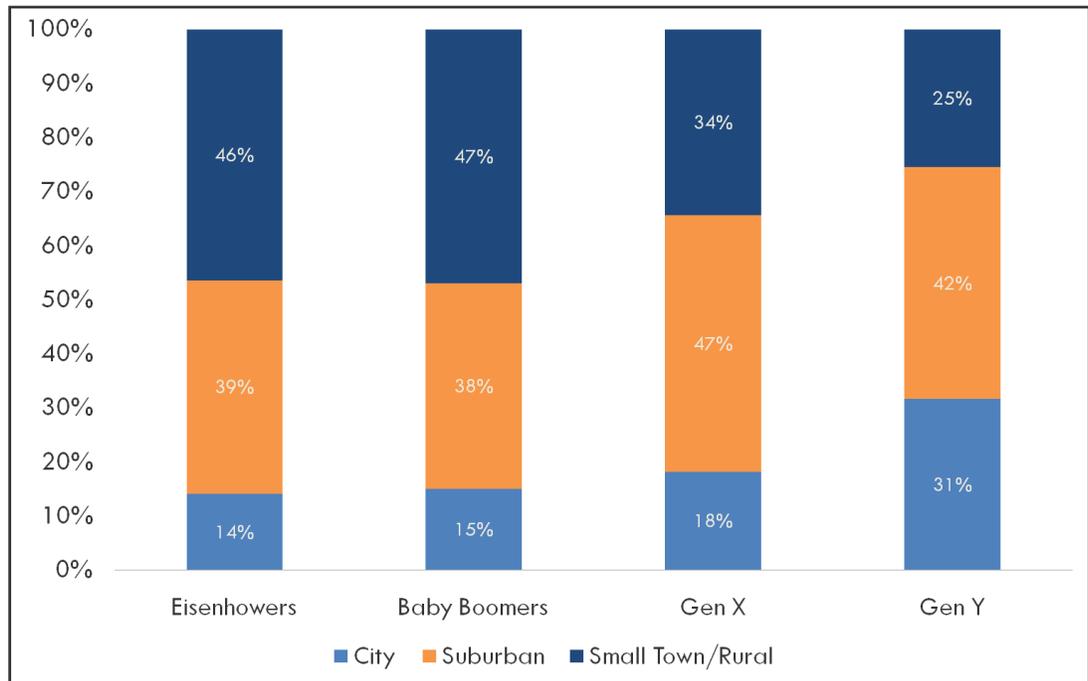
through its era so its numbers are not comparable to the others. However, because of the Great Recession fewer babies are being born and immigration is down, so the Gen Z is likely to be a relatively small generation.

Chart 6 illustrates where each generation has chosen to live. The Eisenhowers and Baby Boomers had similar preferences; nearly half chose rural settings or small towns. Gen X began a movement back to more urban or suburban areas and the Gen Ys have rapidly accelerated the pace back to the cities.

Chart 6

Where People Want to Live by Generation

Source: Generation Y in the Market Place, Robert Charles Lesser & Co, 2009



GEN Y

By far, Generation Y and the Baby Boomers are the generations significantly impacting the housing market. Gen Y, at over 80 million nationally, is the largest generation ever and is made up of people between the ages of 10 and 29. This generation has been hit the hardest by the Great Recession. A Pew Research Center survey indicates that about 24% of Gen Ys had to move back in with their parents after having lived on their own. However, the generation already comprises the biggest share of new household formations with their impact greatest on the multifamily rental sector. With higher down payment requirements and increased credit standards, many Gen Ys will need to put off homeownership until later in life than previous generations. From 2009 through 2012 over 1060 units of apartments were built or permitted in Chattanooga. Many were built to meet the growing number of people reaching adulthood. Similarly, during

the 1970s there was a tremendous growth in apartments to house the Baby Boomers.

Gen Ys are the “green” generation and they don’t want long commutes, high energy costs or traffic congestion. They prefer to live where they can shop and socialize in places within walking distance of home. Twenty-two percent expect to walk, bike or use transit to work (Generation Y: America’s New Housing Wave, ULI Foundation, 2011). A 2011 survey by the National Association of Realtors found that Gen Ys were twice as likely as older generations to favor city living.

Compared to the general market, Gen Ys are more likely to prefer living in attached housing (apartment, condo or townhome), or finding a small house on a small lot.

Table 6

Generation Y - Lifestyle/Housing Preference

Source: Generation Y in the Market Place, Robert Charles Lesser & Co, 2009

Preferred Housing Type	Existing Market Preference	Generation Y Preference
Attached Housing	25%	34%
Apartments		13%
Condominiums		11%
Townhouses		10%
Small-Lot Detached Housing (< 1.6 Acre)	21%	35%
Large-Lot Detached Housing	54%	31%

BABY BOOMERS

The second largest generation, at 76 million, is the Baby Boomers. Between the ages 45 and 64 in 2012, the Baby Boomers have had a huge impact on the economy from the time they started arriving just after the end of the Second World War. The Boomers have the highest homeownership rate (80%) of any generation and most live in the suburbs.

The oldest Boomers are now reaching retirement age and it is predicted that a vast majority of them will want to stay in their homes and age in place. Many have lost equity in their homes and cannot afford to move. The population over age 65 is expected to grow by 120% by 2050. For those who stay in place, they will likely need to modify their homes to accommodate physical abilities. “Those that can move are no longer flocking to the Sun

Belt, choosing instead to move closer to their children and, more importantly, their grandchildren,” says John McIlwain of the Urban Land Institute. Noting that they are healthier than their parent’s generation, McIlwain predicts that older baby boomers will likely defer transitioning into retirement communities for at least a decade, thereby limiting demand for such facilities. They will instead prefer to purchase condominiums in the mixed-age and mixed-use communities of more urbanized settings. “Walkable, urbanized suburban town centers will see an influx of aging boomers.”

HOUSEHOLDS AND FAMILIES

Between 1970 and 2010 Chattanooga underwent significant demographic changes in household size and family composition. Household size went from 2.87 persons per household in 1970 down to 2.26 by 2010. People are more likely to delay marriage, have fewer children or live alone than they were forty years ago. Families with both a husband and wife living with

children declined from 76% in 1970 to 49% in 2010. Families headed by a single mother nearly doubled, from 22% to 40%. More people are living to an advanced age than in 1970. As already alluded to, there are now two large generations, the Baby Boomers and Gen Y, who are significantly impacting housing.

Figure 8

Household Size:
1970 to 2010

Source: US Census 1970
and 2010

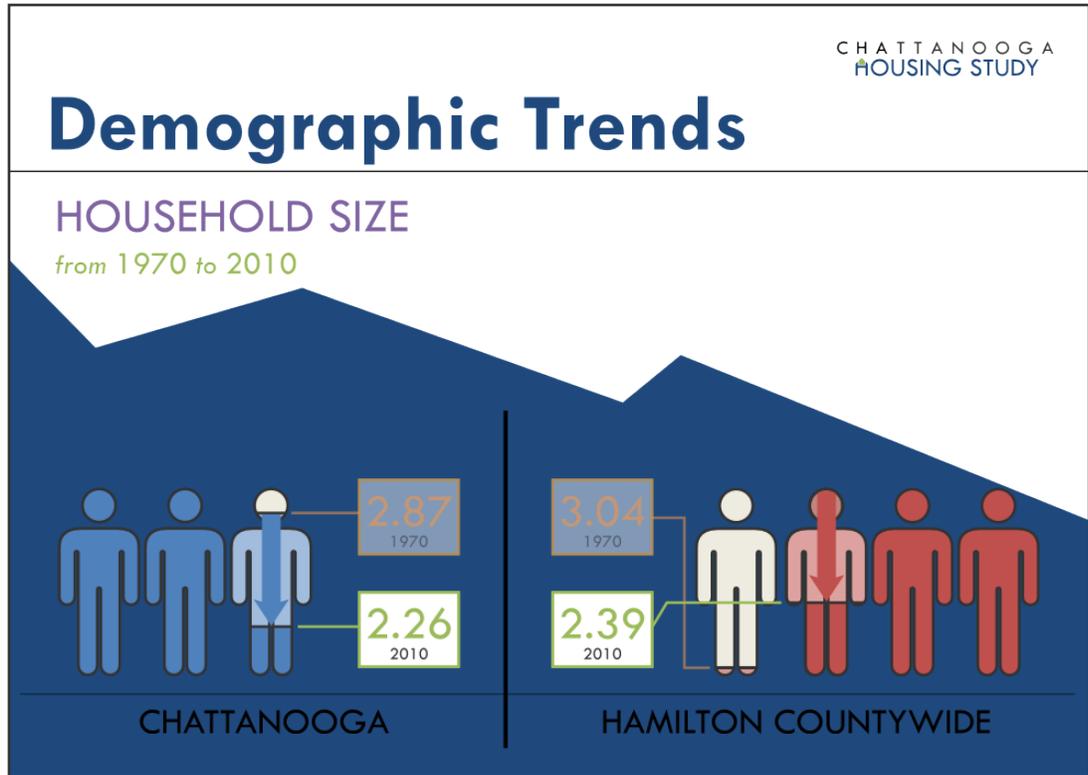


Chart 7

Families with Children
Chattanooga

Source: US Census 1970
and 2010

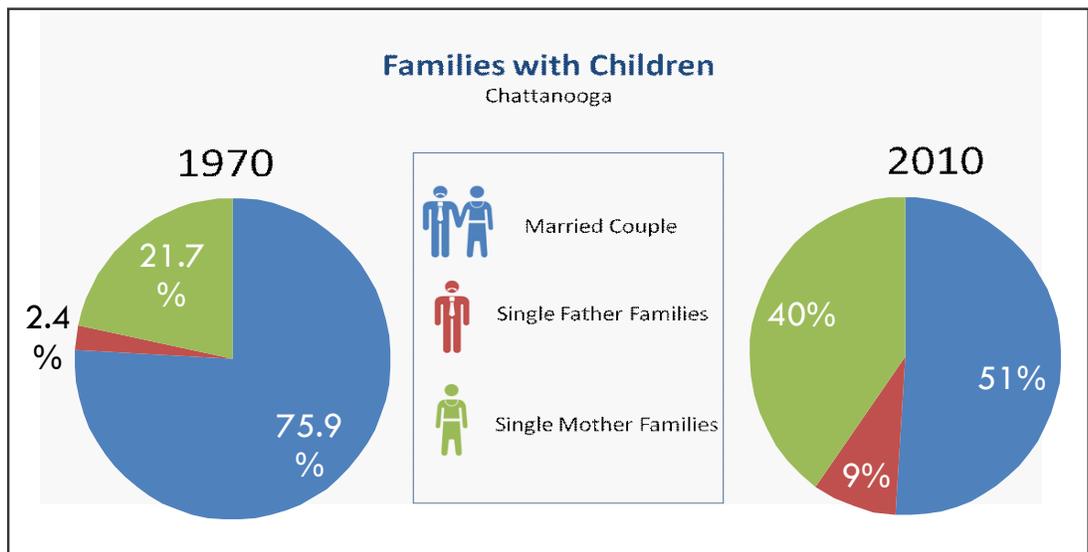


Chart 8

Chattanooga
Population by Age
Group: 1990

Source: US Census 1990

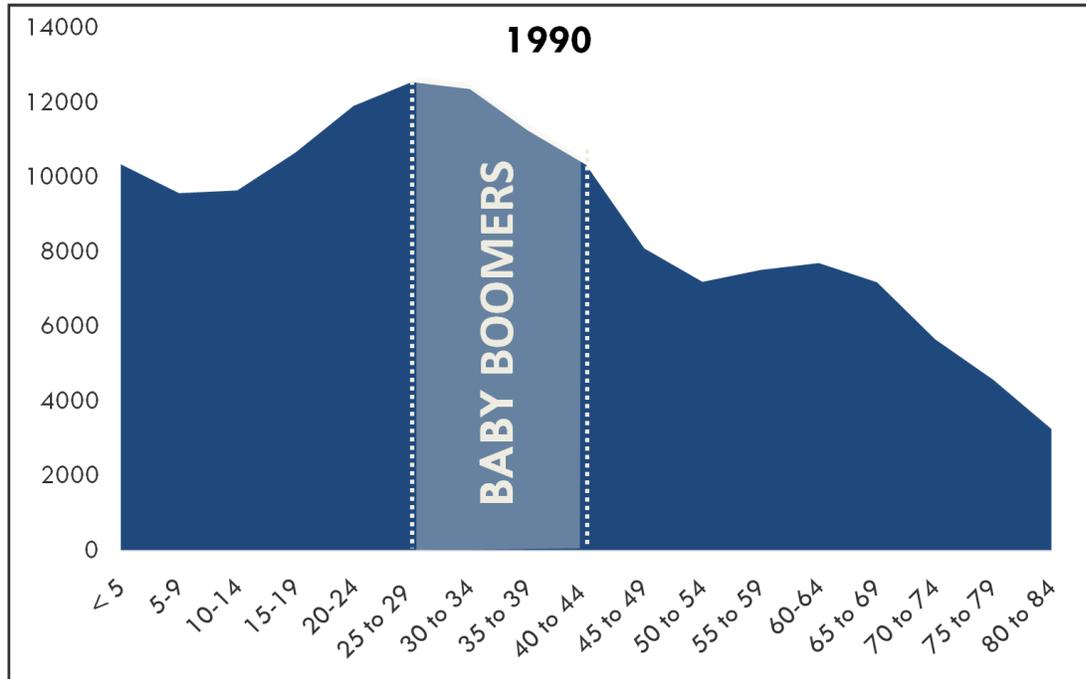
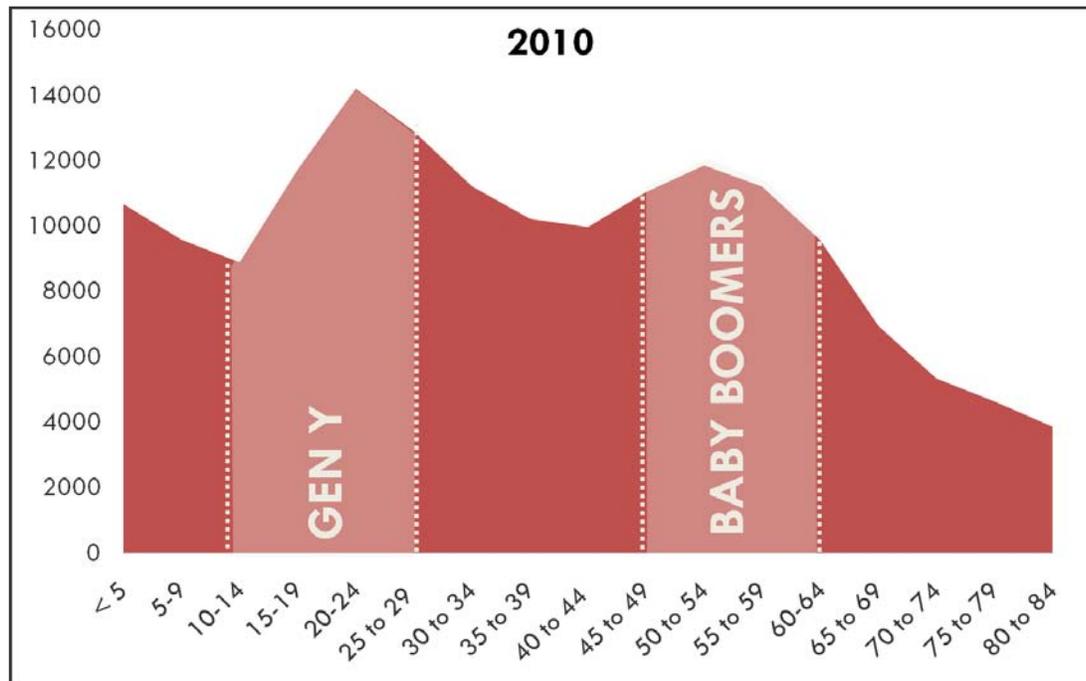


Chart 9

Chattanooga
Population by Age
Group: 2010

Source: US Census 2010



Housing Sales

A review of thirteen years of the housing sales, using the Board of Realtors® Multiple Listing Service (MLS), concludes that the overwhelming housing choice of buyers in Chattanooga was the single-family detached house. According to the 2010 Census, 62% of all housing units in Chattanooga are single-family detached so it is

not surprising that it comes in first. However, following the Great Recession, the number of single-family detached dwellings fell each year until 2012 while condominium and townhome sales increased slightly. The condo and townhouse sales increased from seven percent of all units sold in 2000 to 14% in 2012.

Chart 10

MLS Data - Number of Home Sales by Housing Type

Source: MLS

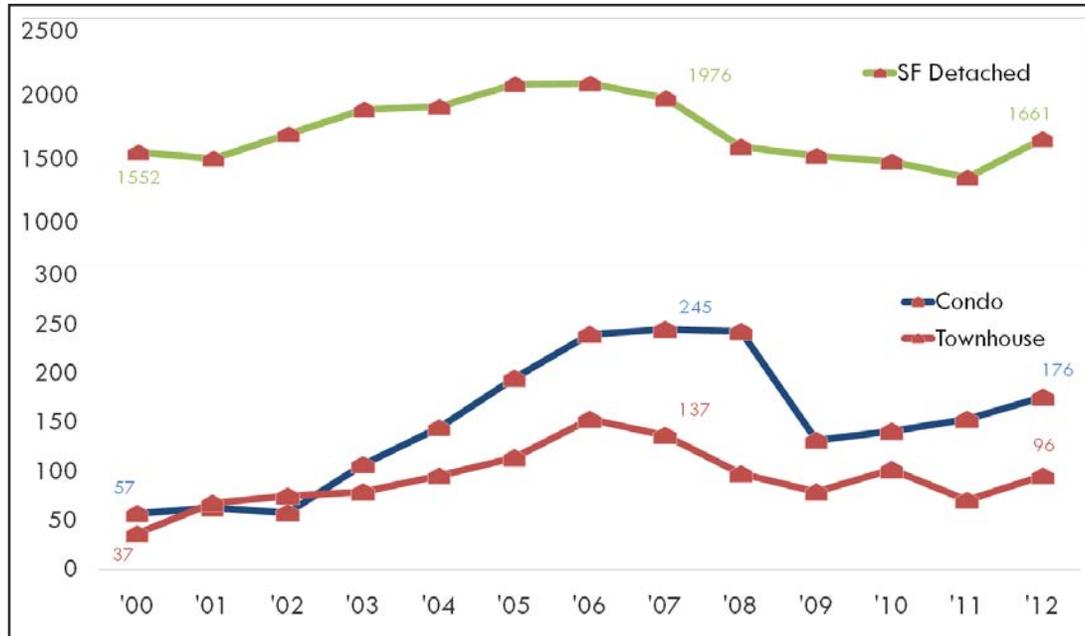
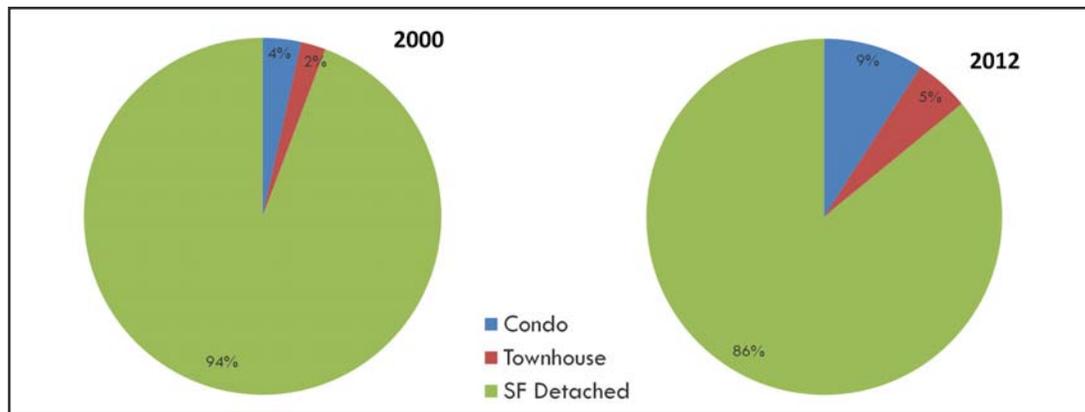


Chart 11

MLS Data - Housing Type Sold

Source: MLS



Homebuyer Preferences

A survey of local home builders and realtors was conducted in February 2012 to get a sense of the current demand for housing (see Appendix for full survey results). Home builders and realtors work daily with home buyers and are in a good position to assess home buyers' preferences. While the survey did not directly target prospective homebuyers, it does provide a good indication of homebuyers' preferences and insight into the ever-changing housing market.

Based on their responses, it is clear that the market is changing. Over 80% of builders and 92% of realtors agreed with the statement that "demand is changing for residential housing." The survey results reflect some of the changes and provide insights into both the near- and long-term demand for housing in Chattanooga.

Housing Type

Both builders and realtors were asked if demand for specific housing types would increase, remain stable, or decrease in the short term and long term. Short term was defined as the next five years and the long term was for more than five years. The five housing choices were single-family detached, single-family attached, condominiums, duplexes/triplexes, and apartments.

Both the realtors and builders agreed that demand for apartments will increase in the short term, but single-family demand would pick up in the long term. Both groups believe that single-family housing (attached and detached) will continue to be an important part of the market by either growing or remaining stable (Figure 8). The future of condo housing is more uncertain, with both groups divided on whether demand will increase, remain stable or decrease.

Housing Design

Housing design is also changing. Both the realtors and builders perceive that there will be no change in the number of bedrooms and bathrooms buyers want; however, they perceive that the overall size of the house will decrease. Buyers are also interested in smaller yards and lots. Both groups agreed that buyers want energy efficient housing, but they disagreed on whether buyers wanted larger garages. During a focus group, homebuilders said that people have other things to do with their time than spending it on maintaining a large house. However, with the tight financial market, the homebuilders said that smaller houses may be the only affordable option for many buyers.

Amenities

The survey also asked questions related to the amenities buyers desired within a neighborhood and the larger community. Eighty percent of the builders and realtors reported that buyer preference would remain stable or increase for sidewalks, pedestrian scale lighting, street lights, walking and biking opportunities, parks and recreation. The builders gave natural preserves a higher rating than the realtors did. Neither group thought access to public transportation was a buyer priority. This response for transit could be impacted by current perceptions about public transit and its current level of accessibility to users.

Community amenities included quality neighborhood schools, and convenience to work, shopping, public transportation, parks, downtown, greenways, and eating and entertainment. Both the realtors and builders believe that the preference for quality neighborhood schools will only increase in the future. Convenience to work and shopping had a strong showing from both groups. Realtors rated convenience to eating and entertainment much higher than the builders. Again, convenient access to public transit had the weakest showing with more respondents being unsure or seeing it decreasing.



Housing Demand Key Findings

Fewer households with children and smaller household sizes indicate the need for smaller houses, low maintenance, and a greater variety of housing types. With a relatively high unemployment rate, with over half of families headed a single parent, and with plenty of low-income families burdened in paying for housing, Chattanooga must find ways to increase the supply of affordable housing, both rental and owner occupied.

The demographic shift of Baby Boomers retiring and Generation Y coming into the housing market place will also affect the demand for housing. These generations will increase demand for smaller lots and housing sizes supported by a neighborhood that is walkable and connected to their daily needs. Based on the lifestyles of the Boomers and Gen Ys, the City will need to consider strategies to diversify housing options and implement neighborhood revitalization programs that increase the number of safe, walkable communities that offer an urban lifestyle.

AFFORDABILITY

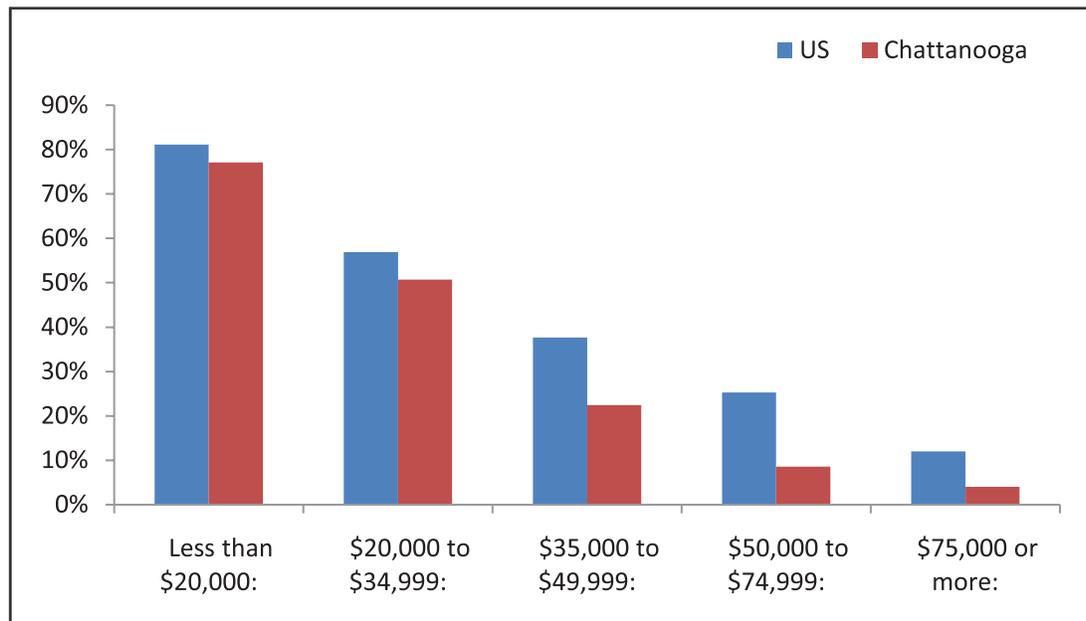
Housing affordability was identified as a major issue in the surveys and the focus group discussions regardless of location, income and housing type. Affordable housing is usually defined as costing no more than 30% of a household's pre-tax income. Housing cost includes the rent or mortgage, utilities, insurance and taxes.

Low-income families are impacted the most when it comes to housing costs. Nationally 81%, and in Chattanooga 77%, of households with incomes of less than \$20,000 are housing cost burdened. In households with income of \$20,000 - \$34,999, those with housing cost burden in the US and Chattanooga are 57% and 51%, respectively. Relatively, housing cost is less of an issue for Chattanooga households with incomes over \$35,000 than for the rest of the country. (Chart 12)

Chart 12

Households Spending
More than 30% of
Income on Housing
by Income Level,
**US and
Chattanooga**

Source: 2006-2010
American Community
Survey 5-Year,
Table B25106.



According to the National Association of Home Builders Wells Fargo Housing Opportunity Index, 84% of the houses in the Chattanooga Metropolitan Area (MSA) were affordable for a family with the median family income of \$57,800. Chattanooga ranked 20th out of the 74 metropolitan areas in the southern region and 88th nationwide in housing affordability in the third quarter of 2012.

However, the situation is a different story with lower income households in Chattanooga. According to Census information, housing cost burden occurs in 77% of Chattanooga households with income less than \$20,000. Households in the lower income groups tend to be renters, spend more of income on housing than homeowners, and are concentrated in the central city. (Charts 13-14 and Figure 9)

Chart 13

Households Spending More than 30% of Income on Housing by Income Level and Tenure, Chattanooga

Source: 2006-2010 American Community Survey 5-Year, Table B25106.

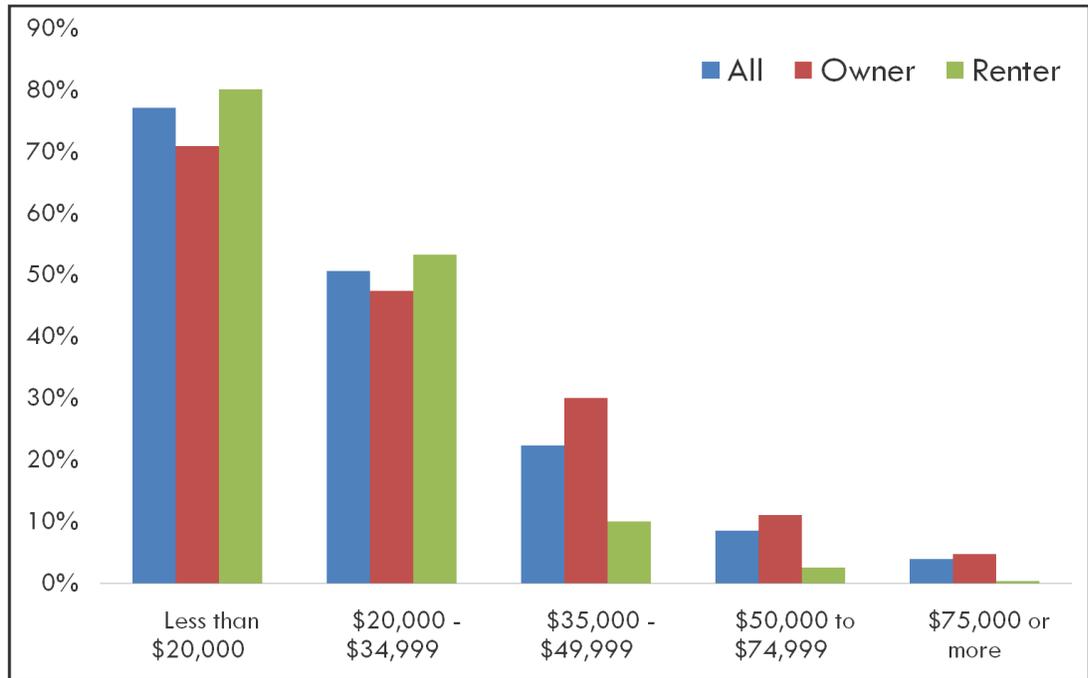


Chart 14

Housing Tenure by Income Group, Chattanooga

Source: 2006-2010 American Community Survey 5-Year, Table B25106.

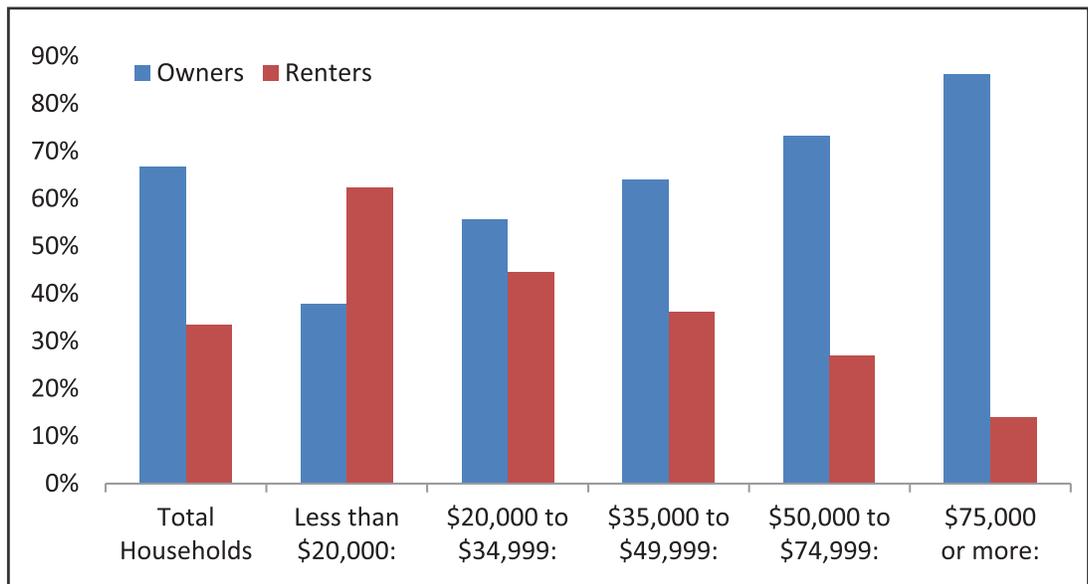


Figure 9

Percent of Household with Annual Income Less than \$20,000

Source: US Census Bureau, American Community Surveys.

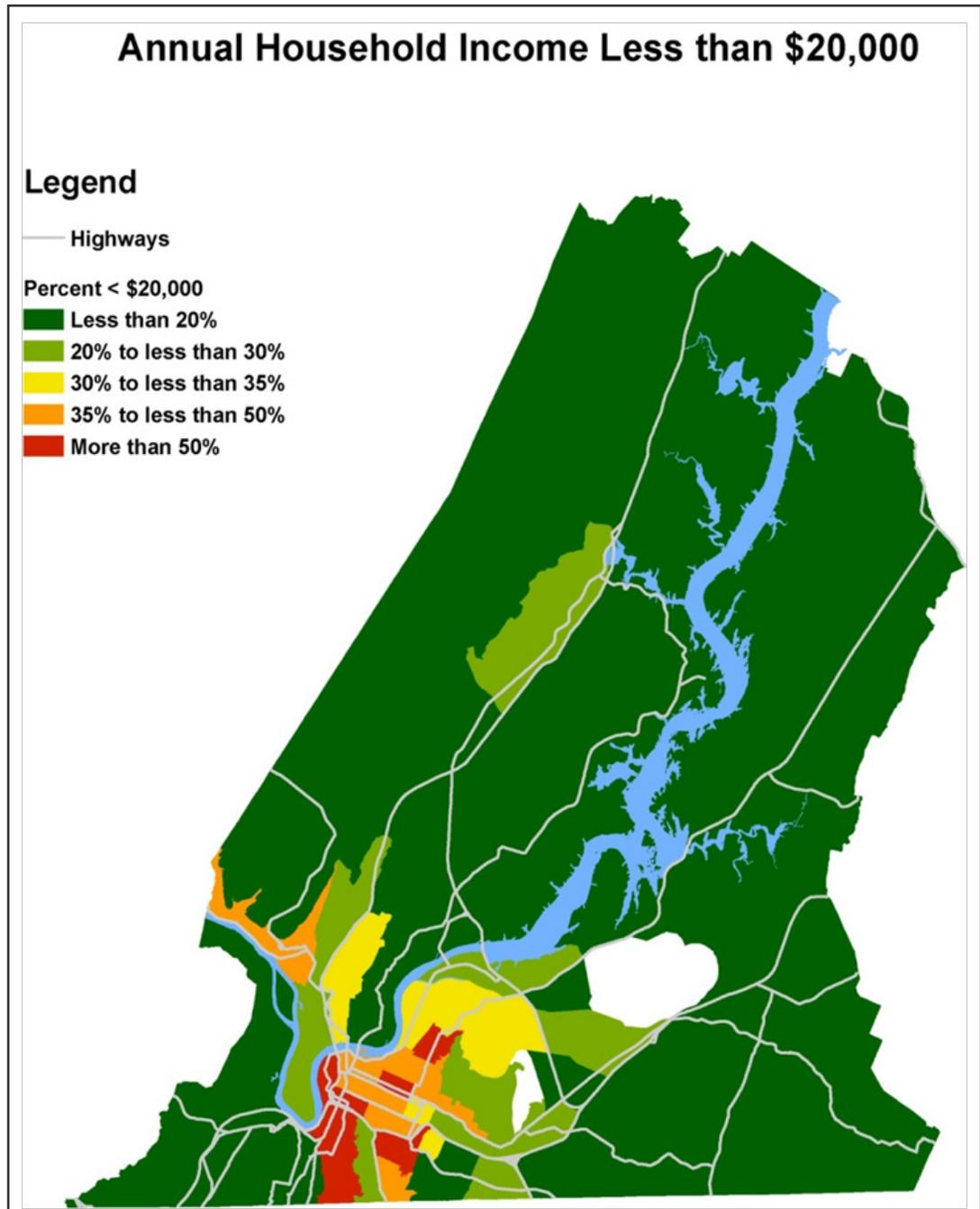


Table 7 further illustrates the seriousness of the affordability problem. Data for Chattanooga from the 2006-2011 American Community Survey (ACS) gives the number of renters by income range, the maximum affordable rent for each income range, and the number of rental units in Chattanooga that meet each

maximum rental level. The last column in Table 7 gives the difference between the number of renters and the number of affordable units available at each income level. Chattanooga has a deficit of over 4,000 affordable rental units for those households with incomes below \$20,000.

Table 7 Rental Units Supply and Demand

Source: Census ACS 2006-2011

Income Range	Number of Renters	Maximum Monthly Rent, Including Utilities	Number of Rental Units	Over Supply or (Under Supply) of Rental Units
Less than \$5,000	2,940	\$125	2,191	-749
\$5,000 to \$9,999	3,762	\$250	2,078	-1,684
\$10,000 to \$14,999	3,793	\$375	1,457	-2,336
\$15,000 to \$19,999	3,288	\$500	3,990	702
\$20,000 to \$24,999	2,782	\$625	4,546	1,764
\$25,000 to \$34,999	5,026	\$875	13,958	8,932
\$35,000 to \$49,999	4,078	\$1,250	6,078	2,000
\$50,000 to \$74,999 *	3,351	\$1,875	1,569	-1,782
\$75,000 or more *	2,623	\$1,876+	370	-2,253
Total	31,643		36,237	

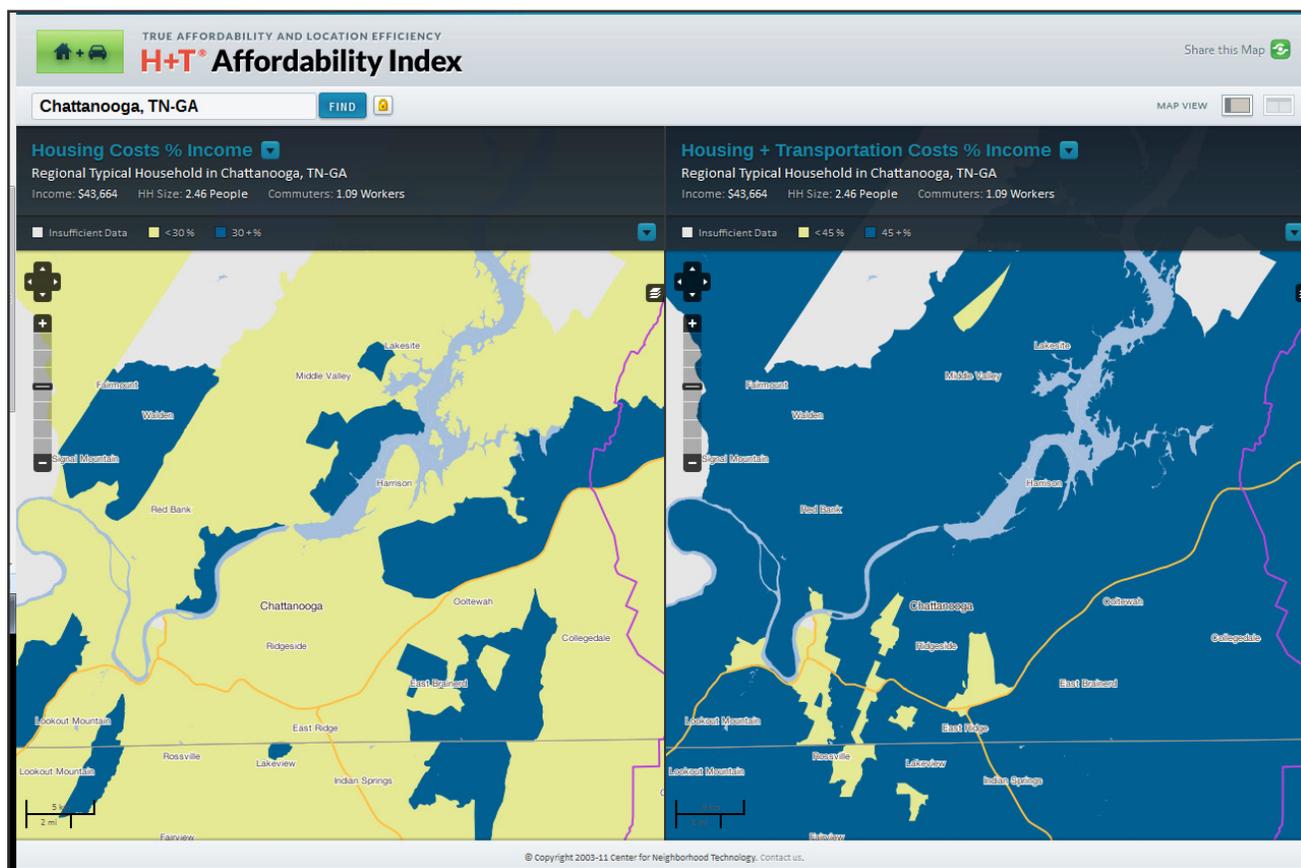
*Note: households at the highest income bracket can rent from the surplus of units between \$500 and \$1250 per month.

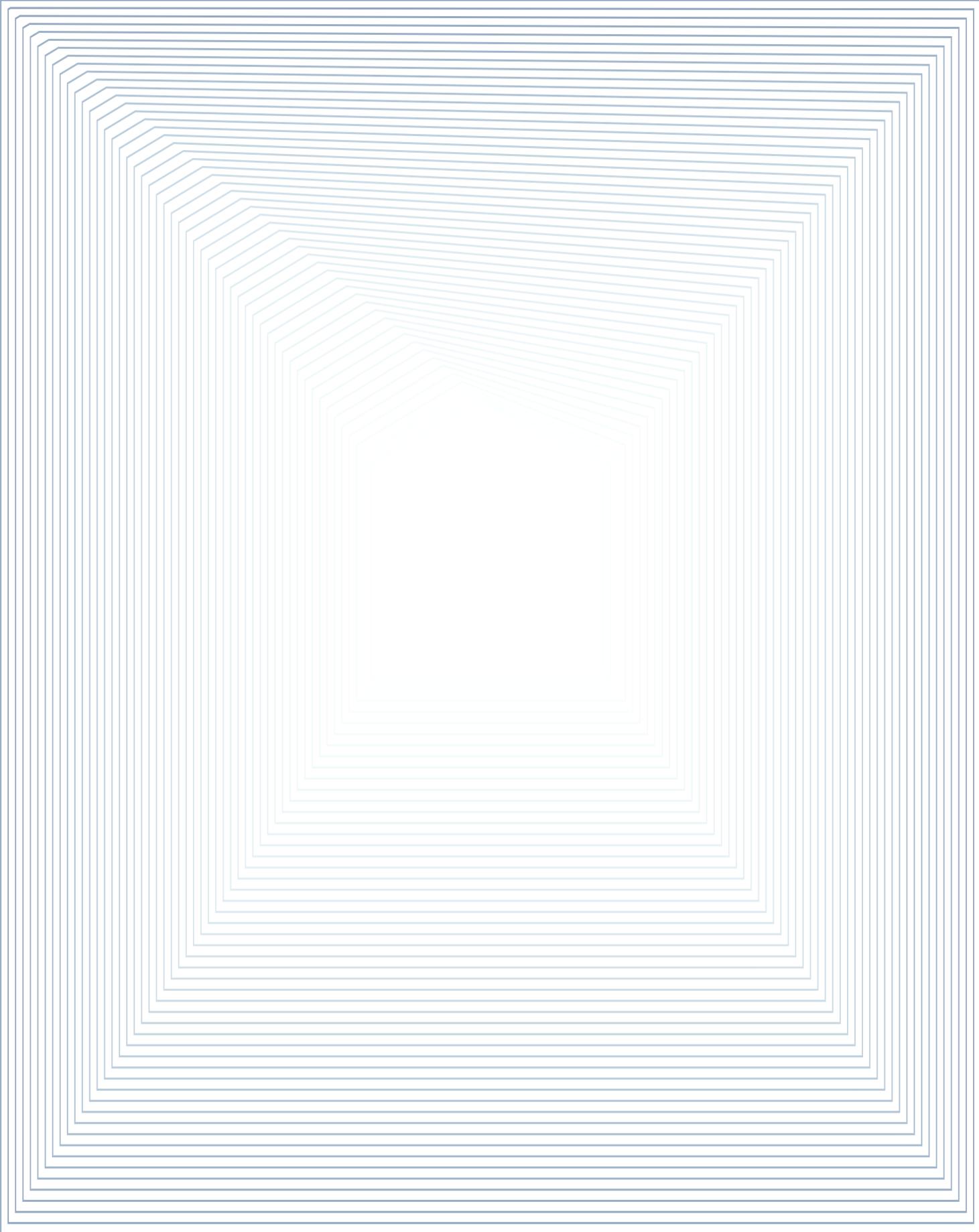
Redefining Affordability

Transportation and housing costs are closely related in regards to overall affordability. People who live in urban neighborhoods with access to public transportation and are near a high concentration and mix of jobs and services tend to have lower transportation costs. In general, a household should spend 30% or less of income on housing and 15% or less on transportation. Thus, housing and transportation costs together comprise almost half of a household's income and have a significant impact on a household's economic bottom line. Therefore, the

true measure of housing affordability should include the cost of transportation. The following graphic from the Center for Neighborhood Technology measures the cost of housing and transportation in Chattanooga. Areas in yellow are affordable. The map on the left shows housing affordability based only on the cost of housing. The map on the right adds the cost of transportation. The result is that there are very few places in Chattanooga that are truly affordable when transportation is included.

Figure 10 Housing Affordability Index Source: Housing and Transportation Affordability Index, Center for Neighborhood Technologies







HOUSING MARKET - FOCUS GROUPS AND SURVEYS

What are the barriers to matching supply with demand?

The focus groups and the realtor/builder surveys were beneficial in identifying issues that census numbers and data analysis could not. There were five focus groups: neighborhood leaders, subsidized renters, non-profit

housing providers, homebuilders, and government regulators. After sharing the initial study findings with the focus groups, they indicated the following major gaps in Chattanooga's housing market:

Housing Choice

There is a lack in housing choices. Single-family detached housing dominates the market. Respondents identified the need for multigenerational housing, mixed-use housing, and for more affordable rental housing. Some identified the need for smaller-sized housing. The Neighborhood Focus Group believed that the current land use zoning creates a gap in the supply of alternative housing options in existing neighborhoods.

Financing

At the time the survey was conducted financing was a problem for both builders and buyers. So while there may be an increased demand for certain types of housing, builders were having a hard time getting financing for their projects. Realtors also identified buyer financing as being an issue, with home loans more difficult to obtain.

Affordability

Both realtors and builders cited the availability of affordable housing as a gap in the market. The realtors reported the severity of the problem in the downtown. Prices are high and while various income level households want to live downtown, they cannot afford it. In the Homebuilders Focus Group, excessive site engineering requirements (grading/wider streets) and the need to upgrade urban infrastructure (sewer lines) was indicated as a major challenge to infill development and affordable housing. The Subsidized Rental Focus Group cited several barriers to affordable rental housing within Chattanooga. They noted that Housing Choice Vouchers are too low to cover housing in more desirable neighborhoods; many landlords are resistant to rent to voucher holders; affordable housing is often in very poor condition; and there is no coordinated and sustained support for low-income families transitioning from public housing to the private market.

Amenities

While there are some excellent public schools in Chattanooga, there are also schools that can be characterized as mediocre at best. The realtors and builders emphasized that buyers want to be in areas with good schools and some parts of town do not have that claim. Some areas have existing available housing and empty lots for infill, but the homebuyer wants good schools.

Few neighborhoods contain the mix of urban amenities within walking distance desired by Generation Y. There is a gap between the demand for walkable urban neighborhoods and the availability of such neighborhoods.

Regulations

According to the builders survey and focus group, more flexibility and streamlining is needed for building and development regulations. Builders also cited street right-of-way, site engineering, urban sewer repairs and setbacks as regulatory barriers to infill development. This would allow builders to respond to demand more rapidly and thereby reduce gaps between supply and demand. The neighborhoods said the enforcement of building codes and city standards was a major issue. Problem properties hurt the marketability of neighborhoods with a supply of dwelling units and vacant properties.



STUDY RECOMMENDATIONS

Several themes emerged over the course of this study. Perhaps the strongest theme was that the housing market is changing. Part of that change is due to the fallout from the housing bubble and the shifts in demographics. There are several gaps in meeting the housing demand in the area. They include affordable housing, diversity in housing choice, incentives to build desired housing, amendments to policies that

inhibit housing development. With such a broad list of issues it is imperative that an appropriate group further study and recommend options. The RPA recommends that a Housing Task Force be formed that represents all the players in the housing market. The following recommendations serve as idea starters for the Housing Task Force to consider in addressing the needs outlined in this study.

HOUSING TASK FORCE

Moving from analysis to action.

The study recommends the formation of a Housing Task Force. The purpose of the housing task force is 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 programs. This task force should also serve as a monitoring body to review the effectiveness of implementation and suggest modifications where warranted.

GOAL: To ensure every resident in City of Chattanooga has a livable, safe and affordable place to live.

PURPOSE:

- Review housing study recommendations and develop action plan for Mayor/ City Council
- Evaluate the effectiveness and progress of housing policies
- Keep track of the current housing trends
- Educate the public and officials about the housing issues

MEMBERS:

Consumers

- Neighborhood residents
- Affordable housing representatives

Suppliers

- Chattanooga Housing Authority
- Developer
- Non-Profit Housing
- Architecture Community
- Foundation
- Multi-family property owners, rental property owners, property investment group

Connectors

- Banker
- Realtor

Policy/Codes

- Neighborhood Services
- Land Development Office
- City Council
- Attorney
- Planning Commission Representative

STAFF:

- RPA staff with support from LDO, Neighborhood Services, City Attorney, Finance Department, and CARTA

RECOMMENDED ACTION PLAN FRAMEWORK FOR TASK FORCE

Where do we go from here? A few proposals. . .

The following principles and recommendations are presented as a starting point for the Housing Task Force to consider.

Guiding Principles

1. Strategies need to be place-based (considering an urban vs. suburban context) and informed by anticipated changing lifestyle needs in those places.
2. Strategies should reflect the connection between housing, schools, transportation, employment, public health, and recreation that shape our quality of life.
3. Strategies should address the needs of the entire housing spectrum (incomes and housing types).
4. Strategies should take into consideration the entire housing delivery system in meeting those needs.
5. Strategies should target private, public and public-private opportunities to achieve housing objectives.
6. Benchmarks should be established to track progress in meeting housing strategy objectives.
3. Create a guide for developing moderate-density projects (small lots/townhouses/ two- to three-unit dwellings) in established suburban neighborhoods. The guide should offer key elements in the site planning and architectural design of homes that are compatible with the established character of existing neighborhoods.
4. Develop an appropriate public review process for moderate-density infill rezoning requests within established neighborhoods that requires early meetings with residents prior to formal application, site maps to show how the proposed development incorporates the existing site features and surrounding development, and elevation drawings to show how the project complements the existing architectural character of the area.
5. Consider establishing a land bank for blighted/ vacant commercial centers, particularly along transit corridors, with the objective of preparing them for redevelopment into mixed use/live-work spaces. Develop an appropriate basket of density bonuses, tax incentives, development fee reductions, and public infrastructure improvements to encourage redevelopment of these sites.

Suburban Strategies

1. Make appropriate changes to the zoning/ building codes to accommodate single accessory housing units.
2. Identify and establish policy areas for moderate/high-density residential development in close proximity to major activity centers and connected to existing transit service.
6. Consider increasing the availability of mobility options for suburban residents such as paratransit (van pools) for seniors, pedestrian linkages from neighborhoods to commercial centers, bike lanes/transit service for highly traveled travel corridors that connect neighborhoods to suburban activity centers.

Urban Strategies

1. Establish a policy for urban neighborhoods that defines the desired mix of housing types as a guide to inform future housing development. This would help identify appropriate housing strategies for each neighborhood.
2. Implement a targeted neighborhood revitalization strategy that engages public, private and philanthropic sectors to establish healthy markets in neighborhoods that are close to the tipping point. This strategy should build on the framework provided by the Community Impact Program and the Vacant Property/Strategy Study prepared for the Neighborhood Services Department. Each neighborhood project should seek an appropriate mix of market rate and affordable rental and home owner units.
3. Partner with the real estate community to develop a marketing/communications tool for first-time homebuyers to increase awareness of entry home-buying opportunities in targeted neighborhoods.
4. Develop a portfolio of moderate density housing types that complement the architectural character of urban neighborhoods. Offer the portfolio as a resource for developers in building moderate density projects (small lots/townhouses/two-to three-unit dwellings) in established urban neighborhoods.
5. Develop an appropriate public review process for developing moderate density infill sites within established urban neighborhoods that requires early meetings with residents prior to formal application, site maps to show how the proposed development incorporates the existing site features and surrounding development, and elevation drawings to show how the project complements the existing architectural character of the area.
6. Reduce number of highly visible blighted structures. Allocate more resources to increase the capacity of Neighborhood Services to remove structures that have a destabilizing influence on neighborhoods.
7. Formalize an urban land banking and redevelopment program that assembles distressed properties and incorporates financial incentives for their redevelopment.
8. Target locations for higher density, mixed income housing along established key public transit corridors and in close proximity to downtown. Within these areas, offer density bonuses and appropriate financial incentives such as tax increment financing, payment-in-lieu-of taxes (PILOT), and public infrastructure improvements for projects that incorporate affordable housing and other desired public objectives (parks, transit facilities, etc.).
9. Identify existing gaps in pedestrian connectivity/transit availability for targeted neighborhood revitalization areas/higher density infill, and implement a staged public improvement program that complements the redevelopment of these areas.
10. Seek an opportunity to partner with Hamilton County Department of Education to create more targeted urban school improvement projects similar to Battle Academy, Brown Academy and Normal Park Museum Magnet.
11. Recruit major urban employers to provide incentives for their employees to live/rent in nearby neighborhoods, as a leveraging tool to support neighborhood revitalization efforts.

Affordable Housing Strategies

1. Establish a baseline and set specific targets (two-year or five-year) for the number of affordable housing units within the city for moderate income and low-income households. Include transportation costs.
2. Propose a definition of “affordable and livable housing” for low and moderate income households.
3. Adopt a policy that supports affordable housing throughout the city and endorses a mixed-income approach that promotes a variety of housing products for new development receiving local public assistance.
4. Establish an Affordable Housing Trust to provide financing assistance to public, private, or non-profit housing providers at a discount in return for incorporating affordable housing into their projects.
5. Establish a home rehabilitation fund to incentivize first time homebuyers to purchase and renovate homes in targeted communities.
6. Consider amending City codes to allow single apartments within houses in targeted single-family residentially zoned areas as a way to reduce homeownership costs.
7. Introduce a portfolio of incentives such as fee reductions and density bonuses for housing developments that include affordable units. Projects over a certain size that do not incorporate affordable housing would pay a fee into a housing trust fund that would support affordable housing efforts.
8. Develop local public and non-profit capacity to build and manage affordable rental housing.

Regulatory Reform Strategies

1. Offer reduced fees, streamlined review, and density bonuses for projects that incorporate affordable housing in targeted areas.
2. Review subdivision code and street standards to eliminate site engineering requirements that unnecessarily impact cost of housing and the “footprint” of disturbed site area (street widths, turn-around design, grading, minimum lot size, swales vs. curb).
3. Update zoning codes to allow more diversity in range of housing types and lot sizes.
4. Set up a vacant lot “clearing house” database to connect developers with sites and provide a menu of incentives available.
5. Develop an infill development loan fund/public capital institution to provide construction loan capital to developers for projects incorporating affordable housing when private capital is not available.