



CITY OF KNOXVILLE
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The Affordable Housing Crisis in Knoxville

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ECHO Fair Housing Conference
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Rising Disparity Between Household Incomes and Housing Costs

From 2005 to 2015:

- Home prices  9.8%
- Rents  15.5%
- Household incomes  2.3%

- 2-bedroom rental = \$15.52/hour wage required in Knoxville
- 83 hours/week needed at minimum wage to afford a 2-bedroom rental unit

Poverty – unemployment, underemployment, illness/disability, raising young children, age (youth and elderly)

Energy costs can make housing unaffordable

Maintenance/repair costs can make housing unaffordable

Decisions about renting vs. buying

What Makes Housing 'Affordable?'

Affordable Housing \leq 30% of income for housing costs
(mortgage/rent, utilities, insurance, taxes)

- Cost Burdened a household paying $>$ 30%
- Severely Cost Burdened paying $>$ 50%

Knoxville MSA Area Median Income (AMI) in 2017 is \$61,900

- Low to Moderate Income (51 - 80% AMI) 2017: \leq \$49,500 for a 4-person household
\$34,650 for a 1-person household
- Very Low Income (31 - 50% of AMI) \$30,950 for a 4-person household
\$21,700 for a 1-person household
- Extremely Low Income (0 - 30% of AMI) \$24,300 for a 4-person household
\$13,000 for a 1-person household

Financial Conditions

LMI Household Income	Renters		Homeowners	
	Cost Burdened	Severely Cost burdened	Cost Burdened	Severely Cost burdened
15,590 households <= 30%	8840 (68%)	7710 (60%)	2125 (81%)	1635 (62%)
12,485 households >30% to <=50%	6195 (81%)	3005 (40%)	2265 (47%)	1265 (26%)
17,610 households >50% to <=80%	4675 (46%)	280 (3%)	2810 (37%)	600 (8%)
45,685 LMI households (55% of all households)	19710 (64%)	10995 (36%)	7200 (48%)	3500 (23%)

2009-2013 ACS, Knoxville city

- 26,910 households (60% of LMI households) are cost burdened
- 14,495 households (32% of LMI households) are severely cost-burdened

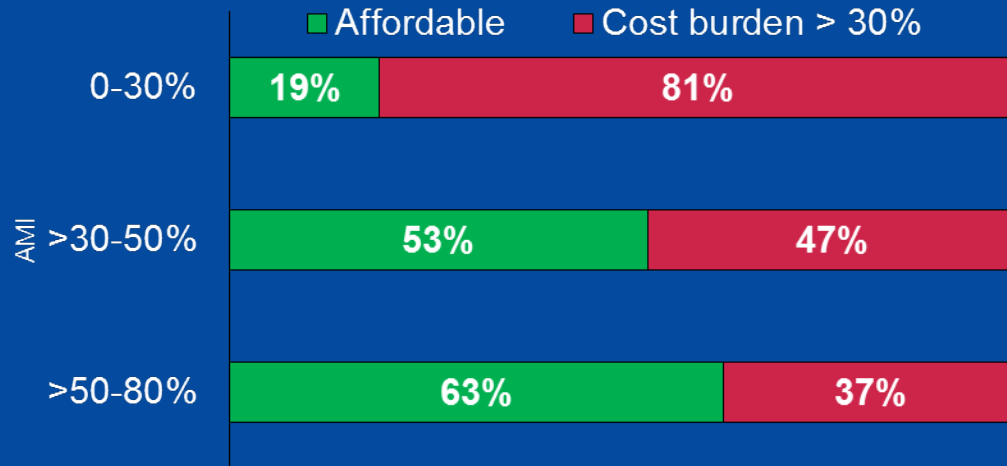
Physical Conditions

Aging Housing Stock

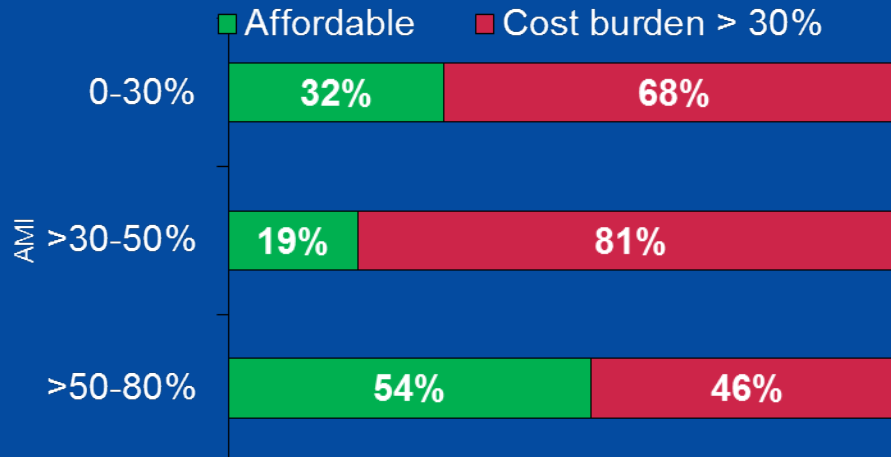
Overcrowded > 1.01 people per room

- Severely Overcrowded > 1.51 people per room

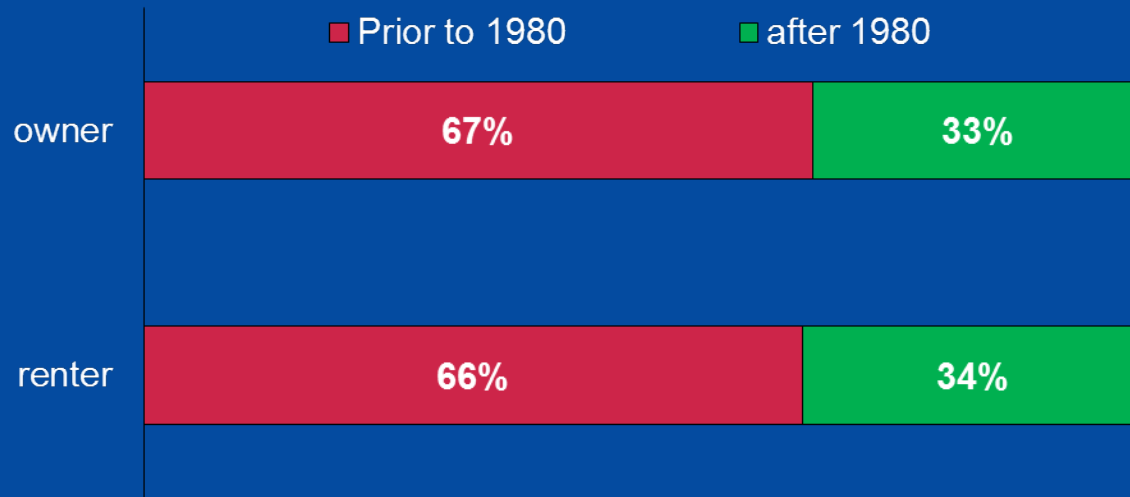
Homeownership Housing



Rental Housing



Age/Physical Condition of Occupied Housing



U.S. Census Bureau, 2011-2015, Knoxville City, American Community Survey, 5-Year Estimates

Homeowner housing – 1940s, 1950s, 1960s, 1970s

Rental housing – 1960s and 1970s

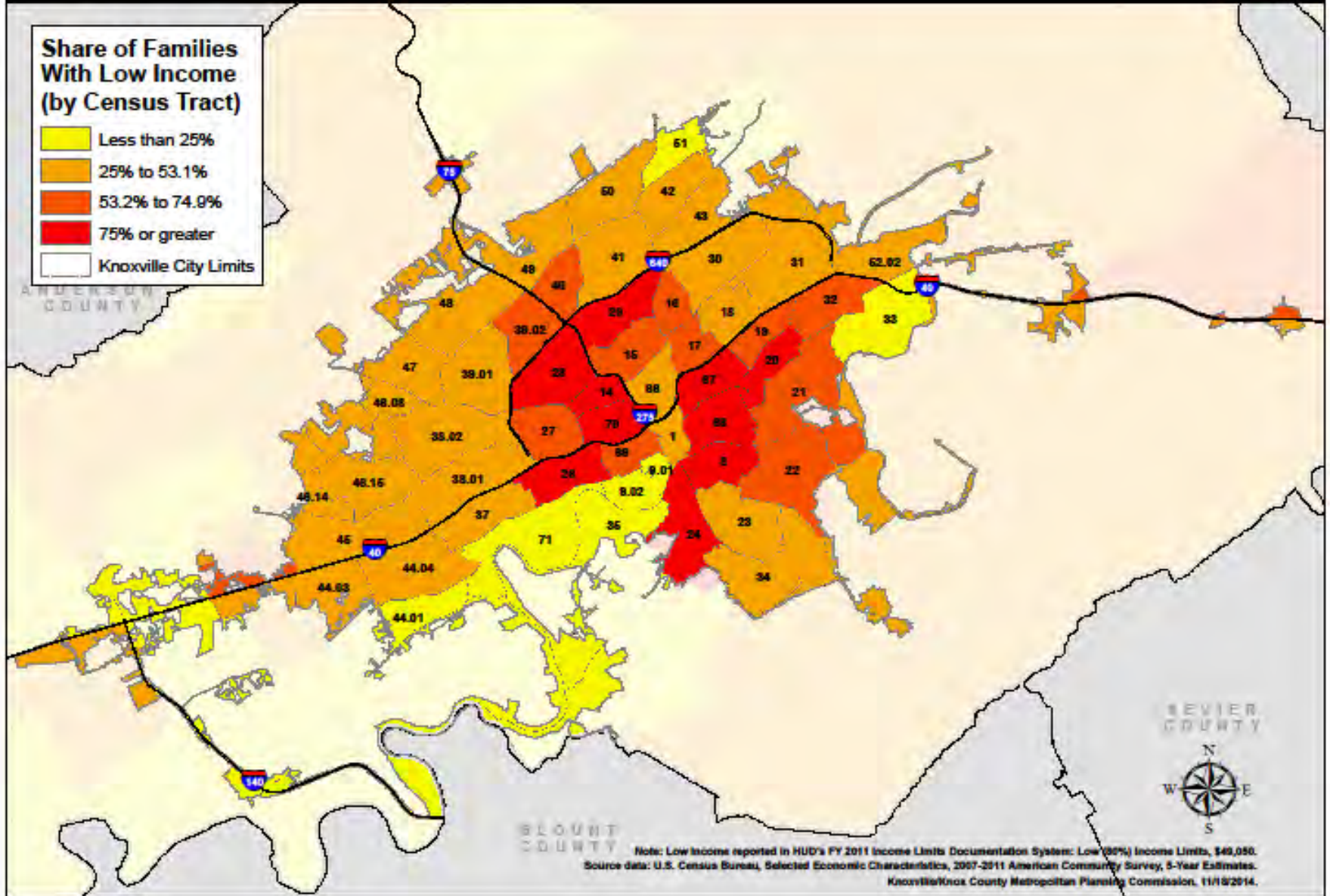
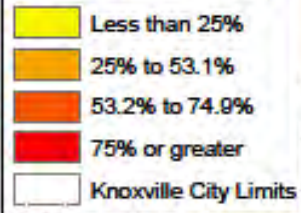
Issues with older buildings:

- Energy efficiency
- Lead-based paint
- Safety/Health (mold, pest infestation)
- Accessibility

KNOXVILLE'S LOW INCOME FAMILIES



Share of Families With Low Income (by Census Tract)



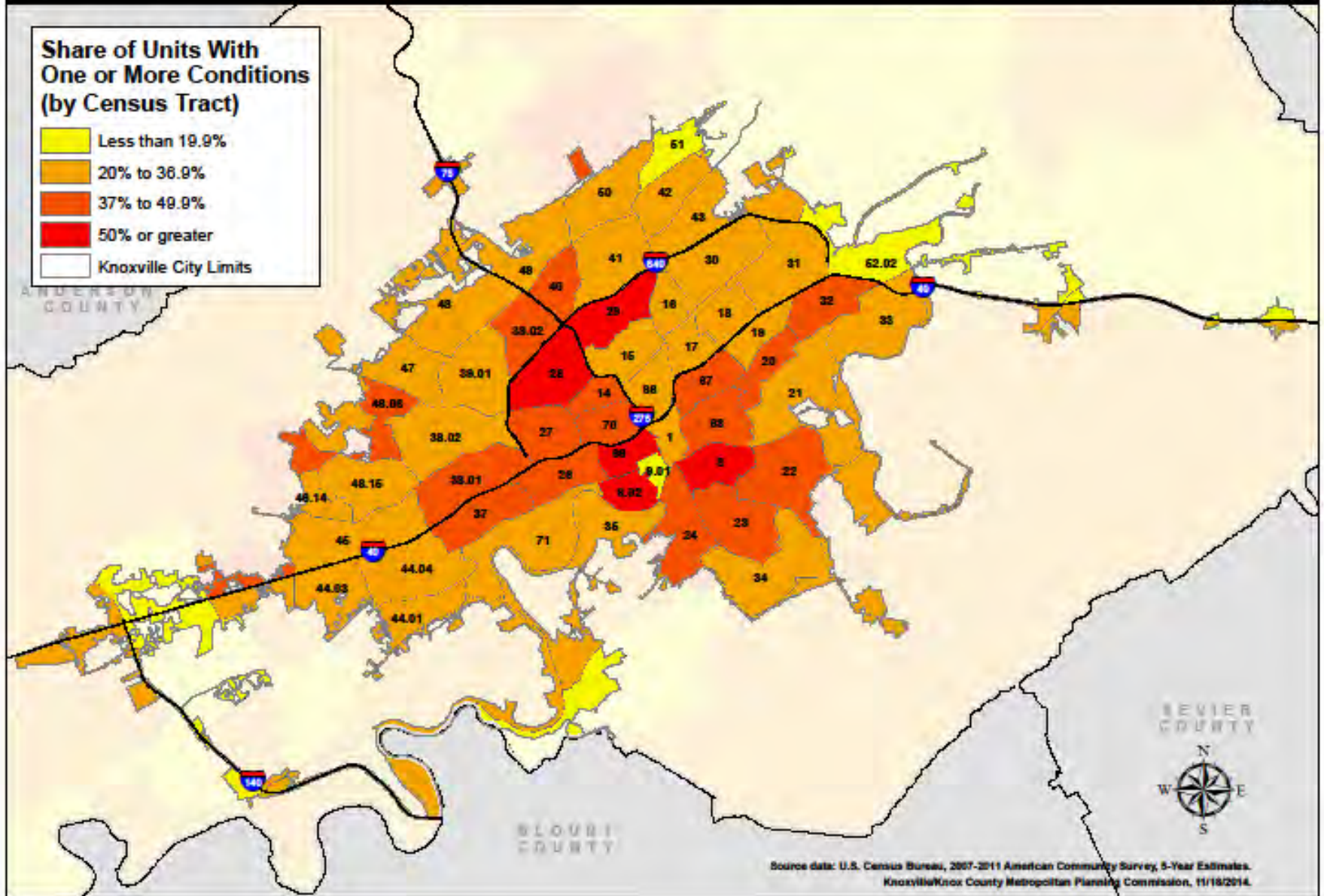
Note: Low Income reported in HUD's FY 2011 Income Limits Documentation System: Low (30%) Income Limits, \$49,050.
 Source data: U.S. Census Bureau, Selected Economic Characteristics, 2007-2011 American Community Survey, 5-Year Estimates.
 Knoxville/Knox County Metropolitan Planning Commission, 11/19/2014.

KNOXVILLE'S HOUSING UNITS WITH PHYSICAL AND FINANCIAL CONDITIONS



Share of Units With One or More Conditions (by Census Tract)

- Less than 19.9%
- 20% to 36.9%
- 37% to 49.9%
- 50% or greater
- Knoxville City Limits



Housing Availability

Not enough supply to account for household gains

Residential Building Permits are increasing, but still down before 2007

Not enough affordable housing supply to meet the demand

- *Purchase affordability* – 2 - 2.5 x (net) annual income
- Tighter credit markets post-recession means that homebuyers are being approved for what they can afford
- *Rental affordability* ≤ 30% of income

Household Income Range		Affordable Purchase Price of		Affordable Monthly Rent of		Total Households	Supply of Owner Occupied	Supply of Renter Occupied	Total Supply of Housing	Need Exceeds Supply
Low	High	Low	High	Low	High					
\$0	\$9,999	\$0	\$24,999	\$0	\$249	14,368	2,534	3,117	5,651	-8,717
\$10,000	\$19,999	\$25,000	\$49,999	\$250	\$499	16,804	2,121	5,938	8,059	-8,745
\$20,000	\$29,999	\$50,000	\$74,999	\$500	\$749	21,067	6,532	15,568	22,100	1,033
\$30,000	\$39,999	\$75,000	\$99,999	\$750	\$999	18,920	10,411	18,706	29,117	10,197
\$40,000	\$49,999	\$100,000	\$124,999	\$1,000	\$1,249	15,099	11,178	10,011	21,189	6,090
\$50,000	\$59,999	\$125,000	\$149,999	\$1,250	\$1,499	15,059	13,833	2,558	16,391	1,332
\$60,000	\$74,999	\$150,000	\$187,499	\$1,500	\$1,874	18,842	20,290	2,267	22,557	3,715
\$75,000	\$99,999	\$187,500	\$249,999	\$1,875	\$2,499	23,091	18,730	1,503	20,232	-2,859
\$100,000	\$149,999	\$250,000	\$374,999	\$2,500	\$3,499	21,408	16,569	479	17,048	-4,361
\$150,000	and over	\$375,000	and over	\$3,500	and over	16,634	13,926	191	14,117	-2,518
Totals						181,292	116,122	65,170	181,292	0

Homeownership

Still desirable by most

Still the best way for many lower income households to build wealth

Stabilizes neighborhoods

Differences across geographies

	Knox County, Tennessee		Knoxville city, Tennessee		Knoxville, TN Metro Area	
	Owner- Estimate	Renter- Estimate	Owner- Estimate	Renter- Estimate	Owner- Estimate	Renter- Estimate
Occupied housing units	115,584 (64%)	65,145 (36%)	37,772 (47%)	43,301 (53%)	234,048 (68%)	107,841 (32%)
Median household income (dollars)	64,311	28,242	51,550	24,447	57,947	26,640
MONTHLY HOUSING COSTS						
Median (dollars)	920	793	839	752	787	747

2011-2015 ACS

Knoxville city – more renters

In all areas, renters pay a much higher proportion of their income on rent

Complex Factors at Play

Market Forces

- Home values have increased 9.8% between 2005 - 2015
- \$168,900 median home value in 2015
- Significant increases *in the last six months*
- Across the city, not just in particular neighborhoods
- Definitely a “Seller’s Market”

Barriers to Purchasing

- Credit must be at least 640 or above (preferably 700 or better)
- Debt is a big factor
- Lack of savings
- Down payments are not a barrier - FHA still requires 3% down, but programs exist in Knoxville/Knox County that can lower down payments to \$1,000-\$1,300 for households at $\leq 80\%$ AMI
- Section 8 Vouchers can be used to pay a mortgage
- Stiff competition for new houses on market

Homeowner Vacancy Rate (units vacant/units available)

Knox County, 2015

Housing Occupancy	2000	2010	2015
Total housing units	171,439	194,949	200,472
Occupied housing units	157,872	177,249	181,292
Vacant housing units	13,567	17,700	19,180
Homeowner vacancy rate (%)	2.5	3.1	2.3
Rental vacancy rate (%)	10.0	10.1	6.4

Metropolitan Statistical Area	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	2016 Avg
Knoxville, TN.....	1.3	2.4	2.1	1.2	1.8
Memphis, TN-AR-MS.....	0.5	1.0	1.1	3.0	1.4
Nashville-Davidson-Murfreesboro-Franklin	2.0	1.0	1.1	1.7	1.5

Foreclosed/Vacant Units

- Increased competition
- Unpredictable process and timeline
- May need significant repairs/cost-prohibitive to most lower income households

Barriers to Development

- Increased land/property values
- Increased construction costs (harder to make \$\$)

Rental Housing

Less homeowners = more renters in general (all incomes)

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Metropolitan Statistical Area	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	2016 avg
Knoxville, TN.....	1.4	5.8	7.7	9.5	6.1
Memphis, TN-AR-MS.....	10.2	8.4	7.8	11.9	9.6
Nashville-Davidson-Murfreesboro-Fr	3.8	4.5	5.6	5.3	4.8

Higher income renters = higher rents and more profit



\$33/month average apartment rent over the last 6 months in Knoxville

RentJungle.com

Rental Housing

	Efficiency	One-bedroom	Two-bedroom	Three-bedroom	Four-bedroom
Market Rate Rents in Knoxville (RentJungle.com as of Feb. 2017)		\$747/month avg.	\$894/month avg.		
2017 Fair Market Rent , Knoxville (HUD, eff.10/1/2016)	\$520/month	\$669/month (\$78/month)	\$811/month (\$83/month)	\$1,057/month	\$1,374/month
% of Occupied Rental Units (2015 ACS 1 year Survey)	>5%	26%	64% (2-3 bedrooms)		<5% (4+ bedrooms)

Subsidies to Make Rent Affordable

- Section 8 Housing

- Affordability Periods
- Units lost: 400 in the past year
- Total of 120 days to use a voucher
- Only 40% are finding an available unit to move into
- Maintenance/Renovation: 648 units

Former Section 8 Apartment Complexes	
Former Name	Affordable Units Lost
Norwood Manor (NW Knoxville)	101
Meadow Wood (NW Knoxville)	235
Willow Creek (NW Knoxville)	134
Southwood (South Knoxville)	101
Prestwick Ridge (West Knoxville)	136
Sutter's Mill (West Knoxville)	225
West Vista Ridge (West Knoxville)	96
Total	1028

Source: KCDC, February 2017

Subsidies to Make Rent Affordable

- **Public Housing (KCDC)** 3,515 units / 3,500 vouchers

- Maintenance/Renovation: 878 units

- Wait times:

	<u>Efficiency</u>	<u>1 bedroom</u>	<u>2-bedroom</u>	<u>3+ bedroom</u>
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* Families			9 mos - 3 years	>2 years
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- * Elderly/disabled

Designated units	3 mos -1 year	up to 5 years		
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- * Non elderly,

non disabled, single	up to 5 years			
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Barriers to Development

- Most new rental construction is higher-end housing
- 8.7% (nationally) of low cost rental housing converted to higher end housing
- Tax Credits losing value/less incentive for developers to use them
- NIMBY community pressure - zoning

Most Impacted by Lack of Affordable Housing

The Workforce

- Minimum Wage is \$7.25/hour = \$15,080/year x 30% = \$377/month
- Lack of a Living Wage

<u>Common Public Jobs</u>	Knoxnews.com database <u>Starting Salary (2016)</u>	<u>Affordable Housing</u> <u>Cost*/Month</u>
City Public Service Worker	\$22,572	\$564
City Office Assistant	\$25,164	\$629
Police Officer	\$40,337	\$1,008
Teacher (B.A)	\$37,180	\$930
Firefighter	\$36,774	\$919

The Lowest Income Residents

- 28,075 households in Knoxville are at 0-50% AMI
- 19,415 (70%) of whom are cost-burdened and
- 13,605 (50%) are severely cost-burdened
- Seniors, people with disabilities, minorities, women, immigrants, refugees
- Small family households (1-2 people)
- Families with young children

Consequences/Lack of Sufficient Affordable Housing

Housing Instability - inability to afford housing long-term

- Increases in housings costs and utilities over time
- Other financial hardships (car repairs, medical bills, lay-offs, etc.)
- Homelessness

Limited Choices – little choice in location leads to difficult decisions

- Transportation costs – access to public transit vs. private automobile
- Lack of amenities - schools, family/supports, parks
- Struggling neighborhoods - crime
- Concentration of poverty
- ‘Food Deserts’

Overcrowding

- Doubling Up / ‘Couch Homeless’
- Living in housing meant to be temporary – motels, SROs
- Subsidized housing – grounds for eviction of *both* households

Abuse/Housing Discrimination

Increased personal → family/household → community tension

Affordable Housing Programs (City of Knoxville)

US Dept. of HUD Community Development Block Grant

- Housing rehabilitation (homeowner and rental)
- Emergency/minor home repairs (inc. accessibility modifications)
- Energy efficiency improvements (homeowner and rental)

US Dept. of HUD HOME Investment Partnership Grant

- New affordable rental and homeowner housing rehabilitation, development, and new construction
- Down payment assistance

US Dept. of HUD ESG Emergency Solutions Grant

- Homelessness prevention, rapid re-housing, case management
- Emergency, transitional and permanent housing/services

US Dept. of HUD Office of Healthy Homes/Lead Hazard Control

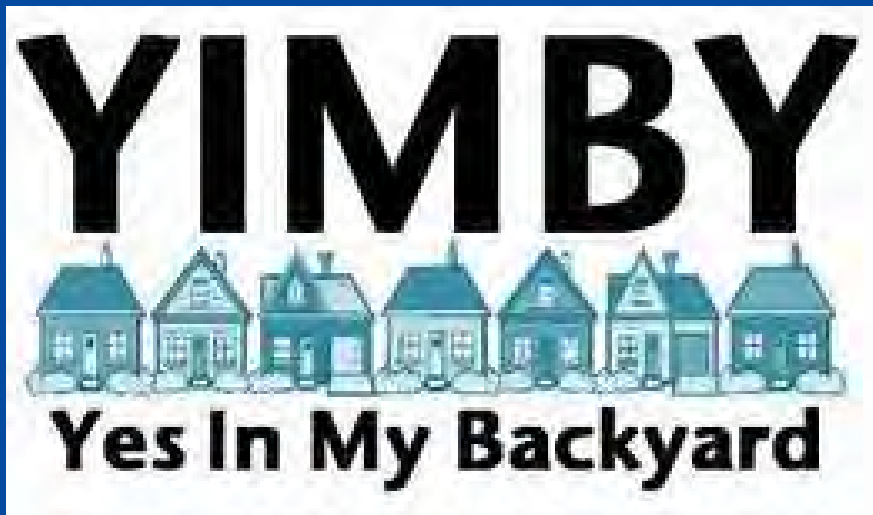
- Lead-based paint screening and abatement
- 'Healthy Homes'

City General Funds

- Case management as a part of permanent supportive housing
- Support of KCDC redevelopment of Five Points

Take-Aways

1. The decreasing supply of affordable housing doesn't just impact the very poor (although it does impact them disproportionately), it also impacts those in the workforce.
2. More resources are needed, *not less*. Supporting affordable housing initiatives are much less costly than supporting the myriad of social problems that result.
3. Affordable housing requires good planning. It needs to be near jobs, public transit, and neighborhood amenities.
4. Housing developers and operators need to think more creatively about including affordable rental housing in their developments. Mixed income neighborhoods are vibrant neighborhoods!
5. YOU can get involved in public processes that deal with proposed affordable housing. Instead of being of the *NIMBY* (Not In My Back Yard) mindset, more people are needed to step-up and say, "Yes. We do need this in my community."



Thank You.

Questions?