



**fahe**  
Strength in Numbers

**Working Families  
Housing Fund**

## A Working Families Housing Fund will increase access to affordable housing for hardworking Tennessee families.

Right now, many families earning between 80 and 120% of their area median income struggle to find housing in their typical price point: \$200,000 to \$300,000.

We recommend the state address this problem by **creating a Working Families Housing Fund to support developers that are building and maintaining affordable housing.** By allocating 3 cents per \$100 of recordation tax, the state would generate nearly \$24 million in revenue for this fund. This amount would support the construction or preservation of at least 200 units annually, creating a year one **return-on-investment of \$46.2 million and 555 jobs.**

## Specific Program Recommendations

The creation of this fund should **complement existing government programs**—such as the Affordable House Trust Fund—rather than replacing them.

Eligible expenses should be **broad and flexible**, including administrative fees and “first in” dollars.

Finding “first in” dollars is particularly challenging in rural areas with limited banking or philanthropic activity, slowing down housing development. Additional funders often invest more quickly once state dollars are on the table, providing a degree of financial security.

The fund should ideally be **housed within the Tennessee Housing Development Agency (THDA)** as a stand-alone program.

We recommend this degree of stand-alone specificity because it's what is needed to resolve the current gaps in our housing stock. If THDA does not have the bandwidth to manage a new program of this scope, we recommend the program be operated by an existing public-private intermediary with expertise developing housing in both rural and urban Tennessee.

THDA or the designated intermediary should receive **additional funding or a small carve out from the Working Families Housing Fund to hire more staff.**

Successfully launching and managing a new program will require a great deal of work and increased capacity. We recommend enough funding for one manager and three employees, including one support staff member.

## The Nature of Housing in Tennessee

From the Great Smoky Mountains to Music City, Beale St., and beyond, **Tennessee's population keeps growing.** Speculative investors are responding by purchasing many properties the moment they hit the market. They often pay over asking or in cash, increasing the cost of land statewide.

**This leaves working class families and entities seeking to acquire land for affordable housing unable to compete.**

## Access Matters

### Tennessee Needs a Working Families Housing Fund

- What** Ease the current housing shortage and affordability challenges impacting Tennessee
- Why** Current funding streams have not kept pace with costs to build and can't meet the needs of working households
- When** Over the next five years
- How** By establishing a recurring funding stream of flexible state dollars targeted to non-profit developers to build housing

## A True Story From East Tennessee

A family of five from Hamblen County was hoping to buy a house in 2021. Although the family, which earned \$36,000 annually, was pre-approved for a roughly \$216,000 loan, they opted not to renew their pre-approval in January of 2022.

**Why? There were only 5 homes within their price range in the entire county.** Only two had three bedrooms.



## Working Families Housing Fund 2024

Decisions about awarding funding should be made by **a blend of staff members and advisory board members.**

This program is intended to complement other funding sources to fill gaps in our state's ability to deliver and maintain middle-income housing. As such, all decision-makers should have a robust understanding of the existing housing development and finance landscape.

When awarding funding, the program should **prioritize nonprofit developers, but allow for partnerships between nonprofit and for-profit entities**, so long as nonprofits are leading the project.

This would ensure funds are used as efficiently as possible. The primary goal is speeding up housing development, thus creating a high return on investment for the entire community.

The program should **award funding** through grants, forgivable loans, and low or zero-interest loans.

Zero-interest loans for construction and sale would be used until a single-family home is sold, while such loans for multi-family rentals would be used for the duration of the affordability period.

Proposals should be accepted once annually, and **awards should have a 3-year spending limit with at least one third of the funding being provided upfront.**

Especially given continued increases in costs, having access to liquid funds at the start of a project will help increase the speed of housing development.

We strongly recommend **against a matching requirement** for these funds.

This will disproportionately exclude rural and lower income areas from the program's benefits. Additionally, in some cases, a small amount from the program may be the only funding needed (i.e. in the case of housing repair).

## Impact for Tennessee

This proposed funding provides the following outcomes:



Approximately 200-300 new or preserved units delivered annually



Using National Home Builder's Association Estimate, the construction of 200 new units (100 single family and 100 multi-family rental units) results in a year one return on investment of \$46.2M and 555 jobs.



In each subsequent year, these homes and their occupants will generate an additional \$8.2M and 113 jobs for a local economy.

## Who We Are

**For over 40 years, Fahe Tennessee Members have delivered safe, quality housing, community services, job training, and opportunity to our neighbors across the state.**

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### Tennessee Members

Aid to Distressed Families of Appalachian Counties (ADFAC)	Foothills Community Development
Appalachia Habitat for Humanity	HomeSource east tennessee
Appalachia Service Project	Kingsport Housing and Redevelopment Authority
Blount County Habitat for Humanity	Knoxville Leadership Foundation
Clinch-Powell RC&D Council	Loudon County Habitat for Humanity
Creative Compassion, Inc.	Mountain T.O.P.
Crossville Housing Authority	Oak Ridge Housing Authority
Eastern Eight Community Development	TN Community Assistance Corporation