



KNOXVILLE AREA
ASSOCIATION OF REALTORS®

October 1, 2021

Loudon County Commission
100 River Road
Loudon, Tennessee 37774

Dear Commissioners,

The Knoxville Area Association of REALTORS® (KAAR) are playing close attention to the ongoing discussion about a Planned Unit Development (PUD) moratorium in Loudon County. As East Tennessee's largest trade association, we represent more than 160 Loudon County REALTORS® as well as 5,000+ REALTORS® in the 11 other counties in our jurisdiction.

We, along with our colleagues at the Home Builders Association of Greater Knoxville, are writing today to indicate our joint opposition to the proposed PUD moratorium, which will jeopardize the stability and growth potential of Loudon County's economy and real estate industry.

If the Moratorium is Effective in Slowing Development, it is Likely to Drive Up the Cost of Housing and Lead to Deteriorating Housing Affordability

Data show the supply of available housing significantly lags demand and the demand for new housing remains high. This dynamic helps to explain why the median sale price in Loudon County has risen more than 29% year-to-date and at a faster rate than many surrounding counties — which is itself the result of similar development moratoria enacted by Loudon County in previous years.

By placing an artificial constraint on new supply despite persistent demand, the proposed PUD moratorium is likely to further inflate housing prices, with detrimental effects on housing affordability and cost-of-living for long-time Loudon County residents.

While some existing residents who intend to move out of Loudon County may be pleased at the prospect of an accelerated increase in their property values, the economic impact of such a moratorium will reach much further than just giving a few departing property owners a windfall.

Housing choice and affordability are major competitive advantages for Loudon County in the continuing contest for the attraction of new jobs and investment. The higher housing prices resulting from the adoption of a PUD moratorium will negatively impact Loudon County's competitive advantage in this space, leaving all residents and business owners worse off than before.

If the Moratorium is Effective in Slowing Development, it is Likely to Displace Development to Nearby Areas That Are Not Subject to the Moratorium

To the extent that the demand for housing in Loudon County persists while the supply is effectively 'frozen' by the proposed PUD moratorium, developers will be incentivized to turn their attention to nearby areas where it is possible to obtain timely development approvals and meet demand.

The result could be an increase in housing development just beyond the jurisdictional limits of Loudon County, sometimes referred to as leapfrog development. This combined with an overall undersupply of housing will force new and long-time residents alike to look for more affordable housing options to purchase homes just outside of the County. While these residents might live and work in Loudon County for all intents and purposes, the County will not be able to capture their tax revenue to compensate for the additional pressure they place on county infrastructure and services.

Compact Development, Like PUD, is More Cost-Effective and Fiscally Responsible

Communities with low-density sprawling development, which requires basic infrastructure and services to be extended farther out, often struggle to finance public facilities and service improvements.¹ As a result, many traditionally low-density areas have moved to more compact development, through mechanisms like planned unit development, as it is far more cost-effective and requires less extensive infrastructure to support.

Despite common misconceptions, planned unit development is actually an important tool for Loudon County to reduce the costs of new infrastructure and public services while at the same time generating new tax revenue.

Low-Density Sprawl Compromises the Resources that are the Core of Loudon County's Economy and Character

Land use experts recognize low-density, sprawling development—especially in more rural communities—as one of the greatest challenges to rural preservation. In fact, research indicates

¹ See [Urban Land Institute's Higher-Density Development](#)

“it is inefficient land use, not economic growth, that accounts for the rapid loss of open space and farm.”² This is because low-density sprawl and large-lot zoning require significantly more land, oftentimes destroying the very thing that makes certain communities so attractive—the open space and farmland.

With this in mind, it is important the Commission recognize that restrictive land use regulations adopted as a way to preserve rural communities actually have the opposite effect, leaving communities more vulnerable to very problem they were seeking to address.

Most Importantly, the Proposed PUD Moratorium Would Harm Loudon County Residents and Business Owners Alike

By limiting Loudon County’s ability to generate new tax revenue, a PUD moratorium could have a significant yet not immediately evident adverse impact, such as limiting new funding for local schools or inhibit the County’s ability to make needed infrastructure investments in the future.

Additionally, the negative impact of the proposed PUD moratorium would disproportionately fall upon REALTORS®, home builders, and business owners operating in the housing industry—inhibiting an industry that accounted for more than 16% of Tennessee’s gross state product in 2020.³

Based on concerns noted above, we respectfully submit the following questions to the Loudon County Commission for consideration:

- Has the Commission evaluated the potential effect of the moratorium on the cost and availability of housing in Loudon County, both during and beyond the period that the moratorium is in place?
- Has the Commission prepared an analysis of the potential impact of the proposed moratorium on property values and the housing market?
- Has the Commission evaluated the potential effects of the proposed moratorium limiting its ability to generate new tax revenue?
- Has the Commission sought and received the advice of legal counsel as to whether the proposed moratorium may expose the County to substantive due process claims?
- Has the Commission assessed the risk of exposure to litigation costs and liability for regulatory takings claims, and does it have a contingent budget for the purpose of defending the PUD moratorium if it is challenged?

² See [Urban Land Institute’s Higher-Density Development](#)

³ See NAR’s [Economic Impact of Real Estate Activity](#) report for Tennessee

- Has the Commission considered the potentially unintended consequences of the moratorium, some of which are at odds with the cause of open space and farmland preservation?

Ultimately, the proposed moratorium and the uncertainty surrounding what will follow it is likely to depress land values, restrain the supply of new housing, and exacerbate the consumption of open space and farmland—which together jeopardize the stability and growth potential of Loudon County's economy.

For these reasons, we respectfully urge you to oppose any effort to adopt development moratoria in Loudon County—including the proposed planned unit development (PUD) moratorium.

Sincerely,

Lyle Irish

Lyle Irish
Chief Executive Officer
Knoxville Area Association of REALTORS®

Ashley Burnette

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Executive Vice President
Home Builders Association of Greater Knoxville

CC: Mayor Buddy Bradshaw
Mayor Tony Aikens
Mayor Jeff Harris
Lieutenant Governor Randy McNally
Representative Lowell Russell
Representative Kent Calfee