

# Tennessee Housing Needs Assessment

## Rental Challenges and Opportunities

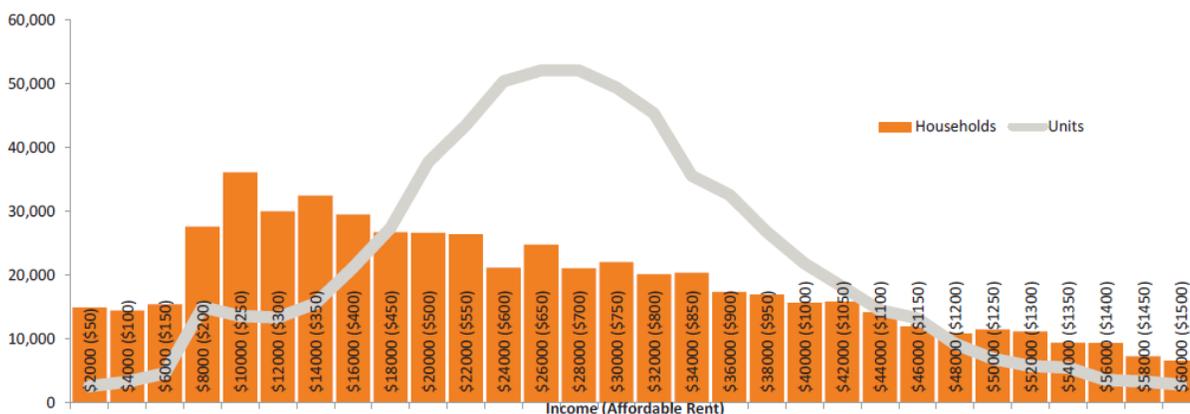


It is commonly accepted that households should not pay more than 30 percent of their income on housing. Nonetheless, 260,000 renters (40%) in Tennessee spend more than 35 percent of their income on housing. The map below shows the concentration of rental cost-burdened households in Tennessee (each dot represents 200 cost-burdened renters).



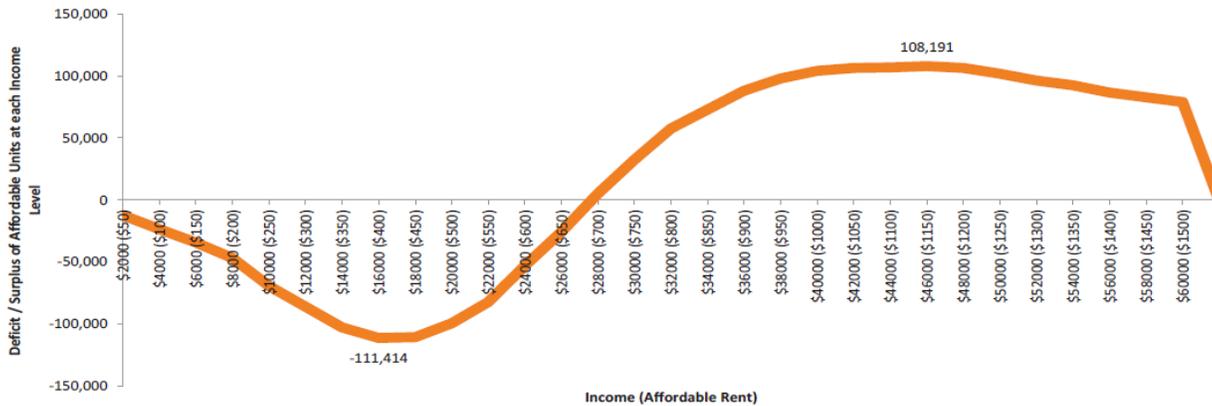
The median rent in Tennessee is \$678, but county medians range from \$334 in Clay County to \$1,045 in Williamson County. While there is a substantial range in rents across the state, there are simply not enough affordable rental housing units for Tennessee's least well off. Only 150,000 units exist that are affordable to the 250,000 renter households earning less than \$20,000 per year, and 50,000 of these units are occupied by households earning more than \$20,000 per year. Thus, there is an effective shortfall of 150,000 units that have gross rents of \$500 per month or less.

The graph below shows this more closely. It displays the two key facets of the rental market: the income distribution of renters (orange bars) and the distribution of rental units by monthly rent (grey line). The rental units are shown in line with the income category where rents would be equivalent of 30 percent of income (e.g., units renting for \$500 per month are shown in line with the number of households earning \$20,000 per year).



A close examination of this figure shows a pervasive shortfall of units at the lower end of the income distribution. For example, there are approximately 36,000 renter households earning between \$8,000 and \$10,000 year. However, there are only 13,500 units that rent for between \$200 and \$250 a month. This suggests a shortfall of approximately 23,000 rental units at the maximum affordability level for this income group. Since each income band below \$10,000 also has a shortfall, there are simply not enough units at any affordable percentage of income (0 percent through 30 percent) for households in the \$8,000 to \$10,000 income group. The deficit of affordable units continues until households earn \$18,000, creating a cumulative shortfall of 111,000 affordable units for households earning \$18,000 or less. The graph below shows how the shortfall expands then balances out as incomes increase. Only renter households earning about

\$30,000 a year or more (where the orange line crosses back into the positive) can be confident that there are enough affordable housing units for everyone in their income range.

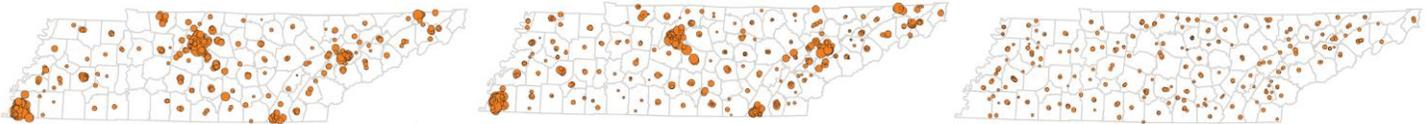


**Low Income Housing Tax Credit and Multifamily Bond Programs:** In total, almost 600 developments and 50,000 units have been created through these two programs in Tennessee. According to data submitted by property managers, more than three-quarters of the developments in the Tax Credit program have average household incomes below \$20,000 year, with an estimated overall average household income throughout the program of approximately \$15,000 per year. Below are maps of the developments funded by the three major sources of financing for affordable multifamily properties.

Tax Credit (50,000 units)

HUD Multifamily (40,000 units)

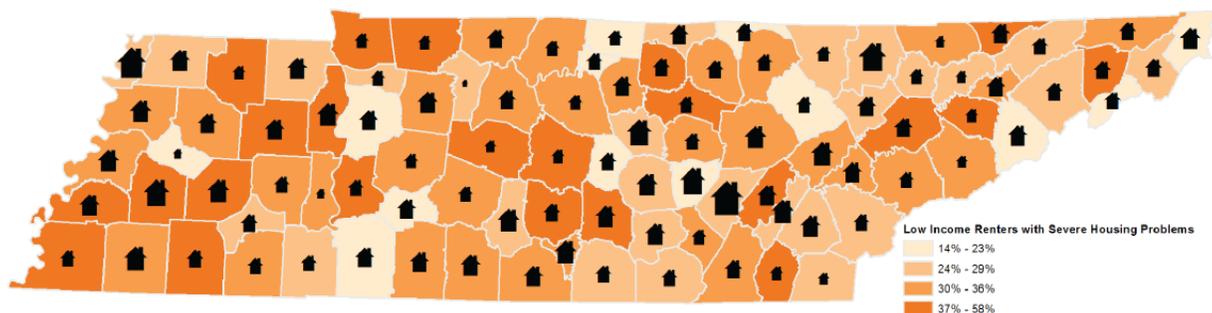
Rural Development (12,000 units)



**HUD Rental Programs:** Housing Choice Voucher (33,000 households), Public Housing (PH; 31,000 households), and Project-Based Section 8 (PBS8; 36,000 households) housing are located almost completely in urban areas, while Section 811 (700 households) and Section 202 (2,600 households) developments spread further into rural parts of the state. Public housing and Project-Based Section 8 residents tend to live in neighborhoods with very high poverty: 55 percent of PBS8 residents and 60 percent of PH residents live in neighborhoods that have poverty rates over 30 percent. Voucher holders, on the other hand, who have similar economic backgrounds, tend to live in neighborhoods with lower poverty rates (30 percent of voucher holders live in neighborhoods that have poverty rates over 30 percent). Almost all participants in these HUD programs in Tennessee have incomes of less than \$15,000 per year. In fact, almost a third of those tenants have incomes below \$5,000 per year.

### Overall Rental Needs and Rental Programs per Low-Income Rental Households

The map below depicts the rate of severe housing problems per low-income renter (shading) and the proportion of low-income renters receiving some sort of housing assistance (the size of the house silhouette). In general, and unlike homeownership programs, there is not a strong relationship between the level of need and the proportion of households served.



For more information go to: [www.THDA.org](http://www.THDA.org). For the full Tennessee Housing Needs Assessment go to: [tinyurl.com/TNHsgNeeds](http://tinyurl.com/TNHsgNeeds)