



MEMORANDUM

TO: Metro COVID Oversight Committee

FROM: Angela Hubbard, Housing Director
Metro Nashville Planning Department

DATE: September 14, 2022

SUBJECT: ARPA Year 2 Funding Request for Affordable Housing Initiatives

The Metro Nashville Planning Department, Housing Division is pleased to present our request of \$30 Million of American Rescue Plan (ARPA) Year 2 funds through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program for affordable housing initiatives. In keeping with the final rule published by the U.S. Department of Treasury, all proposed activities meet the program's intent to develop, repair, and operate affordable housing and services or programs to increase long-term housing security in response to the negative economic impacts of the pandemic on households and communities. In addition, all proposed activities meet the program's income restrictions and affordability requirements.

Overarching Goals of ARPA Year 2 Funds

The Coronavirus pandemic exacerbated Nashville's housing challenges, particularly for our most vulnerable residents. Vulnerable populations feel the effects of economic shocks the most and have a more difficult time recovering. Because these are one-time funds, they must be utilized in the most impactful way to create systems change and address long-standing housing inequities. Building on the findings and recommendations of the 2021 Affordable Housing Task Force and additional research and data, the Housing Division targeted four initiatives for transformational impact – (1) pathways to equitable homeownership for Black and brown residents; (2) housing opportunities for older adults; (3) innovative housing solutions for families; and (4) support of Envision Cayce.

To arrive at specific activities to fund within each of these initiatives (with the exception of Envision Cayce), the Housing Division convened three working groups to map systems and pinpoint funding/resource gaps. Over a period of six weeks, these stakeholder groups discussed challenges as well as opportunities to leverage funds with private and other public funds; to align the ecosystem of partners and providers; and to build an infrastructure for long-term sustainability. The proposed activities in the three program initiatives reflect these conversations (to the extent eligible under ARPA) and further the collective goals to be bold, creative, and responsive.

Program Administration

The Metro Housing Division will oversee the implementation of initiatives 1-3 and will assist the Metropolitan Development and Housing Agency (MDHA) on Envision Cayce as needed. To ensure that all proposed activities are eligible under ARPA, staff have reviewed all applicable Treasury guidance and participated in training offered by Bloomberg/U.S. Conference of Mayors and the Government Finance Officers Association. In the coming months, the Housing Division will expand from 4 to 8 staff, doubling the capacity to manage and steward projects. In addition, the Planning Department has increased its financial management capacity to support new projects.

ARPA YEAR 2 AFFORDABLE HOUSING FUNDING REQUEST

Pathways to Equitable Homeownership

Challenge

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. The chronic disenfranchisement and disinvestment in these communities have left a generational wealth divide and deepening racial wealth gap for Black and brown households. Both issues are only exacerbated by housing pressures put on Davidson County residents by remaining a growth market over the last decade.

To illustrate this disparity, 62% of all white households in Davidson County own homes, while 38% of all Black households in Davidson County own homes. If Black households owned their homes at the rate of white households, there would be an additional 17,500 Black homeowners. Using this same analysis, there would be an additional 5,800 Hispanic homeowners.

Opportunities for homeownership for Black and brown families has become even more challenging with the pandemic. According to the U.S. Bureau of Labor Statistics, the pandemic’s economic impacts disproportionately impacted some demographic groups more than others. For example, the overall unemployment rate in the United States was 4.2% in November 2021, but the unemployment rate was 6.7% for Black workers and 5.2% for Hispanic or Latino workers. Without intentional intervention, the racial wealth will continue to widen.

Proposed Activities

Activity	Description	Amount Requested	Performance Metric	Implementation Strategy
Collective or Shared Equity Housing	New construction or acquisition / rehab of housing for shared equity ownership	\$9.5 Million	76 units created	RFP for a partner with experience in developing or financing collective or shared equity housing
Equitable Homeownership Network	Increase awareness of & connection to existing resources for prospective homebuyers; create a network among service providers and financial institutions	\$500,000	100 people become mortgage ready	RFP for a community-based nonprofit or consortium of nonprofits with demonstrated experience building trust with Black and brown communities

TOTAL AMOUNT REQUESTED: \$10 Million

Justification

The working group explored many options, including down payment assistance, increased financial literacy programming, and traditional single family homeownership funding. An analysis of the ecosystem revealed that resources exist for many of these services, but many Black and brown families do not know about the resources and/or these resources are often disconnected. In addition, the lack of affordable inventory prohibits entry into homeownership. The shared equity approach surfaced as a model for expanding homeownership to families with incomes at or below 80% of the area median income (AMI), with the potential for deeper affordability.

Impact

These activities will increase homeownership opportunities and housing security for Black and brown families by lowering the entry price through unique financing models. Units must remain affordable for a minimum of 20 years. However, the Housing Division will work to identify publicly-owned land for potential development and will utilize and encourage (if privately developed) the land trust model to ensure long term affordability. An Equitable Homeownership Network will focus on removing barriers to homeownership for Black and brown families by increasing access to affordable financial services and connecting families to financial literacy, mortgage counseling, and fair housing counseling programs.

ARPA YEAR 2 AFFORDABLE HOUSING FUNDING REQUEST

Housing Opportunities for Older Adults

Challenge

The number and proportion of the population over age 65 continues to grow. Older adults are especially vulnerable to the pressures of a heated housing market. Nashville must take care of its older adults by offering opportunities to age in their current home or within their communities. According to most recent Census data for Davidson County, approximately 52.8% of seniors (65 years and older) are housing cost-burdened, spending more than 30% of their gross income on housing costs. Nearly one-quarter (24.4%) of all senior homeowners are also cost-burdened. Of note, nearly 75% of all adults ages 65 years and older in Davidson County are homeowners. Available data suggests the need to advance housing affordability for both homeowners and renters. In addition to threats to housing security, older adults have faced disproportionate loss, illness, and loneliness during the pandemic.

Proposed Activities

Activity	Description	Amount Requested	Performance Metric	Implementation Strategy
Rental Housing for 62+	New construction or acquisition & rehab of housing for rent to persons age 62+ at or below 60% AMI.	\$6.5 Million	100 new units	Designated set-aside in a Barnes funding round.
Shared Housing Improvements	Funding for homeowners to make repairs and/or improvements to their homes to create additional living space, including developing an attached accessory dwelling unit (ADU). The funding for improvements and repairs would be available to homeowners at 80% of AMI for	\$1.2 Million	50 homeowners assisted	RFP to nonprofit(s) to provide services.

	three purposes: 1) to enable a space of the home to be rented through the Home Sharing Program; 2) to create a safe space for on-site care; and/or 3) to accommodate for multi-generational housing.			
Home Sharing Pilot	Create a technology platform for older adults to offer spare rooms or existing Accessory Dwelling Units for affordable rental housing.	\$300,000	100 connections	RFP to a nonprofit to establish the platform and launch the program

TOTAL AMOUNT REQUESTED: \$8 Million

Justification

The working group explored many options to help older adults maintain housing security, including funding for traditional home repair programs. However, the greatest needs that surfaced centered on additional affordable inventory, particularly for older adults that have been displaced or who are at-risk of displacement, and creative opportunities for homeowners to age in place, including opportunities for additional living space for multi-generational housing, on-site care, or rental income through the Home Sharing program. The working group reviewed research on the Home Sharing model, which is being utilized in Oregon; Boston; and Montgomery Co., MD; and is launching soon in Central Ohio and Louisville, KY.

Impact

New inventory offers more affordable options and increased housing security for at-risk older adults to remain in Davidson County. Units must remain affordable for a minimum of 20 years. However, the Housing Division will work to identify publicly-owned land for potential development and will utilize and encourage (if privately developed) the land trust model or ground leases to ensure long term affordability. The ability to make improvements for Shared Housing and the Home Sharing Pilot provide economic security for older adults through passive income creation, foster intergenerational social connection for older adults, and potentially offer other supports beneficial to older homeowners.

ARPA YEAR 2 AFFORDABLE HOUSING FUNDING REQUEST

Innovative Housing Solutions for Families

Challenge

During the workgroup conversations, a resonating theme was housing needs for families. In Davidson County, 38% of all households with children under the age of 18 are earning below 60% of the area median income (AMI) and more than 2/3 of these households are cost-burdened. More startling, data from the local Continuum of Care reports a record level of family homelessness, and area shelters are at capacity.

Much of the new housing inventory, including affordable housing inventory, is typically one to two-bedrooms and is not able to support a larger family. Utilizing resources to advance housing options for families has far-reaching implications for other aspects of families' and children's lives, including increased economic stability, improved health, and increased educational achievement. Data shows that students without stable housing attend school at lower rates than their peers and do not perform as well on cognitive development tests.

Proposed Activities

Activity	Description	Amount Requested	Performance Metric	Implementation Strategy
Co-op Housing for Families	New construction of housing for families at or below 50% AMI	\$7 Million	108 new units	RFP for partner with experience in developing co-op housing.

Justification

In addition to cost, a primary threat to housing stability for families is displacement from existing housing especially when affordable inventory is extremely limited. Traditional funds for affordable housing often limit creativity and innovation needed to expand housing options for families. Co-op housing offers an innovative, non-traditional option for families through equitably shared ownership and control.

Impact

Rental co-op models decrease the barrier to entry of ownership and increase housing security. In addition to offering needed housing security, co-op housing for families below 50% of the AMI could yield positive impacts on educational outcomes, health access and job security. Units must remain affordable for a minimum of 20 years. However, the Housing Division will work to identify publicly-owned land for potential development and will utilize and encourage (if privately developed) the land trust model or ground leases to ensure long term affordability.

ARPA YEAR 2 AFFORDABLE HOUSING FUNDING REQUEST

Envision Cayce

Challenge

The Metropolitan Development and Housing Agency (MDHA) has embarked on a long-term strategy to redevelop obsolete public housing sites into vibrant, mixed-income communities. At Cayce Place, MDHA will begin construction on three new housing developments. Additional resources are needed to support the new housing given the escalating costs of construction and to advance the construction timeline.

Proposed Activities

Activity	Description	Amount Requested	Performance Metric	Implementation Strategy
Gap Funding for Cayce Place	New construction of affordable housing	\$5 Million	150 Affordable Units	MDHA will implement the project.

Justification

Development costs remain escalated due to the lingering supply chain and labor impacts of the COVID-19 pandemic. Affordable housing development has been disproportionately impacted by those increases. An ARPA investment will not only help close that gap but also accelerate implementation of Envision Cayce.

Impact

An ARPA investment in the implementation of Envision Cayce will support the development of 150 units of housing affordable to families earning below 80% of the area median income at the requested funding level that equals \$33,333 of support for each unit. These affordable units will be constructed in three new housing developments: 5th & Summer, Park Point East, and a third development to be named (see map on following page).

MDHA is in a unique position to not only develop affordable housing but also provide rental subsidy to some of Nashville's most vulnerable families. Compared to an affordable housing development without rental subsidy, such as a traditional LIHTC project, MDHA can make these units affordable to some of Nashville's lowest income residents. Additionally, these affordable units will be within mixed-income housing developments, serving to deconcentrate poverty and build a platform for family success.

