



HOUSE BILL 2509

By Sexton

AN ACT to amend Tennessee Code Annotated, Title 7, Chapter 53; Title 13; Title 48, Chapter 101, Part 3; Title 56 and Title 67, relative to housing.

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

SECTION 1. Tennessee Code Annotated, Title 13, Chapter 23, Part 1, is amended by adding the following as a new section:

(a) As used in this section:

(1) "Essential services personnel" means persons in need of affordable housing who are employed in occupations or professions in which they are considered essential services personnel, as determined by each county and municipality within its local housing assistance plan, in consultation with the commissioner of labor and workforce development;

(2) "Public-private partnership" means any form of business entity that includes substantial involvement of at least one (1) county, one (1) municipality, or one (1) public entity, such as a school district or other unit of local government in which the project is to be located, and at least one (1) private sector for-profit or not-for-profit business or charitable entity, and may be any form of business entity, including a joint venture or contractual agreement; and

(3) "Workforce housing" means housing affordable to natural persons or families whose total annual household income does not exceed one hundred fifty percent (150%) of area median income, adjusted for household size.

(b) There is established the community workforce housing innovation pilot program, referred to in this section as the "pilot program," to be administered by the agency.

(c) The purpose of the pilot program is to provide affordable rental and home ownership community workforce housing for essential services personnel affected by the high cost of housing, using regulatory incentives and state and local funds to promote local public-private partnerships and leverage government and private resources.

(d) The agency may provide community workforce housing innovation pilot program loans to an applicant for construction or rehabilitation of workforce housing in this state. This funding is intended to be used with other public and private resources.

(e) The agency shall establish a loan application process that includes selection criteria, an application review process, and a funding process. The agency shall determine which approved applicants will become program participants and determine the maximum loan amount for each program participant. Applications must be received on or before March 31, 2027.

(f) The agency shall provide incentives for local governments in eligible areas to use local affordable housing funds to assist in meeting the affordable housing needs of persons eligible under this program. Local governments are authorized to use any available state affordable housing funds for persons or families whose total annual household income does not exceed one hundred fifty percent (150%) of the area median income, adjusted for household size.

(g) Loans must be targeted to innovative projects in areas where the disparity between the area median income and the median sales price for a single-family home is greatest, and where population growth as a percentage rate of increase is greatest. The agency may also fund projects in areas where innovative regulatory and financial

incentives are made available. The agency shall provide a loan for at least one (1) eligible project in the western grand division, one (1) eligible project in the middle grand division, and one (1) eligible project in the eastern grand division.

(h) Projects must receive priority consideration for loans where:

(1) The local jurisdiction has adopted, or is committed to adopting, appropriate regulatory incentives, or the local jurisdiction or public-private partnership has adopted or is committed to adopting local contributions or financial strategies, or other funding sources to promote the development and ongoing financial viability of such projects. Local incentives include such actions as expediting review of development orders and permits, supporting development near transportation hubs and major employment centers, and adopting land development regulations designed to allow flexibility in densities, use of accessory units, mixed-use developments, and flexible lot configurations. Financial strategies include such actions as promoting employer-assisted housing programs, providing tax increment financing, and providing land;

(2) Projects are innovative and include new construction or rehabilitation; mixed-income housing, commercial and housing mixed-use elements, innovative design, storm-resistant construction, or other elements that reduce long-term costs relating to maintenance, utilities, or insurance and promote homeownership. The program funding may not exceed the costs attributable to the portion of the project that is set aside to provide housing for the targeted population; and

(3) Projects that set aside at least eighty percent (80%) of units for workforce housing and at least fifty percent (50%) for essential services

personnel and for projects that require the least amount of program funding compared to the overall housing costs for the project.

(i) The agency may forgive the payment of interest on loans when long-term affordability is provided and when at least eighty percent (80%) of the units are set aside for workforce housing and at least fifty percent (50%) of the units are set aside for essential services personnel.

(j) All eligible applications shall:

(1) Demonstrate that the applicant is a public-private partnership in an agreement, contract, partnership agreement, memorandum of understanding, or other written instrument signed by all the project partners;

(2) Have grants, donations of land, or contributions from the public-private partnership or other sources collectively totaling at least ten percent (10%) of the total development cost or two million dollars (\$2,000,000), whichever is less. Such grants, donations of land, or contributions must be evidenced by a letter of commitment, agreement, contract, deed, memorandum of understanding, or other written instrument at the time of application. Grants, donations of land, or contributions in excess of ten percent (10%) of the development cost must increase the application score;

(3) Demonstrate how the applicant will use the regulatory incentives and financial strategies outlined in subsection (h) from the local jurisdiction in which the proposed project is to be located;

(4) Demonstrate that the applicant possesses title to or site control of land and evidences availability of required infrastructure;

(5) Demonstrate the applicant's affordable housing development and management experience; and

(6) Provide any research or facts available that support the demand and need for rental or home ownership workforce housing for eligible persons in the market in which the project is proposed.

(k) The agency may promulgate rules to effectuate this section. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

(l) On or before January 1, 2029, the agency shall review the success of the pilot program to ascertain whether the projects financed by the program are useful in meeting the housing needs of eligible areas and submit a report with its finding and recommendations to the state and local government committee of the senate and the committee of the house of representatives having jurisdiction over housing matters.

SECTION 2. For the purpose of promulgating rules, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, this act takes effect July 1, 2026, the public welfare requiring it.

Amendment No. 1 to HB2509

Crawford
Signature of Sponsor

AMEND Senate Bill No. 2410*

House Bill No. 2509

by deleting all language after the enacting clause and substituting:

SECTION 1. Tennessee Code Annotated, Title 13, Chapter 23, Part 1, is amended by adding the following as a new section:

(a) As used in this section:

(1) "Essential services personnel" means persons in need of affordable housing who are employed in occupations or professions in which they are considered essential services personnel, including law enforcement and public safety officers, grocery store and restaurant employees, pharmacy employees, healthcare providers, emergency personnel, and transportation and energy sector employees;

(2) "Public-private partnership" means any form of business entity that includes substantial involvement of at least one (1) county, one (1) municipality, or one (1) public entity, such as an industrial development corporation, a health, educational, and housing facility corporation, a school district, or other unit of the local government in which the project is to be located, and at least one (1) private sector for-profit or not-for-profit business or charitable entity, and may be any form of business entity, including a joint venture or contractual agreement; and

(3) "Workforce housing" means housing affordable to natural persons or families whose total annual household income is more than eighty percent (80%) but does not exceed one hundred fifty percent (150%) of area median income, adjusted for household size.

(b) There is established the community workforce housing innovation pilot program, referred to in this section as the "pilot program," to be administered by the agency.

(c) The purpose of the pilot program is to provide affordable rental and home ownership community workforce housing for persons affected by the high cost of housing, using regulatory incentives and state and local funds to promote local public-private partnerships and leverage government and private resources.

(d) The agency may provide community workforce housing innovation pilot program loans to an applicant for construction or rehabilitation of workforce housing in this state. This funding is intended to be used with other public and private resources.

(e) The agency shall establish a loan application process that includes selection criteria, an application review process, and a funding process. The agency shall determine which approved applicants will become program participants and determine the maximum loan amount for each program participant. Applications must be received on or before March 31, 2027.

(f) The agency shall provide incentives for local governments in eligible areas to use local affordable housing funds to assist in meeting the affordable housing needs of persons eligible under this program. Local governments are authorized to use any available state affordable housing funds for persons or families whose total annual household income is more than eighty percent (80%) but does not exceed one hundred fifty percent (150%) of the area median income, adjusted for household size.

(g) Loans must be targeted to innovative projects in areas where the disparity between the area median income and the median sales price for a single-family home is greatest, and where population growth as a percentage rate of increase is greatest. The agency may also fund projects in areas where innovative regulatory and financial incentives are made available. The agency shall provide a loan for at least one (1)

eligible project in the western grand division, one (1) eligible project in the middle grand division, and one (1) eligible project in the eastern grand division.

(h) Projects must receive priority consideration for loans where:

(1) The local jurisdiction has adopted, or is committed to adopting, appropriate regulatory incentives, or the local jurisdiction or public-private partnership has adopted or is committed to adopting local contributions or financial strategies, or other funding sources to promote the development and ongoing financial viability of such projects. Local incentives include such actions as expediting review of development orders and permits, supporting development near transportation hubs and major employment centers, and adopting land development regulations designed to allow flexibility in densities, use of accessory units, mixed-use developments, and flexible lot configurations. Financial strategies include such actions as promoting employer-assisted housing programs, providing tax increment financing, entering into an agreement for payments in lieu of taxes, and providing land;

(2) Projects are innovative and include new construction or rehabilitation; mixed-income housing, commercial and housing mixed-use elements, innovative design, or other elements that reduce long-term costs relating to maintenance, utilities, or insurance and promote homeownership. The program funding may not exceed the costs attributable to the portion of the project that is set aside to provide workforce housing; and

(3) Projects that set aside at least eighty percent (80%) of units for workforce housing and for projects that require the least amount of program funding compared to the overall housing costs for the project.

(i) The agency may provide interest-free loans when long-term affordability is provided and when at least eighty percent (80%) of the units are set aside for workforce housing.

(j) All eligible applications shall:

(1) Demonstrate that the applicant is a public-private partnership in an agreement, contract, partnership agreement, memorandum of understanding, or other written instrument signed by all the project partners;

(2) Have grants, donations of land, contributions from the public-private partnership, property tax savings resulting from execution of an agreement for payments in lieu of taxes, or other sources collectively totaling at least ten percent (10%) of the total development cost or two million dollars (\$2,000,000), whichever is less. Such grants, donations of land, contributions, tax savings, or other sources must be evidenced by a letter of commitment, agreement, contract, deed, memorandum of understanding, or other written instrument at the time of application. Grants, donations of land, contributions, tax savings, and other sources in excess of ten percent (10%) of the development cost must increase the application score;

(3) Demonstrate how the applicant will use the regulatory incentives and financial strategies outlined in subsection (h) from the local jurisdiction in which the proposed project is to be located;

(4) Demonstrate that the applicant possesses title to or site control of land and evidences availability of required infrastructure;

(5) Demonstrate the applicant's affordable housing development and management experience;

(6) Identify the applicant's plan to market units to essential services personnel; and

(7) Provide any research or facts available that support the demand and need for rental or home ownership workforce housing for eligible persons in the market in which the project is proposed.

(k) The agency may promulgate rules to effectuate this section. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

(l) On or before January 1, 2029, the agency shall review the success of the pilot program to ascertain whether the projects financed by the program are useful in meeting the housing needs of eligible areas and submit a report with its finding and recommendations to the state and local government committee of the senate and the committee of the house of representatives having jurisdiction over housing matters.

SECTION 2. Tennessee Code Annotated, Section 48-101-312(b)(4), is amended by deleting "tax-credit housing project" wherever it appears in subdivisions (A), (C), and (D) and substituting instead "tax-credit housing project or workforce housing project".

SECTION 3. Tennessee Code Annotated, Section 48-101-312(b)(4)(B), is amended by deleting the subdivision and substituting instead:

(B) As used in this subdivision (b)(4):

(i) "Public-private partnership" has the same meaning as defined in Section 1;

(ii) "Tax-credit housing project" means a project that has received an allocation of low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. § 42), or any successor provision, from the Tennessee housing development agency or is otherwise eligible for the tax credits as the result of the issuance of bonds, the interest on which is not subject to federal income taxation;

(iii) "Workforce housing" has the same meaning as defined in Section 1;
and

(iv) "Workforce housing project" means a project financed, in whole or in part, by a community workforce housing innovation pilot program loan provided to a public-private partnership by the Tennessee housing development agency

pursuant to Section 1 for construction or rehabilitation of workforce housing in this state.

SECTION 4. Tennessee Code Annotated, Section 7-53-305(a)(2), is amended by deleting "tax-credit housing project" wherever it appears in subdivisions (A) and (B) and substituting instead "tax-credit housing project or workforce housing project".

SECTION 5. Tennessee Code Annotated, Section 7-53-305(a)(2), is amended by deleting subdivisions (C) and (D) and substituting instead:

(C) As used in this subdivision (a)(2):

(i) "Public-private partnership" has the same meaning as defined in Section 1;

(ii) "Tax-credit housing project" means a project that has received an allocation of low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. § 42), or any successor provision, from the Tennessee housing development agency or is otherwise eligible for the tax credits as the result of the issuance of bonds, the interest on which is not subject to federal income taxation;

(iii) "Workforce housing" has the same meaning as defined in Section 1; and

(iv) "Workforce housing project" means a project financed, in whole or in part, by a community workforce housing innovation pilot program loan provided to a public-private partnership by the Tennessee housing development agency pursuant to Section 1 for construction or rehabilitation of workforce housing in this state.

(D) The corporation may acquire and lease a tax-credit housing project or workforce housing project as authorized in this chapter, notwithstanding any limitations in this chapter on the power of the corporation to purchase or otherwise acquire apartments or other rental property.

SECTION 6. For the purpose of promulgating rules, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, this act takes effect July 1, 2026, the public welfare requiring it.

Amendment No. 2 to HB2509

Hicks G
Signature of Sponsor

AMEND Senate Bill No. 2410*

House Bill No. 2509

by adding the following as a new subsection in SECTION 1:

(m) It is the legislative intent to fully fund the pilot program with a one-time, nonrecurring appropriation of twenty million dollars (\$20,000,000) in the appropriation act for fiscal year 2026-2027.