



RAMSEY FARRAR RUSSELL & SMITH
GOVERNMENT RELATIONS

Tennessee Weekly Legislative Update, 1/22 – 1/26, 2024

Look Who's Back

The General Assembly was back in session this week after being closed all last week due to the extreme weather and dangerous road conditions. With a week of legislative meetings cancelled, the deadline for filing bills remains the same. The House Bills are due next week January 31st, and the Senate bills are due February 1st.

State of the State

Governor Bill Lee will deliver his State of the State speech on February 5th this year and unveil his budget. This will be Governor Lee's sixth State of the State speech where he addresses Tennessee's legislators and announces the priorities and goals he has for this legislative session. The joint session will take place at 6:00 pm CT in the House Chamber at the Tennessee State Capitol.

Governor Lee states, "Every Tennessean has an important role to play as we strengthen and secure our state's future, and in the coming year, I look forward to working with the General Assembly to accomplish our legislative priorities and make life better for all."

The speech will be aired statewide, so be sure to tune in!

TACIR Presents Draft Memo on Housing Affordability

On Friday, January 26th TACIR staff presented its draft memo to TACIR. TACIR was charged with studying housing affordability, impact fees and development taxes in this state. The draft report states Impact fees are used by some local governments to manage the costs of growth and have a limited effect on housing affordability. The report acknowledges impact fees add to the baseline cost of a house, but also add to the property value. The report focuses on other factors which contribute to housing affordability and ways to address the problem.

The memo for review lays out nine possible solutions to help with housing affordability in this state:

- **Land Banks:** to assist local governments with both blight and increasing the land available for their housing supply, the Commission recommends that the General Assembly authorize all local governments to establish land banks.
- **Database for Government Owned Surplus Property:** the Commission recommends that the state help local governments reach a wider audience of potential buyers for their surplus real properties—including tax-delinquent properties—by allowing those that have websites to post links to the state’s website where the state advertises its surplus real property.
- **Zoning Incentives:** the Commission recommends that the state offer an incentive for local governments to adopt zoning reforms that support housing development— such as allowing mixed-use development, reducing lot size requirements, or allowing types of missing middle housing—by sharing some of the state’s realty transfer tax or mortgage tax revenue with local governments whose land use regulations meet a minimum number of criteria out of a menu of optional measures. The portion of realty transfer tax or mortgage tax revenue used could be phased in as state revenue growth allows.
- **Property Assessments Based on Prior to Reform:** assessing property based on its zoning prior to reform, similar to the way Tennessee’s current Greenbelt law bases property tax assessment on the land’s actual use rather than its highest and best use. If developers were to then later take advantage of the reformed zoning to add more housing and improvements to a property, a rollback provision could ensure that some of the amount of taxes saved would be recaptured by local governments.
- **Funding THDA Housing Trust Fund with Transfer Tax Revenues:** the Commission recommends another possible use of the realty transfer and mortgage tax revenues would be to fund either the existing housing trust fund or a new one from which THDA might make low- or zero-interest construction loans for affordable housing.
- **Transfer Tax Reserves**
the Commission recommends that funding from the realty transfer and mortgage taxes could also be reserved by the state for infrastructure in ways that smooth out the ups and downs of the business cycle.
- **Funding Commitments:** Additionally, the Commission makes one related finding that the state could authorize local governments to make multiyear funding commitments to affordable housing projects either through existing entities, such as industrial development boards, or by establishing a new entity similar to sports authorities.

Rules of Interest:

The following rules were heard in Government Operations Committee on Monday.

Home Inspector Rule:

This rule updates the home inspector standards of practice for smoke alarm reporting. Specifically, the rule amendments clarify the reporting requirements for licensees including indicating the presence or absence of smoke alarms, the area and location of the smoke alarms, whether smoke alarms appear more than ten (10) years from the date of manufacture, whether a replacement is required, and if so, require the licensee to make replacement recommendations of the same kind. Lastly, the proposed rule amendments provide that licensees should direct requests for replacement battery-powered smoke alarms to the State Fire Marshal's Office.

The Gov Ops Committee voted to “stay” the rule for 45 days. The House Gov Ops Committee will have to give a positive or negative recommendation on the rule prior to the end of the 45-day period.

Fire Prevention:

This rulemaking hearing rule clarifies the prohibition on family members inspecting work to include where the relationship would create the appearance of impropriety regardless of the degree of kinship. The rule also requires that in the jurisdictions where an additional local tax is required, the person or company purchasing a permit must show proof of estimated tax liability before the SFMO will conduct the initial inspection. Finally, the rule requires smoke alarms in dwelling units be no more than ten (10) years old from date of manufacture, and, if such devices are battery-powered, be powered by a ten (10) year sealed battery.

This rule received a positive recommendation from the Committee and will be included in the rule omnibus legislation.