



Tennessee Housing Development Agency Issue Brief: Housing Ideas for an Affordable Sevier County

By Bettie Teasley, Joe Speer and Ceagus Clark February 2017, No. 1

INTRODUCTION

Resort and vacation destinations often find themselves home to housing that is priced for vacationers, pricing out long-term residents. Through the tragic Gatlinburg and Sevier County fires in December 2016, housing challenges have multiplied in the county. In these fires, 2,121 homes were completely destroyed with an additional 266 homes affected with some level of damage. This amounts to a loss of four percent of the county's housing units in a matter of days. Looking at just Gatlinburg, the fire destroyed 981 homes, or 15.9 percent of the city's housing stock¹.

As the county looks to rebuild, there is an opportunity to be deliberate about maintaining and improving affordability for homeownership and rental housing in the area. The seemingly parallel tracks of a vacation rental housing market and a housing market for employees in the service industry provide a challenge to local residents, officials and stakeholders. But amid the devastation, the recovery presents an opportunity to ensure sustained housing affordability at a time when there is greatest risk for outside real estate speculation that could permanently alter the character and appeal of the area.

Within this policy brief, we explore some housing creation strategies for moderate income households. While the brief specifically features strategies that may be most successful for workforce or economical housing (generally understood to be households earning between 80 and 120 percent of area median income), these examples have been used to produce housing for households at a range of income levels. Affordability at a particular level was not heavily discussed because many of these models can be adjusted to accommodate households with higher or lower income. We have a particular emphasis on solutions that have worked in other vacation destination spots. A vibrant vacation town has a strong mix of dedicated residents who live in their town. This translates into wages staying in the community. Thus, these dollars multiply in the local

economy as employees live, work and spend in the same community rather than driving elsewhere at the end of the day to spend their wages.

Housing for Permanent and Seasonal Residents

Sevier County has a tradition of being home to a wide range of income levels. Maintaining income diversity in a vacation town is sometimes difficult. Sevier County has a significant number of housing units that are for temporary vacation residents. In fact, roughly 14.5 percent of Tennessee's vacant units that are designed for recreational, seasonal use are in Sevier County². Three percent of the state's seasonal units are in Gatlinburg alone. It is unclear how many of the 2,387 homes impacted by the fire were full-time owner-occupied homes versus seasonal rental homes. However, with the opportunity to rebuild, Sevier County's particular needs to support local residents and as well as the economic vitality that the tourism industry brings can be addressed with targeted planning efforts.

The intent is to preserve and improve housing affordability such that those who work in Sevier County can also afford to live there. A median wage earning household can actually afford to buy a median priced home in Sevier County (see figure 1); not all Tennessee counties can say the same. However, median income levels in a community with the volume of second-homes that Sevier County has, can be misleading, showing higher incomes than an examination of the incomes of the average wage earning employee shows.

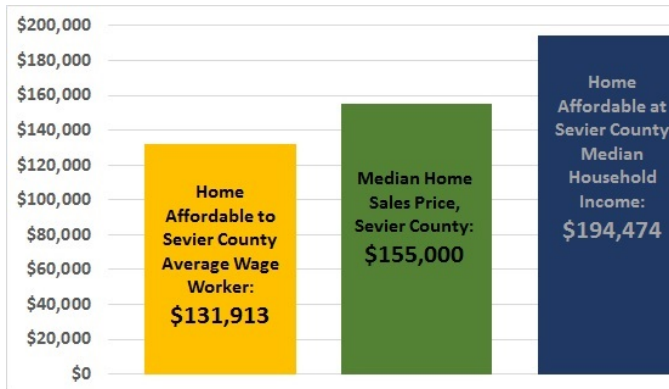
Resort Town Housing Creates Parallel Track Housing Markets: Sevier County has a tourism season that generally extends from Spring to Fall with bursts of activity around Thanksgiving and Christmas. Seasonal tourism produces seasonal housing and labor demands that operate against one another. Service industry jobs are in highest demand when it is peak tourism season. It then

¹ American Community Survey, 2011-15, U.S. Census Bureau and TEMA

² U.S. Census Bureau

follows that when the tourism season is at its peak, housing for renters is at its most expensive and least available.

Figure 1. Sevier County Homeownership Affordability³



Challenges Presented by Remote Nature of the Towns:

Because so many housing units are used as vacation or seasonal tourist rental housing, those working within the cities of Gatlinburg and Pigeon Forge are often unable to afford a home close to their jobs. The commute to Sevier County is not an easy one. The communities within the county are hemmed in by the mountains, which simultaneously serve as an attraction to visitors and an obstacle for commuters. Additionally, with the rapid commercial retail and tourist activity growth in Pigeon Forge over the years, Highways 441 and 321 are consistently congested from mid-morning to evening, making a mountain commute even more challenging for remotely located employees.

MODELS FOR THE CREATION OF HOUSING FOR MODERATE INCOME HOUSEHOLDS

With the foresight evidenced by the Sevier County leaders and stakeholders in the aftermath of the fire, there is reason for great optimism with respect to the creation of a successful affordable housing strategy for the short- and long-term. Some of the strategies and models that could assist the county in the creation and preservation of affordable housing for the local workforce include:

- Shared equity models
- Modest sized homes
- Mixed income housing
- Land banking
- Preservation of naturally occurring affordable housing

Shared Equity:

Because land costs, particularly in vacation communities are often the prohibitive cost to affordable housing development, strategies that provide ways to reduce the overall or relative cost of land can help ensure more affordable housing options. There are a few ways to reduce the cost of housing through funding innovations designed to remove an element of the land costs.

Shared equity housing models create long-term, affordable homeownership opportunities by a housing provider providing front-end savings to the homebuyer at purchase, in return for affordability restrictions placed on the resale of the home. A non-profit or public entity housing provider can serve as the second ownership interest in a shared equity model. When the homeowner sells the home, the seller and the housing provider who provided the upfront purchasing assistance share the equity built in the home, land or both. The provider's portion of the equity is then returned to the property to offer savings to the next homebuyer, maintaining some of the equity in the property. This model allows for a partial subsidy of the unit as long as the shared equity model continues.

Multiple models exist for shared equity housing. One model features separate ownership for the land versus the home (often referred to as a **Community Land Trust**). This model has been used in numerous settings, but is a feature of many vacation destination towns, since land value is consistently prohibitive in such areas.

Shared Equity Examples:

OPAL Community Land Trust – Washington – The trust provides rental and homeownership opportunities in this resort town that has seen wages increase by 392 percent and property values by 3,117 percent. To better serve low wage earners in the area, OPAL Community Land Trust was created with 29 apartments serving households with very low income. <https://www.opalclt.org/>

Thistle Community Housing's Community Land Trust – Colorado – This land trust created 102 affordable homes. 69 of these homes were resold under the Trust, with a 22 percent return on investment over an up to 14-year period. <http://cltnetwork.org/wp-content/uploads/2014/01/2010-Case-Study-of-Thistle-Community-Housing.pdf>

³ Source: Bureau of Labor Statistics; American Community Survey 2011-15, U.S. Census Bureau; TN Comptroller's Office.

General Shared Equity Resources:

THDA Shared Equity Issue Brief:

<https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Shared-Equity-Issue-Brief.pdf>

National Community Land Trust Network:

<http://cltnetwork.org/>

Community Wealth: [http://community-](http://community-wealth.org/strategies/panel/clts/index.html)

[wealth.org/strategies/panel/clts/index.html](http://community-wealth.org/strategies/panel/clts/index.html)

Co-housing creates a planned community of homes centered around common space and amenities, such as greenspace, kitchens, laundry and dining areas. The homes can be attached or single family and offer the same amenities as what we know traditional homes to have. In an area that attracts and demands seasonal workers, smaller square footage homes with shared amenities may be a helpful way to provide the needed housing units but limit the costs. Residents live private/separate lives, but organize and manage neighborhood events and common spaces. While co-housing is often designed with shared values as the goal, rather than affordability, its benefits can be applied to improving affordability. As such, land costs are not all assumed by one household, as is the case with a single family home, but are shared by multiple households. Savings are then achieved through not only the reduced construction of these shared amenities but also through the increased density that a workable co-housing model demands.

Co-housing Examples:

Germantown Commons – Nashville – Dense development of 25 condominiums, with 40 percent of the land reserved as common greenspace. The units are priced attract a mix of incomes, ranging from \$190k to just over \$300k. Residents range in age of 30 to 70 years old.

<http://germantowncohousing.com/>

Pacifica Co-housing - North Carolina - 46 homes on eight acres. Square footage of the structures range from 610 to 1,460 square feet, built at a cost of \$143 to \$179 per square foot. The units are primarily rentals in two different neighborhoods. Most residents are employed in the service and retail industries. The median income of residents is \$35,273.

<https://design.ncsu.edu/ah+sc/wp-content/uploads/2013/06/PacificaCohousing.pdf>

General Co-housing Resources:

http://www.cohousing.org/what_is_cohousing

<http://pocket-neighborhoods.net/index.html>

Modest sized homes - from Accessory Dwelling Units to Half Homes:

Another method of reducing the cost of housing development without sacrificing livability is to reduce the scale of the homes. A benefit to consider is the fact that these units may not require government subsidies because the improved affordability can be due to smaller square footage, rather than to governmental grants, loans or tax credits. Smaller scale, sometimes furnished, housing is appealing to a seasonal worker. Current small square footage strategies are already in place in Sevier County with service industry employees living in motels with long-term leasing. However, units designed for this use, rather than an ad-hoc adaptation of motel rooms, will produce a deliberate, targeted approach to the localized needs of the tourism workforce. Smaller homes can take many forms, each resulting in cost savings that can make housing within reach for more local residents.

Accessory Dwelling Units and second units:

Accessory Dwelling Units (ADU) and second units are considered to be either a self-sufficient living area within an existing home or a stand-alone structure on the same property as the primary dwelling unit (American Planning Association). Producing economical housing requires increasing density in many localities. Because Sevier County already embraces the appeal of walkability in their towns, this direction for housing development would likely fit within the existing landscape of the area.

Accessory Dwelling Unit Resources:

Accessory Dwelling Units: Case Study

<https://www.huduser.gov/portal/publications/adu.pdf>

Modest Homes with Big Design:

There are other ways to ensure that the mission of an affordable Sevier County can additionally support the economic development goals of a tourist town. By having innovative housing solutions that create noteworthy architecture, housing in and of itself can be a destination.

Because of the significant awareness across the nation of the impact of the fires, the recovery narrative will be one to watch. The homes that are rebuilt can be a story in and of themselves, not just a functional form but a contribution of their own.

General Affordable Design Resources:

Rural Studio – Functioning as part of the Auburn University School of Architecture, Rural Studio constructs affordable homes in rural Hale County, Alabama. Because of the architectural interest combined with the affordability mission, the architectural innovations found in these affordable homes create a tourist destination. <http://www.ruralstudio.org/>

Half Homes – After the Chilean earthquake in 2010, the Elemental Architectural firm created the Half Home, where a full home external structure was built with just half of the internal structure completed. This internal structure was a full functioning home, but the design allowed for future expansion of a larger home or a second rental unit, when the homeowner could afford to do so. This built a short-term housing solution, with a long-term growth solution. This design contributed to its creator winning the Pritzker Architectural Award. They have open sourced the four half-home designs for replication.

https://www.good.is/features/affordable-housing?utm_source=thedailygood&utm_medium=email&utm_campaign=dailygood

<http://www.elementalchile.cl/en/projects/abc-of-incremental-housing/>

Mixed income housing

Available resources to develop affordable housing can go further with the development of mixed income housing, allowing for a range of price points consistent with the workforce needs of the area.

Mixed Income Housing Examples:

The city of Asheville, North Carolina introduced a flexible program of fee reductions and property tax relief for mixed income developments. For every 10 percent of the units developed within a project that are affordable to households at 80 percent of AMI, the property obtains one year of exemption for any property tax on the increased value of the property, as well as a 10 percent reduction in the property's permits and water connection fees. The

same deal is offered for every 50 percent of the units developed that are affordable to households at 120 percent of AMI. The program offers additional incentives for energy efficiency and proximity to transit.

<http://www.ashevillenc.gov/Portals/0/city-documents/sustainability/Planning%20incentives%20new%20marketing%20packet.pdf>

Fall Creek Place in Indianapolis, Indiana, revamped an entire neighborhood with a mixed-income, mixed-use approach. The final product, completed in 2005, constructed 261 single family homes, renovated 55 historic homes, in addition to retail, office space, and parks. Fifty-one percent of units are affordable at or below 80 percent of AMI, while the rest of the units are market rate. The project totaled \$18.5 million in a combination of city council bonds, HOME, CDBG, and HUD's Homeownership Zone program.⁴ http://www.sitemason.com/files/IOHH5m/NCDC_WorkforceHousingCS.pdf

Charleston, South Carolina, waives density and parking requirements in designated mixed-income housing zones for developers to build 15 percent of units affordable to households at 80 percent of AMI over ten years.

https://www.municode.com/library/sc/charleston/codes/zoning?nodeId=ART2LAUSRE_PT15MIUSORHODIMIUSORHODI

Hundreds of localities across the country have adapted a similar program to Charleston, in what is often known as voluntary inclusionary zoning. Overall, inclusionary zoning ordinances can be either mandatory or voluntary, by either requiring or incentivizing real estate developers to allocate a percentage of newly constructed housing units to be affordable to low and moderate income households. Most provisions apply to new multifamily rental properties, but some also are written for owner-occupied, single family homes.

Historically, inclusionary zoning programs have been most effective when they have been mandatory, and when they have stipulated longer periods of affordability. Voluntary inclusionary zoning has largely struggled to produce meaningful totals of affordable units, but may be more successful when deployed as part of a broader affordable housing strategy. Mandatory inclusionary zoning is prohibited by law in Tennessee, but Nashville will have a

⁴ Fall Creek Place was initially acquired in 1998; a city bond issuance provided \$10 million, while HUD HOZ provided \$4 million.

program starting in 2017 and Franklin is also considering a voluntary program.

General Mixed Income Resources:

<http://www.lincolnst.edu/publications/working-papers/achieving-lasting-affordability-through-inclusionary-housing>

<https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Research-Publications/IZ-Book-FINAL.pdf>

Land banking

Sevier County is one of only a few of Tennessee counties with legal authority to create a land bank. The City of Sevierville is one of only a few Tennessee cities allowed to do the same. Land banking has the ability to support a long-term affordable housing strategy. By allowing for the county to bank land that is tax delinquent or public property to allow for the repurposing of the land by an affordable housing developer, the county and local government can support an overall plan for an affordable Sevier County.

Land Banking Resources:

<https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Land-Bank-Issue-Brief.pdf>

Preserve Naturally Occurring Affordable Housing

Among the efforts being put forth in the wake of the 2016 fire is a housing and overall market analysis of Sevier County. From this, a true affordable housing plan can be developed. A method that many tourist destination towns have employed is a buy down program whereby the city or non-profit partners purchase affordable or market rate housing units as a way of preserving them for the local

resident market rather than the vacation rental market.

Buy Down Preservation Resources:

<http://www.townofbreckenridge.com/your-government/departments-services/community-development/workforce-housing>

CONCLUSION

Sevier County is faced with a daunting but promising task of rebuilding to preserve what has been but build with a nod to the future. Housing affordability is critical to the long-term survival of any community. While vacation destinations pose an additional set of issues to consider in housing development, there are methods used by communities similar in nature to Sevier County that can be used as a source of inspiration in their planning.

ABOUT THDA

As the State’s housing finance agency, the Tennessee Housing Development Agency (THDA) is a self-sufficient, independently funded, publicly accountable entity of the State of Tennessee. Our purpose is to meaningfully expand affordable housing opportunities for Tennesseans. More information about THDA can be found online at THDA.org.



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