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May 18, 2018

Donna Duarte  
Tennessee Housing Development Agency  
502 Deaderick Street, Third Floor  
Nashville, TN 37243

**Re: Regional Pool Proposal**

Dear Ms. Duarte:

On behalf of the Tennessee Developers Council (TDC), I am writing to provide comments on THDA's Regional Pool proposals in connection with the upcoming 2019 Draft Qualified Allocation Plan. At the outset, we note that our commentary on this topic is not fully informed as the "secondary policies" used to "entice development" mentioned in THDA's memo have not yet been released. Based on THDA's regional pool memo, it would appear the Agency's goal for implementing regional pools is to ensure development occurs throughout the state of Tennessee. TDC agrees with this goal.

While TDC is in favor of the general idea of using geographic pools for allocating new construction 9% credits, we do not support either of the two proposed scenarios nor the methodology for determining regional pools in those scenarios.

**I. Using Commuter Data is Improper for Prioritizing Counties for Affordable Housing as Currently Presented**

The current proposal adds counties to regional pools based at least partly on commuter data. If a significant portion of a county's population commutes to work in an adjacent Metropolitan Statistical Area (MSA), then the county is added to that MSA/Regional Pool. We find this methodology to be counter to affordable housing needs.

If a significant portion of a county's population commutes into an MSA for work, we believe that means housing is more affordable in that county than in the MSA (the reason for living in one county and working in another). Adding such a county to a prioritized pool could potentially result in two undesirable outcomes:

- 1) Affordable housing is built in an already comparatively affordable area
- 2) Affordable housing is built farther away from available jobs

**II. Alternative Methodology Exists for Better Comparing Geographic Housing Needs Including Percent of Rent-Burdened Population and Determination of Rural and Urban Areas**

Regional pools present an opportunity to equitably distribute new construction affordable housing across the state, ensuring that each area of the state be prioritized in accordance with its need. As TDC is still without the full proposal regarding regional pools, we do not yet endorse any of the following methods, but put them forth here as potential methods that we think might address the regional pool issue better than the use of commuter data. We also propose these ideas keeping in mind that other mechanisms exist to ensure a diverse distribution of credits such as per county caps.

A. Use MSAs solely as the basis for regional pools

TDC feels that an MSA may already be large enough to potentially skew housing needs from one area to another. The Nashville-Davidson-Murfreesboro-Franklin MSA is an example of this. Housing needs in Davidson County may be far different from the housing needs in some of the more rural counties found in the outskirts of this MSA. We posit that rather than focusing on how to add counties to an MSA such as this one, it may make more sense to simply maintain the county as-is or to remove some counties from it.

B. Utilize USDA's Rural Development Eligibility Criteria

Certain states, such as Georgia, have utilized Rural Development data to divide its state into two pools: rural and urban. While this method alone may or may not comport with Tennessee's scoring system, it perhaps could be useful to use rural classifications as one of several factors in determining whether a county belongs in a particular pool.

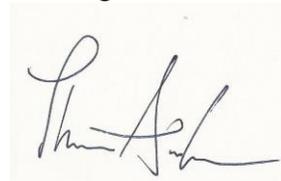
C. Only add counties with an increasing rent-burdened population to an MSA

The state of Virginia, in determining whether a county should be added to a particular pool, considers if the county has a growing rent-burdened population (and therefore would require more new construction than does an area with a static or decreasing rent-burdened population). Under this method, for example, McMinn County would be added to either the Knoxville or Chattanooga pool as its percentage of rent-burdened population has increased by almost 5% over the past five years. For this example, we utilized American Fact Finder from the U.S. Census Bureau and looked at Gross Rent as a Percentage of Household Income. We defined "rent-burdened" as spending 30% or more of household income on rent (combining the 30-34.9% category with the 35% or greater category).

We provide these alternative methodologies not as proposed solutions but merely as potential considerations that we believe are more appropriate than the use of commuter data.

Once again, TDC appreciates the opportunity to provide THDA with this feedback. We are happy to discuss any specific questions you might have regarding these comments or other subjects of concern. Please feel free to contact me directly with any questions at 202-939-1753.

Best Regards,

A handwritten signature in black ink, appearing to read "Thom Amdur", is written over a light-colored rectangular background.

Thom Amdur  
Executive Director