

CHATTANOOGA **VIP**

Voluntary Incentives Program for Attainable Housing



Chattanooga's Housing Needs

44%











of Chattanooga Households
earn less than 80% AMI

58%

of Chattanooga Renters
earn less than 80% AMI

**We need new developments to provide units
affordable to these households.**

Chattanooga's Housing Needs

	Annual Household Income	Associated Jobs
40% AMI	\$28,000	 or  Childcare Worker Waiter
50% AMI	\$35,000	 or  Grocery Store Worker Substitute Teacher
60% AMI	\$42,000	 or  School Bus Driver Hairdresser
70% AMI	\$49,000	 or  Clergy Highway Maintenance
80% AMI	\$56,000	 or  Teacher Firefighter

AMI levels and corresponding household incomes from HUD 2024 (Metropolitan Statistical Area)

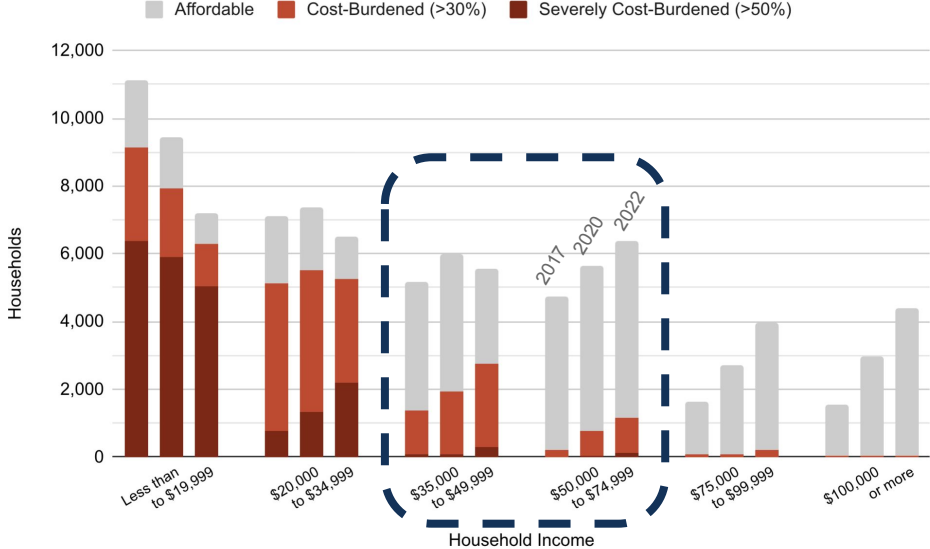
Income based on 2-person household, AMI thresholds vary by household size and rents vary by number of bedrooms

Mean wages based on U.S. Bureau of Labor Statistics May 2022 Occupational Employment and Wage Estimates (Chattanooga, TN-GA)

Chattanooga's Housing Needs

Change in Renter Cost Burden

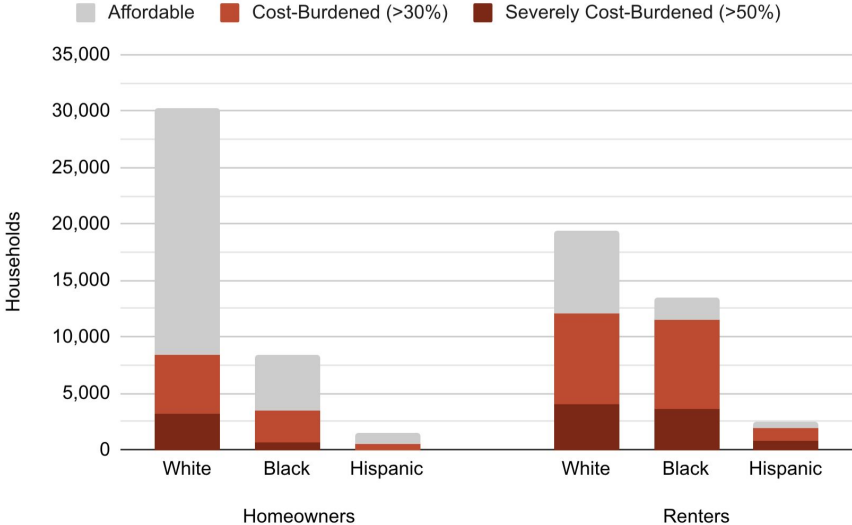
Chattanooga: 2017, 2020, and 2022



Source: U.S. Census Bureau, 2017, 2020, and 2022 5-year American Community Survey

Housing Cost Burden by Tenure and Race

Chattanooga, 2023

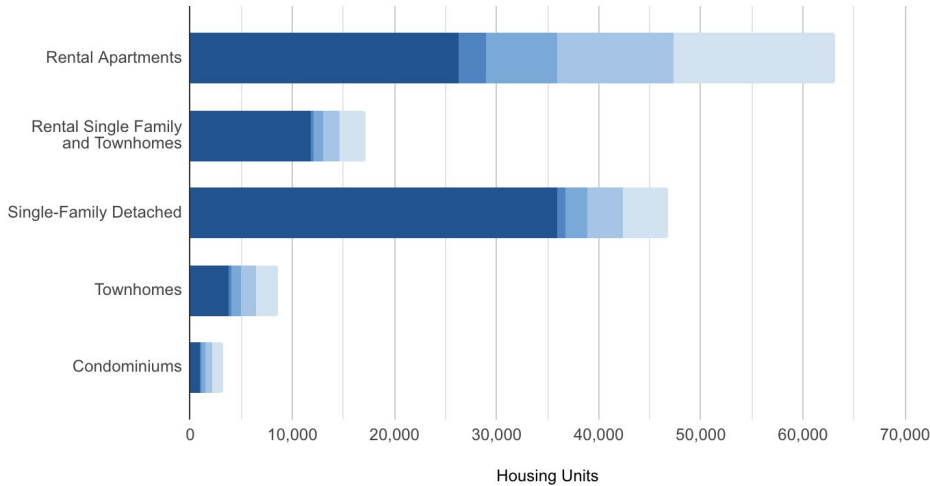


Source: U.S. Census Bureau, 2023 1-year American Community Survey

Chattanooga's Housing Needs

Projected Demand for Housing in Chattanooga

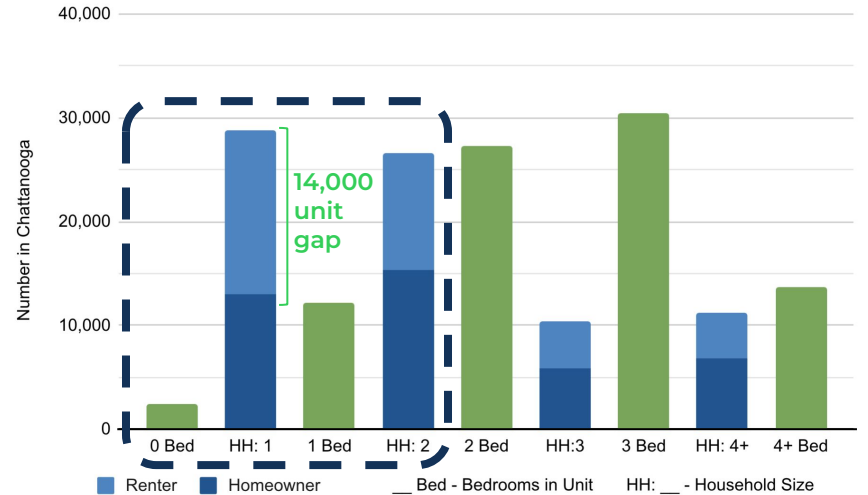
Existing 2022 2025 2030 2035 2040



Source: U.S. Census Bureau, 2022 5-year American Community Survey; RCLCO

Mismatched Housing Stock

Comparing Chattanooga Household Size to Our Housing Stock



Source: U.S. Census Bureau, 2022 5-year American Community Survey

Building the Affordable Housing Ecosystem

Why voluntary zoning incentives?

Another tool in the tool box

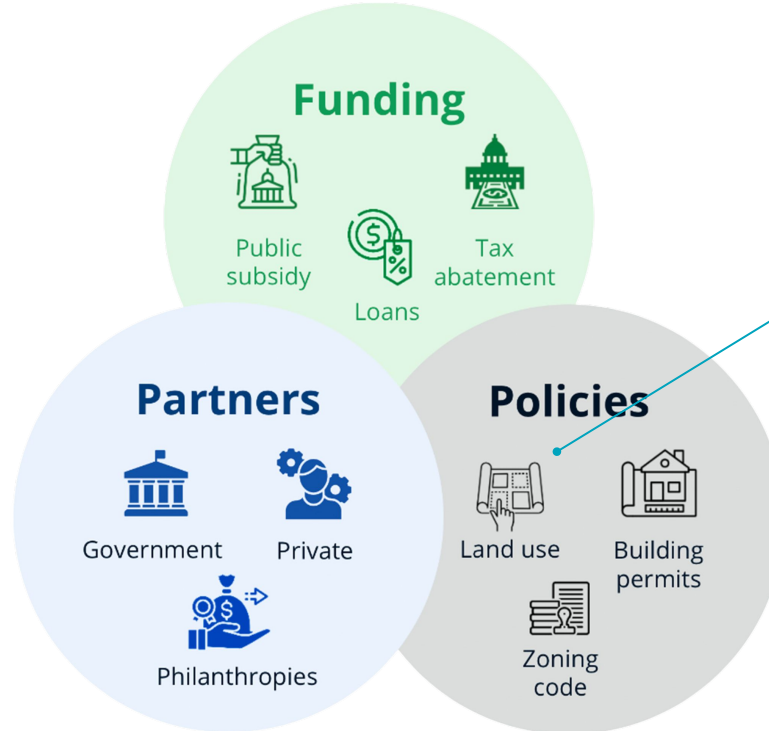
This is a voluntary tool that works best in healthy housing markets experiencing a lot of development and rising costs

Ride the wave of new development

4,201 new units permitted in multi unit apartments and condos 2019-2024

A proven method

500+ communities nationally have adopted similar policies with proven results



The City's Housing department partnered with Senator Gardenhire to lift a state preemption on **land use incentives** for affordable housing development

“Attainable Housing Incentives” Bill

SB 2496 / HB 2623

HOUSE BILL 2623
By Carr

SENATE BILL 2496

By Gardenhire

AN ACT to amend Tennessee Code Annotated, Title 13
and Title 66, relative to attainable housing.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 13, Chapter 3, is amended by adding
the following as a new part:

13-3-601.

The chief legislative body of a municipality may create a voluntary attainable
housing incentive program by ordinance, for the purpose of authorizing certain
incentives to be provided to property owners who seek to build attainable housing.

13-3-602.

An ordinance creating a voluntary attainable housing incentive program enacted
by the chief legislative body of a municipality must contain, at a minimum, the following:

- (1) A definition of attainable housing for the purposes of the program;
- (2) The types of facilities, buildings, and structures eligible for the
program;
- (3) The geographic areas of the municipality where facilities, buildings,
and structures eligible for the program may be constructed or rented;
- (4) Any special exceptions or conditional uses included in the zoning
ordinances of the municipality that apply to attainable housing projects;
- (5) Any other municipal incentives available to property owners who are
approved for participation in the program; and

Requirements

- **Limited Application:** Only for zoning districts that already allow 5+ unit multifamily development
- **Affordability in Perpetuity:** 99-year deed restriction
- **Approval process:** spells out a by-right approval process with planning commission review for adherence to program guidelines

Goals of the Chattanooga VIP

Creating an Effective Tool for Attainable Housing

1. Boost the supply of attainable housing to **reduce competition and open up rental options** Chattanooga renters can afford.
2. Leverage Chattanooga's strong market with a **voluntary, market-driven tool** that rides the wave of current development, by allowing developers to a little build more in exchange for moderately priced housing.
3. Drive attainable housing development with **zero financial commitment** from the City—benefits come from added units enabled by incentives.

Incentives offered by the VIP

Creating an Effective Tool for Attainable Housing

10% of units at 80% AMI or below

IN EXCHANGE

30%
**Density
Bonus**

To allow more units
within the same
building envelope

**Reduced
Parking
Minimums**

To allow the market to
determine parking
needs

High Opportunity
Development Only

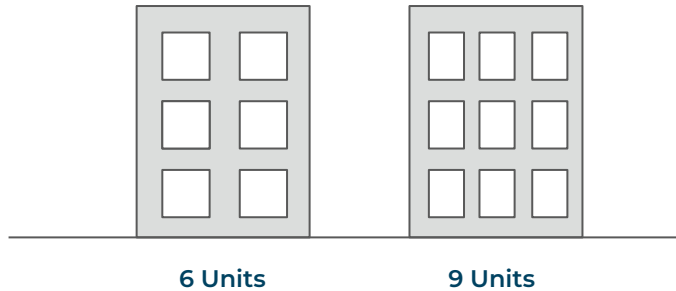
30%
**Height
Bonus**

To allow more housing near
public transportation and
strong markets

30% Density Bonus

Allowing More Units within the Same Building

The VIP is limited to zoning districts that *already allow 5+ unit developments*



Same building envelope, more unit density

- **Maximum building size stays the same**, except on transit corridors in strong markets
- **Setback requirements stay the same** – keeps development patterns consistent
- **Gradual density increase** – bonus is scaled to existing zoning
- The VIP does not change the existing zoning district!

Parking Minimums

A Flexible, Market-Based Approach

The VIP requires a minimum of .5 spaces per unit

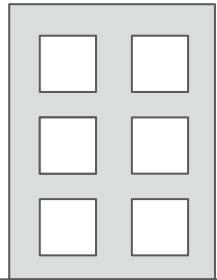
- **Removing requirements does not equal removing parking** – developers must respond to market demand.
- **Reduces construction costs** – parking can cost \$25,000 - \$65,000 per parking space!
- Gives developers **flexibility** to use more land for housing and on-site amenities.

“The one thing constraining development at our project is parking - not the height limits - not the neighbors.”

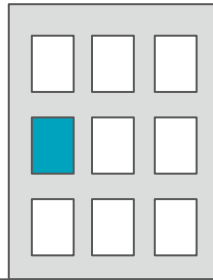
“I’m surprised by how many empty parking spots we have.”

VIP Type 1: Medium Multi-Unit Development

5-9 attached or semi-attached residential units



Without VIP
Incentives



With VIP
Incentives

Chattanooga gets:

- At least 1 unit at 80% AMI and below

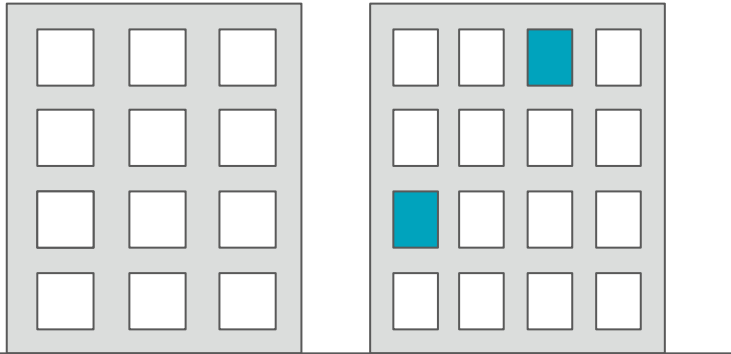
IN EXCHANGE

The Developer gets:

- New parking minimum of .5 parking spaces per unit
- 30% reduction in minimum lot size requirement

VIP Type 2: Large Multi-Unit Development

10+ attached or semi-attached residential units



Without VIP
Incentives

With VIP
Incentives

Chattanooga gets:

- 10% of units at 80% AMI and below

IN EXCHANGE

The Developer gets:

- New parking minimum of .5 parking spaces per unit
- No parking island requirement
- 30% reduction in minimum lot size requirement

VIP Type 3: High Opportunity Development

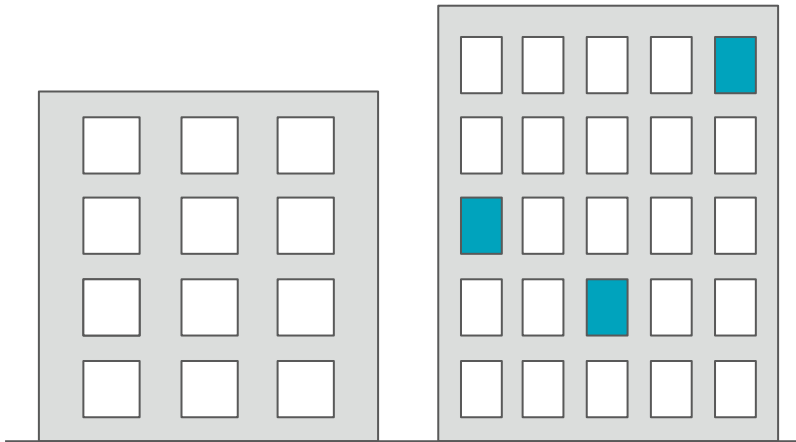
Only for Qualified Projects

**Project must meet
all requirements
to qualify for the
additional 30% height
bonus**

1. Project has **10+** attached or semi-attached residential units
2. Site has **appropriate zoning** (allows 5+ units)
3. Site is **located within 500 feet** of a CARTA stop
4. Site is located in a **strong market** according to the Market Value Analysis (A, B, C, or D)

VIP Type 3: High Opportunity Development

10+ attached or semi-attached residential units that meet requirements



Without VIP
Incentives

With VIP
Incentives

Chattanooga gets:

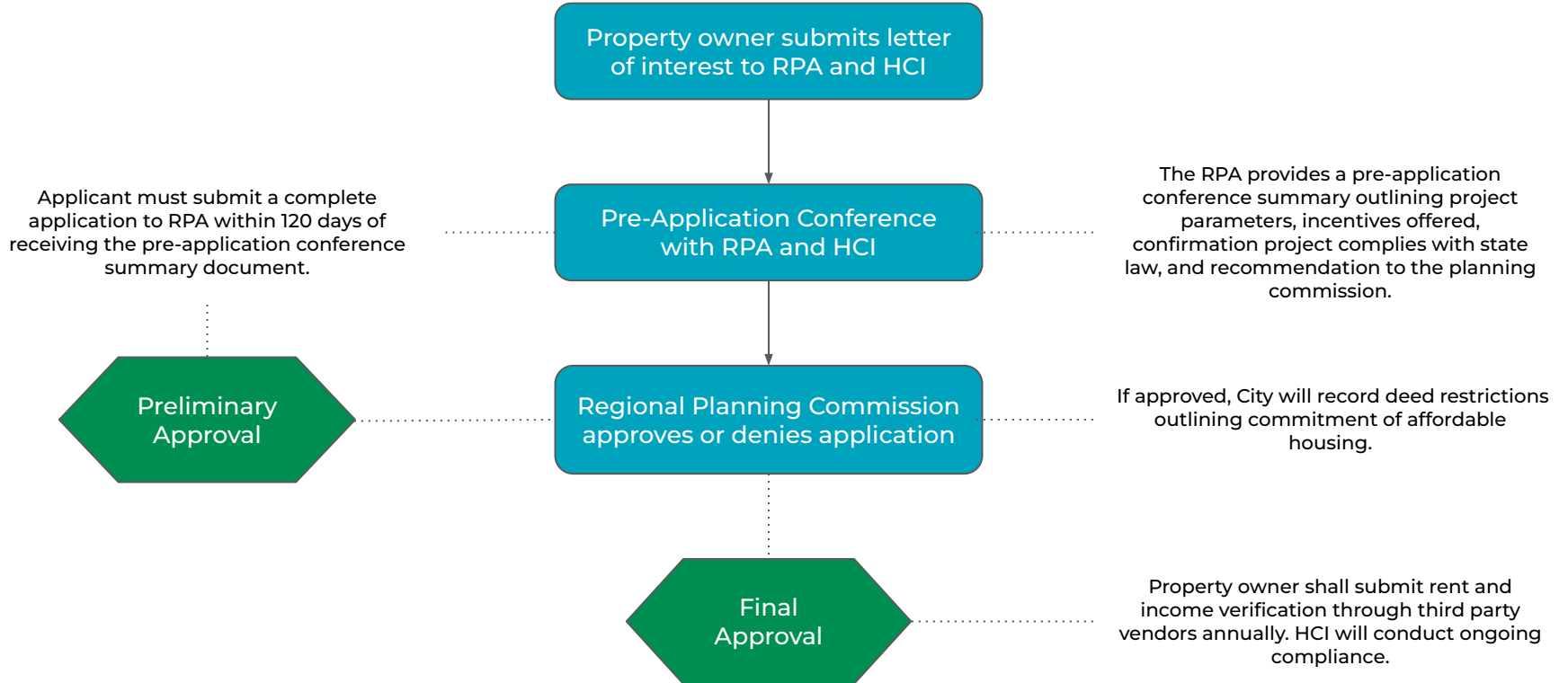
- **10% of units** at 80% AMI and below along a transit corridor

IN EXCHANGE

The Developer gets:

- New parking minimum of .5 parking spaces per unit
- No parking island requirement
- 30% reduction in minimum lot size requirement
- 30% height bonus

Application Process



VIP Program

Ensuring Accountability

Affordability Terms:

- Rent and income requirements are determined annually according to HUD guidelines.
- Applicant will submit annual rent and income verification to the City via a third party.
- All qualifying developments shall be **deed restricted for 99 years.**

Compliance Standards:

- **HCI staff will monitor rents and incomes** on an annual basis for first 15 years of program.
 - After 15 years, HCI will request rent and income verification periodically not less than every 5 years.
- **\$5,000 per unit civil penalty** per year of noncompliance will be collected.

Thank you!

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