

TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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**MINUTES OF THE
TENNESSEE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS**

September 27, 2023

Meeting Called to Order

The Tennessee Advisory Commission on Intergovernmental Relations met in House Hearing Room I of the Cordell Hull Building at 1:09 p.m., Acting Chairman Terry Frank, presiding.

| Present 17 | Absent 7 |
|---|------------------------------|
| Mayor Rogers Anderson | Mayor Kevin Brooks |
| Mayor Paige Brown | Senator Heidi Campbell |
| Commissioner Jim Bryson | Representative John Crawford |
| Councilman Chase Carlisle | Comptroller Jason Mumpower |
| Mr. Calvin Clifton | Commissioner Deniece Thomas |
| Mayor Terry Frank | Senator Bo Watson |
| County Clerk Mary Gaither | Senator Ken Yager |
| Representative Patsy Hazlewood | |
| County Executive Jeff Huffman | |
| Representative Harold Love Jr. | |
| Senator Jon Lundberg | |
| Representative Antonio Parkinson on phone | |
| Mr. Jeff Peach | |
| Mayor Bob Rial | |
| Mayor Larry Waters | |
| Representative Ryan Williams | |
| Senator Jeff Yarbro | |
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1. Call to Order and Approval of the Minutes

With the absence of Chairman Ken Yager and Vice Chairman Kevin Brooks, the members present voted pursuant to the commission's bylaws to appoint Mayor Terry Frank as acting chairman. Acting Chairman Terry FRANK called the meeting to order at 1:09 p.m. Acting Chairman FRANK then requested approval of the June 2023 meeting minutes. The motion was made to approve by Mayor Rogers ANDERSON, seconded by Senator Jon LUNDBERG, and passed unanimously.

2. Commission and Staff Update

Executive Director Cliff LIPPARD asked the members to welcome the newest TACIR commissioner, Mayor Bob Rial of Dickson County, who was recently appointed by the governor. He also asked the members to thank Loudoun County Mayor Buddy Bradshaw, whose term ended in July 2023, for his excellent service to the Commission. And Dr. LIPPARD asked the members to join him in congratulating County Clerk Mary Gaither and Commissioner Deniece Thomas on their recent reappointments to the Commission.

Dr. LIPPARD next said that Senior Research Associate Chris Belden would be leaving TACIR at the end of September to relocate to New York and to please join him in wishing Chris success in his new endeavors.

3. Public Chapter 1043, Acts of 2022 (Utility-Scale Solar Energy Development)—Final Report for Approval

Research Director Jennifer BARRIE presented the final report addressing utility-scale solar energy development in the state for the Commission's approval. It was prepared in response to Public Chapter 1043, Acts of 2022, which directs the Commission to study 14 points—13 of which address the development of utility-scale solar and one that addresses concerns related to consumer protection in the residential solar market. Ms. BARRIE said staff added information in response to questions and comments from members at the last meeting and made changes to reflect input received from stakeholders—including three nonprofit organizations and one solar developer in the state. Finally, staff updated the report based on new information received from the Tennessee Solar Energy Industries Association and Tennessee Valley Authority about solar facilities that are in some phase of development or in operation in Tennessee.

Mr. Jeff PEACH moved approval of the final report, and Mayor Rogers ANDERSON seconded the motion. The report was approved unanimously.

4. House Joint Resolution 139 (Housing Affordability, Impact Fees, and Development Taxes)—Panel, Day 1

Executive Director Cliff LIPPARD discussed a handout prepared by TACIR staff for the Commission, which displays the estimated number of housing units needed by each Tennessee county to equal Tennessee's overall housing availability rate, and the accompanying table, which shows the factors included to calculate the rate for each county. He said the map reflects housing availability, not housing affordability, although the two are correlated.

Senior Research Associate Michael STRICKLAND said that Joint House Resolution 139 by Representative Sparks directed the Commission to study the factors influencing housing affordability in Tennessee. Many Tennesseans are unable to buy a home or afford the one they currently have. Dr. STRICKLAND introduced panelists to discuss housing issues that they and their communities are confronting. Panelists included

- Ben Bentley, Executive Director, Knoxville Community Development Corporation;
- Joe Carr, County Mayor, Rutherford County;
- Jens Christensen, Chief Executive Officer, Habitat for Humanity of Greater Chattanooga;
- Scott Conger, Mayor, City of Jackson, Tennessee;
- Angela Hubbard, Director, Housing Division, Nashville Planning Department; and
- John Zeanah, Director, Memphis and Shelby County Division of Planning and Development.

Mr. Ben BENTLEY provided background on the Knoxville Community Development Corporation, saying that they own and manage housing, build new housing, and administer the local industrial development board.

Mayor Joe CARR said the timing of the study couldn't be better, as Rutherford County just reached the minimum population threshold to create a county development board. He said that as the fastest growing county in Tennessee, it is important to equip them with tools to maintain affordability.

Mr. Jens CHRISTENSEN said there are several policy levers to utilize for affordable housing, including Low Income Housing Tax Credits (LIHTC), Payments in Lieu of Taxes (PILOTs), and subsidies. He said the issue is that most levers are focused only on rental housing and provided his reasoning as to why more levers should be focused on homeownership. Homeownership is cheaper on day one and is cheaper over time, he suggested, because mortgage payments are typically fixed from day one while rent compounds and increases as the cost-of-living increases. Additionally, he said it is substantially cheaper to put people into homeownership—it requires less money spent by the government and has the potential to end generational poverty.

Mayor Scott CONGER provided an overview of the housing situation and housing goals in Jackson, Tennessee, including the announcement of BlueOval and the associated predicted growth in neighboring municipalities. He said they prefer to refer to it as attainable housing, not affordable housing. Jackson is developing a housing commission and is working to update their Master Plan. The City of Jackson's housing goals include increasing and diversifying the housing supply, improving access to housing for low and moderate-income individuals, reducing the amount of people experiencing homelessness and protecting the quality of existing housing.

Ms. Angela HUBBARD said that when a community doesn't have the upper-level, more expensive segment of a housing market to meet demand, then higher-income buyers begin to

compete for more affordable housing stock, and spots are taken from lower-income individuals who need them. She said the market never develops without a subsidy or incentive at these lower income levels. The city has the ability to increase density, but they need other incentives and tools to ensure housing for the minimum-wage service industry workers. She expressed concern that at some point the city will see a talent shortage with no one to fill job openings if the community does not provide them with an affordable place to live.

Mr. John ZEANA said that their housing policy plan initiative has identified four key actions for them to take, including improving the housing quality, supporting homeownership, diversifying the housing stock, and increasing the quality of rentals for low-income residents. He said if one looks at the housing stock in Memphis or Shelby County, there won't appear to be much of a numerical need until one looks at other factors. One barrier is that the cost to build and rehabilitate often outweighs the value of the end product, contributing to the need.

In response to a question from Representative Ryan WILLIAMS on whether departments look at the growth rate of populations in relation to the housing shortage rates, Mr. ZEANA said that the need for affordable housing is not just a factor of population, it is a factor of relative income, existing housing stock and quality, and the housing stock being continually built and demolished.

Mayor CARR said there are different challenges across the state. In Rutherford County, the boom in population is pricing out the existing affordable housing. He said the upward pressure on the market takes away from affordable housing and that counties will continue to price themselves out of the affordable market unless the General Assembly gives the counties the tools that they need to turn off the upward pressure. Mayor Bob RIAL asked how mobility factors in for people who are using affordable housing (e.g., young people and hospitality industry workers). Mr. CHRISTENSEN said the affordable housing landscape needs to have a mixture of ownership and renting to give people the ability to build equity and move into homeownership. He said there are triggers to build into restrictive covenants to sustain units as affordable housing over time.

Representative WILLIAMS said that 15 years ago, when he looked at the costs, tax increment financing (TIFs) and PILOTs represented a very small percentage of funding. Now, through partnerships with local governments, those percentages are higher, perhaps totaling \$30 million per year. He said that traditionally, PILOT programs were used to take large industrial projects and defer taxes for at least 25 years, knowing at the end it would be offset. Now, they are doing PILOTs with commercial properties, therefore taking them off of the tax rolls, and so it seems like lost revenue to him. Mayor CARR said that Rutherford County has recently approved two TIFs in Smyrna and Murfreesboro for currently idled city-owned property, properties that were not on the tax roll before. The TIFs require three-to-one payback and can't go beyond 20 years, putting property on the tax roll that was not previously on it before. Mr. BENTLEY said that in Knoxville they are trying to shorten the terms of PILOTs and utilize them as incentives for affordable housing. Ms. HUBBARD said that Nashville recently completed a TIF study committee and a tax abatement study committee.

Mayor Larry WATERS said he is concerned that rents in affordable housing units are beginning to creep up past what original agreements stated and asked whether there are any mechanisms in place where, for developers participating in a PILOT, it would be possible to make sure that the rents don't increase past the original agreement prices. Mr. BENTLEY said there are legal ways to ensure that original rent prices are upheld, including restrictive covenants and language in PILOT agreements, as well as performing annual "check-ins." Mr. CHRISTENSEN added it is easier to enforce with ownership than with rental.

Ms. HUBBARD said that Nashville created a new tax abatement program for mixed income housing that does not abate the baseline taxes, so the property is not completely taken off of the tax roll. Mr. CHRISTENSEN said it would be good to expand local options for property tax abatement and zoning.

Councilman Chase CARLISLE asked Mr. CHRISTENSEN to explain how the legislative body can help, especially how to address the ownership to rental shift. In response, Mr. CHRISTENSEN said there are two incentives for affordable housing available, zoning incentives and subsidies. Zoning incentives are off the table in most localities in Tennessee and subsidies mean taxation. He suggested fully funding the Housing Trust Fund where the Tennessee Housing Development Agency can quickly invest capital into ownership. Mayor WATERS said he doesn't believe that government needs to be involved in the housing sector because it is a private sector responsibility, but there need to be ways to encourage the private sector. Mr. CHRISTENSEN said when you build to rent, investors are often risk tolerant because of the high back-end profit, which is not the case when building affordable housing to sell unless you include a heavy subsidy. With subsidies, questions arise regarding who is being taxed and how it is going to be funded. Mayor CARR said there is no cookie cutter solution, and that whatever tools are provided need to allow for flexibility, because if the counties aren't given the tools to address the issue, then they are going to have homeless people out on the streets.

Representative WILLIAMS said his concern is that the only options are to raise property taxes, implement impact fees, or take excess revenue to pay for the actual cost of development. Mayor CARR said some municipalities don't have the tools to require developers to pay for additional infrastructure, and property taxes are an extremely inefficient way to pay for growth because they were originally designed for the maintenance and upkeep of existing services. He added that he had to raise property taxes because Rutherford County had a record deficit, and they didn't have the tools to make sure that growth could pay for itself. He said that anyone wanting to build a huge development should pay for all the important infrastructure.

Councilman CARLISLE said people often don't talk about the upfront fees and building costs such as electrical services. He asked what locally owned power companies can do to help with affordable housing costs. Mr. ZEANAH said there are a lot of hidden costs in housing construction. He said that through their Housing Policy Plan they are looking at the inherent costs of working with utilities. A lot of small lots that are redeveloped have higher costs to connect to utilities than if you were to build on a greenfield. He said utility construction work bears a complex schedule of fees and a greater risk up front, which can make it more costly. Mayor CARR said it is important to remember that infrastructure also includes schools, fire

services, emergency medical services, and police services in addition to traditional infrastructure (e.g., utilities).

Representative WILLIAMS said that impact fees may only be a short-term solution to help. Mayor Paige BROWN said it seems like impact fees would affect affordability and asked how they can keep impact fees from being an anti-growth tool used by local legislators who do not want change in their communities. At the local level, they do not have incentives to use for developers. She said pressure is put on existing residents because the new residents moving to the state come with enough money to handle the costs. In response to Mr. Jeff PEACH's question on whether impact fees impeded growth, Mayor CARR said impact fees have not stopped growth. In fact, he said, they have relieved pressure within municipalities on existing housing so that it can be maintained as affordable. Representative WILLIAMS expressed concern that should a government overtax people, they will stop moving to the area.

In response to Mayor WATERS's concerns that overnight rentals are driving up the prices of homes and reducing the number of workforce rentals, Ms. HUBBARD agreed that Nashville also sees it as a challenge. She said it is particularly an issue because of high land costs, as land can easily be bought up for rentals instead of affordable housing. Mayor WATERS said that regarding short-term rentals, the issue is finding balance between private property rights and what the state is trying to do with affordable housing.

5. Senate Bill 2262/House Bill 2419 (Liquor-by-the-Drink Tax and Restaurant Regulations)— Draft Report for Review and Comment

Research Associate Madison MOFFITT presented the draft report addressing liquor-by-the-drink tax and restaurant regulations for review and comment. The report was prepared in response to Senate Bill 2262 by Senator Briggs and House Bill 2419 by Representative Mannis, in the 112th General Assembly, which directed the Commission to study the liquor-by-the-drink and similar taxes for on-premise consumption of alcohol; licensing, permitting, and other fees under title 57, chapters 4 and 5 for the restaurant industry; staffing challenges with respect to server permits, wages, and applicable training necessary to operate such restaurants; and other barriers to entry for such restaurants that may be minimized or mitigated, as identified by the Commission in conducting the study. In June, the commission heard from a panel of six experts.

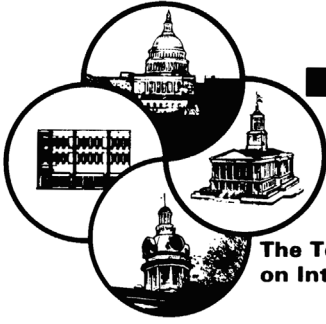
Ms. MOFFITT said staff identified two alternatives to make opening and operating a restaurant in Tennessee easier for businesses, without reducing state and local revenue or compromising public health and safety. To address stakeholders concerns about delays in obtaining their liquor license, the draft report recommended that the TABC inform applicants that it accepts temporary occupancy and use permits and that Strategic Technology Solutions continue to explore ways to further automate the application process. Because changes in Tennessee's post-and-hold law are unlikely to lead to a spike in alcohol consumption and related harms, and because the law no longer serves its stated purpose related to tax avoidance, the draft report recommended that the General Assembly either repeal the post-and-hold requirement in state law or reduce the hold period from 360 days to 180 days or less.

Ms. MOFFITT said the General Assembly has already acted on one of the restaurants owners' concerns by reducing restrictions that keep some people from obtaining a server permit from the Tennessee Alcoholic Beverage Commission (TABC) because of previous convictions. While lowering the liquor-by-the-drink tax rate would benefit restaurants, it would raise public health concerns and reduce funds used by local governments and K-12 education. Therefore, the draft report did not make any recommendation regarding the state's liquor-by-the-drink tax.

6. The Effect of the COVID-19 Recession on Public Infrastructure Needs, Phase Two—Draft Staff Report for Review and Comment

Research Manager Tyler CARPENTER presented the second phase of a two-phase staff report that evaluated the effect of the COVID-19 recession on public infrastructure needs for review and comment. Because this is a staff report, the report does not require Commission approval. As discussed in the first report, beginning in early 2020, the world was faced with unanticipated challenges prompted by the spread of COVID-19 and the resulting recession. Mr. CARPENTER said the first phase of the staff report—which was presented in 2021—analyzed the effect of the Great Recession on public infrastructure needs. Staff then used the findings from that report as a baseline for the second report for analyzing whether, or to what extent, the COVID-19 recession affected the public infrastructure needs reported in Tennessee as of July 1, 2021. Staff found that neither the Great Recession nor the COVID-19 recession had an overall effect on reported public infrastructure needs. However, technology, which is one type of education need, was affected by the COVID-19 pandemic itself. Technology needs increased by 82% per capita from 2019 to 2020—a total increase of \$103.7 million, partly because of laptop purchases and Wi-Fi hotspots for remote learning.

Acting Chairman Terry FRANK adjourned the meeting at 2:46 p.m.



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**MINUTES OF THE
TENNESSEE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS**

September 28, 2023

Meeting Called to Order

The Tennessee Advisory Commission on Intergovernmental Relations met in House Hearing Room I of the Cordell Hull Building at 8:34 a.m., Acting Chairman Terry Frank, presiding.

| Present 17 | Absent 7 |
|--|----------------------------------|
| Mayor Rogers Anderson | Mayor Kevin Brooks |
| Mayor Paige Brown | Senator Heidi Campbell |
| Commissioner Jim Bryson | Representative John Crawford |
| Councilman Chase Carlisle | Representative Harold Love, Jr. |
| Mr. Calvin Clifton | Representative Antonio Parkinson |
| Mayor Terry Frank | Senator Bo Watson |
| County Clerk Mary Gaither | Senator Ken Yager |
| Representative Patsy Hazlewood | |
| County Executive Jeff Huffman | |
| Senator Jon Lundberg | |
| Comptroller Jason Mumpower ¹ | |
| Mr. Jeff Peach | |
| Mayor Rob Rial | |
| Commissioner Deniece Thomas ² | |
| Mayor Larry Waters | |
| Representative Ryan Williams | |
| Senator Jeff Yarbro | |
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¹ Dana Spoonmore represented Comptroller Jason Mumpower

² Stamatia Xixis represented Commissioner Deniece Thomas

7. House Joint Resolution 139 (Housing Affordability, Impact Fees, and Development Taxes) – Panel, Day 2

Senior Research Associate Michael STRICKLAND introduced panelists to discuss housing issues that they and their communities are confronting. Panelists included

- Ryan Egly, President and CEO, Lawrence County Chamber of Commerce;
- Julie Keel, Program Director, Mountain TOP (Tennessee Outreach Project);
- Hunter McDonald, realtor, Red Realty;
- Ken Moore, Mayor, City of Franklin;
- Ralph Perrey, Executive Director, Tennessee Housing Development Agency; and
- Maggie Riden, Vice President of Advocacy, Federation of Appalachian Housing Enterprises.

Mr. Ryan EGLY said the Lawrence County Chamber of Commerce promotes economic development, including industrial development, community development, tourism marketing, and workforce development. The Chamber believes housing is a workforce recruitment and retention issue and has been working on addressing this issue for a few years. In Lawrence County, utility districts, the lack of zoning and building codes, and the lack of infrastructure funding all pose a challenge for developers. Regarding affordability, he said the average price for a home has significantly increased in Lawrence County.

Ms. Julie KEEL said Mountain TOP has worked to address housing affordability through the repair and rehabilitation of single-family owner-occupied homes. Challenges faced by their organization include the increasing costs of building materials and land and the lack of affordable housing development in Appalachia. She said flexible funding and multi-year grants attract federal funding that is needed to build affordable housing in rural areas. Mayor Terry FRANK asked whether Tennessee has experienced an increase in investors purchasing housing and whether that is harmful to the local community. Ms. KEEL said that they are seeing this, especially in Grundy County, and it removes the ability for their organization to purchase property and develop it to address the community's housing needs.

Mr. Ralph PERREY said although some investors are less responsible, in Rutherford County, reputable investors are changing their approach by developing subdivisions for rent and offering a path to homeownership. Mr. Jeff PEACH asked whether there has been an increase in the corporate building of for-rent only homes and whether there would be support for legislation in Tennessee that could limit the ability of those types of subdivisions that discourage homeownership. Mr. Hunter MCDONALD said realtors are seeing an increase in those being built and that he is unsure because you wouldn't want to limit someone's ability to rent out their home.

Mr. MCDONALD said housing costs are rising in Rutherford County and it affects housing affordability. Rising prices cause many would-be homebuyers to rent rather than buy, and

rental rates have increased. He shared data on the average cost of new construction homes, \$465,000 in Rutherford County. He said governmental fees and regulations are approximately 25% of the cost of a new home. Representative Patsy HAZLEWOOD asked for further explanation of the components of the 25% of home costs that come from governmental fees. Mr. MCDONALD said this 25% includes various fees per square foot and provided examples, including permitting fees for remodeling, gas permitting fees, plumbing fees, HVAC fees, solar panel installation fees, and retaining wall fees. [Note: Based on comments from the Commission, TACIR staff is following up with the specific costs that make up the 25% of governmental fees.]

Mr. MCDONALD said Tennessee needs more affordable housing options and there are many challenges faced by developers in the current market. Issues of affordable housing are of economic importance as statistics demonstrate that, when individual families have access to stable and affordable housing, they become contributors to the economy, fostering growth and prosperity. Representative Ryan WILLIAMS asked whether the housing market is flat because of a lack of housing units on the market or whether it's related to the availability of suitable housing options. Mr. MCDONALD said the state is seeing a flat market because the average person is buying a more expensive home. Representative WILLIAMS asked whether reducing the cost of a home by 25% would help or hurt the buyer. Mr. MCDONALD said that realtors are becoming more strategic and aggressive in pricing homes and are moving away from simply setting a target price and hoping for offers. He said that instead, they are using a more meticulous approach, involving detailed analysis and hard numbers; so, while there may be price reductions, they are not genuine reductions but rather a result of realtors putting in more effort and precision when setting prices. Mr. MCDONALD said the National Home Builders Association said each \$1,000 increase in the median price of a home can result in 127,560 people no longer being able to afford that home.

Representative WILLIAMS said that an argument could be made that impact fees are exacerbating the problem right now, over-inflating the value of properties, and making it difficult for people to afford entry-level homes. Mr. PEACH asked whether the increase in the cost of building a home or impact fees are causing the housing market to be a little flat and whether the realtor fee is 6% on those home sales. Mr. MCDONALD said he thinks any fee added to the home price puts people out and that interest rates also have a role in causing the housing market to be flat. Regarding the realtor fee, he said it is a negotiated fee, but that it could be 6%.

Mayor Ken MOORE said Franklin's housing issue is primarily one of workforce housing, as 70% of the workforce commutes into the city. He said that a considerable effort has been made by the community and the Franklin Housing Authority to provide affordable and workforce housing. Mr. MOORE said the city has a housing commission that makes recommendations to the city; however, progress has been slow. Franklin faces challenges of increasing property costs and the need for more tools, such as inclusionary zoning, and resources to encourage workforce housing development. In response to Senator YARBRO's question as to how impact fees facilitate affordable housing development in Franklin's growing economy, Mayor MOORE said the fees shift the cost of adding additional services to the developer and doing so ensures

that the burden does not fall on property owners through higher property taxes, which would be the case if impact fees were not in place.

Mr. Ralph PERREY said that there is a need for increased housing supply in Tennessee. He said that affordable housing is not built without support like tax credits, subsidies, and local incentives, and emphasized the importance of local governments creating a supportive regulatory environment and considering a wider range of housing styles. He also said that there needs to be collaboration and cross-sector impact in addressing housing affordability. Mayor FRANK asked whether it's possible that some of these housing issues are because Tennessee is rapidly growing post-pandemic, creating a gap. Mr. PERREY said there is a supply and demand issue, and it will take time to increase the supply.

Senator Jeff YARBRO asked whether the state can meet the demand for affordable and workforce housing by sticking to the traditional model of building single-family residences, or whether it is necessary to expand the variety of available housing types. Mr. PERREY said that a number of things would have to happen to expand the variety of available housing types. He said in places where the land is expensive, like Nashville, strategies like land banking and making state- or city-owned land available to developers with conditions attached could be beneficial. He also suggested that financing tools and tax advantages could complement these efforts. Mr. PERREY said it is important to consider local conditions when addressing housing issues as different areas face unique challenges, and what works in one place may not work in another. He also said that there is a need for maximum flexibility at the local level, allowing cities and counties to tailor their strategies to the specific needs and challenges of their communities. Senator YARBRO asked for elaboration on what giving local governments greater flexibility would mean for the state. Mayor MOORE said that, in Franklin, they used to have inclusionary zoning, which most of the developers paid a fee for. He said they were able to use those fees to help supplement affordable housing in our community and suggested being able to also use density bonuses would be helpful. Mayor FRANK asked whether there is a way to incentivize local governments to provide friendlier zoning. Mr. PERREY said that the federal government is proposing incentives for grants available to local governments who provide more zoning flexibility. Mayor MOORE said that, in Franklin, they try to achieve greater density through their use of zoning. Mr. EGLY said that since the dissolution of the State Department of Economic and Community Development, there is no one to bring awareness to these issues from the state level. He said that not all counties have a local economic development organization and emphasized the need for more awareness and education on these issues at a local level.

Mayor MOORE said the annexation law created challenges because of the way the city grows and that Franklin would like to be able to annex property as a city. Representative WILLIAMS asked whether the annexed property would be inside or outside the urban growth boundary (UGB). Mayor MOORE said that it would be inside the UGB.

Councilman Chase CARLISLE mentioned the idea of a program at the state level that could make low-interest loans or grants to local development agencies. He asked whether those are tools that could help both with affordable housing and the sources of funding, as well as workforce and middle housing. Mr. PERREY said Oklahoma recently started a program that is

offering zero percent construction loans to developers, particularly for starter homes, to incentivize development. He suggested that, if his agency had a big enough revenue stream, they could revolve such loans with a one-time appropriation, potentially helping organizations like United Housing save money and encouraging smaller builders to participate in the market, especially in areas like Memphis and rural regions. Representative WILLIAMS asked how long Oklahoma has had these revolving funds. Mr. PERREY said that Oklahoma is just getting started. Representative WILLIAMS said he would like to know whether those in Oklahoma are tracking how the cost of single-family homes change with the use of the revolving funds. [Note: TACIR staff plan to speak with representatives from Oklahoma for more information about their program.]. Mayor Larry WATERS asked whether a tool like the revolving loans could be utilized by THDA to improve affordable housing and, if not, what would be a tool THDA doesn't have that would make a positive impact on providing housing in Tennessee. Mr. PERREY said he wants to learn more about what Oklahoma is doing and what results they are seeing. He said more flexibility to examine and change current tools would be beneficial.

Councilman CARLISLE asked whether any of the panelists are considering programs similar to Memphis's Edge, which can apply for tax credits and distribute them within the community. Mr. EGLY said that traditional economic development tools like PILOTs (Payments in Lieu of Taxes), TIFs (Tax Increment Financing), and land grants are typically used for manufacturers, commercial development, or apartments, but cannot be applied to incentivize single-family subdivision development. Mr. EGLY said that there is a structural problem related to incentives for rural areas, specifically the need for road infrastructure and utilities for subdivision developers. He said that there is difficulty in obtaining accurate data about their housing markets and that there is need for better data tools for rural communities to understand their markets. Mr. EGLY suggested that a comprehensive understanding of the market is necessary to determine the right incentives, such as TIFs or tax credits, as well as the number of units needed for development.

Ms. Maggie RIDEN shared the work of non-profit housing and community development agencies in Tennessee. She said they face challenges of high demand, slowed production, and increased competition in the housing market. Some of the issues she sees in her community are a significant barrier: land cost, rising material costs, supply chain challenges, and inflation on housing production costs. Ms. RIDEN said the role that non-profit housing developers play in filling the gaps and the need for housing resources is vital and suggested exploring options such as land banking and incentivizing the release of vacant or abandoned properties to non-profit developers at lower to no cost to support affordable housing production.

Representative WILLIAMS asked whether any place in Tennessee has affordable housing and whether it's possible to designate a part of the property tax so that the cost is spread over the whole constituency, and then generate a fund through that. Councilman CARLISLE replied that they created an affordable housing trust fund in Memphis. He said as PILOTs expired, revenue has been redirected to fund initiatives like childhood pre-K. They now allocate a small portion of that revenue to a dedicated fund through an ordinance, similar to an enterprise fund. He said this designation can be altered by ordinance as well. Representative WILLIAMS replied that it would be better to have a long-term solution like the affordable housing trust fund and combine it with a short-term capital injection, like Mr. PERREY mentioned.

Councilman CARLISLE asked whether anyone is tracking Community Reinvestment Act (CRA) dollars from banks and whether looking at how the state tracks those funds and partners with banks and the community would help ensure the banks are distributing CRA dollars in a timely fashion. Mr. PERREY said THDA does not track CRA dollars, but the federal government does. He also said the federal government is looking at revising the CRA.

Mayor FRANK asked about manufactured housing as an affordable housing option and how many people live in Tennessee and have remote jobs in other states. Mr. EGLY said manufactured housing is a viable option, especially for those displaced; however, the municipalities in his community are not friendly to that type of development. He said that he receives data on remote workers from TVA's Economic Development and that Lawrence County saw a 5% increase in remote workers from 2017 to 2020.

8. Senate Bill 2827/House Bill 2729 (Emergency Communications on College and University Campuses) – Draft Report for Review and Comment

Research Manager Bob MOREO presented the draft report on emergency communications and crime reporting on college and university campuses for review and comment. It was prepared in response to Senate Bill 2827 by Senator Hensley and House Bill 2729 by Representative Ogles. Introduced in the 112th General Assembly, the legislation as amended directed the Commission to perform a comprehensive evaluation of the routing and storage of emergency communications on the campuses of colleges and universities in Tennessee, with a review of institutions' ability to store data and recordings relating to emergency communications and retrieve complaints of criminal activity alleged to have occurred on campus, and to include best policies and procedures and consistency of messaging with respect to improving the ability of colleges and universities to store data and recordings relating to emergency communications.

Mr. MOREO said when these bills were introduced, the sponsors said that some schools direct students and staff to call campus police or security departments for emergencies instead of 911. Some of those campus police and security departments do not record incoming calls reporting crimes and other incidents on campus. He said there was some concern from the bills' sponsors that not recording and saving emergency calls could hinder investigations or lead to schools underreporting incidents on their campuses.

Mr. MOREO presented the report's three recommendations. The first is for the state to encourage colleges and universities to record and retain recordings of calls reporting crimes and conduct violations to campus police and security departments by providing additional funding to help schools obtain or improve emergency call recording systems. Secondly, the General Assembly should require colleges and universities in Tennessee to publish to their websites annual statistics for complaints of sexual misconduct and assault reported to their campus Title IX authorities. The third recommendation is for the Tennessee Bureau of Investigation (TBI) to include statistics for crimes reported within one half mile of each college or university campus in its annual *Crime on Campus* reports. The third recommendation would also require colleges and universities to publish to their websites the statistics for their institutions from the TBI report, which they are currently only required to make available upon request.

9. Wastewater Systems Operations and Finances Report—Panel

Senior Research Consultant Bill TERRY introduced panelists with knowledge of Tennessee’s wastewater systems operations, infrastructure, and financing. Panelists included

- Roger Goodson, General Manager, Consolidated Utility District (CUD); and
- John Strickland, Murfreesboro Water Resource Recovery Facility (MWRRF) Plan Manager, Water Resources, City of Murfreesboro.

Mr. Roger GOODSON provided a brief history of the CUD. The district maintains a decentralized wastewater system that serves about 9,000 residents. One of the issues they are experiencing is that their filters are starting to fail.

Mr. John STRICKLAND explained how Murfreesboro’s wastewater utility runs a centralized wastewater system. He said Murfreesboro has grown but the utility has stayed on top of their financial issues. He emphasized that the US Environmental Protection Agency (EPA) regulations do work, and they dictate what local governments or utilities must do to comply with the regulations. However, the regulations that work best are the ones that offer some form of flexibility while still maintaining the system’s integrity. Mr. STRICKLAND added that the biggest opportunity for improvement is in how we regulate wastewater.

County Executive Jeff HUFFMAN mentioned the issues West Tennessee is experiencing because of BlueOval City—there is not enough infrastructure to handle the growth they will be experiencing. Local governments have been contacted by landowners asking how they can get access to sewer. The wastewater systems in many rural areas are quite dilapidated.

In response to County Executive HUFFMAN’s question about what the CUD does when a developer wants to build a development in an unincorporated area in Rutherford County, Mr. GOODSON listed the steps that must be taken to set up a decentralized wastewater system. Developers have to submit plans for the wastewater system, and the soil must be examined to ensure that it is suitable for a step system or dual water tank. There must be enough spare land in case there’s a problem with the drip fields. The system must be constructed according to specifications provided by CUD and it will be inspected by the district after being built. After the system is active, it is transferred by deed from the developer to the CUD.

County Executive HUFFMAN asked whether they received revenue from impact fees. Mr. GOODSON said they do not receive impact fee revenue and are funded through user rates and bonds. They did get some American Rescue Plan (ARP) funds from the county. Mr. STRICKLAND said that requiring new developments to buy into the city’s wastewater system has worked in Murfreesboro. New developments pay tap fees to connect to the system. He also recommended that the local governments look into the feasibility of tapping into the sewer line that is being built by the state exclusively for use by BlueOval City.

County Executive HUFFMAN asked whether the panelists know of any technology that would help small wastewater systems that are struggling. Mr. STRICKLAND said they should look into the state’s plant optimization program, which may be able to help them improve their efficiency through low- or no-cost measures. He also suggested that they look at the specific

technology at the plant and at expanding one aspect of it, like a basin for example, that could give them greater flexibility in how things operate.

In response to County Executive HUFFMAN's question about the feasibility of creating a regional wastewater authority, Mr. GOODSON said that a lot of concessions need to be made and how to best do that is a very political question. Mr. STRICKLAND added that with regionalization there would be economies of scale. He said you could also have a wider watershed and might be subject to more favorable regulations that determine the type of equipment and technology you use that might be half the cost.

Mr. Jeff PEACH asked whether they had noticed a significant cost difference using water from an Army Corps of Engineers lake versus those in East Tennessee that use water from Tennessee Valley Authority (TVA) lakes. Mr. GOODSON said he had talked to people from wastewater systems across the state and those systems that can draw directly from the Cumberland and Tennessee rivers don't have the costs that the CUD does.

In response to Mr. Calvin CLIFTON's question labor costs and whether there is a labor shortage particularly with regards to licensed wastewater operators, Mr. GOODSON said there is a labor shortage, and the industry is hurting because baby boomers are leaving the workforce. He said that it's not a field the younger workforce wants to get into. The Tennessee Association of Utility Districts (TAUD) offers an apprenticeship program that trains people to be licensed operators. Mr. CLIFTON said the study could investigate these issues. Mr. STRICKLAND said they are also seeing a lack of licensed operators and are having difficulty hiring people in general, but the number of staff they require has gone down because of automation. The cost of automation continues to drop and will eventually trickle down to all municipalities. The regulatory environment affects how much staffing is required, so regulatory relief could be a help overall. Plants that need to be staffed 24 hours a day are going to increase the labor costs.

10. Fiscal Capacity User Guide—Update

Senior Research Associate Presley POWERS presented the updates to TACIR's *A User's Guide to Fiscal Capacity in the Tennessee Investment in Student Achievement Funding Formula*, which was completed to explain how fiscal capacity is used in the state's new funding formula—Tennessee Investment in Student Achievement (TISA). She explained the change from the state's previous K-12 funding formula, the Basic Education Program, to the TISA formula and the purpose of the guide, and said that, although there has been a change in K-12 funding formulas in Tennessee, the TACIR model for calculating fiscal capacity remains unchanged. Mayor Bob RIAL of Dickson County asked who he can contact to obtain school system funding information under TISA. Ms. POWERS said she would place him in contact with staff at the Tennessee Department of Education. [Note: Ms. POWERS has provided Mayor RIAL with the information.]

Acting Chairman Terry FRANK adjourned the meeting at 11:06 a.m.