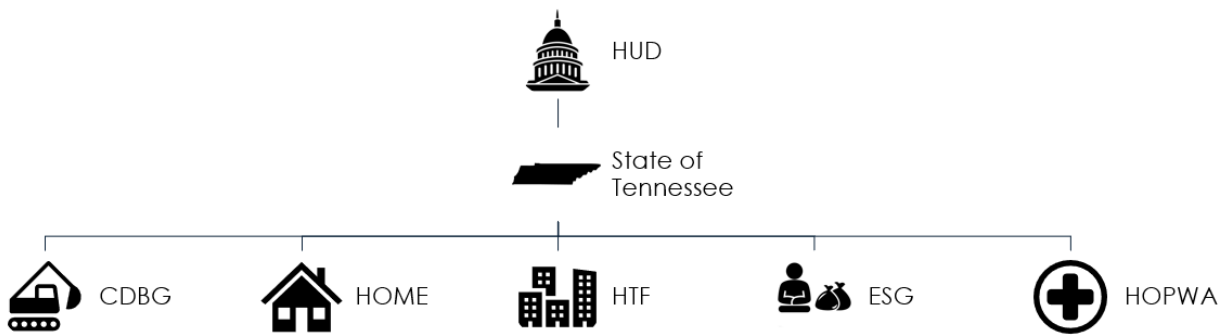


State of Tennessee

2025-2029 Consolidated Plan & Fiscal Year 2025-2026 Annual Action Plan Summary

Overview



Consolidated Plan Summary, Figure 1 – Structure of the Distribution of Funding for Consolidated Planning Programs

The 2025-2029 Consolidated Plan is a five-year strategic housing and community development plan for annual federal funding. The Plan, which includes the FY 2025-2026 Annual Action Plan, will be submitted to the U.S. Department of Housing and Urban Development (HUD) in May 2025 to apply for annual federal funding for the following five grant programs:

- The Housing Opportunities for Persons with HIV/AIDS (HOPWA) program addresses the housing needs of low-income persons who are living with HIV/AIDS and their families.
- The Emergency Solutions Grants (ESG) program provides funding for supportive services and housing assistance for people at-risk of homelessness or people experiencing homelessness, enabling them to regain stability in permanent housing.
- The Housing Trust Fund (HTF) program promotes the production, preservation, and rehabilitation of affordable rental housing for extremely low-income households.
- The HOME Investment Partnerships (HOME) program promotes the production, preservation, and rehabilitation of affordable housing for rent or homeownership for low-income households.

- The Community Development Block Grant (CDBG) program promotes economic and community development, mostly through infrastructure and facility improvement activities, in eligible cities and counties with low-to-moderate income residents across the state. Additionally, CDBG administers the Recovery Housing Program (CDBG-RHP), which funds temporary supportive housing projects for people recovering from substance use disorders (SUDs).

The 2025-2029 Consolidated Plan is comprised of four components:

- 1) The Needs Assessment outlines some of Tennessee's current housing and infrastructure needs.
- 2) The Market Analysis considers to what extent the current housing market and supply are meeting Tennesseans' needs.
- 3) The Strategic Plan sets housing and community development goals for the State's Consolidated Planning programs.
- 4) The Annual Action Plan details how the State's programs will distribute approximately \$50-60 million in annual federal funding in pursuit of these goals.

The remainder of this document contains detailed summaries of each component.

Needs Assessment & Market Analysis

Summary

Needs Assessment Methodology

The Consolidated Plan is an opportunity for the State of Tennessee to assess the state's housing needs broadly. The Tennessee Housing Development Agency's (THDA's) Research and Planning department led research and consultation efforts to learn about housing and infrastructure needs in the state.

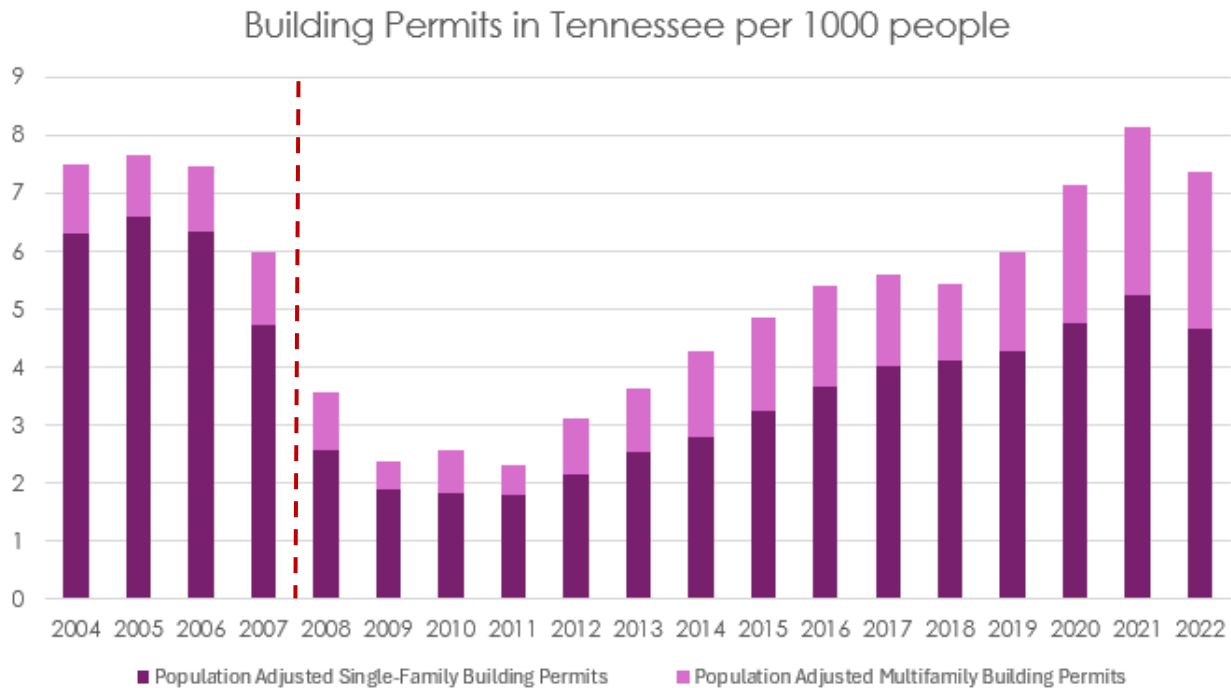
1. Publicly available datasets were analyzed for Tennessee's nine development districts in the spring of 2024. Data sources included the American Community Survey (ACS) and Comprehensive Housing Affordability Strategy (CHAS). These datasets are the most comprehensive data available, but findings must be interpreted with caution as they are subject to sampling error, particularly for rural or underpopulated areas. Findings also may be outdated.
2. A housing needs survey was administered to the public and to statewide organizations in June and July of 2024 to gather feedback on Tennesseans' housing experiences and needs.
3. Regional meetings were conducted in August 2024 to share presentations on housing needs and gather local feedback via focus groups on housing affordability, homelessness, and fair housing.

THDA synthesized the findings of these efforts into the Consolidated Plan's Needs Assessment and Market Analysis in the winter of 2024. Additional data sources were incorporated to ensure all of HUD's requirements were met. In addition, some portions of previous analyses were updated using the most recently available ACS data from the five-year period of 2019-2023 or the one-year period of 2023, which was released in December 2024.

Tennessee's Housing Shortage

A housing shortage is partially driving Tennessee's current housing needs.

Tennessee, like most states across the United States, had a sudden decline in home building that occurred after the mortgage and financial crisis beginning in 2007. The following graph shows the number of single-family and multifamily building permits in Tennessee per 1,000 people.

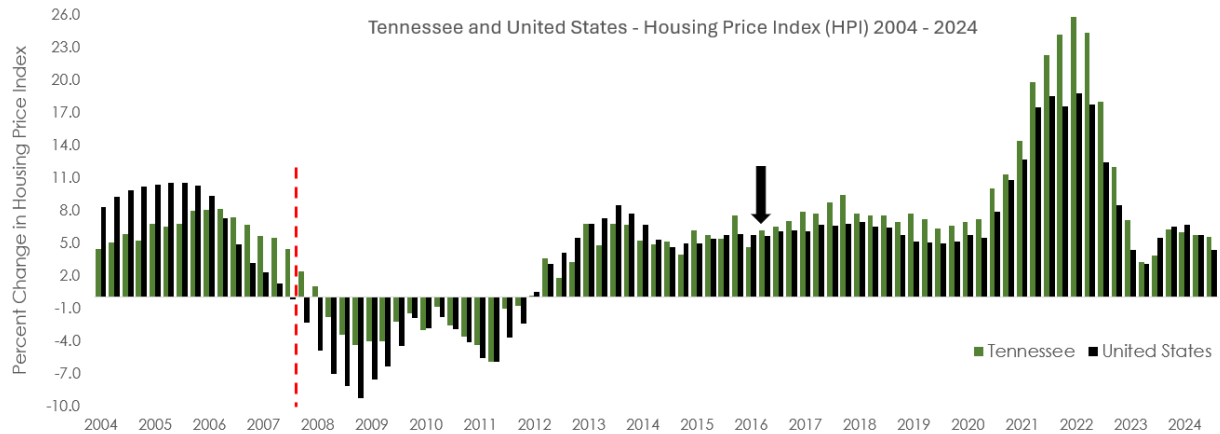


Consolidated Plan Summary, Figure 2 – Population-Adjusted Building Permits in Tennessee 2004-2022

U.S. Census Bureau Building Permits Survey

The initial impact of the mortgage and financial crisis on Tennessee’s housing market was not as stark as its impact on many states in the United States. Leading up to the crisis, Tennessee’s housing prices, as measured by the Housing Price Index (HPI), increased more slowly than housing prices in many other states. As a result, when the “housing bubble” burst in 2007 and national housing prices rapidly declined, Tennessee’s housing prices did not decline as much as those of many other states in the country.

The following graph compares the changes in the HPI in Tennessee and the United States overall. Positive percentages indicate increases in housing prices, while negative percentages indicate decreases in housing prices.



Consolidated Plan Summary, Figure 3 – Housing Prices Index (HPI) in Tennessee and the United States 2004-2024

Federal Housing Finance Agency (FHFA) HPI 2004-2024

Following the 2007 mortgage and financial crisis, housing development in Tennessee lagged for approximately a decade, failing to keep up with the state’s growing population. As a result, Tennessee’s HPI in 2016 began to grow faster than many places in the United States. This culminated in rapid price increases for Tennessee’s single-family homes from 2020-2022. Tennessee’s housing market had been struggling to keep up with demand for several years, and the COVID-19 pandemic created a sudden spike in demand for single-family homes to accommodate social distancing, more people working from home, and more children homeschooling. The pandemic conditions also encouraged some people from highly dense, higher-cost areas to relocate to Tennessee, further boosting demand for housing. While the growth in prices of single-family homes slowed in 2023 and 2024, prices remain at high levels.

Rental prices also increased significantly from 2020 to 2022, although they have flattened or fallen slightly in some regions because a more robust number of new multifamily units have been built in recent years.

High Interest Rates Dampen Current Housing Market

High interest rates are complicating the financing of needed housing development. The following graph shows the average mortgage rates in the United States for the past ten years.



Consolidated Plan Summary, Figure 4 – Graph of Weekly Averages of Primary Mortgage Market Survey in the United States for 10 Years

Freddie Mac Primary Mortgage Market Survey Accessed February 2023

A period of widespread price inflation began in 2021, causing the United States Federal Reserve to raise interest rates significantly beginning in 2022. Price inflation seems to have been driven by a combination of suppressed interest rates starting in 2020, prolonged supply shocks from the global pandemic, and simultaneous demand increases from stimulus spending through households and businesses. Inflation has slowed, and the Federal Reserve began cutting interest rates in 2024. However, interest rates remain relatively high, which has significantly weakened activity in the housing markets. Many households that purchased or refinanced their mortgages to lock in low interest rates (below 4%) before or during the pandemic are now reluctant to sell their homes while interest rates are higher (around 7%) because it is more expensive to buy a different home. As a result, renter households hoping to become homeowners face a low inventory of homes for sale, high prices for the inventory that is available, and high mortgage rates.

Even though a housing shortage still exists, price inflation and higher interest rates have dampened new housing development. Costs of building, like wages for labor in the construction industry and the prices of raw materials, have increased. Financing options for builders have higher interest rates. Additionally, increases in wages for property management personnel and the costs of property insurance have decreased profitability incentives for multifamily developers.

In short, most areas of Tennessee need more housing, but builders face a tough environment for building it and households face a tough environment for purchasing it.

Tennessee currently has a severe, absolute shortage of rental housing units affordable to extremely low-income households (with incomes at 30% or less of the AMI). Without access to affordable housing, these renters are at-risk of housing instability and homelessness. In addition, many middle-income renter households hoping to become homeowners cannot find “starter homes” to purchase, limiting their abilities to build wealth over time and to live in housing more suitable to middle and later phases of life. The inability of these households to transition from renting to owning a home also increases price pressures in the rental market. As such, higher income households must live in units that historically would have been available to lower income households, which further pushes extremely low-income renters toward housing instability.

This context is the backdrop that must be considered when examining Tennessee’s current housing needs and market.

Community Housing Continuum & Housing Needs Framework

Ideally, Tennesseans would have a full continuum of housing options available in their communities, from supportive housing to market-rate homeownership.

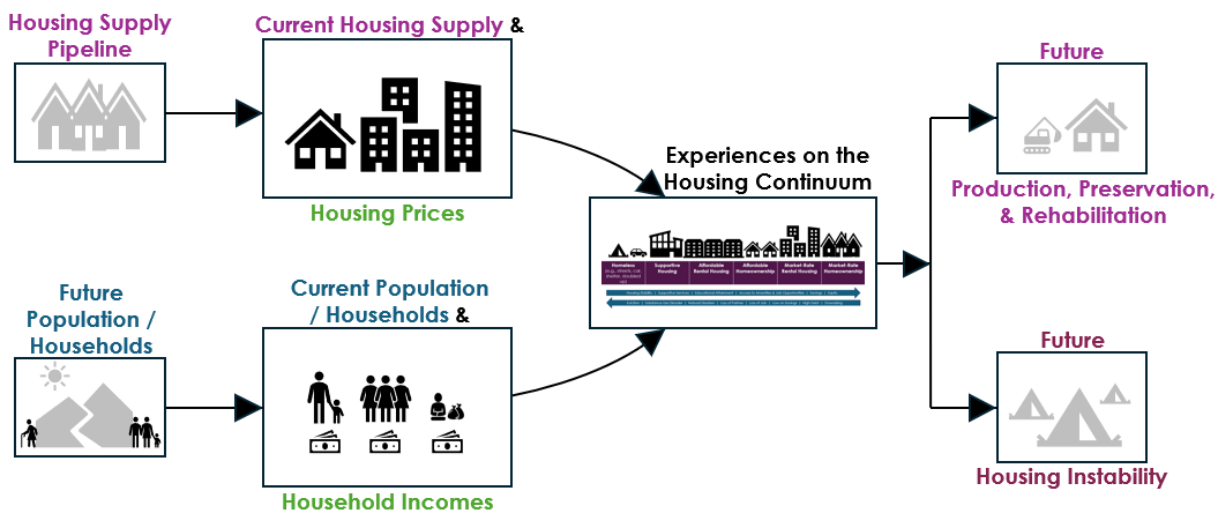


Consolidated Plan Summary, Figure 5 – Community Housing Continuum and Examples of Opportunities/Hardships Impacting Households

A full continuum of housing options available enables households to more easily move rightward toward greater levels of housing stability and wealth. In addition, a full continuum of housing options ensures hardships do not necessitate housing instability.

The Consolidated Plan’s Needs Assessment and Market Analysis utilize the framework below to analyze factors influencing Tennesseans’ housing needs. Tennesseans’ **experiences on the housing continuum** largely depend on how well the **current population/households and their**

incomes align with the **current housing supply and prices**. The number and types of households experiencing housing problems illuminate Tennesseans’ housing needs and inform how the State of Tennessee can use its resources to produce, preserve, and rehabilitate housing and infrastructure while addressing future housing instability.



Consolidated Plan Summary, Figure 6 – Housing Needs Framework

The State of Tennessee recognizes a complete Needs Assessment and Market Analysis would also consider the state’s future population/households and housing supply pipeline. However, the State currently lacks complete information about these factors, so they are not robustly explored in the Consolidated Plan.

Needs Assessment & Market Analysis Key Findings

- **Tennesseans are feeling the impacts of a statewide housing shortage.**
- **Tennessean renters face higher prices and are increasingly at-risk of housing insecurity.**
 - Tennessee’s median gross rent increased by 29.6% over a five-year period to \$1,047.¹
 - Many renters are struggling with the costs of rent and utilities, putting them at-risk of housing insecurity. For example, 43.4% of all renters in Tennessee were cost burdened, spending more than 30% of their household incomes on rent and utilities.²
 - In addition, 59.2% of extremely low-income renters (with incomes of 30% or less of AMI) were severely cost burdened (spending more than half of their incomes on rent

¹ ACS five-year estimates for 2013-2017 and 2018-2022

² ACS five-year estimates for 2018-2022

and utilities).³ This level of cost burden puts them at risk of experiencing homelessness.

- Tennessee faced an absolute shortage of 37,745 rental units affordable to extremely low-income households in 2022, according to analysis of the Public Use Microdata Sample (PUMS).
- **Many Tennesseans are priced out of homeownership.**
 - Tennessee’s median home value increased by 53% to \$232,100 over a five-year period.⁴
 - Many Tennesseans who wish to purchase a home cannot afford it. The prices of single-family homes for sale are high relative to household incomes. In 2017, 71% of homes sold in Tennessee were affordable to a household with the AMI, according to Tennessee’s Annual Sales Price Data. In 2022, 43% of homes sold were affordable to a household with the AMI. During focus groups, many Tennesseans reported that purchasing a home seems out of reach, and they are increasingly constrained to housing that does not meet their needs.
- **Populations with special housing needs are increasingly vulnerable.** Housing-related service providers expressed grave concerns about meeting the housing needs of special populations, like Tennesseans who are elderly, disabled, have young children, have HIV/AIDS, have a substance use disorder (SUD), were formerly incarcerated, and/or are veterans.
- **The number of people experiencing homelessness in Tennessee is high.** In the 2024 Point-in-Time Count (PITC), 8,280 people were identified as experiencing sheltered or unsheltered homelessness. While this total is a decrease from the maximum of 10,567 people identified in the 2022 PITC, the number of people experiencing homelessness in 2024 remained well above pre-pandemic levels.
- **Tennessee needs repairs and upgrades of its existing housing and infrastructure.**
 - Tennessee had 8,200 owner-occupied and 14,620 renter-occupied substandard units with incomplete kitchen and/or plumbing facilities. Most substandard units were occupied by low-income households (with incomes of 80% or less of AMI); low-income households occupied 55.5% of owner-occupied substandard housing units and 72.7% of renter-occupied substandard housing units.⁵
 - The Tennessee Advisory Commission on Intergovernmental Relations (TACIR) identified at least \$77.7 billion needed for public infrastructure improvements in Tennessee for 2023-2028, a \$9.5 billion (or 14%) increase from the year before.

Needs Assessment & Market Analysis Section Preview

³ CHAS five-year estimates for 2017-2021

⁴ ACS five-year estimates for 2013-2027 and 2018-2022

⁵ CHAS five-year estimates for 2017-2021

Analysis of the factors shown in the Housing Needs Framework that influence Tennessee's housing needs and market are explored in the following sections:

- Current Population/Households & Household Income
 - Section NA-10 details Tennessee's current population, households, and their incomes.
 - Section MA-50 discusses other aspects of Tennessee's population, like educational attainment, employment opportunities, and regional industries.
- Current Housing Supply & Housing Prices
 - Section MA-05 discusses the current housing shortage in Tennessee.
 - Section MA-10 details the state's number and types of housing units.
 - Section MA-15 outlines the prices of housing.
 - Section MA-20 discusses the condition of housing in Tennessee and the need for rehabilitation of its quality and preservation of its affordability.
 - Section MA-25 gives more information about Tennessee's public housing units.
 - Section MA-30 and MA-35 outline the emergency housing available for people experiencing homelessness and/or specialized housing opportunities for households with specific needs.
- Experiences on the Housing Continuum
 - Section NA-15, NA-20, and NA-25 detail disproportionate experiences of housing problems by households' incomes as a percentage of Area Median Income (AMI) and households' race and ethnicity categories.
 - Section NA-30 discusses the regions in Tennessee experiencing disproportionate housing problems by race and ethnicity.
 - Section NA-35 discusses the extensive waitlists for public housing units.
 - Section NA-40 and NA-45 explore the number and types of households who are experiencing homelessness and/or who need specialized housing opportunities.
 - Section MA-65 considers hazard mitigation after recent natural disasters and estimations of regional risk for future disasters.
- Future Production, Preservation, and Rehabilitation
 - Section NA-50 details the needs for infrastructure and facility improvements
 - Section MA-40 discusses challenging market conditions that are impacting the production, preservation, and rehabilitation of affordable housing.

Strategic Plan Summary

Strategic Priorities

The State of Tennessee has set the following strategic priorities for the 2025-2029 Consolidated Plan, which stem from the State's Needs Assessment and Market Analysis. These strategic priorities are most aligned to the needs of households with incomes of 80% or less of Area Median Income (AMI), since these are the households eligible for assistance through the Consolidated Planning programs. The bullet points below capture the main activities Consolidated Planning program funds will support.

- **Priority 1: Prevent, address, and decrease homelessness**
 - Prevent homelessness
 - Conduct outreach to people experiencing homelessness
 - Provide emergency shelter to people experiencing homelessness
 - Connect people experiencing homelessness with stable housing and/or rental assistance
 - Provide supportive services to help people attain and maintain their housing
 - House vulnerable populations (e.g., people living with HIV/AIDS, people fleeing domestic violence, people recovering from a substance use disorder) and connect them with appropriate resources
- **Priority 2: Produce, rehabilitate, and preserve affordable housing**
 - Rehabilitate and preserve existing, affordable multifamily housing
 - Rehabilitate and preserve existing, affordable single-family housing
 - Weatherize existing housing
 - Produce new, affordable multifamily housing
 - Produce new, affordable single-family housing
- **Priority 3: Improve community livability and resilience**
 - Expand and improve community infrastructure
 - Weatherize existing infrastructure
 - Promote recovery after natural disasters

The priorities outlined above are numbered according to their designation in IDIS, the reporting database where the State of Tennessee submits the Consolidated Plan to the U.S. Department of Housing and Urban Development (HUD). These numbers do not reflect the strategic priorities' relative levels of importance.

In addition to these priorities, the State will affirmatively further fair housing through the Consolidated Planning programs and other housing and community development programs. This is not a formal strategic priority for which the State allocates a specific funding stream or sets numeric goals in the Consolidated Plan. Instead, the State provides resources to educate Tennesseans about their housing rights under the Fair Housing Act and to educate the State's Consolidated Planning program grantees about their fair housing obligations. The State also

assesses its program processes to remove barriers to housing access. Finally, the State addresses violations of the Fair Housing Act.

Strategic Plan Section Preview

The Strategic Plan includes the following sections.

- Section SP-10 details the geographic areas of the state eligible for funding through the State of Tennessee's Consolidated Planning programs.
- Section SP-25 gives an overview of the State's priority needs.
- Section SP-30 explains the influence of housing market conditions on strategic priorities.
- Section SP-35 discusses the anticipated resources from HUD for the State's Consolidated Planning programs.
- Section SP-40 describes the institutional delivery structure each program uses to carry out activities.
- Section SP-45 defines the State's goals and their alignment with the strategic priorities.
- Section SP-50 notes some needs regarding accessibility and resident involvement in public housing.
- Section SP-55 discusses barriers to affordable housing in the state.
- Section SP-60 describes the State's strategy for addressing the needs of people experiencing homelessness.
- Section SP-65 notes the actions the State takes to address lead-based paint hazards.
- Section SP-70 explains how the Consolidated Planning programs fit into overall efforts to alleviate poverty.
- Section SP-80 describes the procedures the state uses to monitor program activities and ensure compliance with program requirements.

Annual Action Plan Summary

Overview

The State of Tennessee's Fiscal Year (FY) 2025-2026 Annual Action Plan is the State's annual application to the U.S. Department of Housing and Urban Development (HUD) for annual federal funding of five formula grant programs. The Annual Action Plan (AAP) covers the period of July 1, 2025 through June 30, 2026 and describes the State's program goals, funding allocations, methods of distribution, and intended activities, which are aligned to the State's strategic priorities in the 2025-2029 Consolidated Plan.

Through the AAP, HUD provides federal funding for the following five programs:

- The Housing Opportunities for Persons with AIDS (HOPWA) program addresses the housing needs of low-income persons who are living with HIV/AIDS and their families.
- The Emergency Solutions Grants (ESG) program provides funding for supportive services and housing assistance for people at-risk of homelessness or people experiencing homelessness, enabling them to regain stability in permanent housing.
- The Housing Trust Fund (HTF) program promotes the production, preservation, and rehabilitation of affordable rental housing for extremely low-income households.
- The HOME Investment Partnerships (HOME) program promotes the production, preservation, and rehabilitation of affordable housing for rent or homeownership for low-income households.
- The Community Development Block Grant (CDBG) program promotes economic and community development, mostly through infrastructure and facility improvement activities, in eligible cities and counties with low-to-moderate income residents across the state. Additionally, CDBG administers the Recovery Housing Program (CDBG-RHP), which funds temporary supportive housing projects for people recovering from substance use disorders (SUDs).

The Tennessee Department of Health (TDH) administers HOPWA. The Tennessee Housing Development Agency (THDA) administers the ESG, HTF, and HOME programs. The Tennessee Department of Economic and Community Development (TNECD) administers CDBG and CDBG-RHP. While THDA is the lead agency responsible for coordinating the development of the Consolidated Plan and AAP, all administering agencies of the five grant programs participated in their development.

For FY 25-26, the State expects HUD will distribute \$50-\$60 million of federal funding to the State of Tennessee, like previous years. The actual allocations for FY 25-26 have not yet been announced, but the FY 24-25 allocations are included below for reference. **This table will be updated to include the actual allocations for FY 25-26 when they are available.**

Programs	FY 24-25 Allocations
HOPWA	\$2,303,205.00
ESG	\$3,244,618.00
HTF	\$3,150,564.64
HOME	\$12,910,084.00
CDBG	\$27,571,438.00
CDBG-RHP	\$1,504,598.00
TOTAL	\$50,684,507.64

Consolidated Plan Summary, Figure 7 – Table of FY 24-25 Federal Funding for Consolidated Planning Programs

The FY 25-26 AAP also contains the expected funding and annual goals for the State’s other affordable housing resources aligned to the State’s Consolidated Planning goals. These other resources include the HOME-American Rescue Plan (ARP) Supportive Services program, HUD’s Section 8 Tenant-Based Housing Choice Voucher (HCV) program, the HOME-ARP Rental Development program, the Community Investment Tax Credit (CITC) program, the Low-Income Housing Tax Credit (LIHTC) program, the Tennessee Housing Trust Fund (THTF) program, and the Homebuyer Education Initiative (HBEI) program.

The State invites citizens of Tennessee to give feedback on the FY 25-26 Annual Action Plan from March 5 – April 19, 2025 through the public comment survey. Citizens are also invited to attend the public hearing, held both virtually and in-person on Thursday, April 17. Links to the public comment survey and details of the public hearing can be found on the State’s Consolidated Planning webpage: <https://thda.org/research-reports/consolidated-planning>

Annual Action Plan Section Preview

- Section AP-15 gives details about expected resources available to the State’s Consolidated Planning programs for FY 25-26.
- Section AP-20 outlines annual goals and objectives for each program.
- Section AP-25 sets allocation priorities.
- Section AP-30 explains the methods of distribution for each program’s funding.
- Section AP-50 details the geographic areas of the state eligible for FY 25-26 funding.
- Section AP-55 discusses how each program will support affordable housing.
- Section AP-60 gives information about public housing.
- Section AP-65 discusses strategies for addressing the needs of people experiencing homelessness.
- Section AP-70 outlines HOPWA goals.

- Section AP-75 notes barriers to affordable housing.
- Section AP-85 discusses strategic actions the State can take to address specific needs.
- Section AP-90 gives program-specific requirements and links to program documentation.