

My Tennessee Home

Higher Costs and Fewer Houses



Introduction

In 1987, Ronald Reagan said, “Part of the American dream has always included safe and affordable housing.”¹ Unfortunately, achieving this dream has gotten further out of reach, especially for Tennesseans. The state has historically been a place where homeownership is an affordable option, yet in the last decade, the median home price has risen 200 percent.² There is no single factor that is responsible for the increase, though an influx in population is usually the easiest culprit to blame.³ In addition to more people looking to make Tennessee their home, the number of homes being built has failed to keep up with demand. By 2035, it is estimated Tennessee will need approximately 315,000 new homes to keep up with demand, driven by

population growth and the replacement of older homes.⁴

Housing availability faces pressure from the supply-and-demand cycle, but building regulations and zoning are also quiet but major factors that drive up costs. Research suggests that government regulations account for over 26 percent of a new home’s cost. In total, the average cost of government regulations is \$131,734 for each new single-family home built.⁵ These government-imposed building costs have continued to rise, more than 55 percent in the last decade.⁶ From zoning to permits and inspections, government regulations have played a significant role in raising housing prices.

200%

Rise in Tennessee’s median home price over the last decade

\$131,734

Average cost of government regulation in each new single-family home

315,000

New homes Tennessee will need by 2035 to keep up with demand

Increased Size, Increased Cost

When Reagan was president, entry-level “starter” homes, those with smaller square footage, made up 40 percent of new home construction. Yet, in subsequent decades, government regulations have made it increasingly harder to build starter homes. By 2019, that share had fallen to seven percent.⁷ Home sizes have grown nationwide for decades, and Tennessee is no exception.⁸ The median home square footage in Tennessee is larger than that in 37 states, and the increase isn’t strictly a change in homebuyer preference.⁹ Government regulations have played a significant role, as local zoning has made building a

more modest home either difficult or outright illegal. Minimum lot sizes and setbacks, parking requirements, density restrictions, and even aesthetic requirements in some areas push builders toward larger and more expensive homes to recoup fixed costs of land and compliance.¹⁰ Builders have not become more interested in profit in the last few decades; builders in the 1980s were no different from builders today. What changed was increasing government regulation, including the narrowing of the types of homes that are profitable, or even legal, to build.

Local governments have made the housing affordability problem worse by, in some cases, going beyond zoning restrictions and placing moratoriums on more affordable types of housing, like apartment buildings.¹¹ Government-imposed limits and regulations on housing types artificially limit supply and increase housing costs. That is why the Tennessee Advisory Commission on

Codes and Regulations

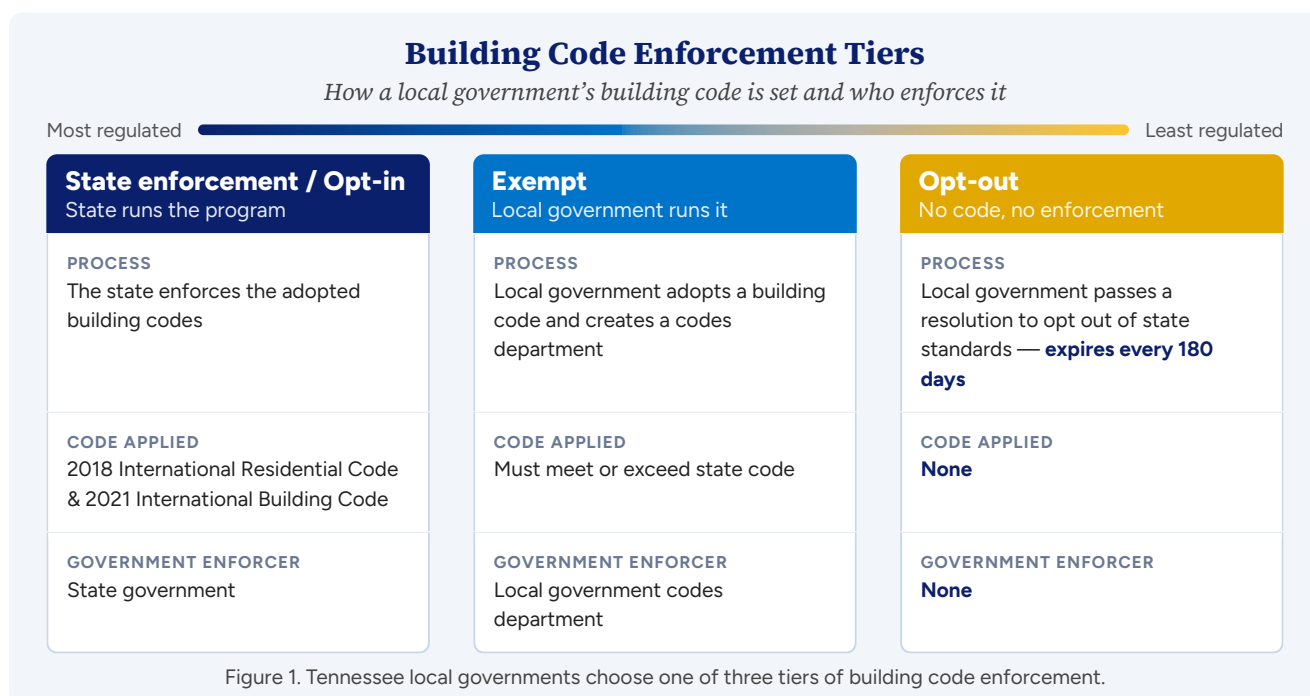
Zoning is not the only lever local governments pull that inhibits more housing options. Building codes and code enforcement also contribute to the problem. Government regulations touch nearly every aspect of a home, from international code standards a state adopts to whether and how local governments enforce and even add to existing building codes. The one- and two-family building codes adopted by Tennessee are published by the International Code Council, with the most recent being the 2018 International Residential Code.¹³ Apartment and multifamily building codes follow the 2021 International Building Code. Yet local governments, from major metros like Davidson County to smaller, more rural ones like Cannon County and the town of Signal Mountain, have adopted more recent versions of building codes.¹⁴ Updated versions of the code feature an increased focus on energy efficiency, even down to lighting fixtures, and the U.S. Department of Energy found transitioning to the newer code could add \$10,000 to \$15,000 in added costs to a new single-family home in Tennessee.¹⁵ Research suggests

Intergovernmental Relations identified zoning as one of the main factors in limiting the supply of new housing in the state.¹² Protecting property rights by allowing landowners to build what the market demands, rather than following government-imposed rules, could increase housing supply for the next generation of Tennesseans.

over eight percent of the cost of a new home comes simply from changes in the building code in the past decade.¹⁶ A separate study from 2022 found building code changes adopted since 2012 accounted for 11 percent of the cost of building new apartments.¹⁷

Tennessee's code enforcement is left to local government discretion and has been called "one of the most complex building code landscapes in the country."¹⁸ Local governments can choose between three levels of building code enforcement, as seen in Figure 1.¹⁹

Opt-out counties and cities make up around 20 percent of the state's population.²⁰ While living in an opt-out county theoretically streamlines the process, cities within an opt-out county can adopt their own set of codes. This multilevel code scheme can work well for an individual, local builder. Still, it can confuse those who work in multiple jurisdictions, increasing the time and cost of each build for government compliance.



Time Is Money: Permit Approval

Inspector and administrative decisions carry substantial weight in driving housing costs. With government approval needed for multiple steps in the building process, every week a development sits at a standstill in the administrative process adds real cost to a home's final price.

Metro Nashville's permitting data show this problem: The median single-family permit took 36 days to be issued, but the average permit stretched to 67 days, nearly twice as long. One in 10 applicants waited 155 days (about five months) or longer.²¹ Thankfully, the

legislature recently passed a law that establishes clear timelines for review and approval or denial of a permit, preventing permits from being pulled into bureaucratic limbo.²²

In Shelby County, one solution introduced in 2025 allows for housing plans that have already been approved to be reused for additional permits without the need for a full plan review for each permit.²³ These "preapproved" plans streamline the administrative process, giving builders and property owners more certainty during construction.

Nashville Single-Family Permit Processing Time

Days from application to permit issuance

Median

36 days

Average

67 days

One in 10 waited

155 days

Figure 2. Nashville's permitting process can add months to the homebuilding process.

Conclusion

More than a million Tennesseans live in opt-out areas, in homes without international building codes and zoning. From the state's own research arm to community groups, zoning and building codes have been identified as the main government action driving up home costs. Policymakers, especially at the local level, should look for opportunities to streamline and simplify their permitting processes. In addition, localities without their own zoning or building codes should avoid adopting policies shown to increase housing costs.

The state and some local governments have made strides in trimming the bureaucratic hedge maze to make building a home easier, but more can be done. If Tennessee wants to keep Reagan's words true, the most durable path to making housing more affordable is not a government program; it's getting government out of the way.

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