



# MEMPHIS AND SHELBY COUNTY JOINT HOUSING POLICY PLAN

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# Background

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**The Memphis and Shelby County Joint Housing Policy Plan (hereinafter referred to as the “Housing Policy Plan”)** provides an assessment of housing in the City of Memphis and Shelby County area and outlines a strategic approach to holistically address key housing challenges.

**Memphis and Shelby County do not have enough quality affordable housing to meet existing need.** The consequences for the region are significant: families face housing insecurity, increasing physical and mental harm caused by poor quality housing, combined with constrained economic growth. These issues exacerbate racial inequity caused by decades of housing and development policy, such as redlining from private institutions. It is clearer now than ever how important safe, stable, quality housing is to community wellness and to racial equity in the region.

**Many leaders across the region have worked for years to improve access to safe and quality housing through development, policy change, community building, and other efforts.** However, past efforts and current resources are not enough. There is a shared understanding of the need for stable and quality housing, better collaboration and coordination, and more leadership and resources - all of which involve a more strategic approach.

**The Housing Policy Plan recommends four objectives that the City and County\* can act on to address housing challenges.** They are grounded within the Memphis and Shelby County market and economic context. Additionally, the Housing Policy Plan draws from national best practices to fit to the region’s existing housing ecosystem. While this plan makes many policy and development recommendations, the Housing Policy Plan’s implementation partners will need to maintain flexibility as capacity grows, lessons are learned, and new ideas emerge.

**Notably, the recommendations outlined in this plan are framed around Memphis 3.0, the City of Memphis’ comprehensive plan for the next 20 years.** Memphis 3.0 guides land use policies, goals, and actions to focus growth and investment into the core city and other defined neighborhoods. The goals aim to create more dense, mixed-use, mixed income, walkable, and transit-served communities throughout the city.

*\*The Housing Policy Plan uses uppercase letters for City and County when specifically referring to the City of Memphis and Shelby County government. When referring to the location itself, the Housing Policy Plan uses lowercase letters for city and county.*



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# Why a Joint Plan?

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**Shelby County and the City of Memphis are both active players and influencers in the local housing market.** Both bodies have the power to change existing development patterns through land use law, development strategies, funding priorities, and other policy decisions.

Relatedly, **the City and County share a Unified Development Code (UDC)** that outlines the zoning laws and regulations. The UDC plays a major role in impacting what type of development is allowed and feasible within the city and county. Because it is a joint code, both the City and County must approve amendments for any changes to occur.

Additionally, the City and County both have influence on the regional housing market and **can work in conjunction to strengthen the overall market.** By working together, the City and County use their control of housing regulation and public funding to shift the overall housing market to benefit all residents. Their focus needs to address the structural barriers to a healthy housing market, by 1) shifting the economics of investing in quality housing; 2) expanding access to housing finance; and 3) targeting public funding where it will have the greatest impact.



# Acknowledgements

The Housing Policy Plan is the result of a joint effort between the City of Memphis, Shelby County, and various local stakeholders. We would like to thank the many community members, housing service providers, elected leaders, City staff members, Steering Committee members, and others who were instrumental to this process through their generosity in providing feedback and insights.

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The City of Memphis and Shelby County engaged HR&A Advisors, Inc (HR&A) to support the development of this Housing Policy Plan. HR&A is a 100% employee-owned real estate and economic development consulting firm with a history of shaping policy across the country. Their work turns vision into action through rigorous analysis, strategy development, and implementation planning. HR&A has significant experience in the development of implementation-oriented housing analyses, policies, and plans that aim to increase supply and access to affordable housing, responsive to local community contexts.



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# Executive Summary

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# Executive Summary | Vision and Purpose

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## Vision

Every Shelby County resident has access to **quality housing choices and wealth generation opportunities.**

## Purpose

The purpose of the Housing Policy Plan is to establish a set of policies and programs that Shelby County and the City of Memphis can adopt to support a healthy housing market that meets the need of all residents, supports healthy neighborhoods, and creates prosperity for the community.

## Context

**Residents and neighborhoods in Shelby County have suffered from historical disinvestment and redlining within the housing market for decades.** The history of redlining in Memphis has been well-documented and reporting has shown the practice continues today.<sup>1</sup> In 2016, BancorpSouth settled with the Department of Justice for intentionally avoiding households seeking loans in predominantly Black neighborhoods.<sup>2</sup> More recently in 2021, Trustmark Bank paid a settlement regarding redlining allegations.<sup>3</sup> The problem persists, with Black households being denied for loans at twice the rate of white households (HR&A analysis of Home Mortgage Disclosure Act data).

**The current housing market in Shelby County is not meeting the needs of large sections of the community.** Specifically, it does not support investment in the production or maintenance of quality housing in many neighborhoods throughout the county and city. New housing development costs exceed the value of existing housing stock, making new housing financially infeasible. The cost of improving a home is often greater than the value, limiting the ability to maintain housing. These market conditions lead to a cycle of underinvestment, decline, blight, and abandonment that undermines whole neighborhoods.

**The City, County, State, and nonprofits run many programs to preserve and produce affordable housing, but these have limited impact relative to the scale of need.** Housing programs and policies are fractured and under scale – there are eight programs delivering approximately 800 affordable rental units annually, but there is a 30,000-unit gap in rental units for households making less than \$30K annually (American Community Survey, HR&A Analysis). Due to the small scale, lack of strategic targeting, and power of larger market forces, these programs have limited impact.

**The Housing Policy Plan is a joint plan between the City and County,** in part because the City and County share a unified development code (UDC) regulating land use and zoning. Additionally, the City and County both have influence on the regional housing market and need to work in conjunction to strengthen the overall market. By working together, the City and County use housing regulation and public funding to shift the overall housing market to benefit all residents. Their focus needs to address the structural barriers to a healthy housing market by 1) shifting the economics of investment in quality housing; 2) expanding access to housing finance; and 3) focusing public funding where it can have the greatest impact.

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# Executive Summary | Plan Objectives

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The purpose of the Housing Policy Plan is to establish a set of policies and programs that Shelby County and the City of Memphis can adopt to support a healthy housing market. Importantly, a healthy housing market would meet the need of all residents, support healthy neighborhoods and create prosperity for the community. The Housing Policy Plan identifies **four plan objectives** that need to be met to achieve its overall purpose. They are:

## 1. Improve Housing Quality

The concentrations of disinvested housing stock and lack of private capital throughout the county discourage the maintenance of property, creating a feedback cycle of disinvestment and decline. This plan aims to raise the level of private and public investment, ending the cycle of disinvestment in Shelby County.

## 2. Support Homeownership

Owner-occupants lack access to financing to maintain and improve their homes, preventing them from benefitting from the wealth generation of homeownership. This plan aims to address barriers to homeownership and reduce the increasing proportion of renters that are not benefitting from homeownership wealth generation.

## 3. Diversify Housing Stock

Middle-scale housing is more economically viable in many areas of Shelby County and better aligns with many resident's needs compared to single-family or large-scale multifamily that dominate new development. This plan recommends adjusting housing regulations and requirements to encourage private investment in a range of housing typologies.

## 4. Increase Quality Low-Income Housing

There is a shortage of quality affordable housing for lower income residents, contributing to blight and concentrated poverty that harms residents and neighborhoods. This plan recommends focusing and scaling local public funding to increase the production of affordable housing units by leveraging federal, state, and philanthropic resources.

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# Executive Summary | 1. Improve Housing Quality

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Market and regulatory forces hamper the ability of existing owners to invest in maintaining homes. The existing housing stock suffers from disinvestment, with 30% of houses sold since 2019 valued at under \$100K. Additionally, 30% of units are single-bathroom units, a typology the market has moved away from over the past several decades. Compounding the disinvested housing stock is a combination of economically unstable households, systemic inequity, and slow population growth. Memphis has an overall poverty rate of 25%. Black and Latinx households face barriers to accessing financing, and Shelby County is experiencing slow population growth, signaling low demand to investors.

## Obsolete and disinvested housing stock

Memphis, and to a lesser degree Shelby County, have a large share of older homes that are obsolete – have an outdated configuration or have not had major systems (e.g. windows, heating, electrical, etc.) improved in decades.

Nearly 30,000 houses (10% of single-family stock) are 2 bed/1 bath, and almost 50,000 (17% of single-family stock) are 3 bed/1 bath. Of the houses that sold for less than \$100K since 2019, 60% were either **2 bed/1 bath or 3 bed/1 bath and 89% were built before 1980.**

Additionally, less than 2,000 houses are being renovated annually, resulting in a **168-year reinvestment cycle.** For comparison, a healthy housing market typically has a **30-40-year reinvestment cycle.**

## Systemic inequity

**Systemic racial barriers limit access to financing for refinancing and repairing homes.** Black applicants are nearly twice as likely to be denied for a home repair mortgage than white applicants.

In 2019, over 1,100 households applied for a home repair mortgage and over 50% were denied, most of which were for reasons other than income. Approximately 68% of Black homeowners were denied loans compared to 39% of white homeowners.

Additionally, **aging Black homeowners are twice as likely** to own homes built before 1970 than white homeowners. Older homes require more investment to maintain, and Black homeowners are disproportionately denied access to financing.

## Slow population growth

**Shelby County is experiencing slow population growth,** which lowers demand for reinvestment in existing housing.

Without evidence for housing demand in the market, investors and developers cannot access financing to invest in the existing stock. Several factors influence housing demand, among them being population growth.

While Memphis still has demand for housing due to natural market activity and turnover, population growth is not driving housing demand, decreasing overall market interest.

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# Executive Summary | 2. Support Homeownership

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Homeownership is declining, but not equally across race in Shelby County, with Black homeowners converting to renters at much higher rates. Homeownership is central to the economic prosperity of households and neighborhoods. It is the largest asset by far for most households, and the biggest driver of wealth creation in the U.S.

## Conversion from homeownership to rental

**Owner-occupied units are converting to rental.** Shelby County saw a nearly 17,000 household decline in homeownership since 2010, combined with a 26,000 unit increase in renters. Most of this is driven by trends within the City of Memphis, which saw a 7% decline in homeownership since 2010.

This is also driven by shifts in the single-family housing stock. Approximately 15K units or **8% of the total single-family stock** in Shelby County converted from owner-occupied to renter-occupied in the past decade.

## Systemic inequity in access to financing

Shelby County has seen a **loss of nearly 8,000 Black owner-occupied households**, coinciding with a more than a **20,000 increase in Black renter households**.

**High bankruptcy rates and systemic racism in financing drives this trend.** Black households are **more likely to be denied mortgages** than white households with the same income level.

The most common reason for denial among applicants is **credit history**, suggesting there are income-qualified households being denied mortgage financing. The impact of credit history is in part related to bankruptcy trends in Shelby County, where the per capita rate of personal bankruptcy filings is more than **4x the national average**.

## Aging housing stock and homeowners

**Existing and aging homeowners struggle to remain homeowners**, driven by challenges in paying for home repairs. Of current homeowners, 35% live in houses built more than 50 years ago.

**Two out of every five homeowners 65 and older live in a house built more than 50 years ago.** This trend is worse for Black homeowners, who are twice as likely to own houses built over 50 years ago than white households.

These houses often require significant improvements to achieve a market value (i.e. for-sale price) that is greater than the cost of the investment. Unfortunately, rehabilitated houses on average are selling for less than the cost of renovating those houses.

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# Executive Summary | 3. Diversify Housing Stock

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The housing stock in Shelby County is dominated by single-family and large multifamily structures with few in-between options to accommodate mixed-income neighborhoods. Soft density buildings, which include attached single-family housing such as townhomes, duplexes, and triplexes, provide a greater range of housing options and make the development of new housing within existing neighborhoods more financially feasible.

## Memphis lacks housing stock diversity

**Approximately two-thirds** of housing units in Shelby County are single-family houses and over 20% are large multifamily structures. The remaining 12% of homes are two-to-four-unit structures.

As described in the Memphis 3.0 Comprehensive Plan, **neighborhoods need gradual transitions in densities** to prevent dense multifamily immediately adjacent to single-family housing. Large multifamily structures (particularly those with over 20 units) are not appropriate for most neighborhoods.

Additionally, diverse housing options, such as duplexes and quadplexes, provide pathways to **mixed-income communities** and contribute to overall affordability. Multi-plex units have a **mixed perception** throughout Shelby County, with varying levels of popularity across different neighborhoods.

## Large multifamily development requires subsidy

Most multifamily development in Shelby County is occurring downtown and near transportation hubs. However, market-rate multi-family development in the highest rent neighborhoods still **requires subsidy**, such as Payments in-Lieu of Taxes (PILOT).

Developers in the Shelby County market depend on PILOTs to make development feasible, even in strong and high rent neighborhoods. The financial gap for market-rate development indicates the need for lower cost, lower density multi-family development in neighborhoods that cannot support dense multifamily development. Soft density (two-to-six unit per building lot rather than one) is a more financially feasible way to create new housing options and modestly increase density in target neighborhoods.

## Existing regulations inhibit the development of middle-density housing

**Residential buildings with two or more rental units are currently taxed as commercial units**, nearly **doubling the tax burden** of these units compared to residential structures. Three+ unit buildings also fall under **commercial building codes** rather than residential, further constraining new development.

The Memphis 3.0 Comprehensive Plan Objective 1.4 outlines the need to pursue mixed-income communities by allowing for **smaller lots** and multiple buildings on a lot, such as through **accessory dwelling units (ADUs) and multiplexes**.

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# Executive Summary | 4. Increase Quality Low-Income Housing

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Shelby County's high poverty rate and limited stock of quality affordable housing has led to a significant need for quality low-and very-low-income housing units. The gap between the number of available homes that are affordable and the number of households that need these units is about 30,000 for households making less than \$30,000 a year.

## Low wages and household incomes drives the need for affordable housing

Shelby County has a nearly **20% poverty rate**, which is significantly greater than the national average of 13%. Further, Shelby County households experience low wages, with a **1.6% decrease in household income** since 2010.

**Rents have remained steady since 2010**, but stagnant and declining wages have led to continued need for affordable housing. The median rent increased from \$919 to \$942 since 2019 (inflation adjusted to 2019 dollars). That amounts to a 2.5% increase, compared to a 7.5% increase nationally.

For renters, wages have increased by just under 3% since 2010, keeping pace with the slow increase in rents. Shelby County's affordability pressures are as much about income as price.

## Lack of funding for low-income housing

**Significant subsidy is needed for construction of low-income housing to be financially feasible.** It takes considerable public funding to create affordable housing, approximately \$20,000 in grant funding to reduce the rent by \$100/month per unit.

The City and County are **largely dependent on state and federal funding for affordable housing.** In particular, Low Income Housing Tax Credits (LIHTC) are the most prominent funding source for affordable housing **yet are limited in scope and location and have been declining in recent years.**

Nearly 80% of the active LIHTC units in Shelby County were built before 2010. There have been 2,500 units built in the past decade (2010-2019) compared to over 8,000 units in the decade prior (2000-2009)

## Aging and obsolete housing stock

**Although much of the single-family housing stock is inexpensive, over 50% of the housing stock was built before 1980.** Shelby County renters are often searching for housing in old and unkept structures, limiting the number of options for quality affordable housing.

For the same reasons homeowners cannot invest in their homes, landlords also have barriers to maintain quality housing. Shelby County needs to encourage reinvestment in rental units while also preserving the affordability of those units. Otherwise, they may decline in quality to a point where the cheapest option is a teardown, which ultimately harms affordability.

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# Executive Summary | Approach

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Working in collaboration, the County and City can influence the structural barriers to a healthy housing market: the economics of housing, access to housing financing, and the amount and alignment of public and philanthropic funding. Their focus will be on three areas.

## Housing Economics

It costs more to build or rehabilitate a home than the home is worth in many areas within Shelby County. As a result, there is not enough investment to maintain existing homes, leading to blight, and not enough new homes to attract homebuyers and households with higher incomes. The underinvestment reinforces itself by leading to increased blight, lower quality properties, and a growing gap between the cost to build and rehabilitate housing and the returned value on that house.

## Financing Access

A healthy housing market requires property owners with access to financing to build, purchase, maintain, and repair homes. Currently, a significant portion of property owners in Shelby County cannot access housing financing. New financing products that leverage public and philanthropic guarantees are necessary to expand the flow of investment into housing in Shelby County.

## Public & Private Commitment

The need for affordable housing is several orders of magnitude greater than the funding available for it. Existing public and philanthropic funds need to be deployed in a coordinated and strategic fashion and steadily scaled-up over time.

This Housing Policy Plan recommends solutions for addressing each of these structural barriers to a healthy housing market in Shelby County.

**Land Use**   **Land Activation**   **Tax Reform**

**Financing**

**Funding**

# Executive Summary | Recommendations

The City of Memphis and Shelby County have the capacity to mitigate the region's growing housing crisis by deploying a set of recommended tools to address residents' housing needs. There are five primary actions the City and County must undertake for the implementation of the Housing Policy Plan to become actionable and achieve success. The following recommendations are framed around Memphis 3.0, the comprehensive plan focusing growth into core neighborhoods to create more dense, mixed-use, mixed income, walkable, and transit-served communities.

Housing Economics	<b>Land Use</b>	<b>Reform land use regulations to allow for new types of housing that are economically viable by decreasing development costs and simplifying the entitlement process.</b>
	<b>Land Activation</b>	<b>Activate land in the county by clearing tax and legal encumbrances and returning it to the market for investment and use.</b>
	<b>Tax Reform</b>	<b>Address property tax policies to support reinvestment in the housing stock and new development, while limiting displacement pressure on existing homeowners.</b>
Finance Access	<b>Financing</b>	<b>Expand the availability to financing for purchasing, developing, and rehabilitating housing by providing public or philanthropic guarantees for private financing.</b>
Public/ Private Alignment	<b>Funding</b>	<b>Align public funding by combining and redesigning existing housing programs and scaling up local public and philanthropic funding.</b>

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# Executive Summary | Priorities

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The City and County will prioritize reforming title clearance polices, dedicating new funding for rental housing, updating land use regulations, and developing finance partnerships with local banks. These five priorities are crucial to successfully implementing the Housing Policy Plan.

- 1. Reform title clearance to allow investment in blighted and abandoned homes.** Available land is not a constraint in Shelby County, as organizations like the Shelby County Land Bank and the Blight Authority of Memphis provide land through tax sales, but the title clearance process inhibits the ability of these entities to readily transfer land to developers of affordable housing.
- 2. Dedicate new significant and ongoing funding for affordable housing.** To meet the existing need for quality affordable rental, tens of millions of dollars in additional funding is needed annually. Every dollar of local funding can unlock and leverage three to five dollars in Federal, State and private funding.
- 3. Update land use regulations to lower the cost of creating housing.** If the City and County changes regulations to allow ADUs and two-to-six-unit structures, it will lead to new housing at lower price points for renters and owners.
- 4. Establish public private partnerships to expand mortgage lending to new and existing homeowners.** A large portion of renter households in Shelby County and Memphis have the income necessary to pay for a mortgage to purchase a home but they are unable to obtain a mortgage. Similarly, many existing homeowners are unable to obtain home equity loans to make repairs on their homes. Public funds can provide a guarantee to reduce the risk to private lenders and expand mortgage lending to all those who can afford it.
- 5. Consolidate and coordinate City and County programs.** The City and County administer several programs, some duplicative and others that require coordination. By coordinating existing programs, the City and County will increase the efficacy of existing public dollars and identify needs for further funding.

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# Executive Summary | Land Use

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Memphis and Shelby County will **reform land use regulations to allow for new types of housing that are economically viable** by decreasing development costs and simplifying the entitlement process.

Memphis and Shelby County can reform land use policies to increase housing options and make housing development more economically feasible. Land use reforms influence the economics of new development and the cost of housing without public investment. Land use reform will allow the market to provide more of the housing needed but will not address the need for deeply affordable housing which will still require public funding.

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<b>Amend the Unified Development Code to Encourage ADU Development</b>	Increase the <b>flexibility to permit Accessory Dwelling Unit</b> (ADU) development by adopting new land use regulation.
<b>Allow Cottage Development on Narrow Platted Lots</b>	Amend the Unified Development Code to <b>permit cottage-style homes on platted lots under 45 feet wide</b> . Determine which parcels should be developed, consolidated with adjacent parcels, or dedicated as open space.
<b>Update Zoning for Small-Scale Residential Development</b>	Continue updating zoning to <b>allow two-to-six-unit development</b> in anchor neighborhoods while limiting displacement of low-income communities.
<b>Support Multifamily, Transit-Oriented Development</b>	Support <b>concentrated density</b> along high frequency transit corridors by expanding by-right multifamily development in transit corridors.
<b>Reform the Building Code for Small-Scale Residential Development</b>	Adopt local amendments to allow three-to-six-unit residential buildings to be reviewed as <b>residential buildings instead of commercial</b> to reduce the cost of development.

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This Land Use chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

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# Executive Summary | Land Activation

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**Activate land** in the county by clearing tax and legal encumbrances and returning it to the market for investment and use.

Property entangled by tax liens or unclear title to ownership cannot access financing and be developed, sold, or repaired. As a result, these properties tend to become vacant and blighted. Clearing tax liens and title issues arising from unclear ownership (also known as a cloudy title) **allows properties to return to productive use**. This in effect will help provide quality housing, generating property taxes and improving the conditions of the neighborhood.

Shelby County and the City of Memphis will **focus efforts to activate land in anchors identified in Memphis 3.0**. These areas have the greatest opportunity to take advantage of private investment and will more quickly attract investment that will return land to productive use.

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## Reform Title Clearance Process

Reform the ability of the Blight Authority of Memphis and the Shelby County Land Bank entities to clear title for properties facing tax foreclosure and **return currently unproductive land to the market** for use.

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## Enhance the City's Property Maintenance

Revise code enforcement to include **addressing problem properties and focusing efforts on returning them to use**.

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## Establish Heir Title Assistance Programs

**Provide title assistance for heirs** seeking to clear title and for elderly residents wishing to ensure that ownership is conveyed clearly after they pass.

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The Land Activation chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

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# Executive Summary | Tax Reform

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Address property tax policies to **support reinvestment in housing stock** and new development, while **limiting displacement pressure** on existing homeowners.

Property taxes can be an incredibly powerful tool to encourage investments in housing development and rehabilitation. They shape the level of financing a property can support and with that whether investment occurs. **Rising property taxes can also place significant financial pressure** on long-time homeowners and contribute to their displacement.

Shelby County and the City of Memphis **will adjust their property taxes to support investments** in housing and retain existing residents by enacting tax reform and expanding relief programs.

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## Home Repair Tax Abatement

**Advocate for home repair tax relief** that offsets property tax increases resulting from home improvement repairs.

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## Address Tax Liability on Two-to-Six-Unit Structures

**Provide rebates for two-to-six unit structures** to offset burdensome tax structure and encourage feasibility of small-scale, multifamily development.

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The Tax Reform chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

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# Executive Summary | Financing

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Expand the **availability to financing** for purchasing, developing, and rehabilitating housing **by providing public or philanthropic guarantees for private financing.**

Even when it is economically viable and there is enough money to pay for the cost, homeowners and developers often struggle to secure needed financing in Shelby County. Financing is unavailable when a loan is viewed as risky, usually because of the credit of the borrower, the appraised value of the property, the complexity of the entitlement process or other factors. Guarantees for the financing from public or philanthropic sources can mitigate the risk and allow financing that will create new housing and improve existing homes.

The advantage of guarantees is that they allow relatively small amounts of public or philanthropic capital to leverage private financing (typically by five to ten times the investment). Given the scale of the need for investment in housing in Shelby County, this level of leverage is necessary.

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**Prioritize Rental Loan Improvement and Infill Construction**

**Identify and support additional financing products** for investors and developers to enhance development feasibility of multifamily infill structures.

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**Provide Pathways for Homeowner Investment**

Provide pathways for existing homeowners to **invest in their homes**, both to support homeownership and improve overall housing quality.

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**Develop Financing Products for New Homeowners**

Develop financing products for new homeowners and **expand homeownership opportunities to households that have been traditionally excluded** from owning homes.

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The Financing chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

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# Executive Summary | Funding

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Align public funding **by combining and redesigning existing housing programs** and **scaling up** local public and philanthropic funding.

The City and County currently deploy a limited amount of local public funding across a wide range of programs. This must be addressed at both ends by combining duplicative programs to allow for greater focus and increasing local funding to increase the scale. There will be **ongoing coordination between the City, County, neighborhood associations, and other community groups** to guide the investment of public funds and sustain public support for these ambitious but achievable goals.

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## Consolidate Housing Programs

**Coordinate efforts of local governments, non-profits, and key partners** to reduce financing complexities that contribute to increased costs and duplication.

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## Dedicate New Local Funding

**Target new funding to programs that will have the greatest impact on addressing the housing affordability crisis.** Specifically, this includes the expansion of existing rehabilitation programs and gap financing for LIHTC.

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## Leverage Community Investment Tax Credit (CITC)

**Engage local banks to maximize the use of the Community Investment Tax Credit (CITC)** program to make loans at below market interest rates for affordable housing.

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## Advocate for State Support

**Conduct advocacy to the State on key issues related to State resources.** These include advocating for changes to the State's Qualified Action Plan, increasing the availability of bond financing, and other resources that improve programming.

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The Funding chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

*\*Naturally occurring affordable housing (NOAH) is unsubsidized housing that is affordable to households making 80% area median income (AMI).*

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# Executive Summary | Implementation Responsibility

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**The City of Memphis and Shelby County will lead the implementation of the Housing Policy Plan**, collaborating with other quasi-public and non-profit entities. The City and the County both have influence on the regional housing market and will need to work in coordination to make meaningful progress. Additionally, each approach requires buy-in and support from the private sector. Mission-oriented philanthropic, non-profit, and for-profit organizations are critical partners bringing additional resources and capacity to public efforts.

## Land Use

The City and the County have a joint Unified Development Code (UDC), therefore both governing bodies have a role to play in updating the land use standard to promote a healthy and sustainable housing market. Additionally, the implementation of land use changes are more effective if both the City and County are coordinating on where to incentivize development and the type of development needed.

## Land Activation

There are legal and regulatory processes associated with activating land that make it necessary for the County and City to work together. The City and County need a high level of coordination on their administrative processes to effectively return land to productive use.

## Tax Reform

The City and County have taxing authority and they will need to coordinate tax rebate programs to have a meaningful impact on the market. The Tax Reform approach will be much less effective if it is not a shared effort, and the resulting costs could otherwise become inequitable.

## Finance

The key to success for implementation of Financing will be establishing public-private partnerships. Through this effort, the City or County could act independently or in partnership, but nonetheless will coordinate roles and responsibility to implement the recommendations at a greater scale. Regardless of the structure, engaging a private lender with public support is a crucial aspect to expanding lending opportunities to more households.

## Funding

The City and County currently administer largely uncoordinated programs for housing. In order to have effective Funding implementation, both entities must coordinate and share the burden of increasing the level of public funding. As they coordinate, they will also establish processes for coordination with philanthropic actors.

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# Executive Summary | Implementation

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Included in each recommendation are guidelines for implementation, including the lead organization and supporting partners, specific action items, and an ideal timeline for action. The implementation guide should be read as a living document that can shift and adjust based on existing needs. The City, County, and supporting organizations should revisit the implementation guide frequently and reassess roles and responsibilities, actions, and timelines.

## Lead Organization and Supporting Partners

Each recommendation identifies a **lead organization** that is responsible for seeing the recommendation come to fruition. This does not necessarily indicate that entity should be responsible for 100% of the action items, but rather that they are the point for coordinating efforts to implement that recommendation.

The success of this plan is dependent on collaboration between public, private, and non-profit partners, meaning in addition to the lead organization, **supporting partners** will play a vital role in the overall success of the Housing Policy Plan, particularly higher capacity partners who can lend extra assistance.

## Action Items

The Housing Policy Plan suggests several action items recommended to successfully implement the recommendation. It will be the responsibility of the lead organization and supporting partners to prioritize and execute the action items.

## Timeline

To provide insight into the prioritization of each action item, the Housing Policy Plan provides a target timeline for specific items to demonstrate progress on each recommendation. Further identified action items will require updated timelines as they are identified.

# Executive Summary | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Land Use. The lead actor in this effort is the Memphis and Shelby County Division of Planning and Development (DPD).

## Land Use

Within 1 Year	Years 2-3	Years 4-5	Years 6+
<p><u>Encourage ADU Development:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead developing specific language to change subject provisions of the UDC.</li> <li>DPD to lead bringing recommended changes to City Council and County Commission.</li> </ul>	<p><u>Cottage Development on Narrow Lots:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead developing specific language to change subject provisions of the UDC.</li> <li>DPD to lead in bringing recommended changes to City Council and County Commission.</li> <li>DPD to lead developing strategy for vacant property re-use.</li> </ul>	<p><u>Update Zoning for Small-Scale Multifamily:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead in developing specific language to change subject provisions of the UDC.</li> <li>DPD to lead in bringing recommended changes to City Council and County Commission.</li> </ul>	<p><u>Reform Building Code for Small-Scale Residential:</u></p> <ul style="list-style-type: none"> <li>DPD to lead in addressing process improvement needs in local permitting and regulatory procedures.</li> </ul>
<p><u>Support Multifamily TOD:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead developing language to change subject provisions of the UDC.</li> <li>DPD to lead in bringing recommended changes to City Council and County Commission.</li> </ul>	<p><u>Reform Building Code for Small-Scale Residential:</u></p> <ul style="list-style-type: none"> <li>DPD to lead in conducting a review of the land use standards and unified development code (UDC) regulations that hamper multifamily development.</li> </ul>	<p><u>Reform Building Code for Small-Scale Residential:</u></p> <ul style="list-style-type: none"> <li>DPD to lead in identifying administrative burdens that drive up the cost of development.</li> </ul>	

# Executive Summary | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Land Activation. The lead actors in this effort are the Blight Authority of Memphis (BAM), the Shelby County Land Bank (SCLB), the Memphis Division of Housing and Community Development (HCD), the Memphis and Shelby County Division of Planning and Development (DPD), and the Memphis Division of Public Works (Public Works).

## Land Activation

Within 1 Year	Years 2-3	Years 4-5
<p><u>Reform Title Clearance:</u></p> <ul style="list-style-type: none"> <li>BAM and SCLB to lead the coordination of identifying necessary title clearance changes.</li> </ul>	<p><u>Strategic Code Compliance:</u></p> <ul style="list-style-type: none"> <li>Public Works to lead in working with agencies, nonprofit partners and donors to establish a strategic approach to compliance.</li> <li>Public Works to lead in building a more robust property database.</li> </ul>	<p><u>Strategic Code Compliance:</u></p> <ul style="list-style-type: none"> <li>Public Works to lead in educating neighborhoods on code compliance processes and opportunities.</li> </ul>
	<p><u>Establish Heir Title Assistance Program:</u></p> <ul style="list-style-type: none"> <li>BAM and SCLB to lead in developing educational programs to help residents avoid tangled titles.</li> <li>HCD and DPD to lead in leveraging additional funding for legal assistance programs.</li> <li>HCD to lead in developing resources for applicants turned away from support programs.</li> <li>HCD and DPD to lead in fostering nonprofit and government partnerships.</li> </ul>	<p><u>Reform Title Clearance:</u></p> <ul style="list-style-type: none"> <li>BAM, SCLB, and the Shelby County Trustee’s Office to lead changing title clearance authority and redemption period.</li> </ul>
	<p><u>Reform Title Clearance:</u></p> <ul style="list-style-type: none"> <li>BAM and SCLB to lead in sourcing and providing funding for the strategic plan.</li> </ul>	

# Executive Summary | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Tax Reform. The lead actors in this effort are the Memphis Division of Housing and Community Development (HCD) and the Memphis and Shelby County Division of Planning and Development (DPD).

## Tax Reform

### Within 1 Year

### Years 2-3

<p><u>Tax Relief Programs:</u></p> <ul style="list-style-type: none"> <li>• DPD to lead in pursuing property tax relief reforms.</li> <li>• DPD and HCD to lead in engaging community on proposed tax reform.</li> </ul>	<p><u>Reform Tax Liability on Two-to-Six Unit Structures:</u></p> <ul style="list-style-type: none"> <li>• DPD to lead in developing rebate program for two-to-six-unit structures to close the gap between the commercial and residential tax burden.</li> <li>• DPD and HCD to lead in beginning discussions with state-level officials to lay the groundwork for larger-scale change.</li> </ul>
<p><u>Reform Tax Liability on Two-to-Six Unit Structures:</u></p> <ul style="list-style-type: none"> <li>• DPD to lead in identifying anchor neighborhoods in which the County can influence the tax burden on missing middle development through abatements.</li> </ul>	

# Executive Summary | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Financing. The lead actor in this effort is the Memphis Division of Housing and Community Development (HCD).

## Financing

Within 1 Year	Years 2-3	Years 4-5	Years 6+
<p><u>Provide Pathways for Homeowner Investment:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in identifying CDFI and/or private lenders who would be a good match to roll out program.</li> </ul>	<p><u>Provide Pathways for Homeowner Investment:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in determining appropriate implementation structure: a loan program administered by the County or a loan guarantee program that is administered by a local private lender.</li> </ul>	<p><u>Provide Pathways for Homeowner Investment:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in rolling out program.</li> </ul>	<p><u>New Financing Products for Homeowners:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in implementing coordinated mortgage funds with private lenders.</li> </ul>
<p><u>New Financing Products for Homeowners:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in beginning conversations with local private lenders to identify opportunities for development new financing products.</li> </ul>	<p><u>New Financing Products for Homeowners:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in developing new mortgage funds and coordinate with a local, private lender on private mortgage products.</li> <li>HCD to lead in expanding the down payment assistance program.</li> </ul>	<p><u>Rental Loan Improvement and Infill Development:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in determining the appropriate implementation structure: a loan program administered by the County or a loan guarantee program that is administered by a local private lender.</li> <li>HCD to lead in working with CDFI and/or private lenders to roll out program.</li> </ul>	

# Executive Summary | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Funding. The lead actors in this effort are the Memphis Division of Housing and Community Development (HCD), the Memphis and Shelby County Division of Planning and Development (DPD), and the Tennessee Housing Development Agency (THDA).

## Funding

Within 1 Year	Years 2-3	Years 4-5	Years 6+
<p><u>Consolidate Housing Programs:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in changing the timing and process for local subsidies, specifically PILOT.</li> <li>HCD to lead in prioritizing entitlement and local approval processes for LIHTC development.</li> <li>HCD to lead in investing in additional infrastructure and staffing capacity.</li> </ul>	<p><u>Dedicate New Local Funding</u></p> <ul style="list-style-type: none"> <li>HCD to lead the draw down of seed funding.</li> <li>HCD and DPD to lead in identifying new sources of revenue.</li> <li>HCD and DPD to lead in drawing and finalizing new funding allocation plan.</li> </ul>	<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to lead assessing outreach effectiveness, adjusting strategy as needed.</li> <li>HCD and DPD to continue communication with THDA.</li> </ul>	<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to continue communication with THDA.</li> </ul>
<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to lead in conducting outreach to THDA to amend the state QAP and make Shelby County more competitive.</li> <li>HCD to lead in establishing development goals to be achieved through funding support for Memphis Housing Authority redevelopment.</li> </ul>	<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to continue communication with THDA.</li> </ul>		
<p><u>Pursue Community Investment Tax Credit:</u></p> <ul style="list-style-type: none"> <li>THDA to lead in partnering with local banks to provide discounted loans within CITC structure.</li> <li>THDA to lead in identifying CDCs who can coordinate funding structures that include CITC.</li> <li>HCD and DPD to lead in working with THDA to educate local developers and financial institutions on the mechanisms of CTIC.</li> </ul>			

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# Executive Summary | Metrics

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Successful implementation of the Housing Policy Plan also requires systems to track and monitor progress toward Plan Objectives and identify and overcome barriers. Each Plan Objective requires specific metrics of success to communicate progress, evaluate program effectiveness, and assess the City and County's long-term priorities. The Housing Policy Plan has outlined four metrics that will help measure progress of the implementation steps outlined previously. Detail on how these metrics were quantified can be found in the [Appendix](#), and metric guidelines can be found in the [Implementation](#) section.

- 1. Improve Housing Quality** The Housing Policy Plan aims to create and renovate housing by catalyzing the **renovation of 4,600 housing units** and the **development of 5,000 for-sale infill housing units** in anchor neighborhoods by 2030.
- 2. Support Homeownership** The Housing Policy Plan seeks to stabilize owner-occupied single-family housing by **adding over 7,000 homeowners and reducing the annual decline in homeownership by 47%** by 2030.
- 3. Diversify Housing Stock** The Housing Policy Plan aims to **produce 1,300 new for-sale and 6,400 rental missing middle** housing units by 2030.
- 4. Increase Quality Low-Income Housing** With \$20 million in new annual funding and financing, Shelby County and Memphis will create and preserve **1,000 multi-family units of low- and very-low-income housing** by 2030.\*

*\*The 1,000 units outlined in the fourth metric are in addition to the 9,600 units outlined in the first metric.*

An aerial photograph of Memphis, Tennessee, with a blue color overlay. The image shows the Pyramid of Light in the foreground, the Mississippi River flowing through the city, and several bridges crossing the river. The city skyline is visible in the background.

# Introduction

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# Introduction | Plan Purpose and Context

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The Memphis and Shelby County Joint Housing Policy Plan (the “Housing Policy Plan”) aims to **ensure that every city and county resident has access to quality housing**. Residents and neighborhoods in the city and county have suffered from disinvestment and redlining for decades. As a result, the housing market does not support the production or maintenance of quality housing in many neighborhoods. Instead, a cycle of disinvestment, blight, and abandonment has taken root. The City, County, State, and nonprofits run multiple programs to preserve and produce affordable housing, but these have limited impact relative to the scale of need. The small scale, lack of strategic targeting, and power of larger market forces limit impact. Focusing on reinvestment in housing at the neighborhood scale can establish healthy housing markets.

A healthy housing market is critical to preserve the city and the county’s economic competitiveness and to serve Memphis and Shelby County residents. As will be discussed in the Housing Needs section, the current housing market discourages investment in houses, leading to declining housing quality that hampers the feasibility of housing redevelopment. Instead, it encourages tear downs, suburban sprawl, and low-quality housing. Multifamily development is hampered as well. Developing small-scale multifamily structures, such as duplexes, triplexes, and multiplexes, is often infeasible as regulatory restraints increase the cost of development, and land use constraints limit the types of structures that can be feasibly developed. For large-scale multifamily development (e.g. apartments and condos), the city and county are often held back by a lack of robust financing from local banks and an overall weak market for multifamily development.

This Housing Policy Plan provides a set of strategies and recommendations meant to address each of these pressure points. The Housing Policy Plan identifies four Objectives: **Improve Housing Quality, Support Homeownership, Diversify Housing Stock, and Increase Quality Low-Income Housing**.

Additionally, the recommendations are organized into the type of tool to address the four Plan Objectives. These categories include **Land Use, Land Activation, Tax Reform, Financing, and Funding**. In particular, this plan seeks to identify both financial and non-financial methods for addressing the city and county’s housing needs, as relying on a wide-range of strategies increases the likelihood for success.

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# Introduction | Vision Statement

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## Vision

Every Shelby County resident has **access to quality housing choices and wealth generation opportunities**. The housing market in Shelby County allows homeowners to maintain their wealth investment, renters have the ability to become homeowners, and **desirable housing options are available for households at all income levels**.

## Context

The Housing Policy Plan targets **neighborhood scale reinvestment**, building on the priorities outlined in the Memphis 3.0 Comprehensive Plan. While the housing needs identified in this plan impact all of Shelby County, some neighborhoods feel the impacts more than others, and some of the solutions are more appropriately tailored to certain parts of the county. For example, encouraging multifamily development near transit corridors is more appropriate along the Union Avenue corridor, rather than in locations outside of Memphis City Limits.

The housing market in the city and county is failing to meet the needs of all market participants, whether they are households or developers. Without a healthy housing market, reinvesting in the housing stock is challenging, leading to a cycle of disinvestment, which leads to declining housing quality and household wealth. This is particularly the case in low-income communities experiencing systemic disinvestment. **By establishing healthy housing markets, the city and county can create an environment where homeowners maintain their wealth investment, renters can become homeowners if they desire, and households at all income levels are able to find desirable housing choices.** Additionally, developers can conduct feasible multifamily development, establishing additional housing options for all city and county residents.

Overall, the Housing Policy Plan will work towards this vision using the five tools of Land Use, Land Activation, Tax Reform, Financing, and Funding across the four Plan Objectives of Improve Housing Quality, Support Homeownership, Diversify Housing Stock, and Increase Quality Low-Income Housing.

# Introduction | Memphis 3.0 and Focus Areas

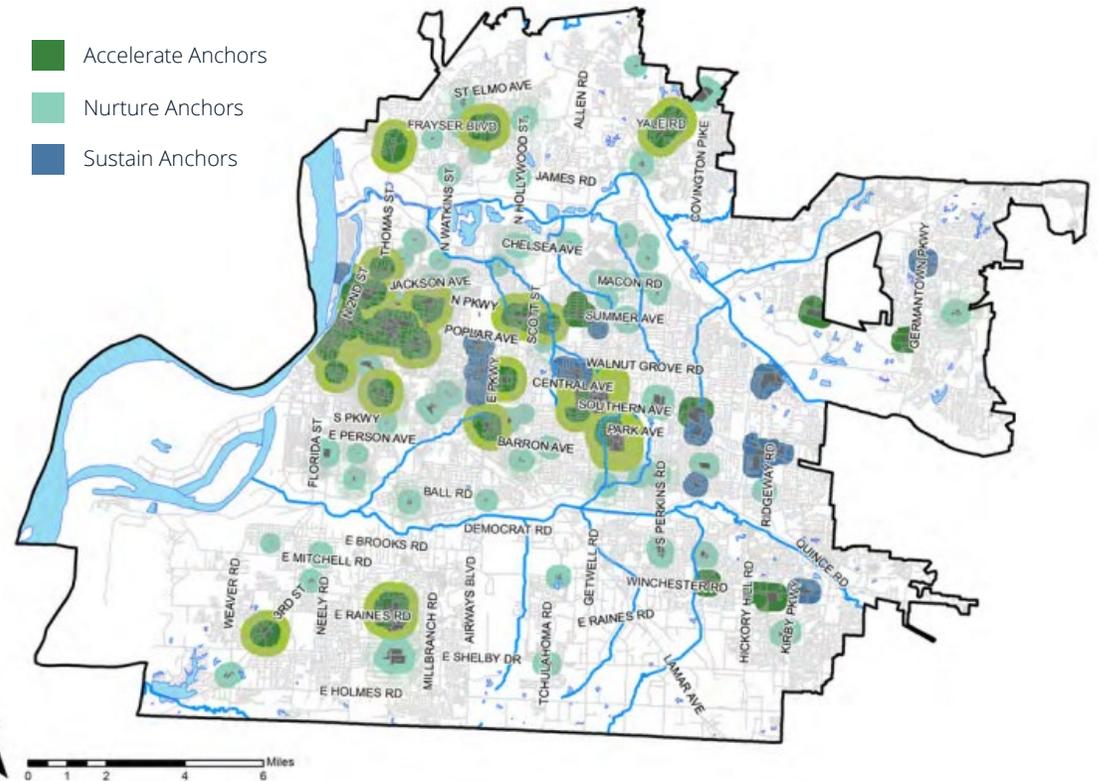
The City's comprehensive plan for the next twenty years, Memphis 3.0 guides land use policies, goals, and actions to focus growth and investments into the core city and other neighborhoods to create more **dense, mixed-use, mixed income, walkable, and transit-served communities** throughout the city.

Memphis 3.0 aims to reverse a pattern of development that has failed to deliver benefits. By densifying existing neighborhoods and centers, the City and County will be able to more efficiently provide services to focus investments in areas where they can positively impact the greatest number of people.

Memphis 3.0 focuses growth around "anchors," which generally include a mix of uses where commerce, services, and civic activities intersect and where higher densities of housing, commercial activity, employment and community uses are desired. Anchors are categorized into three degrees of change to determine how much change and investment is encouraged and how such change may occur moving forward:

- **Accelerate anchors:** markets with high or increasing market potential, supported by primarily private investment with some public resources
- **Nurture anchors:** slow growth markets, supported by public and philanthropic investments
- **Sustain anchors:** stable markets, supported primarily by private investments

The degree of change designation outlined in Memphis 3.0 **helps to identify the types of policies, actions, and investments that best support success** in development or preservation of the anchor. It will also **be referenced in the Housing Policy Plan** when discussing development opportunities and reinvestment within neighborhoods.





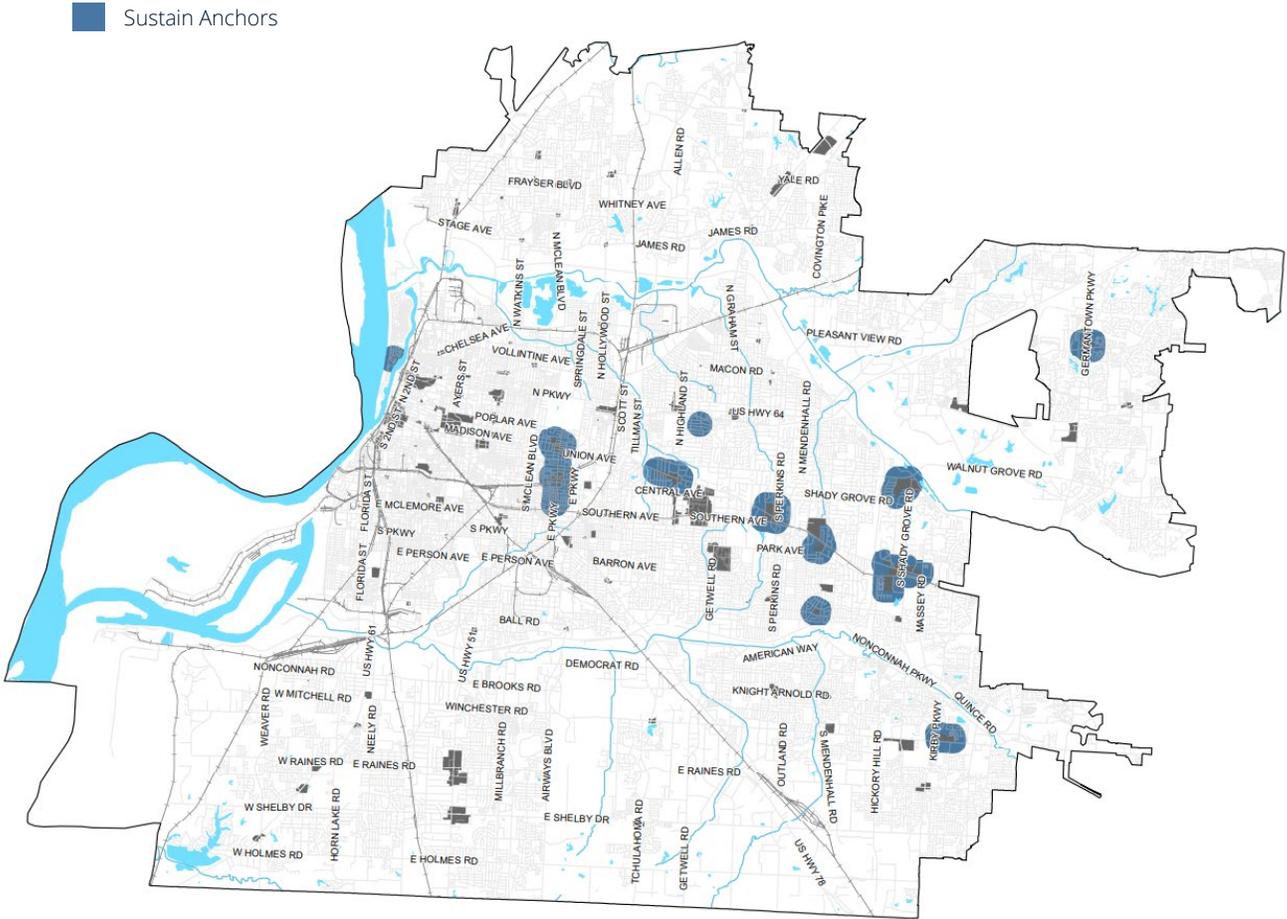


# Introduction | Sustain Anchors

## Sustain Anchors

Sustain anchors are areas where the city can rely on the market to maintain current density while making necessary improvements. They include:

- Cooper Area
- White Station and Quince
- Poplar Plaza
- Oak Court
- Eastgate
- Poplar and Ridgeway
- Kirby and Winchester
- St. Francis
- Walnut Grove and Brierview
- Overton Square
- Harbor Town
- Dexter and Germantown Parkway
- Highpoint Area
- South Main





# Housing Needs

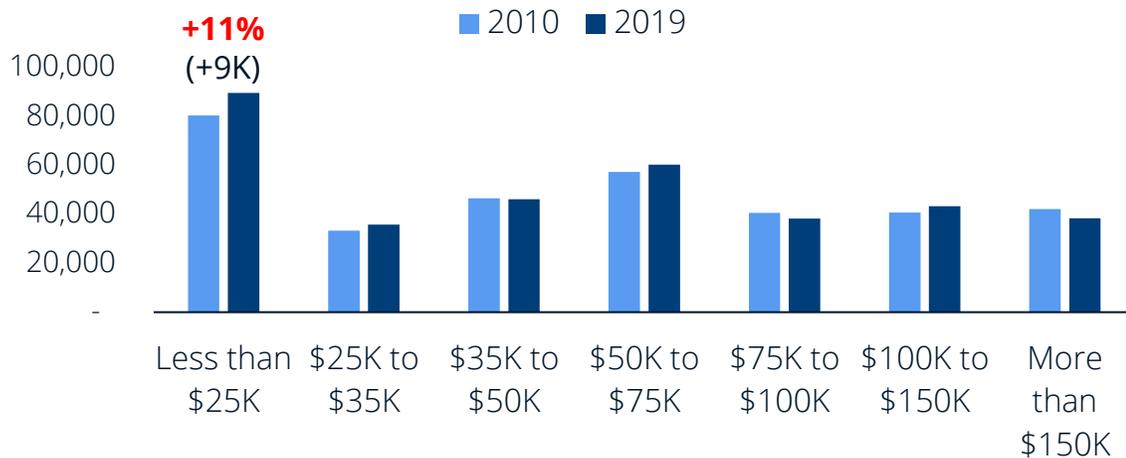
# Housing Needs | Weak Economy

**Incomes have declined by 1.6% since 2010, and poverty has remained stagnant**, particularly in Memphis where the poverty rate is nearly double the national average.

**Shelby County's economy is underperforming the rest of the nation**, with slower employment growth and lower wage jobs. The median household income in Shelby County is \$52,000 compared to \$63,000 in the United States.

**Incomes are even lower within the City of Memphis**, which has a median household income of \$41,000. One of the major drivers of this is Memphis' significant poverty rate, which is nearly twice that of the U.S. overall at 25% in Memphis compared to 13% nationally. **Additionally, incomes have declined overall by 1.6%**, and more households make less than \$75K compared to 2010.

## Median Household Income Distribution: 2010 and 2019



Source: American Community Survey, 2019 and 2010 5-Year Estimates, Inflation Adjusted

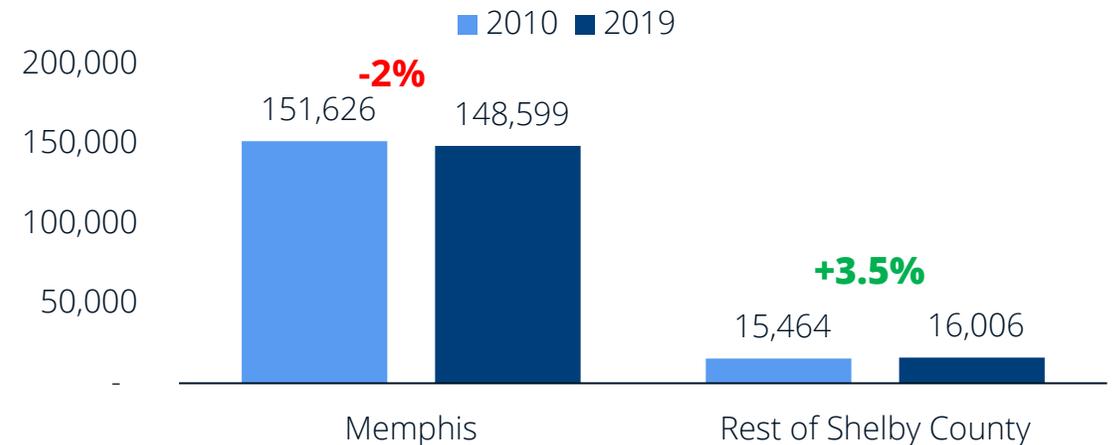
## Median Household Income 2019



## Poverty Rate 2019



## Households in Poverty, 2010-2019



# Housing Needs | Population Trends

**Population growth in Shelby County has been stagnant**, with variance in growth and decline by race and age; white households are leaving the county while Black and Latinx households are growing.

**Population growth is stagnant in the region, with a decline in the city and growth in the suburbs.** Shelby County overall has experienced population growth of over 40,000 households since 2010 (+19%). Most of this growth occurred outside the City of Memphis. In fact, Memphis has experienced slight population decline since 2010 (-0.4%), decreasing by just under 3,000 residents since 2010.

**Growth in Latinx and Black residents is offsetting a sharp decline in white residents in the city and county.** The white population has decreased by nearly 32K people in the last 10 years. The decline is offset by an increase of nearly 40K Black and Latinx residents.

**Like national trends, residents between 25-34 and 55+ are the only age cohorts that are growing in the city and county.** Shelby County has experienced a 5% decline in residents under the age of 25 and 10% for residents between 35 and 54 years. There was also a 26% increase in residents 55 and older and 6% increase in residents ages 25 to 34 since 2010.

**White families are leaving Shelby County, while white seniors are aging in place.** Meanwhile, Black individuals under 18 and 35 to 54 are also leaving Shelby County, suggesting Black family households are leaving. Latinx households are largely growing in Shelby County.

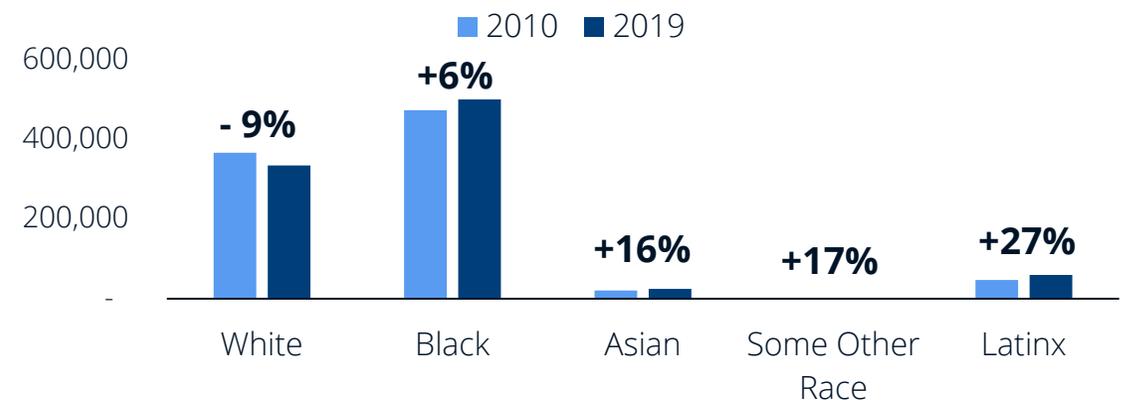
**Black individuals with less than a high school education are leaving Shelby County.** Latinx individuals of all education levels are moving to Shelby County; white individuals without a Bachelor's degree are leaving Shelby County.

*Source: American Community Survey, 2019 and 2010 5-Year Estimates*

## Population Change 2010-2019

Total Population	<b>+19%</b> Shelby County	<b>-0.4%</b> City of Memphis
Race (County)	<b>-31.7K</b> White	<b>+39.5K</b> Black and Latinx
Age (County)	<b>+7.6K</b> 25-34	<b>+48.7K</b> 55+

## Change in Population by Race: Shelby County



# Housing Needs | Housing Stock

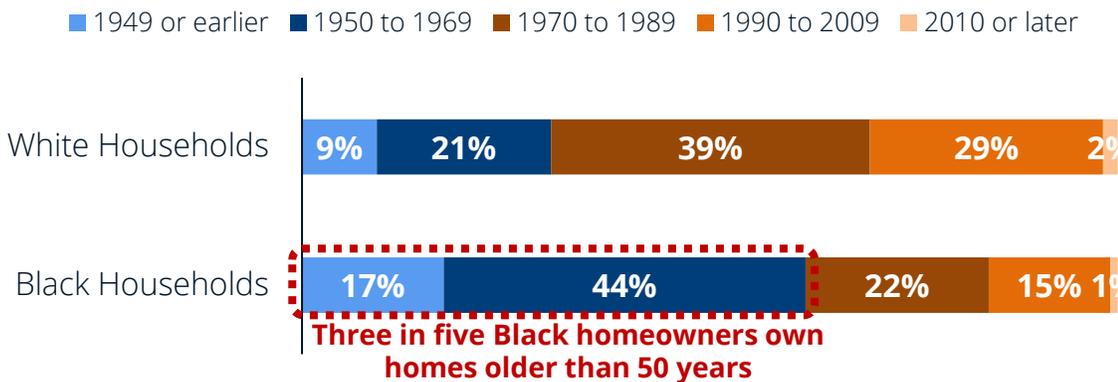
**The city and county have an aging housing stock that suffers from underinvestment**, particularly for Black homeowners, who are **twice as likely as white homeowners** to own homes over 50 years old.

**The housing stock is dominated by single-family detached units**, with Memphis accounting for 68% of the single-family housing stock. Outside of Memphis, 84% of the housing stock is single-family detached, and on average, single-family houses are selling for \$40K more than single-family homes in the City of Memphis.

**Shelby County has an aging housing stock**, with 58% of homes at least 50 years old. Majority of the older housing stock is in the City of Memphis, where around 70% of the houses are at least 50 years old. Additionally, **Black homeowners are twice as likely as white homeowners to live in older houses**, with six out of 10 Black homeowners owning homes older than 50 years, compared to three out of 10 white homeowners.

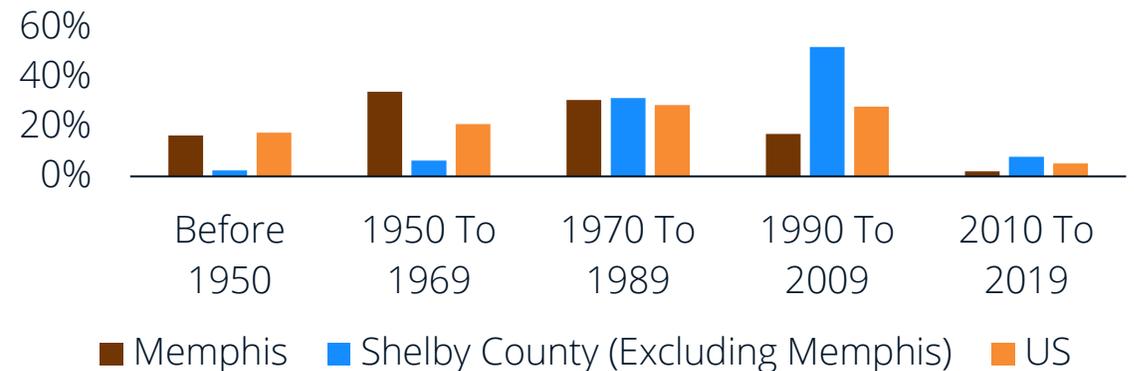
**Not only is the housing stock older, but it has also experienced underinvestment, with an approximately 168-year reinvestment cycle.** This means that on average, it would take around 168 years for the entire housing stock to undergo reinvestment. In healthy housing markets, this reinvestment cycle is closer to ~30 years. Indeed, **few houses are being rehabilitated** beyond what is required to maintain livability. Only 20% of renovations in 2020 were valued over \$100K, the typical threshold for a full rehabilitation of a home. The lack of reinvestment is due to a combination of a declined housing quality, lower potential resale values, and lack of access to capital for households.

## Year House Built by Race of Homeowner: 2019



Source: American Community Survey, 2019 and 2010 5-Year Estimates

## Housing Stock Breakdown by Year Built: 2019



# Housing Needs | Housing Tenure

Shelby County has undergone a significant trend of rental conversions, **largely driven by Black households in the City of Memphis moving from owners to renters.**

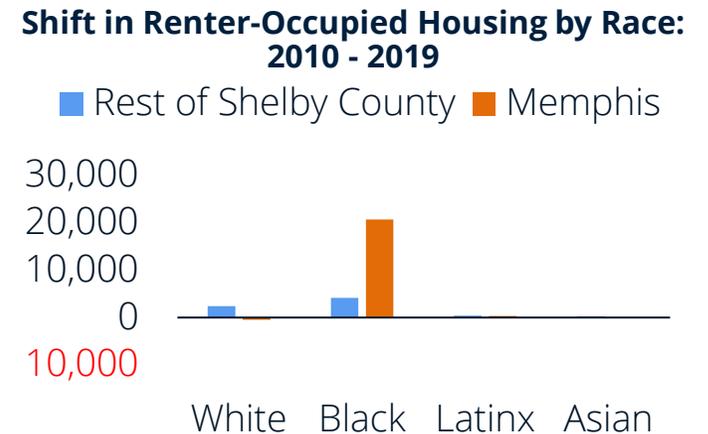
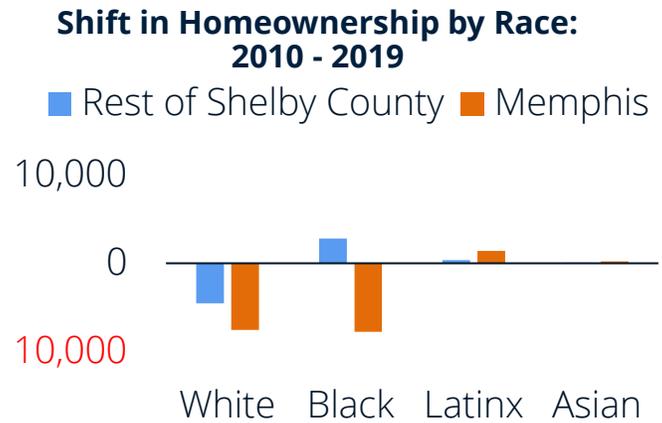
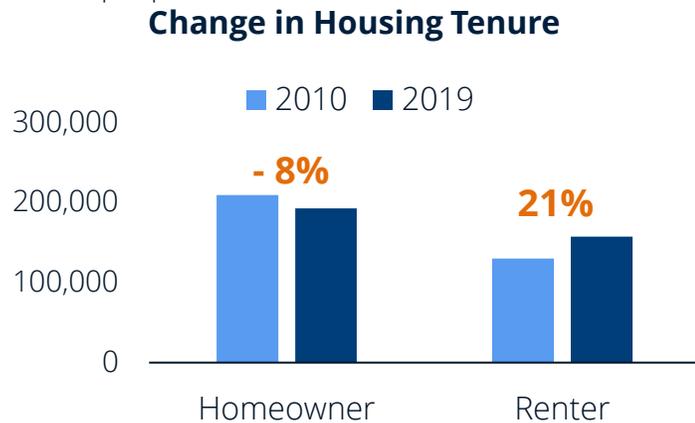
**Approximately 85% of Shelby County renters live within the City of Memphis,** and the majority of Memphis households are renters, with 53% of households renting their homes. By contrast, only 24% of households outside of Memphis are renters.

**Shelby County has undergone a notable shift from owner-occupied to renter-occupied housing,** with a 21% increase in renters and an 8% decline in homeownership. This trend has largely been driven by a shift in Black households converting from homeowners to renters. The decline in white homeownership can largely be attributed to the population decline among white households, as there is no corresponding increase in white renter households. However, there is a significant increase in Black renter-occupied households, particularly within the City of Memphis.

**The shift from owner-occupied to renter-occupied housing has occurred in single-family structures,** with a 15,500-unit decline in owner-occupied single-family housing and a corresponding 14,500-unit increase in renter-occupied single-family housing. Additionally, the scale of single-family rental units is increasing as new private equity firms are purchasing single-family homes in more suburban areas like Shelby County.

**Homeownership has declined for all households with incomes under \$100K and under the age of 55,** with around 32,000 fewer homeowners under the age of 55 compared to 2010. Notably, the overall homeownership supply has decreased by approximately 27,000 households in that time.

Because the type and quality of landlords vary significantly, the City and County will focus on regulating and monitoring absentee landlords who fail to upkeep their properties.



Source: American Community Survey, 2019 and 2010 5-Year Estimates

# Housing Needs | Rental Supply and Affordability

**There is a 35,000-unit supply gap for renters earning less than \$40K a year**, resulting in 81% percent of renters earning less than \$35K to be cost-burdened.

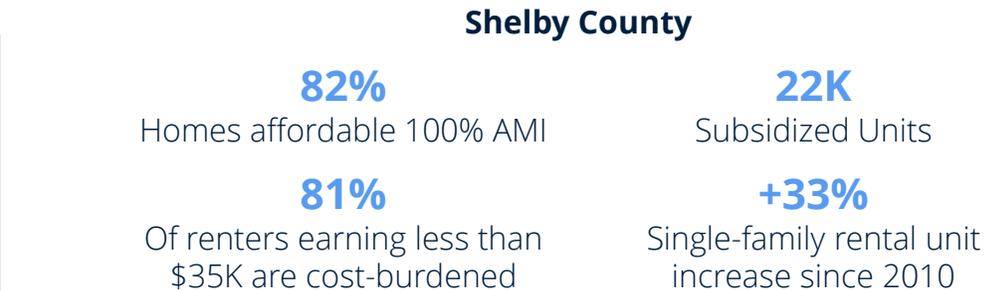
**There is a supply gap of rental units for renters making less than \$40K a year.** Because of this, renters making below \$40K often live in rental units priced above their spending power, leading them to become cost-burdened. The supply gap is approximately **2,500 units** for renters making less than \$40,000 a year, and over **33,000 units** for renters making less than \$30,000 a year.

Because of this lack of supply, **nearly 81% of renters earning less than \$35K spend more than 30% of their income on housing.** For a household making \$35,000, this translates to \$10,500 spent annually on housing, or \$875 monthly in rent.

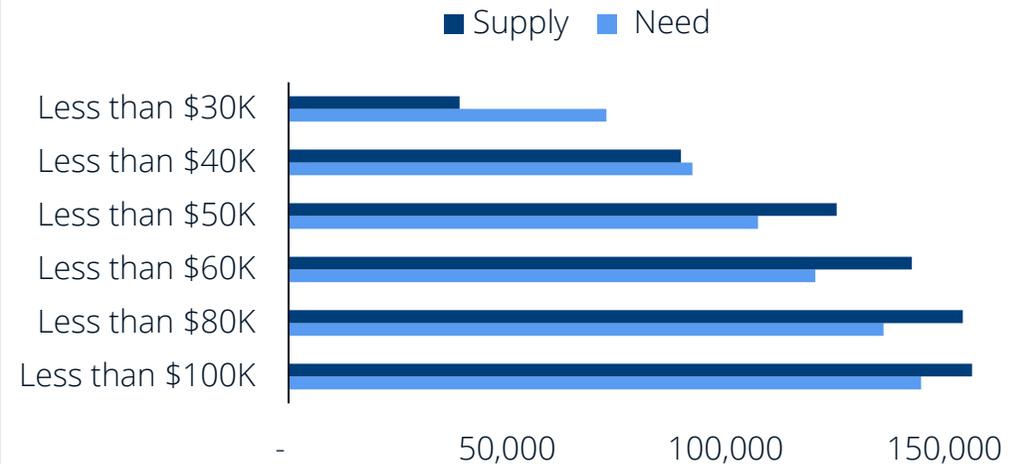
**This trend is compounded by a 33% increase (14.5K households) in single-family rental households** since 2010, with a significant number of households moving from owners to renters. This trend is coupled with a 15.5K decrease in single-family owner-occupied households.

Source: American Community Survey, 2019 and 2010 5-Year Estimates

HR&A Advisors, Inc.



**Housing Gap by Income Tier: 2019**



# Housing Needs | Homeownership

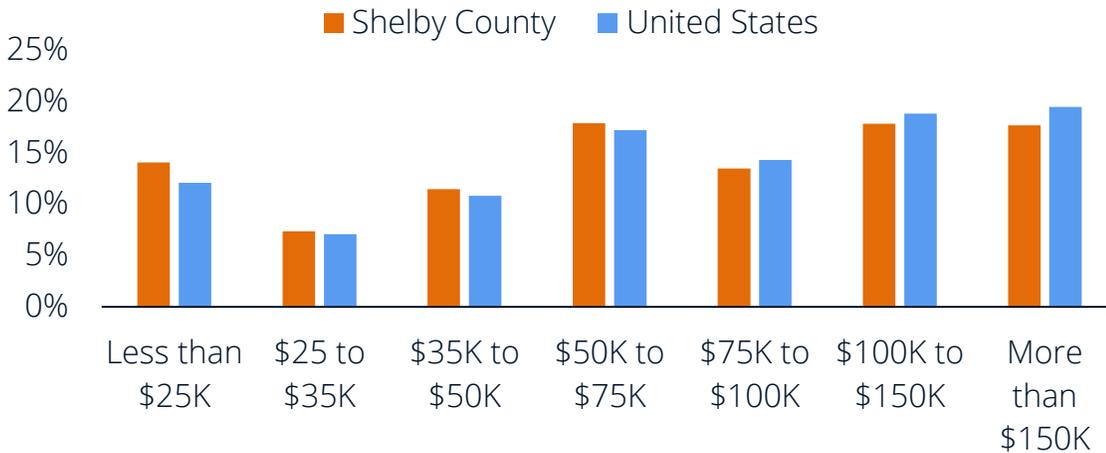
While homes are relatively affordable in Shelby County, **homeownership rates have declined, particularly for Black households and households making less than \$100K.**

**Homeownership is relatively affordable**, with 82% of homes affordable to households earning 100% of the area median income (AMI), which is approximately \$68K for a family of four in Shelby County.

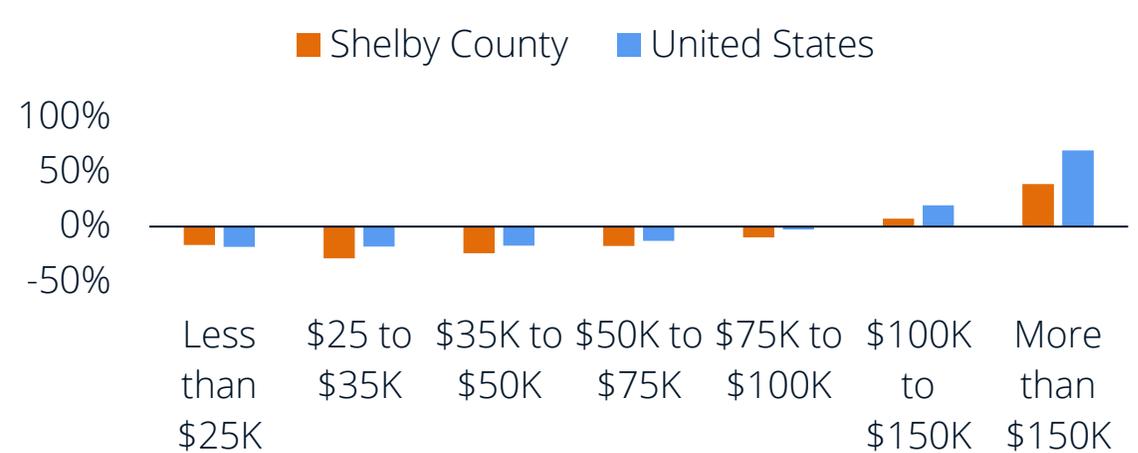
Despite that, **homeownership rates have declined for all income bands below \$100,000**, demonstrating a disconnect between household's income and their ability to access capital to purchase homes.

**Homeownership trends are not uniform across race**, with Black households converting to renters while Latinx and Asian households are buying homes.

**% Total Homeowner Households by Median Household Income, 2019**



**Change in Homeownership by Income Bracket, 2010-2019**



**82%**  
Homes affordable 100% AMI in Shelby County

**10%**  
Decrease in homeownership rates for households making less than \$100K in Shelby County

**-7.7K**  
Decline in Black homeowners in Memphis

**+20.6K**  
Increase in Black renters in Memphis

Source: American Community Survey, 2019 and 2010 5-Year Estimates

# Housing Needs | Access to Capital

Low-income households and Black households **have less access to financing** for home purchase loans, home improvement loans, and refinancing.

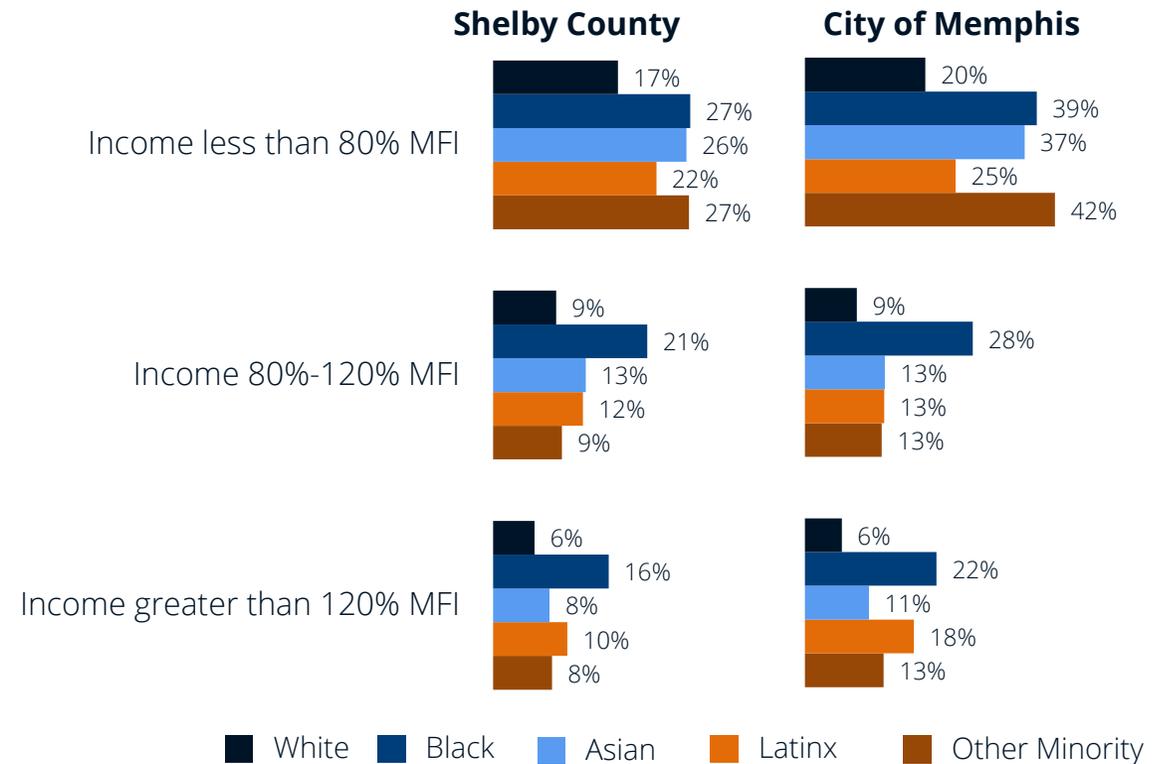
**Black applicants are denied financing at higher rates than white, Asian, Latinx and other minority groups across all income levels.**

Disparities by race/ethnicity are greatest in Memphis and overall denial rates are higher, with a citywide denial rate of 27%, which is more than 10 percentage points higher than the rest of county.

**Low-income households are disproportionately denied for financing,** demonstrating that even if homes are selling at prices affordable to households at 80% AMI, gaining financing is a barrier to homeownership.

**The problem is worse for low-income Black, Asian, and other non-Latinx applicants of color within the City of Memphis,** who on average are twice as likely to be denied for financing as white applicants.

## Home Loan Denial Rates, 2019



Source: Federal Financial Institutions Examination Council (2019)

# Housing Needs | Access to Capital

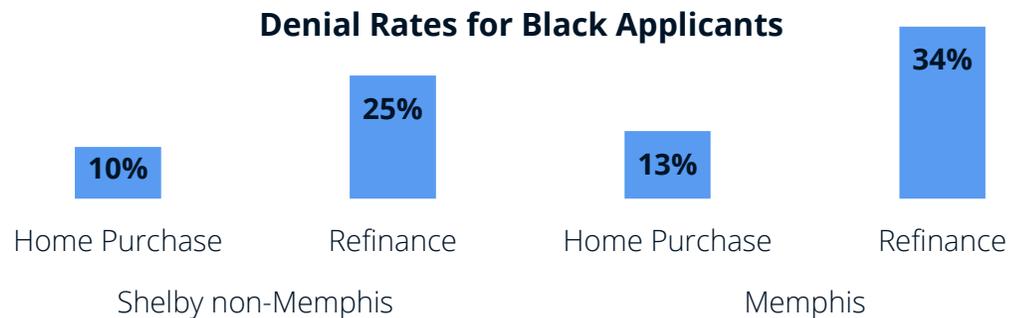
There are many reasons why denial rates may be higher for certain racial and ethnic groups, but **the most common reason for denial is credit history.**

**Credit history is the most common reason mortgage applicants are denied,** particularly among Black applicants, who are nearly twice as likely to be denied due to credit history as white applicants.

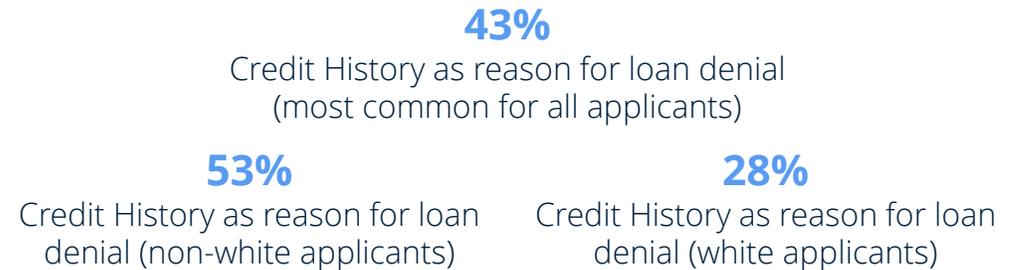
**This trend holds true regardless of income level for Black applicants,** who are denied between 35% and 40% of the time due to credit history, regardless of income level.

**Denial rates due to credit history is related to the bankruptcy crisis.** While bankruptcy filings in Shelby County have declined since the 2009 fiscal crisis, bankruptcies still outpace national averages approximately four times to one, and bankruptcies occur twice as frequently in Shelby County compared to the state of Tennessee.

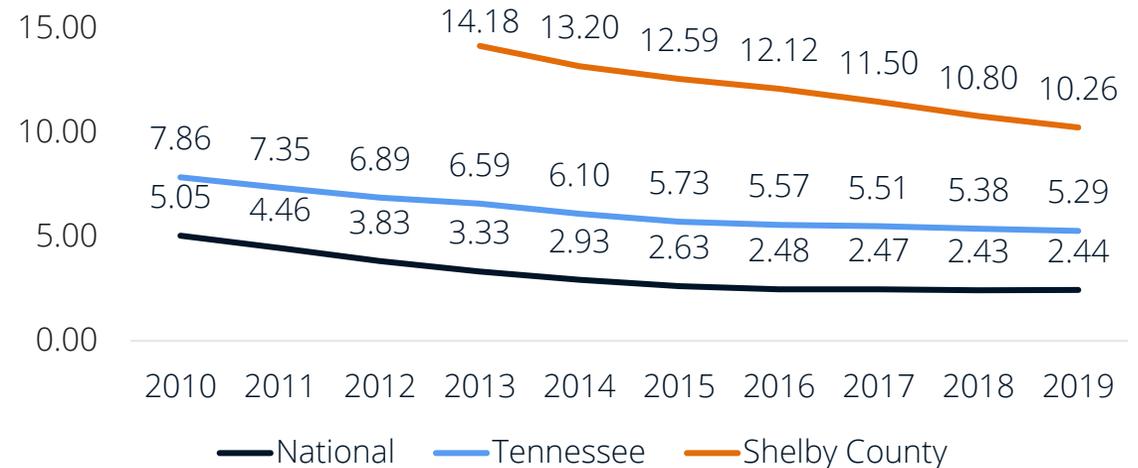
**Notably, Black applicants are more than twice as likely to be denied for a refinance than a purchase,** suggesting even existing homeowners struggle to gain access to capital.



Source: Federal Financial Institutions Examination Council (2019)

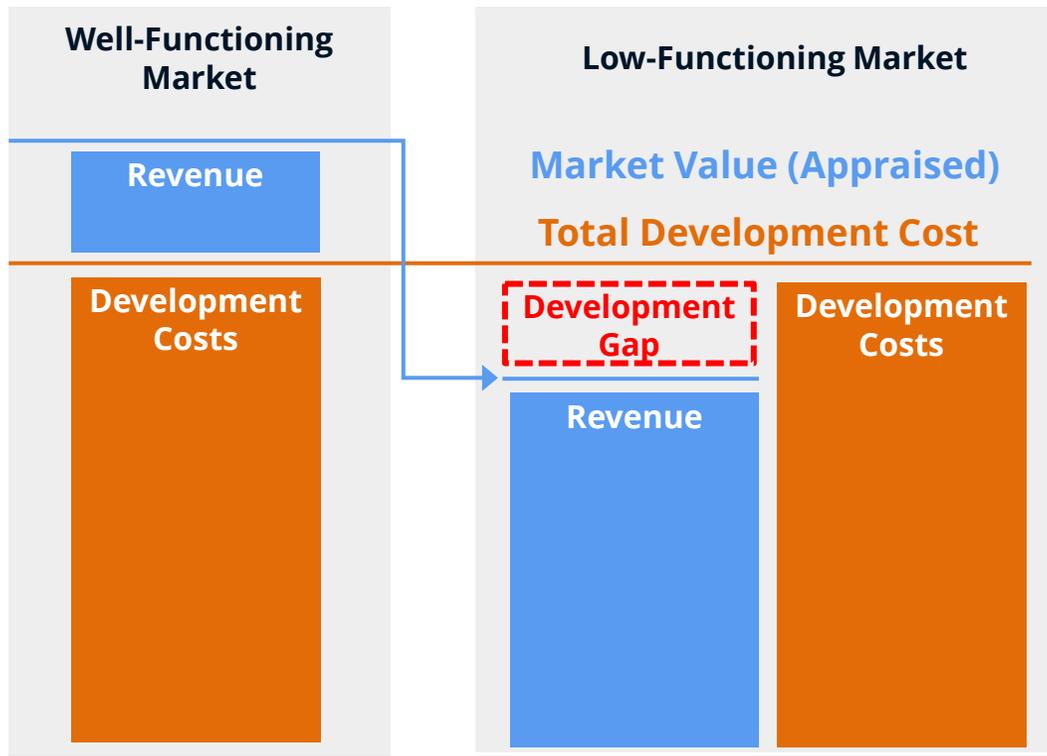


**Personal Bankruptcy Filings per 1,000 residents, 2010-2019**



# Housing Needs | Development Constraints

In functioning housing markets, **sellers can build homes cheaper than the sale price, and households are able to afford purchasing houses.**



**Economic and housing trends combine to create gaps in the for-sale housing market.**

**In well-functioning housing markets, new homes are sold at price points greater than the cost of development**, resulting in revenue for the developer of the home. With existing homes, a similar process applies, where homeowners can sell their properties at a higher value than they purchased, in part due to improvements made on the home.

However, **a development gap arises when the cost of development exceeds the value a home can be sold for**, causing new development and/or reinvestment in homes to be infeasible. This could be caused by a host of reasons, including lack of access to financing, construction costs, permitting processes and land use constraints, and a weak home sales market, among others.

**Development gaps cause several problems** including a lack of reinvestment since investors and households cannot gain a return on renovations. Additionally, development gaps can create **appraisal gaps**, limiting access to financing, because appraisals do not align with the for-sale price of the house (i.e. the house is not worth the value at which it is sold.).

Source: HR&A Analysis

# Housing Needs | Development Constraints

**Memphis and Shelby County have a development gap for single-family rehabilitations,** demonstrating the economics leading to a cycle of disinvestment in housing.

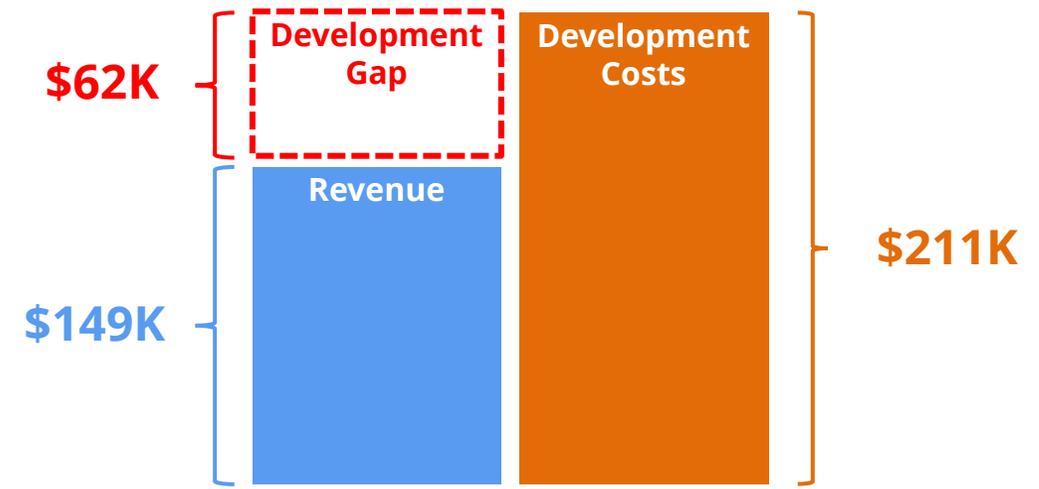
**The city and county have a development gap for rehabilitated units of approximately \$62K on average.** Based on County tax assessment and construction cost data received from stakeholders, on average it costs approximately \$211K to acquire and rehabilitate a home to market condition. However, houses are only selling for \$149K. This results in a \$62K development gap within all of Shelby County.

**The development gap is not evenly felt, harming some neighborhoods more significantly than others.** At least 6,000 single-family structures have been bought and sold since 2019, over 75% of which saw an increased sale price of at least \$25,000, demonstrating market viability for some homes to be bought, improved, and sold.

**This problem is especially prevalent in the City of Memphis,** where the median house is selling for nearly \$50,000 less than houses in the rest of Shelby County. This corresponds to an older housing stock present in Memphis, which exacerbates the rehabilitation challenges within the City.

While the average sale price for new construction does not indicate a development gap, **there are neighborhoods where new construction is not occurring,** in part due to low market values, demonstrating the uneven development gap throughout the county.

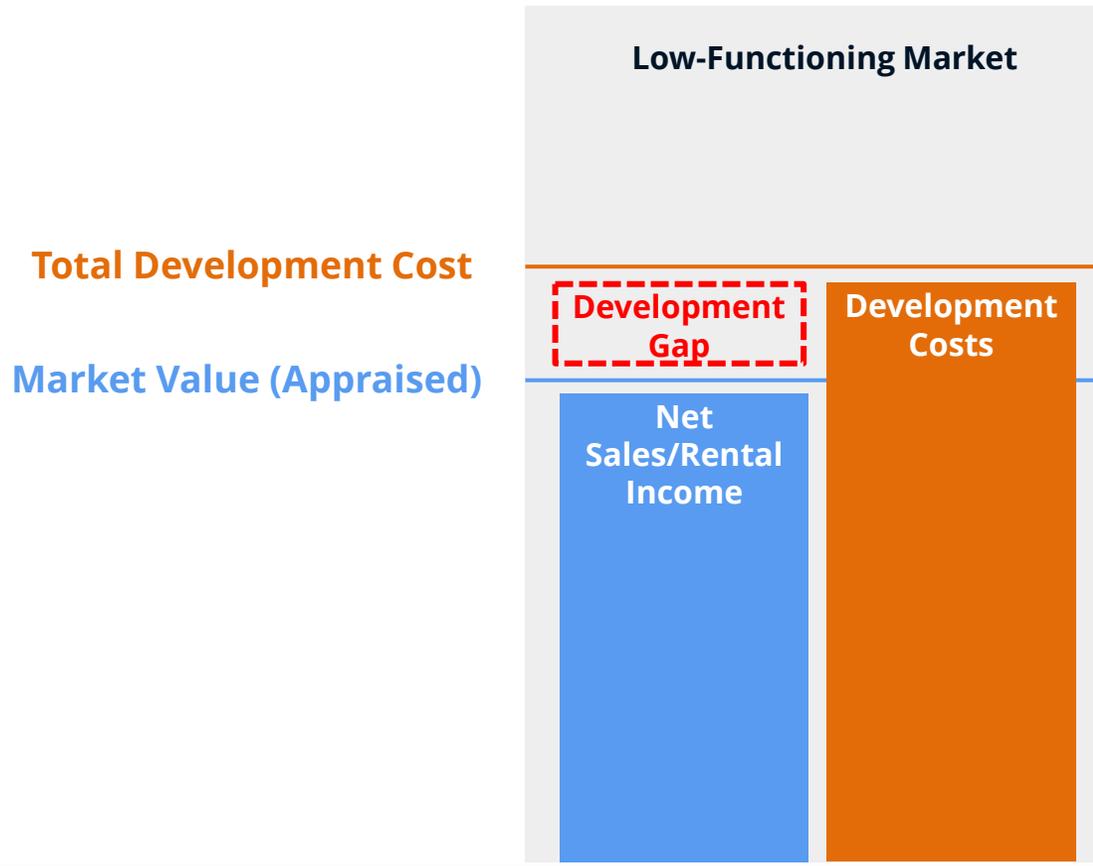
	Rehab	New Construction
Acquisition Costs	(\$83K)	(\$20K)
Development Costs	(\$128K)	(\$192K)
Average Market Sale Price	\$149K	\$298K
Baseline Development Gap	(\$63K)	\$86K (No Gap)



Source: HR&A Analysis of Shelby County Tax Assessment Data

# Housing Needs | Development Constraints

Shelby County can leverage **land use policies** to close the development gap.



When housing markets do not function properly, the cost to construct units is greater than the price those units are sold or rented. **This is the condition many neighborhoods in Shelby County face.**

To address the development gap, policies need to change to either **reduce the cost of development or increase the amount of revenue developers receive through sales or rents.**

**Streamlining administrative and regulatory procedures** can help address the development gap. Changes that decrease the amount of time to develop properties, lower fees on new development (particularly affordable housing developments), and streamline construction will decrease the development costs on any given project. In some cases, regulatory changes alone sufficiently address the development gap.

In other cases, reducing development costs is not enough, but increasing revenue is necessary to make development feasible.

Source: HR&A Analysis

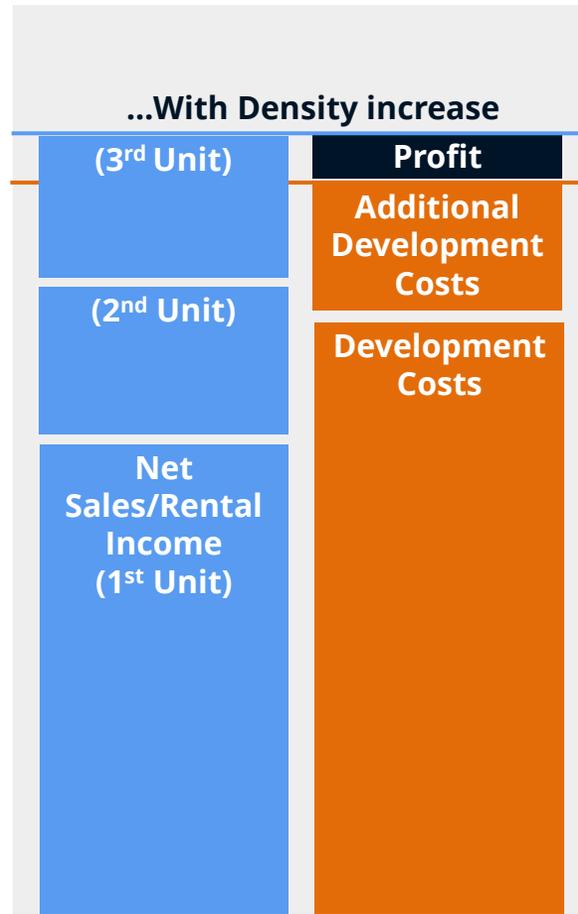
HR&A Advisors, Inc.

# Housing Needs | Development Constraints

Shelby County can leverage **land use policies** to close the development gap.

Market Value (Appraised)

Total Development Cost



One way to increase revenue is by increasing density. As land use allows for higher density, the cost of development increases, **but so does the potential revenue a property can capture.** If the increased revenue is greater than the increased cost, increasing density closes the development gap as illustrated on the left.

**Increasing missing middle housing (such as two-to-six-unit structures) helps address the development gap** by providing additional revenue opportunities for investors, while decreasing the per unit cost of development. Policies to make two-to-six-unit development feasible will help to fill the development gap for local developers.

**Allowing accessory dwelling units (ADUs) by-right** similarly targets the development gap, including for existing homeowners who may use the additional income to support renovations on their primary unit.

**Broad neighborhood reinvestment, such as neighborhood infrastructure** (e.g. parks, sidewalks, etc.), can also close the development gap by increasing sales prices for new and renovated units.

**In many of the neighborhoods, particularly those that are Sustain anchors, the development gap can be addressed through land use.** For other neighborhoods, such as those within Nurture and Accelerate anchors, there may need to be funding made through rebate programs and supportive financing. Within Memphis, market conditions vary, but there are many areas that are disinvested in. Bringing them up to par with Sustain Anchors that are market ready and supported will help reverse the citywide trend of disinvestment.

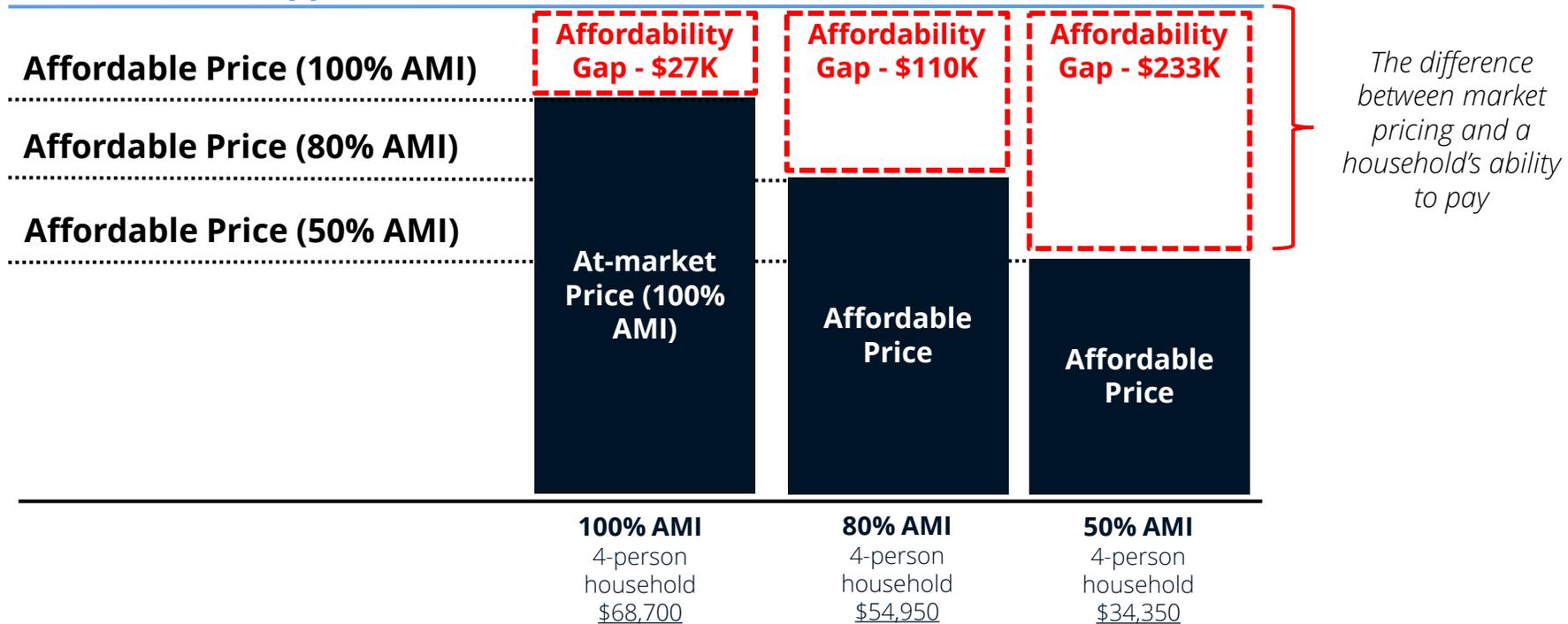
Source: HR&A Analysis

# Housing Needs | Affordability Gap

Shelby County also has an affordability gap, where households are unable to afford newly constructed homes.

Shelby County's housing market experiences affordability gaps for newly constructed units. An affordability gap occurs when houses are sold at price points beyond the means of households. In Shelby County, the median newly constructed unit is unaffordable to all households at or below 100% area median income (AMI), which according to the Department of Housing and Urban Development (HUD) is \$68,700 for a four-person household in Shelby County.

## Market Value (Appraised)

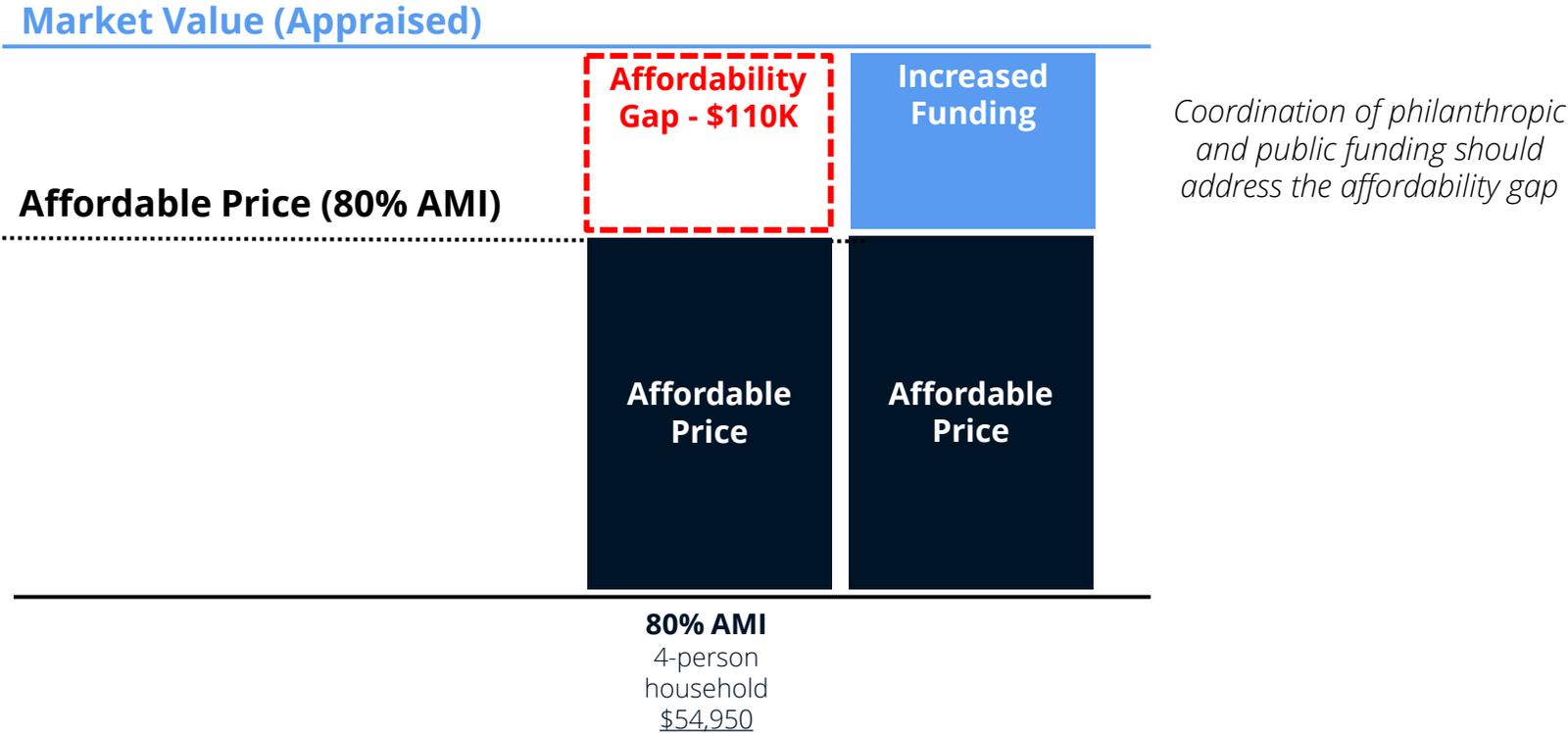


Source: HR&A Analysis

# Housing Needs | Affordability Gap

Increased funding from philanthropic and public sources combined with tools to decrease construction costs can address the affordability gap.

Coordinating philanthropic and public funding will help to address the affordability gap, particularly for households at 100% AMI who on average have an affordability gap of \$27K for newly constructed units. However, for households at 80% AMI and below, additional funding alone is insufficient to make a significant impact, due to the large affordability gap, requiring further land use and regulatory changes to decrease the price of homes.



Source: HR&A Analysis



# Existing Programs

# Existing Programs | Overview

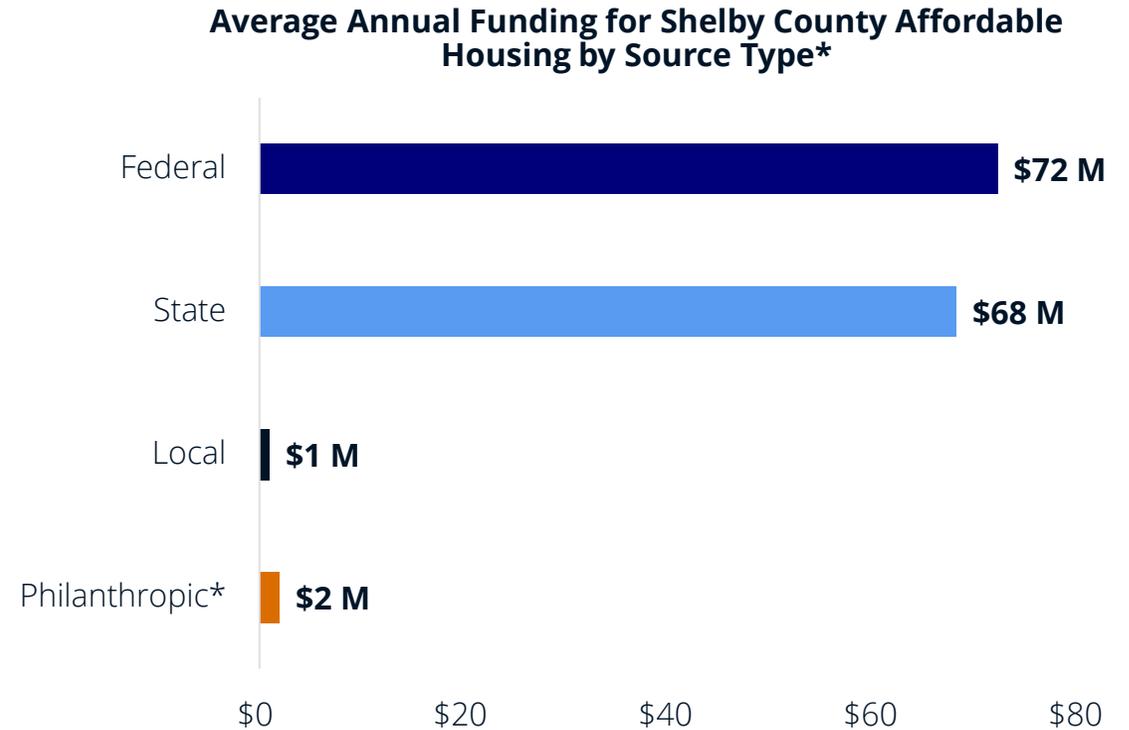
Shelby County and Memphis' **existing housing programs are limited in scale relative to the housing need**. Most focus on preservation of housing as opposed to new production.

Within Shelby County and Memphis, there are **32 different housing programs** that focus on rehabilitation, unit production/preservation, or supportive housing services.

The total annual funding allocation for these programs is **\$143 million**, the majority of which comes from the federal government.

Funding for housing programs in Shelby County are **dominated by Federal and State funding**, which can be accessed by local actors, but is often tied to burdensome reporting or administrative requirements, making these sources of funding less efficient in some circumstances.

Due to their reliance on grant funding, these programs are **limited in scale** and fail to address local housing needs.



\*See Appendix 1 for comprehensive analysis of existing programs and funding.

Source: Department of Housing and Urban Development (2018, 2019 and 2020), Tennessee Housing Development Agency (2020), Memphis City (2020), Shelby County (2020)

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# Existing Programs | Context

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## Improve Housing Quality

Local nonprofits and government agencies run a few programs to help with repairs through grant funding. They **do not meet local need**, nor are they appropriately designed to respond to larger market failures.

Several local nonprofits and the THDA (Tennessee Housing Development Agency) run **12 programs** to fill this gap, but with **limited scale**. About 130 units are preserved/produced annually with \$2.2M of funds (50% from the Memphis Affordable Housing Trust Fund).

Existing rehabilitation and housing quality **programs run independently** and fail to come close to meeting the scale of the issue, leaving a large segment of the market unserved.

Many **programs focus on critical home repairs** for low-income homeowners as opposed to larger reinvestments in the housing stock. There are almost no programs for landlords or developers to improve properties.

The lack of grant capital is the **largest limiting factor** in the expansion of new and existing programs that addressing housing quality and critical repairs.

## Support Homeownership

Local nonprofits and government agencies run **three types of programs** that address homeownership needs in Memphis.

Down payment assistance programs from the City and County grant or lend down payment funds and help first-time homebuyers secure homeownership. **These programs supported approximately 150 households in 2020.**

The City and County also support homeownership production programs, which are supply-side tools that stimulate the supply of housing in the region. In total, there are 5 programs that have an **annual production of over 450 units.**

Lastly, there are **two mortgage programs that help over 200 families a year** by keeping their monthly payments low.

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# Existing Programs | Context

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## Diversify Housing Stock

Currently, local government agencies are **leading the production** of missing middle housing in Memphis.

“Missing Middle” housing refers to a range of building types compatible in scale and form with **detached single-family homes but include multiple housing units**, such as duplexes, townhouses or smaller apartment buildings.

The Health, Educational, and Housing Facility Board’s PILOT awards a **~10-year tax freeze** to owners to encourage construction of new multi-family housing (not including small-scale multi-family) and rehabilitation of existing housing for low- to middle-income residents.

## Increase Quality Low-Income Housing

Low Income Housing Tax Credits (LIHTC) are the most prominent funding source for rental affordable housing. However, the county has received fewer LIHTC units since 2009.

In the city and county, there is a deficit of over 30,000 quality affordable housing units. However, **there are not enough federal or state dollars to address the need**. Nearly half of all Memphis renters are cost burdened, meaning they spend more than 30% of their household income on housing.

Current LIHTC production, which has **declined substantially since 2009**, is insufficient to meet local demands for affordable housing. Over 80% of all LIHTC units were constructed before 2010.



# Recommendations

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# Recommendations | Approach

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Working in collaboration, the County and City can influence the structural barriers to a healthy housing market: the economics of housing, access to housing financing, and the amount and alignment of public and philanthropic funding. Their focus will be on three areas.

## Housing Economics

It costs more to build or rehabilitate a home than the home is worth in many areas within Shelby County. As a result, there is not enough investment to maintain existing homes, leading to blight, and not enough new homes to attract homebuyers and households with higher incomes. The underinvestment reinforces itself by leading to increased blight, lower quality properties, and a growing gap between the cost to build and rehabilitate housing and the returned value on that house.

## Financing Access

A healthy housing market requires property owners with access to financing to build, purchase, maintain, and repair homes. Currently, a significant portion of property owners in Shelby County cannot access housing financing. New financing products that leverage public and philanthropic guarantees are necessary to expand the flow of investment into housing in Shelby County.

## Public & Private Commitment

The need for affordable housing is several orders of magnitude greater than the funding available for it. Existing public and philanthropic funds need to be deployed in a coordinated and strategic fashion and steadily scaled-up over time.

This Housing Policy Plan recommends solutions for addressing each of these structural barriers to a healthy housing market in Shelby County.

**Land Use**   **Land Activation**   **Tax Reform**

**Financing**

**Funding**

# Recommendations | Overview

The City of Memphis and Shelby County have the capacity to mitigate the region’s growing housing crisis by deploying a set of recommended tools to address residents’ housing needs. There are five primary actions the City and County must undertake for the implementation of the Housing Policy Plan to become actionable and achieve success.

Housing Economics	<b>Land Use</b>	<b>Reform land use regulations to allow for new types of housing that are economically viable by decreasing development costs and simplifying the entitlement process.</b>
	<b>Land Activation</b>	<b>Activate land in the county by clearing tax and legal encumbrances and returning it to the market for investment and use.</b>
	<b>Tax Reform</b>	<b>Address property tax policies to support reinvestment in the housing stock and new development, while limiting displacement pressure on existing homeowners.</b>
Finance Access	<b>Financing</b>	<b>Expand the availability to financing for purchasing, developing, and rehabilitating housing by providing public or philanthropic guarantees for private financing.</b>
Public/ Private Alignment	<b>Funding</b>	<b>Align public funding by combining and redesigning existing housing programs and scaling up local public and philanthropic funding.</b>



# Land Use

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# Land Use | Overview

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Memphis and Shelby County will **reform land use regulations to allow for new types of housing that are economically viable** by decreasing development costs and simplifying the entitlement process.

Memphis and Shelby County can reform land use policies to increase housing options and make housing development more economically feasible. Land use reforms influence the economics of new development and the cost of housing without public investment. Land use reform will allow the market to provide more of the housing needed but will not address the need for deeply affordable housing which will still require public funding.

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<b>Amend the Unified Development Code to Encourage ADU Development</b>	Increase the <b>flexibility to permit Accessory Dwelling Unit</b> (ADU) development by adopting new land use regulation.
<b>Allow Cottage Development on Narrow Platted Lots</b>	Amend the Unified Development Code to <b>permit cottage-style homes on platted lots under 45 feet wide</b> . Determine which parcels should be developed, consolidated with adjacent parcels, or dedicated as open space.
<b>Update Zoning for Small-Scale Residential Development</b>	Continue updating zoning to <b>allow two-to-six-unit development</b> in anchor neighborhoods while limiting displacement of low-income communities.
<b>Support Multifamily, Transit-Oriented Development</b>	Support <b>concentrated density</b> along high frequency transit corridors by expanding by-right multifamily development in transit corridors.
<b>Reform the Building Code for Small-Scale Residential Development</b>	Adopt local amendments to allow three-to-six-unit residential buildings to be reviewed as <b>residential buildings instead of commercial</b> to reduce the cost of development.

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This remainder of this chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

# Land Use | Amend the Unified Development Code to Encourage ADU Development

Increase **flexibility to permit Accessory Dwelling Unit** (ADU) development by reducing the lot size requirement for parcels eligible to construct ADUs.

## Context

**Memphis and Shelby County currently allow ADUs by-right.** However, ADU development has been slow to-date. The current land use regulations limit ADU development to lots over 10,000 square feet, which applies to approximately 52% of residential parcels in the county compared to 42% of residential parcels within the City of Memphis. Most of these parcels are outside the city's core where ADUs would provide opportunities for density. While ADUs provide limited impacts on affordability, they are an **important tool to increasing housing options**, including for aging homeowners who require assistance or homeowners seeking an income stream to support homeownership costs.

## Recommendations

**The City and the County will amend its current ADU ordinance to streamline development and increase the number of eligible parcels.** To broaden the impact of ADUs on housing affordability, the County will:

- Increase the number of lots on which ADUs can feasibly be built by adopting proposed changes to decrease the minimum lot size requirement to 4,000 square feet, decrease the parking requirement, and increase the maximum allowable square footage of the ADU.

To further improve and support the ADU ordinance updates, the City and County can:

- Allow detached ADUs to be constructed before the primary residence. This reduces timeline constraints on ADU development.
- Expand the definition of an ADU to include attached dwelling units, allowing ADU development on parcels that are too small to feasibly support a detached ADU.
- Develop a funding stream to provide financing for owners pursuing ADU development, or other incentives to make ADU development more accessible.
- Provide design assistance for owners pursuing ADU development.
- Allow more than one ADU on a parcel.

Source: Shelby County Tax Assessors Office

Accessory Dwelling Units are additional living quarters located on single-family lots, with the living spaces independent from the primary home. ADUs, sometimes called mother-in-law units, can be built as separate structures or as a part of the primary structure.

**"By-right"** refers to development that can be built without requiring rezoning, a special use permit, or other City approvals. Allowing development by-right makes development processes more predictable and streamlined, which encourages new development.



# Land Use | Amend the Unified Development Code to Encourage ADU Development

## Impacts

**Adjusting land use policies to support ADU development will expand the number of ADUs in Memphis and Shelby County while producing affordable rental units.** The increase in ADUs alone will modestly contribute to the availability of rental units in high-opportunity single-family neighborhoods. However, programs in other cities have demonstrated that ADUs will only support affordability if funding is available to develop units, the City and County will also explore how to further support funding ADU production.

## Plan Objectives

<b>Diversify Housing Stock</b>	Pursuing “soft density” options such as ADU development, townhomes, duplexes, or triplexes, increases housing options, particularly options other than single-family housing and dense multifamily structures. Increasing ADU production allows for more parcels with at least two units on site.
<b>Increase Quality Low-Income Housing</b>	By nature, ADUs are designed to be a more affordable housing option, as they are limited to a maximum of 800 square feet. However, this goal needs to be balanced with the reality that households may choose to use additional on-site structures as lodging options for out-of-town visitors rather than Shelby County residents and that these structures likely won’t achieve deeper levels of affordability.
<b>Support Homeownership</b>	ADUs can provide homeowners an additional source of revenue to support mortgage payments, home improvements, or other opportunities to build wealth or pay off debt.

## Implementation

**Lead Organizations:** Memphis and Shelby County Division of Planning and Development (DPD)

**Timeframe**

**Supporting Partners:** Memphis Division of Housing and Community Development (HCD)

Year One

1. Engage community on proposed zoning changes - DPD as lead and HCD as support
2. Develop specific language to change subject provisions of the UDC - DPD as lead and HCD as support
3. Bring recommended changes to City Council and County Commission - DPD as lead and HCD as support

# Land Use | Allow Cottage Development on Narrow Platted Lots

**Strategically reuse parcels with a lot width under 45 feet** by allowing cottage-style development, consolidating with adjacent parcels, or dedicating as open space.

## Context

Shelby County has over 23,000 units on parcels with lot widths less than 45 feet, the minimum width permitted in the R-6 zoning district. These parcels cause development challenges, limiting the viable housing options for these parcels. Further, due to a 1986 zoning change, over 20,000 of these parcels are nonconforming with existing zoning, requiring any future development to come into conformance with the updated zoning or receive a development variance. These parcels comprise almost 50K acres of land, **representing a significant amount of untapped land available to address Shelby County's housing needs.**

## Recommendations

**The City and the County will work to reactivate legally platted, non-conforming lots to meet affordable housing development needs.** This process will include:

- Amending the Unified Development Code to allow cottage housing types in the R-6 district where a legally platted lot of width under 45 feet exists and amend the side yard setback requirements for cottages in the R-6 and RU residential districts.
- Combining infill strategies developed as part of Memphis 3.0 – the Vacant Lot Activation Toolbox and the Infill Housing Strategy developed as part of small area planning – into a set of options for reuse of narrow lots, including affordable single-family housing, open space, consolidation with adjacent parcels for multifamily development, and others.
- Updating the Vacant Lot Activation criteria and map opportunity sites to determine which parcels are most suitable for each of these re-use categories.

**Non-conformance** occurs when zoning changes occur after structures have been developed. When zoning changes cause structures to be nonconformant, they are typically allowed to remain as-is until they are redeveloped, at which point, they must **conform** with existing zoning laws.

**Cottage housing** refers to developments of multiple single-family houses on a single parcel of land. The units are often smaller (~1,000 square feet) and can serve as a middle ground between single-family housing and small multifamily development.

Source: Shelby County Tax Assessors Office

# Land Use | Allow Cottage Development on Narrow Platted Lots

Impacts	By targeting reuse of existing lots under 45 feet, <b>Memphis and Shelby County can restore land back to more productive use</b> , adding affordable housing and open space throughout the city and county.	
Plan Objectives	<b>Improve Housing Quality</b>	By reactivating currently undevelopable parcels, the City and County can spark neighborhood-level reinvestment by allowing context-appropriate, small-scale development. Further, consolidating parcels to make more multifamily development feasible is an added benefit to housing quality and targeted density.
	<b>Diversify Housing Stock</b>	Parcels that are currently too small for development can be consolidated to support two-to-six-unit development, increasing the missing middle stock throughout the city and county.
Implementation	<p><b>Lead Organizations:</b> Memphis and Shelby County Division of Planning and Development (DPD)</p> <p><b>Supporting Partners:</b> Memphis Division of Housing and Community Development (HCD)</p> <ol style="list-style-type: none"> <li>1. Engage community on proposed zoning changes - <u>DPD as lead and HCD as support</u></li> <li>2. Develop specific language to change subject provisions of the UDC - <u>DPD as lead and HCD as support</u></li> <li>3. Bring recommended changes to City Council and County Commission - <u>DPD as lead and HCD as support</u></li> <li>4. Develop strategy for vacant property re-use - <u>DPD as lead and HCD as support</u></li> </ol>	<p><b>Timeframe</b></p> <p>Years 2-3</p>

# Land Use | Update Zoning for Small-Scale Residential Development

Change the City and the County's zoning to **allow two-to-six-unit development in more places.**

## Context

**The majority of Shelby County is comprised of single-family housing at 68% followed by large multifamily development at 21%**, with few options for households that would prefer – or better afford – to live in a small home, townhome, duplex, triplex, or multiplex, which comprise only 12% of all housing structures. Allowing two-to-six-unit structures, particularly within the City of Memphis, can increase housing options, provide different levels of quality, affordable housing within existing neighborhoods, and help reduce the trend of conversions of single-family homes from owner-occupied to rental. This density increase can also support other goals, such as promoting more transit-oriented development.

**“By-right”** refers to development that can be built without requiring rezoning, a special use permit, or other City approvals. Allowing development by-right makes development processes more predictable and streamlined, which encourages new development.

## Recommendations

**Memphis and Shelby County will evaluate several considerations for encouraging small-scale multifamily development, including:**

- Follow the Memphis 3.0 Objective 1.4 recommendations for anchor neighborhoods appropriate for two-to-six-unit development.
- Begin implementation of this recommendation by amending the zoning code to allow conversions to two-to-six-unit structures in anchor neighborhoods by-right.
- Amend the zoning code to allow townhomes in RU-1 by-right, allow townhomes in R-6, and multifamily large homes in RU-1 by conditional use permit.
- In addition to allowing more types of housing, the zoning update will consider opportunities to reduce minimum lot sizes and parking requirements
- Develop a rebate to support two-to-six-unit development and develop public and private funding streams for developers of small multifamily development, such as those offered by United Housing.
- While this recommendation focuses on development within the City of Memphis, other cities within the county may want to adopt a similar approach. In which case, they will also identify neighborhoods where increased density is the most appropriate.

*Source: American Community Survey 5-Year Estimates (2019)*

# Land Use | Update Zoning for Small-Scale Residential Development

## Impacts

**Allowing by-right development of two-to-six-unit structures can increase the Shelby County housing stock.** These increased housing choices will allow more households to achieve quality housing within their means and stabilize the housing market to allow for redevelopment of older units and the infill of existing neighborhoods. The developed units can be rental or for-sale, allowing more entry-level homeownership options. Further, pursuing single-family to multifamily conversions will make redevelopment of Shelby County's older housing stock feasible while promoting more affordable options.

## Plan Objectives

<b>Support Homeownership</b>	Two-to-six-unit structures can be developed as for-sale units, creating lower cost entry-level homeownership opportunities. Additionally, developing high quality two-to-six-unit rentals can ease recent trends of owner-occupied to renter-occupied conversions.
<b>Diversify Housing Stock</b>	Addressing zoning helps increase the number of two-to-six-unit structures and diversify the stock of high-quality rental and works in coordination with other reforms aimed at enabling growth of this building type.

## Implementation

**Lead Organizations:** Memphis and Shelby County Division of Planning and Development (DPD)

**Supporting Partners:** Memphis Division of Housing and Community Development (HCD)

1. Engage community on proposed zoning changes - DPD as lead and HCD as support
2. Develop specific language to change subject provisions of the UDC - DPD as lead and HCD as support
3. Bring recommended changes to City Council and County Commission - DPD as lead and HCD as support

Shelby County municipalities outside of Memphis may also desire to pursue these changes

## Timeframe

Ongoing starting in year 2

# Land Use | Support Multifamily, Transit-Oriented Development

Memphis and Shelby County will adopt a zoning overlay to **increase the production of multifamily housing** and expand feasible **by-right development in high frequency transit corridors**.

## Context

**Memphis and Shelby County's current zoning and development policies limit the production of multifamily housing and mixed-use properties.** Around 70% of the housing units in Shelby County are single-family structures, most of which are detached. Most multifamily development has occurred in downtown Memphis. The City of Memphis can leverage its high frequency transit corridors, such as the planned Bus Rapid Transit (BRT) corridor along Union and Poplar Avenue, to concentrate dense multifamily development and promote more transit-oriented development.

Furthermore, banks have traditionally been hesitant to provide financing due to market conditions and the lack of comparable developments in the city and county. There are also land assemblage challenges to multifamily development. The City and County can help address these problems by working with developers to identify additional capital, such as PILOTs and the Community Investment Tax Credit (CITCI), and by reducing barriers for land consolidation.

## Recommendations

**The City and County will adopt a transit-oriented zoning overlay and adjust existing overlays in order to increase by-right multifamily development on high frequency transit corridors.** Revisions will include:

- Adopt the transit-oriented development (TOD) overlay proposed for the Memphis Innovation Corridor and apply to select areas, prioritizing dense multifamily, mixed-use development, and transit services.
- Allow multifamily along the corridor and restructure restrictions on height, density, setbacks, and parking to ensure that multifamily and mixed-use development is feasible by-right.
- Permit single-family attached, semi-attached, two-family, and townhouse development within ¼ mile of transit corridors by-right as part of the TOD overlay.
- **Identify tools to incentivize affordable housing units** for all new multifamily construction, such as density bonuses, parking reductions, tax abatements, or affordable housing zoning overlays.

Further Reading: <https://www.memphis3point0.com/innovation-corridor>

# Land Use | Support Multifamily, Transit-Oriented Development

## Impact

**Restructuring multifamily zoning and approval processes will increase the production of new housing in Memphis and Shelby County and support stabilizing rents through increased supply.** Encouraging the development of **multifamily housing in areas near employment or transit** will create denser urban nodes and better access to jobs. To stabilize rents and increase housing supply, these changes will be focused within Memphis and surrounding areas as appropriate. The City and County will also identify ways to incentivize increased affordable housing supply in tandem with these updates.

## Plan Objectives

<b>Improve Housing Quality</b>	Increased multifamily development attracts neighborhood reinvestment in existing housing stock.
<b>Increase Quality Low-Income Housing</b>	Affordable housing production is often more feasible within the context of multifamily development. Pairing increased multifamily development with affordable housing incentives encourages mixed-income, high-quality neighborhoods with access to nearby services.

## Implementation

**Lead Organizations:** Memphis and Shelby County Division of Planning and Development (DPD)

**Supporting Partners:** Memphis Division of Housing and Community Development (HCD)

1. Engage community on proposed zoning changes - DPD as lead and HCD as support
2. Develop specific language to change subject provisions of the UDC - DPD as lead and HCD as support
3. Bring recommended changes to City Council and County Commission - DPD as lead and HCD as support

**Timeframe**  
Within one year

Source: American Community Survey 5-Year Estimates (2019)

# Land Use | Reform the Building Code for Small-Scale Residential Development

Memphis and Shelby County **recently updated its building codes** to allow three-to-six-unit structures to follow the residential building code, rather than the commercial building code.

## Context

Under the International Building Code, three-to-six-unit structures are treated as commercial structures, increasing costs for reinvestment and new development of small residential structures. Builders and developers of these smaller structures tend to be single-family developers and builders, more familiar with the International Residential Code, and not commercial builders with commercial building licenses. **By making this change, Memphis and Shelby County made small-scale multifamily development more feasible by decreasing costs and increasing the types of builders and developers that can work on these projects**, which in turn will help to increase the housing choice options throughout the county.

## Plan Objectives

### Improve Housing Quality

Making missing middle housing development more economically feasible through zoning and building code updates encourages reinvestment on a neighborhood scale, benefiting the overall housing stock and improving quality.

### Diversify Housing Stock

One of the primary barriers to missing middle development was the building code standards. By treating two-to-six-unit development as residential rather than commercial, development economic feasibility is improved, helping to increase the small multifamily stock.

## Implementation

**Lead Organizations:** Memphis and Shelby County Division of Planning and Development (DPD)

**Supporting Partners:** Memphis Division of Housing and Community Development (HCD)

1. Conduct a review of the land use standards and unified development code (UDC) regulations that hamper multifamily development - DPD as lead and HCD as support
2. Identify administrative burdens and regulatory barriers that drive up the cost of development - DPD as lead and HCD as support
3. Address process improvement needs in local permitting and regulatory procedures - DPD as lead and HCD as support

## Timeframe

Years 1 through 5



# Land Activation

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# Land Activation | Overview

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**Activate land** in the county by clearing tax and legal encumbrances and returning it to the market for investment and use.

Property entangled by tax liens or unclear title to ownership cannot access financing and be developed, sold, or repaired. As a result, these properties tend to become vacant and blighted. Clearing tax liens and title issues arising from unclear ownership (also known as a cloudy title) **allows properties to return to productive use**. This in effect will help provide quality housing, generating property taxes and improving the conditions of the neighborhood.

Shelby County and the City of Memphis will **focus efforts to activate land in anchors identified in Memphis 3.0**. These areas have the greatest opportunity to take advantage of private investment and will more quickly attract investment that will return land to productive use.

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## Reform Title Clearance Process

Reform the ability of the Blight Authority of Memphis and the Shelby County Land Bank entities to clear title for properties facing tax foreclosure and **return currently unproductive land to the market** for use.

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## Enhance the City's Property Maintenance

Revise code enforcement to include **addressing problem properties and focusing efforts on returning them to use**.

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## Establish Heir Title Assistance Programs

**Provide title assistance for heirs** seeking to clear title and for elderly residents wishing to ensure that ownership is conveyed clearly after they pass.

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The remainder of this chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

# Land Activation | Reform Title Clearance Process

**Improve the Shelby County Land Bank (SCLB) and Blight Authority of Memphis' (BAM)** ability to return properties that are off-market due to tax liens to productive use. This can be done through several measures, the most significant being title clearance reform.

## Context

Many of the properties absorbed by land banks are acquired through delinquent property taxes. **Collectively, the Shelby County Land Bank and BAM have over 4,500 properties available, but typically sell between 1,000 to 1,200 properties annually.** The land banks often face issues with property disposal as there is no statute of limitations for people to dispute a title issue. Making it difficult for prospective property owners to acquire and improve unproductive land that land banks offer for sale. The City and County will advocate for changes to state law to help clear titles on properties.

## Recommended Changes

The SCLB and BAM can undertake several changes to improve the availability of developable properties:

- Reform state policy to **grant both land banks the authority to clear titles on properties.** Properties cannot be redeveloped without title insurance because lenders will not make loans to purchase or improve the property. Title insurance companies are unwilling to issue title insurance on properties that are sold by the SCLB and BAM because their legal authority to extinguish title claims is not clearly established in law. **The City and County will advocate for changes to State law to firmly establish the authority of land banks to clear title.** Until this is established, the land banks will struggle to perform their central mission.
- **Shorten the redemption period the longer a property has been delinquent** to increase the availability and efficiency of property sales. The current system has no statute of limitations for disputes. By contrast, in most states, property owners have a legal right to buy back the property within a statutorily defined period that can be up to two years after foreclosure. In a revised system for Shelby County, this can be set as the default redemption period, decreasing the relative length of the delinquency period.
- Continue and **expand discounted public sales or donations to non-profits and affordable housing developers.** Notably, the Shelby County Land Bank recently donated over 70 properties to local nonprofits to redevelop blighted land. The donation or sale of property supports redevelopment because it serves as an incentive for developers that already operate on tight margins.

## Vacants to Value Initiative\*

In 2010, Baltimore City launched a targeted, neighborhood-based effort to transform vacant housing stock into workforce housing. Through a comprehensive program of enhanced code enforcement, public/private partnerships, and homebuyer incentives, the program has helped the revitalization of many of the city's distressed neighborhoods.

The Vacants to Value program works to harness market potential in areas of strength within 24 distressed areas designated by the city and known as Community Development Clusters. The city established these Clusters in partnership with for- and non-profit developers committed to creating new workforce housing opportunities by acquiring and rehabilitating every vacant property made available through Vacants to Value within the designated Clusters.

*\*While Memphis is a different market, this example serves as a useful precedent for revitalization efforts.*

Source: Shelby County Land Bank, BAM

# Land Activation | Reform Title Clearance Process

**Improve the Shelby County Land Bank (SCLB) and Blight Authority of Memphis' (BAM)** ability to return properties that are off-market due to tax liens to productive use. This can be done through several measures, the most significant being title clearance reform.

## Recommended Changes

The Shelby County Land Bank and BAM can undertake several changes to improve the availability of developable properties (continued):

- Support productive use of foreclosed properties and **block purchase by irresponsible owners**. Currently, the Shelby County Land Bank absorbs foreclosed property and can sell it for a minimal amount to buyers who may not necessarily develop it. Instead, the County Land Bank should only sell land to pre-approved buyers who are obligated to follow a development plan, improve and maintain, and pay taxes on the property.
- Develop a plan that strategically disburses land in priority geographies, in coordination with Memphis 3.0, the City, and County. **Namely, land should be disbursed in accordance with the anchors identified in the Memphis 3.0 Plan**. These have the greatest potential for private investment. It is important that land disposal be in line with these identified priority areas, for clearing title will only be productive if there is market demand to absorb and redevelop properties. Otherwise, cleared properties will remain as unproductive land.
- Increase the scale and capacity of both funding and staffing to help incorporate the necessary changes. The recommendations related to title clearance, compliance, and strategic planning will be resource and staffing intensive, given that it will require the work of paralegals, lawyers, geographic information scientists, real estate professionals, and other related specialists. **This increase in scale will require more funding that will need to be met, and thus it should be a priority** of the County and City to leverage additional public and philanthropic dollars to increase services.
- Establish a **guarantee program supported by the City or County that subsidizes the cost of clearing title** when conflicts arise.
- Advocate for legislation that **sets the exposed value of disputed property to the value the property was purchased at**, rather than the present value of the property.

# Land Activation | Reform Title Clearance Process

Impacts	<p><b>Adoption of the recommended changes would remove a significant development barrier and allow the land banks to return thousands of vacant and blighted properties to productive use.</b> By ensuring a more robust and reliable way to secure property, title clearance reform will incentivize redevelopment. In particular, title clearance reform will encourage reinvestment within areas that have the most potential for private investment.</p>		
Plan Objectives	<p><b>Improve Housing Quality</b></p>	<p>This approach will encourage reinvestment within many of the city's neighborhoods, through planning, incentives, or revisions to existing program infrastructure. Reinvestment will reinforce development of existing and new housing stock, eventually improving overall housing quality and neighborhood scale reinvestment.</p>	
	<p><b>Support Homeownership</b></p>	<p>Legal assistance to the issue of unclear title will help heirs qualify for local programs aimed at helping low-income households, including equity loans and home repair programs.</p>	
	<p><b>Diversify Housing Stock</b></p>	<p>If developers choose to develop missing middle housing in newly productive land, this approach will help fill in the gap by significantly reducing existing title clearance barriers that make development unattractive or not cost-effective. This will help investors by allowing them to reliably secure properties, reducing costs and incentivizing development.</p>	
	<p><b>Increase Quality Low-Income Housing</b></p>	<p>When paired with federal or local subsidies, this approach will help investors secure properties reliably, incentivizing housing reinvestment and eventually filling the gap created by years of disinvestment.</p>	
Implementation	<p><b>Lead Organizations:</b> Blight Authority of Memphis (BAM), Shelby County Land Bank (SCLB), Shelby County Trustee's Office, Memphis Department of Finance (Finance), and Memphis Division of Public Works (Public Works)</p> <p><b>Supporting Partners:</b> Neighborhood Preservation, Inc (NPI), Memphis Department of Legislative Affairs (Legal Affairs), Memphis and Shelby County Division of Planning and Development (DPD), Memphis Housing and Community Development (HCD)</p> <ol style="list-style-type: none"> <li>1. Identify necessary title clearance changes - <u>BAM and SCLB to lead with drafting changes, NPI to support with determining what changes need to be made, Legal Affairs to support by writing, and DPD and HCD to support with communicating clearance changes</u></li> <li>2. Make changes to title clearance authority and redemption period – <u>BAM, SCLB, and Shelby County Trustee's Office to lead</u></li> <li>3. Provide funding for operations and develop strategic plan in collaboration with BAM and Shelby County Land Bank – <u>BAM and SCLB to lead and respond to Finance and Public Works</u></li> </ol>		<p><b>Timeframe</b> Years 1 through 5</p>

# Land Activation | Enhance the City's Property Maintenance

The City and County will **adopt and formalize a strategic approach to strategic code compliance** and work with owners to reduce blight. Multiple entities will need to collaborate to improve blighted properties that may have outstanding liens, fines, or unpaid taxes.

## Context

Code enforcement has a clear and specific mission: keeping homes and neighborhood residents safe and healthy by encouraging the repair or rehabilitation of distressed properties, ensuring that vacant lots are clean, holding landlords accountable, and protecting low-income tenants and homeowners. Since it touches so many facets of the built environment, **code enforcement has the potential to preserve neighborhoods and increase resiliency**. When done properly, code enforcement can help maximize the use of limited public resources to address problem properties and to put in place processes and procedures that prioritize equity as the guiding principle.

The City of Memphis and Shelby County have code enforcement departments that investigate properties to resolve and improve blighted conditions. The City's department receives over 50,000 service requests each year alone. **As is the case with many departments in cities across the country, both local departments are currently under-resourced and are almost exclusively focused on reacting to complaints**. In addition, many service requests received are self-reported, creating biases in the data collected and the types of issues code enforcement pursues. [Two extensive reports](#) of Memphis code enforcement found that reliance on self-reporting led inspectors to spend a disproportionate amount of time on minor cases, rather than more serious violations.

To address problem properties more effectively, the City and County will need to **implement a series of changes to their enforcement operations so that they become more strategic and impactful**. To build a more equitable, effective, and efficient approach to problem properties, local officials and their key partners need to thoughtfully transition from the traditional form of code enforcement to strategic code enforcement, which includes key components that are outlined in the right sidebar.

## Key Components of Strategic Code Enforcement

- Targeted allocation of limited resources to achieve maximum impact in line with clearly defined goals and priorities
- Proactive, data-driven interventions tailored to neighborhood market conditions
- A suite of programs, laws, and tools, flexible to accommodate and protect vulnerable property owners who want to comply
- Cross-sector partnerships, investing in the health and safety of people and places
- Enforcement officers with excellent interpersonal and problem-solving skills
- Expanded and sustained capacity
- Ability to define, measure, report success

# Land Activation | Enhance the City's Property Maintenance

## Recommended Changes

The City and County will consider the following framework to create a more strategic approach to code enforcement that is equitable, efficient, and effective:

- Establish more **robust data collection, management, and analysis** for tools like the Memphis Property HUB. Improvements to existing data on problem properties will track enforcement outcomes to assess how particular tools can be most effectively used to address neighborhood-level problems.
- Initially **target code compliance within the anchor neighborhoods** identified in Memphis 3.0 to help coordinate with local reinvestment efforts and prioritize existing resources within areas that will receive greatest benefit from such programs.
- **Develop outreach materials and designate staff community liaisons to help owners** navigate the process of making repairs and retaining ownership. For owner-occupants, establish a direct referral process to home repair programs run by the City, County and nonprofits.
- **Allow for flexibility within enforcement tools** so that they accommodate and protect vulnerable owners who want to comply. Inevitably, financially vulnerable owners may get caught up in the enforcement process. Safeguards must be built into the process to provide these owners who are willing and able to comply an opportunity to avoid fines or criminal penalties.
- **Foster a strong culture of compliance through educational programs and marketing campaigns.** Given how decades of historical disinvestment and racist policies and practices shaped the inequitable trajectories of the region's neighborhoods, the City and County should design a system that shifts the primary programmatic and strategic focus of code enforcement from enforcement to compliance. Although it is critical that bad actors are held accountable, the most equitable, efficient, and effective way to achieve the primary goal or goals of code enforcement is to design a program that prioritizes providing residents with sufficient knowledge and resources needed to bring and keep properties in compliance and contribute to safer, healthier neighborhoods.
- **Continue to increase staff and programmatic capacity.** Given the magnitude of the strategic approach recommended to reduce the region's blight, it will be important to both provide additional staff and financial support to the division tasked with implementation and seek external partners to assist.

## Strategic Code Enforcement Management Academy (SCEMA)

Founded in 2017, SCEMA is a joint program of the University of Memphis School of Law and Neighborhood Preservation, Inc. devoted to elevating the field of code enforcement and building a network of showcase communities. It is an educational enterprise that builds the capacity of leaders engaged in the making, administering and enforcing of state and municipal codes that protect the health, safety, well-being and sustainability of residential neighborhoods.

SCEMA holds team building workshops designed for local government code enforcement managers, attorneys and their community partners to adapt and tailor the core principles and practices of strategic code enforcement to the priority neighborhood challenges confronting each team's community.

Source: Strategic Code Enforcement Management Academy

# Land Activation | Enhance the City's Property Maintenance

<b>Impacts</b>	<p>Effective local code enforcement programs can help communities remedy substandard, derelict, and vacant properties. <b>By collaborating with code enforcement programs, residents and community organizations can facilitate more responsive actions and forge a community culture around responsible property maintenance.</b></p>	
<b>Plan Objectives</b>	<p><b>Improve Housing Quality</b></p>	<p>Expansion and reform of code enforcement programs will help reduce derelict, substandard, and vacant properties that undermine neighborhood stability and resident health.</p>
	<p><b>Increase Quality of Low-Income Housing</b></p>	<p>The proposed changes to code enforcement would eventually increase the supply of affordable housing by spurring reinvestment in neighborhoods by local developers and organizations.</p>
<b>Implementation</b>	<p><b>Lead Organization:</b> Memphis Division of Public Works (Public Works)</p> <ol style="list-style-type: none"> <li>1. Build a robust property database – <u>Public Works to lead</u></li> <li>2. Work with agencies, nonprofit partners and donors to establish a strategic approach to compliance - <u>Public Works to lead</u></li> <li>3. Educate and empower neighborhoods on code compliance processes and opportunities - <u>Public Works to lead</u></li> </ol>	<p><b>Timeframe</b></p> <p>Years 2 through 5</p>

**Cleveland Code Enforcement\***

In 2008, Cleveland listed 8,009 blighted and vacant homes as public nuisances. This blight was exacerbated by the ongoing foreclosure crisis. Given the considerable number of citywide properties to address, the City partnered with 19 CDCs that employed code enforcers as part of CDC staff to share information and coordinate enforcement.

This communication allowed the City to establish a code enforcement strategy that was responsive to community needs and complaints. By leveraging the CDCs' daily involvement with neighborhood residents and their geographic expertise with local properties, the City was able to tailor its enforcement to properties that were priorities for the community.

*\*While Memphis is a different market, this example serves as a useful precedent for dealing with cloudy title issues.*

# Land Activation | Establish Heir Title Assistance Programs

Memphis has many older homeowners who may not have the means to navigate the legal system to pass home titles to descendants. As such, **facilitating the passing of titles from older, existing homeowners to heirs** will promote intergenerational wealth transfer.

## Context

Unclear legal ownership of a property — also called a tangled or cloudy title — most often occurs when homeowners die, and their heirs do not record new deeds for the homes. The chief concern with this is that many property maintenance assistance programs necessitate that the resident seeking help be the legal owner of a property in order to obtain assistance. Currently, nearly **30% of properties (62,000 total) are senior-owned households** within Shelby County. To resolve and prevent tangled titles, **there must be education about the problem and its consequences; funding for legal services to create tangled-title programs, and financial support to cover the out-of-pocket costs of these cases.**

## Recommended Changes

Untangling a title takes a tremendous amount of time and resources but is essential. The City and County can help address heir title assistance through the following measures:

- **Support educational programs** to ensure that homeowners know what a tangled title is, how probate works, and why a will is important. Partner with The Works to connect households to their programming. Require attending courses for programs such as down payment assistance and homeowner rehabilitation.
- **Increase funding for legal assistance and title clinics to help prevent and resolve tangled titles** for those without the means to pay, such as services provided by The Works CDC and Memphis Area Legal Services. In addition to title assistance, legal services can provide comprehensive will and estate planning, which is one of the most effective ways a homeowner can prevent a tangled title.
- **Develop resources for applicants turned away from support programs** for lack of a deed demonstrating ownership, and, where possible, allow provisional participation in these programs while the tangled title is being remedied.
- **Foster partnerships** between City government and local organizations to help reduce case-costs, which may include: i) probate and estate administration fees, ii) inheritance tax, iii) transfer taxes, iv) recording fees, v) advertising fees, and vi) delinquent utilities and real estate taxes. These costs are one of the primary reasons low-income residents have not resolved their title cases; they cannot afford them.

## Philadelphia's Tangled Title Fund\*

In recent years, the City of Philadelphia has been making efforts to prevent and solve tangled titles. With the City's Tangled Title Fund program, legal service attorneys and their clients apply to the fund for grants to cover the costs of their tangled title cases. The average fund recipient receives \$1,200 toward the costs of resolving a case.

Their aid empowers elderly homeowners to prepare wills so that the title to their property remains clean after their passing, and their homes do not eventually become vacant or blighted. Recently passed legislation has also required Funeral service providers to tell people how to avoid muddled legal ownership of a property after an owner dies.

*\*While Memphis is a different market, this example serves as a useful precedent for dealing with cloudy title issues.*

Source: 5-Year American Community Survey (2019)

# Land Activation | Establish Heir Title Assistance Programs

## Impacts

The effort to resolve tangled titles is crucial to preserving Memphis' housing stock and neighborhood quality. By moving home titles into the names of heirs, local programs and partnerships will support increased home-ownership in Memphis, build community and generational wealth, and address property maintenance issues that could have perpetuated an unsafe living environment or resulted in resident displacement. **With a preventative real estate planning program, the City and County have the potential to help over 70 households per year.**

## Plan Objectives

<b>Improve Housing Quality</b>	Heir title assistance serves as a preventative measure that preserves existing housing stock, by ensuring that older residents' property remain with heirs after their passing.
<b>Support Homeownership</b>	Addressing title issues before there is an emergency like a foreclosure, utility shutoff, or structural damage is an important part of protecting homes for existing residents.

## Implementation

**Lead Organizations:** Blight Authority of Memphis (BAM), Shelby County Land Bank (SCLB), Memphis and Shelby County Division of Planning and Development (DPD), Memphis Division of Housing and Community Development (HCD)

**Supporting Partners:** Memphis Area Legal Services, University of Memphis Law School (Humphreys School of Law), The Works CDC

1. Develop educational programs to help residents avoid tangled titles – BAM and SCLB to lead, Memphis Area Legal Services and Humphreys School of Law to support developing materials and the Works CDC to support connecting with households
2. Leverage and increase additional funding for legal assistance programs – DPD and HCD to lead
3. Develop resources for applicants turned away from support programs – HCD to lead
4. Foster nonprofit and government partnerships to reduce case costs – DPD and HCD to lead

**Timeframe**  
Years 2-3



# Tax Reform

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## Tax Reform | Overview

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Address property tax policies to **support reinvestment in housing stock** and new development, while **limiting displacement pressure** on existing homeowners.

Property taxes can be an incredibly powerful tool to encourage investments in housing development and rehabilitation. They shape the level of financing a property can support and with that whether investment occurs. **Rising property taxes can also place significant financial pressure** on long-time homeowners and contribute to their displacement.

Shelby County and the City of Memphis **will adjust their property taxes to support investments** in housing and retain existing residents by enacting tax reform and expanding relief programs.

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### Home Repair Tax Abatement

**Advocate for home repair tax relief** that offsets property tax increases resulting from home improvement repairs.

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### Address Tax Liability on Two-to-Six-Unit Structures

**Provide rebates for two-to-six unit structures** to offset burdensome tax structure and encourage feasibility of small-scale, multifamily development.

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The remainder of this chapter provides additional detail on recommended policy changes, as well as the implementation needs and anticipated impacts of these changes.

# Tax Reform | Develop Tax Relief Programs to Encourage Reinvestment

The City and County will use tax relief programs to support the rehabilitation of older homes that have fallen into disrepair by **providing a reduction in taxes or eliminating incremental taxes** that would otherwise result from improving the property.

## Context

Today, the city and county suffer from significant housing disinvestment: **70,000 (37%) of Shelby County's owner-occupied single-family housing units are over 50 years old.** Of those, **40,000 (57%) have house values under \$100K, pointing to a need for reinvestment.** The economics of reinvestment in existing housing stock relative to potential sales values or rents do not justify rehabilitation and increased property tax costs in many areas of the county. For homeowners considering making large investments in improvements or modernizations to their homes, imminent tax valuation increases can provide a disincentive to investment, especially for lower-income earners, making home repairs that much more costly.

To encourage investment in houses, the **City and County will develop a program that provides homeowners tax relief** when they invest in improvements for their homes. **Although current state law limits the City and County from offering tax relief, a push for new legislation would allow for the implementation of such a program.** To participate, households would submit proof of their upgrades through a building permit. Households who invested above the threshold amount would automatically qualify for relief equal to the property tax increase caused by the improvements. Because the City and the County each collect property taxes, they will need to coordinate administration of the program.

## Recommended Changes

The City and County will establish a program, in partnership with the State, to provide tax relief on value increases from the repair or renovation of residential property in priority areas:

- **Advocate for new state legislation** that would allow the City and County to **provide joint relief** with Shelby County and the City of Memphis.
- **Create a new tax relief** program that **offsets property taxes** based on home improvements and extends its qualification criteria to all lower-income residents in the county. The Tennessee Property Tax Freeze Act gives jurisdictions the right to do so for age and income-qualified households. Further legislation would need to be considered to expand to other residents.
- Establish a policy to abate the increase in property value caused by investment in properties within anchors from Memphis 3.0 and **have the greatest potential for private investment.**

Source: Shelby County Tax assessment data

## Baltimore Home Improvement Tax Credit\*

The Home Improvement Tax Credit is administered by the Baltimore City Department of Finance and incentivizes owners to improve their properties. Qualifying owner-occupants receive a five-year reduction in tax increases caused by the improvements they completed. Owners receive 100% credit in the first year, which reduces by 20% each subsequent year for five years, ending with 20% in the fifth year.

The credit is applied only to the increased value of the dwelling due to the improvements. This credit automatically renews annually for five years if the property remains in compliance with the City's Housing Code.

*\*While Memphis is a different market, this example serves as a useful precedent for ways to encourage property reinvestment.*

# Tax Reform | Develop Tax Relief Programs to Encourage Reinvestment

## Impacts

Home repair tax relief programs can help offset property tax increases that result from property value growth due to home improvement repairs. Other property tax reduction programs cap the total amount of property taxes owed. Such programs **encourage private actors to invest in their properties by removing the disincentive of higher property taxes**. Although the County does have a Tax Relief program, only low-income seniors, disabled residents, and veterans qualify, as governed by state law. This program reduces taxes owed, and there is no program that offers abatements for property improvements in Shelby County.

Abatement for property value growth provides an advantage in rehabilitating and investing in older properties, ability to afford an older home in need of repairs, and ability to market rehabilitated properties. Additionally, for lower-income households and seniors with fixed-incomes, **abating property value increases removes the possibility of value increases above what is affordable in annual taxes**.

## Plan Objectives

<b>Improve Housing Quality</b>	Tax reform will encourage investment in property improvements in anchors and support neighborhood revitalization.
<b>Support Homeownership</b>	Tax reform and additional tax relief will provide low-income homeowners with the flexibility and means to remain in their homes. It also creates more move in ready homes for homebuyers.

## Implementation

**Lead Organizations:** Memphis and Shelby County Division of Planning and Development (DPD), Memphis Division of Housing and Community Development (HCD)

**Supporting Partners:** Shelby County Trustee’s Office (Trustee’s Office), Memphis Department of Legislative Affairs (Legal Affairs)

1. Pursue property tax relief reforms for the County – DPD to lead, Trustee’s Office and Legal Affairs to support
2. Engage community on proposed tax reform – DPD and HCD to lead

**Timeline**  
Year 1

# Tax Reform | Address Tax Liability on Two-to-Six-Unit Structures

While it would require a state constitutional amendment, it is worth noting that residential structures with two or more units within Shelby County are currently taxed as commercial, rather than residential structures, **nearly doubling their property tax burden** and thereby limiting the market viability of constructing soft-density housing in many neighborhoods where market-rate rents are modest to low.

## Context

**The commercial tax rate is 40%, compared to a residential tax rate of 25%.** Currently, two-to-six-unit housing structures are taxed as commercial units, nearly doubling their annual property taxes, and significantly hampering small-scale multifamily development. For example, a typical quad-plex costs approximately \$490K to develop, with a tax burden of approximately \$430K over the life of a 30-year mortgage under the commercial tax code. By taxing this structure as residential, the tax burden drops to \$268K over the life of a mortgage. Under the commercial tax regime, the typical quad-plex costs more to construct than what it can be sold for on the market. By shifting to the residential tax structure, a quad-plex can achieve a comparable rate of return as a single-family structure.

## Plan Objectives

### Diversify Housing Stock

Changing the tax structure for two-to-six-unit structures will increase the economics and feasibility of development, allowing for more missing middle housing development throughout the county.

## Recommendations

**Lead Organizations:** Memphis and Shelby County Division of Planning and Development (DPD), Memphis Division of Housing and Community Development (HCD)

**Supporting Partners:** Economic Development Growth Engine (EDGE), Memphis Medical District Collaborative (MMDC)

While there are limited action items the City and County can undertake without larger, statewide changes, the County will nonetheless pursue the following:

1. Develop tax rebate program for two-to-six-unit structures to close the gap between the commercial and residential tax burden - DPD to lead, EDGE to support program design and MMDC to support pilot program
2. Identify anchor neighborhoods in which the City and County can influence the tax burden on missing middle development through rebates - DPD to lead, EDGE to support
3. Begin discussions with state-level officials to lay the groundwork for larger-scale change, including submitting policy recommendations to state government officials - DPD and HCD to lead

## Timeline

Years 1 through 3



# Financing

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# Financing | Overview

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Expand the **availability to financing** for purchasing, developing, and rehabilitating housing **by providing public or philanthropic guarantees for private financing.**

Even when it is economically viable and there is enough money to pay for the cost, homeowners and developers often struggle to secure needed financing in Shelby County. Financing is unavailable when a loan is viewed as risky, usually because of the credit of the borrower, the appraised value of the property, the complexity of the entitlement process or other factors. Guarantees for the financing from public or philanthropic sources can mitigate the risk and allow financing that will create new housing and improve existing homes.

The advantage of guarantees is that they allow relatively small amounts of public or philanthropic capital to leverage private financing (typically by five to ten times the investment). Given the scale of the need for investment in housing in Shelby County, this level of leverage is necessary.

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**Prioritize Rental Loan Improvement and Infill Construction**

**Identify and support additional financing products** for investors and developers to enhance development feasibility of multifamily infill structures.

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**Provide Pathways for Homeowner Investment**

Provide pathways for existing homeowners to **invest in their homes**, both to support homeownership and improve overall housing quality.

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**Develop Financing Products for New Homeowners**

Develop financing products for new homeowners and **expand homeownership opportunities to households that have been traditionally excluded** from owning homes.

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The remainder of this chapter builds on these recommendations and provides an implementation guide and set of metrics to track progress on these recommendations.

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# Financing | Overview

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**When lenders assess applications for loans, they assess three financial characteristics: capacity, collateral, and credit.**

## Capacity

In general, capacity refers to **an individual's or a household's ability to repay a loan**. One of the most important factors in assessing ability to pay is the amount and stability of income.

Because of Shelby County's significant poverty challenge, there are many households that do not have the financial capacity to maintain a mortgage. However, data indicates that there are significant number of households within Shelby County that in fact do have incomes high enough to support a loan, yet they are still denied access to capital.

## Collateral

**Collateral refers to savings and assets available to applicants in the case of default on a loan.** Lenders want assurances that their money will be returned, leading them to assess an applicant's financial savings (i.e., a guarantee).

Nationally, collateral has become an increasing challenge for new homebuyers, particularly young and Millennial homebuyers who may have incomes sufficient to support a mortgage, but due to high student loan debt or prior gaps in employment, do not yet have the savings sufficient to qualify for a mortgage.

## Credit

**Credit history seeks to address an applicant's reliability** by assessing their prior history in repaying debts. Credit history can also include details such as job history and stability, years living at the same address, and criminal record.

Shelby County's significant bankruptcy rates are a key driver of applicants' poor credit ratings.

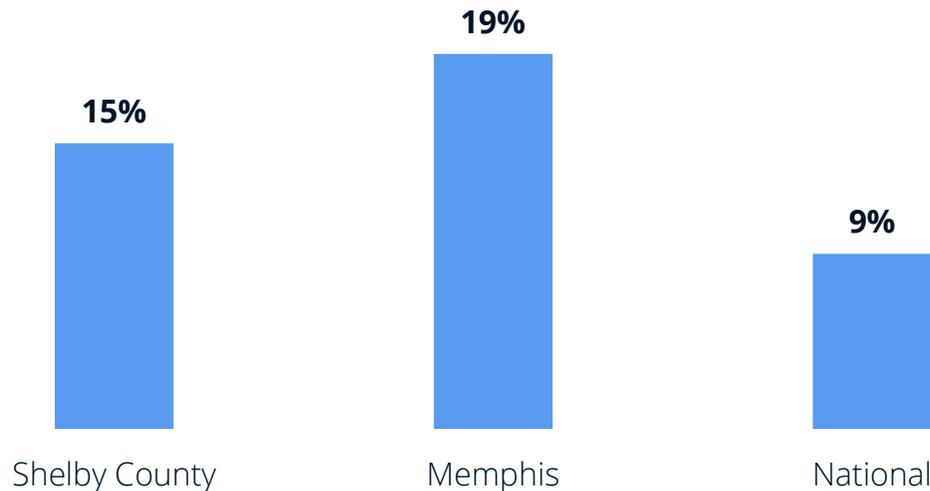
# Financing | Overview

Households struggle to access financing, despite having enough disposable income, pointing to a problem regarding collateral and credit, **separate from their capacity to pay for the mortgage.**

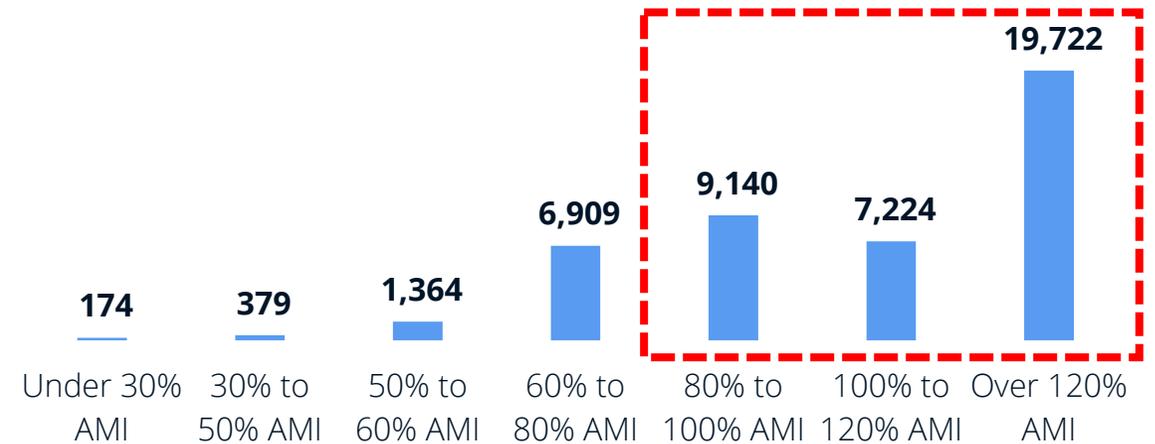
**Mortgage applicants in Shelby County and Memphis are denied at higher rates than in the United States overall.** In 2019, the overall loan denial rate for conventional and nonconventional loans was 8.9%, compared to 15% in Shelby County and 19% in Memphis. Households want to become homeowners but are facing obstacles accessing mortgage financing.

There is a larger pool of renters with incomes sufficient to pay a mortgage. **There are over 36,000 renters making at least 80% AMI and have enough disposable income to afford a mortgage payment,** demonstrating applicants are likely being denied for reasons other than income.

Home Loan Denial Rates, 2019



Renters at least \$300 below the "Cost-Burdened" Threshold\* by AMI Level, 2019



Source: Federal Financial Institutions Examination Council (2019), American Community Survey 5-year Estimates (2019)

\*Cost-burdened households pay over 30% of their income on housing

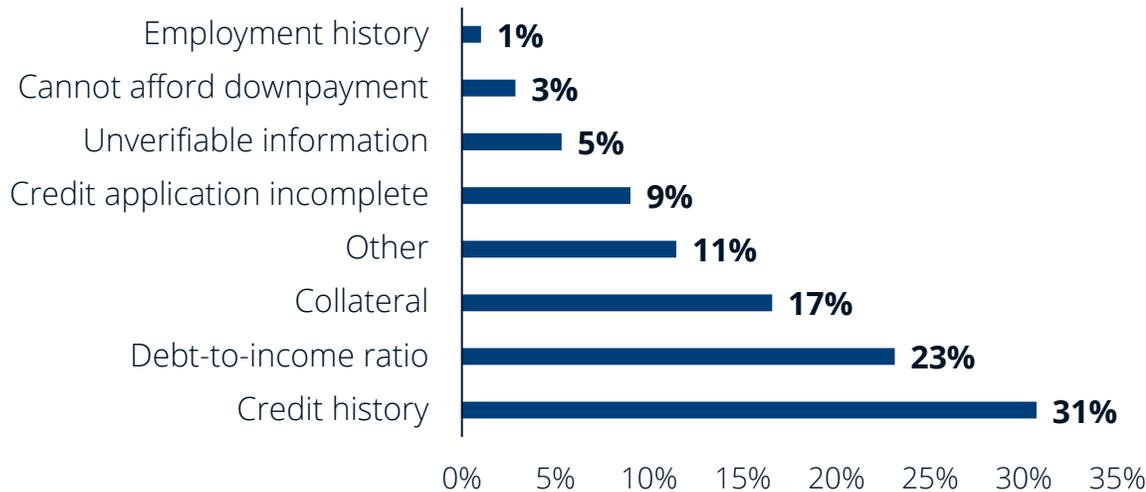
# Financing | Overview

**Mortgage applicants are primarily denied due to credit history**, particularly Black applicants.

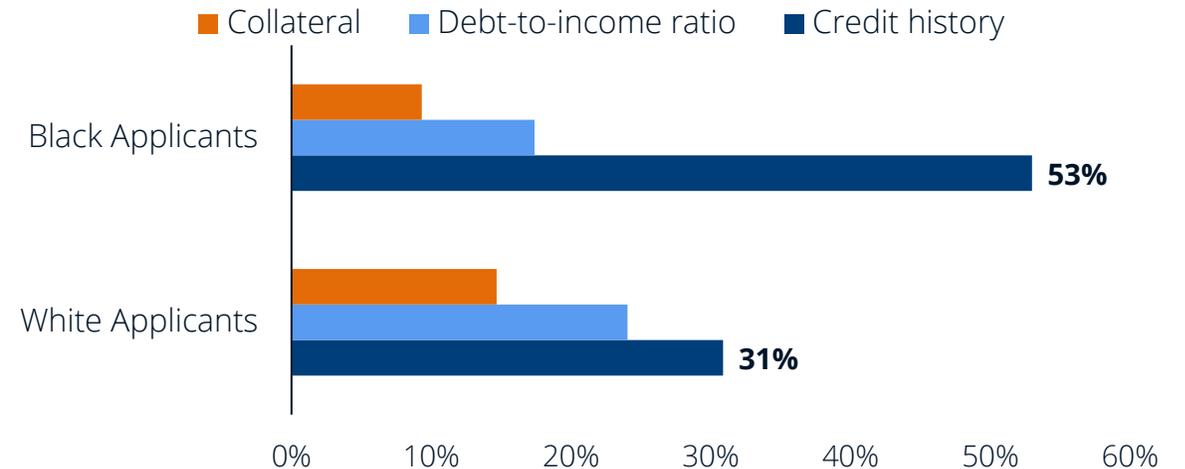
**The top three reasons for denials in Memphis are credit history, debt-to-income ratio, and collateral.** Several factors may influence credit history, such as credit score, job stability, years at current address, and criminal record, among others. Regarding denials due to debt-to-income ratio, the increase in student debt could be a contributing factor for mortgage applicants. Lastly, denials due to collateral are evidence of applicants not having enough savings or additional assets that can secure a loan, pointing to the need for loan guarantees.

**The problem is worse for Black applicants, who are denied due to credit history in over half of all denials.** This is likely the result of systemic racism in assessing credit scores, demonstrating the impact changing credit standards could have on increasing access for households that have systemically been denied access to financing.

## Reasons for Denial, 2019



## Reasons for Denial by Race, 2019



Source: Federal Financial Institutions Examination Council (2019)

# Financing | Overview

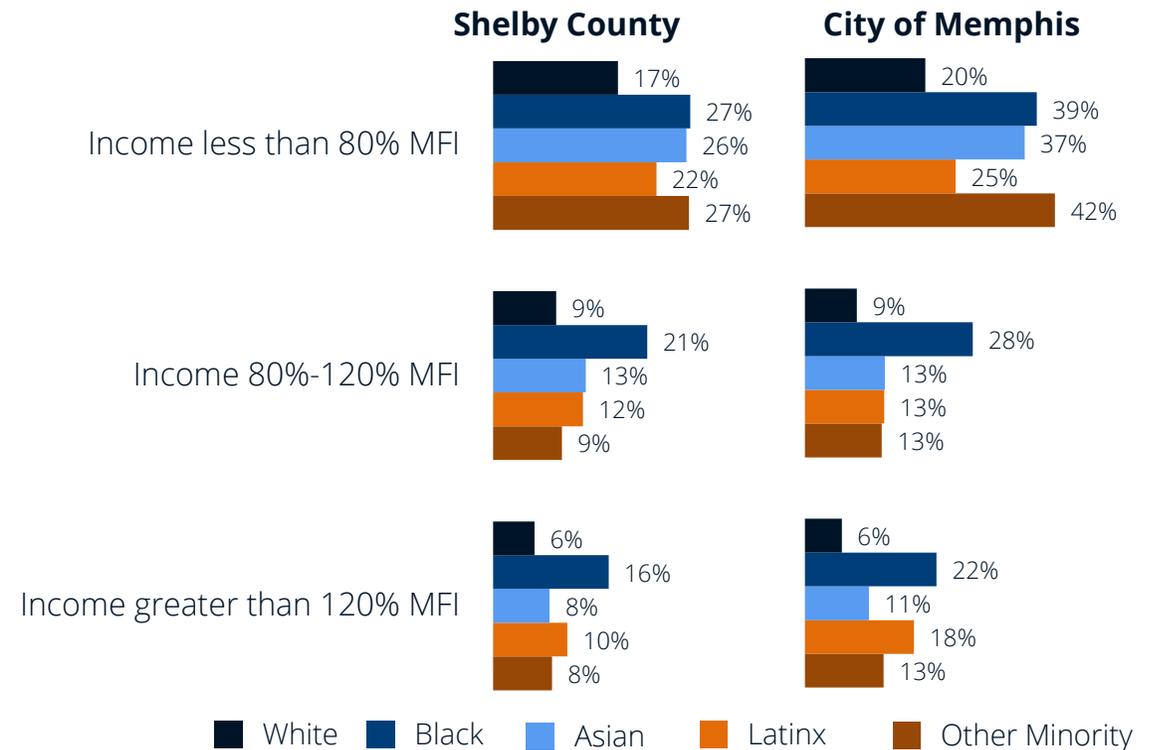
Low-income households and Black households **have a harder time accessing financing** for home purchase loans, home improvement loans, and refinances.

**Black applicants are denied financing at higher rates than other racial groups across all income levels.** Disparities by race/ethnicity are greatest in Memphis and overall denial rates are higher, with a citywide denial rate of 27%, which is more than 10 percentage points higher than the County.

**Low-income households are disproportionately denied financing,** demonstrating that even if homes are selling at prices affordable to households at 80% AMI, gaining financing is a barrier to homeownership.

**The problem is worse for low-income Black and Latinx applicants within the City of Memphis,** who on average are twice as likely to be denied financing as white applicants.

## Home Loan Denial Rates, 2019



Source: Federal Financial Institutions Examination Council (2019)

# Financing | Prioritize Rental Loan Improvement and Infill Construction

The County will support additional **financing products for investors and developers** to enhance development feasibility of multifamily infill structures.

## Context

As described earlier, Shelby County has many housing units facing quality decline and disinvestment, leading them to eventually become obsolete structures. **Currently, there are no programs to assist landlords of small developments (20 units or less) to reinvest in and upkeep their properties.** Additionally, there are few programs within Shelby County that provide assistance for emerging developers regarding administrative procedures and garnering pre-development capital. These are gaps the County and the City of Memphis can lead on, by streamlining administrative processes and connecting emerging developers to resources. In addition to supporting reinvestment in small multifamily structures, the County can help increase multifamily development by providing financing options for infill development of two-to-six-unit structures, making these projects more financially feasible.

## Recommendations

The County will work to address financial gaps for developers of multifamily structures by prioritizing a rental loan improvement fund and an infill construction program for one-to-four-unit structures.

- **A rental loan improvement fund** (or small landlord fund) will provide financing to landlords of small buildings (typically two-to-six-unit structures) to renovate (e.g. roof repairs, improving accessibility, etc.) and preserve affordable housing in anchors, as identified in Memphis 3.0. Landlords apply to receive low-to-no-cost financing to make necessary repairs. The County or City will then guarantee these private loans or administer the program in partnership with a local lender.
- **The County will support financing for infill new construction and rehab of single-family and small multifamily (two-to-six units)** by promoting programs similar to THDA's Appraisal Gap Pilot Program or by offering lines of credit to developers by a local bank or Community Development Finance Institution (CDFI). The County can partner with United Housing, who offers low-interest rehabilitation loans for local property owners, including landlords. The County will work with United Housing to promote and expand their financing products
- **Support programming to provide technical assistance to new and small local developers**, such as the efforts by Region Smart, which effectively leverages regional resources to support the local development community.

## Pittsburgh's Small Landlord Fund\*

**Implementation:** Pittsburgh's Urban Redevelopment Authority (URA) offers loans for renovations, including but not limited to roof repairs, enhancements and structural repairs. If an apartment is in a specific zip code, landlords are offered alternative payment standards. The program is intended to incentivize repairs in certain neighborhoods while maintaining affordability levels.

**Structure:** The URA currently dedicates about \$925,000 annually from their Housing Opportunity Fund. The fund provides loans to landlords of up to \$20,000 per unit (or \$100,000 total per project) for renovations. The URA manages loans with a loan term of 10 years at 3% interest. In conjunction with the loan, the landlord agrees to rent units to Housing Choice Voucher holders or households at or below 80% AMI. On average, the URA has spent about \$17,000 per renovated rental unit.

*\*While Memphis is a different market, this example serves as a useful precedent for financing products.*

# Financing | Prioritize Rental Loan Improvement and Infill Construction

## Impact

**Increasing access to investor financing will help to increase the renovation of existing homes and increase infill development.** These investments will support reinvestments in the housing stock, addressing the existing 168-year reinvestment cycle in Shelby County, and promote greater housing choice and affordable options by maintaining the county's existing missing middle stock.

## Plan Objectives

<b>Improve Housing Quality</b>	Providing additional capital to landlords to invest and upkeep existing units directly improves the existing housing stock by keeping updated and quality units.
<b>Diversify Housing Stock</b>	Encouraging infill development promotes additional missing middle development, providing increased housing choices.
<b>Increase Quality Low-Income Housing</b>	By upgrading existing housing structures, the County can preserve existing affordable units, maintaining a quality stock of low-income housing.

## Implementation

**Lead Organizations:** Memphis and Shelby County Division of Planning and Development (DPD), Memphis Division of Housing and Community Development (HCD)

**Supporting Partners:** Memphis and Shelby County Division of Planning and Development (DPD), United Housing, local philanthropic and banking partners

1. Determine appropriate implementation structure - a loan program administered by the County or a loan guarantee program that is administered by a local private lender – HCD to lead, United Housing to support with scaling loan operations and local philanthropic and banking partners to provide programmatic support
2. Work with CDFI a and/or private lenders to roll out program – HCD to lead, United Housing to support with administering loan funds and local philanthropic and banking partners to provide programmatic support

## Timeframe

Years 4-5

## Aequo Fund\*

The Aequo Fund is an initiative launched in 2021 to increase diversity in real estate development for Baltimore, Philadelphia, Buffalo, Portland, and Richmond. The Fund supports apprentice BIPOC and other historically marginalized housing providers who have completed real estate Master programs or learned through related industries, providing initial capital investments as they begin their real estate development work beyond the classroom.

With the support of the Fund, the developers acquire and rehab single-family rowhouses and make them available at affordable rates for families to purchase. Over 3 years, the fund is expected to support the acquisition, rehab, and sale of as many as 50 affordable homes across the four initial cities. In addition to supporting affordable housing, the Fund is also interested in projects that foster stronger community ties and leverage partnerships with community organizations.

*\*While Memphis is a different market, this example serves as a useful precedent for financing products.*

# Financing | Provide Pathways for Homeowner Investment

The City and County will **provide pathways for existing homeowners to invest in their homes**, both to support homeownership and improve overall housing quality.

## Context

**Shelby County has experienced a significant shift from owner-occupied housing to renter-occupied housing over the past decade**, with the largest shifts occurring within the City of Memphis. This shift has coincided with declining housing quality. Over 10,000 households making between 80% and 100% area median income (AMI) could spend an additional \$300/month on housing and still spend under 30% of their total income on housing, suggesting they have the disposable income to support reinvesting in their homes.

However, **access to financing remains a challenge for existing homeowners**, as 24% of homeowners between 80% and 100% AMI were rejected for financing in 2019, limiting the amount of house upgrades actively occurring. This is particularly challenging for Black households, who are 1.5 times as likely to be rejected for financing and are more likely to live in older houses, with three in five Black homeowners owning houses 50 years or older. This has likely contributed to the decline in Black homeownership, with nearly 8,000 fewer Black homeowners in 2019 compared to 2010.

## Recommendations

To support existing homeowners in accessing financing to maintain their homes, the City and County will:

- **Establish a guaranteed home repair loan fund to assist existing homeowners in renovating and upgrading their homes.** Under this program, the City or the County would guarantee loans for qualified households, enabling those households to access funding through a private lender.
- **Improve home counseling services** by providing ongoing complimentary counseling to homeowners focused on guiding them through ongoing maintenance and upgrades.

Source: American Community Survey 5-Year Estimates (2019)

# Financing | Provide Pathways for Homeowner Investment

Impact	<p><b>Particularly for existing homeowners, homeownership is a significant source of wealth generation.</b> Ensuring existing homeowners are able to maintain and upgrade their homes secures their investment, maintaining that wealth through generations and supporting a healthy neighborhood. By supporting existing homeowners, Shelby County can slow the trend of households transitioning from owners to renters, which will sustain household wealth in Shelby County, improve the overall housing stock through continued reinvestment in houses, and support neighborhood reinvestment.</p>	
Plan Objectives	<p><b>Improve Housing Quality</b></p>	<p>When existing homeowners lack the access to capital for improvements, overall housing quality diminishes. Many households have the income to take on repairs but lack the capital access to make vital improvements to maintain their homes. Expanding financial products allows current homeowners to reinvest and upgrade their properties.</p>
	<p><b>Support Homeownership</b></p>	<p>Shelby County has experienced a shift from owner-occupied to renter-occupied housing over the past decade. By helping existing homeowners access financing to stay in their homes, the County will stabilize this trend.</p>
Implementation	<p><b>Lead Organizations:</b> Memphis Division of Housing and Community Development (HCD)</p>	
	<p><b>Supporting Partners:</b> Memphis and Shelby County Division of Planning and Development (DPD), local philanthropic and banking partners</p> <ol style="list-style-type: none"> <li>1. Determine appropriate implementation structure: a loan program administered by the County or a loan guarantee program that is administered by a local private lender – <u>HCD to lead, DPD, local banking and philanthropic partners to support</u></li> <li>2. Work with a CDFI and/or private lenders to roll out program – <u>HCD to lead, DPD, local banking and philanthropic partners to support</u></li> <li>3. The chosen CDFI or private lender will administer the program – <u>DPD, local banking and philanthropic partners to support</u></li> </ol>	<p><b>Timeframe</b></p> <p>Begin within 1 year Implement in years 2-5</p>

# Financing | Develop Financing Products for New Homeowners

The County will **develop and expand financing products for new homeowners**, expanding homeownership opportunities to households that have been traditionally excluded from owning homes.

## Context

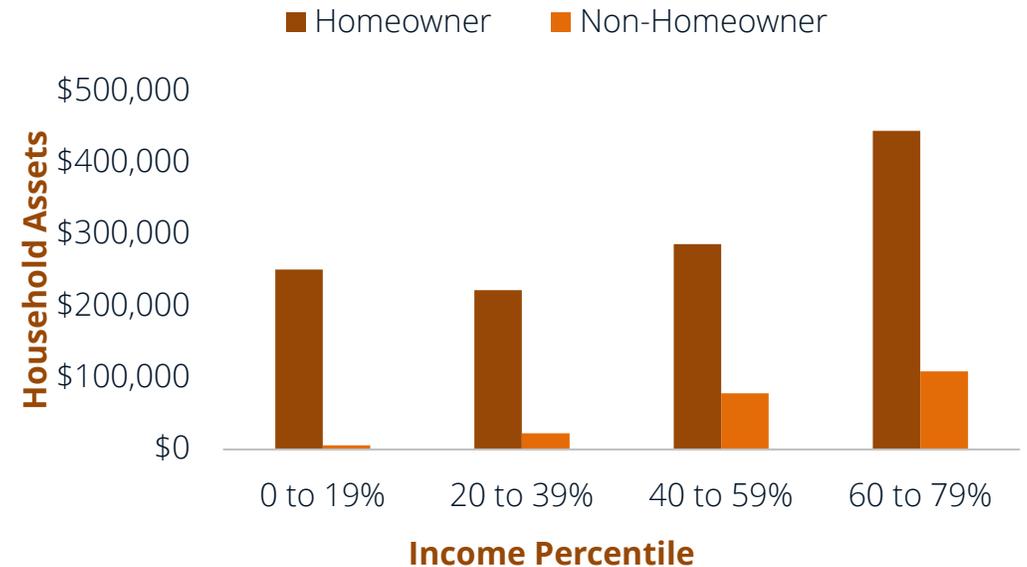
Homeownership remains an important wealth-building tool for households in the U.S. across the income spectrum. For example, homeowners in the 60 to 79<sup>th</sup> percentile of income have over **four times the average net worth** as their non-homeowner counterparts. Homeownership enables families to save for retirement, college, or to start a business. When homeownership is unaffordable and ownership rates lower, households struggle to prosper. In general, across the U.S., homeowners are much wealthier than non-homeowner households, even within the same income band. In Memphis, several households have the income capacity to maintain a mortgage but are excluded from homeownership due to exclusion from financing options.

## Recommendations

The County will support increased financing products for new homeowners, such as:

- New home mortgage funds that have flexible and nontraditional underwriting requirements (such as using on-time utility payments to measure credit) to account for households that can support a mortgage payment but may not be considered “creditworthy” by traditional measures.
- Reform and expand down payment assistance programs to provide a broader array of financial products for different housing needs.
- Provide acquisition-rehab mortgages and technical support to allow households to upkeep and maintain new homes. This program is similar to FHA’s 203K mortgage.
- Develop small-dollar mortgage products (\$2,500 to \$10,000) with local banks or CDFIs that can be provided to home seekers purchasing lower-cost homes.
- Create appraisal value guarantee program to ensure homeowners who invest in target neighborhoods avoid negative appraisals based on the neighborhood in which they purchase a home.

**Average Household Net Worth for Homeowner vs. Non-Homeowner Households by Income Band, U.S., 2016**



Source: Federal Reserve Survey of Consumer Finances, 2016

# Financing | Develop Financing Products for New Homeowners

## Impact

**Homeownership remains a key means of building and accessing wealth.** Providing additional financing products will help moderate-income residents to build stability and wealth. Expanding financing products will be more effective if done in coordination with programs that expand the availability of moderately priced homes, such as soft density zoning (i.e. increased development of two-to-six-unit structures). Soft density refers to attached single family housing such as townhomes, duplexes, and triplexes which can accommodate more households and provide smaller units for residents.

## Plan Objectives

<b>Improve Housing Quality</b>	Rehab mortgage products will encourage some homeowners to move into homes that require upgrades and execute those renovations.
<b>Support Homeownership</b>	Several households in Shelby County have sufficient income to afford a mortgage, but either do not have the collateral or are not considered “creditworthy” by traditional standards. Expanding the slate of financial products to support these households will improve the overall ecosystem for homeownership.

## Implementation

**Lead Organizations:** Memphis Division of Housing and Community Development (HCD)

**Supporting Partners:** Memphis and Shelby County Division of Planning and Development (DPD)

1. Develop new mortgage funds and coordinate with a local, private lender on private mortgage products – HCD to lead, DPD to support
2. Expand the down payment assistance program – HCD to lead, DPD to support
3. Work with City and County to develop program and provide financing – HCD to lead, DPD to support

### Timeframe

Begin year 1  
Implement years 2 and beyond

### Detroit Home Mortgage Program\*

The city of Detroit introduced the Home Mortgage Program in early 2016 to close a frustrating appraisal gap that stopped many consumers from obtaining a mortgage to buy a home in the city. Under the program, qualifying borrowers receive a first mortgage for the appraised value of their house (less their 3.5 percent down payment), and a second mortgage up to \$75,000 to fill the gap between the appraised value and the sale price and/or the cost of renovations.

Like all loans, these mortgages must be repaid. However, if a borrower suffers an extreme hardship, such as loss of a job where the homeowner is forced to sell the home, philanthropic support provides equity protection to help borrowers repay the second mortgage. Borrowers are also required to complete classes in homebuyer education and the financial risks involved in borrowing more than the appraised value of the home.

*\*While Memphis is a different market, this example serves as a useful precedent for financing products.*



# Funding

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# Funding | Overview

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Align public funding **by combining and redesigning existing housing programs** and **scaling up** local public and philanthropic funding.

The City and County currently deploy a limited amount of local public funding across a wide range of programs. This must be addressed at both ends by combining duplicative programs to allow for greater focus and increasing local funding to increase the scale. There will be **ongoing coordination between the City, County, neighborhood associations, and other community groups** to guide the investment of public funds and sustain public support for these ambitious but achievable goals.

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<b>Consolidate Housing Programs</b>	<b>Coordinate efforts of local governments, non-profits and key partners</b> to reduce financing complexities that contribute to increased costs and duplication.
<b>Dedicate New Local Funding</b>	<b>Target new funding to programs that will have the greatest impact on addressing the housing affordability crisis.</b> Specifically, this includes the expansion of existing rehabilitation programs and gap financing for LIHTC.
<b>Leverage Community Investment Tax Credits (CITC)</b>	<b>Engage local banks to maximize the use of the Community Investment Tax Credit (CITC)</b> program to make loans at below market interest rates for affordable housing.
<b>Advocate for State Support</b>	<b>Conduct advocacy to the State on key issues related to State resources.</b> These include advocating for changes to the State’s Qualified Action Plan, increasing the availability of bond financing and other resources that improve programming.

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The Funding chapter provides additional detail on recommended policy changes, as well as the anticipated impacts of these changes.

*\*Naturally occurring affordable housing (NOAH) is unsubsidized housing that is affordable to households making 80% area median income (AMI).*

# Funding | Consolidate Housing Programs

Increase the impact of existing housing programs by **consolidating locally administered housing programs** and coordinating locally administered housing programs with related programs administered by nonprofit organizations.

## Context

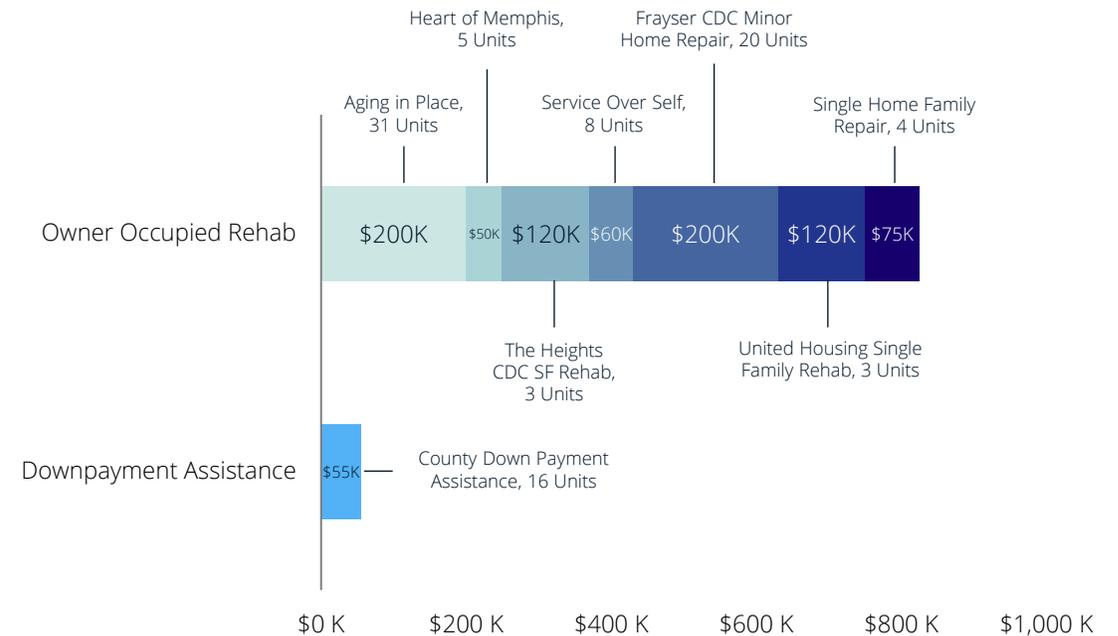
**Financing complexity can work against the goals of containing costs and stretching subsidies further to house more people.**

Affordable housing development relies on multiple funding sources that often have mismatched funding cycles. For instance, a developer may attempt to source funding from LIHTC and PILOT programs, which have deadlines 7 months apart. Often, this layering can be more complex, as developers source funding from more than just two programs. It is more common for developers to also source funds from HOME and the local Housing Trust Fund, for example.

The chart on the right highlights this issue, showing a sample of different housing rehabilitation and owner occupied programs offered in Memphis and Shelby County. Collectively, these programs have an annual allocation of less than a million and an annual production of less than 100 units. **These are small programs that work separately, have different funding sources and requirements that ultimately increase administrative costs.**

Local government and organizations should prioritize strategies to streamline financing and consolidate owner-occupied rehab and down payment assistance programs. This will ensure that more affordable housing development works as efficiently and cost-effectively as possible. **To help facilitate this process, a designated entity or organization will serve as the lead.** Notably, nonprofits like United Housing have significant experience in administering a wide range housing programs in the region. Because of its significant capacity in the market, it has the potential to facilitate program streamlining.

**City and County Funded Housing Programs, 2020**



# Funding | Consolidate Housing Programs

## Recommended Changes

Steps to mitigate the inefficiencies associated with administrative complexity will work to:

- **Establish a common standard for or consolidate owner-occupied rehabilitation programs.** More than 10 separate programs run by the City, County, State and a range of nonprofits provide loans and grants to existing homeowners to help them repair their homes. Instead, prioritize a unified intake process, with program requirements and documentation administered entirely by a single party.
- **Establish a common standard for or consolidate down payment assistance programs.** A few programs run by the City and County and a range of nonprofits provide loans and grants to prospective homeowners. Instead, prioritize a unified intake process, with program requirements and documentation administered entirely by a single party.
- **Reach an agreement on who the administrator should be for the down payment assistance program and the owner-occupied rehabilitation program.** The administrator may be the City, the County or a nonprofit with experience operating similar programs in the local market, selected through a competitive processes.
- **Coordinate on the selection and underwriting process for all funding of multifamily rental development, including LIHTC and other City programs.** The City will serve as the lead for this work as it has an ongoing commitment to put funding toward this use.
- **Establish a consolidated process for awarding tax rebates and gap funding for multifamily rental development.** Specifically, a one-stop-shop or program that awards funding and abatements on a timeline that works for LIHTC application.

### Pennsylvania's Housing Finance Agency (PHFA)\*

Pennsylvania's Housing Finance Agency (PHFA), which administers a share of the state's HOME allocation and National Trust Fund dollars, is an example of a consolidated funding agency. It is known as a "one-stop-shop" for developers that administers both tax credits and other soft sources (such as HOME or the Housing Trust Fund).

Program funds can be used for more than multifamily development purposes, but to the extent they are used for development, they are reserved for 4% developments. Importantly, the PHFA also takes alignment among funding sources beyond the allocation process, in that all sources it administers have the same terms and conditions, similar program requirements, and monitoring is substantially similar.

*\*While Memphis is a different market, this example serves as a useful precedent for funding coordination efforts.*

# Funding | Consolidate Housing Programs

## Impacts

**Fostering alignment and coordination of deadlines and requirements for funding sources will streamline financing and reduce administrative burden.** While it will take more than addressing financing complexity to curb affordable housing development costs, streamlining funding processes will ensure that developers and investors leverage funding as efficiently as possible. This incentivizes reinvestment from investors looking to redevelop property within Memphis and Shelby County.

**By setting common standards and alignment for programs such as owner-occupied rehab and down payment assistance, the City and County will ensure greater leverage of existing resources and increase programmatic impact.** With greater alignment, these programs will be able to serve additional residents and will make it easier to facilitate development that would have not otherwise occurred in the region.

## Plan Objectives

### Increase Quality Low-Income Housing

Streamlined funding streams will increase the cost-efficiency of LIHTC development, which in turn will help maintain a quality stock of low-income housing through redevelopment.

## Implementation

**Lead Organizations:** Memphis Division of Housing and Community Development (HCD)

1. Change timing and process for local subsidies, specifically PILOT – HCD to lead
2. Prioritize entitlement and local approval processes for LIHTC development – HCD to lead
3. Invest in additional infrastructure and staffing capacity – HCD to lead

### Timeframe

Year 1

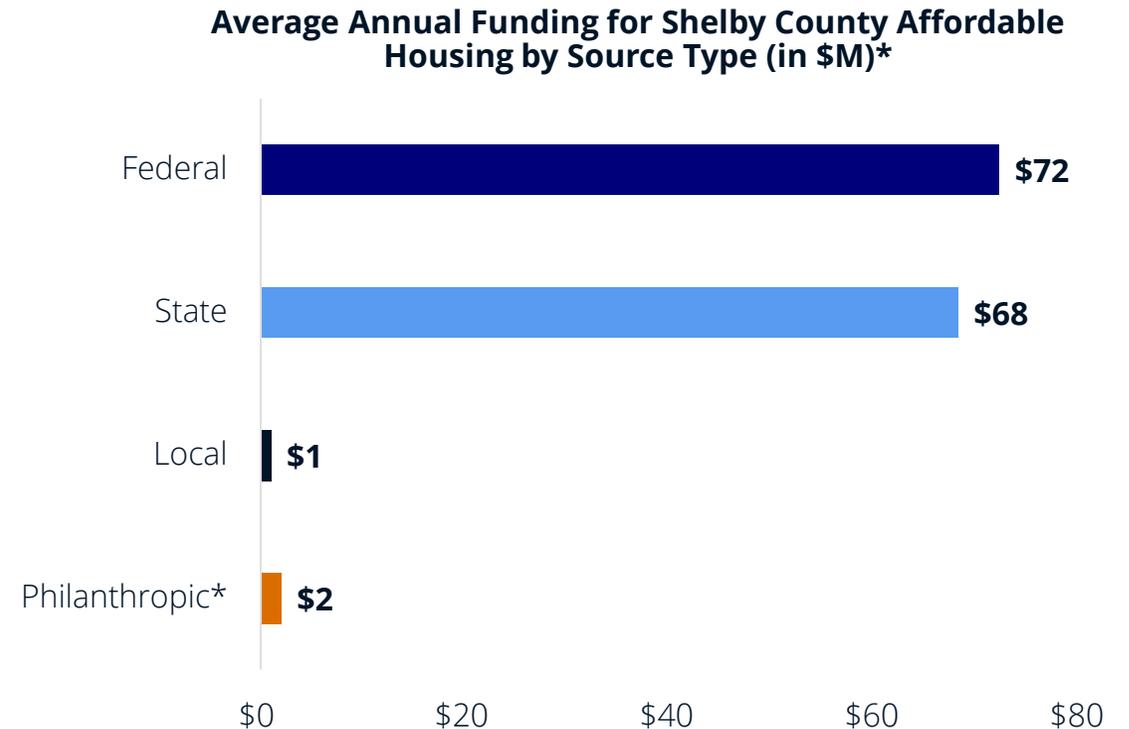
# Funding | Target New Funding

Beyond the standard recommendation framework outlined in other sections of the Housing Policy Plan, **the Funding section will include detail on how to leverage and where to target** new funding streams.

Federal funding for housing programs is not sufficient to meet the scale of needs in the region. Through the advocacy efforts of the BLDG Memphis Affordable Housing Policy Work Group, the City of Memphis established the Memphis Affordable Housing Trust Fund (MAHTF) in 2019 to help fill this gap. With an annual allocation of about \$1 million, it allows non-profit developers to build quality affordable homes in communities that have been historically devalued and disinvested. While the fund has some local impact, **it is still limited and will require a permanent funding source**. This will require the development of a tailored funding strategy to leverage new funding for the Trust Fund and similar programs.

The following slides provide background and context on potential new funding sources, uses, and the specific programs to support in the city and county.

- **Highest Impact Uses**
  - [Rehab Programs](#)
  - [LIHTC Gap Financing](#)
- **Sources and Uses Overview**
- **Potential Funding Streams**
- **State Advocacy Recommendation**



\*See Appendix 1 for comprehensive analysis of existing programs and funding.

# Funding | Dedicate New Local Funding

The City and County will **leverage additional funding through local**, private, state and federal resources to make long-term investments in housing. Both will **also dedicate funding to programs** having the greatest impact with the resources available.

There are over 30 programs within the city and county receiving a total annual allocation of \$143 million. This funding, which is mostly sourced from the federal government, is **not sufficient to meet the scale of need** in Memphis and Shelby County. Further, federal funding has tight restrictions on usage and eligibility, making these sources less efficient in some circumstances. The City and County will need to source additional funds for their local housing trust fund that is able to respond to changing needs.

The City of Memphis has already leveraged short-term, one-time funding from different sources. One of these sources is a \$160 million grant that the City received from the stimulus bill known as the American Rescue Plan Act (ARPA). Nearly \$8 million in ARPA funds have been allocated for nonprofits conducting home repairs and new construction of affordable housing. In addition, the City has also secured \$100 million in Emergency Rental Assistance funding through the US Treasury for rent and utility assistance. Due to the large pool of funding available, these recent **infusions can significantly scale up programs within the short term**.

**Along with existing sources, the City and County can source short-term funding through revenue increases from their own general funds. Over the long-term, both entities will need to identify additional sources of revenue.**

Context



**Use seed funding to build political support for permanent funding sources.**

Seed funding is available from a dedicated increase in general funds through City and County levies. Currently, a portion of one-time ARPA funds are being used for the Memphis Affordable Housing Trust Fund (MAHTF) and will be allocated through an application process.

**Dedicating new sources of revenue will be important to secure long-term, ongoing funding streams.**

The City and County will need to work together to identify or expand new sources of revenue for existing and future housing programs, including local affordable housing trust funds. Potential new sources of revenue include capital contributions, gifts, grants, and loans.

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# Funding | Dedicate New Local Funding

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## Context (cont.)

Using the previously mentioned funding sources, the City and County will have new funding to expand and create new housing programs in the region. However, despite the impact of these ongoing funding sources, resources will still be limited. Therefore, the City and County will prioritize allocating funding resources in a way that is most impactful with the funding available. The two types of programs that will have the greatest impact include the following:

- **Rehabilitation and infill programs:** As Shelby County has many older homes in need of repair, a strong focus should be placed on investing in these properties through owner-occupied rehabilitation programs and infill development programs. Investment in these properties benefits both the owner-occupants and the surrounding neighborhood.
- **Gap Financing for Low Income Housing Tax Credit (LIHTC) programs:** LIHTC funding is administered through primary forms, 9% LIHTC which covers approximately 70% of the development cost of housing and of which there is a very limited supply, and 4% LIHTC which covers closer to 30% of the development cost of housing but is more widely available. By investing limited public funding into LIHTC development, Shelby County and the City of Memphis can leverage large amounts of federal funding through LIHTC and produce far more housing than through any other approach.

## Recommended Changes

The City and County will target and dedicate new funding through the following recommendations:

- **Continue to use a portion of the City's ARPA funding for the production and preservation of affordable housing.** In addition, source one-time funding by creating a dedicated increase in general obligation funds through the City and County.
- Within the long-term, **identify new sources of revenue for the MAHTF and a County housing trust fund to secure long-term, ongoing funding streams.** The City and County will need to work together to identify or expand new sources of revenue for both programs. Potential new sources of revenue include capital contributions, gifts, grants, and loans.
- **Dedicate new funding to rehabilitation programs and gap financing** for LIHTC programs, which will have the greatest impact on local housing programming.

# Funding | Dedicate New Local Funding

<b>Impacts</b>	Without an increase in funding, the impact of programs will continue to shrink due to inflation, as they have in recent years. Expanding funding for the Memphis Affordable Housing Trust Fund and a County housing trust fund will enable the City and County <b>to deploy subsidy tools addressing Shelby County’s housing needs.</b>	
<b>Plan Objectives</b>	<b>Improve Housing Quality</b>	New funding from short-term and long-term sources will help facilitate the renovation of housing units and infill housing within anchor neighborhoods.
	<b>Increase Quality Low-Income Housing</b>	Funding from newly identified sources will also finance the production of low and very-low-income housing units.
<b>Implementation</b>	<p><b>Lead Organizations:</b> Memphis Division of Housing and Community Development (HCD), Memphis and Shelby County Division of Planning and Development (DPD)</p> <ol style="list-style-type: none"> <li>1. Draw down seed funding – <u>HCD to lead</u></li> <li>2. Identify new sources of revenue – <u>HCD and DPD to lead</u></li> <li>3. Draw and finalize new funding allocation plan – <u>HCD and DPD to lead</u></li> </ol>	<p><b>Timeframe</b> Years 2-3</p>

# Funding | Sources and Uses Overview

**Expand funding through more flexible and dedicated sources** to enable the City and County to **deploy subsidy tools** that address the region's housing needs.

Shelby County currently has an assortment of programs, including a City housing trust fund, to address the local housing crisis, but many of them will need to expand to help meet local need. **It will be critical for the City and County to identify additional funding**, otherwise known as sources, to expand or create new housing programs (known as uses). A critical use of these new sources will be supporting local housing trust funds that can allocate funding for new, quality affordable housing. The following diagram illustrates a series of subsidy tools (sources) the City and County can fund through partner organizations to help meet the region's housing needs (uses).

## Sources

### Short-term

- Existing property tax revenue allocation
- Additional general obligation fund allocation

### Long-term (examples)\*

- Unclaimed Lottery Winnings
- Developer Impact/Linkage Fees
- Construction Excise Tax
- Vacancy Tax
- Other Sales Tax (tobacco, gasoline, wheel, casino/gaming)
- Business License Fee

*\*The following two slides provide more detail on potential long-term sources of funding*



## Potential Uses of Local Housing Funding

**City and County Affordable Housing Trust Funds** (new and expanded)

**Low Income Housing Tax Credit Gap Funding** (expanded)

**NOAH (Naturally Occurring Affordable Housing) Preservation Fund** (new)

**Demonstration Program for ADUs** (new)

**Down Payment Assistance** (expanded)

**Heir Title Assistance** (new)

**Great Choice Home Loan Mortgage Program** (expanded)

# Funding | Potential Funding Streams

In developing more Housing Trust Fund revenue sources, **the City and County will face obstacles**, such as requiring changes to County or State legislation.

	Potential Funding Source	Description	Requirements
1	Foundation or University partnership	<i>Grant contributions from local partners</i>	External partnership
2	General Fund contributions	<i>Allocate portion of City and County general fund</i>	Reallocate existing revenue
3	Property Tax	<i>Tax on value of a property, can either increase like in “penny for housing campaigns” (additional penny tax dedicated to housing) or reallocate a portion of the existing taxes</i>	Potentially subject to a state tax cap
4	Hotel/Motel Tax	<i>Tax on temporary lodging at hotels, motels, inns, short-term rentals, etc.</i>	Agreement with Shelby County to increase distribution for this purpose
5	Developer Impact/Linkage Fees	<i>Fee for developers on new developments</i>	New County legislation
6	Tax Increment Financing	<i>Capture future anticipated increase in tax revenues of a project or specified area</i>	Requires development that generates significantly more tax revenue than the cost it generates in terms of public infrastructure and services

# Funding | Potential Funding Streams

In developing more Housing Trust Fund revenue sources, **the City and County will face obstacles**, such as requiring changes to County or State legislation.

	Potential Funding Source	Description	Requirements
7	Inclusionary Zoning / Density Bonuses	<i>Contribution from developer in exchange for additional density</i>	Large-scale new multifamily market-rate development, and change to County legislation
8	Unclaimed Lottery Winnings	<i>Unclaimed prizes for winning lottery ticket</i>	Agreement with the Tennessee State Lottery, who has regulatory control of lottery winnings
9	Business License Fee	<i>Fee for registering and renewing a business</i>	New County legislation
10	Other Sales Tax (tobacco, gasoline, wheel)	<i>Tax on sale of alcohol, gasoline, or motor vehicles</i>	Change to State legislation, agreement with County
11	Vacancy Tax	<i>Tax on vacant property owners</i>	Vacant properties with high economic value, and changes to State and City legislation
12	Motor Vehicle Registration Fee	<i>Fee for registering vehicle with DMV</i>	Change to State legislation
13	Construction Excise Tax	<i>Tax on new construction building permit applications</i>	Significant large-scale construction activity, and a change to State and County legislation

# Funding | Leverage Community Investment Tax Credits (CITC)

The City will **engage local banks to maximize the use of the Community Investment Tax Credit (CITC)** program to make loans at below market interest rates for affordable housing. Loans supported by the CITC can be combined with loans and grants from the City and County, LIHTC equity from the State and tax abatements to support the creation of new high quality affordable housing.

## Context

The Community Investment Tax Credit (CITC) program is administered by the Tennessee Housing Development Agency (THDA) and the Tennessee Department of Revenue. The program is designed to provide low-interest loans (between 2-4% lower than the prime rate) for affordable housing developments throughout Tennessee. CITC funds can be used to support rental development, homeownership, and other housing types, including redevelopment of publicly maintained units.

Since the program began in 2005, **Shelby County has only received 7% of CITC funds, despite being the most populous county in the state.** In 2020, Shelby County received \$14.3M in CITC funds to support 90 rental units.

The CITC mechanism is a tax credit provided for banks and other depository institutions that offsets their Tennessee state franchise and excise tax liability through participation in the production of affordable housing. In effect, public funds are passed through financial institutions to affordable housing developers in the form of extremely low-cost project debt or equity. **CITC funds can be used in conjunction with other programs, such as Low-Income Housing Tax Credits (LIHTC).**

## Metropolitan Development and Housing Agency (MDHA)

In partnership with THDA and HUD, MDHA is leveraging CITC funding to promote affordable and workforce housing in Nashville. The Caycee Place project created 96 units, 50 of which were subsidized with rents at 80% AMI and lower.

## Recommended Changes

**Lead Organizations:** Tennessee Housing Development Agency (THDA)

**Supporting Partners:** Pathway Lending, Memphis CDFI Network, and other local banks and CDFIs

The City and the County can expand the use of CITC by:

1. Promote CITC to small local banks and align other public funds with CITC application process to leverage public dollars – THDA to lead, local banks and CDFIs to support
2. Identify local CDCs and nonprofits who can coordinate funding structures that include CITC and work with them to identify deals and form partnerships – THDA to lead
3. Educate local developers and financial institutions on the mechanisms of CTIC through local workshops – HCD and DPD to lead

## Timeframe

Ongoing

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# Funding | Advocate for State Support

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**Conduct advocacy to the State on key issues related to state resources.** These include advocating for changes to the state's Qualified Action Plan, increasing the availability of bond financing and other resources that will improve programming.

## Context

The City and County will advocate for state support and funding for the development of affordable housing in the region. **State advocacy efforts will be crucial to leveraging additional funding and resources that will facilitate the development of programs outlined in the Housing Policy Plan.** More specifically, a primary focus of the effort should be placed on initiating changes to the Qualified Action Plan (QAP), which determines how much Low Income Housing Tax Credits (LIHTC) funding the County can receive. LIHTC is the single most important resource available to support the development and rehabilitation of affordable housing – currently financing about 90 percent of all new affordable housing development.

The Tennessee Housing Development Agency (THDA) not only administers the state's tax credits, but it is also responsible for developing the requirements listed within the QAP. Although it is a useful funding tool, **the state's Qualified Action Plan (QAP) limits the county's ability to benefit from the program.** The state's QAP, which is a document that sets who receives LIHTC funding, puts Shelby County at a significant disadvantage. Under the current QAP, there are few eligible locations within the county, and it limits non-profits' ability to do development because of experience requirements.

Another kind of advocacy effort includes the push for housing bonds, which are tools that can finance the construction of apartments at rents affordable to lower-income families. **The availability of such state resources is largely dependent on general advocacy from the City and County, and as such it will be prioritized between both entities.**

## Recommended Changes

The following policy recommendations could ensure that redeveloped units remain affordable to current and future households:

- The City and County **will advocate for QAP changes** to make LIHTC projects in Shelby County competitive.
- The City, County, and partner nonprofits will advocate for QAP changes that **reduce the experience requirements for nonprofit developers** to qualify for LIHTC funds.
- The City and County will **provide gap financing** in the form of low interest loans and grants to support the development of new affordable housing.

# Funding | Advocate for State Support

<b>Impacts</b>	<p>While the suggested advocacy effort is a heavy lift that will take staff time and collaboration, successful advocacy could enable significant production of permanently affordable rental units through LIHTC and other similar programs. LIHTC alone remains the primary means of creating new affordable homes and replacing affordable homes that risk rent increases. <b>Supporting LIHTC development throughout Shelby County will reduce the housing gap</b> within the region and has the potential to produce over <b>21,000 new active units</b>.</p> <p>LIHTC credits have been <b>critical to public housing agencies</b> to address preservation, development and redevelopment goals, including preservation of existing public housing, demolition and production of replacement housing and production of special needs housing. Amendments to the QAP would support the preservation and growth of public housing that is a critical piece of the region’s affordable unit inventory.</p>	
<b>Plan Objectives</b>	<p><b>Increase Quality Low-Income Housing</b></p>	<p>By directly creating affordable homes, LIHTC is helping to mitigate the shortage of affordable units available within the region.</p>
<b>Implementation</b>	<p><b>Lead Organizations:</b> Memphis Division of Housing and Community Development (HCD), Memphis and Shelby County Division of Planning and Development (DPD)</p> <p><b>Supporting Organizations:</b> Memphis Housing Authority (MHA), BLDG Memphis</p> <ol style="list-style-type: none"> <li>1. Conduct outreach to THDA to amend the state QAP and make Shelby County more competitive – <u>HCD and DPD to lead, BLDG Memphis to support</u></li> <li>2. Assess outreach effectiveness and adjust strategy as needed – <u>HCD to lead</u></li> <li>3. Establish development goals to be achieved through funding support for Memphis Housing Authority redevelopment – <u>HCD to lead, MHA to support</u></li> <li>4. Continue communication with THDA – <u>HCD and DPD to lead</u></li> </ol>	

**Timeframe**  
Ongoing

Source: HR&A analysis



# Implementation and Plan Metrics

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# Implementation and Plan Metrics | Overview

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Today, the Shelby County housing market is weak, with low market values for homes that do not justify reinvestment in the existing stock, and in some neighborhoods, new construction. **A healthy housing market is critical to preserving Shelby County's economic competitiveness and to serving Shelby County residents.** The current housing market encourages disinvestment in houses, leading to declining housing quality, and instead encouraging tear downs, suburban sprawl, and low-quality housing.

This Housing Policy Plan aims to bring Shelby County's housing market back to a healthy and functioning state and to minimize the need for subsidies to fill development gaps. These recommendations focus on five areas for interventions: **Land Use, Land Activation, Tax Reform, Financing, and Funding.** Implementation of this plan will require coordination across the County and City governments, as well as the many other public entities, non-profits, lenders, and developers working on housing in the area.

As this plan is implemented over time, Shelby County and its jurisdictions will need to update implementation to address new and emerging housing trends and needs. For example, as housing economics improve and real estate values grow, other markets have seen increased pressures around displacement of residents from previously affordable neighborhoods. Future Plan updates will need to consider these pressures and others if and when they arise.

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# Implementation and Plan Metrics | Implementation Responsibility

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**The City of Memphis and Shelby County will lead the implementation of the Housing Policy Plan**, collaborating with other quasi-public and non-profit entities. The City and the County both have influence on the regional housing market and will need to work in coordination to make meaningful progress. Additionally, each approach requires buy-in and support from the private sector. Mission-oriented philanthropic, non-profit, and for-profit organizations are critical partners bringing additional resources and capacity to public efforts.

## Land Use

The City and the County have a joint Unified Development Code (UDC), therefore both governing bodies have a role to play in updating the land use standard to promote a healthy and sustainable housing market. Additionally, the implementation of land use changes are more effective if both the City and County are coordinating on where to incentivize development and the type of development needed.

## Land Activation

There are legal and regulatory processes associated with activating land that make it necessary for the County and City to work together. The City and County need a high level of coordination on their administrative processes to effectively return land to productive use.

## Tax Reform

The City and County have taxing authority and they will need to coordinate tax rebate programs to have a meaningful impact on the market. The Tax Reform approach will be much less effective if it is not a shared effort, and the resulting costs could otherwise become inequitable.

## Finance

The key to success for implementation of Financing will be establishing public-private partnerships. Through this effort, the City or County could act independently or in partnership, but nonetheless will coordinate roles and responsibility to implement the recommendations at a greater scale. Regardless of the structure, engaging a private lender with public support is a crucial aspect to expanding lending opportunities to more households.

## Funding

The City and County currently administer largely uncoordinated programs for housing. In order to have effective Funding implementation, both entities must coordinate and share the burden of increasing the level of public funding. As they coordinate, they will also establish processes for coordination with philanthropic actors.

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# Implementation and Plan Metrics | Implementation

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Included in each recommendation are guidelines for implementation, including the lead organization and supporting partners, specific action items, and an ideal timeline for action. The implementation guide should be read as a living document that can shift and adjust based on existing needs. The City, County, and supporting organizations should revisit the implementation guide frequently and reassess roles and responsibilities, actions, and timelines.

## Lead Organization and Supporting Partners

Each recommendation identifies a **lead organization** that is responsible for seeing the recommendation come to fruition. This does not necessarily indicate that entity should be responsible for 100% of the action items, but rather that they are the point for coordinating efforts to implement that recommendation.

The success of this plan is dependent on collaboration between public, private, and non-profit partners, meaning in addition to the lead organization, **supporting partners** will play a vital role in the overall success of the Housing Policy Plan, particularly higher capacity partners who can lend extra assistance.

## Action Items

The Housing Policy Plan suggests several action items recommended to successfully implement the recommendation. It will be the responsibility of the lead organization and supporting partners to prioritize and execute the action items.

## Timeline

To provide insight into the prioritization of each action item, the Housing Policy Plan provides a target timeline for specific items to demonstrate progress on each recommendation. Further identified action items will require updated timelines as they are identified.

# Implementation and Plan Metrics | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Land Use. The lead actor in this effort is the Memphis and Shelby County Division of Planning and Development (DPD).

## Land Use

Within 1 Year	Years 2-3	Years 4-5	Years 6+
<p><u>Encourage ADU Development:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead developing specific language to change subject provisions of the UDC.</li> <li>DPD to lead bringing recommended changes to City Council and County Commission.</li> </ul>	<p><u>Cottage Development on Narrow Lots:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead developing specific language to change subject provisions of the UDC.</li> <li>DPD to lead in bringing recommended changes to City Council and County Commission.</li> <li>DPD to lead developing strategy for vacant property re-use.</li> </ul>	<p><u>Update Zoning for Small-Scale Multifamily:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead in developing specific language to change subject provisions of the UDC.</li> <li>DPD to lead in bringing recommended changes to City Council and County Commission.</li> </ul>	<p><u>Reform Building Code for Small-Scale Residential:</u></p> <ul style="list-style-type: none"> <li>DPD to lead in addressing process improvement needs in local permitting and regulatory procedures.</li> </ul>
<p><u>Support Multifamily TOD:</u></p> <ul style="list-style-type: none"> <li>DPD to lead engagement of community on proposed zoning changes.</li> <li>DPD to lead developing language to change subject provisions of the UDC.</li> <li>DPD to lead in bringing recommended changes to City Council and County Commission.</li> </ul>	<p><u>Reform Building Code for Small-Scale Residential:</u></p> <ul style="list-style-type: none"> <li>DPD to lead in conducting a review of the land use standards and unified development code (UDC) regulations that hamper multifamily development.</li> </ul>	<p><u>Reform Building Code for Small-Scale Residential:</u></p> <ul style="list-style-type: none"> <li>DPD to lead in identifying administrative burdens that drive up the cost of development.</li> </ul>	

# Implementation and Plan Metrics | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Land Activation. The lead actors in this effort are the Blight Authority of Memphis (BAM), the Shelby County Land Bank (SCLB), the Memphis Division of Housing and Community Development (HCD), the Memphis and Shelby County Division of Planning and Development (DPD), and the Memphis Division of Public Works (Public Works).

## Land Activation

Within 1 Year	Years 2-3	Years 4-5
<u>Reform Title Clearance:</u> <ul style="list-style-type: none"> <li>BAM and SCLB to lead the coordination of identifying necessary title clearance changes.</li> </ul>	<u>Strategic Code Compliance:</u> <ul style="list-style-type: none"> <li>Public Works to lead in working with agencies, nonprofit partners and donors to establish a strategic approach to code enforcement.</li> <li>Public Works to lead in building a more robust property database.</li> </ul>	<u>Strategic Code Compliance:</u> <ul style="list-style-type: none"> <li>Public Works to lead in educating neighborhoods on code compliance processes and opportunities.</li> </ul>
	<u>Establish Heir Title Assistance Program:</u> <ul style="list-style-type: none"> <li>BAM and SCLB to lead in developing educational programs to help residents avoid tangled titles.</li> <li>HCD and DPD to lead in leveraging additional funding for legal assistance programs.</li> <li>HCD to lead in developing resources for applicants turned away from support programs.</li> <li>HCD and DPD to lead in fostering nonprofit and government partnerships.</li> </ul>	<u>Reform Title Clearance:</u> <ul style="list-style-type: none"> <li>BAM, SCLB and the Shelby County Trustee's Office to lead changing title clearance authority and redemption period.</li> </ul>
	<u>Reform Title Clearance:</u> <ul style="list-style-type: none"> <li>BAM and SCLB to lead in sourcing and providing funding for the strategic plan.</li> </ul>	

# Implementation and Plan Metrics | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Tax Reform. The lead actors in this effort are the Memphis Division of Housing and Community Development (HCD) and the Memphis and Shelby County Division of Planning and Development (DPD).

## Tax Reform

Within 1 Year	Years 2-3
<p><u>Tax Relief Programs:</u></p> <ul style="list-style-type: none"> <li>• DPD to lead in pursuing property tax relief reforms.</li> <li>• DPD and HCD to lead in engaging community on proposed tax reform.</li> </ul>	<p><u>Reform Tax Liability on Two-to-Six Unit Structures:</u></p> <ul style="list-style-type: none"> <li>• DPD to lead in developing rebate program for two-to-six-unit structures to close the gap between the commercial and residential tax burden.</li> <li>• DPD and HCD to lead in beginning discussions with state-level officials to lay the groundwork for larger-scale change.</li> </ul>
<p><u>Reform Tax Liability on Two-to-Six Unit Structures:</u></p> <ul style="list-style-type: none"> <li>• DPD to lead in identifying anchor neighborhoods in which the County can influence the tax burden on missing middle development through abatements.</li> </ul>	

# Implementation and Plan Metrics | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Financing. The lead actor in this effort is the Memphis Division of Housing and Community Development (HCD).

## Financing

Within 1 Year	Years 2-3	Years 4-5	Years 6+
<p><u>Provide Pathways for Homeowner Investment:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in identifying CDFI and/or private lenders who would be a good match to roll out program.</li> </ul>	<p><u>Provide Pathways for Homeowner Investment:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in determining appropriate implementation structure: a loan program administered by the County or a loan guarantee program that is administered by a local private lender.</li> </ul>	<p><u>Provide Pathways for Homeowner Investment:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in rolling out program.</li> </ul>	<p><u>New Financing Products for Homeowners:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in implementing coordinated mortgage funds with private lenders.</li> </ul>
<p><u>New Financing Products for Homeowners:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in beginning conversations with local private lenders to identify opportunities for development new financing products.</li> </ul>	<p><u>New Financing Products for Homeowners:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in developing new mortgage funds and coordinate with a local, private lender on private mortgage products.</li> <li>HCD to lead in expanding the down payment assistance program.</li> </ul>	<p><u>Rental Loan Improvement and Infill Development:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in determining the appropriate implementation structure: a loan program administered by the County or a loan guarantee program that is administered by a local private lender.</li> <li>HCD to lead in working with CDFI and/or private lenders to roll out program.</li> </ul>	

# Implementation and Plan Metrics | Implementation Timeline

The following snapshot provides a summary of the recommended timeframe of implementation for Funding. The lead actors in this effort are the Memphis Division of Housing and Community Development (HCD), the Memphis and Shelby County Division of Planning and Development (DPD), and the Tennessee Housing Development Agency (THDA).

## Funding

Within 1 Year	Years 2-3	Years 4-5	Years 6+
<p><u>Consolidate Housing Programs:</u></p> <ul style="list-style-type: none"> <li>HCD to lead in changing the timing and process for local subsidies, specifically PILOT.</li> <li>HCD to lead in prioritizing entitlement and local approval processes for LIHTC development.</li> <li>HCD to lead in investing in additional infrastructure and staffing capacity.</li> </ul>	<p><u>Dedicate New Local Funding</u></p> <ul style="list-style-type: none"> <li>HCD to lead the draw down of seed funding.</li> <li>HCD and DPD to lead in identifying new sources of revenue.</li> <li>HCD and DPD to lead in drawing and finalizing new funding allocation plan.</li> </ul>	<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to lead assessing outreach effectiveness, adjusting strategy as needed.</li> <li>HCD and DPD to continue communication with THDA.</li> </ul>	<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to continue communication with THDA.</li> </ul>
<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to lead in conducting outreach to THDA to amend the state QAP and make Shelby County more competitive.</li> <li>HCD to lead in establishing development goals to be achieved through funding support for Memphis Housing Authority redevelopment.</li> </ul>	<p><u>Advocate for State Support:</u></p> <ul style="list-style-type: none"> <li>HCD and DPD to continue communication with THDA.</li> </ul>		
<p><u>Pursue Community Investment Tax Credit:</u></p> <ul style="list-style-type: none"> <li>THDA to lead in partnering with local banks to provide discounted loans within CITC structure.</li> <li>THDA to lead in identifying CDCs who can coordinate funding structures that include CITC.</li> <li>HCD and DPD to lead in working with THDA to educate local developers and financial institutions on the mechanisms of CTIC.</li> </ul>			

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# Implementation and Plan Metrics | Metrics

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Successful implementation of the Housing Policy Plan also requires systems to track and monitor progress toward Plan Objectives. Each Plan Objective requires specific metrics of success to communicate progress, evaluate program effectiveness, and assess the City and County's long-term priorities. The Housing Policy Plan has outlined four metrics that will help measure progress of the implementation steps outlined previously. Detail on how these metrics were quantified can be found in the [Appendix](#).

- 1. Improve Housing Quality** The Housing Policy Plan aims to create and renovate housing by catalyzing the **renovation of 4,600 housing units** and the **development of 5,000 for-sale infill housing units** in anchor neighborhoods by 2030.
- 2. Support Homeownership** The Housing Policy Plan seeks to stabilize owner-occupied single-family housing by **adding over 7,000 homeowners and reducing the annual decline in homeownership by 47%** by 2030.
- 3. Diversify Housing Stock** The Housing Policy Plan aims to **produce 1,300 new for-sale and 6,400 rental missing middle** housing units by 2030.
- 4. Increase Quality Low-Income Housing** With \$20 million in new annual funding and financing, Shelby County and Memphis will create and preserve **1,000 multi-family units of low- and very-low-income housing** by 2030.\*

*\*The 1,000 units outlined in the fourth metric are in addition to the 9,600 units outlined in the first metric.*

# Implementation and Plan Metrics | Metrics

Goal	2030 Target	Context	Tools
<p><b>Improve Housing Quality</b></p>	<p><b>7,000 home renovation loans made</b></p>	<p>Households in Shelby County struggle to access mortgage financing to improve the quality of their homes. In 2019, only 300 households received home improvement loans, while 570 households were rejected for reasons other than their capacity to pay.</p> <p><b>The number of home improvement loans made in Shelby County can be more than doubled by using public and philanthropic guarantees of private financing.</b></p>	<p><b>Financing</b></p>
	<p><b>8,600 new infill homes built and sold</b></p>	<p>Through new household formation there will be demand for approximately 8,600 new, or substantially rehabilitated, infill homes – approximately 2,000 square feet and priced around \$300,000.</p> <p>The pace of infill development will build only about 3,500 such houses by 2030. <b>Through land use reforms, such as clearing title on properties, expansion of mortgage financing and greater flexibility in land use regulations, Shelby County can unlock an additional 5,000 units and meet projected demand.</b></p>	<p><b>Land Use, Land Activation, Financing</b></p>
<p><b>Support Homeownership</b></p>	<p><b>7,500 new owner-occupied units</b></p>	<p>Since 2010, the homeownership rate has been declining by just under a percent per year. If this trend continues over the next decade, <b>the homeownership rate will decline from 55% in 2020 to 48% in 2030.</b></p> <p>The goal of the Housing Policy Plan aims to stabilize owner-occupied housing by adding over <b>7,500 owner-occupied units by 2030</b>, reducing the annual decline in homeownership by 47%.</p>	<p><b>Land Use, Land Activation, Financing, Funding</b></p>

# Implementation and Plan Metrics | Metrics

Goal	2030 Target	Context	Tools
<b>Diversify Housing Supply</b>	<b>1,300 for-sale and 9,400 rental units of middle-density homes</b>	<p>Based on existing trends, Shelby County will have demand for 1,300 for-sale and 9,400 middle-density homes units by 2030. All of these units are within two-to-six-unit structures, which will primarily be found within the City of Memphis.</p> <p>Currently, Shelby County is expected to add 26 for-sale and 3,000 rental missing middle units by 2030. It will <b>increase nearly 1,300 for-sale and 6,400 rental missing middle units</b> by 2030 as a result of land use changes, adjustments to property tax policy, and clearing titles.</p>	<b>Land Use, Land Activation, Tax Reform</b>
<b>Increase Quality Low-Income Housing</b>	<b>1,000 new rental homes for very low-income households</b>	<p>Memphis' high poverty rate and limited stock of quality affordable housing has led to a significant need for low- and very-low-income housing. Although there is much housing that is inexpensive, housing is still unaffordable for many Memphis residents. Thus, significant subsidy is needed for construction of additional quality low-income housing units. With \$20 million in annual new funding designated for this specific purpose, <b>Shelby County could construct about 1,000 new units of housing to help fill the housing gap.</b></p>	<b>Funding</b>

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# Implementation and Plan Metrics | Transparency

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The City and County Housing Departments **should clearly identify** overall housing expenditures within their budget, and publish metrics on program funding, capacity, and impacts to create accountability and **measure progress** towards housing goals.

The City and County must be transparent in their expectations, priorities, and decision-making criteria when working on the aforementioned metrics. In addition to this, the City and County should be transparent about funding allocations and uses. This kind of transparency serves to maximize the impact of public funds by increasing the competitiveness of programs and deals, and by increasing public accountability towards the use of funding. The City and County should facilitate its funding and metric transparency and tracking through the following means:

## **Visibility of spending on housing in budget**

**Make housing expenditures a clearer line item in the City and County budget or clearly report on housing funding allocations and expenditures.** The full extent of spending on housing should be made clear within the budget or an annual housing report, both to give credit to existing efforts around housing, and to be able to more accurately monitor trends in spending on housing over time.

## **Availability of monitoring data**

**Provide production and cost data for homes created and households served.** The per-unit or per household cost, total program costs, and total program capacity of different affordable housing programs should be published and monitored. This data would allow funders, staff, and civic leaders to track the impact of public funds in delivering housing services.

## **Measurement and evaluation of impacts of housing spending**

**Adopt best practices in performance measurement for housing,** disaggregating performance data by outputs (what the City and County are *doing*) and outcomes (what ultimate impacts the City and County's spending is *having* on housing affordability). This data should be monitored regularly, with data collected on an ongoing basis and reviewed on a monthly to quarterly cycle. These metrics should be directly incorporated into budget requests and funding applications. Data should also be disaggregated by race and income level.

# Implementation and Plan Metrics | Transparency

[D.C.'s Housing Production Trust Fund](#), the [Nashville Barnes Fund](#), and [Pittsburgh's Housing Opportunity Fund](#) publish annual reports on the number of households served by funding, and the income levels of those households.

## D.C. Housing Production Trust Fund Annual Report

# HOUSEHOLDS ASSISTED/FUNDING BY INCOME GROUP (Multi-family)			
	Extremely Low Income 0 - 30% AMI	Very Low Income 31 - 50% AMI	Low Income 51 - 80% AMI
FY2015	517 Units	280 Units	545 Units
	21,801,065	7,951,455	30,597,006
	39% of units	21% of Units	41% of Units
FY2014	77 Units	173 Units	604 Units
	3,344,036	7,270,228	29,678,795
	9% of Units	20% of Units	71% of Units

# MULTI-FAMILY PROJECTS AWARDED, UNITS, FUNDING, AND PROJECT TYPE					
	# Projects, Units and Award Amounts	Project Type			
		Loans	Grants	Homeownership	Rental
FY2015	19 Projects	19 Projects	0 Projects	3 Projects	16 Projects
	1,342 Units	1,342 Units	0 Units	98 Units	1,244 Units
	60,349,526	60,349,526	0	2,976,389	57,373,137
FY2014	16 Projects	16 Projects	0 Projects	4 Projects	12 Projects
	826 Units	826 Units	0 Units	85 Units	741 Units
	40,252,380	40,252,380	0	6,324,546	33,927,834

## Pittsburgh Housing Opportunity Fund

### 2018 Annual Allocation Plan (AAP)

AMI Level	30%	50%	80%	Total	Estimated Units / Households Served
Required Allocation	50%	25%	25%		
Housing Stabilization	\$0.5M	\$0.25M		\$0.75M	186
Rental Gap Financing	\$2.5M	\$1.375M		\$3.875M	100
Owner-Occupied Rehabilitation	\$1.5M	\$0.625M	\$0.25M	\$2.375M	100
Down Payment/Closing Cost			\$0.75M	\$0.75M	125
Affordable For Sale Development Program			\$1.25M	\$1.25M	14
Administration			up to \$1M		
<b>Total</b>	<b>\$4.5 M</b>	<b>\$2.25 M</b>	<b>\$2.25 M</b>	<b>\$10 M</b>	<b>525</b>

# Implementation and Plan Metrics | Transparency

The City of Greensboro uses an online, interactive [bond tracker](#) to allow the community to track bond projects, including housing projects, that are in progress within their communities.

## Greensboro Bond Tracker

City of Greensboro 2016 Bond Tracker

The 2016 Bond Tracker Dashboard can be used by the general public and other interested parties to review the status of bond projects under construction or in progress in their community. Please find historical information about the bond referendum [here](#)

Adjust the filters or current map extent to refine the results

**Type**

- Comm & Economic Dev
- Housing
- Parks & Rec
- Transportation

**Phase**

- Preliminary
- Design
- Construction
- In Progress
- Complete

**Council Districts**

- 1
- 2
- 3
- 4
- 5
- All

**Active Projects**

▲ 29

<b>Code Compliance Repair Initiative - Revolving Loan Fund</b> Housing
<b>East Greensboro Housing Development - Revolving Loan Fund</b> Housing
<b>Handicapped Accessibility Improvements</b> Housing
<b>Supportive Housing Units for Homeless/Disabled/Veterans</b> Housing
<b>Non-Profit Homebuyer Lending - Revolving Loan Fund</b> Housing
<b>Emergency Repair Programs</b> Housing
<b>Multifamily Affordable Housing Development</b> Housing
<b>Homeowner Rehabilitation</b> Housing
<b>Single Family Lot Initiative of Ole Asheboro</b> Comm & Economic Dev
<b>South Elm Redevelopment (Union Square)</b> Comm & Economic Dev

**All Projects**

55.6M / 127.5M

Total Funds Spent & Obligated to Total Budget

**Code Compliance Repair Initiative - Revolving Loan Fund**

Project ID: 486

**Description**  
Lien assessment program to repair properties under Code Compliance Enforcement.

**Project Updates**  
Code Compliance is working through the programmatic pieces for implementation of Receivership as an option for resolution of vacant deteriorated properties with Orders to Repair or Demolish

Project Budget	\$3,000,000	Funds Spent	\$0
Funds Remaining	\$3,000,000	Funds Obligated	\$0
Estimated Start	Summer 2020	Estimated End	

**Phase:** Design

**Contact**  
Troy Powell  
336-373-2208  
Troy.Powell@greensboro-nc.gov

**Code Compliance Repair Initiative - Revolving Loan Fund**

No Cost Accrued

Project Funds Spent & Obligated to Project Budget

An aerial photograph of Memphis, Tennessee, with a blue color overlay. The image shows the Pyramid of Soler in the foreground, the Mississippi River flowing through the city, and several bridges crossing the river. The city skyline is visible in the background.

# Appendix

# APPENDICES

Appendix I: Housing Needs Assessment.....	129
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# Appendix

## I. Housing Needs Assessment

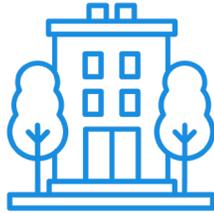


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## Context | What is Housing Affordability?

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There are 2 types of affordable housing: Subsidized Housing (Capital “A”) and Naturally Occurring Affordable Housing (NOAH)



### **Capital “A”: Subsidized Housing**

A household lives in “Affordable Housing” if the building is subsidized, either through the Low-Income Housing Tax Credit (LIHTC) program, Public Housing, or through local, state, or federal subsidy. A household can live in “Affordable Housing” and still be cost burdened.



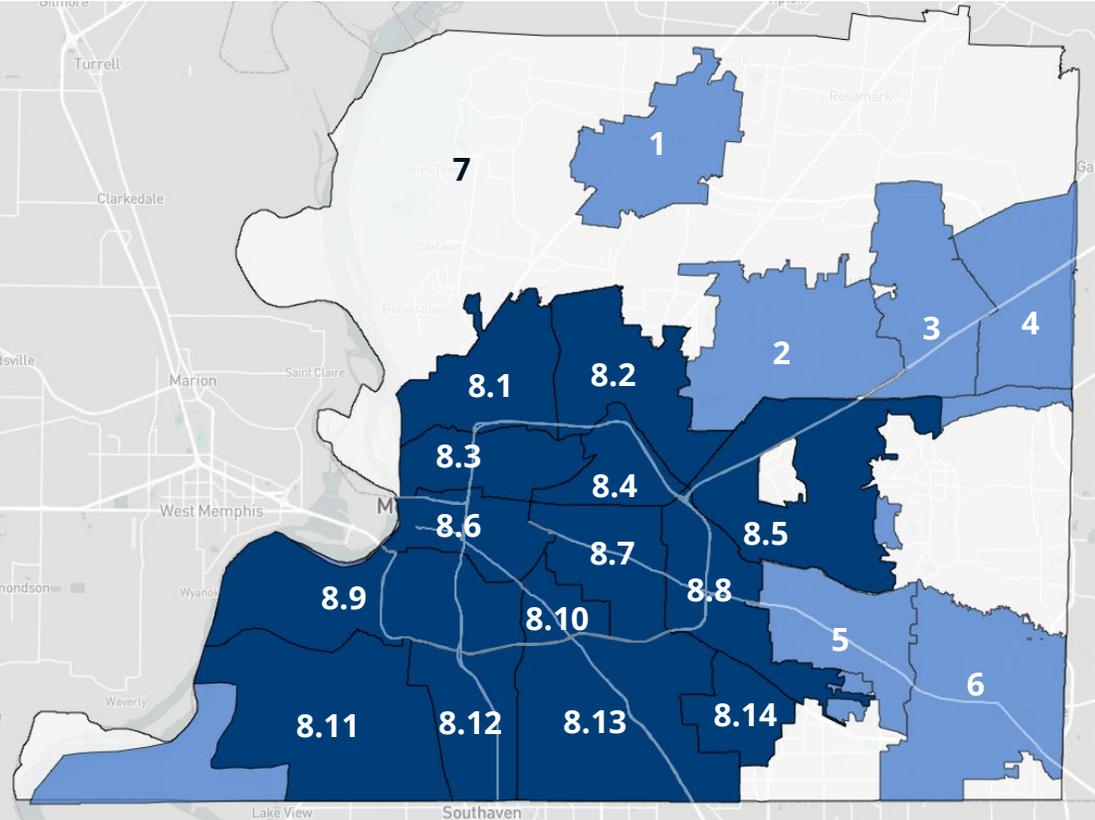
### **NOAH: Naturally Occurring Affordable Housing**

Under a standard set by the U.S. Department of Housing and Urban Development (HUD), housing is considered “affordable” when the household spends 30% or less of its income on gross housing costs, whether for renter or ownership housing. NOAH refers to residential rental properties that are affordable but unsubsidized by any public program.

# Context | Geography

This Plan encompasses Shelby County, the City of Memphis, and subgeographies within these areas.

## Map of Regional Study Area



Source: ACS 5-Year Estimates (2019)

## List of geographies:

- 1 Millington
- 2 Barlett
- 3 Lakeland
- 4 Arlington
- 5 Germantown
- 6 Collierville
- 7 Unincorporated Shelby County

## Memphis (3.0 Planning Districts):

- 8.1 Frayser
- 8.2 Raleigh
- 8.3 North
- 8.4 Jackson
- 8.5 Cordova
- 8.6 Core City
- 8.7 University
- 8.8 East
- 8.9 South
- 8.10 Lamar
- 8.11 Westwood
- 8.12 Whitehaven
- 8.13 Parkway Village
- 8.14 Southeast

---

# Context | Overview of Recent Plans and Research

---

Our research builds on recent plans and studies to develop an actionable housing plan that addresses the region's affordability challenges.

## Challenges

- Memphis faces economic and fiscal challenges due to stagnant growth
- A low-wage population in the urban core is unable to support new development
- The large geography and sprawl creates gaps between housing and jobs
- The City has poor quality, aging housing stock in the inner city and demolishes 800-1,000 single-family homes annually

## Key Studies Reviewed

**Memphis 3.0 Comprehensive Plan**

**The State of Memphis Housing  
Memphis 2020**

**10K Housing Initiative**

**Accelerate Memphis Whitepaper**

**Zimmerman/Volk Residential  
Market Analysis**

# Housing Demand

Population and job growth drive housing need.



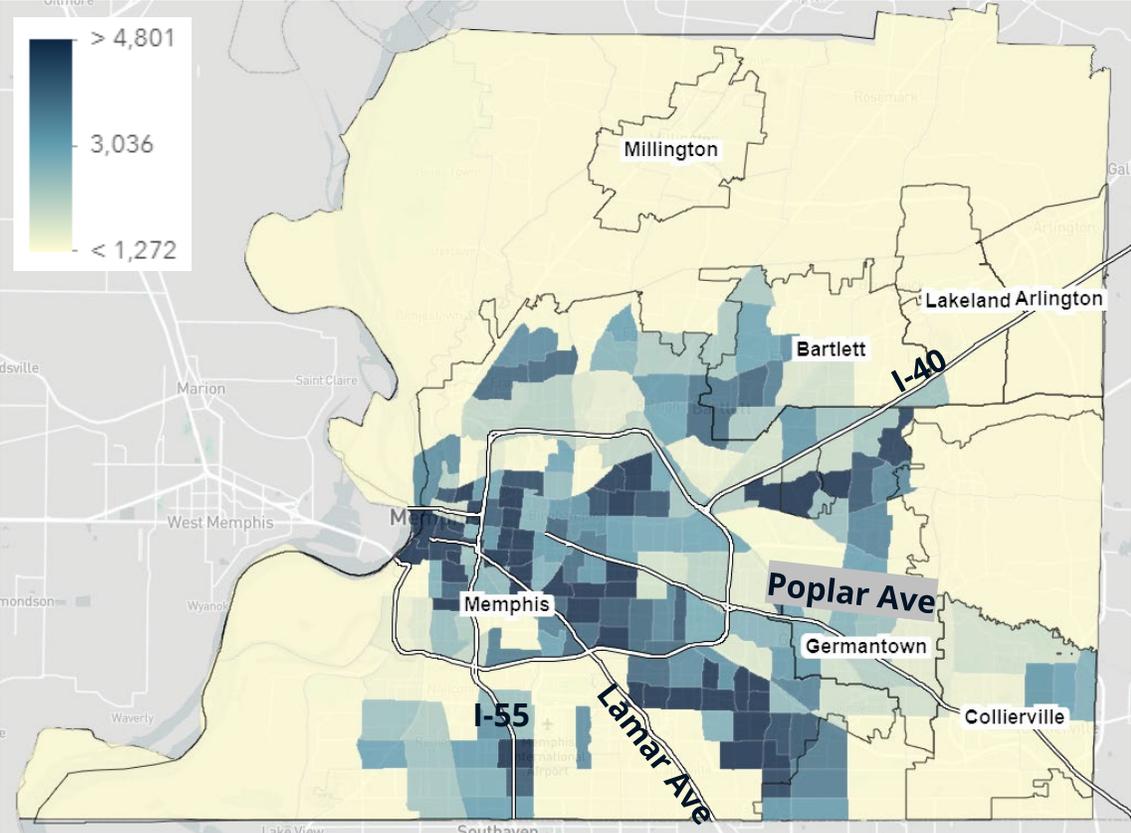
# Housing Demand | Takeaways

<p><b>Population growth is stagnant</b> in the region, with a decline in the city and growth in the suburbs.</p>	<p><b>+19%</b> Shelby Population Change 2010-2019</p> <p><b>-0.4%</b> Memphis</p>
<p><b>Growth in Latinx and Black residents</b> is offsetting a sharp <b>decline in white residents</b> in the city and county.</p>	<p><b>-31.7K</b> White</p> <p><b>+39.5K</b> Black and Latinx</p>
<p>Like national trends, <b>residents between 25-34 and 55+ are the only age cohorts that are growing</b> in the city and county.</p>	<p><b>+7.6K</b> 25-34</p> <p><b>+48.7K</b> 55+ Residents</p>
<p><b>Memphis's economy is weaker than the national economy</b> – producing fewer jobs, with lower wages.</p>	<p><b>\$52K</b> Shelby County</p> <p><b>\$63K</b> US Median Income</p>
<p>Driving this economic difference is <b>Memphis' significant poverty issue.</b></p>	<p><b>~200%</b> US poverty rate (25% vs 13%)</p>

# Housing Demand | Population

Nearly 70% of Shelby County residents live in the City of Memphis. The highest population densities are along the Lamar Ave and Poplar Ave corridor.

**Population Density by Census Tract**



Source: ACS 5-Year Estimates (2019)

**Total Population**

**936K**

Shelby County population

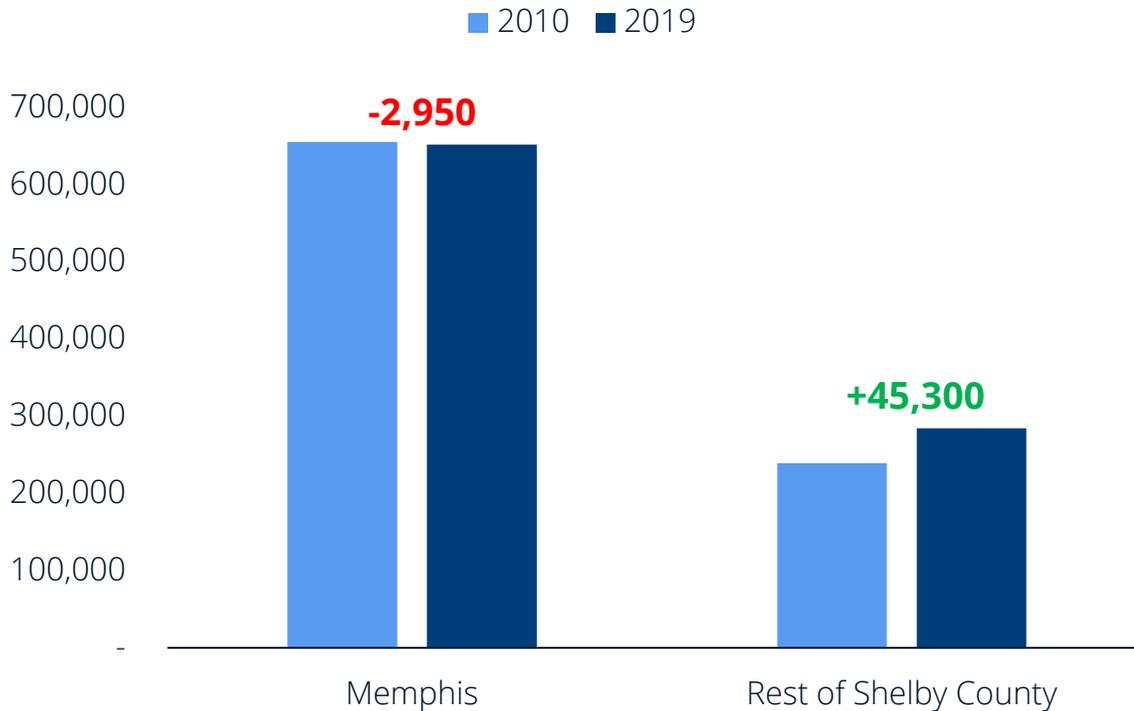
**652K**

Memphis population

# Housing Demand | Population Change

The population is slightly declining in Memphis, while significantly growing in the suburbs. Both patterns diverge from the nation's moderate population growth rate.

**Population Change, 2010-2019**



**Growth Trends, 2010-2019**



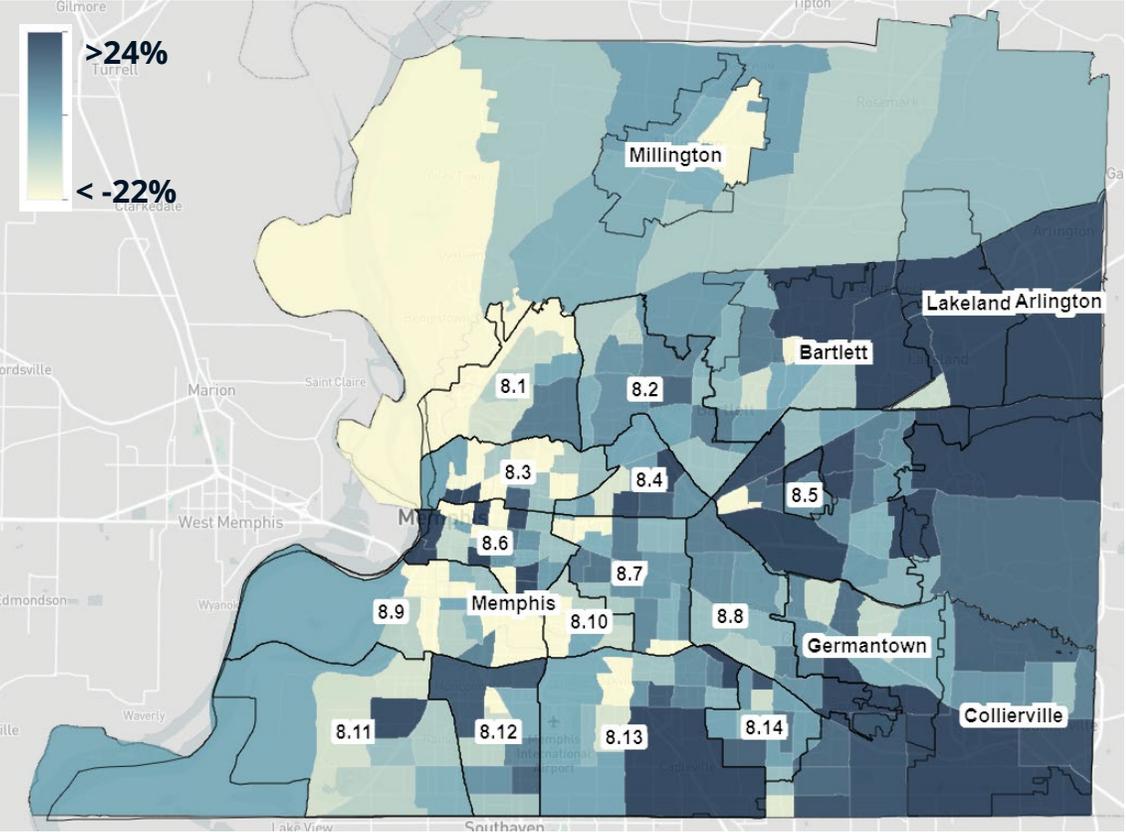
*Note: For points of comparison, the "Rest of Shelby County" geography excludes the City of Memphis but includes all other municipalities (Arlington, Bartlett, Collierville, Germantown, Lakeland, and Millington) and the County's unincorporated areas.*

Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Population Change

Downtown Memphis' population has declined over the past decade while the surrounding suburbs, especially in the east and southeast, have rapidly grown.

## Population Change, 2010-2019



Source: ACS 5-Year Estimates (2010, 2019)

### Planning District

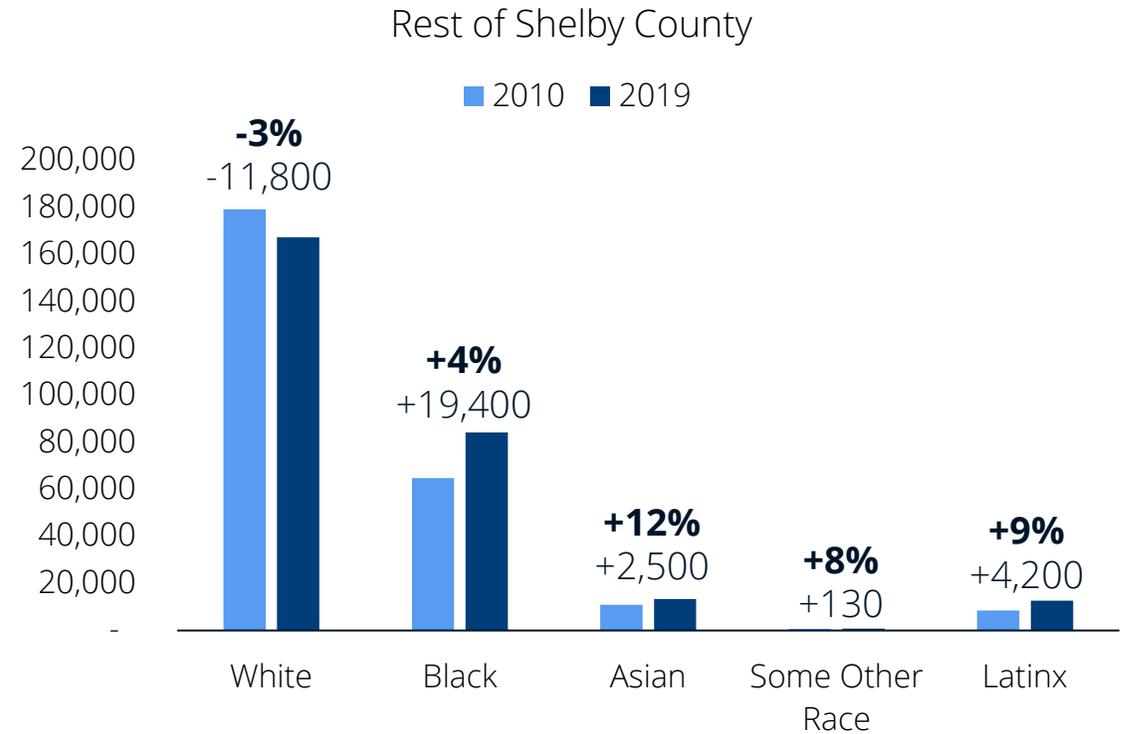
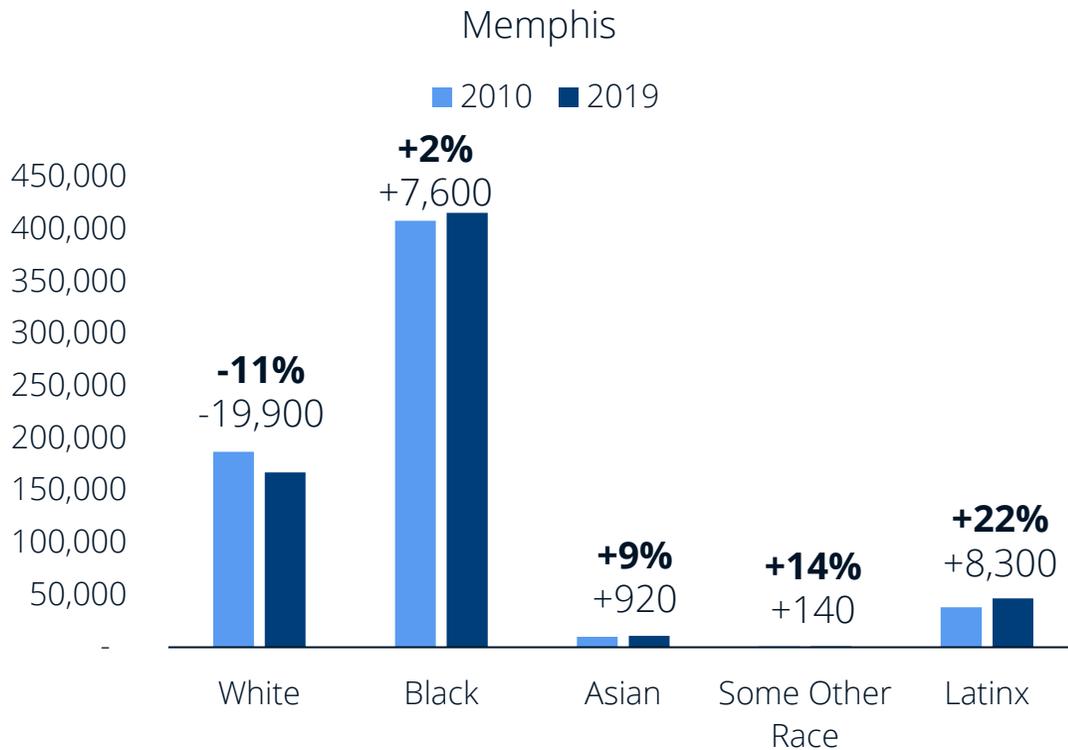
### % Change in Population, 2010-2019

Planning District	% Change in Population, 2010-2019
8.1 Frayser	-11%
8.2 Raleigh	4%
8.3 North	-9%
8.4 Jackson	-5%
8.5 Cordova	7%
8.6 Core City	2%
8.7 University	-2%
8.8 East	7%
8.9 South	-17%
8.10 Lamar	-16%
8.11 Westwood	-4%
8.12 Whitehaven	-10%
8.13 Parkway Village	3%
8.14 Southeast	3%

# Housing Demand | Population Change by Race

The white population is declining while Latinx, Asian, and Black populations are offsetting this decline.

**Residents by Race or Ethnicity, 2010-2019**

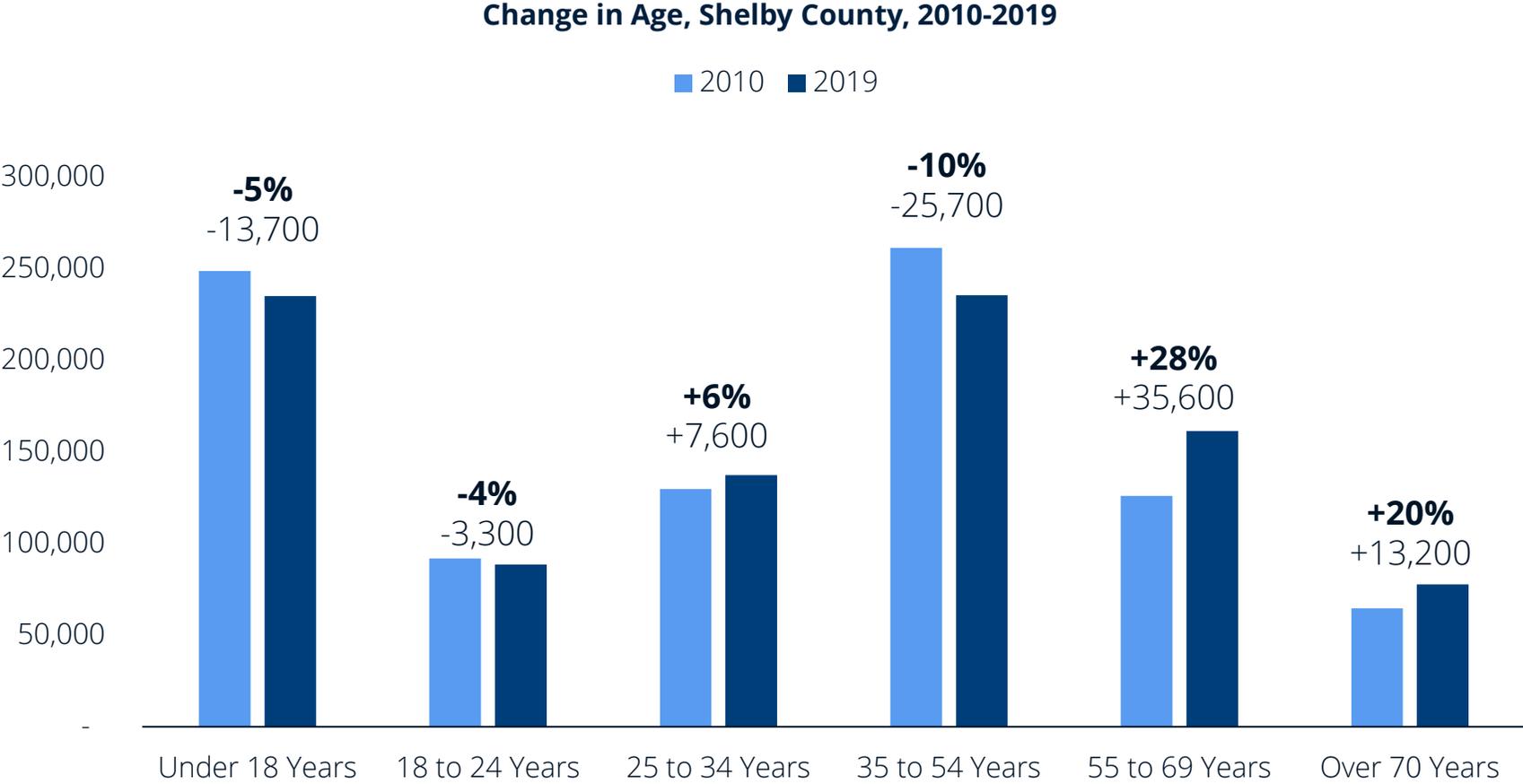


Note: our analysis uses the population counts of Black, white, and Asian individuals who do not also identify as Latinx.

Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Population Change by Age

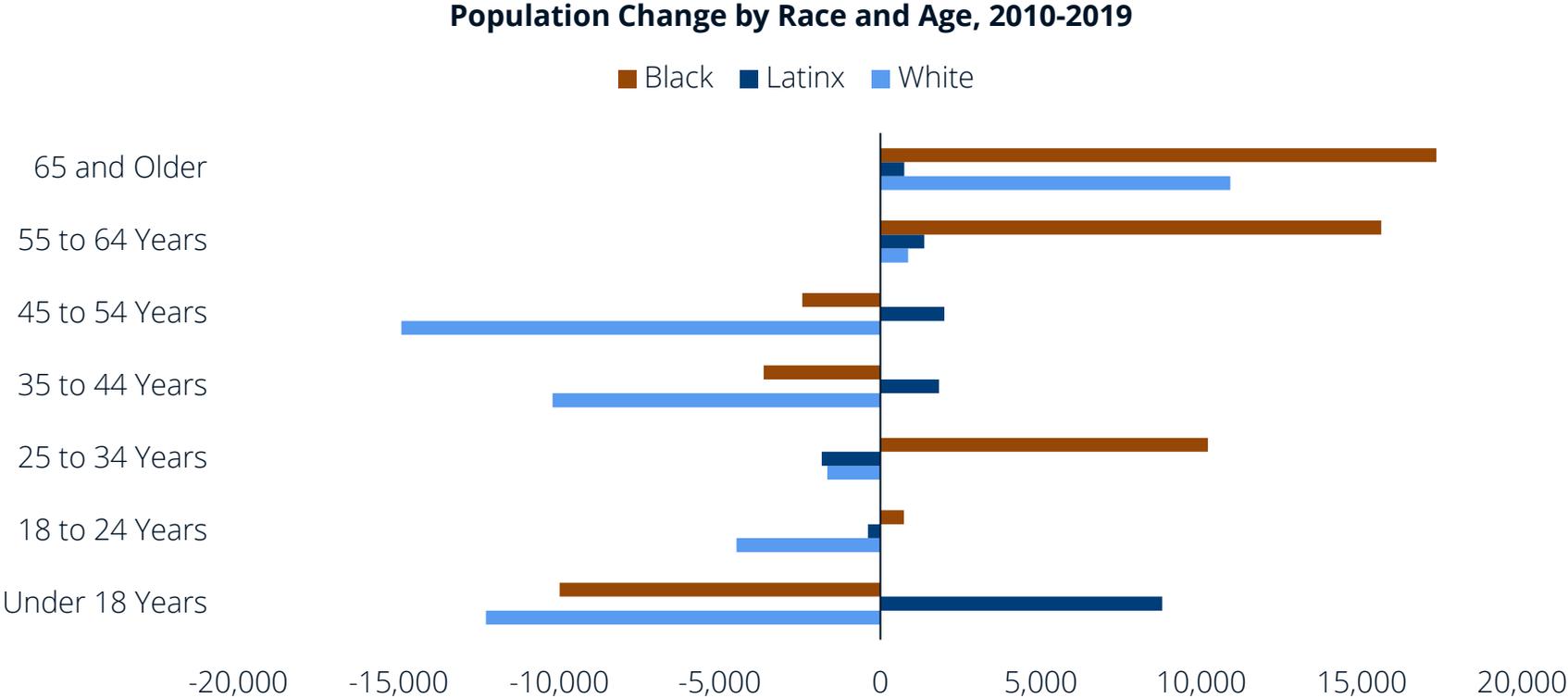
The County and City are growing most significantly amongst older residents (over 55 years old) and young adults (25 to 34 years old.) All other age bands are declining.



Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Population Change by Race and Age

White individuals younger than 55 are largely leaving Shelby County. Black individuals under 18 and 35 to 54 are also leaving Shelby County, suggesting Black family households are leaving. Latinx households are largely growing in Shelby County.

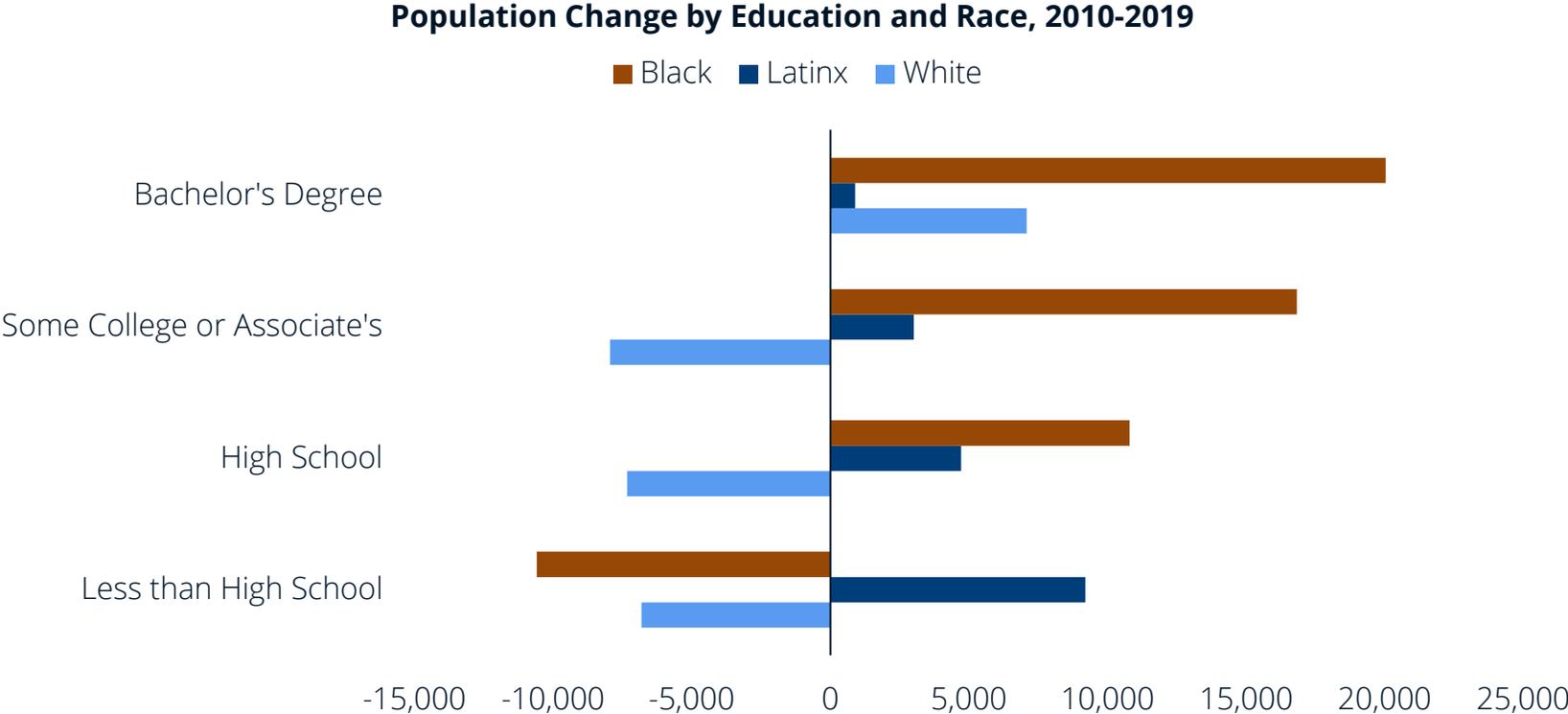


Note: our analysis uses the population counts of Black, white, and Asian individuals who do not also identify as Latinx.

Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Population Change by Education and Race

Black individuals with less than a high school education are leaving Shelby County. Latinx individuals of all education levels are moving to Shelby County. And white individuals without a Bachelor's degree are leaving Shelby County.



Note: our analysis uses the population counts of Black, white, and Asian individuals who do not also identify as Latinx.

Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Population Change by Income and Tenure

Memphis and other parts of Shelby County are experiencing declines in homeownership at all income bands below \$100K, combined with sharp increases in high-income renters.

**Change in Income Distribution by Tenure, Shelby County, 2010-2019**

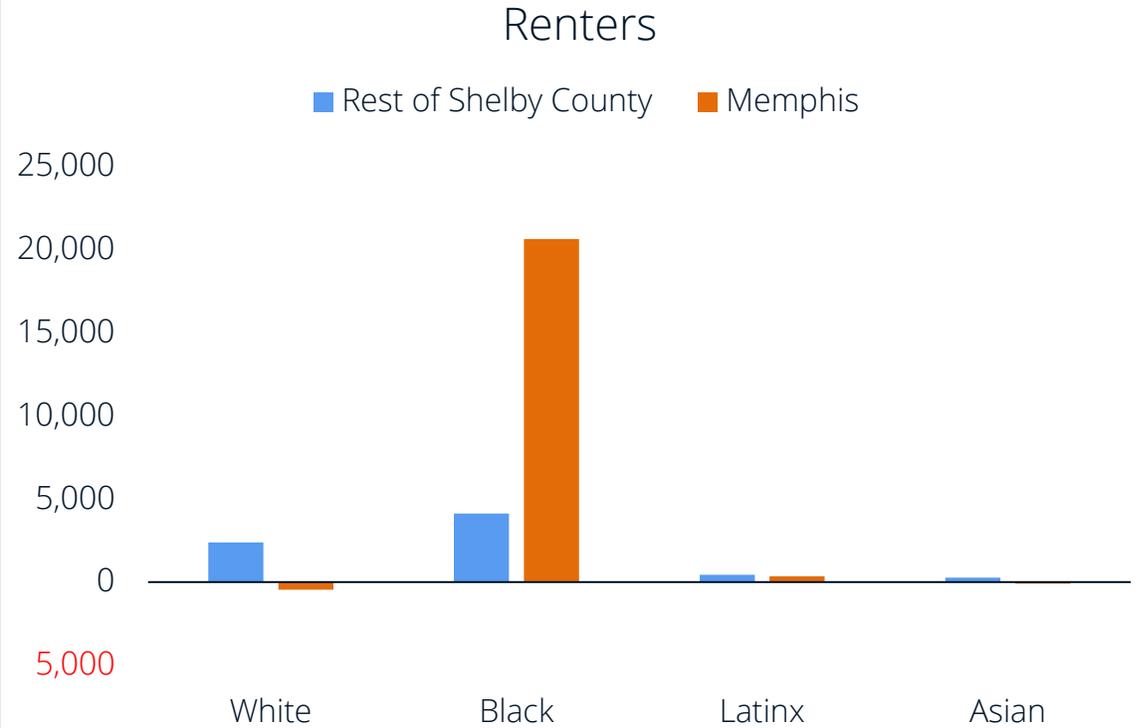
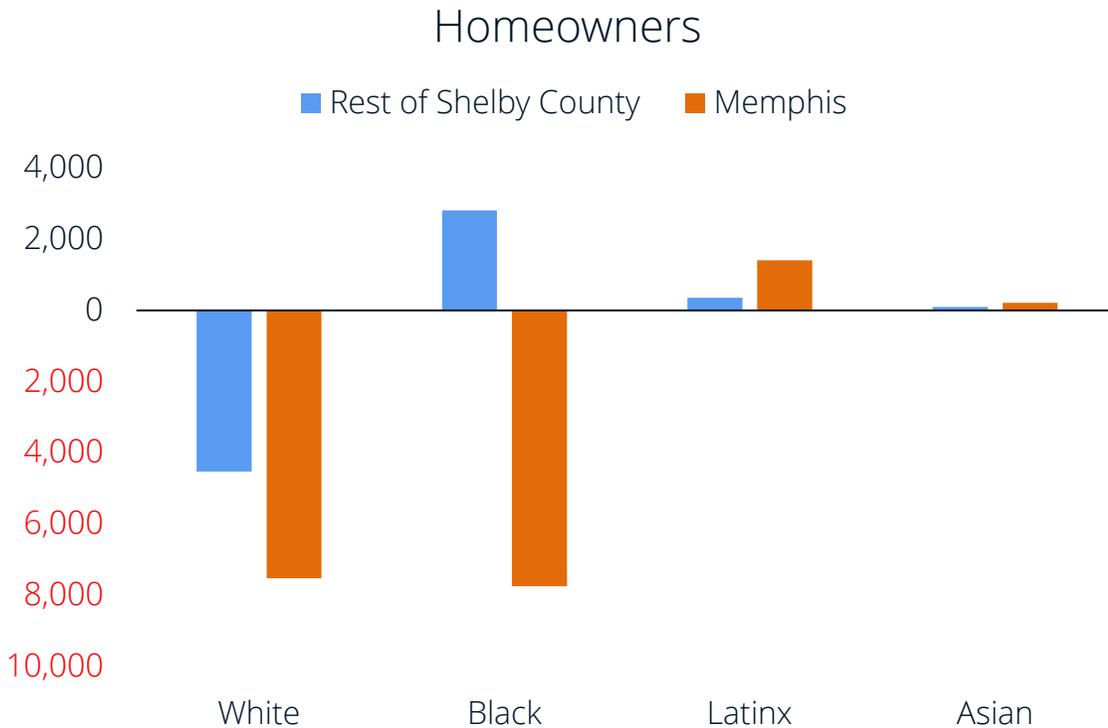


Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Household Change by Tenure and Race

Latinx and Asian households saw significant growth in homeownership, despite overall County and City trends. Black renter households grew by nearly 30% in both geographies.

**Change in Households by Tenure and Race, 2010-2019**

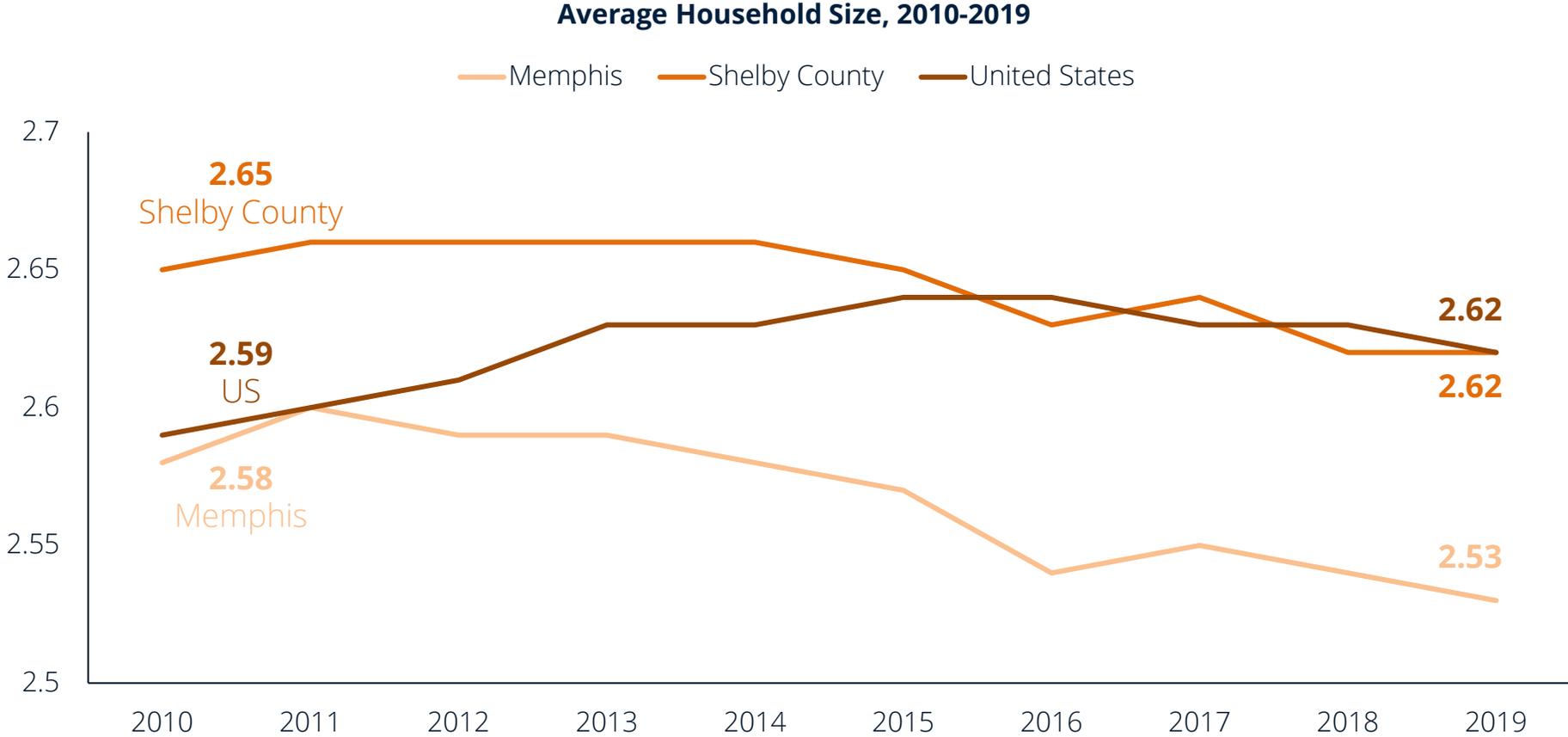


*Note: our analysis uses the population counts of Black, white, and Asian individuals who do not also identify as Latinx.*

Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Average Household Size

Average household sizes are decreasing in both the county and city, diverging from national trends.

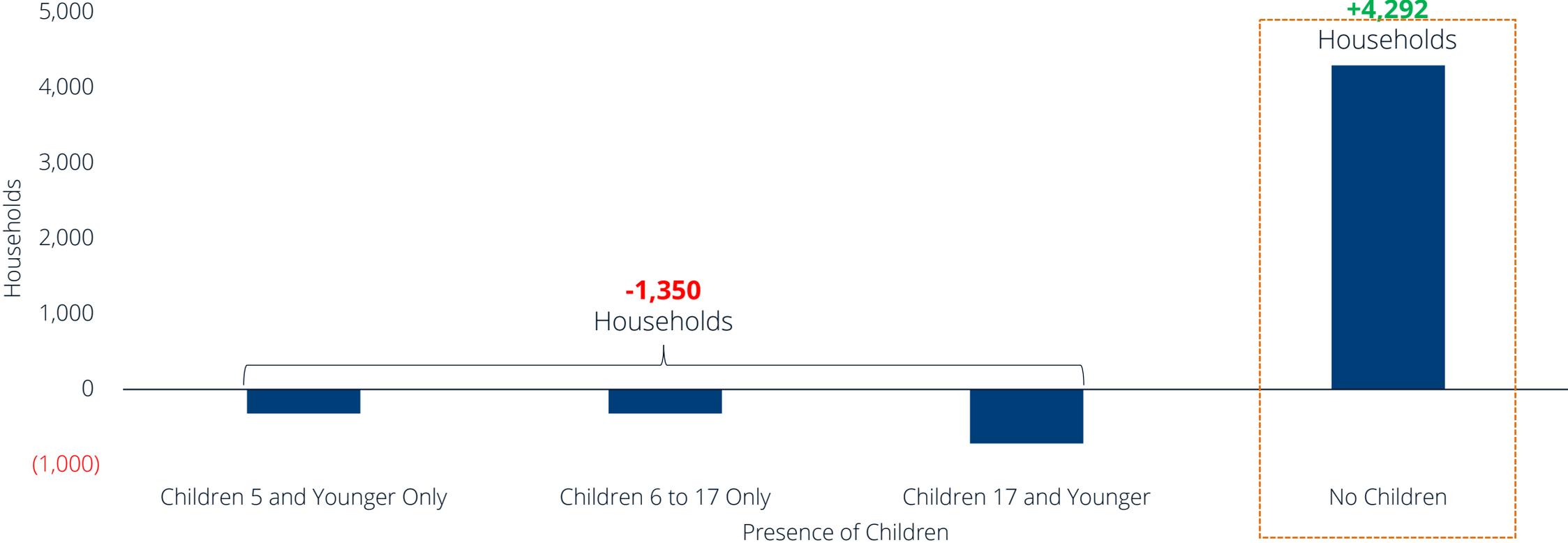


Source: Public Use Microdata Sample (PUMS), ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Household Change by Family Type

Households without children are moving into Shelby County's multifamily units, while households with children are leaving this type of housing.

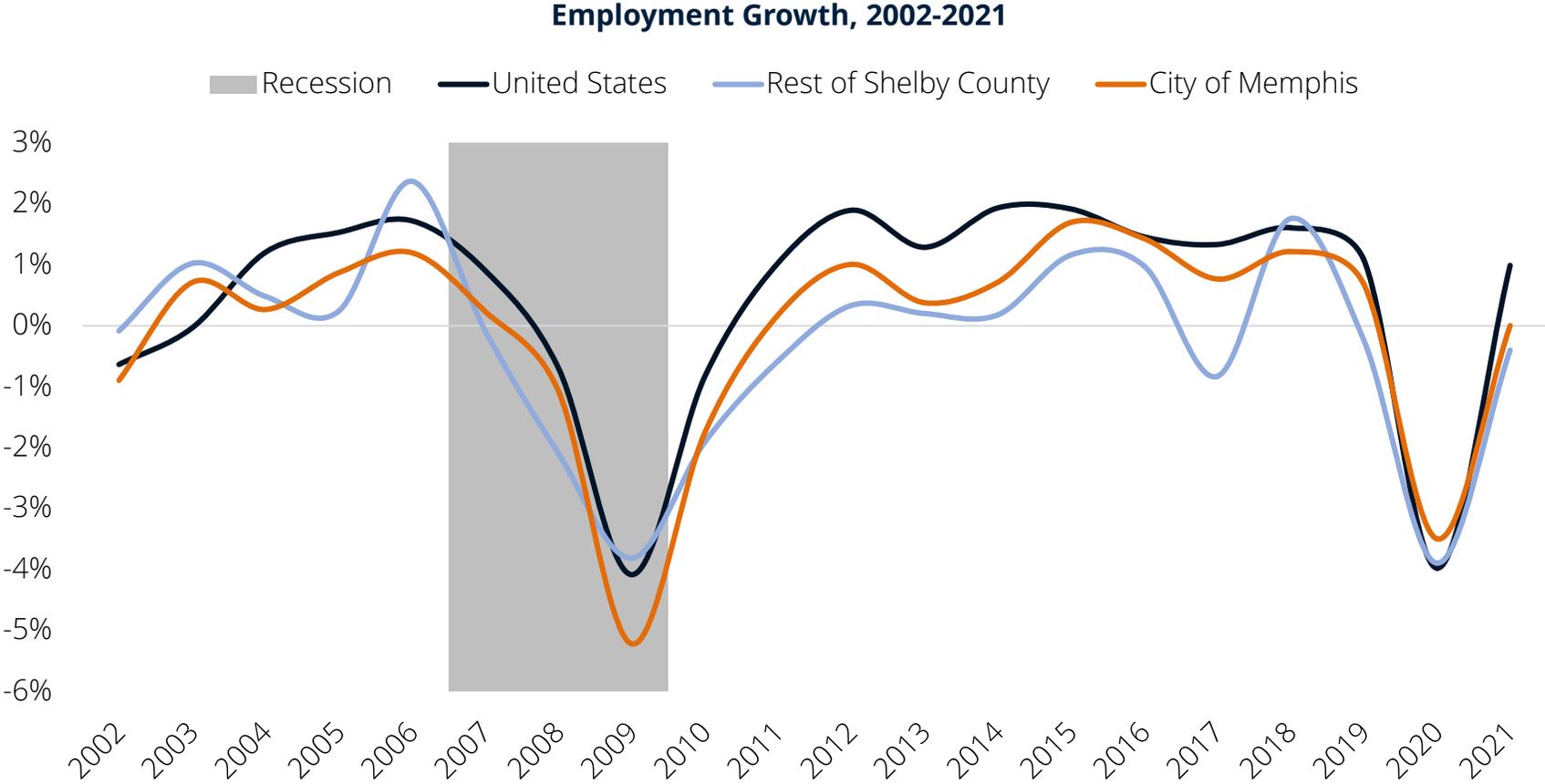
**Change in Households by Presence and Age of Children, Multifamily Buildings with 10+ Units, 2010-2018**



Source: Public Use Microdata Sample (PUMS), ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Employment Change

Both Memphis and the rest of Shelby County have lagged the US in employment growth.



Source: EMSI

# Housing Demand | Income by Industry

Over 1/3 of jobs in Shelby County have median earnings below \$50K.

**Selected Figures for Top Industries in Shelby County**

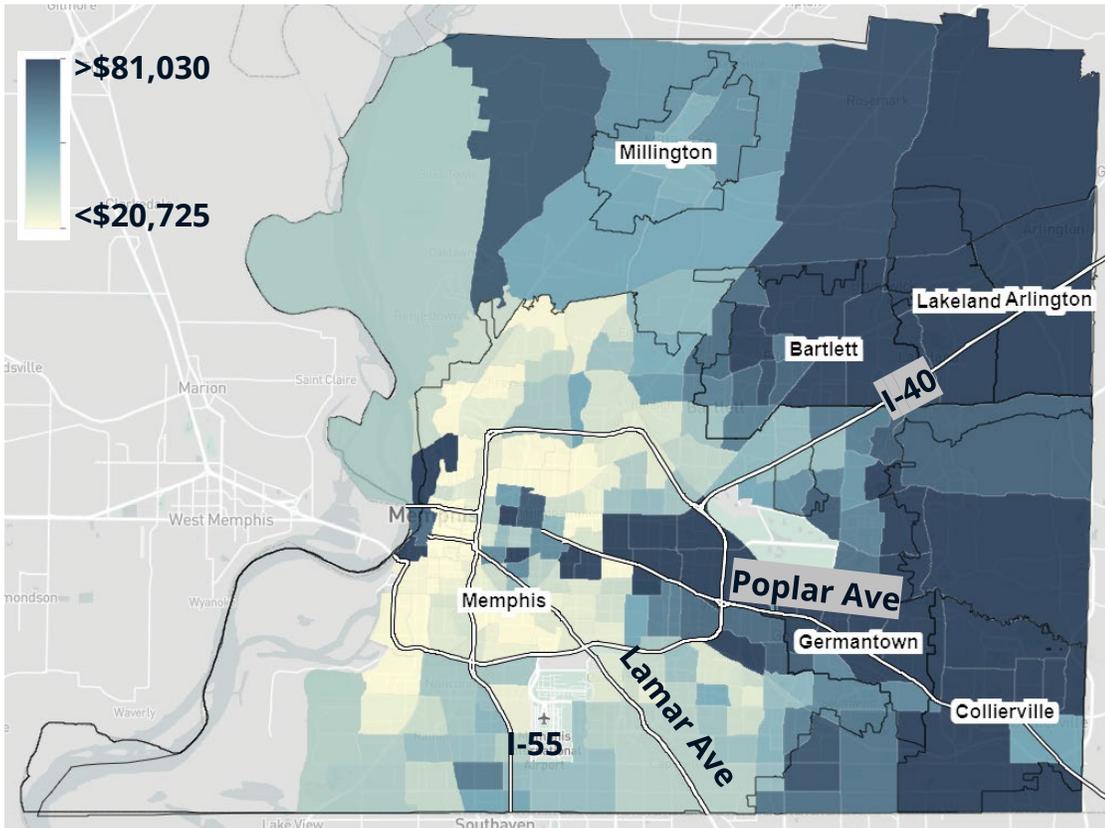
<b>Industries</b>	<b>2018 Jobs</b>	<b>Share of County Jobs</b>	<b>Annual Job Growth, 2009-2018</b>	<b>Median Earnings</b>
Health Care	75,300	13%	1.8%	\$65,500
Government	69,900	12%	-0.6%	\$75,300
Transportation and Warehousing	59,200	11%	0.8%	\$79,900
Administrative Services	54,900	10%	1.0%	\$42,900
Retail Trade	53,600	10%	-0.2%	\$42,600
Food Services	45,500	8%	0.9%	\$23,500
Other Services	34,400	6%	-0.4%	\$32,600
Manufacturing	33,200	6%	-1.1%	\$94,500
Wholesale Trade	28,400	5%	0.1%	\$83,700
Professional Services	24,900	4%	2.7%	\$70,100
Construction	22,800	4%	0.6%	\$65,800
Finance	17,600	3%	0.0%	\$139,000
Educational Services	12,100	2%	3.4%	\$45,600
Real Estate	9,900	2%	-1.0%	\$64,300
Management	8,800	2%	6.3%	\$165,100
Arts	7,200	1%	1.4%	\$60,200
Information	4,900	1%	-3.0%	\$78,100
Agriculture	700	0.1%	-2.1%	\$29,400

Source: EMSI

# Housing Demand | Household Income

Shelby County and Memphis have lower median incomes than the United States and have experienced income decline since 2010.

Median HH Income by Census Tract, 2019



Source: ACS 5-Year Estimates (2019)

Median HH Income, 2019

**\$51,657**

Shelby County

**\$41,228**

Memphis

**\$62,834**

United States

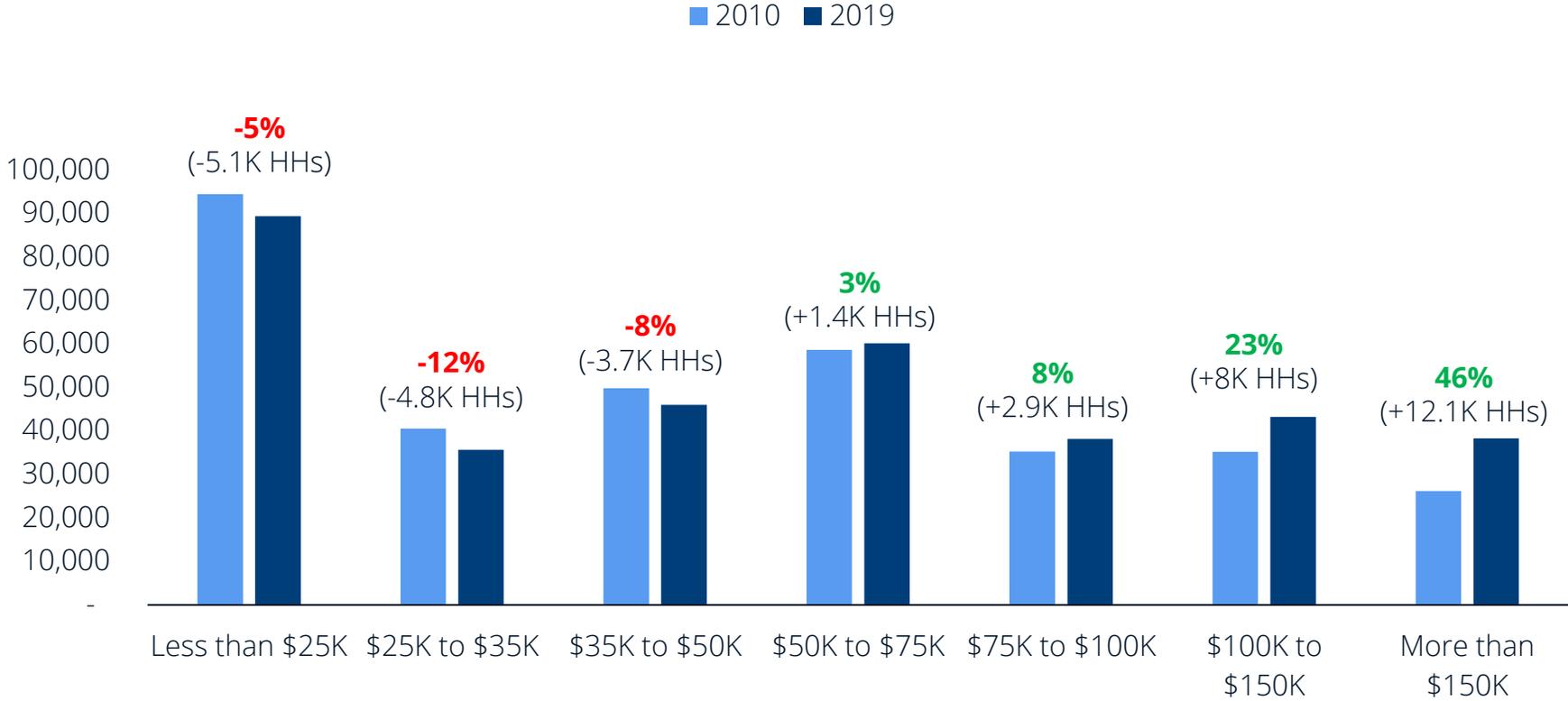
**-1.6%**

Decrease in Shelby  
County since 2010

# Housing Demand | Household Income Change

Shelby County is witnessing similar growth trends, with a particular loss of low-to-middle-income households (those earning \$25K to \$50K.)

**Overall Change in Household Income Distribution, Shelby County, 2010-2019**

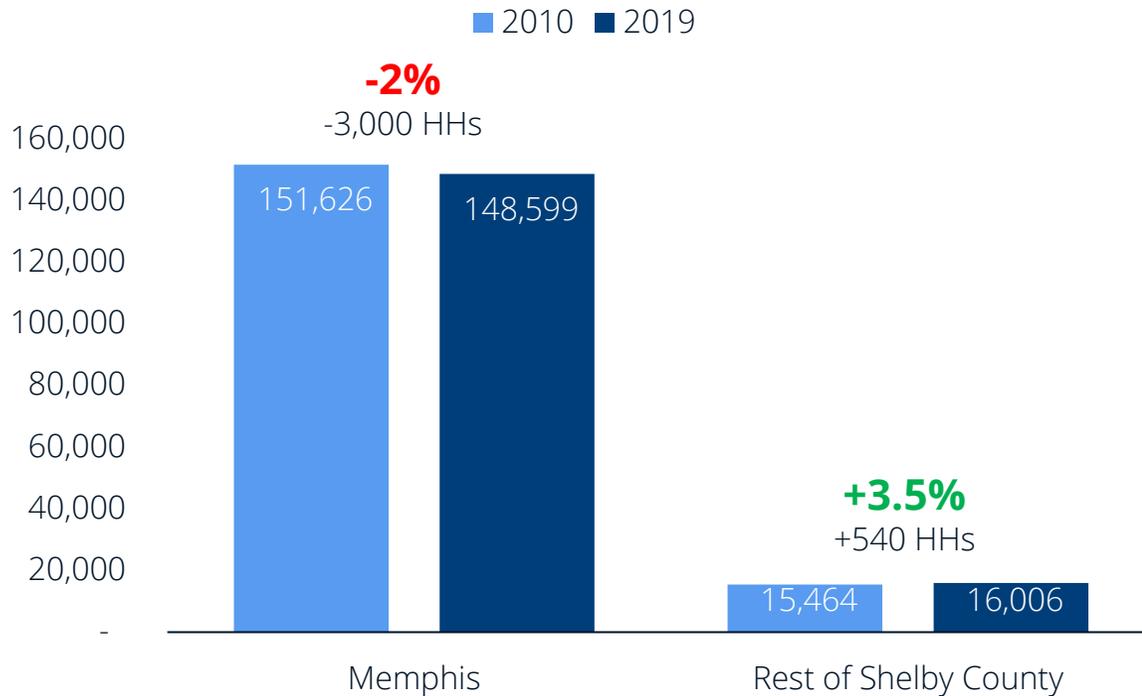


Source: ACS 5-Year Estimates (2010, 2019)

# Housing Demand | Poverty

Memphis has a significant poverty challenge, with a rate that is nearly double the national average.

**Households in Poverty, 2010-2019**



**Poverty Rates, 2019**

**25%**

Memphis

**7%**

Rest of Shelby County

**13%**

United States

*Note: The current Federal Poverty Line is \$12,880 for one-person family, \$17,420 for a two-person family, and \$26,500 for a 4-person family. Households making less than this amount are considered below the poverty line.*

*Source: ACS 5-Year Estimates (2010, 2019)*

# Housing Supply – Overall Stock

Housing stock, quality, and availability drive overall housing supply.



# Housing Supply | Takeaways

The city and county's housing stock is **dominated by single-family units.**

**89%**  
County detached SF units

Memphis' **housing stock is aging...**

**69%**  
Memphis units 50+ years old

...and suffers from **underinvestment**

**~166 year**  
Reinvestment cycle

**Suburban development** is following population trends.

**~60%**  
Shelby County units (excluding Memphis) built since 1990

Memphis has a **modestly growing multifamily inventory** that is increasingly **being absorbed.**

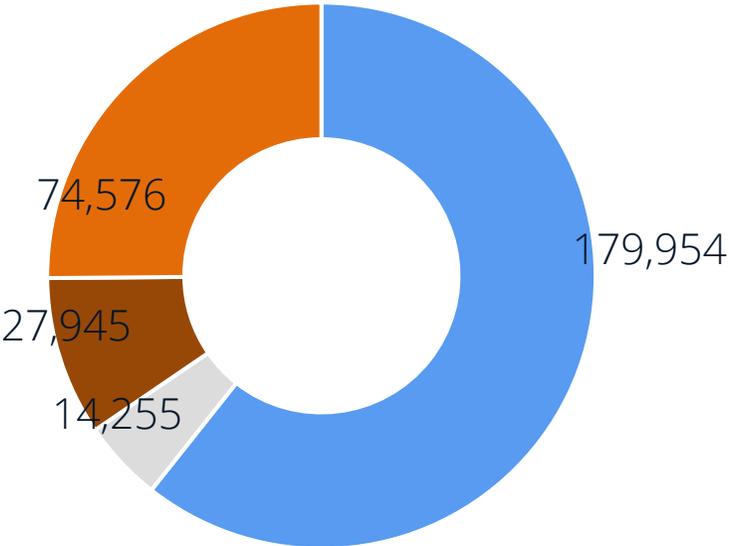
**1.9K**  
MF units absorbed in 2020

# Housing Supply | Housing Typologies

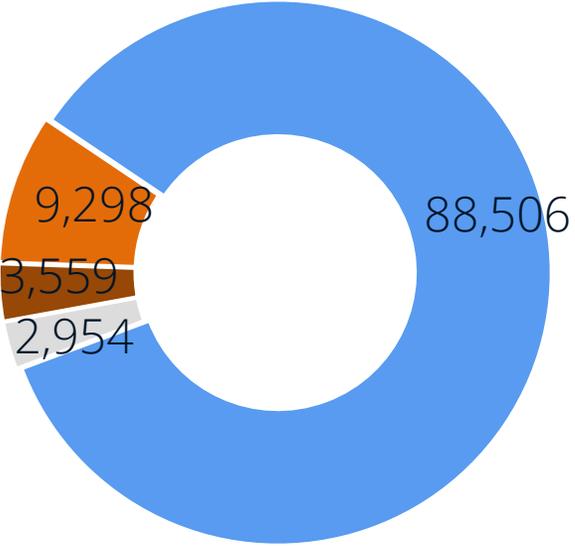
Memphis accounts for 68% of the single-family inventory and 89% of the multifamily inventory in Shelby County.

## Housing Type Comparisons

Memphis (197K Units)



Shelby County Excluding Memphis (104K Units)



■ 1, Detached

■ 1, Attached

■ 2 to 4

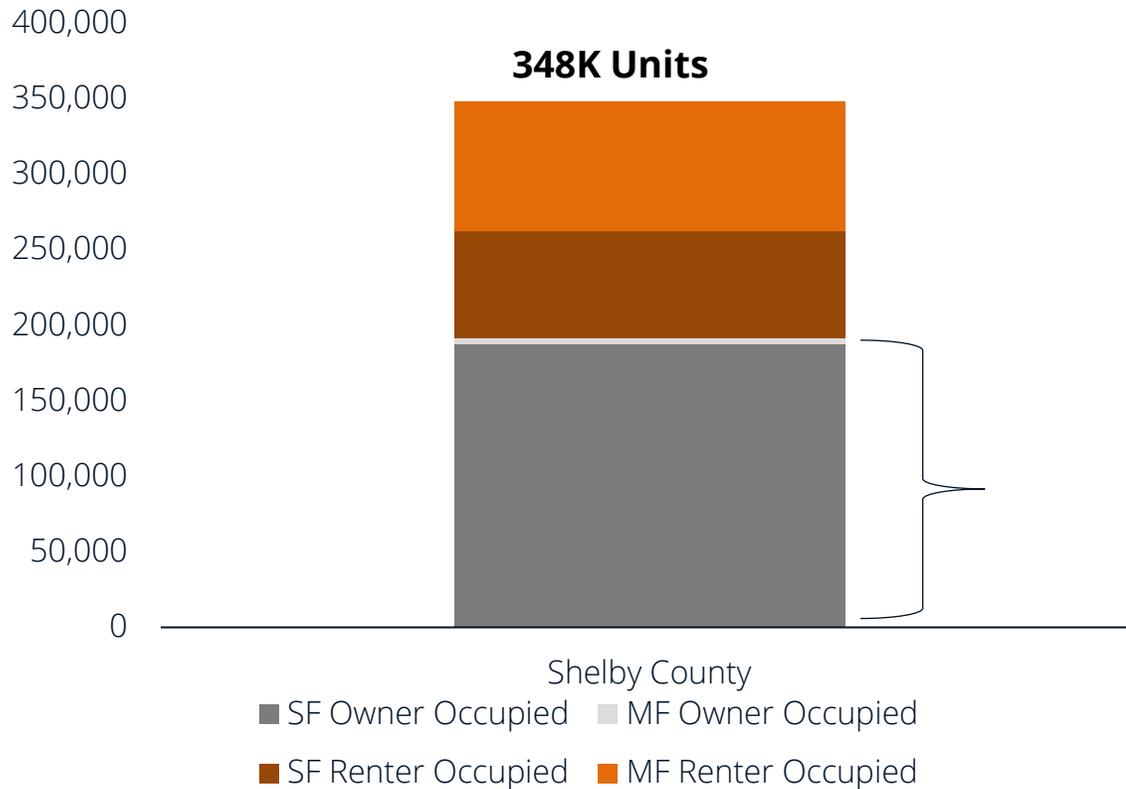
■ 5+

Source: American Community Survey (ACS) 5-Year

# Housing Supply | Housing Typologies

While Memphis makes up almost 70% of Shelby County's population, it holds only 61% of the County's owner-occupied housing.

**Housing Supply by Tenure and Housing Type (2019)**



**193K**  
Owner-Occupied units

**55%**  
Of Total Housing Stock

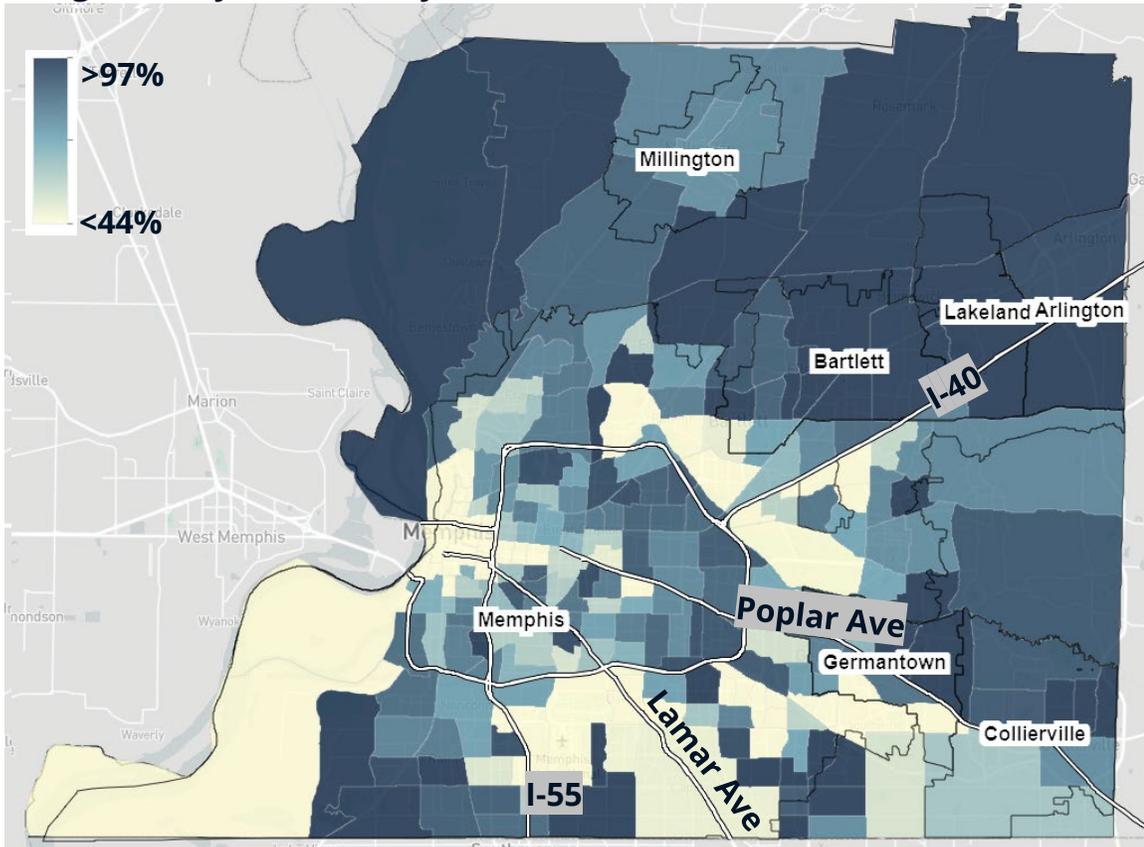
**61%**  
Located within the City  
of Memphis

Source: American Community Survey (ACS) 5-Year

# Housing Supply | Housing Typologies

Most multifamily units are located within Memphis, specifically within downtown.

Single Family Detached by Census Tract, 2019



Source: ACS 5-Year Estimates (2019)

Single-Family Detached Homes

**84%**

Of Shelby County houses are single-family detached (not including the City of Memphis)

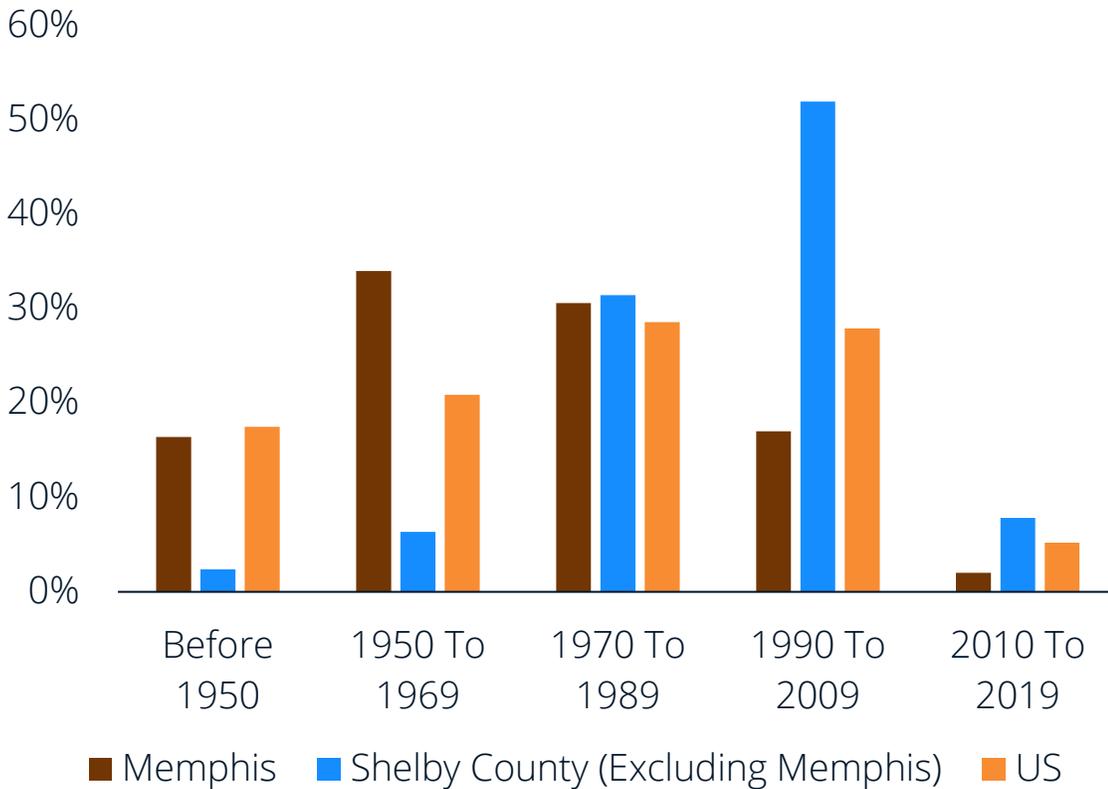
**60%**

Of homes within the City of Memphis are single-family detached

# Housing Supply | Housing Stock Age

The housing stock in Memphis is older than in Shelby County, indicating quality challenges within the city.

## Housing by Year Built, 2019



**54%**

US units over 50 years old

**5%**

Suburban Shelby County units over 50 years old

**69%**

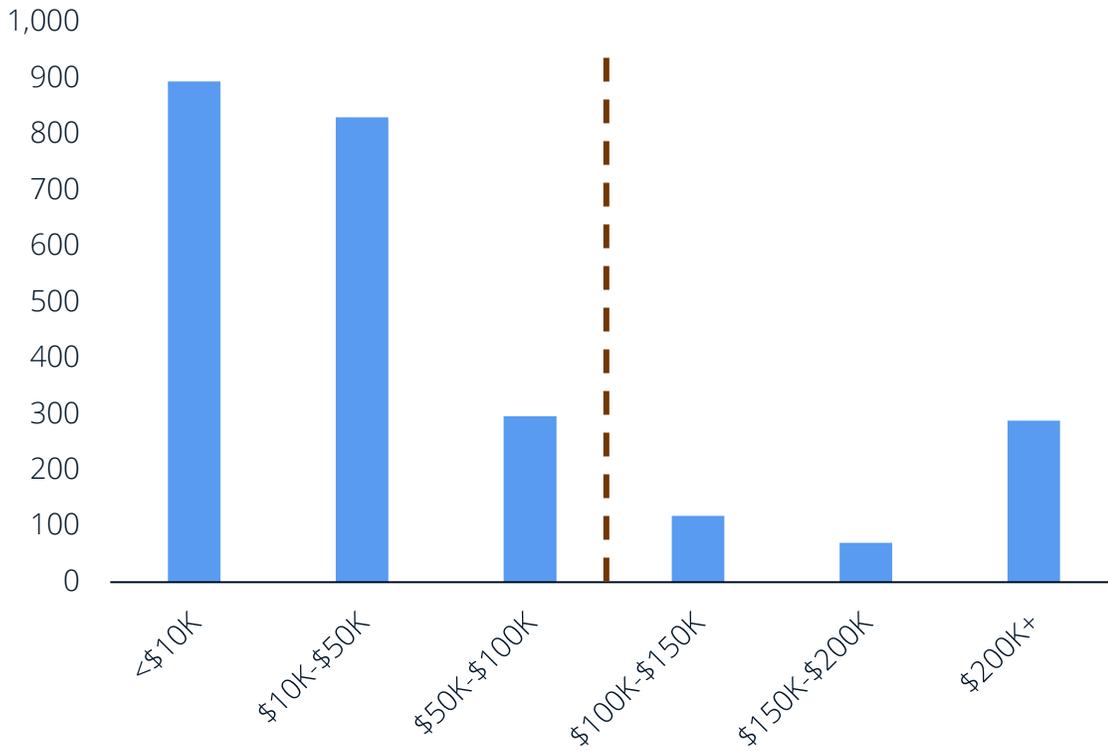
Memphis units over 50 years old

Source: American Community Survey (ACS) 5-Year

# Housing Supply | Housing Rehabs

Only 0.6% of the county's housing stock is rehabilitated annually, indicating a 168-year reinvestment cycle. Of these, less than 20% of rehabs are over \$100K in value, demonstrating limited investment in improving housing quality in the County.

**Distribution of Rehab Values (2020)**



**29%**

% of Shelby County  
Rehabs outside of  
Memphis

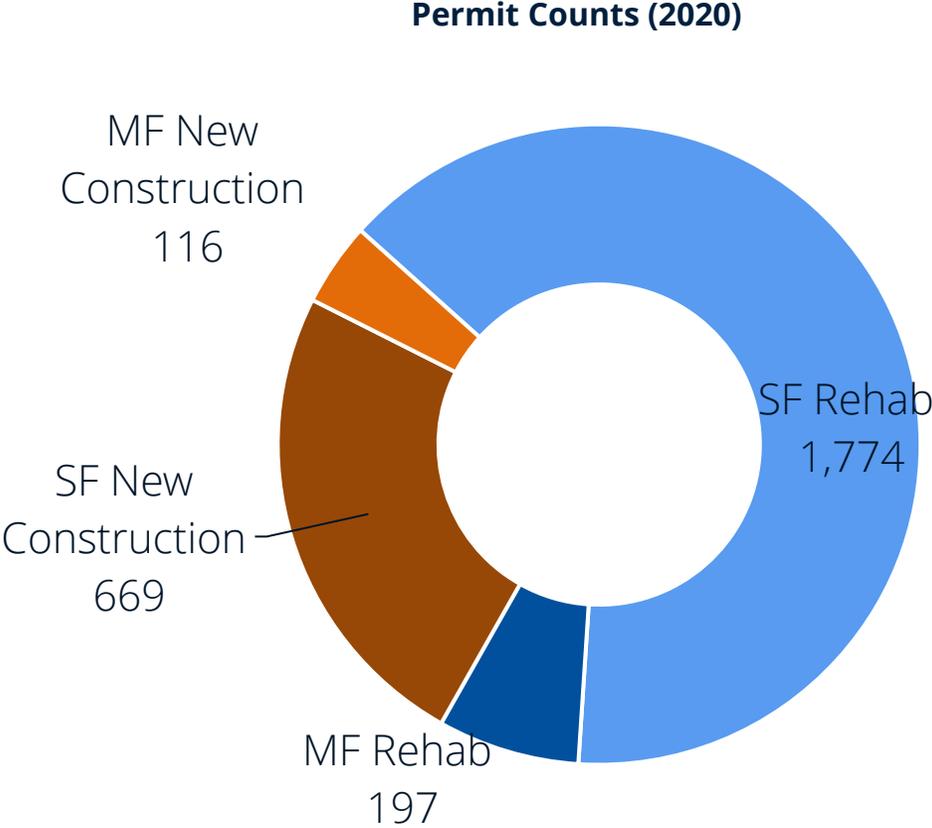
**0.6%**

% of Shelby County  
Housing Stock  
Rehabbed Annually

Source: Memphis and Shelby County Division of Planning & Development

# Housing Supply | Housing Rehabs

The vast majority of permits are for single-family homes being rehabbed, followed by new construction of single-family.

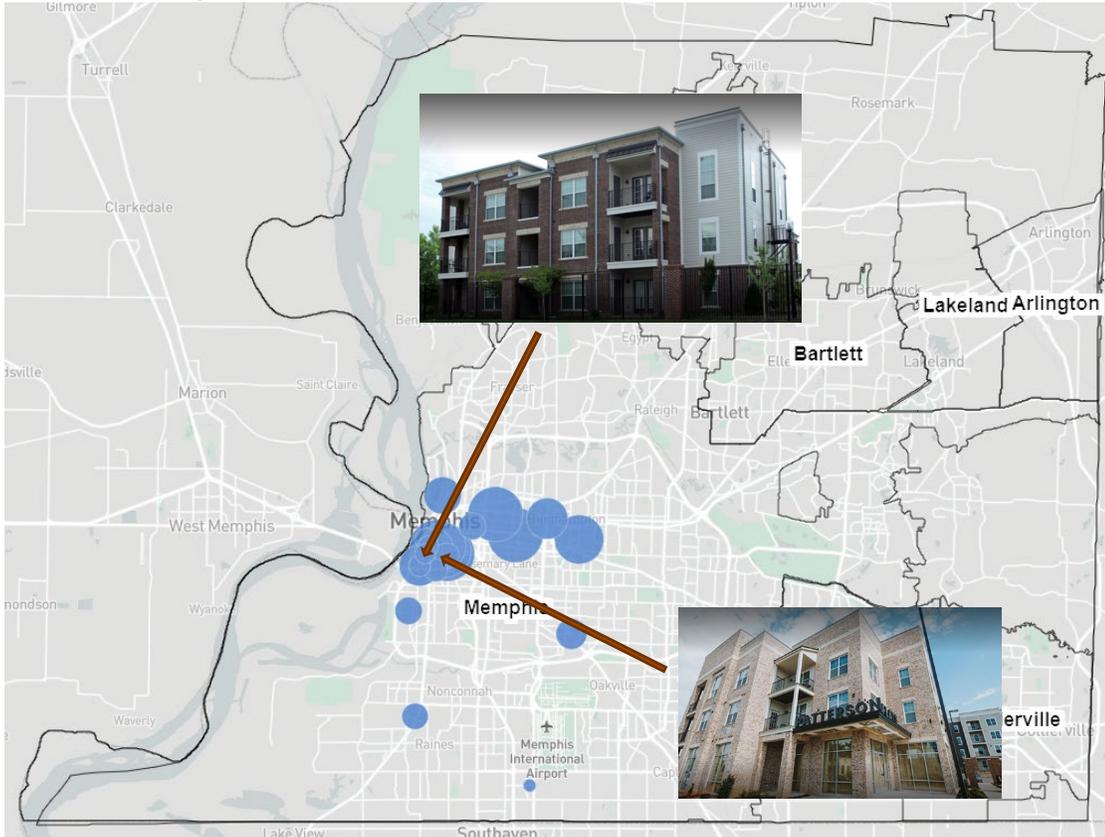


Source: Memphis and Shelby County Division of Planning & Development

# Housing Supply | Multifamily Development

There were fewer multifamily deliveries from 2010-2020 than compared to 2000-2009. Most multifamily development is occurring in downtown Memphis.

## Multifamily Deliveries, Since 2010



Source: CoStar

## Multifamily Units

**2,852**

Multifamily units constructed since 2010

**3,962**

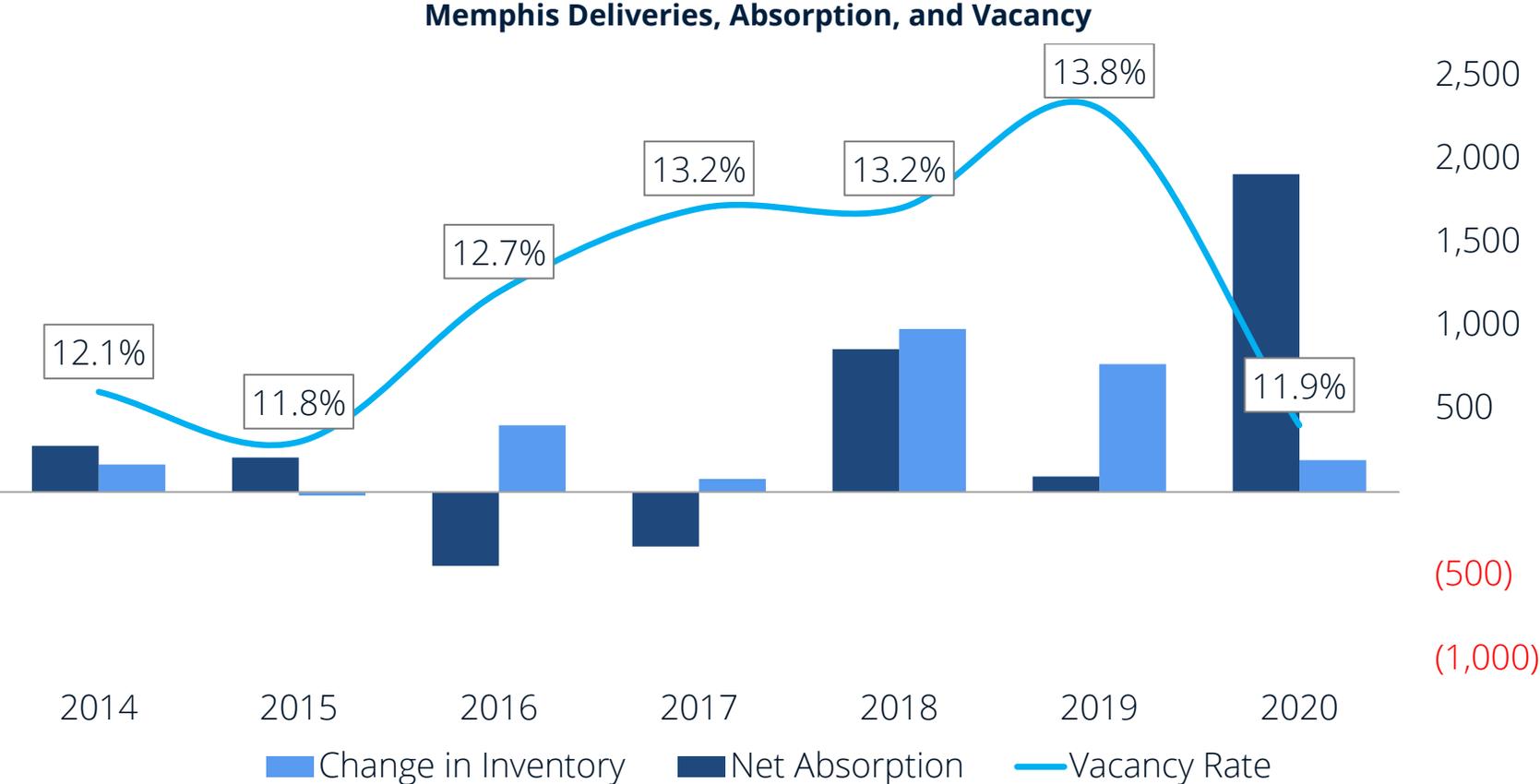
Multifamily units constructed from 2000 to 2009

**9,504**

Multifamily units constructed from 1970 to 1999

# Housing Supply | Multifamily Deliveries, Absorption, and Vacancy

The multifamily vacancy in Memphis is declining after significant deliveries in 2018 and 2019, but vacancy remains high. For context, the national vacancy rate for rental units was 6.3% in 2020.



Source: CoStar

# Rental Supply and Affordability

Housing stock and availability drive affordability.



## Rental Supply | Takeaways

1/3 of all Shelby County housing stock is **either NOAH or subsidized** and is concentrated in Memphis.

**22K**

Subsidized units

**High poverty rates** drive lack of housing affordability for Memphis residents.

**\$942**

Median rent

**\$674**

Median rent affordable to household w/o college degree

Memphis' rental market is **not meeting the needs of households earning less than \$40K.**

**89%**

Cost-burdened renter households earning less than \$35K

The housing supply is experiencing a rise in **rental conversions.**

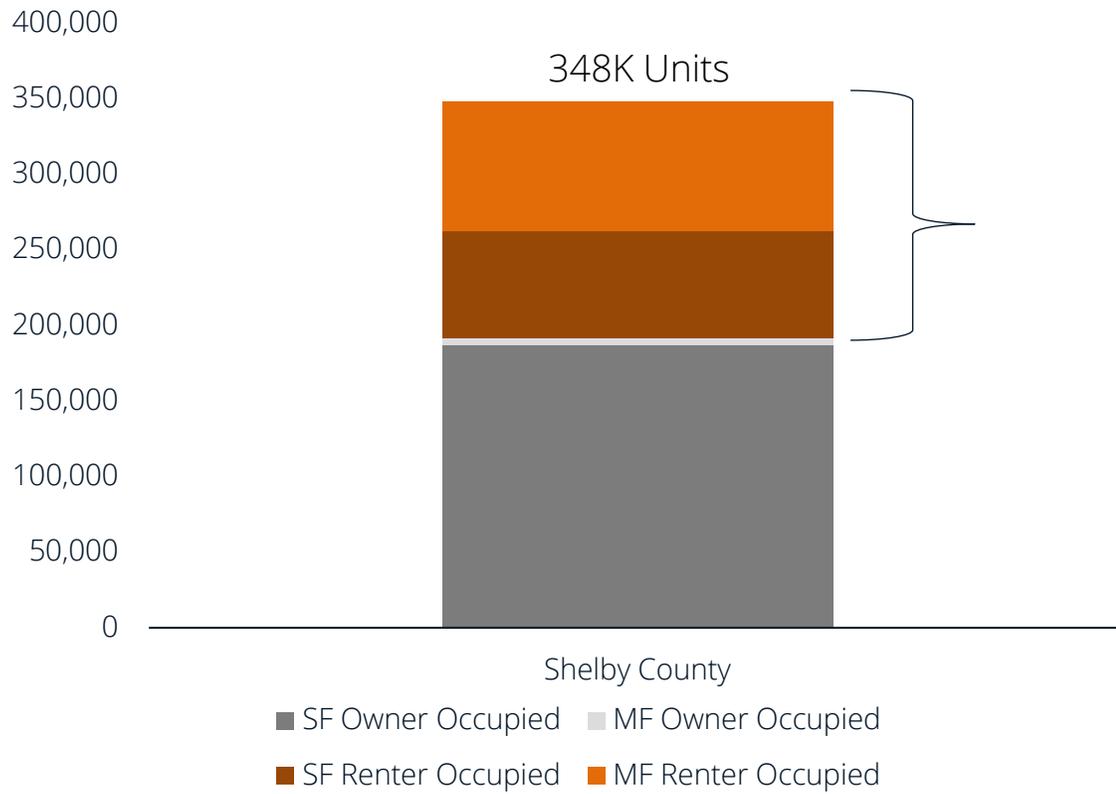
**+33%**

SF rental unit increase (2010-2019)

# Rental Supply | Single and Multifamily Housing in Shelby County

From 2010 to 2019, renter-occupied units increased by 33% for single-family units and 9% for multifamily units.

## Single and Multi-Family Supply by Tenure, Shelby County



**157K**  
Rental units

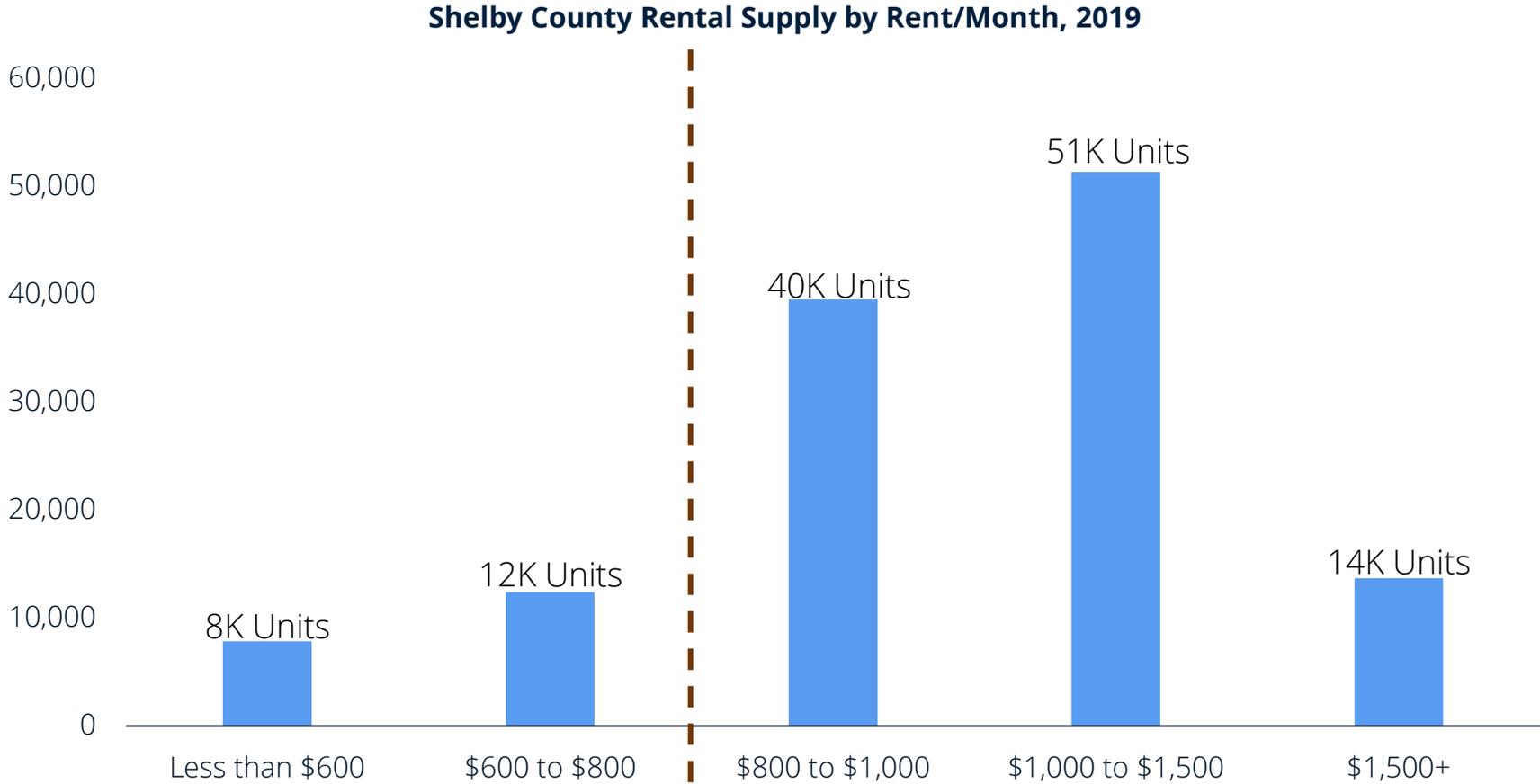
**45%**  
Of Total Housing  
Stock

**85%**  
Located within the  
City of Memphis

Source: American Community Survey (ACS) 5-Year

# Rental Supply | NOAH & Subsidized Housing in Shelby County

Around 1/3 of housing inventory in Shelby County is either Natural Occurring Affordable Housing (NOAH) or subsidized housing.

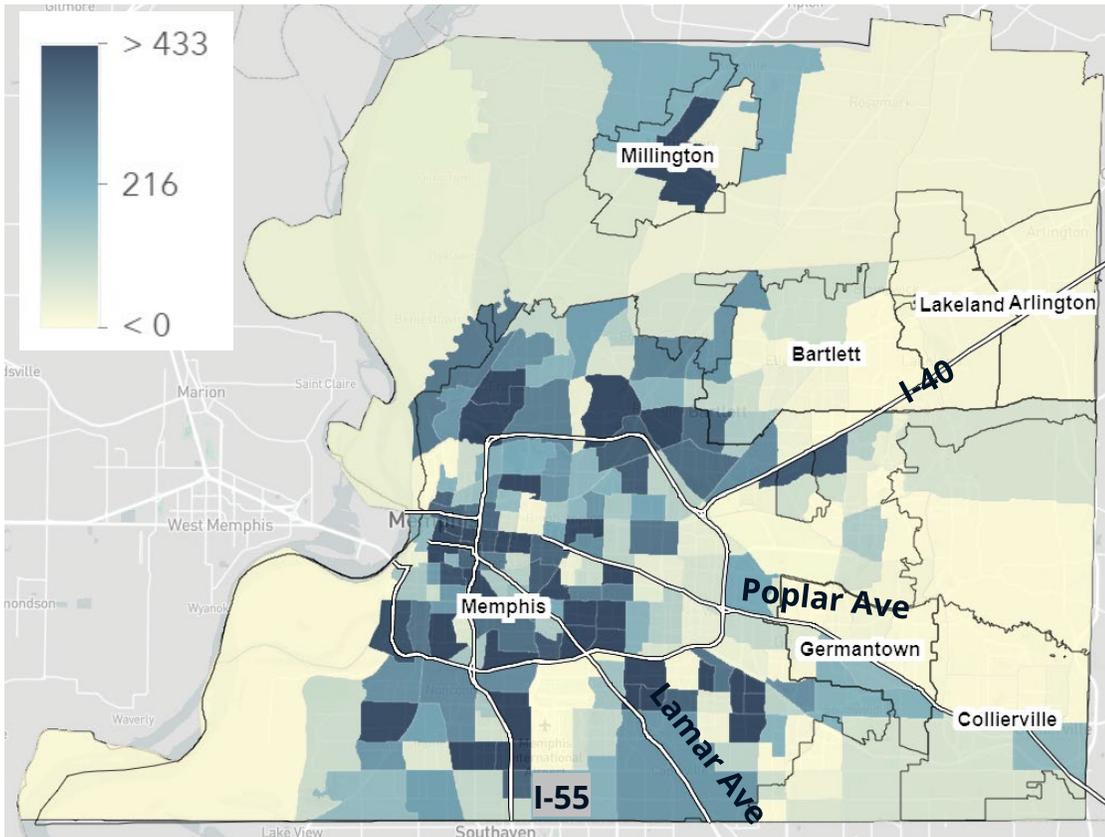


Source: American Community Survey (ACS) 5-Year

# Rental Supply | Rental Housing Costs in Memphis

Most rental units under \$800/month are within Memphis, especially downtown.

Number of Units with rents under \$800/month by Census Tract, 2019



Source: ACS 5-Year Estimates (2019)

Units under \$800/month

**35%**

Of the rental units in Memphis are under \$800/month

**10%**

Of the rental units in Shelby County are under \$800/month

**95%**

Of units under \$800/month in Shelby County are in the City of Memphis

# Rental Supply | Affordable Housing in Shelby County

Shelby County has 27K subsidized affordable units, nearly half of which are LIHTC.

Program/Typology	Total Active Units
Public Housing	2,606
Section 8	6,985
Section 202	125
Low Income Housing Tax Credits (LIHTC)	12,289
HOME	633
Project Based Vouchers	90
HUD Insured	4,502
NOAH	20,233

Source: NHPD, ACS 5-Year Estimates (2019)

HR&A Advisors, Inc.

**> 27,000**

Subsidized affordable housing units

**6,275**

Section 8 units added since 2010

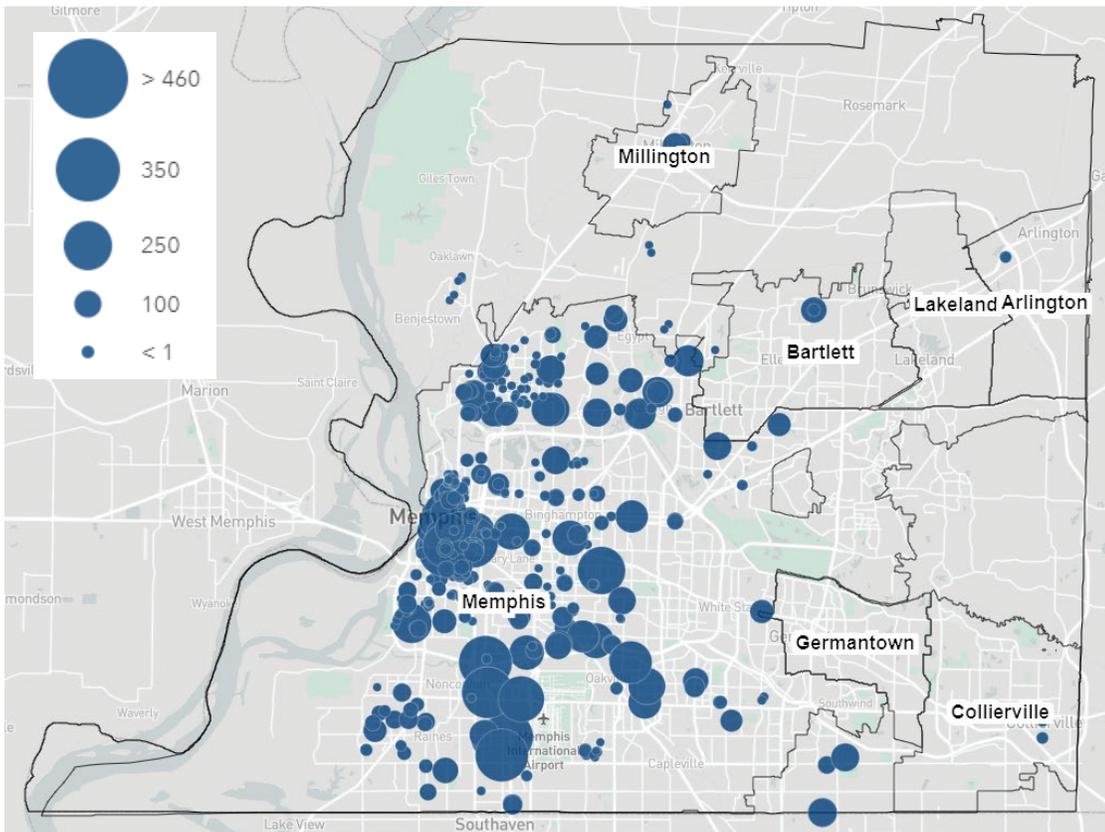
**2,005**

LIHTC units set to expire in the next 10 years

# Rental Supply | Affordable Housing in Memphis

There is a concentration of subsidized affordable housing in downtown Memphis.

## Location of subsidized affordable housing in Shelby County



## As a share of Shelby County's affordable housing stock, Memphis includes:

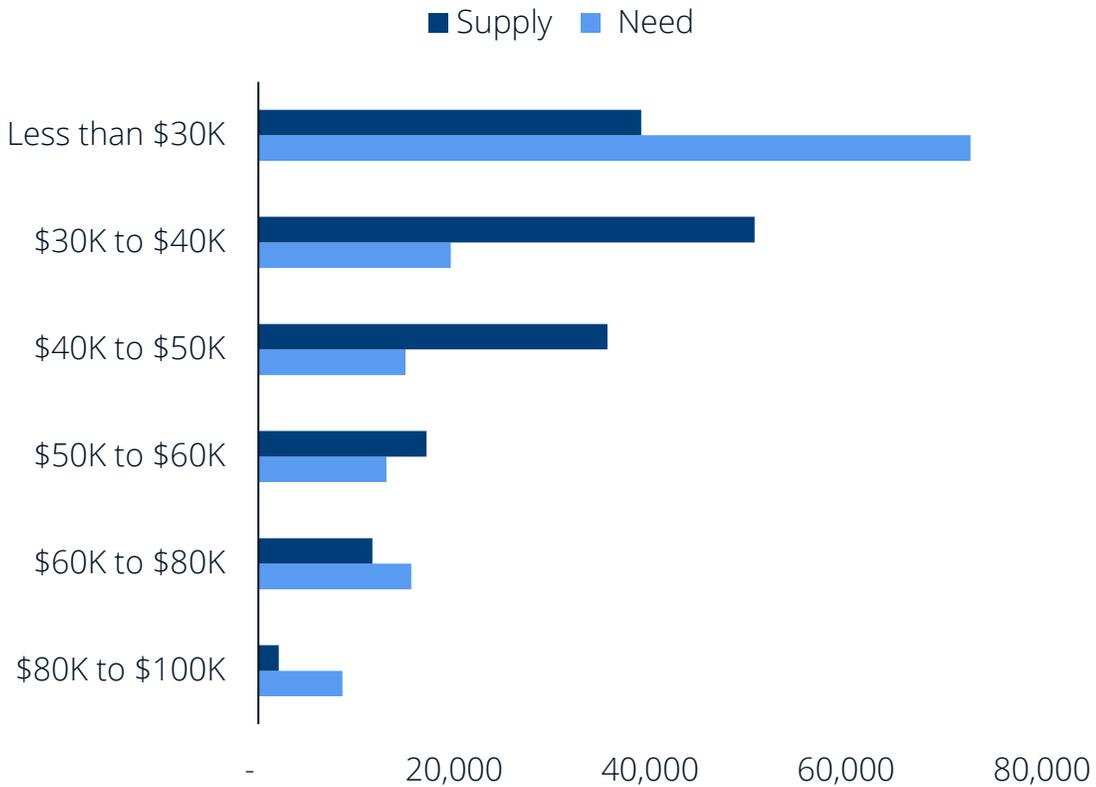
- 100% of all LIHTC units
- 99% of Section 8 Units
- 95% of Public Housing Units
- 100% of HUD Insured Units
- 100% of Project Based Vouchers

Source: National Housing Preservation Database (NHPD)

# Rental Supply | Affordability Gap

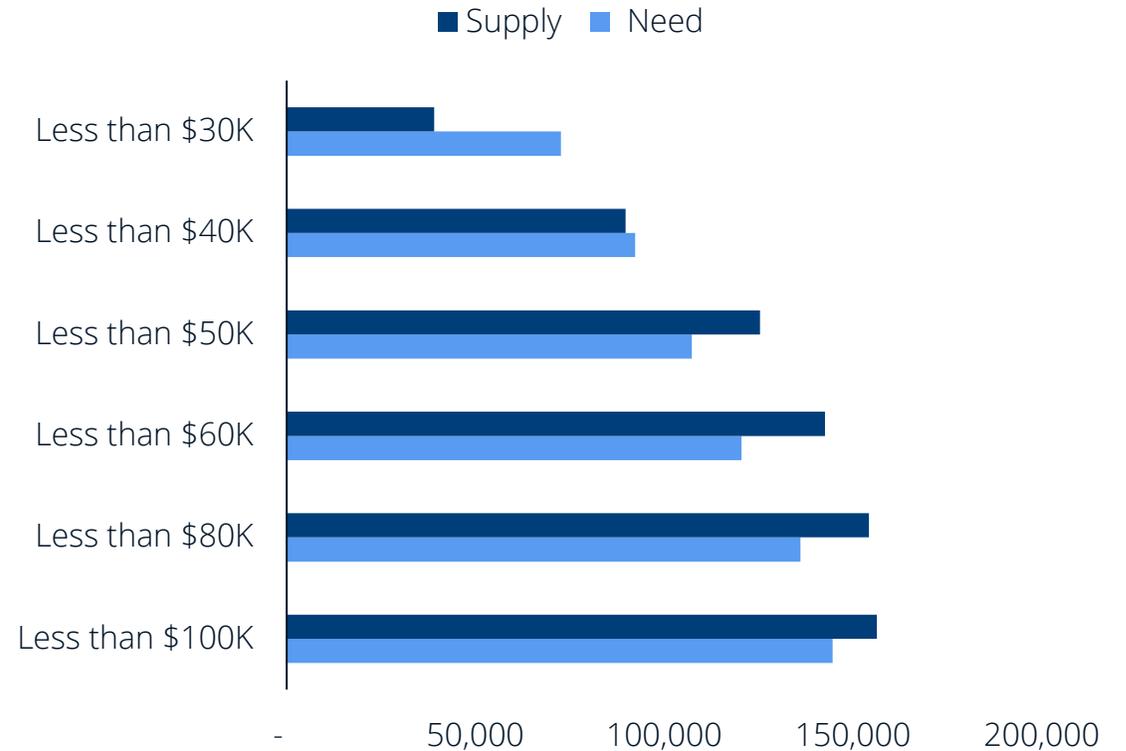
There is a significant shortage of homes for households making less than \$30K. Hence, most households making under \$30K are extremely cost-burdened (spending more than 50% of their income on rent).

**Rental Housing Gap by Income Band, 2019**



Source: ACS 5-Year Estimates (2010, 2019)

**Cumulative Rental Housing Gap by Income Band, 2019**

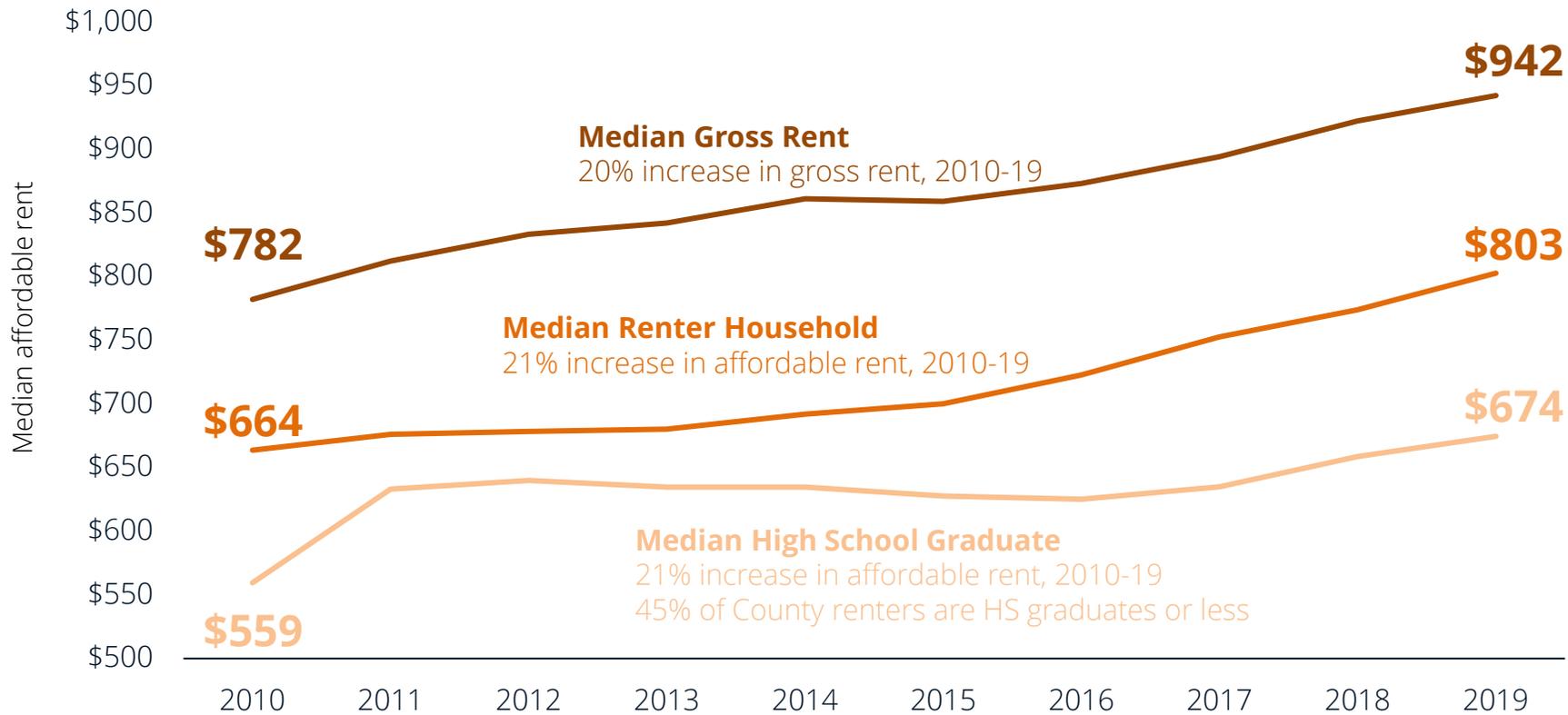


# Rental Affordability | Median Gross Rent in Shelby County

The large gap between median rent and what the median renter can afford has remained for the past decade.

## Median Gross Rent vs. Median Rent Affordable\* to Population Segments, Shelby County, 2010-2019

\*The following affordable median rent assumptions assume that 30% of monthly income is spent on rent, based on the median household income or wages of each population segment.

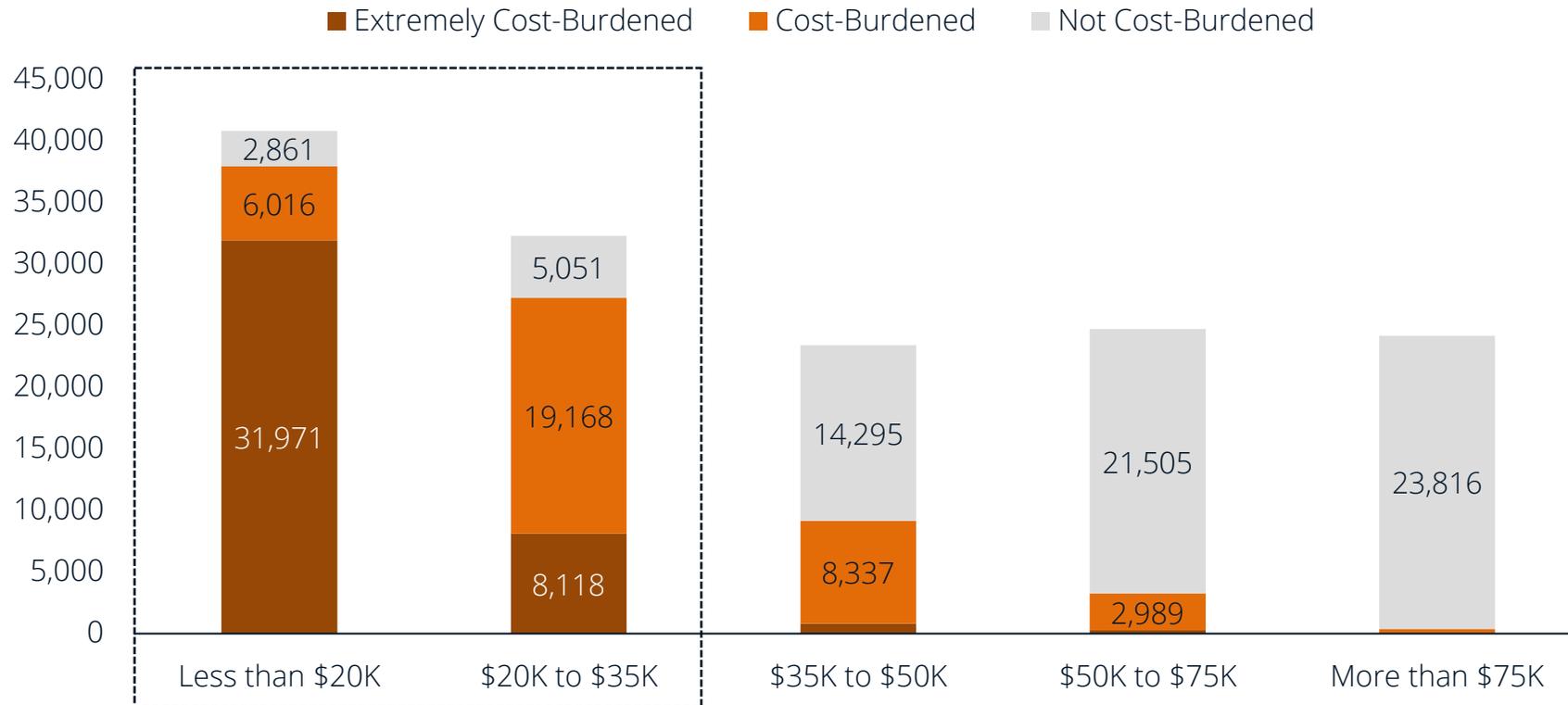


Source: ACS 5-Year Estimates (2010, 2019)

# Rental Affordability | Rental Cost Burden in Shelby County

Virtually all the County's lowest-income renters are housing cost burdened. All income bands above \$20K increased their number of cost-burdened renters in the past decade.

**Housing Cost Burden amongst Renters, Shelby County, 2019**



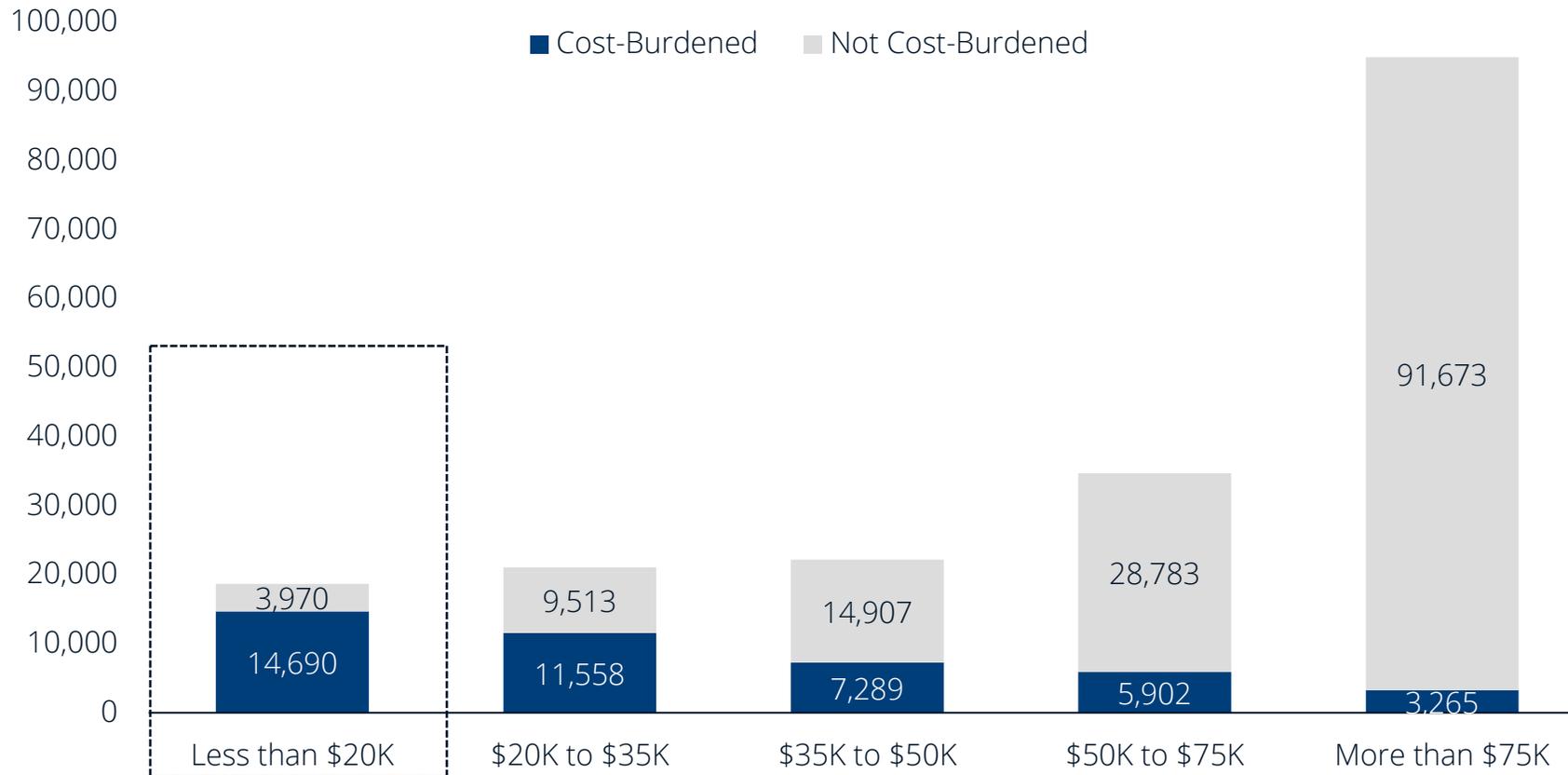
*Note: Cost-Burdened Renters pay over 30% of their income on housing, while Extremely Cost-Burdened renters pay over 50%.*

*Source: ACS 5-Year Estimates (2010, 2019)*

# Rental Affordability | Homeowner Cost Burden in Shelby County

79% of County homeowners earning less than \$20K pay more than 30% of their income on housing costs. This high rate of cost burden may contribute to the sharp declines in low-income homeowners.

**Housing Cost Burden amongst Homeowners, Shelby County, 2019**



Source: ACS 5-Year Estimates (2010, 2019)

# Homeownership Supply and Affordability

Housing stock, availability, and access to financing drive home ownership.



# Homeownership Supply | Takeaways

Homeownership is **relatively affordable**.

**82%**

Homes affordable  
100% AMI

Homeownership rates for households **earning \$75K+ are slightly lower than U.S. averages**.

**2%**

Fewer homeowners earning  
\$150K+ than US average

There has been a significant number of **rental conversions**.

**15K**

Units

**9%**

Total Housing Stock

**Homeownership rates are declining** for households earning less than \$100K.

**10%+**

Decrease in homeownership  
rates

**Homeownership trends are not uniform across race:** Black households are converting to renter while Latinx and Asian household are buying homes.

**-7.7K**

Black homeowners  
in Memphis

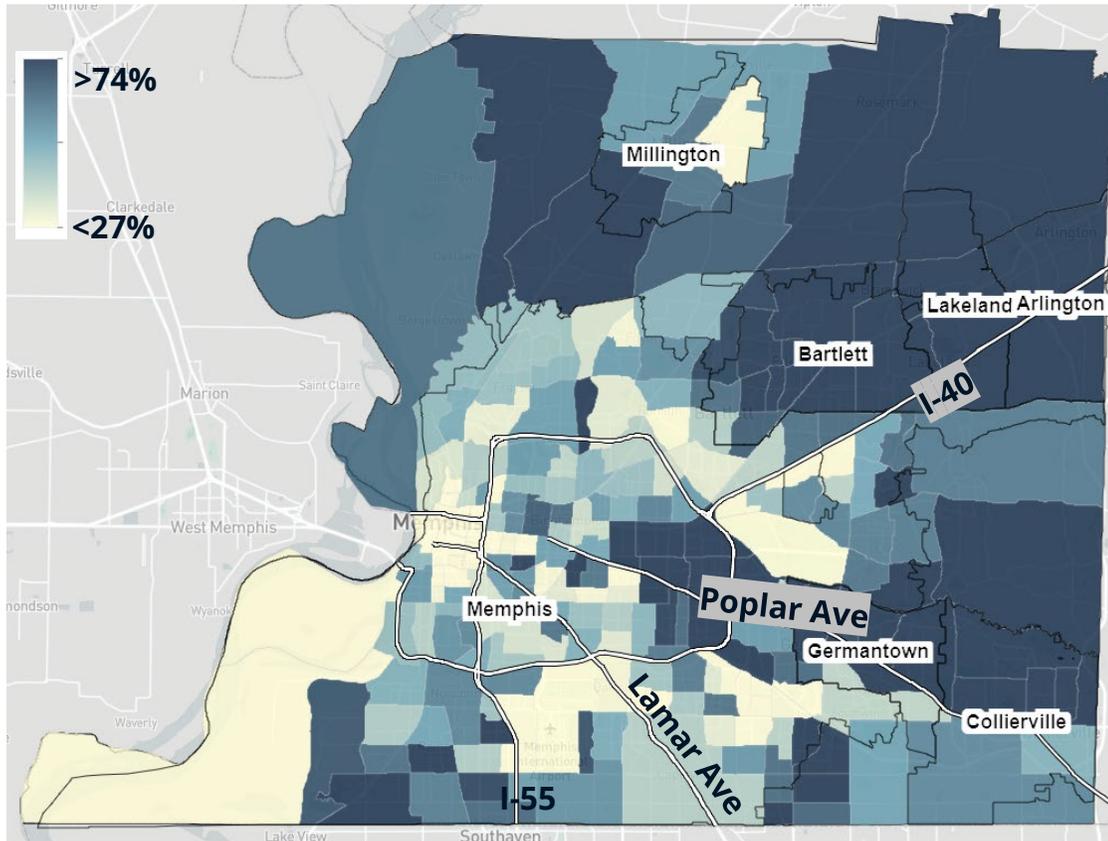
**+20.6K**

Black renters in  
Memphis

# Homeownership | Ownership Housing in Shelby County

East Memphis and northeast Shelby County have the largest concentrations of owner-occupied housing.

Percentage of Units owner-occupied by Census Tract, 2019



Source: ACS 5-Year Estimates (2010, 2019)

## Owner-Occupied Homes

**76%**

Shelby County homes are owner-occupied (excluding the City of Memphis)

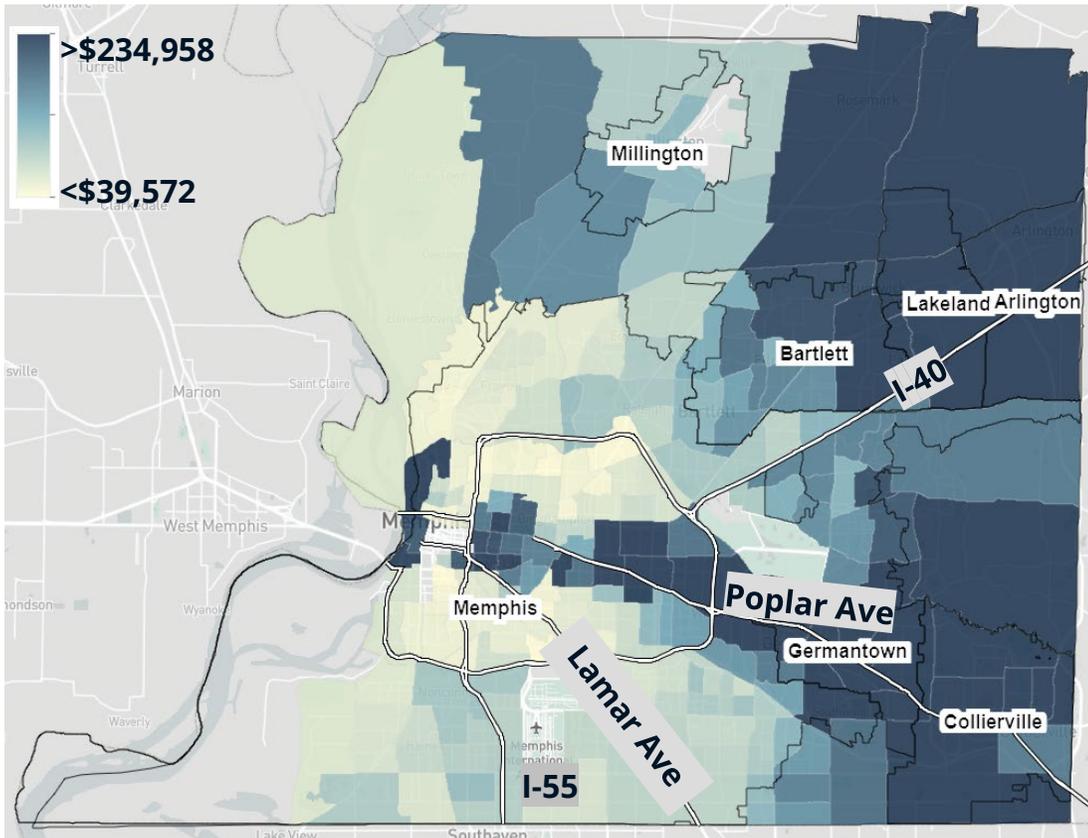
**47%**

Homes within the City of Memphis are owner-occupied

# Homeownership | Home Value by Location

Houses along the Poplar Ave corridor and in northeast Shelby County are noticeably higher value than much of downtown Memphis.

House Value by Census Tract, 2019



Source: ACS 5-Year Estimates (2019)

**\$150K**

Median house value in  
Shelby County

**\$102K**

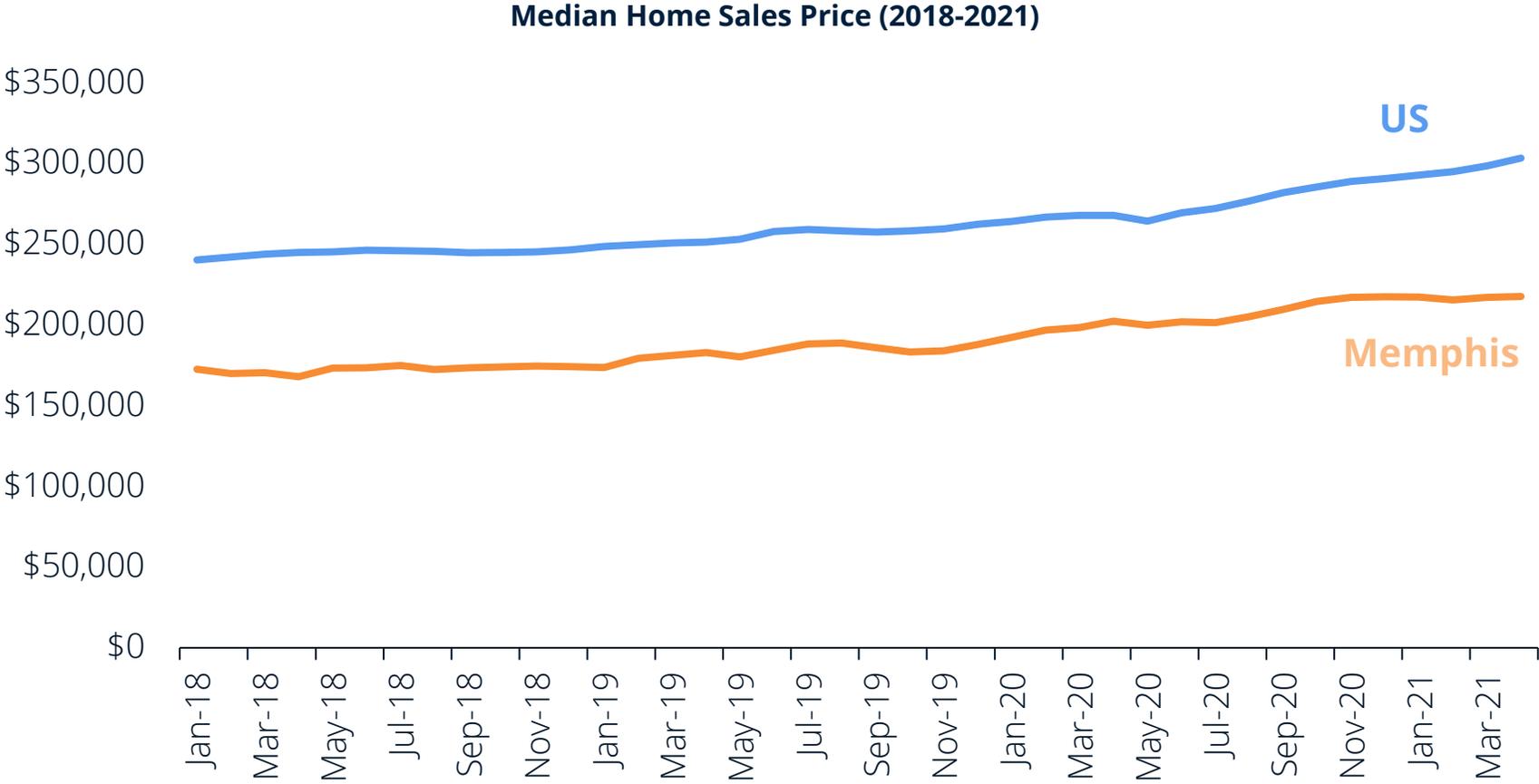
Median house value  
in Memphis

**\$218K**

Median house value  
in the U.S.

# Homeownership | Home Sales Growth

The median home sales price in Memphis has increased by 26% since 2018, in line with national trends.

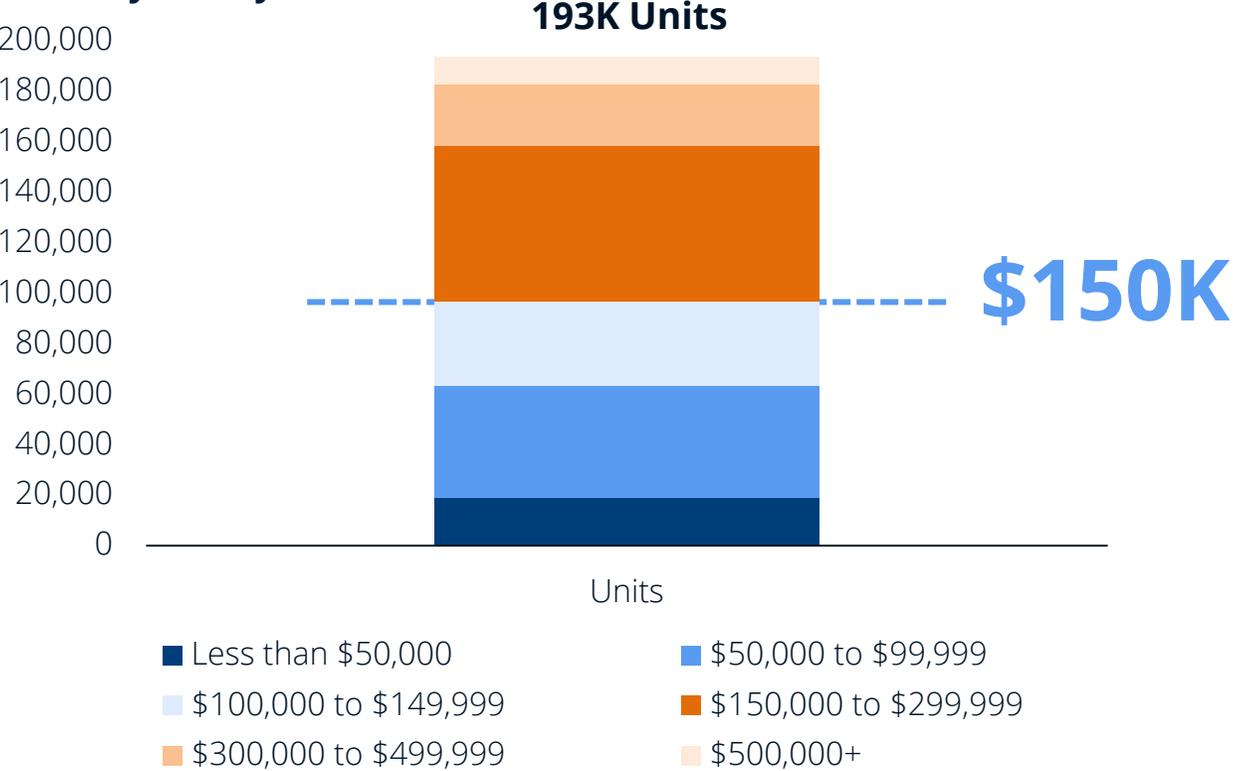


Source: Zillow Research

# Homeownership | Home Values

Shelby County homes are affordable: 82% of the County's owner-occupied units are affordable to households earning 100% of AMI.

**Distribution of Home Values for All Owner-Occupied Housing Units in Shelby County**

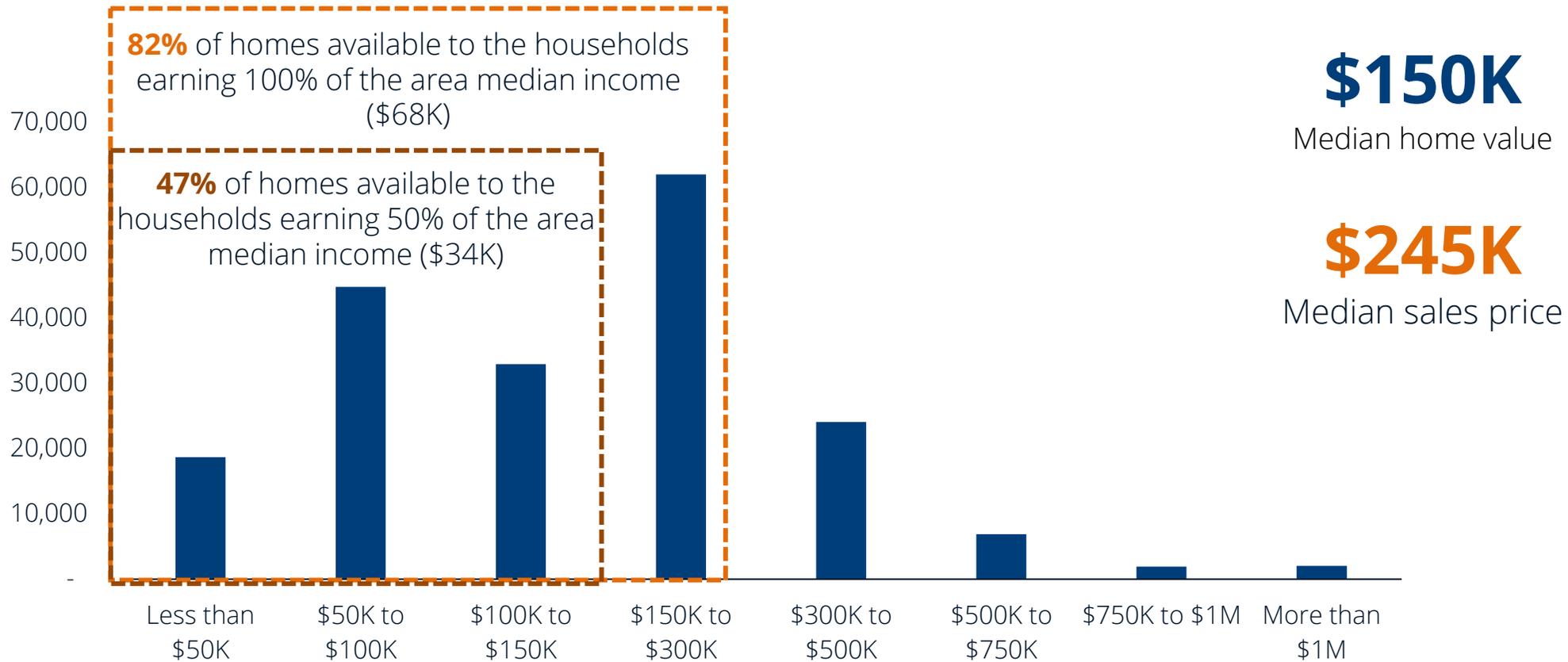


**\$218K**  
Median house value  
in the U.S.

# Homeownership | Home Value Distribution

82% of the County's owner-occupied units are sold at prices affordable to households earning 100% of AMI. This trend persists at lower AMI levels.

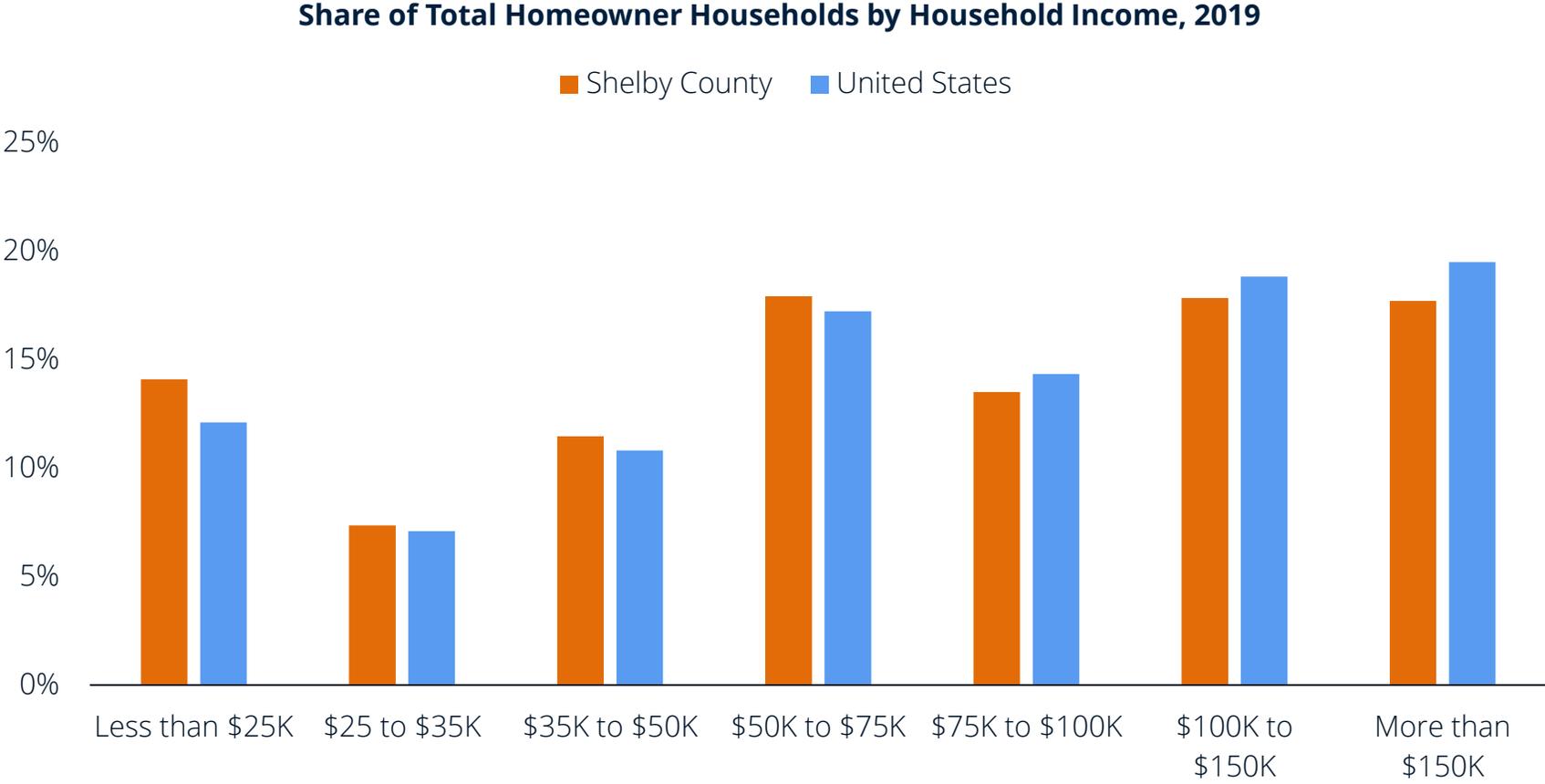
**Distribution of Home Values in Owner-Occupied Units, Shelby County, 2019**



Source: ACS 5-Year Estimates (2010, 2018), Redfin

# Homeownership | Homeownership by Income

Homeownership rates for households earning \$75K+ are below U.S. averages.

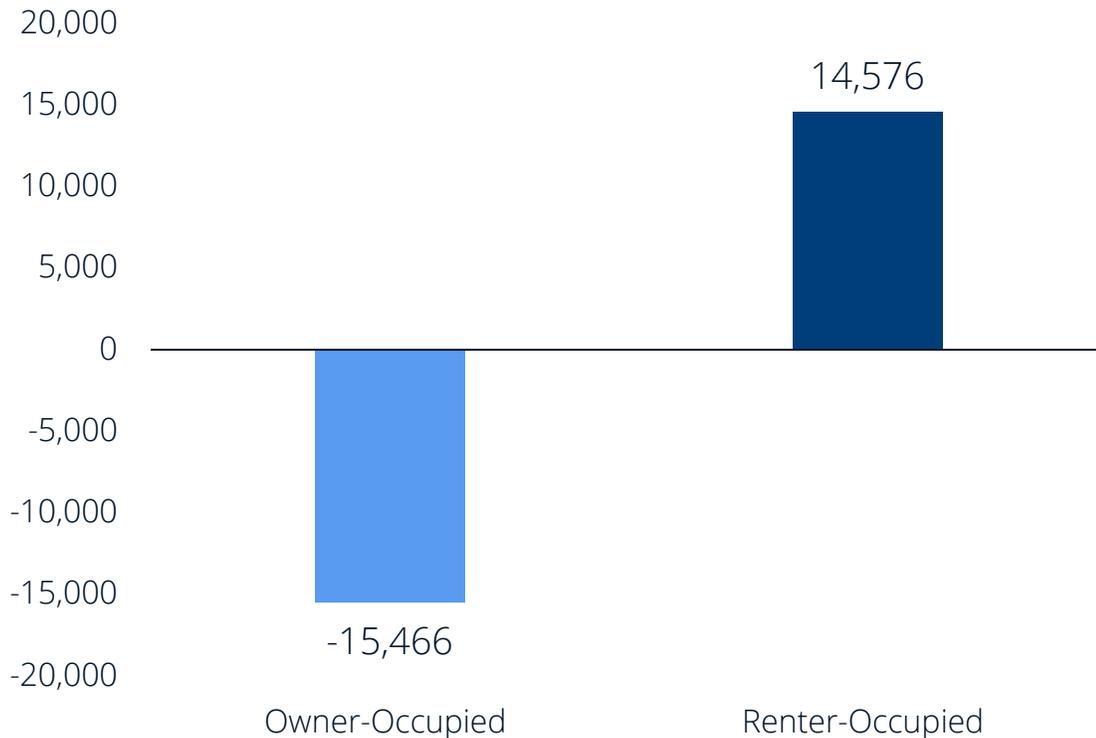


Source: ACS 5-Year Estimates (2010, 2019)

# Homeownership | Housing Tenure Change

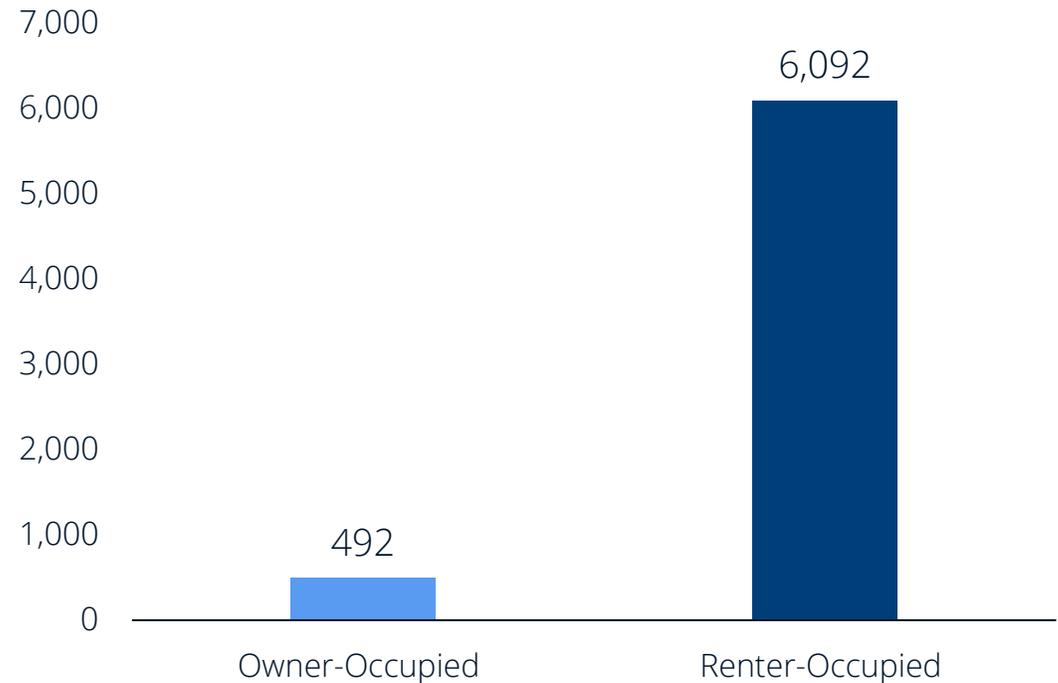
Approximately 15K, or 8% of the total single-family stock in Shelby County, converted from owner-occupied to renter-occupied in the past decade.

**Single Family Inventory Shifts (2010-2019)**



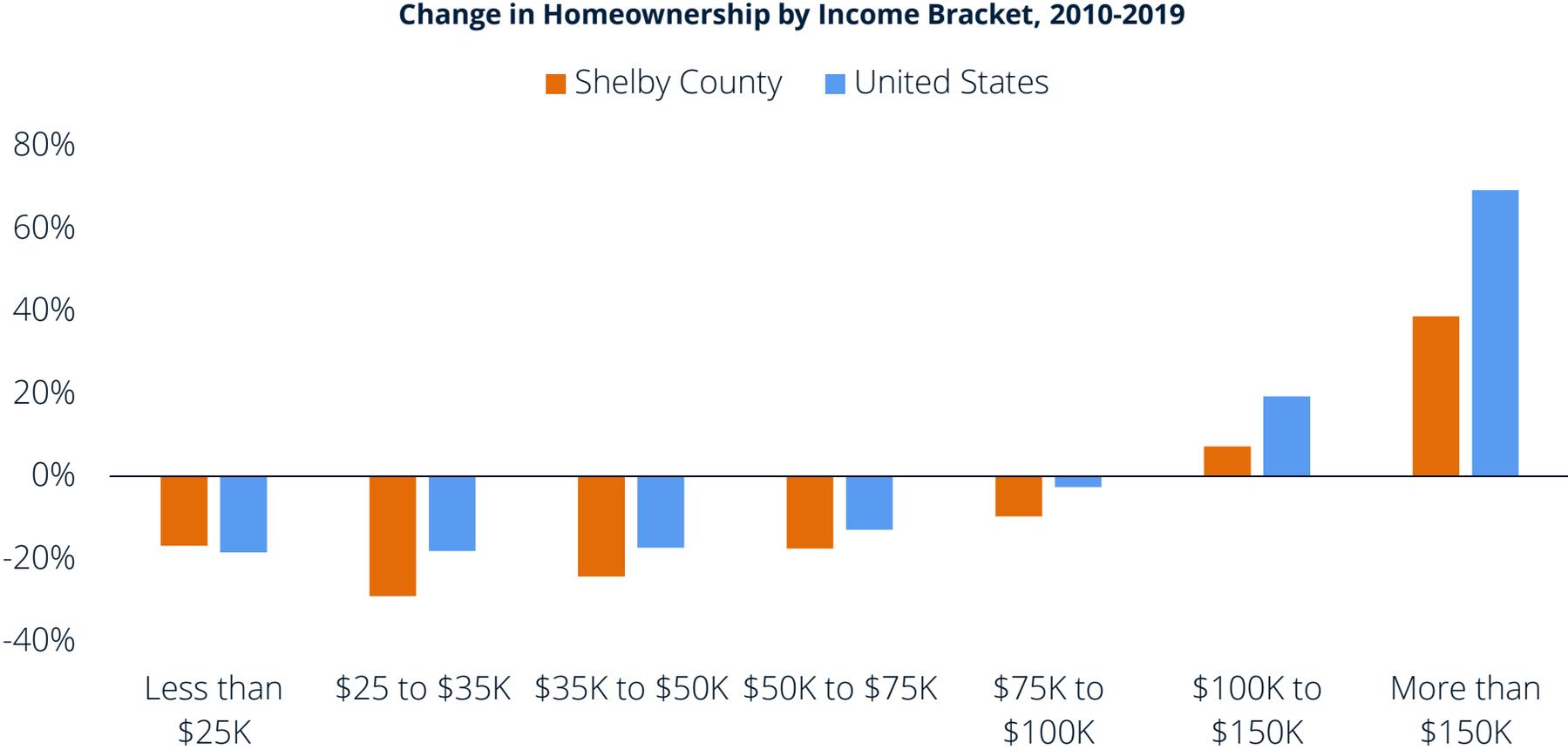
Source: American Community Survey (ACS) 5-Year

**Multifamily Inventory Shifts (2010-2019)**



# Homeownership | Homeownership Change by Income

Since 2010, homeownership has declined for all income levels below \$100K.

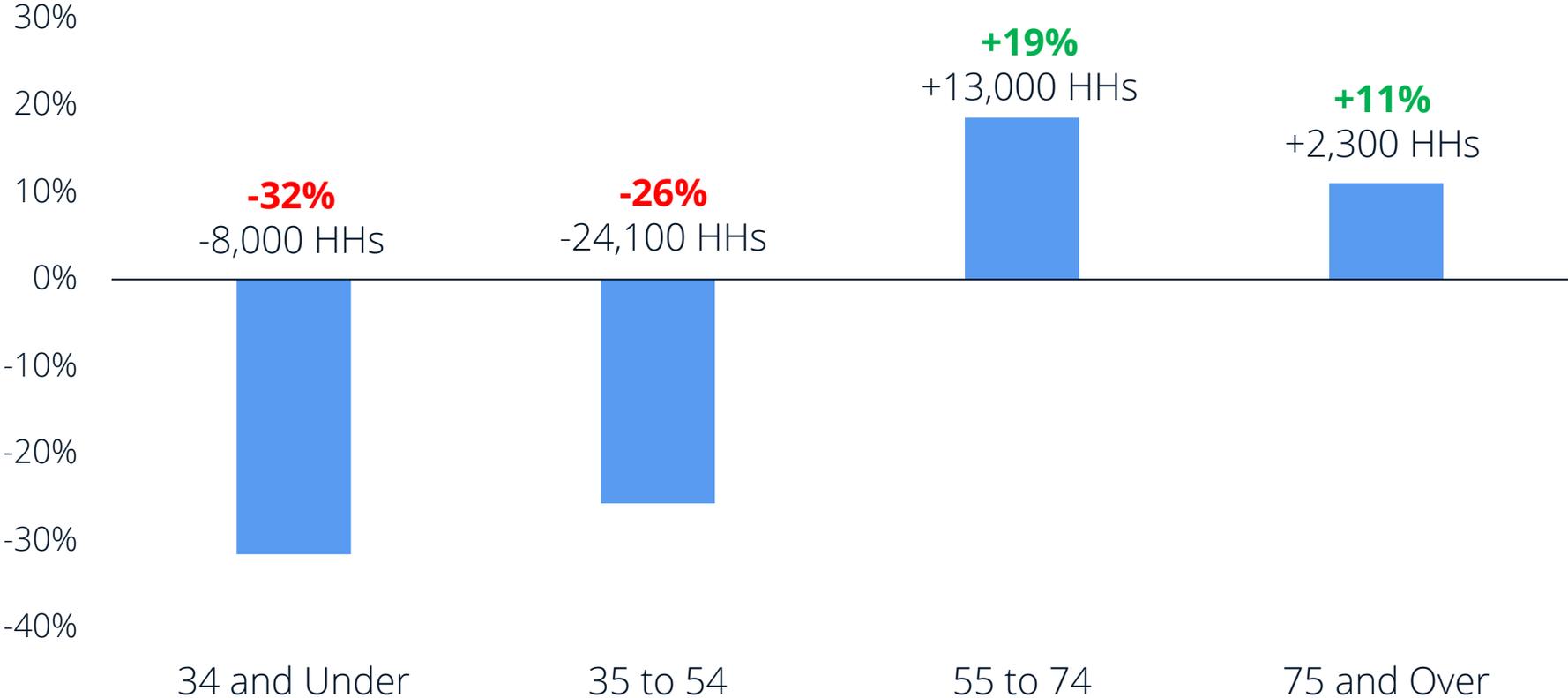


Source: ACS 5-Year Estimates (2010, 2019)

# Homeownership | Homeownership Change by Age

Homeownership sharply declined for all households under 55, despite their slight increase in the overall population. Senior homeownership growth is on pace with this group's overall population growth.

Change in Homeownership by Age, Shelby County, 2010-2019

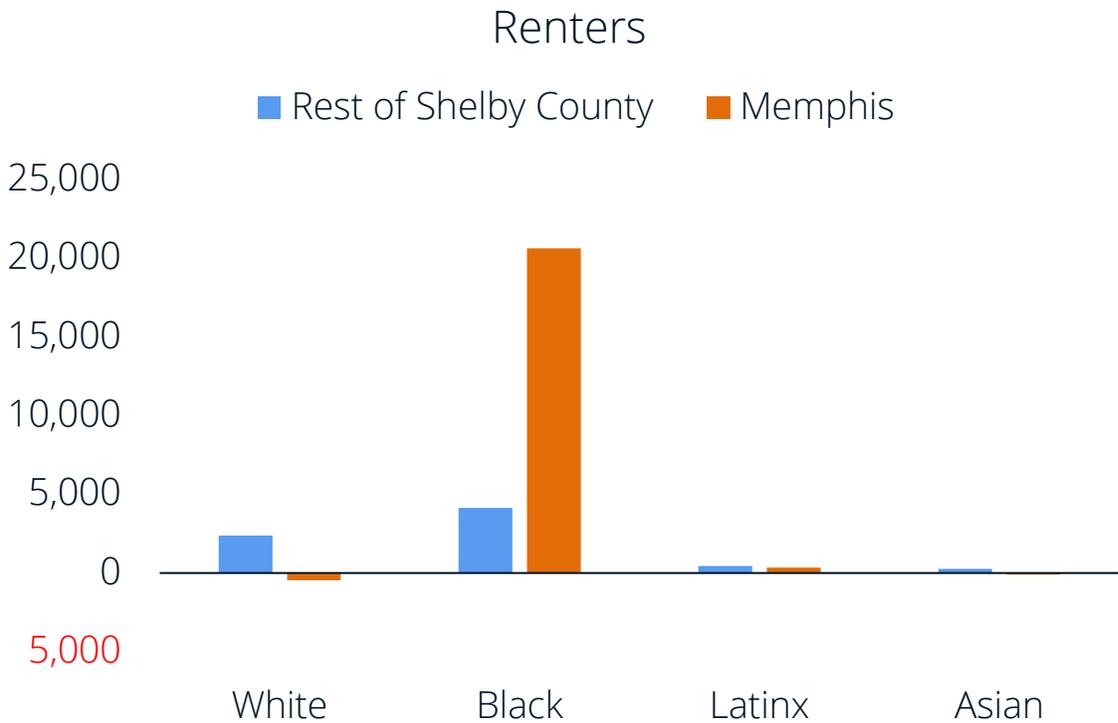
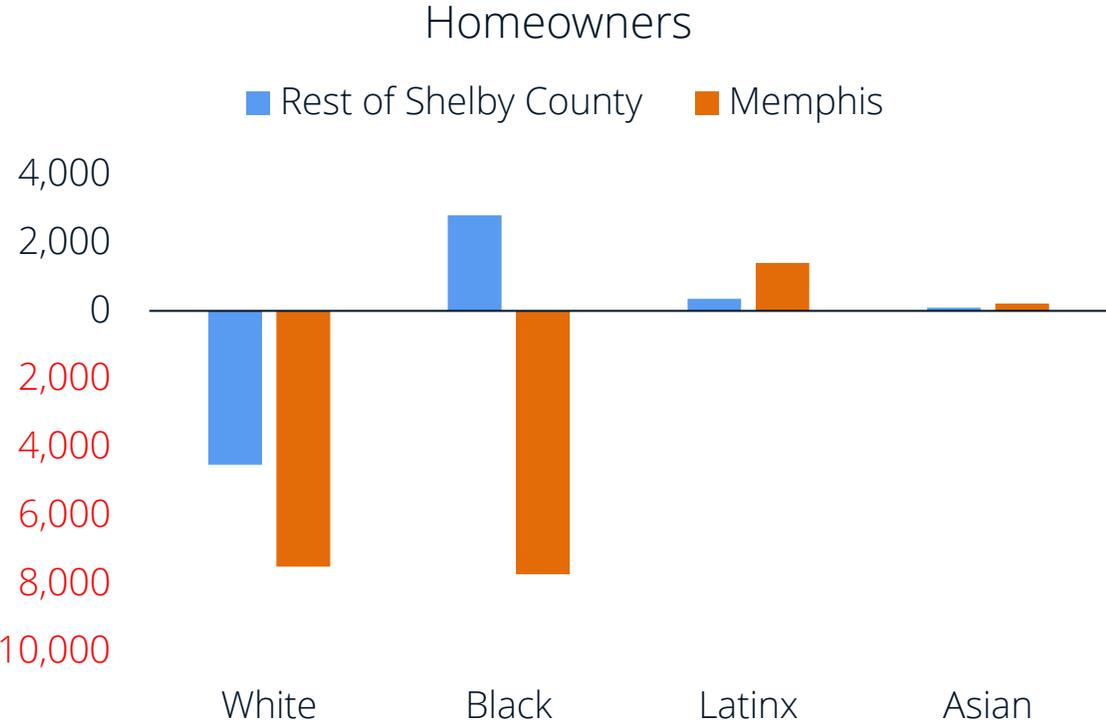


Source: ACS 5-Year Estimates (2010, 2019)

# Homeownership | Homeownership Change by Race

Memphis lost 7.7K Black homeowners in the last decade. Meanwhile, the city also saw an increase of 20.6K Black renter households, indicating homeownership challenges.

**Change in Households by Tenure and Race, 2010-2019**



Note: our analysis uses the population counts of Black, white, and Asian individuals who do not also identify as Latinx.

Source: ACS 5-Year Estimates (2010, 2019)

# Appendix

## II. Metrics Methodology



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# Methodology | Increase Housing Quality

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In the executive summary, HR&A reported that 4,560 housing units could be renovated, and 5,040 for-sale infill housing developed by 2030. To calculate this metric, HR&A conducted the following steps:

- Through Home Mortgage Disclosure Act data, we found 570 income-qualified home improvement loan applicants were denied a loan.
- By updating the standards to ensure these households qualify, Shelby County would enable at least 4,560 home improvements by 2030.
- Using HR&A's Residential Demand Analysis, we identified 8,600 households who could purchase single-family infill development (~\$300K for-sale price) houses by 2030.
- According to Census data, Shelby County adds 450 single-family houses each year, or approximately 3,560 by 2030.
- To meet the demand, Shelby County should add 5,040 units in addition to the expected pipeline.

Source: ACS 5-Year Estimates (2019), HR&A Analysis

## Calculation of Increasing Renovations by 2030

Metric	Estimate
Total Income Qualified Applicants Denied Home Improvement Loan	570
Total New Improvements (2022-2030)	4,560

## Calculation of Increasing Infill Development by 2030

Metric	Estimate
Demand for Single-Family Infill by 2030	8,600
Annual Pipeline (2010-2019)	4,010
Expected Pipeline by 2030	3,560
Infill Development Gap by 2030	5,040

# Methodology | Support Homeownership

In the executive summary, HR&A reported that the rental conversion rate could be reduced by 50 percent, adding 7,200 owner-occupied units by 2030. To calculate this metric, HR&A conducted the following steps:

- Through Home Mortgage Disclosure Act data, find home loan applicants that were denied a loan and income qualified (80 to 120 % Area Median Income of \$64K): 930 applicants.
- This analysis assumes that these previously denied applicants receive loans in the future. Through to 2030, this will add over 7,000 new owner-occupied units.
- The historical average owner-to-renter conversion unit rate (the rate at which owner-occupied units convert to rental) was 0.74% from 2010-2019. The new rate outlined in this scenario is 0.39% between 2022 and 2030.
- The percent difference between the average historical and expected rate is negative 47%.

Source: ACS 5-Year Estimates (2019)

## Calculation of Estimating New Homeowners by 2030

Metric	Estimate
Total Income Qualified Applicants Denied Home Loan (80-120% AMI)	930
Annual New Homeowners	930
Total New Homeowners (2022-2030)	7,200

Metric	Estimate
Average Own-to-Rent Unit Conversion Rate 2010-2019	0.74%
Average Own-to-Rent Unit Conversion Rate 2019-2030	0.39%
Percent Difference Historical Rate vs Expected	-47%

# Methodology | Diversify Housing Stock

In the executive summary, HR&A reported 1,340 for-sale missing middle housing units could be built and purchased and 6,380 rental missing middle units developed by 2030. To calculate this metric, HR&A conducted the following steps:

- Using HR&A's Residential Demand Analysis, we identified 9,960 households who could purchase missing middle units development (~\$225K for-sale price) houses and 9,680 households who could rent missing middle units (\$1,450/month) by 2030.
- Of the 9,960 eligible homebuyers, 8,600 could purchase single-family units. For the 9,680 renter households, 270 could rent single-family rental houses.
- According to Census data, Shelby County will add less than 30 missing middle for-sale and 3,030 for-rent missing middle by 2030.
- To meet the demand, Shelby County should add 1,340 for-sale and 6,380 for-rent missing middle units by 2030.

Source: ACS 5-Year Estimates (2019), HR&A Analysis

## Calculation of Increasing For-Sale Missing Middle by 2030

Metric	Estimate
Demand for For-sale Missing Middle by 2030	9,960
Demand Met By Single-family by 2030	8,600
Expected Missing Middle Pipeline by 2030	26
Missing Middle Development Gap by 2030	1,340

## Calculation of Increasing Rental Missing Middle by 2030

Metric	Estimate
Demand for Rental Missing Middle by 2030	9,680
Demand Met By Single-family by 2030	270
Expected Missing Middle Pipeline by 2030	3,030
Missing Middle Development Gap by 2030	6,380

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# Methodology | Increase Quality Low-Income Housing

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In the executive summary, HR&A reported that the County will create or preserve 1,000 new units by 2030 with new funding. To calculate this metric, HR&A conducted the following steps:

- HR&A reviewed the average development cost of affordable housing units within Memphis. Sourcing publicly available information from the Memphis Housing Authority, HR&A estimates that the average development cost for a new unit is approximately \$150K.
- This scenario assumes that the County and City leverages \$20 million in new annual funding for construction of new units.
- Assuming between \$20 million in annual funding, Shelby County can create 1,070 new units of low- and very-low-income housing by 2030.

### Calculation of Estimating New Unit Production by 2030

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Metric	Estimate
New Annual Funding	\$20 million
Total New Funding by 2030	\$160 million
Average Development Cost	\$148,300
New Unit Production	1,070

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Source: ACS 5-Year Estimates (2019)

# Appendix

## III. Existing Program Overview



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# Programs and Policies | Methodology

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HR&A reviewed third-party data and interviewed Shelby County and Memphis public entities, non-profits, and developers working in the affordable housing sphere.

### Data Sources

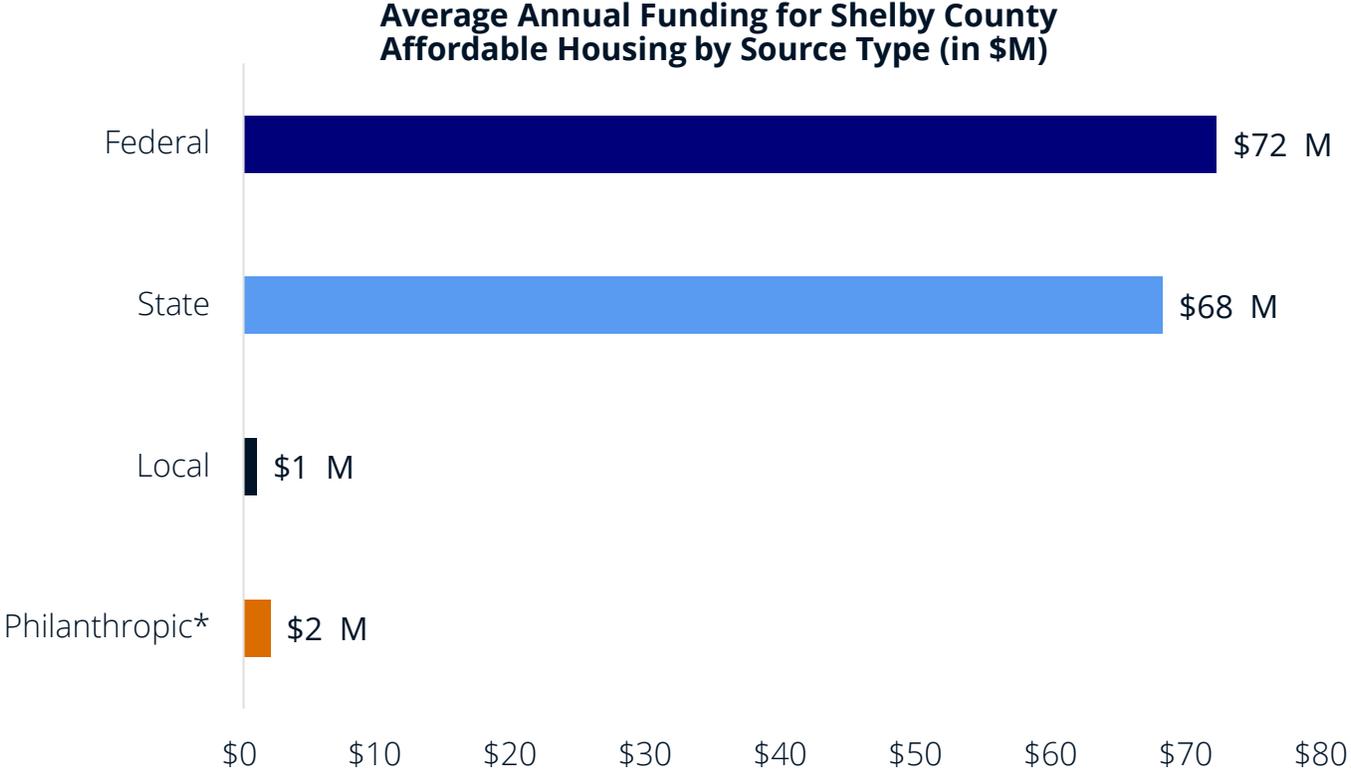
- Housing and Urban Development
- City of Memphis
- Shelby County
- Tennessee Housing Development Agency
- Local non-profits
- Guidestar
- CoStar
- Local news sites
- Zillow
- Home Mortgage Disclosure Act (2019)
- Census American Community Survey (2019)
- County Tax Assessments

### Interviewees

- Shelby County Land Bank
- Blight Authority of Memphis
- Memphis Housing Authority
- Economic Development Growth Engine
- Community Redevelopment Agency
- Health Educational and Housing Facility Board
- Tennessee Housing Development Agency
- Enterprise Community Partners
- Seeding Success
- Habitat for Humanity of Greater Memphis
- Local Initiatives Support Coalition
- Neighborhood Preservation, Inc.
- The Works CDC
- ALCO Management
- Jones Urban Development

# Programs and Policies | Sources of Funding

Funding to housing programs in Shelby County are dominated by Federal and State funding, which can be accessed by local actors.

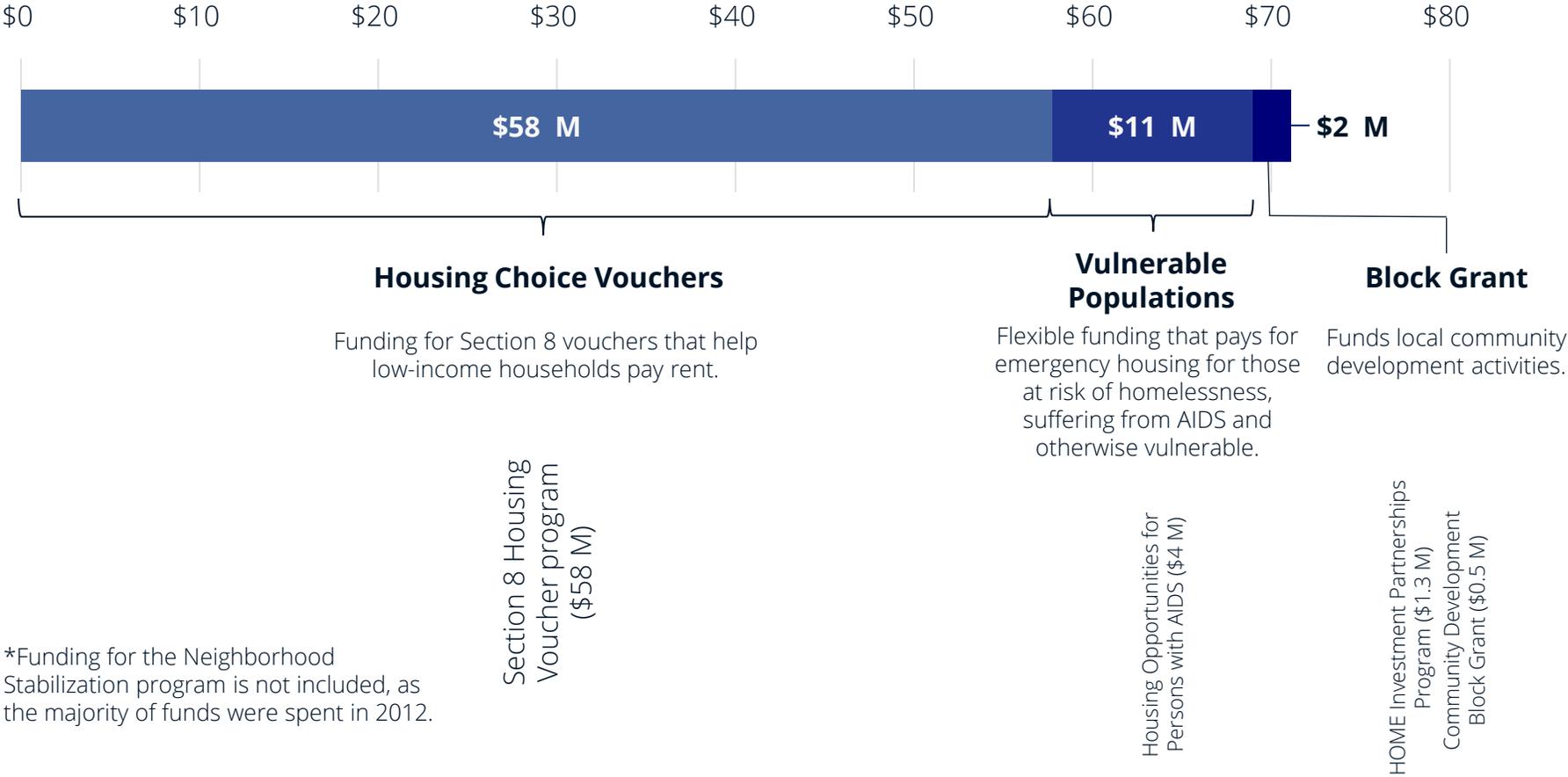


*\*There is limited information on these sources, and the total funding level is likely higher.*

Source: Department of Housing and Urban Development (2018, 2019 and 2020), Tennessee Housing Development Agency (2020), Memphis City (2020), Shelby County (2020)

# Programs and Policies | Federal Funding Detail

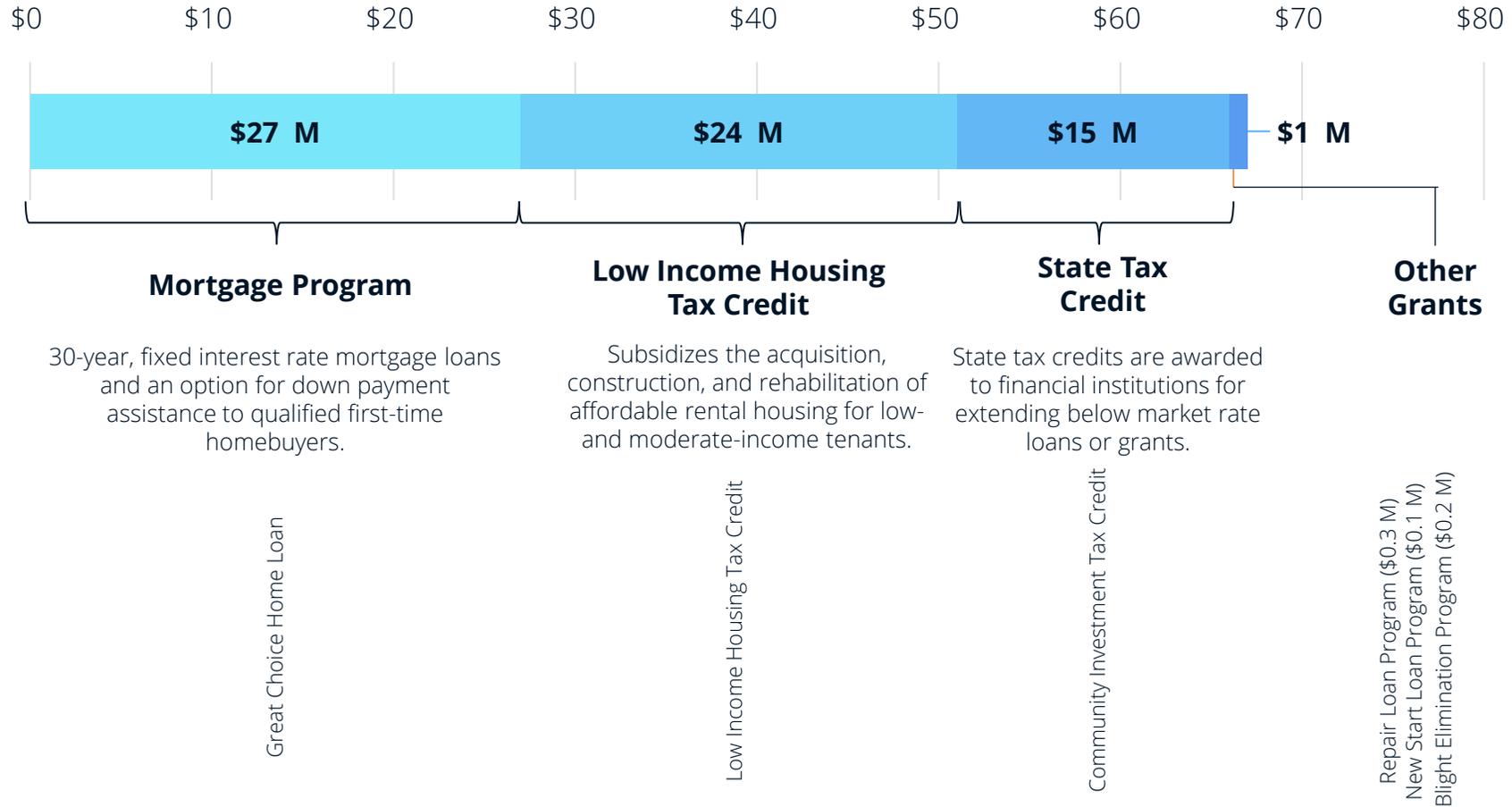
Most federal funding\* (>80%) goes towards the housing voucher program, leaving little money to pay for the development of affordable housing.



Source: Department of Housing and Urban Development (2018, 2019 and 2020)

# Programs and Policies | State Funding Detail

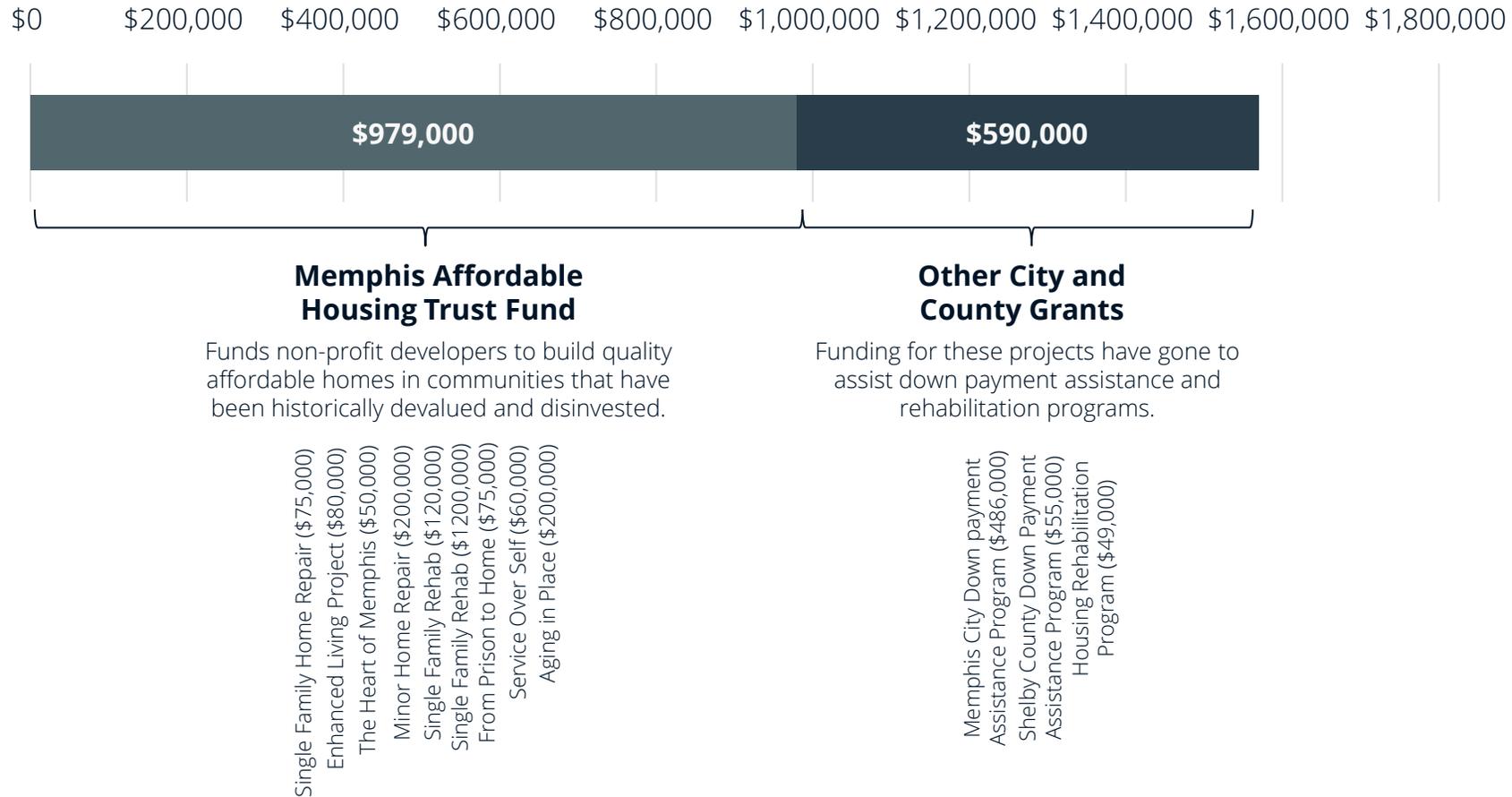
Key flexible grant programs make up small share (~2%) of total funding, while the two tax credit programs have the greatest potential to create new affordable housing.



Source: Tennessee Housing Development Agency (2020)

# Programs and Policies | Local Funding Detail

There is a modest source of local funding available that is spread across many programs, creating many small funding levels per program.



Source: Memphis City (2020), Shelby County (2020)

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## Programs and Policies | Housing Funds Focus Areas

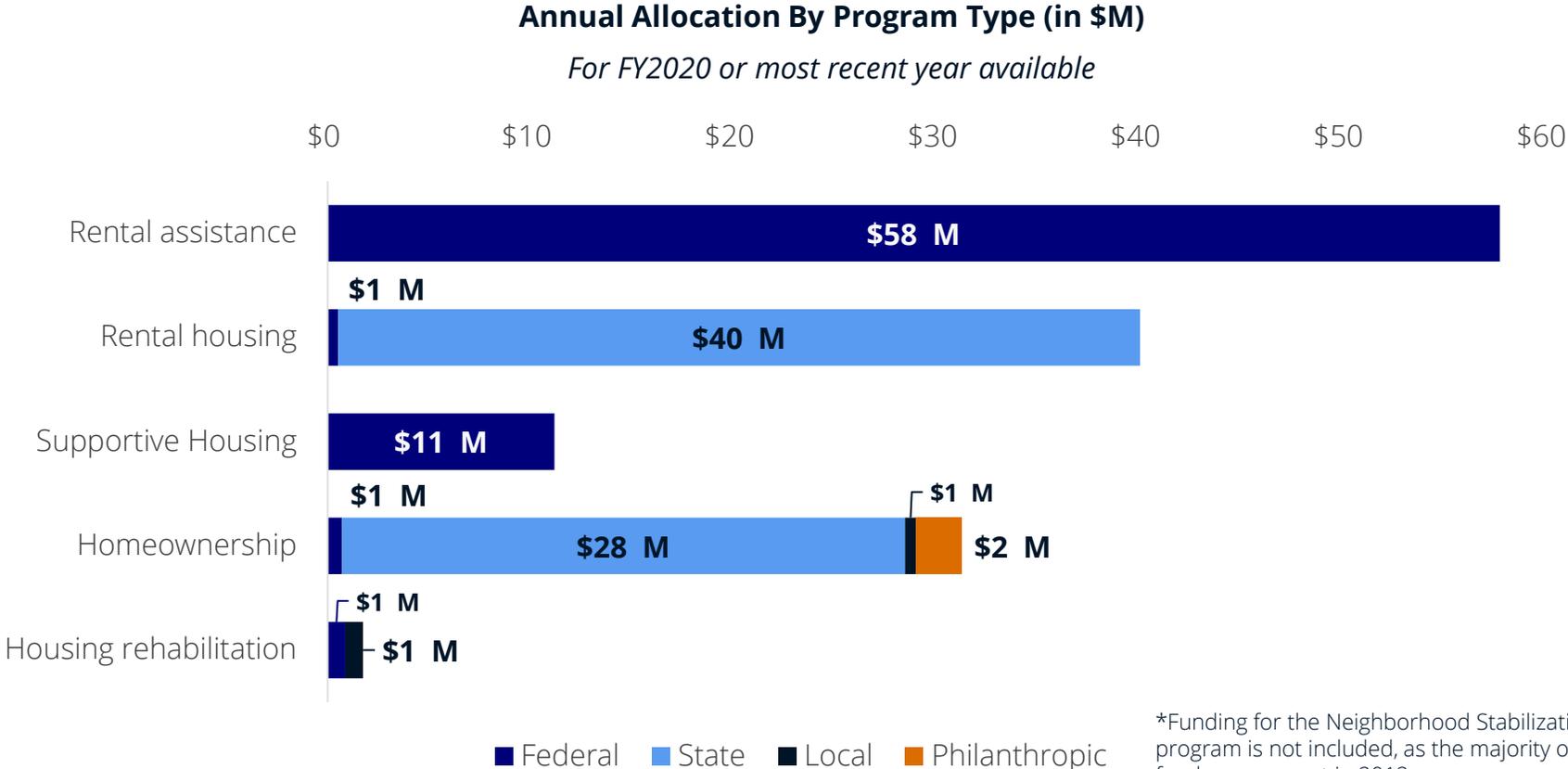
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Broadly, affordable housing funds in Shelby County and Memphis are spent on five major activities.

<b>Rental Housing</b>	Programs that produce or preserve affordable rental units, either by adding new units or by helping keep existing units in the affordable housing stock.
<b>Rental Assistance</b>	Programs that provide financial assistance or counseling to help people access existing rental units.
<b>Homeownership</b>	Programs that create new affordable owner-occupied units or provide services to help people become homeowners.
<b>Housing Rehabilitation</b>	Programs that fund or directly provide repair services to homeowners that enable existing units to stay in use.
<b>Supportive Housing</b>	Programs that either produce new housing units for individuals with special needs or provide case management services that allow individuals with special needs to maintain stable housing.

# Programs and Policies | Funding by Program Type

Annual funding is split roughly evenly between rental assistance and affordable housing development.



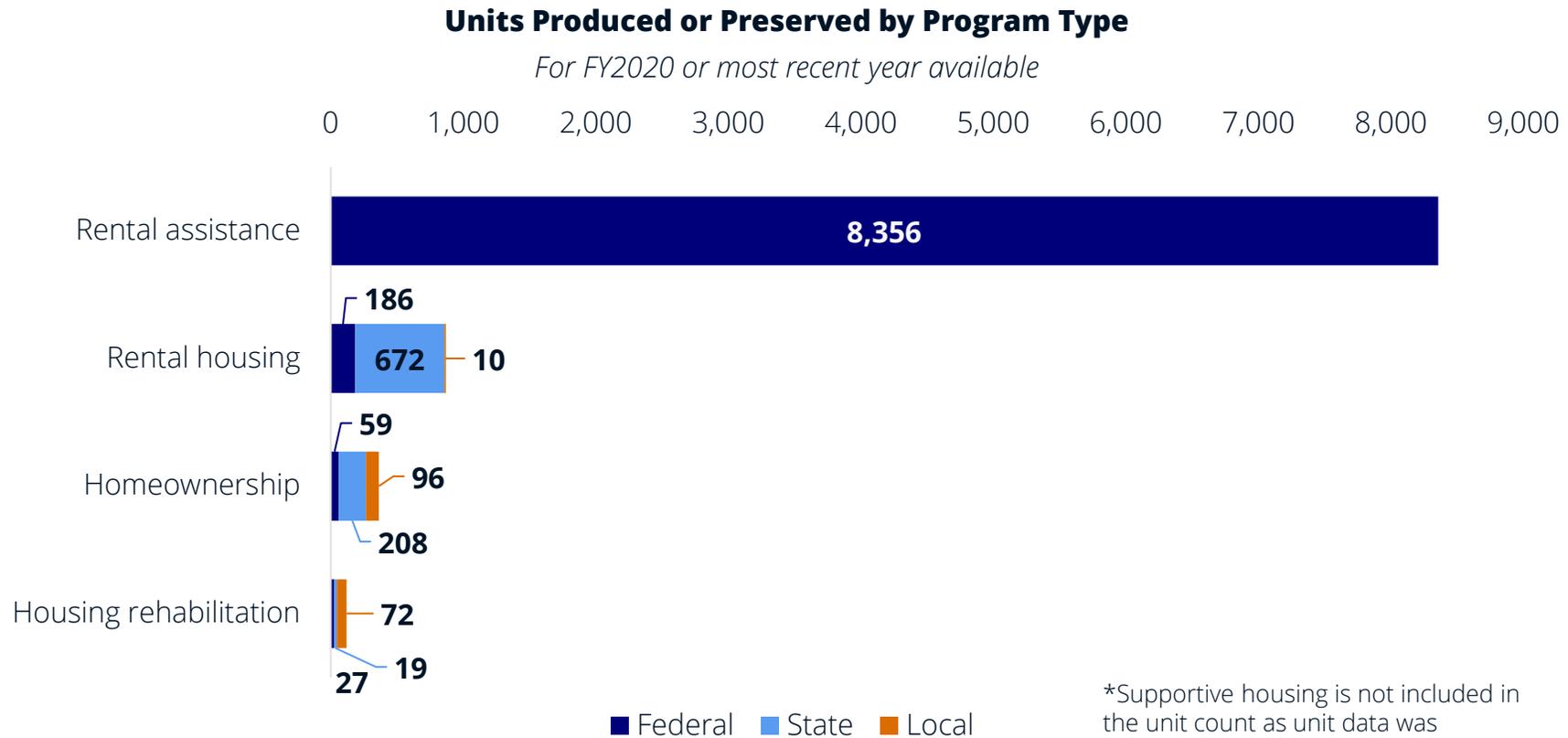
\*Funding for the Neighborhood Stabilization program is not included, as the majority of funds were spent in 2012.

*These figures include all funding allocated to affordable housing programs in Shelby County and Memphis. They encompass funding from CDBG, HOME, HOPWA, and local sources.*

Source: Department of Housing and Urban Development (2018, 2019 and 2020), Tennessee Housing Development Agency (2020), Memphis City (2020), Shelby County (2020)

# Programs and Policies | Units by Program Type

Rental assistance from federal sources comprises most of the annual production (>85%) in Shelby County and Memphis.

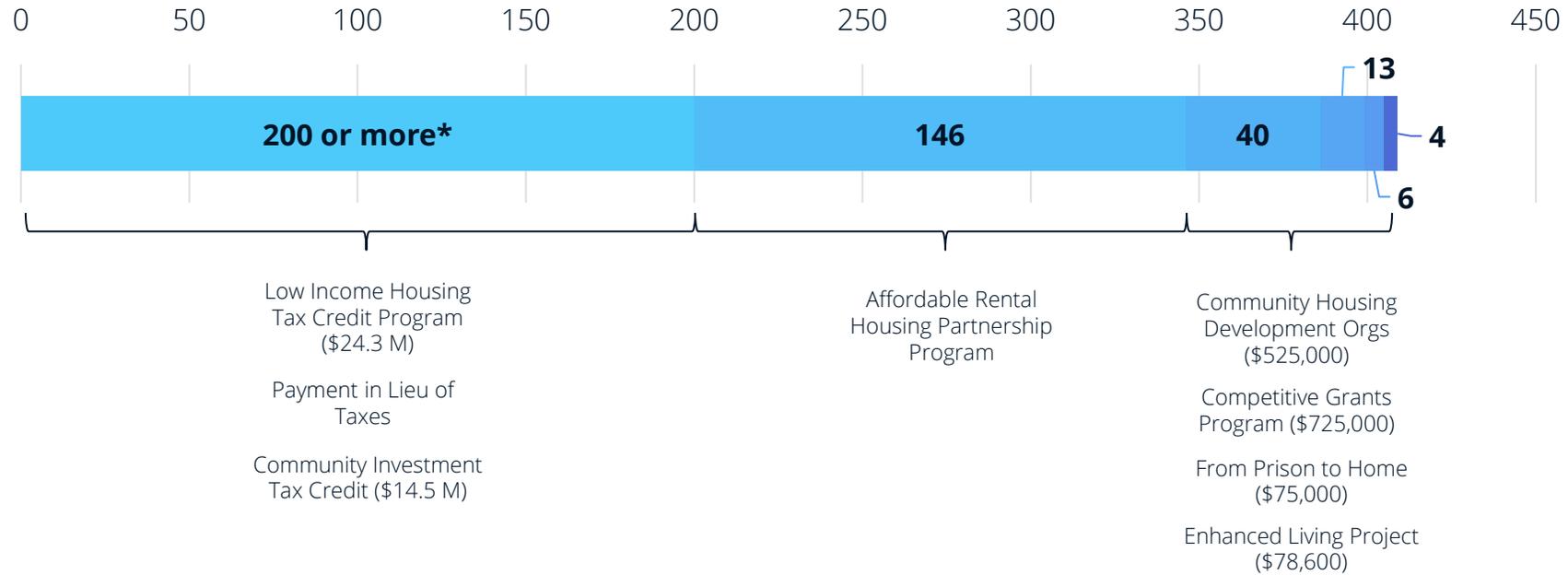


*These figures include all funding allocated to affordable housing programs in Shelby County and Memphis. They encompass funding from CDBG, HOME, HOPWA, and local sources.*

Source: Department of Housing and Urban Development (2018, 2019 and 2020), Tennessee Housing Development Agency (2020), Memphis City (2020), Shelby County (2020)

# Programs and Policies | Rental Housing

In addition to LIHTC, rental housing programs provide gap financing for new construction or rehab. LIHTC is driving new production but is often coupled with other programs like PILOT and CITC.



\*There is overlap in the unit count reporting for the LIHTC, PILOT and CITC programs as these are often coupled together. This illustration is only reporting LIHTC production from NHPD to remain conservative.

Source: Department of Housing and Urban Development (2018, 2019 and 2020), Tennessee Housing Development Agency (2020), Memphis City (2020), Shelby County (2020)

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## Programs and Policies | LIHTC 4% versus 9% Definition

---

Low-Income Housing Tax Credits are the dominant financial tool that attract private capital to affordable housing production and account for over 90% of all affordable unit production in the U.S.

The Tennessee Housing Development Agency (THDA) administers two types of tax credits:

### 4% tax credits

Awarded by right to qualifying projects

Typically covers 30% to 40% of development costs

Covers new construction projects that also receive other federal subsidies

Can be used for redevelopment

### 9% tax credit

Allocated through a competitive process

Typically covers 70% to 80% of development costs

Supports new construction projects regardless of other federal subsidies

Can be used for redevelopment

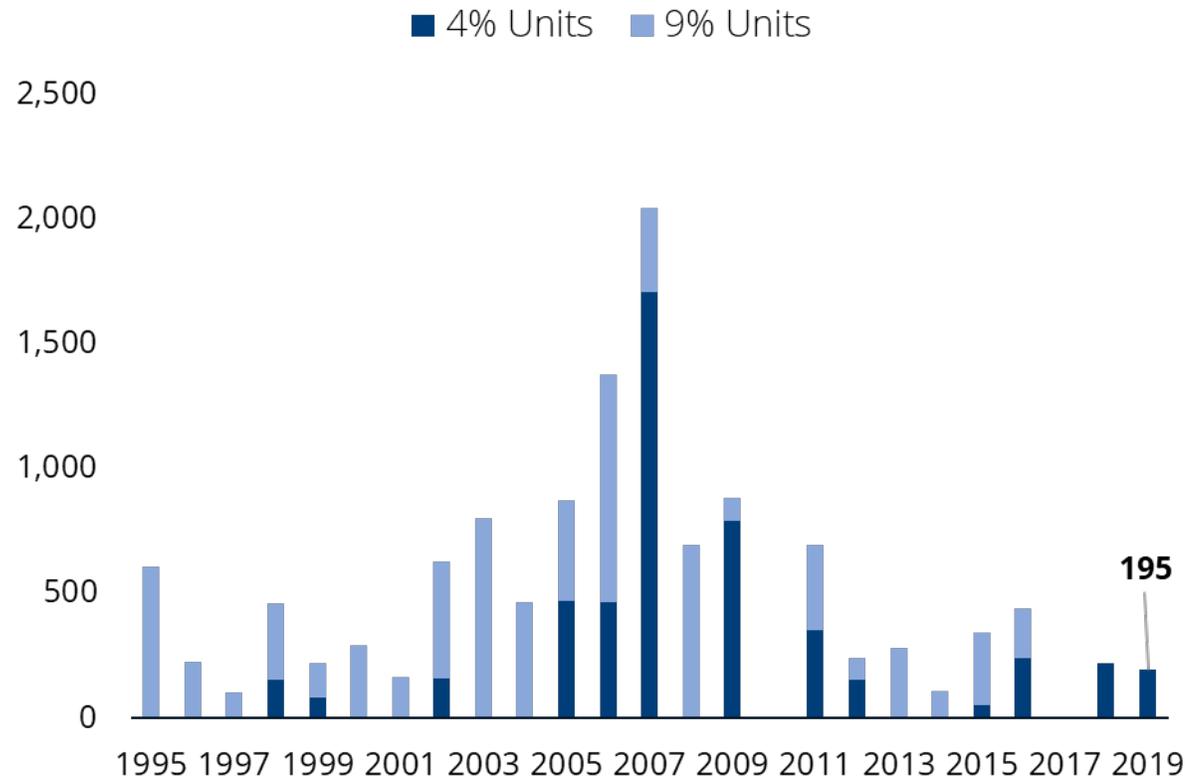
Developers use equity from selling the credits to finance affordable housing

*Source: Novogradac, New York Times*

# Programs and Policies | Shelby LIHTC Environment

However, the county has received fewer LIHTC units since 2009, with a shift away from 9% units to 4% units. Shelby County has approximately 20% of Tennessee's LIHTC stock.

**Number of 4% versus 9% LIHTC Units: Shelby County, since 1995**



**80%**

of all LIHTC units were constructed before 2010

**4.6K**

Shelby County LIHTC units were 9% credits between 2000 and 2009

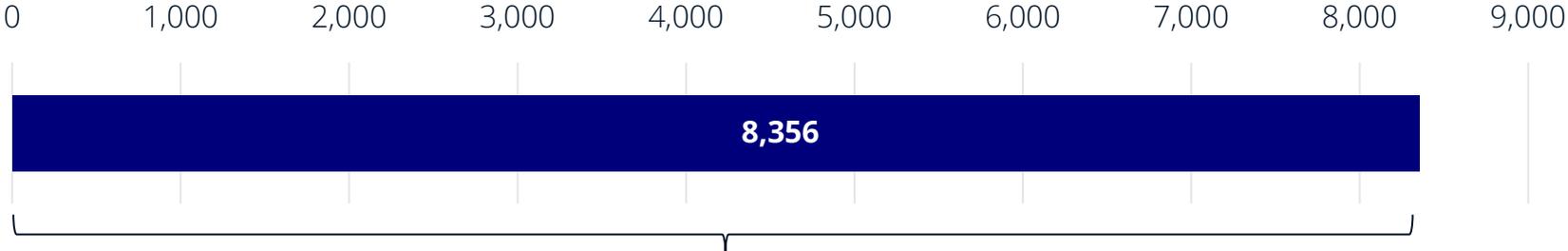
**1.3K**

LIHTC units since 2010 have been 4%

Source: NHPD

# Programs and Policies | Rental Assistance

With 65K cost-burdened households\*, Shelby County’s sole rental assistance program serves only 1 in 8 households in need.



Housing Choice Voucher Program (\$58.0 M)

*The housing Choice Voucher program supports rental housing units or financial assistance with an average unit cost of over \$540.*

**Vouchers Received, 2021**

**8,356**  
Memphis

**2.6 million**  
United States

**Poverty Rates, 2019**

**27%**  
Memphis

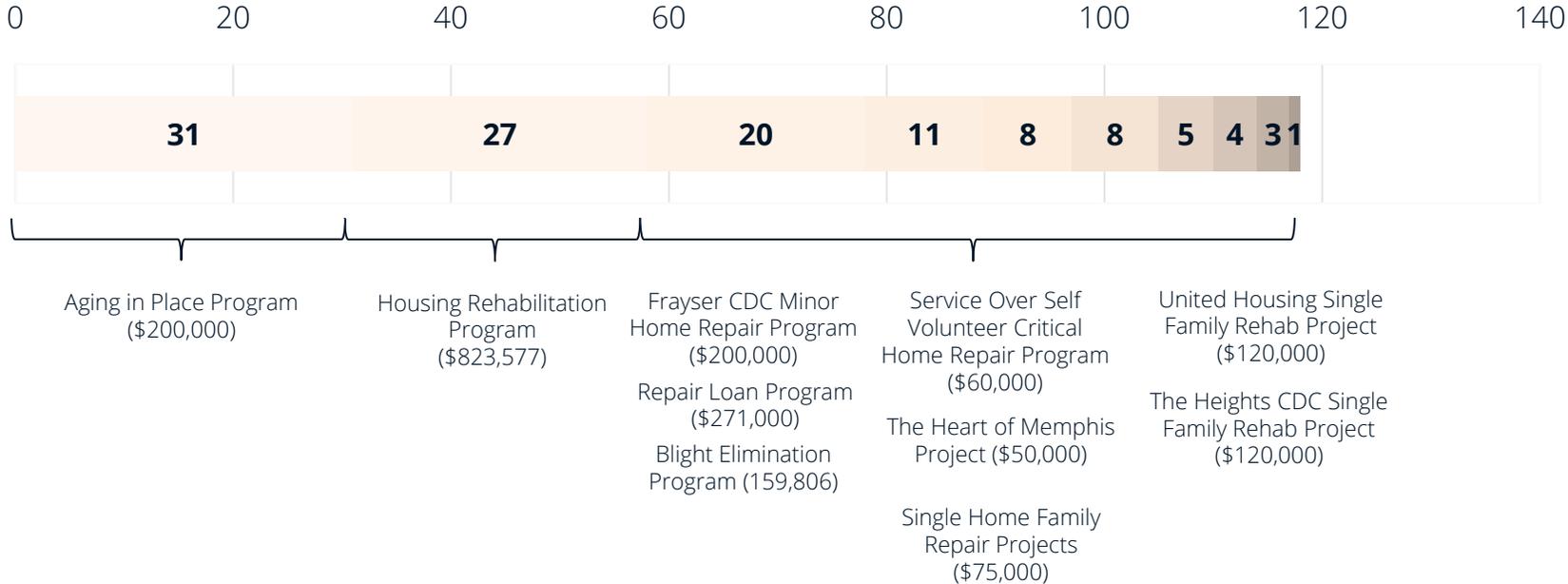
**14%**  
United States

\*Cost-burdened (spending more than 30% of income on housing at or below the 50% AMI level)

Source: Memphis City (2019), 2019 ACS 5-Year Estimates

# Programs and Policies | Housing Rehabilitation

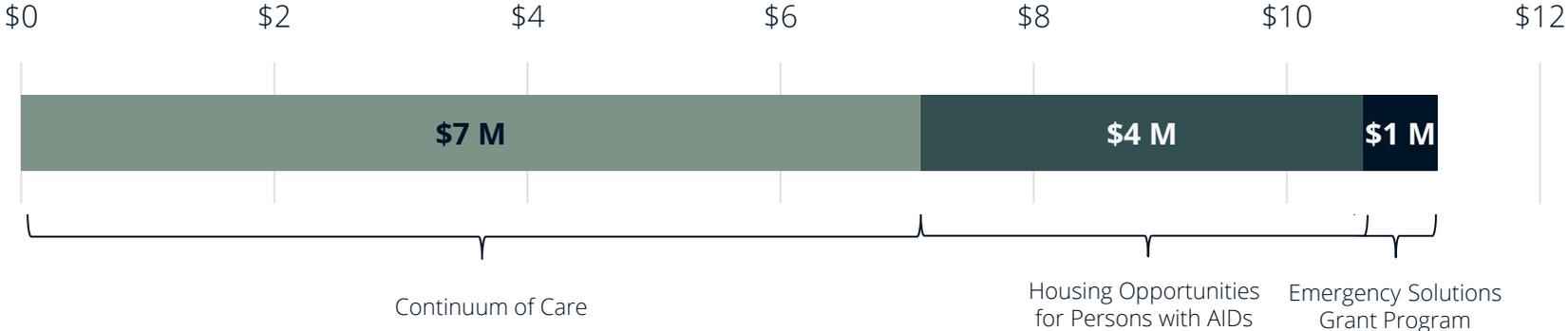
There are many rehabilitation programs working independently of one another, performing limited repairs to make homes habitable but do not significantly change housing quality (~\$15K per rehabbed unit).



Source: Memphis City (2020), Shelby County (2020), Tennessee Housing Development Agency (2020)

# Programs and Policies | Supportive Housing

These programs help individuals maintain stable housing. While these programs meet the needs of vulnerable populations, they do not produce housing through vouchers or development like others.\*

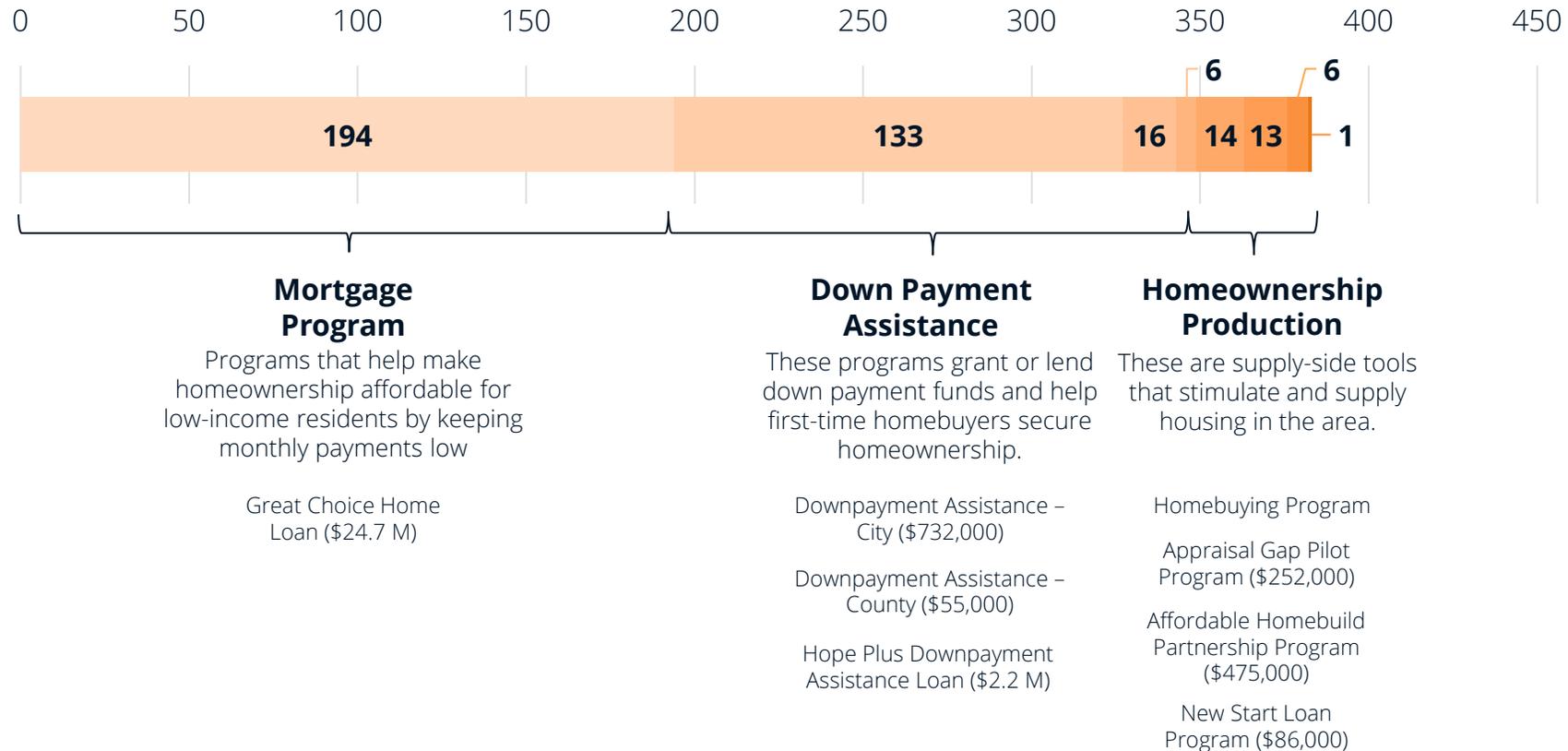


\*Supportive housing funding is illustrated as funding opposed to unit counts as unit data was unavailable for these programs.

Source: Department of Housing and Urban Development (2020), Memphis City (2020)

# Programs and Policies | Homeownership

Mortgage and down payment assistance programs produce new homeownership units or provide people with assistance to become homebuyers. They provide modest assistance (~\$10K per household).



Source: Memphis City (2020), Tennessee Housing Development Agency (2020)

# References



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# Area Median Incomes for the Memphis Metro Area

FY 2021 Income Limit Area	Median Family Income	FY 2021 Income Limit Category	Persons in Family							
	<b>Explanation</b>		1	2	3	4	5	6	7	8
<b>Memphis, TN-MS-AR HUD Metro FMR Area</b>	\$68,700	Very Low (50%) Income Limits (\$) <b>Explanation</b>	24,050	27,500	30,950	<b>34,350</b>	37,100	39,850	42,600	45,350
		Extremely Low Income Limits (\$)* <b>Explanation</b>	14,450	17,420	21,960	<b>26,500</b>	31,040	35,580	40,120	44,660
		Low (80%) Income Limits (\$) <b>Explanation</b>	38,500	44,000	49,500	<b>54,950</b>	59,350	63,750	68,150	72,550

**NOTE:** HUD generally uses the Office of Management and Budget (OMB) area definitions in the calculation of income limit program parameters. However, to ensure that program parameters do not vary significantly due to area definition changes, HUD has used custom geographic definitions for the **Memphis, TN-MS-AR HUD Metro FMR Area**.

The **Memphis, TN-MS-AR HUD Metro FMR Area** contains the following areas: Crittenden County, AR; DeSoto County, MS; Fayette County, TN; Shelby County, TN; and Tipton County, TN.