

**EAST TENNESSEE DEVELOPMENT DISTRICT
EXECUTIVE COMMITTEE MEETING
JULY 11, 2023
MINUTES**

The East Tennessee Development District's Executive Committee held a meeting on Tuesday, July 11, 2023, at ETHRA, 9111 Cross Park Dr., Ste D-100, Knoxville, TN. The following Executive Committee members were present:

Ron Williams, Mayor of Farragut
Brian Langley, Morgan County Executive
Glenn Jacobs, Knox County Mayor
Rob Mathis, Cocke County Mayor
Terry Frank, Anderson County Mayor
Mike Byrd, Grainger County Mayor
Mark Potts, Jefferson County Mayor
Wade Creswell, Roane County Executive
Neal Pucciarelli, Mayor of Cumberland Gap
Roland "Trey" Dykes, Mayor of Newport

Guests

Alan Woods, ETDD Fiscal Officer
Joe Barrett, ETDD Regional Planner
Harold Edwards, ETDD Regional Planner
Cindy Boshears, Congressman Fleishmann's office
Riley Lovingood, Senator Bill Hagerty's office
Tammy Merritt, Congressman Fleishmann's office
Grady Vanderhoofen with Three Roots Capital
Leann Sutton, Jefferson County Development Representative
Hancen Sale, Director of Governmental Affairs and Public Policy

CALL TO ORDER

Chairman Ron Williams called the meeting to order.

MINUTES

Chairman Ron Williams presented the minutes of the June 13, 2023, meeting to the Executive Committee for approval. Jefferson County Mayor Mark Potts made a motion to approve the minutes as presented, it was seconded by Morgan County Executive Brian Langley and the minutes were unanimously approved.

TREASURER'S REPORT

The Treasurer's Report for the month ending May 31, 2023, was presented by Treasurer Rob Mathis. Treasurer Mathis noted that there is a variance of 276% over budget for the Program Direct Expenses line. This is due to expenses related to EPA and Brownfield and we expect the reimbursements to come through before the end of the fiscal year, which will put us ahead of the budget as we close out June. No other exceptions were noted. Morgan County Executive Brian Langley made the motion to accept the report as presented, it was seconded by Roane County Executive Wade Creswell, and it was approved by all.

SUBCOMMITTEES

Chairman Ron Williams announced that the Chair appoints the membership for each of the standing subcommittees and noted that members now have a copy of the list. He reminded everyone that the subcommittees meet as necessary and thanked members in advance for serving on them. No other questions were raised.

Knox County Mayor Glenn Jacobs made a motion to accept the subcommittees as presented and Mayor Terry Frank seconded that motion, and it was approved by all.

MEMBERS AT LARGE

Chairman Ron Williams noted that the Chair appoints the Members at Large each year. For this term he reappointed Claudia Caballero, President and CEO of Centro Hispano East Tennessee and Terrance Carter, Vice President of Economic & Business Development for Knoxville Area Urban League. No motions or votes needed.

DIRECTOR'S REPORT

Rick Yakubic, ETDD Executive Director, had guests introduce themselves and then gave his director's report:

Mr. Yakubic mentioned that the Director's report was emailed to the committee prior to this meeting, to allow more time for topical issues. Just a few announcements to make and we will get started on today's topic.

Mr. Yakubic announced that this month's report includes a list of the next Executive Committee meetings. He noted the August 8th meeting would be cancelled because there wouldn't be enough business that would require the board to meet. He also reminded everyone that the September meeting would occur on Tuesday, September 12th.

Mr. Yakubic announced that ETDD's Annual Awards Banquet would be held on September 26th, at the Knoxville Airport Hilton. It will be an awards celebration to recognize the things going on in our communities. Invitations will be going out soon.

Conflict of Interest Policy

Mr. Yakubic reported on the Conflict of Interest Policy which is contained in everyone's packets. He stated that each year at this time the ETDD reaffirms their formal Conflict of Interest Policy. The Comptroller's Office has recommended that ETDD adopt a formal policy and distribute the policy to all board members at least once per year. ETDD formally adopted the policy in the July 2018 meeting and reaffirmed the policy in July of last year. A copy of the policy is being provided at today's meeting. The policy is pretty straightforward; it covers what is considered to be a conflict of interest, procedures for resolving a real or perceived conflict of interest and a statement that all board members will be covered by a Directors & Officers liability insurance policy. ETDD also states that this policy will be provided to all Board members on an annual basis at the beginning of the fiscal year. Mr. Chairman, a motion is needed to re-affirm the policy.

Grainger County Mayor Mike Byrd made a motion to reaffirm these policies, it was seconded by Vice Chair Brian Langley and adopted by all.

Legislative Subcommittee

Mr. Yakubic addressed the Legislative Subcommittee. He stated that in the annual retreat, we discussed we would develop our Legislative Agendas in September and do the final approval in October and meet with legislators in December. Since we will not have an August Board meeting, I will work with Mayor Terry Frank, Chair of the committee, to develop a draft for us to discuss in September. I will send out the State and Federal agenda that we approved for this year to the subcommittee next week so that we can get started on this process.

Mr. Yakubic then asked Chairman Ron Williams for a motion to accept the Director's report. Treasurer Rob Mathis made a motion to accept the Director's report as presented, it was seconded by Vice Chair Brian Langley and was approved by all.

TOPICAL DISCUSSION - HOUSING

Mr. Yakubic gave some high points from last month's housing discussion: Blount County is creating housing and growing quickly, yet Cocke County and Scott County aren't able to get housing. People are living in trailers and there are sewage issues. Loudon County's Tellico Village homes, and what will happen to those homes 15 years from now, etc. Mr. Yakubic announced that Mr. Hancen Sale would lead our discussion today.

Mr. Sale serves as the Government Affairs and Policy Director for the East Tennessee REALTORS®. In this role, Hancen is the chief policy advisor to the leadership and Board of Directors of East Tennessee REALTORS® - a trade association representing more than 6,000

members involved in all aspects of the residential and commercial real estate industries across East Tennessee. He is responsible for the development and execution of the association's public policy work, analysis, and advocacy initiatives. Hansen is here to continue last month's discussion on housing that we began last month's Executive Committee meeting, especially as it relates to counties with or without zoning and how that affects the housing market.

Hansen began today's discussion by some comparisons of East TN to the rest of the U.S.

- Overall, the U.S. housing market is cooling but here it is stable and growing.
- Other areas aren't seeing the large growth that we are seeing here in East TN.
- Housing prices in East TN are no longer cheaper than the national average.

Then the conversation shifted to East TN specifics

- In East TN, home sales were down in 2022 but prices increased up to 40% in Knox County and counties adjacent to Knox are on an upward trajectory.
- Housing inventories are only 60% of those seen pre-pandemic despite the low growth that is largely due to the increase in interest rates.
- List prices are falling in other places, but not here. Overall, we are \$50,000 higher than the national average.
- House sales are solid and the number of those sold to outside investors hasn't really increased much. Also, the sales being seen now are largely cash sales.
- Post-pandemic, apartment growth in the larger areas has grown by 50%
- Affordability is at the lowest seen since the 1980's. It is also higher than income levels for the area. For example, if a household makes less than 75k annually, only 15% of homes for sale are affordable, and only about 1/5 of those dwellings are habitable.

Challenges for East TN

- Since 2010 we have been underbuilding based on population. It is down about 44%.
- Building materials costs are continuing to rise quickly.
- Land is a large driver of home prices.
- The "Lock-In" effect will keep inventory low and boost home prices now that interest rates are rising because 8 out of 10 homeowners have an interest rate of less than 5%.

Housing Demand will persist but change over the next decade.

- Population is aging quickly; Boomers are retiring, and migration is up.
- Millennials are the ones buying and need smaller homes, but we don't have them.
- Population trends say households will be smaller, so we need diversified sizes.
- Also, need more housing that facilitates "aging in place".
- Regional population growth here is being driven exclusively by migration.

Housing Forecast

- Housing supply is critical to future growth; it is an economic imperative.
- Zoning regulations have a large impact on long-term affordability trends and have increased a lot in the last 50 years.
- Participatory Politics and Not in My Backyard (NIMBY) initiatives hinder growth. Residents from surrounding areas use NIMBY to stop or delay unwanted development.

Challenges of Public Decision Making

- Government controls the supply side through land use and zoning regulations, and these have increased a lot over the years.

- Zoning regulations may prohibit smaller homes, what we ask of developers increases the costs of the homes built. Local builders are interested but need land use.
- The question here is how to balance protecting “neighborhood character” versus the community-wide need for more housing?
- Should technical expert opinions carry the same weight as neighbors?

Hancan concluded his prepared comments and offered these questions for discussion:

Potential Policy Remedies

- Increase “by-right” housing development.
- Expedite approval for affordably priced homes and apartments.
- Reduce or eliminate parking requirements.
- Leverage underutilized, government-owned land.
- Allow accessory dwelling units (ADUs).
- Make non-residential zones available for residential development.
- Develop a catalog of pre-approved missing middle sized home building plans.

Discussion:

Mr. Yakubic opened the floor for discussion.

- Mayor Dykes asked about Cocke county’s stats, instead of Knox Metro Area. Mr. Sale will help him connect with Greater Smoky Mountain Association Realtors to get those.
- Mayor Neal Pucciarelli asked if all counties had info available. Hancan said he would work with mayors who wanted their county-specific info, just reach out to him.
- Mayor Jacobs said transplants are moving here, especially post-pandemic. Lots of Californians moving here, net migration out of there is big. Hancan said California is being hit hard. There they saw similar issues to ours in the 1980s – 1990s. But they still have too few houses overall. Do we want to be in their position? How do we keep that from happening.
- Mayor Potts said Jefferson County has lots of New York and California retiree transplants that buy higher priced houses. But when they are gone who buys the houses on the lake? Local people have lower median incomes, how can they buy homes? They are doing good if they can get a double-wide and a bit of land to build on.
- Mayor Jacobs said retirees come here because of lower taxes, but they are driving up the cost of houses so much our younger people say they can’t afford to live here. He also said companies want to move here, but there are no workers, and there is no housing. It is a huge issue. We are trending towards becoming a large retirement community which isn’t what we want for our economy. Mr. Sale says that the retirement community paradigm doesn’t contribute to economic growth, so we definitely don’t want to trend that way.
- Executive Wade Creswell mentioned through strategic planning we are “trying to thread a needle here” about how to increase our stock so our locals can afford it but not so much that we “fall off a cliff” and have a huge market crash which is where California is, right? Hancan said California drove people away. He also said that there is still a demand, but for smaller homes, ones that work for one or two person households and these homes need to be affordable.
- Mayor Neal Pucciarelli asked. “Are developers listening to you about the smaller houses? Hancan says governments prohibit it in many ways. If land use and zoning regulations require a ¼ acre lot, then developers can’t build lots of smaller homes and other types of products. Everything adds to the cost of building that home. Builders want to do other things, but they are often prohibited.

- Mayor Jacobs says that all good useable land has been used in the Knoxville area. What is left are the mountains, hills, ravines. Now need undesirable open spaces in these non-buildable areas so that zoning changes to allow “cluster building”. Must build where you can. We need to update the Comprehensive Land Use Plan.
- Mayor Frank asked. Do you have any recommendations on expedited approval, are there any jurisdictions or states that you could point to? Mr. Sale said not off the top of his head but many places around the county. The catalog thing is a good idea to support local builders, how do we lessen costs for them. Why don't governments choose housing types that include pre-approved building plans, types of dwelling approved by government already. Expedited approval for certain types of structures, etc.
- Harold Edwards with ETDD had an observation about utilities. Although zoning can regulate housing development, the biggest obstacles are land cost but included in that are water and sewer. The urban areas have run out of land, but rural areas don't have that infrastructure, they have to have that ¼ acre lot. The big key that could help would be to develop infrastructure. Mr. Sale said that this is true and maybe there could be State incentives to build the infrastructure necessary in more rural areas.
- Harold Edwards with ETDD also made a point about affordable housing. There are two national companies that provide prefabricated housing. Are you seeing a rise in these types of homes as far as affordability. Hancen said no, not seeing fully modular due to zoning codes.
- Chairman Ron Williams thanked Hancen for his presentation.
- Mr. Yakubic asked if there was anything we could do regionally to help the lower growth counties get workers. Build houses in lower population counties and transport workers to urban areas? Mr. Sale suggested a regional approach versus municipality to municipality, this is starting to be a trend. The housing market doesn't recognize town borders very much.
- Mayor Pucciarelli asked about short-term rentals. Are they positive or? Mr. Sale said there isn't enough data as yet. Right now, it is hard to say.

Chairman Ron Williams and Mr. Yakubic thanked Hancen for his presentation.

Other Business

Mr. Yakubic said that Josh Gibson, State of TN Facilities Specialist was scheduled to join the meeting today but cancelled. No other business came forward.

Adjournment

Mr. Chairman, we need a motion to adjourn the meeting. Cocke County Mayor Rob Mathis made a motion to adjourn the meeting, it was seconded by Morgan County Executive Brian Langley and approved by all.