

# AFFORDABLE HOUSING TASK FORCE REPORT JUNE 8, 2021



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*Key: Words in italics are defined in the glossary*

Dear Nashville,

Earlier this year, I had the privilege of convening a group of experienced housing practitioners to serve on the Affordable Housing Task Force. As they began their work, I asked them to answer the following questions: What are the most cost-effective ways to create and preserve affordable housing? What is the size of the challenge we face? What tools do other cities have that we lack? What do we need to start doing now to meet the challenge before us?

Nashville's housing challenge is a large one. Nearly half of Nashville's renters are cost burdened, meaning they spend more than a third of their income on housing. Rising rents and increasing home prices threaten the finances and dreams of thousands of our fellow residents. We need solutions born of real expertise – solutions that we will start work on immediately. This report produced by the task force more than delivers on my request.

For nearly four months, the Task Force met weekly, often for hours at a time, digging into the challenges of financing, preserving, and creating affordable housing. Each member brought extensive experience and expertise to this task. All made great commitments of their time. Everyone demonstrated a deep commitment to Nashville and displayed a willingness to come together, discuss tough issues, and push toward a shared vision. This report reflects that knowledge and passion. It will guide Nashville's efforts for years to come. And it has produced results that are already in motion.

During the State of Metro address, I announced a series of housing initiatives that were shaped by these recommendations. They include an unprecedented \$22,500,000 million investment in the Barnes Fund, an expanded MDHA pilot, a new non-tax-credit PILOT, a \$10 million "catalyst fund" to preserve existing affordable housing, and new initiatives related to how Metro uses other resources. Our next action will be to hire two additional Planning Department staff, including an experienced leader to develop an affordable housing strategy that includes action plans and measurable results. These are all steps in fulfilling my promise to make affordable housing central to all that we do.

No city in the country can address their housing challenges alone. Thankfully, the Biden administration has already made life-changing investments in affordable housing by increasing funds to create and preserve units, strengthen our housing authorities, and increase the availability of housing subsidies, especially to our most vulnerable neighbors. Additional federal funding has been proposed for housing, community development and transportation and my administration will be first in line to capitalize on these opportunities. We need a strong partnership with the state as well. Access to low-income tax credits is the foundation on which Nashville's affordable housing developers build. Nashville needs increasing access to those tax credit resources as we aggressively work to meet our housing needs.

Nashvillians all feel the urgency of this moment. I am grateful for Task Force members' service, as well as for the work done by members of the Mayor's Office and Metro Planning. Now is the time for action. I will continue to look to housing experts and community members, to our federal and state partners, and to the members of the Metro Council for their guidance and assistance in the work to come.

Thank you again for your work on behalf of all the residents of Nashville.

Warmest regards,



John Cooper  
Mayor of Nashville

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# LETTER FROM CO-CHAIRS

Nashville's housing challenges are, to a large degree, indicative of our city's economic success. However, they loom as a barrier to ongoing prosperity. For illustration, in the past decade, rents have increased by 50%. We have seen similar growth in home values, but for renters renewing leases every year, this increased cost burden has negatively impacted quality of life. For those at the lower end of the income spectrum, this may mean an inability to even find housing at all. Additionally, this has created further strain on our city's Black and Brown families, who have been excluded from full participation in the housing market for decades.

We believe we can tackle this challenge by increasing coordination on the municipal level, investing in more housing, developing new tools, and identifying additional revenue sources. The purpose of this report is to explore these options more deeply and create a blueprint for enacting comprehensive change.

Alongside these solutions, we need champions – many of them, from multiple sources. These champions are, and must be, our representatives and government leaders. These champions must also be our institutions and corporations; our business and philanthropic leaders; our neighborhood organizations and neighborhood leaders. Everyone needs to be involved, collectively, to address a crisis of this magnitude.

We hope the Affordable Housing Task Force serves as a model of mobilizing 'champions' to address the housing crisis in Nashville. Co-chairing such a distinguished group of professionals and community leaders has been a true privilege. We are indebted to their time and dedication. Their passion for the topic, their knowledge of housing policy, and their awareness of the vast impacts of our city's housing crunch raised the level of conversation and enabled us to create a report comprised of high-quality solutions. Although a powerful step, it is one of many. Continued effort will be needed to enact these solutions and create lasting change.

It has been our honor, and pleasure, to serve our friends and neighbors at the request of Mayor Cooper. Thank you to the Mayor's Office, Planning Department, and other city employees for your support, leadership, and guidance throughout this process.

Edward & Mick

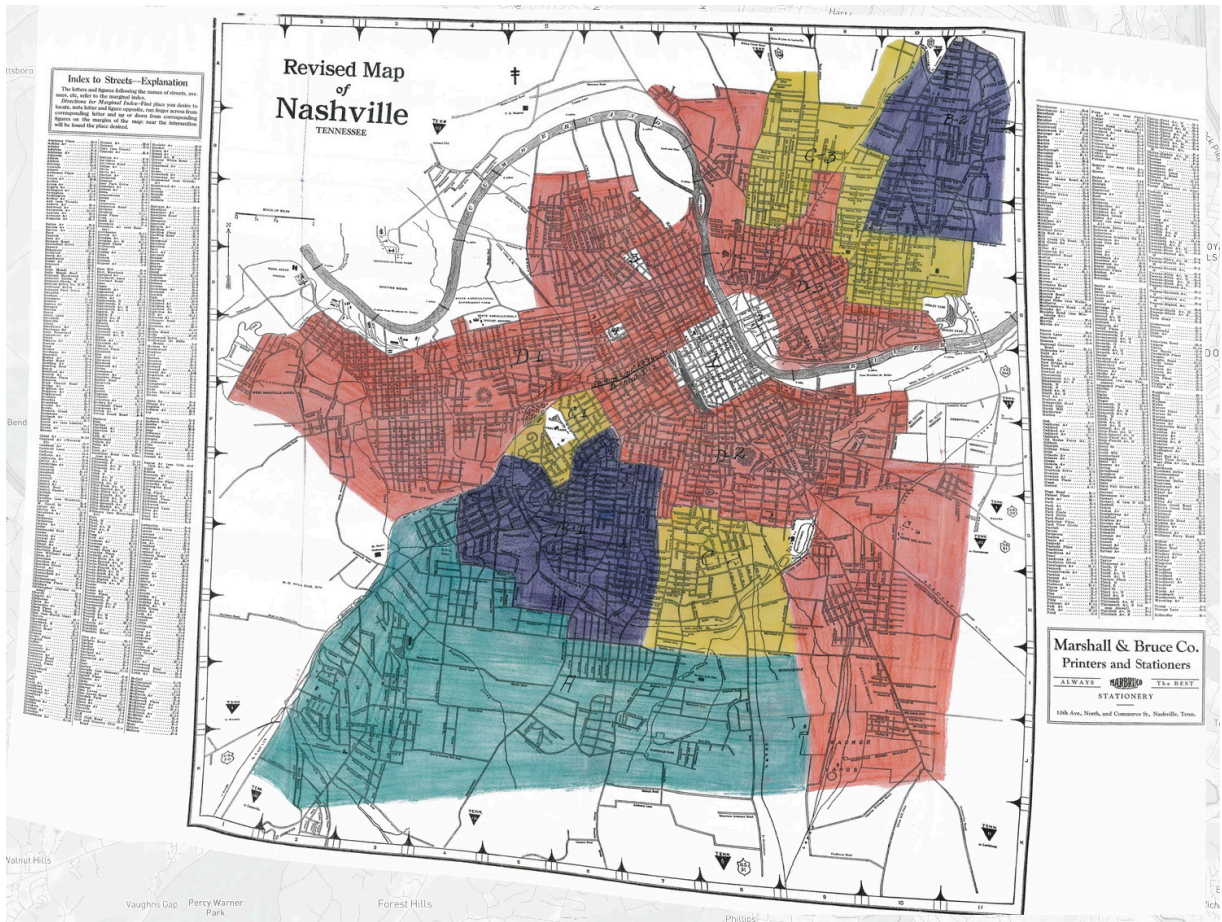
# HISTORY OF HOUSING AND PLANNING EFFORTS

In January 2021, Mayor Cooper convened a 22-person Affordable Housing Task Force. The task force was charged with examining the current housing tools to understand their effectiveness, studying peer cities for best practices, and developing recommendations that would create or catalyze significant progress within the next 1-3 years.

Task Force members were chosen for their dedication, passion, and understanding of Nashville's specific housing needs. Every person on the Task Force represented a wealth of knowledge in different facets of *affordable housing*, insuring the final recommendations captured as many diverse perspectives as possible. Mayor Cooper encouraged the Task Force to build upon the efforts of recent years, including the following: Metro Planning's [Nashville-Next](#), 2017 [Housing Nashville](#), MDHA's 2018-2023 [Consolidated Plan, Transit and Affordability Task Force Report](#), and Metro Social Services' [Community Needs Assessment](#). The planning for these past efforts included deep community engagement, data analysis and review of possible actions. Mayor Cooper understood the value of building on existing resources and previous work in order to accelerate impactful action and create housing options for Nashvillians. While this recent work provided a strong starting point for the task force, other historical practices were key in informing not just the recommendations provided by the task force, but also the guiding principles for how future housing work must be viewed.

Nashville's housing challenges, like the housing challenges of most American cities, reflect a history of racist practices and policy. Practices like redlining, racial restrictive covenants, blockbusting, construction of interstates through Black neighborhoods, and funding and insuring standards that excluded Black households from generating wealth through homeownership have created a history of inequity across all US cities, including Nashville. An in-depth review of these practices can be found in Metro Human Relations Commission's report on Residential Segregation.

More recently, reverse redlining during the 2008 foreclosure crisis included preying upon communities of color with disadvantageous refinancing and high-cost, high-risk mortgages. Exclusion from wealth generation combined with intentional selling of harmful financial products has created an environment where communities of color are especially at risk of evictions and foreclosure during the financial crisis that has surfaced during COVID-19. The administration of President Joe Biden has made addressing these historical practices and current conditions a top priority. Now is the time for Nashville to join in that effort.



*This map of redlined Nashville shows the origins of structural segregation that lives on today.*

For Nashville to progress, the work of the housing community must redress past harms, root out current prejudices, and build on existing community work by incorporating planning and engagement efforts that increase the impact of housing efforts. Nashville can become a city where neighborhoods are economically integrated, families are stabilized with secure housing, infrastructure is distributed accessibly, and health and education outcomes improve as residents' roots and networks are strengthened in their communities.

*To learn more about the basics of affordable housing trends, challenges, funding, policy and data, Nashville Civic Design Center produced a thorough introduction called Affordable Housing 101. Referencing that document will provide invaluable context to understanding the Task Force's recommendations.*

# GUIDING PRINCIPLES

The task force began by setting a mission statement: create and preserve housing options that are affordable, accessible, and available to all Nashvillians regardless of class, race, religion, or immigration status. The task force identified four guiding principles that should influence the way Nashville approaches the recommendations included in this report. Affordable housing creation is not just the assembling of bricks and sticks. Rather, it is the construction of infrastructure, existing in the context of past, present and future, which creates a foundation for communities to grow and thrive. With that understanding, the how of the recommendations implementation matters just as much as the what.

In addition to the four guiding principles and the corresponding definitions, the task force has outlined questions each stakeholder should ask themselves as they engage with affordable housing. This list is not exhaustive but should be viewed as an instructive tool for implementing future recommendations or solutions.

## **Racial Equity.**

Racial inequity permeates Nashville's past and present – and housing is no exception. While existing Fair Housing policies are intended to protect vulnerable communities, many Black and brown Nashvillians still face housing discrimination. Current status-quo practices and policies continue to perpetuate harm, so we must intentionally work to design and implement solutions that are anti-racist both in outcomes and processes.

## **We must ask:**

- Are the people responsible for making decisions representative of the communities impacted by those decisions?
- Are Fair Housing best practices being used?
- Does this solution affirmatively further Fair Housing?
- Does this solution reduce or eliminate barriers for communities of color?
- Does this solution repair or reconcile past harm done to Black and brown residents and communities?
- Does this solution challenge or reinforce systems of oppression?
- How is the affordable housing industry complicit in the systems of oppression, and must that change?
- What unintended consequences might this solution have, especially for Black and brown residents?

## **Innovation.**

Innovations in construction, technology, design, policy, and finance will all be necessary to solve our city's housing crisis. Nashville must identify and proactively remove barriers to these innovative solutions – as well as “future-proofing” current capacity, policies, and systems. We aim for Nashville to be a national leader in addressing affordable housing by incentivizing and celebrating creativity.

### **We must ask:**

- How will this solution improve people's lives and access to housing?
- Does this solution bring new partners and creative resources to the table?
- How does this solution challenge previously accepted ideas of what is possible?
- Are we improving or creating systems that serve all people through this new idea?
- Does this solution leverage multidisciplinary efforts to improve multiple aspects of people's lives?
- Do people have access to accurate and timely information and resources?
- How will this solution need to adapt in the future to meet changing needs?
- Who is benefitting from this innovation? Who could be harmed by it, and how will we work to protect them?

## **Connectivity + Accessibility.**

Affordable housing is effective when it is connected – physically, socially, and digitally - to other critical resources and opportunities, such as employment centers, schools, libraries, parks, greenways, healthcare facilities, and complete streets. Connecting across cultures, races, and classes to right the wrongs of historical segregation and isolation benefits all residents. Access to broadband is essential for current and prospective residents to connect with resources and opportunities. Housing is only useful when people can access it and use it as a foundation for building a stable life. This is especially true for the most vulnerable members of our community. As wages, transit and housing comprise the cost of living, [Nashville's 2020 transportation plan](#) provides crucial insight into how the city will evolve over the next decade. Housing developers should consider how the future of transit will connect neighborhoods.

### **We must ask:**

- Does this solution leverage investment in transit to promote affordable housing, or vice versa?
- How is this development connected to community resources?



- Does this solution help connect the broader community to the value and need for more affordable housing?
- Does this solution address the highest need at the lowest income level or reduce rent burden for other income levels?
- In what ways does this solution reduce physical, social, and economic barriers to housing?
- What assets can the city invest in that increase connectivity and accessibility in areas where affordable housing already exists?

## **Resilience.**

Too many Nashvillians live paycheck to paycheck and are just one life event away from losing everything. Our communities, especially low-income and communities of color, face both acute shocks – like tornadoes and flooding - and chronic stressors such as, rising temperatures and economic downturns. Nashville requires systems, policies, and funding solutions that are dynamic and responsive and can support residents and communities in preparing for and recovering from these shocks. Building a resilient city includes investing in sustainable infrastructure, facilitating economic mobility, and creating systems that respond quickly and nimbly to unforeseen circumstances to support resident’s recovery. Prioritizing permanent affordability in community development and housing helps to stabilize neighborhoods in a dynamic and rapidly changing market. Aligning with the work of partners through the [Sustainability Committee](#) recommendations can accelerate this resiliency.

## **We must ask:**

- Does this solution create opportunities for upward economic mobility?
- Does this solution protect against housing loss due to flooding and other natural disasters?
- Does this solution protect against impermanent affordability restrictions?
- How will this solution build strong connections among neighbors and between institutions?
- How will this solution help neighbors prepare for the future?
- How does this solution leave room for adjustment to flex with future changes?

# EXECUTIVE SUMMARY

Most Nashvillians know we have an affordable housing challenge. Many of them have experienced this challenge firsthand. In the later sections of this report, specific data clearly outlines the challenge facing Nashville in the work to create and preserve affordable, accessible housing options. Two high level data stories are helpful to understand from the beginning. First, there is a deficit of affordable rental options from 0% to 80% *area median income* (AMI). In 2021 for a family of 4, that range represents income levels from \$0 - \$67,450. The greatest need is at the lowest levels of income, but the need exists up to 80%.

Second, the cost of paying too much for housing is putting extreme burden on Davidson County households. COVID-19 and the corresponding economic turbulence has impacted household incomes and that change is still being analyzed – however, pre-pandemic data showed that 44% of rental households, approximately 65,000 households, were *cost burdened*, meaning they spent more than 30% of their incomes on housing. Cost burden is a critical measure, especially for *low income* households, because every dollar that goes to housing is a dollar that cannot go to other needs, including food, clothing, childcare, education, and saving for emergencies and the future. These two data points clearly display that the need is great and the time for action is now.

Understanding this need, the Affordable Housing Task Force conducted most of its work in two subcommittees, Preservation and Creation. The entire task force began with a fact-finding process to gather data on the current state of Nashville’s housing challenges and review the effectiveness of existing tools. It then identified obstacles to preserving and creating housing and heard from experts on best practices to address those challenges. After this information and analysis phase, subcommittees developed and refined recommendations. All of those recommendations are represented in this report. However, nine overarching recommendations surfaced as high priority.

In response to Mayor Cooper’s request for near term action and impact, these nine recommendations serve as the task force’s primary targets for progress over the next 1-3 years. These tactical steps will lay the foundation for addressing larger systemic issues of inequity and racial harms committed by previous policy, funding and institutions. The way these recommendations are implemented is crucial to ensuring Nashville creates a new way forward. Within each of these high priority recommendations there are specific, operational steps included in the final section of this report.

- **Barnes Housing Trust Fund:** Strengthen and increase the *Barnes Housing Trust Fund* with a sustainable, reliable revenue source to efficiently produce at least 1500 units annually (\$30M/year).
- **Department and Data:** Invest in Metro's capacity and capability to identify and implement ongoing, housing specific solutions. This includes data management and a coordinated, global housing strategy with executive leadership and robust staffing. Data management should provide the basis for accountability and inform policy and funding decisions ranging from homelessness to affordable housing.
- **New Revenue Sources:** Build dedicated revenue for affordable housing creation and preservation by pursuing additional revenue streams. This can include many small revenue streams that, over time, will fund reliable, substantial funding pools for various funding programs.
- **Catalyst Fund:** Seed a Catalyst Fund for opportunistic investments, prioritizing preservation of expiring subsidized and naturally occurring affordable housing.
- **Public Land:** Strategically leverage underutilized publicly owned lands to create housing in areas of opportunity. Include Metro, Metropolitan Development and Housing Agency (MDHA), Metro Nashville Public Schools (MNPS), Nashville Electric Service (NES), Metro Water Service (MWS), and WeGo assets for strategic development with geographic and operational synchronicity. Lead strategic acquisitions in conjunction with planned investments and dispose of non-buildable land as part of a revenue creation plan for affordable housing.
- **State Policy:** Identify and collaborate with regional and statewide allies to build state support for local community solutions. Develop strategies to partner with the state more effectively, especially where interests clearly overlap.
- **PILOT:** Improve and expand Payment in Lieu of Taxes (PILOT) to support *Low Income Housing Tax Credits* (LIHTC) developments and Non-LIHTC developments to fund long-term housing options in partnership with nonprofit and private developers.
- **Zoning:** Reduce barriers to developing strategic and appropriate density that includes affordable housing. Educate residents on how to be better neighbors and build evolving communities.
- **Invest in Envision and Improve Impact of Vouchers:** Financially support the MDHA Envision development to create mixed use, mixed income communities. Encourage collaboration and community engagement to incorporate neighboring assets into redevelopment process. Identify resources and systems needed to maximize the impact of HUD vouchers, with an emphasis on very low income (VLI) and unhoused residents.

# HIGH PRIORITY RECOMMENDATIONS

**Barnes Housing Trust Fund:** Strengthen and increase the Barnes Fund with a sustainable, reliable revenue source to efficiently produce at least 1500 units annually (\$30m/year). The equity grants awarded through the Barnes Fund are an essential piece of affordable housing funding, and the dollars invested are leveraged 6 to 1 by combining federal, state and philanthropic dollars. This is a proven tool that can be grown and strengthened.

Key Leaders: Mayor's Office, Metro Council, Housing Trust Fund Commission

Impact Goal: At least 1500 units/year

Cost: \$30M/year

## Associated Task Force Recommendations:

- Establish dedicated and larger funding rounds to allow for different pools of funding that balance multiple priorities, maximizing unit count while also housing high-need populations. Additional funding will enable the Commission to target specific needs that may require a deeper subsidy per unit, while still reaching a more ambitious unit production target.
- Direct the Commission to make specific, strategic adjustments to the program criteria. This could include year-round funding, requiring permanent affordability, utilizing data more effectively, increased financial leverage, or partnering with smaller developers to increase opportunities for underrepresented communities.
- Fund the Barnes Fund in the amount of at least \$30m per year for the next 3 years. This allows nonprofit partners to plan and develop more creative and accessible developments.
- Invest in building the capacity of nonprofit partners, especially smaller and minority-led organizations. Developing affordable housing is difficult, and with increased capacity, the Barnes Fund is well-positioned to support nonprofit partners with funding, technical assistance, and network-building. Establishing sustainable partnerships with allied organizations such as the Center for Nonprofit Management, Urban Land Institute Nashville, and the Nashville Business Incubation Center can assist in these efforts.

**Department and Data:** In order to both adequately capitalize on current opportunities, proactively pursue options, and best coordinate all housing resources, the task force recommends investing in Metro's capacity and capability through additional staff and leadership. This staff will identify and implement ongoing, housing specific solutions including the recommendations outlined in this report as well as leading the development of a long-term housing plan. This includes data management and a coordinated, global housing strategy with executive leadership and robust staffing. Data management should provide the basis for accountability and inform policy and funding decisions ranging from homelessness to affordable housing.

Key Leaders: Mayor's Office, Metro Council, Metro Planning Department

Impact Goal: More data-driven, effective and efficient housing creation and preservation

Cost: At least 2 additional FTEs plus funding for a housing study to determine how capacity can and should evolve.

Associated Task Force Recommendations:

Data and Tracking:

- Maintain an inventory system that tracks all subsidized affordable rental units, multi-family and single family, and the year their affordability restrictions expire. This system should include MDHA, THDA and Metro subsidized properties.
- Develop a system for alerting partners when properties are nearing expiration and work with the owner to renew affordability or sell to a new owner that can maintain affordability. Institute a notice requirement on any housing that has received city, state or federal funding with right of first refusal to city. Track Codes violations involving subsidized properties and work with owners to resolve issues and provide healthy housing to residents.
- Create a centralized dashboard to track the funding and development of subsidized housing including when completed units will be move-in ready. This will inform the evolution of tools and policies by evaluating what methods have been effective and how changes can be made to adjust impact. This depth of tracking and reporting help create a system of continual improvement and accountability.
- Analyze how short-term rentals (STRs) affect existing affordable housing stock and track national best practices about addressing those impacts. The impact of this analysis may depend on which districts still allow STRs.

Department of Housing

- Establish a single, coordinated place within Metro to manage and champion ongoing housing efforts beyond the Barnes Fund. This could be a separate "Department of Housing & Homelessness" or additional capacity within existing departments and the Mayor's Office. Such additional capacity should be based on the identified skills and expertise needed to progress the City's housing efforts.
- By removing staff from the Mayor's Office and moving to civil service, staff can provide consistent service across administrations. A Director of Housing should be accountable to the Mayor and managing a staff of 4 to 5 full-time employees, including the current Barnes-funded staff.

**New Revenue Sources:** To build dedicated revenue for affordable housing creation and preservation, Metro must pursue additional revenue streams. This can include many small revenue streams that, over time, will fund reliable, substantial funding pools for various funding programs. The task force recommends additional research and review to determine legality, potential revenue level, and steps needed to implement new revenue sources.

Key Leaders: Mayor's Office, Metro entities

Impact Goal: Increase opportunities for dedicated affordable housing funding to decrease reliance on operating funds and increase predictability of funding levels.

Cost: Staff time

Associated Task Force Recommendations:

- 0.125% (1/8 penny) sales tax increase inside of the Tourism Development Zone. Based on past revenue levels, this could produce about \$3.5M in annual revenue.
- Redirect Real Estate Transfer Tax at state level.
- Create an additional affordable housing fee of .001% for any property built or sold for \$500,000 or more that does not preserve affordable housing.
- Issue General Obligation Bonds to fund affordable housing projects.
- Introduce an Issuer Fee of 5 basis points on bond issuances. Unlike most markets, Nashville does not charge an issuer fee for any of its various tax-exempt bond issuing authorities, including the Sports Council, Health and Education Board, Industrial Development Board, and others. This fee should be standard to avoid "issuer shopping". As bond partners receive a taxpayer subsidized rate, they would be contributing to affordable housing in Nashville.
- Increase STR fees and per night/per bedroom charge. This would both discourage STR's (which reduce the supply of long-term housing) and raise revenue for affordable housing. A portion of the STR tax currently contributes approximately \$1M to the Barnes Fund annually.
- \$2 per night additional hotel tax (current tax is \$2/night). Based on 2019 occupancy levels, \$2/night increase would generate about \$1.5M per month or \$18M per year.
- Establish linkage fees or impact fees on residential and commercial development and earmark those fees for affordable housing development (currently prohibited under state law).
- Issue or increase a document recording fee.
- Initiate a special assessment for building permits, which would directly tax the creation of new homes and commercial development. Instead of a conveyance or mortgage tax, an assessment of 0.21% of the value of a building permit can be charged.

**Catalyst Fund:** Allocate seed capital for a Catalyst Fund that can pursue opportunistic investments, prioritizing preservation of expiring subsidized and naturally occurring affordable housing.

Key Leaders: Mayor's Office, Fund Manager, Philanthropic and Corporate partners

Impact Goal: Preserve and create units and stabilize neighborhoods. Investment terms and fund size will determine specific impact targets.

Cost: \$10 million initial investment with goal of \$40 million in matching funds from partners and investors.

Associated Task Force Recommendations:

- Create a fund to enable partners and developers' access to the cash needed to secure expiring property. Additionally, the city can create incentives for current owners to keep units affordable or to sell them to this fund.
- Explore and work with national organizations such as Local Initiatives Support Corporation (LISC) or Enterprise to understand best practices for fund structure and recruiting additional investors.
- Review market-rate developments that could be converted including mobile home park conversion to cooperatives (see ROC-USA model).
- City funding should be structured as equity and used for first-loss, guarantee position. This could be layered with *Section 8 Project Based Rental Assistance (PBRA)* to serve lower incomes.
- Issue general obligation bonds to capitalize a "strike fund" or revolving loan fund at below market interest rate to acquire & preserve affordable housing units at risk of reverting to market rate.

**Public Land:** Strategically leverage underutilized publicly owned lands to create housing in areas of opportunity. Include Metro, MDHA, MNPS, NES, MWS, and WeGo assets for strategic development with geographic and operational synchronicity. Lead strategic acquisitions in conjunction with planned investments. Land is a finite resource and by investing in land acquisition and activation, Nashville can ensure long-term affordability.

Key Leaders: Mayor's Office, Metro Entities, Metro Public Property

Impact Goal: Create 500 units over next 3 years

Cost: Metro owned land – cost neutral. Possible acquisitions – dependent on land price.

Associated Task Force Recommendations:

- Proactively purchase, or work with partners to purchase, land or housing near planned Metro investments such as transit hubs, parks, schools, and civic buildings. Review Transportation Plan for possible focus areas. This is especially crucial if done prior to the public announcement of such projects.
- Conduct audit of current Metro-owned land and any parcels suitable for development. Establish a request for proposals (RFP) process to leverage land owned by either Metro, MDHA, MNPS or other Metro entities for affordable housing creation while working with the surrounding council district to incorporate additional community assets where appropriate. Land should be leveraged at no-cost to developer through a 99-year ground lease.
- Research and build out the land bank to *Community Land Trust (CLT)* pipeline and identify financial model to support acquisitions. In this model, the city brings funds, the land bank pursues equitable acquisition, disposition, and title clearing and the CLT oversees the development and long-term asset management and stewardship.
- Utilize opportunities with increased density and height to incorporate affordable housing into new Metro buildings and developments.

**State Policy:** Identify and collaborate with regional and statewide allies to build support for local, community-led solutions and options. Develop strategies to partner with the state more effectively.

Key Leaders: Mayor's Office, Metro Council, Greater Nashville Regional Council

Impact: Creation of additional housing options and more flexibility at local level

Cost: Staff time

Associated Task Force Recommendations:

- Participate in a statewide coalition to work with the state legislature about housing issues including inclusionary zoning, rent control and property tax abatement for special populations.
- Redirect the Real Estate Transfer Tax designation to be used for affordable housing.
- Connect to the rest of the State's affordable housing needs and build efforts with allies to reexamine current policies, such as taxing of LIHTC, and develop creative programs, especially where private and public partnerships exist.

**PILOT:** Improve and expand PILOT to support LIHTC and Non-LIHTC developments to fund long-term housing options in partnership with nonprofit and private developers.

Key Leaders: Mayor's Office, Metro Council, Industrial Development Board

Impact: At least 100 new units, dependent on structure of policy and geographic focus

Cost: \$3 million per year in foregone tax revenue.

Associated Task Force Recommendations:

- Use PILOT for mixed-income rehab of multi-family properties that set aside a percentage of units for  $\leq 80\%$  AMI.
- Improve the Low-Income Housing Tax Credit PILOT program by increasing the PILOT term from 10 to 20-25 years. This matches other Tennessee cities. Additional improvements include removing Metro Council approval for PILOTs and increasing the annual PILOT allotment from operating budget.
- Develop a Non-LIHTC PILOT for rehab, construction, and preservation through the transfer of property ownership to the Industrial Development Board (IDB) or Health, Education, Housing Facility Boards (HEHB). This is already allowed through state code and is done in other Tennessee cities. This PILOT could fund mixed-income rehab of multi-family properties that set aside a percentage of units for equal to or less than 80% AMI.

**Zoning:** Reduce barriers to developing strategic and appropriate density. Help educate communities on how to incorporate new units while building an evolving neighborhood character.

Key Leaders: Mayor's Office, Metro Council, Metro Planning Department, Community Groups, Neighborhood Associations

Impact: Hundreds of potential new units along the income spectrum

Cost: Third party study costs, staff time.



Associated Task Force Recommendations:

- Fund and conduct a comprehensive housing market study that does the following: determines zoning capacity needed for future growth, assesses constraints on multifamily zoning, and conducts a code diagnosis of Nashville's residential zoning districts all with the goal of enabling increased affordable housing production.
- Improve the Planning, Zoning, and Land Use policies and processes by working with Metro departments on specific recommendations including gentle density, parking requirements, and streamlining for middle housing creation and conversion. Encourage an environment of creativity especially in regards to housing type mix.
- Allow existing property owners to add new housing/accessory dwelling units (ADUs) on same lot. Market existing MDHA program that funds construction and rehabilitation of units in exchange for acceptance of Section 8 voucher.
- Developers, Councilmembers, and community groups can review previously down-zoned property to be up-zoned for more density, potentially through new, intermediate zoning categories.
- Update special Floor Area Ratio (FAR) Exception in the Zoning Code to allow mixed use zoning districts to exempt residential FAR from total FAR.

**Invest in Envision and Improve Impact of Vouchers:** Financially support the MDHA Envision development to create mixed use, mixed income communities. Encourage collaboration and community engagement to incorporate neighboring assets into redevelopment process. Identify resources and systems needed to maximize the impact of HUD vouchers, with an emphasis on very low income and unhoused residents.

Key Leaders: Mayor's Office, Metro Council, MDHA

Impact Goal: Hundreds of preserved and redeveloped deeply affordable units

Cost: \$100 million per year for approximately 500 units

Associated Task Force Recommendations:

- Metro should embrace and invest in MDHA's Envision initiatives to preserve existing affordable housing stock in a way that contributes to rectifying historically racist housing policy and resulted in the concentration of poverty and racial segregation. This leverages the federal government's willingness, through the *Rental Assistance Demonstration* (RAD) program, to deed property to the City and provide additional project based rental assistance-which is more financially sustainable to maintain affordable housing serving very low income (VLI) households in the long-term. These federal funds would not be accessible to the city otherwise.
- Fund Envision Cayce and prioritize housing existing residents, while also exploring modification of plans to create some permanently supportive housing that prioritizes transition for previously homeless/VLI individuals. This should be done with a focus on not increasing concentration of poverty.

- Provide greater than one-to-one replacement for the lowest income units through the Envision process.
- Encourage partnership with private developers where appropriate.
- Leverage the existing resources of the *Housing Choice Voucher* program by taking specific steps including landlord incentives and an increased number of vouchers set aside for people experiencing homelessness.
- Market the low-cost interest rate fund for Section 8 landlords to update and maintain their units in the Section 8 program (one version exists at MDHA).

## THE CASE FOR ACTION

Before the pandemic and recession, Nashville led the nation in sustained levels of employment, hovering below 4% unemployment for several years. A string of high-profile expansions and relocations to Nashville and Middle Tennessee promised everyone in Nashville who wanted a job the opportunity to find one. Even before the pandemic, however, that success obscured the struggles of people unable to access those job opportunities. It also led to a number of unintended consequences, including a housing crisis blocking many Nashvillians from homeownership while also increasing the cost burden on renters.

Housing affordability is a central component of quality of life. Having access to reliable, safe shelter is a basic human need. Inconsistent access to shelter exposes people to violence and extreme weather.

Having access to stable housing improves workers' ability to get or keep a job, whether through a consistent address or other necessities of daily life, like food and cleaning. Stable housing also improves student outcomes; when students do not know where they're going to sleep or how they can get to school, their attendance and performance suffers.

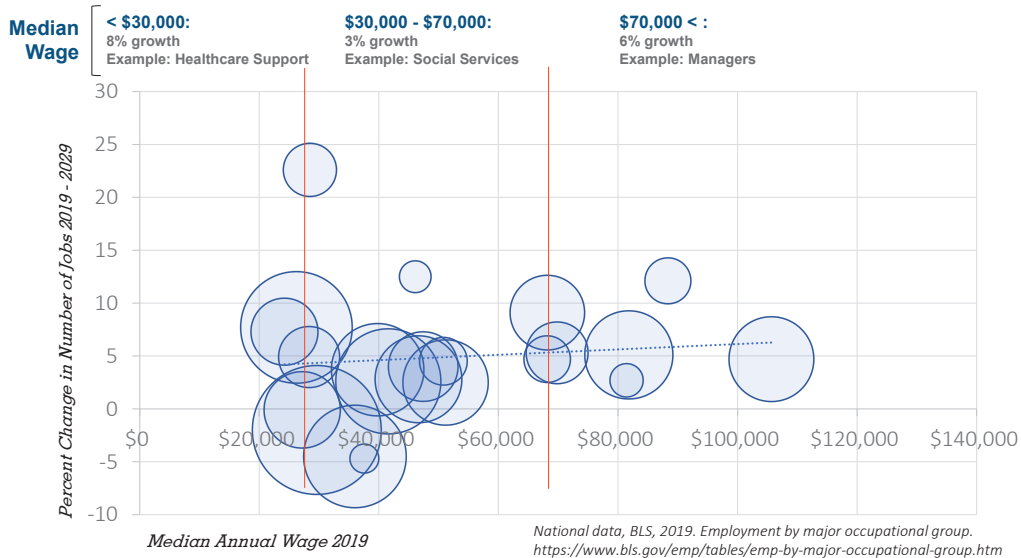
High housing costs can squeeze household budgets, reducing the money available for other daily needs, including food, clothing, health care, utilities, and transportation, as well as money needed for education or for future savings. Homes that are affordable only because they are unsafe or unhealthy directly harm residents, through stress and unhealthy conditions. Students in substandard housing exhibit more psychological problems and suffer at school more than students in better quality housing.

## Wage Data

Recently, Nashville's growth has been supercharged by relocations and expansions of high-wage, white collar industries. As traffic increases throughout the region, more and more new and long-time white-collar professionals seek housing close to job-rich Downtown and Midtown. High wage professionals have driven up the cost of houses in the urban core and fueled a boom in new urban apartments. Meanwhile, national job growth trends suggest continued growth among both high- and low-wage occupations, with middle-wage occupations growing only slowly.

### 1. Occupational Wages and Growth Percentage Change 2019 - 2029

Chart 1: National data on wages shows growth percentage projections through 2029 for very large categories of occupations, such as *managers*, *social services*, and *healthcare support*. Median annual wage for the occupation in 2019 is shown on the x-axis. The y-axis shows percentage change in the number of jobs in that occupation from 2019 – 2029. Circles are sized to the number of jobs nationally in the occupation. Generally, higher wage occupations show somewhat higher growth over the next ten years. However, that is primarily due to the wide variation in expected growth among lower- and mid-wage occupations, with some occupations declining in number of jobs and some growing rapidly.

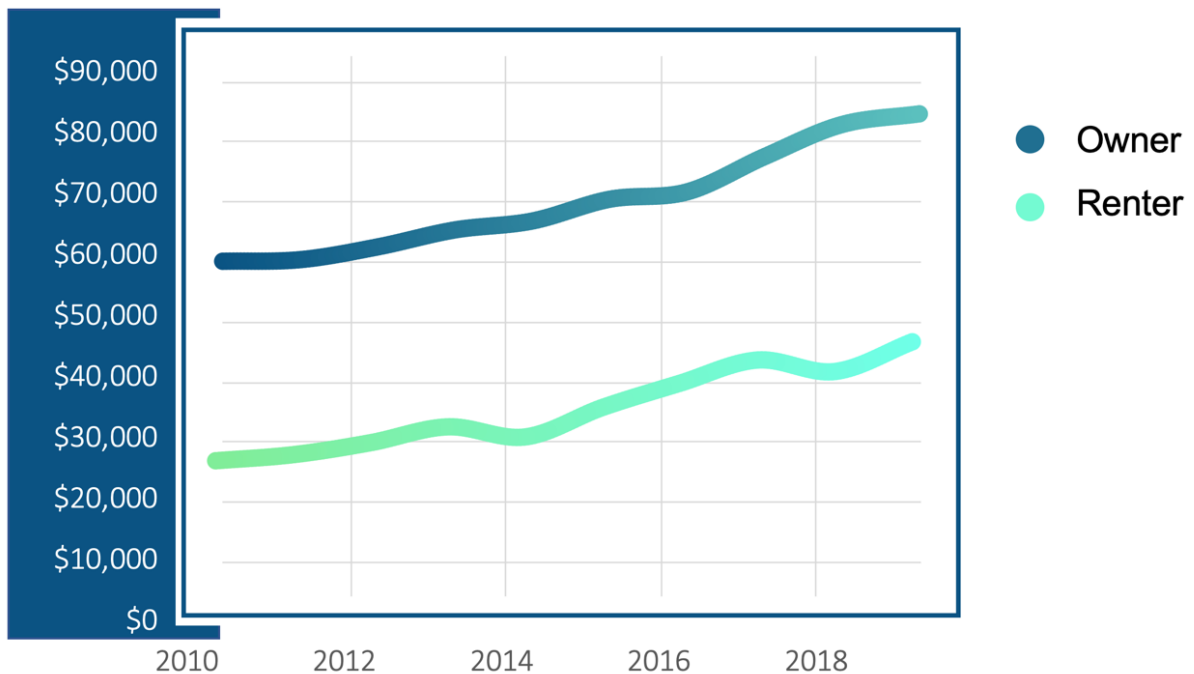


## Housing Cost Data

Housing costs have been rising for Nashvillians for the past ten years. From 2010-2019, both home values and rents have grown by more than 150%. Indeed, monthly housing costs for renters — traditionally, more affordable month by month than owning — have converged with ownership costs. Because of this, the percentage of renters that are cost burdened held steady, despite Nashville’s booming economy.

### 2. Median Household Income

Chart 2 shows the change in median household income from 2010 to 2019, by homeowners and renters in Nashville. Household income includes all sources of income for members of a household. In many cases, it includes income from more than one wage, such as when two household members work, or one person works more than one job. Household incomes have risen in Nashville over this time period. Household incomes for renters have risen faster than for homeowners, though the gap has not changed much.

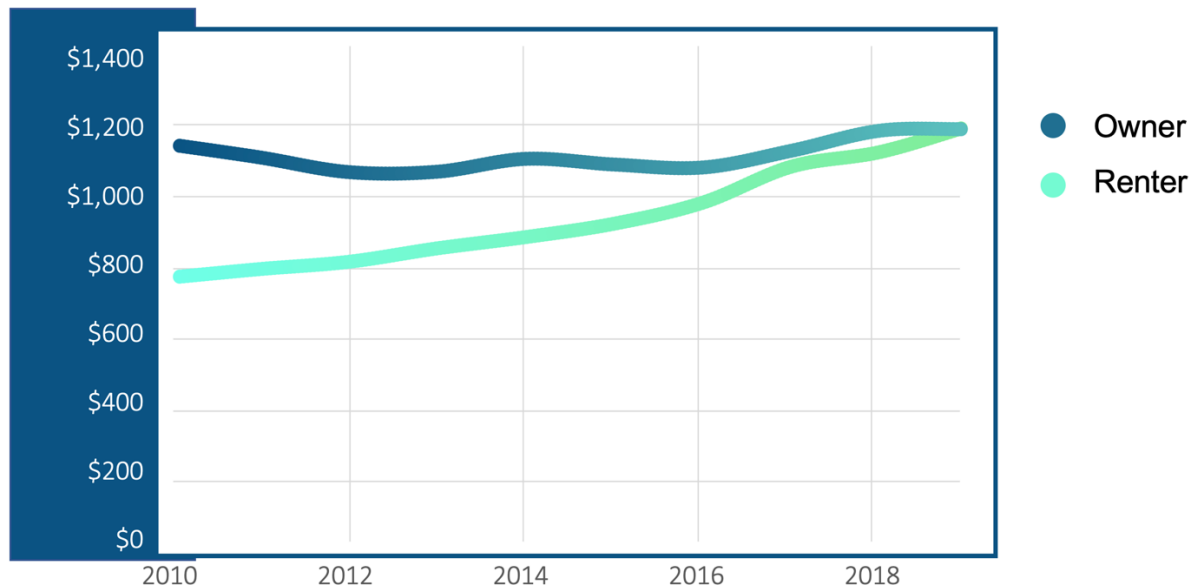


*U.S. Census Bureau, American Community Survey (1-year estimates: 2010 – 2019). Davidson County.*

Households across the income spectrum have a variety of ways to manage housing costs. Many homeowners lock in low rates, or can refinance, protecting them from increasing home values. However, rising home values increasingly prevent lower and moderate-income households from becoming homeowners in Davidson County.

### 3. Median Monthly Housing Costs

Chart 3 shows the median amount that Nashville owners and renters pay for housing costs each month, from 2010 to 2019. While owners paid nearly 50% more in housing costs in 2010, owner and renter costs converged in 2019.



*U.S. Census Bureau, American Community Survey (1-year estimates: 2010 – 2019). Davidson County.*

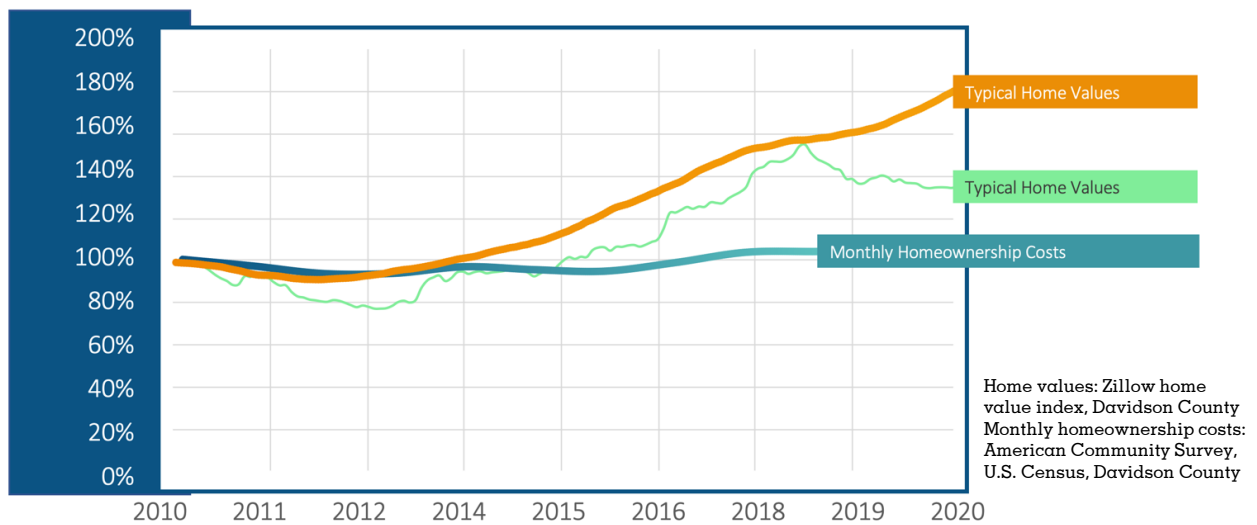
The dark blue line shows that the median monthly housing cost across all owners in Nashville has been flat. However, it is worth examining how the different experiences of homeowners contributes to this considering the sharp increase in home values.

- **Free and clear ownership:** These households own their homes free and clear, without a mortgage, either by paying off their mortgage over time or through inheritance or cash purchases. Beyond increasing their wealth upon selling their home or when they need to borrow against the value of their home, these households primarily experience the increase in the value of their home through changes in tax rates and the reappraisal process. Whether they pay more or less in taxes will depend on their location in the county and how home values are changing countywide. For low- and moderate-income households, the reappraisal process often leads to increasing tax bills that may squeeze their monthly budgets.
- **Mortgaged owners:** These households' monthly costs are driven by the existing terms of the mortgage. Though some mortgages are structured to change their payments over time, only the portion of monthly payments that go toward property taxes respond to changes in the value of the home itself. Additionally, when interest rates dip, these homeowners may have opportunities to refinance, lowering their monthly costs.

- **New and potential owners:** These households are not current owners. Renters seeking to become owners bear the brunt of increased home values, through increased monthly payments (which may be mitigated when interest rates are low) or increased down payments. For low to moderate income households, these high home values increasingly impede their ownership in Nashville.

#### 4. Percentage change in home values and monthly owner costs, 2010 - 2019

Chart 4 shows how three aspects of owner affordability have changed since 2010. The orange line on the bottom shows monthly ownership costs since 2010 (the same ownership line as in Chart 3 above). The blue line at the top shows the typical home value for Davidson County (based on the Zillow Home Value Index). This shows a steady increase in home values since 2012. The grey line in the middle shows how the income needed to afford the typical home has changed. This reflects both the typical home value each month as well as historical changes in interest rates.



Renters seeking moderate rents or cheaper homes may move to lower cost housing in surrounding – or more distant – counties. New renters moving in often have higher incomes, making it look like cost burden is declining. Households may also group together, taking on roommates or doubling up, when faced with rising costs or evictions.

All these strategies obscure, to some extent, how dire the situation is. But the core trend shows through. The map shows how HUD’s fair market rent studios or efficiencies for Nashville zipcodes has changed since 2011. Studios (or 0 bedroom rentals) are shown as the most affordable size, though larger sizes (1 bedroom up to 4 bedroom) show similar trends. Fair market rent reflects HUD’s identification of typical, slightly lower cost gross rent for regular, standard quality units within each zipcode. At lowest end, rents for studios have increased by 40%. Rents in the highest demand areas have more than doubled.

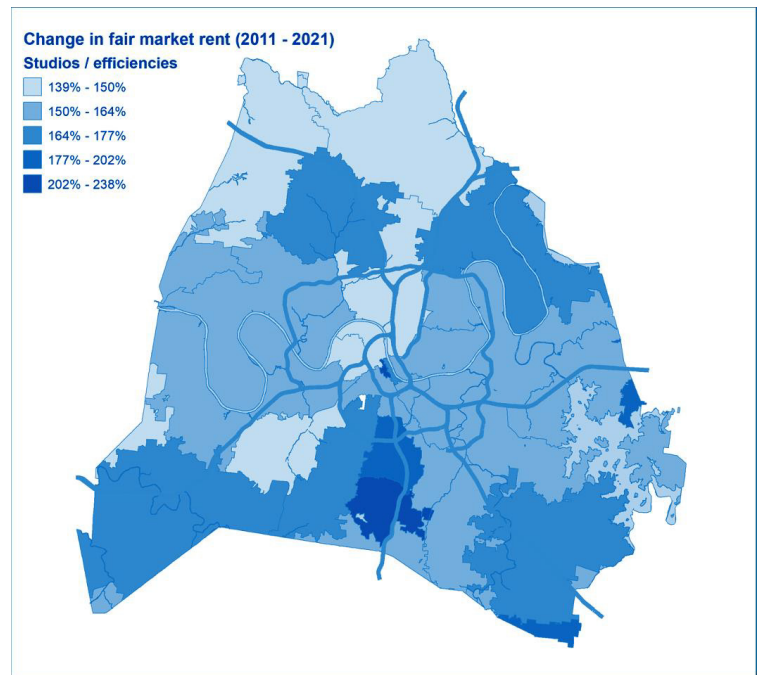
### HUD Small Area Fair Market Rents

The map shows how HUD’s fair market rent studios or efficiencies for Nashville have changed since 2011. At the lowest end, rents for studios have increased by 40%. Rents in the highest demand areas have more than doubled.

2011	OBR	1BR	3BR	4BR
Average	\$667	\$759	\$874	\$1,136
Minimum	\$560	\$590	\$680	\$970
Maximum	\$910	\$1,030	\$1,190	\$1,540

2021	OBR	1BR	3BR	4BR
Average	\$1,095	\$1,132	\$1,316	\$1,693
Minimum	\$810	\$870	\$1,030	\$1,340
Maximum	\$1,500	\$1,550	\$1,800	\$2,310

Change	OBR	1BR	3BR	4BR
Average	164%	149%	151%	149%
Minimum	139%	126%	128%	126%
Maximum	238%	215%	217%	214%



Davidson County



## Affordable housing needs

To clarify the extent of Nashville's housing needs, this report uses three separate calculations of housing needs:

- 2019 Gap Analysis: units needed to reduce housing burden among lower income households
- People Without Homes: units needed to house people without homes
- Keeping Up With Growth: units needed to keep up with Nashville's projected growth

Though rough estimates, taken together, these calculations show a large need for housing focused on those most in need of housing they can afford.

### 2019 Gap Analysis

Our starting point is a gap analysis based on the number of households within different income levels compared with the number of housing units available at a cost affordable at those income levels. Current homeowners and current renters are tracked separately. **Note that this gap analysis does not consider whether the households in each income band currently live in a home affordable to them.** It only looks at how the number of households and home at each income level compare.

The supply of and gap in owner and renter units are also calculated separately. For owned units, monthly housing costs are calculated based on current home values and standard mortgage terms. In the table below, negative numbers shown in red indicate a shortage of units compared to the number of households at that income level.

#### 6. Current supply gap

Chart 6 displays a preliminary attempt from two years ago to recreate the gap analysis study that was published in 2017 Housing Nashville. Metro Planning is working to update this with more recent data.

Income level (AMI)	Household income up to	Monthly housing costs	Households	Owner gap	Renter gap
Up to 30%	\$22,250	\$556	39,147	(573)	(13,754)
30% to 50%	\$37,050	\$926	39,437	16,685	(2,226)
50% to 60%	\$44,442	\$1,111	20,010	9,209	11,041
60% to 80%	\$59,300	\$1,483	32,061	18,202	23,467
80% to 100%	\$74,070	\$1,852	32,049	7,828	1,460
100% to 120%	\$109,733	\$2,743	51,015	(15,277)	(3,069)

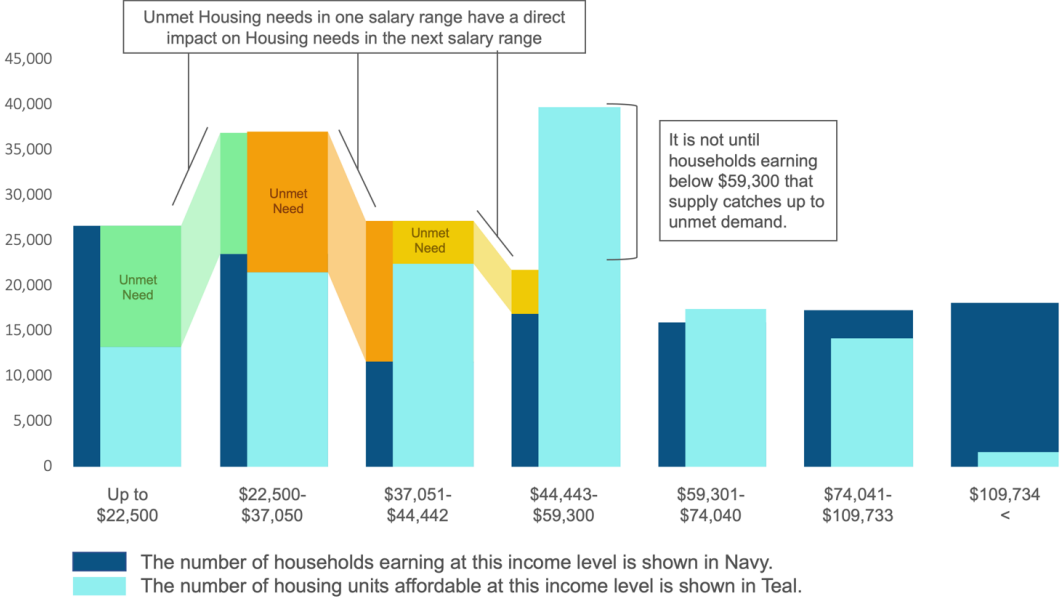
Source: American Community Survey, 2019  
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At first glance, the ownership gap appears modest, affecting only the very lowest income households. However, this does not mean that Nashville has an abundance of cheap ownership options. It more likely reflects the difficulty of lower income households shifting to ownership because of down payments, credit quality and access, and income steadiness.

Rental costs are simpler, reflecting total monthly costs (rent and utilities, as applicable). Again, interpreting this table requires care. At its simplest level, the table shows a shortage of housing at both ends of the income spectrum, with a surplus of housing in the middle. Among low income households, at first glance, this suggests that about 2,000 households earning 30 to 50% of the median income in Nashville must find higher priced housing. However, this understates the problem because of the 13,000 households earning below 30% of the median income. As these households seek housing, the significant lack of options affordable to their income forces them to rent above their income, causing them to be cost burdened and also renting one of the homes affordable to households earning 30 to 50%. This means a larger number of 30 to 50% households likely rent above what they can afford, showing up in the surplus of units affordable at 60 to 80% of the median income.

### 7. Renter households and available housing affordable at each income level

Chart 7 shows the number of households and units affordable to them at each income level. The outline boxes show how unmet need for low- and moderate-income housing rolls up to push these households into unaffordable housing. Households rent at rates above what is affordable based on their income. This results in households being cost burdened. At moderate incomes, what looks like small surpluses in housing stock vanish.



Similarly, the large gaps among high-income households also put pressure on other households. While these gaps do not impose an affordability burden on high-income households, they are a source of increasing rents and home costs. Over time, some of these high-income renters are likely to become owners, putting pressure on housing costs to rise. Some may be content to “underpay” for housing and put their money toward other things (particularly student loans, for many younger workers). Some, however, may look for rental housing that better fits their income, either through new construction or upgrading older rental units. Upgrading older, previously low rent units means a loss of affordable rental stock.

### **Unhoused Nashvillians**

The preceding data reflects people with homes that the Census can survey. Not included are people without homes or people in temporary living arrangements with others who wish to be their own household. (The latter may be roommates who wish to live independently, or people living “doubled up” with another household. These groups are not included in this analysis.)

Counting people without homes is more difficult than surveying people with stable residences and requires combining multiple data sources. An annual “point in time” estimate is one source. Nashville’s 2020 point-in-time count (overnight from January 23 to 24) found 2,016 Nashvillians without permanent housing. Another source is Nashville’s Homeless Management Information System, which seeks to integrate client management for the many different groups and organizations seeking to prevent and end homelessness. However, many people experiencing homelessness flow into and out of homelessness over time, so current clients and the point-in-time count are snapshots of the need at a single moment.

Metro’s Continuum of Care Committee received technical assistance from HUD and the Corporation for Supportive Housing (CSH) to assess long-term future housing needs for the homeless. CSH uses program counts and the point-in-time estimate to create an annual estimate of people (including adults and children) and households experiencing homelessness. Based on these estimates, CSH provided a five-year projection of program needs for housing the homeless.

## 8. Projected need for unhoused population

Chart 8 shows the estimates provided by a consultant of the five-year projected needs for people without homes.

Program	5-year projected need
New Permanent Supportive Housing (PSH)	2,399
New Permanent Rental Subsidies	11,668
New Rapid Rehousing	3,760

In total, the five-year projected need amounts to approximately 17,827 units.

### Keeping Up with Growth

As we plan to address these current gaps, we must also consider that Nashville continues to grow rapidly. This section presents a simple projection of housing needs through 2030:

- Multiply the number of households at each income level by the region's overall growth rate through 2030 (16.5%). This assumes that Nashville's future income levels will be similar to our current levels.
- Multiple the number of units at each income level by the percentage of renters to get the breakdown of units needed by renter / owner.

Overall, the region's growth rate suggests Nashville needs to add 53,758 new housing units to its 2019 total of 325,455 units by 2030 (or about 4,800 units per year). Of these, about 18,000 units are needed for households earning below 80% of the median household income. From 2016-2019, the average net growth (residential permits minus demolitions) in housing units per year is about 8,000 units. One goal of the recommended market study is an in-depth analysis of affordable unit production as it relates to total growth and the dynamics and zoning needed to accommodate that growth.

### Summary gaps

Each of the preceding analyses presents a different aspect of Nashville's affordable housing needs: housing needs to serve Nashville's current households that are likely to be rent burdened; housing needs for people who are currently without homes; and housing needed to keep up with Nashville's population growth through 2030.

## 9. Keeping up with growth

Chart 9 shows the expected rate of household growth in each income segment and the number of units needed to accommodate that projected growth by 2030.

Income level (AMI)	Household Income Up To	2019 Percentage of households	New units needed by 2030	2019 percentage of renters
0%-30%	\$22,250	7.6%	-4,084	70%
31%-60%	\$44,442	16.6%	-8,924	61%
61%-80%	\$59,300	10.2%	-5,464	55%
81%-120%	\$109,733	31.8%	-17,073	41%
120%+	-	33.9%	-18,213	24%
			53,758	

Davidson County

## 10. Cumulative owner gap

Chart 10 shows the current (2019) owner gap, the units needed to accommodate growth over the next 10 years, and the total number to meet current and future need.

Income level (AMI)	Current owner gap	2030 growth need	Total need
0%-30%	-573	-1,226	-1,799
31%-60%	25,894	-3,445	-3,445*
61%-80%	18,202	-2,482	-2,482*
81%-120%	-7,449	-10,073	-10,073*

*\*Total reflects growth needs only.*

As a reminder, homeownership gaps are likely to function differently than rental gaps:

- Many homeowners lock in affordable monthly costs at the start of their mortgage; thus, their current home value may not translate directly into their current monthly housing costs.
- However, lower income households may still feel the impact of increased taxes based on rising home values.
- For lower income households, the monthly cost of housing may not be the primary bar to homeownership. Rather, upfront costs like down payments and closing costs may have a larger role in limiting demand for homeownership at lower income levels

The rental needs from each analysis are compiled below.

### 11. Cumulative rental gap

Chart 11 shows the current (2019) rental gap, the best data available on units needed to meet the needs of the unhoused, the units needed to accommodate growth over the next 10 years, and the total number to meet current, unhoused and future need.

Income Level (AMI)	Current rental gap	Unhoused	2030 growth need	Total need
0%-30%	-13,754	-17,827	-4,134	-35,715
31%-60%	8,815		-5,387	-5,387*
61%-80%	23,467		-3,670	-3,670*
81%-120%	1,609		-4,950	-4,950*

\* Total reflects growth needs only.

These summary figures for rental needs are used for the remainder of the report. Most affordability programs focus on rentals. Rental households also experience the brunt of the mismatch between housing costs and household incomes. Additionally, owned and rented markets are linked. As renting costs increase, households that can afford it may become more interested in owning. Meanwhile, for low- and moderate-income households, high rental costs may inhibit ownership, by reducing savings.

These housing needs form the basis of the remainder of this section, considering the current supply of affordable housing (with an emphasis on subsidized, income-restricted housing) and trends in the creation of new affordable housing.

### 12. Summary: 2030 total need below 80%

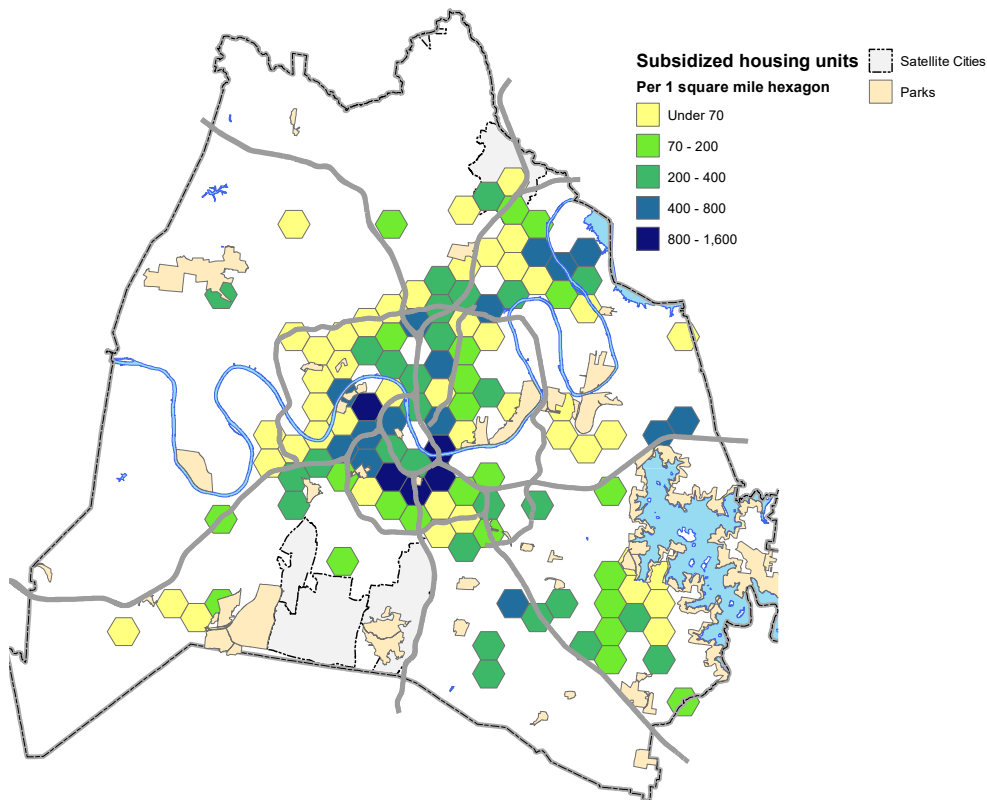
Chart 12 shows the total number of units, owner and renter, needed to meet the current demand and future growth over the next ten years.

Income Level (AMI)	Owner	Rental
0%-30%	1,799	35,715
31%-60%	3,445	5,387
61%-80%	2,482	3,670
<b>Subtotal</b>	<b>7,726</b>	<b>44,772</b>

## Inventory of subsidized affordable housing

Homes that are affordable to low- and moderate-income households take a variety of forms. They are also affordable for a variety of reasons. Some of these homes charge the “market rate” for rent or sale but are nevertheless affordable due to factors such as age, location, or condition. Others are required by their financing or ownership conditions to remain affordable. These homes are typically subsidized for their construction or operations through some combination of nonprofit ownership or local, state, or federal programs.

Understanding how many homes in Nashville are subsidized and affordable in this way is important but challenging. It is important because these homes create the strongest guarantee that a household will not be suddenly priced out of their home as the housing market around them changes. However, this guarantee is not absolute; most subsidy programs only require the buildings remain affordable for a certain period of time, such as 15 or 30 years. As these buildings age out of their subsidies, retaining them as affordable often requires additional subsidies. Knowing when buildings’ affordability requirements expire is critical to maintaining their affordability.



The challenge of understanding how many homes in Nashville are subsidized and affordable is that there is currently no central agency that tracks the many kinds of affordable programs, particularly those that operate directly between Federal agencies and the property owner, with no involvement by Metro Nashville, the Metro Development and Housing Authority, or the Tennessee Housing and Development Agency. A single property

may use multiple programs, particularly when financing new construction. Because each agency oversees a different program, any single source of records is incomplete. Moreover, as a project progresses through the development process, the way of identifying the project may change. Thus, a project may identify its name and location one way for one funding source, and another way for another funding source.

Compiling a comprehensive inventory of affordable housing in Nashville requires review of program records from multiple sources and careful scrutiny to ensure multiple funding sources of a single project do not result in duplicate counts.

This Task Force created the first such inventory of affordable housing for Nashville. While still a work in progress, this inventory tracks the location and unit count of subsidized, affordable housing in Nashville, including preliminary expiration dates for sites expected to expire before 2030. It includes 610 units in one or two-family structures (often ownership opportunities) up to four sites with more than 400 units.

The inventory was used to create a projection of the number of units that will be affordable in 2030, based on program expirations. This projection does not address two ways that the count in 2030 can change:

- Expiring sites can seek additional subsidies to extend the life of the affordability requirements. Sometimes, these subsidies also fund renovations of the site.
- Some programs allow sites to opt-out of the subsidies, creating a transfer of the subsidized units to another site or to vouchers. These are typically older sites, with more recent subsidies eliminating or making it more difficult to opt-out.

In addition to subsidized sites, the count of affordable units also reflects approximately 7,000 Housing Choice Vouchers that HUD provides to MDHA. Households receiving vouchers pay 30% of their income in housing costs, with MDHA using the voucher program to pay for any rent that is owed in excess of 30% of the household's income. Vouchers may be used at any location, market rent or subsidized.



## Business-as-usual forecast

In addition to estimating units expected to expire through 2030, the Task Force also identified trends in the production of affordable units for the most active programs in Nashville. The table below shows the “business as usual” annual estimates of new units produced or funded for each program.

Type	Program	Annual estimate	Source
Rehab/preservation	Barnes Fund	25	Rehabilitation projects funded.
	LIHTC	207	Acquisition and preservation projects or PILOT rehab projects.
New	Housing Choice Vouchers	40	Conversion of existing affordable units to Housing Choice Vouchers, 1998 to 2021.
	LIHTC (4%)	600	THDA data, 2017 to 2020, including pipeline projects. Pre-2017 THDA data includes 4% & 9% data. Trend for LIHTC 4% includes a large number of pipeline units, amounting to 425 units per year. THDA cautions that may exaggerate future production. Housing Task Force members determined that 600 units per year better fit Nashville’s market.
	LIHTC (9%)	81	THDA data, 2017 to 2020, including pipeline projects. Pre-2017 THDA data includes 4% & 9% data.
	Barnes Fund	623	Barnes Fund funded projects, 2016 – 2019. (Pre-2016 Barnes Fund was more limited than post-2016 funding levels.) Note that new construction supported by the Barnes fund is occasionally bridge funding for LIHTC projects.
	PILOT	573	PILOT agreements, 2016 – 2020. Note that new construction supported by the PILOTs are currently limited to LIHTC projects. This figure should be compared with but not added to LIHTC 4% funding.

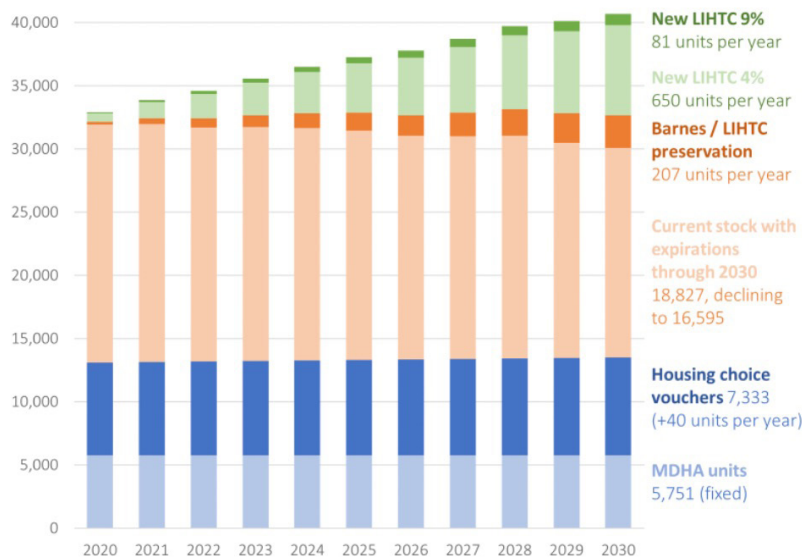
These estimates are used to create a forecast of how many affordable units Nashville will have in 2030, if no changes in funding or programming are made. Changes in either funding or programming could occur locally by Metro or MDHA, at the State level by the legislature or THDA, or at the Federal level. Changes could take a number of forms (funding level, project leverage requirements, targeting of cities compared with suburban or rural areas, etc.) that could increase or decrease the number of units likely to be created in Nashville.

All told, taking these together, with no changes, Nashville could have 40,000 units of subsidized affordable units in 2030, an increase of nearly 8,000 from 2020. However, this current production level is insufficient to meet the current demand for affordable units and keep up with the forecasted growth trends in households earning under 80% of the median income in Davidson County.

### 13. Summary: Growth need compared with current production levels

Chart 13 shows the total number of units, owner and renter, needed to meet the current demand and future growth over the next ten years. To meet Nashville’s affordable housing needs by 2030, 5,250 new units need to be created every year. At the current rate of production, with current federal, state and local funding levels, annual production averages 1,344 units per year. While the housing market is very dynamic, meeting the 2030 need could require increasing production by four times.

	Units
10-year TOTAL Need	52,498
Annual Production Level to Meet 2030 Need	5,250
Current Production Level	1,344



#### Key Data Takeaways:

- Measuring housing needs is a challenging endeavor. Wage rates influence what a family can afford as much as what units are available. Continued strengthening of the city’s data will enable more system level decision making and accurate projection of need.
- Davidson County does not currently have enough affordable housing units. Unless wages increase over the next decade, the shortage of units will increase.
- For the first time, Nashville is including the unhoused population in the city’s projected housing needs. While this causes the number of units needed to significantly increase, it is an important step in truly understanding the scope of our shared challenge and what it will take to meet the need.
- Current production of affordable housing needs to increase four times to meet forecasted demand by 2030. This will include increased funding from local, state and federal entities.

# Conclusion

Housing production is expensive, and costs are constantly rising. A two-bedroom apartment costs about \$150,000 to build; that does not include the cost to purchase land, hire architects, pay for legal work, or develop needed infrastructure. While the majority of funding for affordable housing comes from the federal and state governments, that funding is not keeping up with rising costs and the continued demand increase for housing in Nashville.

As the data shows, the need is greatest at the lowest levels of income. In addition to focusing resources and funding there, this report recognizes the deficit of affordable, rental options exist all the way from 0-80% AMI. In order to ensure that policies and funding do not create a benefits cliff or lock people into only VLI housing options, recommendations should be implemented in a coordinated fashion to address affordability along the income spectrum. Prospective partners often have a focus at different levels of affordability and structuring tools with income intentionality, while maintaining flexibility where possible, can help to recruit new partners to the affordable housing space.

Adequate funding for housing is not accomplished solely at the local level. While Nashville is committed to increasing funding and tools, local funding alone will not be sufficient to address the needs of Nashvillians and will not close the housing gaps highlighted in the data above. Additional staffing capacity can work to maximize the impact and efficiency of local funding, while also leading a call to action of our philanthropic, faith, nonprofit and business communities to join in the collective affordable housing effort. This future collaboration can make federal and state funding go even further in terms of impact and sustainability. This coordinated, collaborative housing work is critical, but it will take time for the impact to be felt.

Mayor Cooper assembled this group knowing the city needed to make significant progress in the near term. Nashvillians need assistance now. While this report focuses on the next 1-3 years, a new Housing Director will be brought on to lead the formation of a long-term housing plan. This report seeks to add tools, activate assets, and pilot new programs and policies. The long-term housing plan will look at how all systems, partners, and funding work together, how it can improve, and what it will take to get to an affordable Nashville. This task force knows this work takes both immediate action and long-term planning. Nashville is committed to both.

Nashville has an incredibly dedicated community of developers, financiers, nonprofits, and advocates that are committed to moving this work forward. Learning what tools, policies, funding streams and interventions work for Nashvillians will require ingenuity, courage, and dedication. This task force has set the stage for Nashville to take important steps toward a more accessible, affordable city. With adequate funding, unwavering dedication and creative thinking, all Nashvillians can contribute to the long-term work of building a Nashville that works for everyone.

# ADDITIONAL TASK FORCE RECOMMENDATIONS

## Awards

- Establish an annual award program for any private builders/developers who produce ten units or more for households in the 60% - 80% AMI categories. Use the event as a marketing tool for those builders and developers. Recognize builders setting aside a percentage of units for affordable housing in their projects as supporting efforts to provide affordable housing.

## Community Capability

- Create a Developer and Agency list or forum to have more in-depth conversations and feedback and enable new partners access to the conversation and resources to improve equity - including education and technical assistance.
- Invest in building the local construction labor force through apprenticeships and workforce development.

## Community Empowerment

- Explore resources and tools that facilitate resident cooperatives, especially in vulnerable communities such as mobile home developments.
- Create a template or guide to *Community Benefits Agreements* (CBAS) for neighborhood groups to use with private developers to secure affordable components of new projects.
- Balance robust community engagement with timely and clear process and progress.

## Fair Housing and Racial Equity

- Research examples of housing-based reparations initiatives for residents - and descendants - impacted by housing discrimination
- Increase fair housing law enforcement for landlords and legal assistance for victims of discrimination.

## Home Repair

- Coordinate home repair program providers, such as MDHA, nonprofits & THDA.
- Fund homeowner repair/weatherization/energy upgrade programs or invest in the capacity of MDHA's program.

## Homelessness Prevention

- Establish and/or build capacity or diversion programs for people at risk of losing housing.
- Convert motels and hotels to permanent supportive housing (leveraging available federal funding)
- "Just cause" eviction policies and eviction prevention programs (e.g. emergency rental support).

## **Implementation of Housing Programs**

- Focus on permanent long-term affordability to leverage investments and alleviate preservation challenges and build more inclusive communities over time.
- Require permanently affordable housing in River North and East Bank where the city is already planning a significant investment
- Dedicated funding for shared equity homeownership through Community Land Trusts (CLTs).
- Utilize the local Sales Tax Exemption for procurement of construction materials for affordable housing.
- Fund a bridge loan program for nonprofit affordable housing developers to acquire land and finance pre-development expenses. Could approach local banks to create/offer such a tool before asking Metro to make that investment (one version exists at The Housing Fund).

## **Infrastructure Funding**

- Create a funding pool, possibly from the General Fund, to subsidize affordable housing developers increasing infrastructure costs.

## **Messaging**

- Establish a community education initiative in partnership with local organizations and neighborhood associations to reduce *NIMBYism* (Not In My Backyard) and resistance to density
- Engage a public relations/marketing firm to promote the need and benefits of mixed income housing and help create the right messaging. Develop a media tool kit for partners to use for advocacy, community meetings etc.

## **Property Tax**

- Freeze property taxes for “grandfathered” homes in gentrified neighborhoods.
- Establish a property tax assistance program like The Housing Fund model.

## **Services**

- Integrate wraparound services with housing beyond initial placement to ensure long-term housing stability.
- Explore expansion of Freedom House model to additional people and populations

## **Transit Oriented Development.**

- Create Transit Oriented Districts (TOD) Tax Increment Financing (TIF) districts around all planned transit centers.

# GLOSSARY

## **AFFORDABLE HOUSING**

By federal standards, housing that costs less than 30% of a household's gross income when that household makes 60% or less of the area median income.

## **AREA MEDIAN INCOME (AMI)**

Area Median Income values are established each year by the US Department of Housing and Urban Development (HUD) and take into account geographic location and household size.

## **BARNES HOUSING TRUST FUND**

Named for the late Reverend Bill Barnes, this fund provides grants to non-profits in Nashville for the development or preservation of housing that is affordable to low-income households.

## **CAPITAL STACK**

The mix of funding (capital) sources used to develop a given project, including things like grants, tax credits, and debt.

## **COST BURDENED**

A household is considered housing cost burdened when they pay more than 30% of their income towards housing costs.

## **COMMUNITY BENEFITS AGREEMENT (CBA)**

A contract signed by community groups and a real estate developer to secure specific amenities or mitigations, like improvements to a nearby park, commitments of affordable housing, or local hiring policies.

## **COMMUNITY LAND TRUST (CLT)**

A tool for preserving affordability long-term by effectively separating the value of the land, which is held in trust by a non-profit, and the improvement (the home or apartment building). If a homeowner wants to sell the home, it must be sold to another qualified buyer at an affordable price.

## **DEBT**

Funds loaned to a development that must be repaid over time, usually with interest.

## **EXTREMELY COST-BURDENED**

A household is considered extremely housing cost burdened when they pay more than 50% of their income towards housing costs.

## **GENTRIFICATION**

The process of buying and renovating traditionally low-income areas, thus appealing to middle- and upper-class residents and patrons. The result is an increase in property value of the area that often displaces residents who can no longer afford to pay for housing and other increased costs.

## **GRANTS**

Funds committed to a project that do not need to be repaid. These fall into the equity side of a capital stack.

## **HOUSEHOLD**

All the people that live in a dwelling unit. This may be an individual, couple, family, or unrelated roommates.

## **HOUSING AUTHORITY**

A state or local quasi-governmental agency that manages housing-related activities, including housing assistance programs, public housing, etc. In Nashville, the two governing agencies are THDA (Tennessee Housing Development Agency) and MDHA (Metropolitan Development and Housing Agency).

## **HOUSING CHOICE VOUCHERS**

A form of housing assistance that enables eligible low-income households to pay 1/3 of their income towards rent, with the voucher making up the difference between that amount and the fair market rent.

## **HOUSING COSTS**

Housing costs include rent or mortgage payments, fees, insurance, and utilities. Note that this does not include transportation costs, which are an important factor in a household's spending.

## **LOW-INCOME**

A household with income between 51% and 80% of the area median income.

## **LOW-INCOME HOUSING TAX CREDIT (LIHTC)**

The most prolific tool for developing and preserving affordable housing in the US today, this complex program involves the syndication, or sale, of federal tax credits in exchange for equity to acquire, build, or rehabilitate affordable housing. See page 16 for more information.

## **MARKET RATE HOUSING**

Housing that is not subsidized or income-restricted and is therefore subject to market forces such as supply and demand.

## **NIMBY**

An acronym meaning "Not In My Backyard", referring to people who resist the development of affordable housing in their community.

## **NASHVILLE-DAVIDSON--MURFREESBORO--FRANKLIN MSA**

The 14-county metropolitan statistical area that includes Nashville, used for determining AMI.

## **SECTION 8 PROJECT-BASED RENTAL ASSISTANCE**

As with Housing Choice Vouchers, this program enables residents to pay 1/3 of their income towards rent, with the rental assistance making up the difference. Unlike tenant-based vouchers, this benefit is attached to the apartment, so if a household moves out of the apartment, they forfeit that benefit.

**PUBLIC HOUSING**

Housing that is owned and operated by a public housing agency, such as MDHA. Many of these properties were built between the 1940s and 1960s and have not had sufficient funding for maintenance and repairs, earning them poor reputations.

**RENTAL ASSISTANCE DEMONSTRATION (RAD)**

A program by which the federal government transfers ownership of public housing to the local municipality for the purposes of leveraging private investment for rehabilitation or redevelopment. In Nashville, this is primarily taking the form of MDHA's Envision process.

**US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)**

Established in 1965, the US government agency responsible for housing assistance and other development programs.

**VERY LOW-INCOME**

Households with incomes between 31% and 50% of the area median income.

**WORKFORCE HOUSING**

Generally refers to housing that is affordable to those making 60-120% of AMI.