

U.S. Department of Housing and Urban Development

Notice of Funding Opportunity

**PATHWAYS TO REMOVING
OBSTACLES TO HOUSING
(PRO HOUSING)**

Draft Application

Metropolitan Planning Department, Housing Division

For Public Review and Comment: October 2 (4:00 p.m.) – October 17, 2023 (11:00 p.m.)

Metrohousing@nashville.gov

HUD PRO HOUSING GRANT

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METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

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*To be added to final grant application package.

EXHIBIT A

EXECUTIVE SUMMARY

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

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The Metropolitan Government of Nashville-Davidson County, Tennessee (Metro Nashville) is pleased to submit this Pathways to Removing Obstacles to Housing (PRO Housing) grant application to the U.S. Department and Urban Development. Each of the proposed activities builds on work already underway in Metro Nashville to address the city's acute demand for affordable housing, reduce and remove barriers to creating and preserving affordable housing, and affirmatively further fair housing.

For over a decade, Metro Nashville has enjoyed its time in the international spotlight – once being dubbed as the “It” city by the *New York Times*. It is a popular tourist destination and new home base for many relocating from other regions throughout the country to enjoy the area's quality of life and relative affordability. With over 2,046,715 people, the Nashville-Davidson—Murfreesboro-Franklin Metropolitan Statistical Area (MSA) is the largest MSA in Tennessee. Metro Nashville's population of 708,144 has grown by nearly 100,000 people since 2010.

With this growth comes intense pressure on our housing market, leaving many legacy residents and our most vulnerable neighbors struggling to find or keep housing that is affordable. Nearly half of all renters are cost-burdened, and this problem is most acute for households with incomes at or below 30% of the area median income (AMI) where we have a deficit of over 13,000 units affordable to households in this income range. Furthermore, the 2023 Point-In-Time count showed an overall increase in homelessness by 11%.

Metro Nashville is utilizing this opportunity to fund activities that tackle our supply issue from multiple angles:

1. Missing Middle Housing Policy Development encourages a wider range of housing options through zoning and land use reform.
2. Affordable Housing Accelerator Program expands the capacity of small and BIPOC developers to create and preserve equitable affordable housing.
3. Faith-Based Housing Development Initiative unlocks access to valuable land; and
4. Affordable Housing Finance Program funds the creation and/or preservation of permanent supportive housing and deeply affordable housing (0-30% AMI).

With \$10 million in leverage through the Barnes Housing Trust Fund, Metro Nashville is strongly positioned to tackle our affordable housing challenges through intense focus on serving low- and moderate-income households that leads to lasting change for our residents.

The Metro Nashville Planning Department's Housing Division will oversee the administration and implementation of this grant. The Housing Division team has extensive experience with HUD grants of a similar size and scope. Nashville benefits from a deep bench of local and national organizations ready to assist in addressing our housing crisis, and the proposed Affordable Housing Accelerator Program will increase the diversity of developers and contractors.

This proposal is born from ongoing stakeholder engagement, data analyses, and best practices to create new or strengthen existing tools and systems to ultimately result in a Nashville that is affordable for all.

EXHIBIT B

THRESHOLD REQUIREMENTS AND OTHER SUBMISSION REQUIREMENTS

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

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III.D. Threshold Eligibility Requirements

1. Metro Nashville does not have any outstanding charges, cause determinations, lawsuits, or letters of findings for civil rights matters listed in subparagraphs (1) – (5).
2. Metro Nashville’s application will be submitted timely.
3. Metro Nashville, as a unit of local government (01 County Government), is an eligible applicant. *See Attachment D – Authorization to Submit Application.*
4. Metro Nashville is submitting only one application.

III.E. Statutory and Regulatory Requirements Affecting Eligibility

Metro Nashville is compliant with all requirements pertaining to Applicants of HUD’s Financial Assistance Programs and has the necessary processes and systems in place to comply with the Award Term.

IV.G. Other Submission Requirements

The following items will be addressed in the narrative exhibits (where noted) and required forms will be uploaded to grants.gov. and posted publicly with the final application package.

1. Standard Application, Assurances, Certifications and Disclosures
 - Standard Form 424 (SF-424) Application for Federal Assistance (required form)
 - Assurances (HUD 424-B) (required form)
 - Applicant Disclosure Report Form 2880 (HUD 2880) (required form)
 - Code of Conduct: Metro Nashville’s ethical standards related to conflicts of interest for procurements are available at [Procurement Regulations November 22 \(N0506125\).DOCX \(nashville.gov\)](#)
 - Affirmatively Furthering Fair Housing (See Exhibit B, V.A.1.b.iv)
2. Other Program Specific Requirements
 - a. Limited English Proficiency (LEP): Metro Nashville’s public notice of the grant application that was published in newspapers and sent via email included information for receiving assistance in the following languages: Spanish, Arabic, Chinese (Mandarin), Vietnamese, and Somali. The public notice posted on Planning’s website included a translator app. In addition, the Housing Division shared information with organizations that serve LEP populations.
 - b. Physical Accessibility: Metro Nashville has and will continue to comply all applicable laws and regulations. The public meeting notice on the grant application included contact

information for Planning's ADA Compliance Coordinator. In effort to accommodate all persons, a virtual and in-person public meeting was held. The in-person meeting was held in a physically accessible space. All materials posted on Metro's website are ADA compliant.

- c. Environmental Review: As a CDBG entitlement community and HOME participating jurisdiction, Metro Nashville understands and will comply with 24 CFR part 58 for all activities funded by the PRO Housing Grant.
- d. Federal Assistance Assurance (required form)
- e. 424-CBW Budget Form (required form)
- f. Certification Regarding Lobbying (required form)
- g. Disclosure of Lobbying Activities (SF-LLL) (required form)

EXHIBIT C

NEED

METROPOLITANT NASHVILLE-DAVIDSON COUNTY, TN

Draft

In recent years, Metro Nashville has undertaken bold and aggressive action to address its housing crisis. Despite these efforts, the acute demand and deep barriers require additional resources and intentional approaches to build and preserve equitable affordable housing, especially for Nashville's most vulnerable residents.

Affordable Housing Defined: "Affordable housing" as used in this application is consistent with the definition of affordable housing as defined in 24 CFR 92.252(a), (e), and (f) for rental housing and 24 CFR 92.254 (a)(1)-(4) for homeownership.

V.A.1.a.i. AFFORDABLE HOUSING EFFORTS

Metro Nashville has engaged in multiple efforts to identify, address, mitigate or remove barriers to affordable housing production and preservation. These efforts involve a variety of methods, including increasing investment, implementing new policies, studying best practices, expanding local capacity, and modifying regulatory processes. Metro Nashville recognizes that additional housing supply affordable to households at all income spectrums is critical to advancing housing security.

Affordable Housing Programs

Metro Nashville is a CDBG entitlement jurisdiction and a HOME participating jurisdiction and targets nearly half of its annual CDBG funds for home repair programs and all of its HOME allocation for new construction activities. In addition to utilizing these and other federal resources to develop and provide housing options to low-to-moderate income (LMI) households, Metro Nashville has implemented several local tools that aim to promote housing affordability particularly for those households whose options are severely limited within the market conditions.

In 2013, Mayor Karl Dean and Metro Council created Metro Nashville's first housing trust fund (Barnes Fund) to leverage affordable housing developments throughout Davidson County. Named after Reverend Bill Barnes, a longstanding advocate for affordable housing and deconcentrating poverty, the Barnes Fund makes competitive grants to nonprofit housing developers to increase affordable housing options for Nashvillians. Grants include funding for preservation and creation of affordable rental and homeowner units and other supportive efforts to encourage long-term affordability. Since its inception, over \$100 million, including nearly \$20 million in ARPA funding, has been invested in the Barnes Fund supporting the development of an estimated 4,818 new rental and homebuyer units. A total of 556 of those units are rental units for households earning less than 30% of the AMI, 3290 rental units for households earning 31-60% of the AMI, and 77 units for households earning 61-80% of the AMI. Except for one funding round, the Barnes Fund only funds rental housing up to 60% of the AMI; units above 60% of the AMI are considered leveraged units. The Barnes Fund also supported the development of nearly 400 new homebuyer units affordable to households earning less than 80% of the AMI and helped rehabilitate over 400 homes for homeowners earning less than 80% of the AMI. The Barnes Fund has an extensive application process that prioritizes unit development in areas of high opportunity and connection to transit.

After a community survey indicated affordable housing as a top priority, Metro Nashville allocated over \$144 million in American Rescue Plan Act (ARPA) to develop new tools and programs aimed at advancing affordable housing and reducing homelessness. By allocating over half of its total ARPA allocation to these efforts, Metro Nashville leads the country in its commitment to address housing and homelessness through its ARPA funds. These new programs include the following: an Affordable Housing Gap Financing program to develop permanent supportive housing for individuals experiencing homelessness; an Eviction Right to Counsel Pilot Program to prevent evictions; a Catalyst Fund to preserve naturally occurring affordable housing; Shared Equity Housing to advance homeownership for Black and Brown families; new rental units and home improvement funding for older adults, and more. While these programs are at varying stages of implementation, the ARPA programs are anticipated to support the creation and preservation of hundreds of units.

In addition, Metro Nashville launched new programs to support affordable housing creation and neighborhood assets. Since 2020, Metro Nashville has allocated \$4 million in capital spending funds to establish the Connecting Housing to Infrastructure Program that substantially enhances infrastructure in the areas surrounding affordable housing. The program supports the development of affordable housing and neighborhood assets in Nashville by sharing the cost of enhanced infrastructure improvements. Another recent program created by Metro Nashville is the new Mixed-Income Payment in Lieu of Taxes (PILOT) program that encourages affordability by providing tax abatements to construction projects that would not typically offer units at rates lower than the market price. The Mixed-Income PILOT promotes affordability specifically in market-rate buildings and supported the creation of over 400 affordable units at 75% AMI or below in its first year.

These public efforts are supplemented by the Amazon Housing Equity Fund's commitment to invest millions in below-market capital for developers to create and preserve affordable homes in Nashville, focusing on projects on privately-owned land within a half-mile of WeGo (Nashville's transit authority) transit corridors. Amazon has already invested \$161 million to fund projects that will result in over 1,700 affordable homes and \$3.75 to establish the Housing Resiliency Fund at The Housing Fund (a local CDFI) to provide qualified homeowners with property tax relief and/or mortgage payments to mitigate the impact of rising housing costs. Amazon just announced new commitments focused on increasing homeownership.

Permanent Supportive Housing and Housing for Extremely Low-Income Households

In an effort to support our most vulnerable residents, Metro Nashville in partnership with public and private partners has sought to implement new programs aimed at increasing permanent supportive housing (PSH) for very low-income households with complex needs. In May 2022, Nashville broke ground on the city's first publicly-developed PSH center which will provide housing and on-site supportive services to people experiencing chronic homelessness. The \$25 million development will be located in Downtown Nashville and allow 90 Nashvillians in transitional housing to have a permanent housing option through the City's Coordinated Entry process. Metro Nashville also made over \$23 million in ARPA funding available in subordinate

financing for an Affordable Housing Gap Financing (AHGF) program to create deeply affordable rental units to house individuals with incomes at or below 30% of the AMI and units to provide PSH. The Metropolitan Development and Housing Agency (MDHA) is administering the Affordable Housing Gap Financing program. In its first round of funding allocating a little over \$10 million, MDHA funded over 60 units of housing for very low-income individuals and individuals experiencing homelessness. Metro Nashville has also incentivized PSH and housing for households earning 0-30% of the AMI in the Barnes Fund. Applicants who propose new units for households earning 0-30% of the AMI and/or PSH units receive bonus points. Though these new and existing tools have made progress towards addressing the housing needs of our most vulnerable residents, additional resources are necessary to produce the number of PSH and low-income units needed which is discussed further in V.A.1.a.iii.

Notably, members of Metro Nashville's Housing Division and the Office of Homeless Services (OHS) have been actively engaged in a statewide coalition aimed at securing state support to advance PSH. The coalition, which is made up of multi-sector partners and multi-jurisdictions, has been working closely with State executive and legislative leadership to increase awareness on permanent supportive housing and garner support for state investment and coordination to increase PSH.

In addition to the program and policy efforts, Metro Nashville has made strategic changes to strengthen our capacity and expertise to ensure homelessness is rare, brief, and non-recurring. In 2023, Metro Nashville created its first ever standalone department, the Office of Homeless Services, which aims to enact a robust approach to providing housing to the unhoused in Nashville and expand on existing work to assist those without housing. While Nashville was an early adopter of certain Housing First principles for about a decade, Nashville's mayor declared Nashville a Housing First city and fully funded a comprehensive strategy in 2021. Since its creation, OHS has committed to furthering the "Housing First model" in existing and new initiatives, such as the 100-day challenge which aims to house 100 Nashville-area families experiencing homelessness in 100 days. Over 30 community organizations are partnering together to support the challenge which launched in August 2023. This challenge presents a unique opportunity for the community to come together using the latest best practices and a collaborative and efficient approach in support of families experiencing homelessness.

Increasing Local Capacity to Advance Affordable Housing

Metro Nashville has made strategic measures to enhance local capacity and expertise to advance affordable housing. In 2021, Mayor Cooper convened an Affordable Housing Task Force to develop recommendations on addressing Nashville's affordable housing crisis. Among its recommendations were expanding local funding for affordable housing, utilizing public land for affordable housing development, and creating a Housing Division to expand capacity to track and implement affordability efforts. In January 2022, Metro established its first ever Housing Division, which sits within the Metro Nashville Planning Department. The Housing Division is charged with developing policies and initiatives to address the city's affordability needs and developing a comprehensive strategy. Since January 2022, the Housing Division has grown from a team of three to a team of seven with plans of future growth. The increased capacity has

allowed Metro to expand its outreach efforts to new and current development partners. The Division provided the needed capacity to implement several of the ARPA funded programs which will offer new supply and innovative solutions. Additionally, the Housing Division has had the unique opportunity to work closely with the Planning Department's staff to identify zoning and land use policies that are barriers to the creation of additional housing supply, including affordable housing. The first phase of the city's comprehensive housing strategy – a market value analysis and displacement risk ratio analysis – is underway.

In addition to expanding government capacity to advance affordable housing, there have been private local initiatives aimed at increasing and diversifying Nashville's development partners. With the support of the Amazon Housing Equity Fund, the Urban League of Middle Tennessee (ULMT) established a Real Estate Developers (RED) Academy to empower, expand, and educate developers of color in all aspects of residential real estate development. The goal of the RED academy is to increase the development and delivery of attainably priced housing across Nashville's market. In March of 2022, the RED Academy welcomed its first class of developers of color who are participating in an 18-month program to equip them with the needed training, financing, and mentorship to build affordable housing in the city. Another private program – Music City Construction Careers (MC3) – provides training for local residents to gain access to Building Trades' registered apprenticeship programs.

Notably, the Barnes Fund, Metro Nashville's local housing trust fund, has also instituted programmatic policy changes to bolster participation of minority-owned, women-owned, and small businesses. In the fall of 2017, the Barnes Fund partnered with the Center for Nonprofit Management to provide one-time technical assistance to a group of 10 nonprofit affordable housing developers with a focus on strengthening organizational structure with attention to board development, financial reporting, and succession planning. To promote successful applications from small organizations, there is a specific set-aside for small organizations that Metro Council codified in Spring 2023 and requires 20% of the total annual allocation be set-aside for nonprofit organizations with an annual operating budget of no more than \$4 million and a housing budget of no more than \$1 million. In 2021, a Diversity, Equity, Accessibility, and Inclusion (DEAI) component was incorporated into the evaluation criteria with the intention to formally encourage participation of underrepresented developers and diverse contractors. While program policy changes are intended to incentivize diverse applicants, additional efforts, including technical assistance and training, are needed to support BIPOC-led and women-led developers be successful in securing competitive funding opportunities.

Policy Changes

In addition to utilizing local and federal funding to support affordable housing development, Metro Nashville has also enacted regulatory changes with the intention to expedite affordable housing development. For example, starting in 2019, Metro Nashville began providing expedited review of building permits that include income-restricted affordable housing. The scope of permits and activities (such as inspections) eligible for expedited review has been expanded since its initial inception. In 2020, Metro reported that review times for some projects had decreased from 4 months to 6 weeks. Housing insecurity can result in long-term negative

consequences to individuals and families. Expediting permitting process for affordable housing developments recognizes the urgency of Nashvillians housing needs and encourages quicker housing placement. Of note, Metro Nashville departments are also actively working in partnership with the local Urban Land Institute's Housing Action Council to identify and develop solutions to outstanding roadblocks involved in the affordable housing development permitting and approval process.

Zoning and Land Use Efforts

Metro Nashville's Planning Department has engaged in multiple efforts to encourage housing supply. In 2015, Nashville adopted its third General Plan, known as NashvilleNext. Coming at the pivot between recovery from the Great Recession and the city's late 2010s economic and development boom, the new General Plan reflected Nashvillians' desires for changing the direction of growth from exclusively auto-oriented sprawl to a walkable, transit-oriented city. Key strategies identified by the plan were to create opportunity through abundant housing (reflecting community concerns with concentrated poverty, gentrification and displacement, suburbanization of poverty, and exclusion) linked with a system of high capacity transit serving urban and suburban parts of the county. Providing a mix of housing types coordinated with transit access, was a crucial component of the plan. These were reflected most strongly in the following goals and policies:

- Land Use, Transportation, and Infrastructure Goal 4: Nashville's neighborhoods provide residents with a choice of places to live, preserving neighborhood character and history while accommodating housing choices across income levels, interests, ages, abilities, and races or ethnicities.
- Land Use, Transportation, and Infrastructure Goal 5: Nashville's neighborhoods include mixed-use, walkable centers, commercial districts, and corridors that fit within their context and character and offer housing affordable across a range of incomes.
- Land Use, Transportation, and Infrastructure Policy 5.2: Create mixed income communities by encouraging more market-rate housing at lower price levels, preserving affordable housing in gentrifying neighborhoods, and creating new affordable homes when new market-rate homes are built.
 - Housing Goal 1: Nashville maintains economic and social diversity. Housing choices are affordable, available, and accessible to all new and existing Nashvillians.
 - Housing Goal 2: Nashville has a strong and diverse housing market that embraces changing housing demand.
 - Housing Policy 2.1: Create real housing choices in rural, suburban, and urban areas that respect the rural, suburban, and urban development patterns.
 - Housing Policy 2.2: Create tools that encourage context sensitive development in Nashville's neighborhoods.

Notably, following the publication of NashvilleNext, Metro Nashville adopted one of the recommended programs, the creation of an inclusionary housing program in 2016. Structured as both a requirement and a subsidy, the program required property owners seeking a zone change to increase entitlements to ensure a portion of the additional entitlements were affordable, matched with a subsidy for the gap between market and affordable rates, so long as the subsidy

was available for Metro. While such program may have served as a critical local tool for increasing the affordable housing supply, in 2018, the State of Tennessee pre-empted Nashville's inclusionary housing ordinance. As drafted, the preemption also applied to Nashville's pre-existing bonus program within the Downtown Code. It also precluded bodies such as the Nashville Planning Commission from considering potential affordability of projects in zoning change decisions.

Missing Middle Housing

Following the state preemption of inclusionary housing and zoning incentives, the Planning Department shifted its focus on identifying areas for missing middle housing through its small-area planning program. Missing middle housing refers to housing types that fall somewhere in between a single-family home and mid-rise apartment buildings, which includes townhomes, duplexes, triplexes, and small apartment buildings. Missing middle housing offers a gentle density increase while increasing the availability of potentially less expensive housing types. Highland Heights, a neighborhood in East Nashville, was an initial attempt at coordinating improved building form and transportation access within a neighborhood experiencing strong redevelopment and gentrification pressure. Implementation of larger, more intense redevelopment has been facilitated through Specific Plan (SP) zoning in compliance with the plan. SP zoning allows property owners, the Planning Commission, and the Metro Council to create custom zoning districts, usually adopted with a site plan. This gives the community and developers the opportunity to craft context-sensitive developments that would not otherwise be allowed by the existing zoning code. This has enabled dense downtown and urban core high rises and mid-rises, mixed-use and mixed-housing suburban developments, and missing middle infill. However, the high level of specificity needed in the zoning approval, coupled with a sometimes lengthy and uncertain approval process, means that it is a barrier to high volume production.

A second major neighborhood initiative, the Wedgwood Houston-Chestnut Hill plan called for missing middle housing throughout its neighborhood interiors. This was implemented in 2019 through an Urban Design Overlay to grant flexibility in density, paired with improved design standards. This UDO was adopted alongside a base zone change to allow for greater entitlements. Since adoption, the small neighborhood has seen a large number of permits in compliance with the plan. However, these have generally been townhomes, rather than apartments, likely due to increased building code costs for even small apartments.

In addition to the neighborhood efforts made above, the Planning Department staff conducted an initial scan of existing barriers to the production of missing middle housing found in the Metro Zoning Code, Subdivision Regulations, and NashvilleNext/Community Character Manual. Additional barriers were also identified that would require collaboration with other Metro government agencies to address. The potential impact of the barrier was estimated in terms of acreage of land that the code barrier would apply to when applicable or in terms of the significance of the barrier in realizing middle housing. As discussed further in the Soundness of Approach, Metro Nashville is requesting PRO Housing funding to build on the initial analysis of barriers to missing middle housing with the intention to provide adoption ready zoning and text amendments which would facilitate middle housing development.

Land Availability & Faith Based Housing Development Opportunities

Identifying land for affordable housing development is typically one of the most difficult steps in real estate development transactions. Institutions, whether public, academic, healthcare-related, or faith-based institutions, can play a significant role in expanding housing affordability and mobility given the amount of land they own, their locations, and accessibility to transportation options and services. While Metro Nashville has undergone an initial analysis on its publicly owned land and plans to further evaluate what land may be appropriate for housing purposes, public and private institutions, particularly faith-based institutions, may offer critical resources to utilize. Faith-based institutions in Nashville have shown a keen interest in supporting affordable housing. In November of 2022, several congregations in partnership with local housing developers hosted a summit, Built on Faith, for congregations interested in learning how to play a role to solve Nashville's affordable housing crisis. The summit which welcomed over 100 attendees included breakout sessions with faith-based institutions from other states who have successfully repurposed portions of their land to house their neighbors.

Since the summit, additional initiatives have taken place to engage faith-based institutions in affordable housing conversations. The Urban Institute and Think*Tennessee*, a nonprofit think tank, hosted various institutions in the Nashville community in Spring 2023 – academic, health, faith-based, and public sectors convened to better understand the barriers and opportunities of developing institutional land for affordable housing. In the fall of 2023, stakeholders will convene again to discuss the findings of the amount of land owned by the institutions and where there are opportunities for significant housing development, particularly for affordable housing development along Nashville's major corridors and neighborhoods. During the initial convening, nonprofit organizations and faith-based institutions were interested in an introductory or 101 guide to affordable housing to support faith-based institutions in their efforts to build affordable housing on the land they own. The 101 Housing Resource Guide for Faith-Based Institutions underway is being developed and written by Holland & Knight Law Firm, the Urban League of Middle Tennessee's Real Estate Development (R.E.D.) Academy, and Think*Tennessee*. It is designed for faith-based institutions that are interested in developing their land for affordable housing opportunities in their communities and for their congregations. Through conversations with faith-based institutions, it became clear that initial education was needed for faith-based institution who may have limited familiarity with affordable housing space but a passion to promote solutions. The guide currently being developed will offer preliminary educational material to faith-based institutions that will include introductory information about affordable housing. As discussed further in Soundness of Approach, we are proposing to use PRO Housing funding to expand upon the guide currently in development that will enable faith-based institutions to move from education to application.

Other Policy Changes

To encourage much needed additional housing supply, Metro Nashville has sought policy changes to promote and allow for housing development. These policy changes include revising parking requirements. In October of 2021, Nashville eliminated parking requirements in the urban core (Urban Zoning Overlay). The parking requirements were imposing additional and unnecessary development while also utilizing space which could be repurposed for additional housing units. Notably, the Urban Zoning Overlay accounts for 6% of the Davidson County, by

area, where 65% of residentially zoned land allows one- or two-family homes only. In addition to reducing development costs, the elimination of parking requirements will encourage missing-middle housing strategies, as well as support walking, biking, and transit use.

In 2011, an adaptive residential provision allowed property zoned for commercial uses only on streets along the Major and Collector Street Plan to use unlimited floor-area-ratio within their bulk building standards, so long as it is for residential. This was a substantial, countywide upzoning for dense multifamily along corridors. Also, in May 2023, Metro approved legislation to allow unrelated and related people to live together and to increase the number of unrelated people who can live in a dwelling based on bedroom size. The previous code allowed no more than three unrelated people to live in the same dwelling regardless of the home and did not allow a mix of related and unrelated people to live together. The change in the code increases housing options in Nashville.

V.A.1.a.ii. ACUTE DEMAND

Internal and external research and data has shown that Metro Nashville's housing needs are acute and require a timely, thoughtful and thorough response. Notably, Davidson County was identified as a priority geography for the PRO Housing grant due to the widespread housing cost burden experienced by Nashvillians. As cited in the Consolidated Plan, one of the most common housing problems in Davidson County were households being cost-burdened, especially those between 0-30% AMI. Out of the 35,015 combined owner and renter households that were severely cost-burdened, 21,589 were in the 0-30% AMI category, or 61.6%. Very few areas of Davidson County are below cost burden status; and areas below cost burden are where several MDHA public/affordable housing properties are located. Alarming, households who are cost-burdened are disproportionately Black and Brown. According to 2021 Census data for Davidson County, 43% of Black households and 45% of Hispanic households are cost burdened compared to 33% of white households. Households who are low-income who are cost-burdened often face the precarious scenario in which certain essential needs are forgone to afford housing. Households are forced to choose between housing or food or housing or healthcare. These tradeoffs can lead to negative impacts not only on an individual household but also on the larger community.

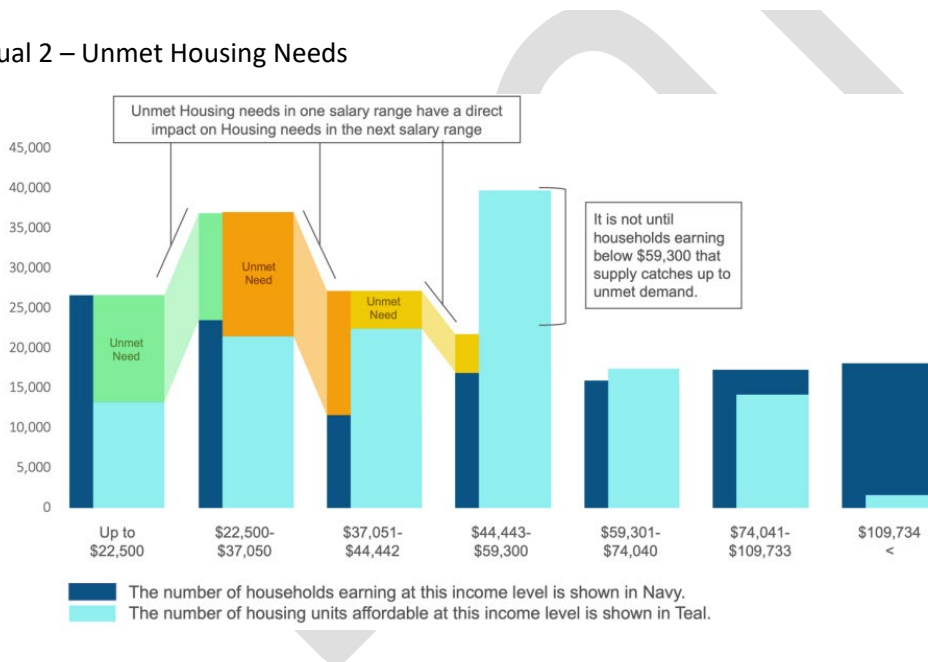
While cost burden is one metric for housing insecurity, additional metrics underscore the need for affordable housing. An analysis conducted by the Planning Department for the Affordable Housing Task Force Report published in 2021 revealed a gap of over 14,000 units for households earning less than 30% of the AMI. This unit shortages forces households earning less than 30% of the AMI to search for housing that is affordable only for those with higher incomes, resulting in severe cost burden for these households. The table (Table 1) below alarmingly 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 Visual 2 portrays, as 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. As the visual and accompanying table reveals, Nashville has a significant need for additional housing, particularly for households earning 0 to 30% of the AMI.

Table 1- Unit Needs by AMI Bracket, Source: American Community Survey, 2021

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)

Visual 2 – Unmet Housing Needs



Partially due to the insufficient housing supply, communities across Nashville have experienced substantial rental increases and homeownership prices resulting in displacement concerns. In an analysis from 2021, Metro Nashville’s Planning Department identified neighborhoods vulnerable to displacement. The analysis found that large swaths of the urban core are post-gentrification, gentrifying, or are not home to vulnerable communities. Those areas identified as “continued loss” are high value areas that have experienced demographic change. Areas identified as “late” have newly high home values and are experiencing appreciation and demographic change. The map also shows the spread of displacement pressure to the north and southeast of the urban core.

Of note, Metro Nashville recently contracted with the Reinvestment Fund, a nonprofit organization that provides financial and analytical tools, to conduct an updated displacement analysis.

Additional data gathered as part of the Point-in-Time count and HMIS system further reflect our acute need for affordable housing. The 2023 PIT count reported a total of 2,129 people were experiencing homelessness on January 26, 2023. While the number of unsheltered people decreased by 44 persons, there was an overall increase in homeless by 11% compared to January 2022. Moreover, Nashville's homelessness data reflects larger racial inequities that perpetuate our community. Despite the Black population making up 26.4% of Davidson County the homelessness population in Nashville is 45% Black or African American. While Metro Nashville has invested additional local resources and utilized federal resources to make homelessness rare, brief, and non-recurring, such resources are stymied without adequate housing supply affordable to households experiencing homelessness. According to HMIS data, families experiencing homelessness in Nashville in 2023 are waiting an average of 101 days before being placed in housing compared to 69 days in 2019. The prolonged length of time spent experiencing homelessness is related to the limited housing supply affordable and accessible to families with low-to-moderate incomes. Additional time spent experiencing homelessness can have lasting negative impacts on our families and children such as reduced educational achievement, poorer health outcomes, and reduced financial security.

Unfortunately, the widespread lack of housing supply experienced in Nashville has also resulted in negative downstream effects to other critical housing programming. For example, as stated in the Consolidated Plan, the lack of available and affordable units has resulted in significant challenges for voucher holders seeking housing. To ensure enhanced utilization of vouchers, MDHA has allowed 1,400 of its housing choice vouchers to be used as project-based vouchers. While MDHA is actively working to recruit new landlords to participate in the voucher program, shortages in affordable housing supply impose barriers to voucher holders housing attainment and overall stability.

The need for more affordable housing has been clearly reflected in data but also has been elevated by residents of our community. The Consolidated Plan process included several input sessions in addition to a community survey. As articulated in the Plan, more affordable housing units was found to be the top priority for the community. Additionally, and as mentioned previously, affordable housing was also the top priority identified in a survey distributed to Nashvillians as part of the process to determine uses for available ARPA funding.

V.A.1.a.iii. Existing barriers

Despite Metro Nashville's ongoing efforts, there are several key barriers that still exist to affordable housing production and preservation in Nashville that need to be addressed. These barriers, many of which were identified in the Consolidated Plan, include the following: zoning/density constraints, limited land availability, scarcity of funding, and development capacity.

Zoning

To adequately address our affordable housing needs, zoning and building codes must allow for development at scale. However, a significant portion of Davidson County has single-family zoning with large minimum lot sizes which sharply limits the growth of housing supply in established neighborhoods with amenities and prohibits more affordable development styles. In fact, only 7% of Nashville is zoned to allow multi-family. The Metro Zoning Code lacks necessary regulations to ensure that more dense and multi-family housing is context sensitive to existing neighborhoods, preventing political support for the upzoning of property in established neighborhoods with amenities and limits overall housing supply and the type of permitted housing to less affordable types.

Metro's current tool to address this is a custom zoning district (Specific Plan zoning) that allows tailoring to local context. However, this (and other base-zone changes) is an expensive and uncertain process that discourages applications and requires extensive time and capital investment to succeed.

In subdivisions specifically, there are additional requirements that limit housing supply and prevent affordable housing types from being provided. The Metro Planning Commission Subdivision Regulations contains requirements that aim to protect neighborhood character and these requirements often result in larger residential lot sizes than the zoning code would otherwise require.

In addition to zoning constraints, building codes also serve as a barrier to affordable housing production. The International Building Code applies to all residential developments with 3 or more units and has significantly more costly requirements than the International Residential Code, which applies to 1 and 2 family developments. This puts any 3 or more unit development into the same code requirements as a 200 unit building and results in smaller scale multi-family developments being less affordable or cost prohibitive.

The existing zoning and density requirements make affordable housing development infeasible in many amenity-rich parts of our community. Thus, Metro Nashville is proposing to use a portion of the PRO Housing funding to prepare zoning and other land use and building regulatory tools that would permit a greater variety of housing types to be built and in turn address our housing supply shortages and promote affordable housing.

Cost and Availability of Land for Affordable Housing

Limited land availability coupled with the high land costs impede affordable housing production. As discussed in the Consolidated Plan, land is at a premium especially along transportation corridors and near services and commercial activity where it is desirable to create affordable housing in these areas so that low-to-moderate income households have greater access to critical services. Even after controlling for inflation, per-acre land values in Nashville's urban core are approximately six times higher in 2022-2023 compared with sales in 2010-2013. The high costs of land make it financially challenging, and sometimes unfeasible, to create affordable housing

without a subsidy or incentive. Through stakeholder input, which included conversations with affordable housing developers and advocacy organizations, costs of land were cited as a significant barrier to development. To address our land limitations, engaging partners with land resources is critical. If awarded, Metro Nashville will expand upon existing efforts to support interested faith-based institutions in employing their underutilized land to increase housing access.

Scarcity of Affordable Housing Financing

Metro Nashville has made full use of available federal and local funding to support affordable housing production. However, such funds have been insufficient in addressing our substantial housing needs. Federally, except for 2018, funds for affordable housing have been declining since 2010 and 9% LITHC's are awarded on a competitive basis limiting the extent of use in Nashville-Davidson County. Despite increased local investment in affordable housing development, additional resources are needed to address the housing needs of our community, particularly those households earning 0 to 30% of the Area Median Income and/or experiencing homelessness. While the Barnes Fund has served as a critical local resource to affordable housing production, the Fund, which provides competitive grants for new rental construction for 60% of the AMI or below and new homeownership units for 80% of the AMI or below, has been limited in advancing permanent supportive housing and housing for very low-income households. Since its creation in 2013, less than 11% of the total units funded by the Barnes Fund have been for households earning 0 to 30% of the AMI. Although applicants are scored favorably for proposing units for special populations and units at deeper affordability, the development community has shared that such development is financially challenging without additional subsidy. Metro Nashville's Housing Division has learned that to develop PSH and units for households earning 0-30% AMI, it is essential to earmark allocations specifically for that purpose coupled with reasonable subsidy.

Of note, the Barnes Fund, even with additional allocations, have been insufficient in meeting the demand. In the Spring of 2023, Metro Nashville's Housing Division released Round 11 of The Barnes Fund with its largest available funding to date. Despite \$13.3 million being available in funding, a record \$42.8 million was requested. There is strong evidence to suggest that additional funding to support new construction is not only needed but that local partners wish to utilize such funding.

In recent meetings with development members of the Urban Land Institute, affordable housing developers emphasized the need for additional financing support to make affordable housing proposals financially feasible. The developer community shared that interest rate hikes, inflation and rises in land costs have made it increasingly difficult to develop affordable housing deals that are fiscally sound. The economic challenges faced by developers coupled with the fully exhausted federal and local affordable housing resources strongly support the need for additional dedicated affordable housing financing. According to recent projections published by the CoC Data committee and Corporation of Supportive Housing, Nashville needs an estimated 4,363 units of permanent supportive housing for individuals experiencing homelessness within five years. To meet this need, additional financing tools are essential. If awarded, Metro Nashville

would address funding barriers by allocating \$6 million in PRO Housing grants to increase PSH and units for households earning 0-30% of the AMI.

Development Capacity – Barriers to Diversifying Development Partners

To address our housing supply challenges, new and diverse development partners are needed. In ongoing community feedback, stakeholders and community leaders have voiced the desire to expand our local development capacity with a focus on supporting BIPOC-led (Black, Indigenous, People of Colors) developers. Several reports and studies have revealed the lack of diversity amongst the development community. It is estimated that Black developers represent only .40 percent of the industry and Hispanic developers represent a mere .16 percent of the industry. Urban Land Institute, a membership organization representing the largest network of cross-disciplinary real estate and land use experts, recently shared that only 5 percent of their members identify as Black or African American. The lack of diversity among developers can translate into a lack of diversity in the product and moreover a lack of focus on housing low to moderate income households. A report commissioned by the Initiative for a Competitive Inner City with Grove Impact found that removing the constraints on Black and Brown developers would generate large economic benefits. According to the report, inclusion of more Black and Brown developers could help overcome housing shortages, help under-resourced communities become more resilient to the pressures of gentrification, generate more jobs for Black and Brown workers, and help address long-standing inequities.

Although there are ongoing local initiatives focused on diversifying the development community in Nashville, barriers still exist for BIPOC-led developers. In development of the proposal, Metro Nashville's housing division consulted with leadership from the Urban League of Middle Tennessee's RED Academy, which in 2022 welcomed its first class of 15 developers of color who are participating in an 18-month program training program to develop skills and knowledge needed to build housing with a focus on affordability. RED Academy leadership shared that some of the major supports needed for developers of color to be successful are predevelopment costs support, capacity building, and a go-to network of partners to assist with development deals. To address these outstanding challenges faced by our community's developers of color, Metro Nashville is proposing to use PRO Housing funding to implement an Affordable Housing Accelerator program to support mission driven affordable housing developers and contractors. As discussed in further detail in Section V.A.1.b.i., the funding will be used to develop a network of experts, including lawyers, architects, lending institutions, and others, which developers interested in creating affordable housing could quickly connect with to help develop successful and competitive proposals for local, state, and federal funding opportunities. The PRO Housing funding would be used strategically to increase the development capacity with an emphasis on BIPOC-led developers with the aim to expand our affordable housing supply with an equity-lens.

EXHIBIT D

SOUNDNESS OF APPROACH

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

Creating a Nashville that is affordable for all is much like building a house – it requires multiple tools and functioning systems. While we are not able to address all areas of housing affordability through this grant, the proposed activities are born from ongoing stakeholder engagement, data analyses, and best practices in other jurisdictions and build upon momentum from efforts underway to create new or strengthen existing tools and systems to ultimately remove obstacles to affordable housing. Moreover, our proposed activities address most of HUD’s strategic goals, meet CDBG LMI national objectives, and affirmatively further fair housing.

V.A.1.b.i. Vision

The vision statement for the Metro Housing Division is “Every Nashvillian has housing security.” The team wanted our vision statement to be bold and to always bring us back to the “why” of our work. This vision challenges the team, our Metro Nashville colleagues, local decision-makers, and partners to view Nashville’s housing challenges through multiple lenses and realize there is no singular solution to solve our affordability crisis. Each of the proposed activities takes a different, but effective approach, to address the acute demand and deep barriers to creating and preserving affordable housing as discussed in the Need section:

1. Missing Middle Housing Policy Development
2. Affordable Housing Accelerator Program
3. Faith-Based Housing Development Initiative
4. Affordable Housing Financing
5. Grant administration.

Missing Middle Housing Policy Development

Missing Middle Housing (MMH) Policy Development is intended to increase supply through a gentle, neighborhood scale by adding smaller amounts of density in more places while being mindful of community concerns about character and appropriate context. This proposed activity includes two phases that build on an initial phase of work conducted separate of the HUD PRO Housing grant funds. The initial phase involved staff doing a review of various local land use regulations to identify barriers to the production of middle housing. Additionally, staff has engaged a regional planning professional to assist with this internal review of barriers to middle housing. Building on this initial work, staff would then apply HUD PRO housing grant funds towards phases 2 and 3, described below.

MMH Phase 2 would apply HUD PRO Housing Grant funds towards hiring a consultant that performs an audit that builds on the work of Phase 1 and further analyzes barriers to middle housing in the Metro zoning code, subdivision regulations, policy documents, and other regulatory requirements. This audit would identify barriers as well as “test” MMH code changes by applying potential code changes to potential sites across town to “test” the outcomes of potential code changes. This “testing” would include pro-forma evaluations that connect construction costs, rents/sales prices, and land prices in different parts of town to ensure the potential code changes are commercially viable in the private market. In addition to performing the audit, the consultant would assist staff in performing a robust community engagement and consensus building effort. Finally, the consultant would produce a report that detailed the results

of the audit, the “testing” of potential code changes, and results of community engagement and consensus building. This report document would be the background for MMH Phase 3 and for supporting zoning/implementation adoption.

MMH Phase 3 would apply HUD PRO Housing Grant funds towards hiring a consultant that produces potential zoning code and zoning map amendments, as well as other MMH implementation tools that are ready for adoption. These zoning code, zoning map, and other implementation tools could be localized approaches or county wide; and these zoning code, zoning map, and implementation tools would be based on the results of the previous scans, audits, analysis, and community engagement. The actual adoption of the implementation tools would be a separate effort.

These activities would enable the Department to create zoning and other land use and building regulatory tools that would permit a greater variety of housing types to be built than what's currently being realized under the current framework. Specifically, the activities would assist staff with creating tools that enable the missing middle housing types that are so difficult to create under modern codes and have historically been critical components of a community's housing choice. Additionally, the MMH process will engage participants in the Affordable Housing Accelerator program, to help these emerging developers identify market opportunities in missing middle housing development. By coordinating community engagement with communities that are gentrifying or susceptible to gentrification, new MMH regulations that better match these markets, and developers from these communities, the proposed approach will expand local community control of housing development in these neighborhoods.

- *Lessons Learned from Previous Efforts*

A neighborhood scale zoning overlay tool, the Wedgewood Houston Chestnut Hill Urban Design Overlay (WHCH UDO), was approved by the Planning Commission in April of 2021 and this tool provided a zoning framework for contextual urban neighborhood change that prioritizes housing affordability, diversity, and sustainable growth. The WHCH UDO upzoned a neighborhood and simultaneously adopted bulk and design standard that enable middle housing types. This tool has largely been effective and realizing housing types otherwise not found in Nashville and the success of this effort has encouraged staff to pursue this at a larger scale. These housing types are generally smaller and better utilize the lot sizes of Nashville. The proposed MMH activities would iterate on this effort and lessons learned from this zoning tool. An example is the permitted floor area ratio and how this should be calibrated for various project types (single family vs two family vs multiplex vs cottage court, etc.) to ensure they are neighborhood scale and achieving a variety of price points. Staff acknowledge that deep community engagement is necessary and welcome the opportunity to walk alongside neighbors during this process.

Affordable Housing Accelerator Program

Investing in equitable affordable housing is investing in diverse developers and contractors. The Need section articulated how the lack of diverse affordable housing developers impacts equitable housing – it often translates into a lack of diversity in the product and lack of focus on housing

LMI households. By bringing emerging developers, particularly BIPOC businesses, into the development pipeline, we not only expand and diversify our capacity to address Nashville's acute demand, we create economic opportunities and entry into a highly competitive industry. But for these developers to be successful, they must have a level playing field. Nashville's existing programs provide development training and Building Trades' registered apprenticeships. However, many cannot make the leap from training to development because they do not have the capacity or resources to support predevelopment costs.

The Affordable Housing Accelerator Program will fund the creation of a predevelopment marketplace, providing emerging developers and contractors access to a network of experts such as lawyers, architects, and grant writers. Funds would be used to support a contractor to establish the marketplace and program operations. In addition, a portion of funds may be used to the expansion of existing development and contractor training programs. To further support this initiative, Metro Nashville commits to setting-aside a portion of the Barnes Fund budget for projects proposed by organizations that have participated in the Affordable Housing Accelerator Program. The program will be opened to all small and emerging developers and contractors, with an emphasis on recruiting BIPOC-led organizations.

- *Lessons Learned from Previous Efforts*

In 2017, Barnes Fund staff utilized some funds to create a capacity building program for nonprofit developers. Because this program focused more on organizational capacity than development capacity, many of the organizations that participated in the program still struggle to compete for funding. We hear the concerns and frustrations from elected officials and small nonprofit developers that development capacity limitations keep these organizations from accessing funding. More recently, Barnes Fund staff expanded DEI efforts to recruit more BIPOC developers to the program. While we have seen some progress, the door for many is still closed due to the lack of capacity/resources to support predevelopment costs. Recent conversations with representatives from training organizations, the Urban League's Real Estate Developers (RED) Academy and Music City Construction Careers (MC3), echo this challenge.

Faith-Based Housing Development Initiative

Land is a precious commodity in Nashville, and affordable housing developers cannot compete in the real estate market, and the availability of land a key barrier to increasing the supply of affordable housing. As presented in the Need section, land owned by faith-based institutions is an untapped resource that many of these organizations want to activate for affordable housing development. Initial findings from research conducted by ThinkTennessee and the Urban Institute indicate that faith-based institutions are the largest institutional landowners in Nashville (not including government).

The Faith-Based Housing Development Initiative builds on the work of ThinkTennessee and the Urban Institute to equip faith-based institutions with the tools, resources, and expertise to convert underutilized land into affordable housing. When it comes to real estate development, faith-based institutions have unique opportunities and challenges and need tailored support. This Initiative would fund a contractor that brings the technical expertise to guide institutions in the transition

to real estate development and connect them to partners and resources. To further support this initiative, Metro Nashville commits to setting-aside a portion of the Barnes Fund budget for projects proposed by organizations that have participated in the Faith-Based Development Initiative. We believe that this Initiative could unlock several hundred acres of developable land and potentially lead to the creation of several thousand new housing units. The official determination will be revealed when Think*Tennessee* and the Urban Institute release their final report later this fall.

- *Lessons Learned from Previous Efforts*

Housing Division staff attended the Built on Faith event hosted by several local congregations and housing advocates in Fall 2022. While the event was well-attended by over 100 participants and generated interest and excitement, little progress has been made since. In follow-up conversations with congregations and Think*Tennessee* the missing piece is a structured program to empower faith-based institutions with the tools and capacity to pursue development opportunities and connect them to developers and funders.

Affordable Housing Finance Program

Our most acute demand, as illustrated in the Need section, is for permanent supportive housing (PSH) and deeply affordable housing (0-30% AMI). Our ability to reduce homelessness to functional zero is largely predicated on an adequate supply of housing that meets the demand. While the Metro Office of Homeless Services and the Metro Homelessness Planning Council have a strategy to transition persons living outdoors to shelter, the pipeline collapses when there is no exit to permanent housing. As previously discussed, scarcity of financial resources is the largest barrier scaling the production of PSH and deeply affordable housing.

PRO Housing funds, leveraged with Barnes Fund and other dollars, would allow us to make significant progress. Funding would allow for acquisition, new construction, rehabilitation of existing units, or conversion of hotels or other uses into housing. By allowing a per unit subsidy of up to \$100,000, we open the doors for the creation of PSH and deeply affordable housing in high opportunity areas where it is difficult to development and the integration into mixed-income projects.

- *Lessons Learned from Previous Efforts*

Previous attempts to set-aside funds for PSH development (such as through the HOME program) resulted in few responses, primarily due to the challenge in leveraging funds for services and rental assistance. Metro Nashville's recent and ongoing services and MDHA's ability to award project-based vouchers for rental assistance make these projects financially feasible. However, we continue to see through the Barnes Fund process, applications for PSH and deeply affordable housing funding request higher per unit subsidies than other affordable housing projects - continued indication of the challenges financing the types of projects.

Grant Administration

The Metro Housing Division will administer the grant, which includes grant management, monitoring, and reporting. A portion of grant administration funds may be used to support Environmental Review and Procurement actions undertaken by the Metropolitan Development and Housing Agency (MDHA) on Metro Nashville's behalf.

- *Lessons Learned from Previous Efforts*

Having administered large HUD grants and other significant project and programs, staff have a solid grasp on the time and capacity required for grant administration.

Alignment with Other Plans and Initiatives

All the proposed activities align with and implement recommendations in NashvilleNext (Nashville's comprehensive plan), the Consolidated Plan; Nashville's Fair Housing Plan, the 2021 Affordable Housing Task Force Report, and the Continuum of Care (CoC) Strategic Plan. *See Attachment C for Certification of Consistency with the Consolidated Plan.*

V.A.1.b.ii. Geographic Scope

The geographic scope is the entire county. However, because Metro Planning does not have jurisdiction in the satellite cities of Berry Hill, Oak Hill, Goodlettsville, and Forest Hills, the MMH analysis and policy development will exclude these areas and focus on more urban areas of town that are well-served by infrastructure, are amenity rich, and have walkability proximity to amenities and commercial services. *See Attachment G for a map of Davidson County, including the satellite cities.* This work would enable Planning to present neighborhood leaders and elected officials with adoption ready zoning and implementation tools that enable a greater variety of housing types to be provided. The anticipated effects include a wider variety of price points for new residential units, increased density in high resource neighborhoods, new housing types that support a variety of lifestyles, support for commercial services in and around neighborhoods.

The goal of the Affordable Housing Accelerator Program is to expand affordable housing options throughout Davidson County. Because of Nashville's diverse topography and natural features that present development challenges, curricula will include best practices for understanding and navigating these challenges. The Faith-Based Housing Development Initiative will be open to any organization wishing to participate with guidance on understanding neighborhood context. As with other Metro Nashville housing finance programs, the Affordable Housing Finance Program will prioritize projects located within a half-mile of transit access, in walkable areas, and near healthy food sources. For all of these activities, a goal is to integrate deep affordability into mixed-income housing located in high-opportunity areas.

V.A.1.b.iii. Stakeholder Engagement

Metro Planning staff are committed to robust community and stakeholder engagement throughout the year. Engagement includes attending and hosting numerous community meetings and forums; participating as members of industry-related organizations; and capturing comments made at Metro Council, Planning Commission meetings, and other public meetings. This ongoing engagement enables staff to keep a pulse on issues and ideas and be proactive and responsive. Input from this engagement, as well as through NashvilleNext discussion, Consolidated Plan consultations, and Affordable Housing Task Force meetings shaped this proposal.

For outreach, staff compiled a list of civic organizations, public agencies, non- and for-profit housing developers and advocates, and other organizations with an interest in the Nashville's housing crisis and sent letters and emails to these stakeholders explaining the PRO Housing application process and the intended activities of the funds. Staff has also held meetings with individual organizations to discuss the application and the intended use of the funds. Staff specifically engaged with housing developers and organizations representing builders, contractors, and union trades. Staff will continue to communicate during the grant period, and updates will be posted through the department's typical communication channels such as website updates and social media updates.

Staff are casting a wide net to encourage public participation and build support for the proposal. The public notice of upcoming public meetings was published on September 27 in *The Tennessean* (paper of general circulation) and in two minority papers, the *Tennessee Tribune* and *Azul 615* magazine and posted on Planning's website. Also, staff distributed public notices at the Festival of City Services held on September 30 in Nashville's Public Square. The draft application was posted for public review on Planning's website on October 2, and email notices were sent to Planning's stakeholder lists. A virtual public hearing will be held at 11:30 am on Wednesday, October 11, with an in-person meeting held the same day at 5:30 pm in the Sonny West Conference Center. In addition, members of the public may provide comments at Metro Committee and Council meetings on October 16 and 17 in accordance with Council procedures. Members of the public may submit comments in writing by email, mail, or hand delivery through 11 pm on October 17.

V.A.1.b.iv. Affirmatively Furthering Fair Housing

The 2021 Affordable Housing Task Force adopted four Guiding Principles that should influence the way Metro Nashville approaches and addresses its housing response. Likewise, the Metro Housing Division has adopted these same guiding principles to be incorporated into every aspect of our work. These principles are at the heart of affirmatively furthering fair housing:

1. Address housing inequities, especially racial inequities.
2. Pursue innovative and creative solutions.
3. Connect people to each other and to resources and opportunities and make these pathways accessible to all.

4. Create resilient solutions that support residents and communities in preparing for and recovering from economic and climate-related shocks and stressors.

Racial Composition of Expected Beneficiaries

According to Nashville's most recent Fair Housing analysis, Black households are more likely to benefit from the proposed grant activities as they are more likely than whites to occupy publicly-assisted housing and experience a greater level of housing insecurity. To ensure households with the greatest needs are served, strategic outreach and affirmative marketing will be conducted.

Access to Opportunities and Desegregation

Creating affordable housing in well-resourced areas and expanding housing choice is a long-standing challenge due to the availability of land, the cost of land when available, and land use policies. All of the proposed activities are designed to break through these barriers to increase access to well-resourced areas for underserved groups. By building the capacity of developers and contractors through the Affordable Housing Accelerator Program and activating land owned by Faith-Based Institutions, we expand affordable housing options in high opportunity areas. The Affordable Housing Finance Program and the Barnes Fund will give priority to projects located in amenity-rich areas, that are walkable, and have access to transit and healthy food options.

However, one of the most impactful tools will come through MMH Policy Development. In initial work on MMH, staff focused the review on barriers that would specifically apply to urban neighborhoods with proximity to amenities and services. These are often well-resourced neighborhoods that have virtually maximized their development potential under the existing land use regulatory framework. The MMH activities will build on staff's work and will further analyzes barriers to middle housing in the Metro zoning code, subdivision regulations, policy documents, and other regulatory requirements, etc.

Metro Nashville has developed a Housing Dashboard that includes mapping of publicly-assisted affordable housing. This data, coupled with data on Racially or Ethnically Concentrated Areas of Poverty (R/ECAPs) in the Fair Housing plan, and our policy to encourage mixed-income housing allows the city to promote desegregation by guiding its investments in affordable housing in areas that do not further perpetuate segregation.

The MMH activities will promote desegregation by enabling a greater variety of housing types to be built in neighborhoods that currently have limited development potential to single family or duplex projects. The greater variety of housing types will enable people with a greater diversity of socio-economic background to find housing in these neighborhoods. The MMH activities will provide implementation tools to enable more housing types to be built in neighborhoods that are affordable to greater variety of households and will decrease the monoculture nature of the housing and socio-economic make-up of Nashville's neighborhoods.

The MMH activities will apply to all urban neighborhoods in Davidson County that have ample infrastructure and proximity to amenities and services. This will prevent new and more affordable units from being concentrated in certain parts of town. Additionally, the MMH

activities will include the most well-resourced neighborhoods and will enable more and varied housing units to be produced in these neighborhoods. Some of these neighborhoods currently have very little diversity of housing stock and the MMH activities aim to enable more housing types in well-established and resourced neighborhoods, allowing individuals with varying socio-economic backgrounds to have housing options in more neighborhoods.

Unique Housing Needs of Protected Class Groups

Each of the Fair Housing protected classes have unique housing needs, whether they are larger units to accommodate families or allow for multi-generational living or on-site care to age in place; language access; or accessibility accommodations. What is critically important is that the city, developers, landlords, and residents know their fair housing responsibilities and rights. The Metro Housing Division will require that the Affordable Housing Accelerator Program and Faith-Based Housing Development Initiative include robust fair housing and civil rights training. The Affordable Housing Finance Program will be subject to the Housing Division's affirmative marketing requirements (described below). MMH Policy Development will incorporate these unique needs in the policies and recommendations.

Housing Needs of Persons with Disabilities

According to the most recent Fair Housing plan, persons with disabilities are fairly evenly distributed in communities throughout Davidson County and do not predominately live in R-ECAP areas. Although persons with disabilities are geographically dispersed in neighborhoods where they can interact with persons without disabilities, they may not be in areas that meet their needs, such as lack of access to public transit, sidewalks, and nearby services. This is likely due to the scarcity of housing units accessible to persons with disabilities – an identified impediment to Fair Housing choice in Metro Nashville's 2013 and most recent Fair Housing plans. Through our proposed activities, we will implement policies and practices to create accessible units in areas that support independent living with access to supportive services and transportation. All projects funded through this grant and the Barnes Fund must comply with the Americans with Disabilities Act (ADA) and accessibility requirements under the Fair Housing Act and must be sensitive to Universal Design and visitability standards (which will be included as part of a proposed project's evaluation). By directing funds from the Affordable Housing Finance Program for PSH, we are ensuring that persons experiencing homelessness housing options and the intensive services to make housing successful.

Fair Housing Goals

All proposed activities address the goals established in Metro Nashville's most recent fair housing plan:

- Increase the number of affordable housing units accessible to all protected classes.
- Preserve existing housing units, especially for persons with Limited English Proficiency (LEP) and persons with disabilities.
- Increase access to affordable housing opportunities, especially for persons with Limited English Proficiency (LEP) and persons with disabilities.

- Create/expand programs to help tenants and homeowners retain housing.
- Create/expand program to increase self-sufficiency.
- Increase public and private investment in underserved neighborhoods.
- Expand fair housing outreach, education, and enforcement activities.

Displacement Mitigation

Displacement concerns are commonly expressed by residents, especially those living in “hot” development areas, and naturally occurring affordable housing is disappearing across the county. The Housing Division is currently working on a Displacement Risk Ratio (DRR) analysis. This work will estimate the DRR for a 10-year period and include policy recommendations and best practice to minimize or eliminate the risk. While this is a countywide analysis, specific focus will be on historically Black neighborhoods, which have seen the most pressure. Projects funded through this grant and the Barnes Fund must include a relocation plan if the development is currently occupied. If applicable, developers will have to comply with Uniform Relocation Act (URA) requirements. With a vision that every Nashvillian has housing security, it is our goal that no project results in the ultimate displacement of residents, and we will work with developers on measures for existing residents to retain or return to their housing.

Additionally, the MMH activities would aim to reform the regulatory framework to enable small lot subdivisions that allow existing homeowners to realize the value of some of their property while remaining in their homes. Currently this is not possible under the regulatory framework and the homeowners either need to sell their house or leave the value of the extra land uncaptured.

MMH and the Accelerator program will work together by introducing these developers to the MMH framework, while community engagement identifies appropriate opportunities within gentrifying and susceptible neighborhoods. This will help shift control over development to conversations within Black and Brown neighborhoods, including BIPOC property owners, community members, elected officials, and these emerging developers. While not united in their visions and goals, these conversations will happen more within these communities, and less across communities.

Implementation and Evaluation

The Housing Division is developing a series of fact sheets to combat misinformation and misunderstanding about affordable housing, such as affordable housing’s impact on surrounding property values and crime and how affordable housing is an important asset to a community. In addition, through a campaign underway to showcase the high-quality of affordable housing and our ongoing community and stakeholder engagement, we can mitigate concerns and bolster community support.

We use flood and heat island data to ensure we do not invest in projects located in vulnerable areas and have access to local funds to assist income-restricted affordable housing developments undertake enhanced transit-oriented infrastructure improvements in a neighborhood. Projects assisted through this grant will be added to our public-facing Housing Dashboard map, where we

can evaluate our efforts on expanding affordable housing access to well-resourced areas and advancing racial equity.

The MMH activities would enable the Planning Department to create zoning and other land use and building regulatory tools that would permit a greater variety of housing types to be built than what's currently being realized under the current framework. Specifically, the activities would assist staff with creating tools that enable the missing middle housing types that are so difficult to create under modern codes and have historically been critical components of a community's housing choice. Hiring a consultant in MMH Phase 2 will give staff the necessary capacity to model, test, and create a report demonstrating that making certain code changes would expand the housing types and price points being produced by the private market. The MMH Phase 3 consultant would assist staff in producing professional implementation tools that are ready for adoption.

The robust community engagement process associated with Phase 2 will limit the amount of resistance by visually modeling and testing code changes on specific sites around town, demonstrating the potential outcomes of the regulatory changes. Additionally, this will allow concerns about the code changes to be incorporated into the report and implementation tools, reducing the opposition to the effort.

After the adoption of the implementation tools produced in MMH Phase 2, staff would monitor the permitting data to analyze the effectiveness of the tools. A list of criteria would be created to analyze the effectiveness, and this would include desegregation, equity, de-concentration of affordable housing, access to well-resourced area data points to be tracked. In addition, staff would monitor the demographic data of neighborhoods to analyze the effectiveness of the tools in increasing equity and desegregation.

DEI Plan

Housing Division staff have worked closely with Metro Nashville's DEI Office to ensure our programs further diversity, equity, and inclusion and that we have not, unintentionally, created barriers to funding opportunities or participation in housing through program or application policies. For any opportunity, our team does extensive outreach to diverse organizations and holds informational sessions. We are in the process of developing a DEI plan for our division. We will utilize MDHA's procurement process, which provides access to their DBE and Section 3 registries, and work with MDHA on outreach to these businesses. In addition, we will continue outreach to and share opportunities with programs that provide training to BIPOC developers and contractors.

Affirmative Marketing

The Metro Nashville Housing Division has incorporated affirmative marketing requirements into all housing finance and incentive programs it administers and will require affirmative marketing for all projects funded through the HUD PRO Housing Grant. Applications must submit an Affirmative Marketing Plan as part of an application package. In the Affirmative Marketing Plan, applicants must describe (1) the type of Fair Housing training project staff and/or

marketing agents have received; (2) any Fair Housing complaints, for any of its properties, received in the last 12 months, the nature of the complaints, and the current status; (3) how they will notify applicants and tenants of Fair Housing rights; and (4) the target market area; groups least likely to apply and how that was determined; and proposed outreach and marketing strategy for each group identified.

V.A.1.b.v. Budget and Timeline

- *Missing Middle Housing Policy Development* \$1,000,000
Industry standards and consultant rates on similar projects informed the budget for both phases of the MMH Policy Development. The consultant (contractor) will be selected through a competitive process.
- *Affordable Housing Accelerator Program* \$1,500,000
The budget for the Affordable Housing Accelerator Program is based on similar programs in Nashville and other jurisdictions. With this funding, we expect to increase the development capacity of at least 30 emerging developers and contractors to create and preserve affordable housing benefitting LMI persons. Program provider(s) will be selected through a competitive process.
- *Faith-Based Housing Development Initiative* \$500,000
Based on similar programs in other jurisdictions, this funding would assist approximately 15 organizations with intensive support and create replicable models for other organizations. It is expected that these organizations will create housing that will predominately serve LMI persons (not restricted to their congregations). The program provider (contractor) will be selected through a competitive process.
- *Affordable Housing Finance Program* \$6,000,000
Over half of the requested PRO Housing Funds are directed to the Affordable Housing Finance Program. As noted in the Need section, Nashville has acute demand for permanent supportive housing and deeply affordable housing, and financing these types of projects is a deep barrier. With \$6 million in leverage from the Barnes Fund (Metro Nashville's local housing trust fund), a total investment of \$12 million in PSH and deeply affordable housing would create and/or preserve an estimated 120 units. Eligible costs include acquisition, pre-development costs, and construction costs. All funded units would benefit low- and moderate-income persons. Projects will be selected through a competitive process in accordance with HUD regulations and policies for construction projects.

These estimates are based on experience financing affordable housing developments. Current per unit costs range between \$250,000-\$300,000 – Metro Nashville's 91-unit permanent supportive housing building under construction has a per unit cost around \$300,000, not including land cost or structured parking but including space for services. We do not expect to fully fund PSH or deeply affordable housing projects, but we expect a higher per unit subsidy of around \$100,000 than we see with other project types where the per unit subsidy is around \$30,000. We believe the higher per unit subsidy is critical to overcoming financing

barriers that impede the development of PSH and deeply affordable housing and key to the long-term viability of the project.

- \$1,000,000***

• ***Grant Administration***
 Metro Nashville is budgeting \$1,000,000 for grant administration, including indirect costs. We anticipate utilizing existing program staff, with 30% of time focused on grant administration and oversight. In addition, grant administration funds will cover MDHA’s costs related to performing Environmental Reviews and Procurement on behalf of Metro Nashville. These projected costs are based on decades of administering HUD grant programs and Metro’s established indirect cost rate. Metro will not charge program delivery costs to the activities.
- \$10,000,000***

• ***TOTAL REQUEST***

The timeline and key milestones are presented in the following table.

Activity	Milestones
Missing Middle Housing Policy Development	<ul style="list-style-type: none"> • RFP Released: Within 3 months of grant agreement • Procurement Closed & Evaluation Complete: Within 7 months of grant agreement • Environmental Review Complete: Within 8 months of grant contract (Should be Exempt.) • Metro Council Contract Approval: Within 9 months of grant contract • Funds Obligated: Upon contract execution • Project Start Date: Upon contract execution • Phase 1 Complete: Within 12 months of contract execution • Phase 2 Complete and Funds Expended: Within 24 months of contract execution • Project Closeout: Upon final invoice and report
Affordable Housing Accelerator Program	<ul style="list-style-type: none"> • RFP Released: Within 3 months of grant agreement • Procurement Closed & Evaluation Complete: Within 7 months of grant agreement • Environmental Review Complete: Within 9 months of grant contract (Should be Categorically Excluded.) • Metro Council Contract Approval: Within 11 months of grant contract • Funds Obligated: Upon contract execution • Project Start Date: Upon contract execution • Project Complete and Funds Expended: Within 48 months of contract execution • Project Closeout: Upon final invoice and report
Faith-Based Housing Development Initiative	<ul style="list-style-type: none"> • RFP Released: Within 3 months of grant agreement • Procurement Closed & Evaluation Complete: Within 7 months of grant agreement • Environmental Review Complete: Within 9 months of grant contract (Should be Categorically Excluded.)

	<ul style="list-style-type: none"> • Metro Council Contract Approval: Within 11 months of grant contract • Funds Obligated: Upon contract execution • Project Start Date: Upon contract execution • Project Complete and Funds Expended: Within 48 months of contract execution • Project Closeout: Upon final invoice and report
Affordable Housing Finance Program	<ul style="list-style-type: none"> • RFP Released: Within 3 months of grant agreement • Procurement Closed & Evaluation Complete: Within 8 months of grant agreement • Environmental Review Complete: Within 14 months of grant contract (Likely require Environmental Assessments.) • Metro Council Contract Approval: Within 2 months of receiving Release of Funds from HUD • Funds Obligated: Upon contract execution • Project Start Date: Upon contract execution • Projects Completed and Funds Expended: Within 24 months of contract execution • Project Closeout: Upon final invoice and report
Grant Administration	<ul style="list-style-type: none"> • Duration of the grant/period of performance
TOTAL REQUEST	<ul style="list-style-type: none"> • Application Due: October 30, 2023 • Expected Award Announcements: January 2024 • Action Plan Created: Within 1 month of access to DRGR • All Funds Obligated: By September 30, 2026 • All Funds Expended: By June 30, 2029 • Grant Closeout: By September 30, 2029

If awarded a different dollar amount than requested, our top priority would be to fully fund the Affordable Housing Finance Program due to the dire lack of supply of PSH and deeply affordable housing. We would reduce the amounts budgeted for the Affordable Housing Accelerator Program and the Faith-Based Housing Development Initiative, meaning less organizations would be assisted. Depending on the final amount, we may choose to eliminate Phase 3 of the Missing Middle Housing Policy Development. If we received only half of the requested amount, we would fund the Affordable Housing Finance Program. In all instances, the Grant Administration budget would be 10% of the final award.

EXHIBIT E

CAPACITY

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

V.A.1.c.i. Capacity and Staffing Plan

Applicant Capacity

The Metro Planning Department's Housing Division is the lead applicant. Housing Division staff, along with Planning Department colleagues in other divisions, prepared the application. We did not utilize a professional technical or grant writer in a consulting or contract capacity.

The Housing Division team has extensive experience with HUD grants of a similar size and scope to effectively implement and manage the PRO Housing grant. The Housing Division Director served 6 years (December 2007-August 2018) as the Director of Community Development at the Metropolitan Development and Housing Agency (MDHA). In this role, she oversaw the administration of Nashville's Consolidated Plan programs – CDBG, HOME, ESG, and HOPWA – as well as CDBG Disaster Recovery funds. She led the development of two Consolidated Plans and Fair Housing analyses. In addition, she led the successful application for HUD Promise Zone designation and significantly contributed to MDHA's successful Jobs Plus Grant and Choice Neighborhoods Planning Grant for Napier/Sudekum. In her current role, she oversees the administration of the Barnes Fund (local housing trust) that has a portfolio of over \$100 million, a new tax abatement program for mixed-income development, as well as \$25 million in American Rescue Plan Act (ARPA) funds for housing programs. Her talented team is comprised of professionals with deep experience supporting HUD grants and other federally-funded programs.

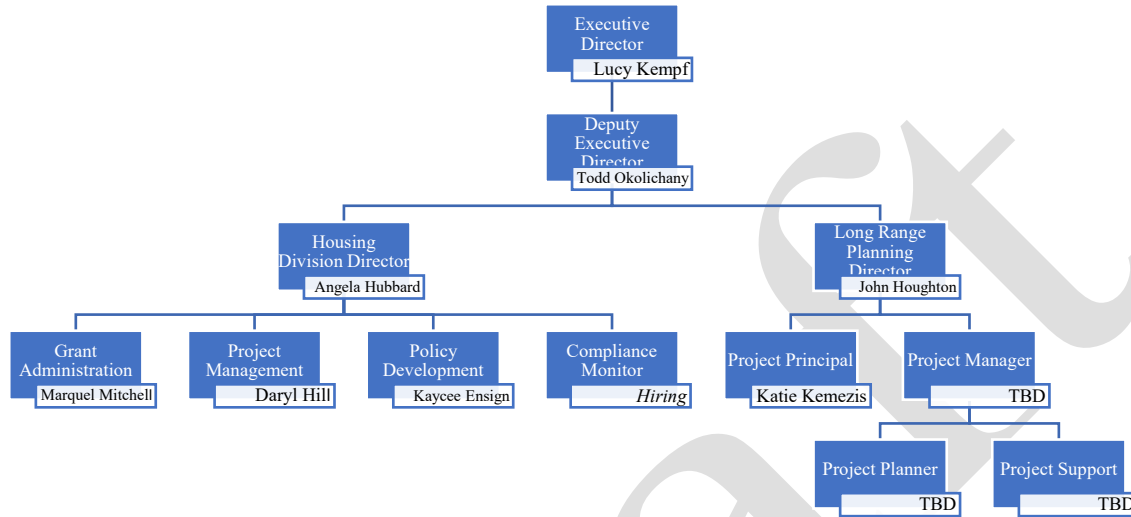
Management of specific projects will be undertaken by staff with specific project management expertise. A Housing Division team member will manage the implementation of the Affordable Housing Accelerator Program, Faith-Based Housing Development Initiative, and the Affordable Housing Finance Program. This role is separate and distinct from overall grant administration and oversight. The Housing Division has established standard operating procedures for its existing programs that can easily be adapted for PRO Housing activities.

Missing Middle Housing Policy Development will be led by Metro Planning's Long Range Planning Division. The team will include a Project Principal, who will lead the development of the project and expectations for success and act as a liaison between the project and executive leadership; a Project Manager, who is responsible for managing the scope and schedule and coordinates resources, meetings, and deliverables; and a Project Planner, who leads the technical aspects of the project; and Project Support, who will assist with coordinating meetings and events, provide mapping and graphics support, and assists with responding to data and information requests.

Executive leadership is provided by Planning's Executive Director, Deputy Director, and respective Division Directors, including the Housing Division Director. The organizational chart below identifies names of key management for proposed PRO Housing activities. There are no gaps in capacity or positions contingent on the grant award.

Compliance and oversight will be achieved through a variety of means. The Housing Division is in the process of hiring a Compliance Monitor to ensure that housing programs are in compliance

with contract and program requirements and are achieving intended results. In addition to posting DRGR reports on our website, we will track progress on HUD PRO Housing activities on our Housing Dashboard. Financial management will be provided the Planning's Finance team as well as Metro's Finance Department.



Metro Nashville's newly elected Mayor is pro-housing and pro-transit. In addition, nearly half of Nashville's 40-member Council were recently elected. We are optimistic of receiving local elected support for proposed activities. In addition, we have received letters of support from the directors of Metro's Department of Social Services and Office of Homeless Services.

Partner Capacity

As discussed in Soundness of Approach, Metro Nashville does not intend to directly undertake these activities but will procure contractors to provide the described services and developers to create housing. Nashville benefits from a deep bench of local and national organizations ready to assist in addressing our housing crisis. We have no concern with partner capacity necessary to implement any activity. In fact, a recent survey on local nonprofits conducted by the Housing Division revealed that each had that capacity to expand their services if additional funding was made available.

Given our work on HUD-funded and other projects of similar size and scope, we have demonstrated experience working with and coordinating partners. Through the Barnes Fund, we typically partner with at least 10 organizations each funding round. For land use policy development, our Community Plans team regularly engages contractors in the same capacity as proposed for Missing Middle Housing Policy Development activity. MDHA, as the designated responsible entity for Metro, will conduct the environmental reviews. In addition, Metro will utilize MDHA's HUD-compliant procurement process to procure external partners. Through our existing work, we already have the necessary infrastructure in place to work with and coordinate partners.

Civil Rights and Fair Housing Experience

As mentioned above, the Housing Director led the past two Fair Housing analyses for Metro Nashville and MDHA. Prior to undertaking the most recent Fair Housing analyses, she received HUD-sponsored Fair Housing training. This experience extends to working with data to analyze racial or economic disparities and designing programs and operating programs that reduce racial disparities. For example, she recently introduced two new initiatives designed to increase homeownership opportunities for populations who have experienced historic barriers and demonstrated inequities in homeownership.

The Housing Division's Housing Policy Research Analyst, who will support policy development for HUD PRO Housing activities, is a certified facilitator for Metro Nashville/Kaleidoscope Group Conscious Inclusion and Unconscious Bias Trainings. She has trained over 100 Metro employees on conscious inclusion and unconscious bias. In addition, she has provided policy guidance around fair housing for the teams she has supported. The Housing Response Coordinator, who will provide project management support for grant activities, has utilized data to create and operate programs to expand equitable homeownership access. All Housing Division staff supporting this grant have and will continue to receive Fair Housing and DEI training.

EXHIBIT F

LEVERAGE

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

V.A.1.d.i. Leverage

Metro Nashville commits to 100% (\$10 million) financial leverage dedicated to supporting PRO Housing Grant activities as follows:

- \$6 million from the Barnes Housing Trust Fund set-aside for the development and/or preservation of permanent supportive housing and deeply affordable housing (0-30% AMI) in furtherance of the Affordable Housing Finance Program. Funds may be set-aside in one funding round or allocated across multiple funding rounds during the grant's period of performance.
- \$4 million from the Barnes Housing Trust Fund set-aside for projects proposed by organizations that have participated in the Affordable Housing Accelerator Program and the Faith-Based Housing Development Initiative. Funds may be set-aside in one funding round or allocated across multiple funding rounds during the grant's period of performance.

Leverage documentation is provided in Attachment F.

EXHIBIT G
LONG-TERM EFFECTS
METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

V.A.1.e.i. Long-Term Effects and Expected Outcomes

Deliverables & Metrics of Success

If awarded, Metro Nashville will be more strongly positioned to address our affordable housing challenges by increasing financing for affordable housing, promoting additional land availability, accelerating additional development capacity, and expanding housing options through missing middle housing. All activities are expected to primarily benefit low- and moderate-income households.

Missing Middle Housing Policy Development

Metro Nashville has proposed using grant funds to develop tools to encourage missing middle housing. Modifying our land use and expanding our housing types are essential to promoting housing affordability. At the conclusion of the grant, Nashville will have completed a thorough review of the barriers to production of middle housing in Nashville. We will have a report that identifies these barriers, proposes amendments to address the barriers, and models the impacts of the proposed amendments. Additionally, we will have produced implementation tools that are adoption ready to address the barriers to middle housing.

These achievements will have a long term and permanent effect by increasing the understanding of the barriers to middle housing so that staff can continue to work on addressing these. The report that is generated will involve robust community engagement that will increase knowledge on the value and barriers of middle housing to communities across the city. The implementation tools will enable the private market to respond to housing market forces in a more meaningful way and will change over time. Enabling the private market to better respond to housing market forces will create new development strategies to emerge over time. Long-term effects include increasing the densities of neighborhoods, increasing individuals' access to well-resourced neighborhoods, expanding flexibility in how properties can be developed and decreasing the auto-dependency of the built environment.

Our proposal represents a model for other communities because it will produce a report that will be a valuable resource for other similar communities that are interested in pursuing middle housing. Additionally, enabling the private market to respond to housing market forces will enable new development strategies to emerge and likely new companies that focus on producing units under the new regulatory framework. These companies would likely become stakeholders in other communities that were interested in adopting middle housing implementation tools.

Affordable Housing Accelerator Program

PRO Housing funding would allow Metro Nashville to expand its development capacity, with a focus on developers of color. In consultations with community leaders focused on diversifying the development field, it was identified that developers, particularly developers of color, need access to predevelopment support to transition from training programs to successfully securing funding. Therefore, Nashville intends to use PRO Housing funding to launch an Affordable Housing Accelerator Program that includes a predevelopment marketplace of development partners and experts that affordable housing developers could quickly connect with to support

predevelopment activities. In addition, a portion of funds may be used to support the expansion of existing development and contractor training programs.

While PRO Housing funding would directly address one of the outstanding needs, access to capital remains a challenge experienced particularly by BIPOC-led developers. To address this, Metro Nashville plans to set aside \$4 million in the Barnes Fund specifically for participants involved in the Affordable Housing Accelerator program. The set aside will allow developers to access needed capital supports to assist with predevelopment, acquisition, and construction costs necessary to successfully develop affordable housing.

We expect to assist at least 30 developers through this program during the grant term. However, the long-term effect is more equitable representation in the housing development industry that translates to more equitable housing development.

Faith-Based Housing Development Initiative

Availability of land, particularly affordable land, is one of the greatest barriers impeding affordable housing development in Nashville. PRO Housing funding would allow Metro Nashville to build on existing efforts underway by *ThinkTennessee* and the Urban Institute to engage faith-based institutions seeking to activate their land resources for affordable housing development. Using resources from the PRO Housing grant, Metro Nashville will expand upon these efforts to establish a structured program to equip faith-based institutions with the tools, resources, and expertise to convert underutilized land into affordable housing. To develop affordable housing at the scale needed, strategic partnerships with community partners with land assets is essential. We anticipate that this program will unlock several hundred acres of developable land and result in the creation of thousands of new housing units.

The long-term effect is scaling the supply of affordable housing in places that are often seen as anchors in communities. In addition, we would have a model to replicate with faith-based institutions in other areas in Tennessee since our housing crisis is not confined to Davidson County.

Affordable Housing Finance Program

The funding allocated for affordable housing financing coupled with leveraged local trust fund (Barnes Fund) dollars will result in an estimated 120 new units of permanent supportive housing and/or deeply affordable housing for households earning 0 to 30% of the AMI. PSH and deeply affordable units are some of the most challenging units to finance without additional subsidy. Unfortunately, rising interest rates coupled with an increasingly expensive market has made it financially difficult for even mission-driven developers to build units that serve households with extremely low incomes. With PRO Housing funding, Metro Nashville will be able to serve more of our most vulnerable neighbors who otherwise may have experienced prolonged homelessness and financial precariousness.

The long-term effect is having a housing supply that drastically reduces the amount of time someone experiences homelessness and increases housing security once housed.

Reducing Cost Burden

All proposed activities aim to advance housing security through either directly financing affordable housing, removing barriers to affordable housing, or leveraging new resources to develop affordable housing. Metro Nashville's Housing Division and MDHA staff have decades of experience administering affordable housing programs. Metro Nashville's Housing Division administers the local housing trust fund which thoroughly evaluates all project proposals, including their location and proximity to transit. If awarded PRO Housing funding to develop PSH and deeply affordable units, Metro Nashville's Housing Division will plan to conduct similarly comprehensive review of all proposed projects. Projects proposed close to transit and located in amenity rich communities will score more highly. To date, there is a severe shortage of PSH units and units for households earning 0 to 30% of the AMI. PRO Housing funding would directly impact the lives of at least 120 households who otherwise would face significant difficulties in accessing housing that is safe, affordable, and conveniently located. Critically, the other proposed activities, by addressing affordable housing development barriers related to zoning, development capacity, and land availability, will enable more affordable housing development particularly in areas of high opportunity. Moreover, the missing middle housing activities aim to produce implementation tools that would enable a greater variety of housing types to be built, including more affordable units.

Promoting Resiliency

One of Nashville's most significant residential risks are from storms and flooding, as identified by the city's Multi-Hazard Mitigation Plan and resiliency plans. Approximately 6% of Nashville's housing units are potentially affected by flooding (with building footprints in or touching the 100-year floodplain). While Nashville has an active home buyout program for repeat-loss properties and robust building standards for properties in danger of flooding, meeting housing demand through sprawl often places more buildings close to floodplains. Growing through gentle density in well-served areas away from hazards can reduce the pressure for adding or keeping homes in areas that flood. Our proposal to develop tools to encourage missing middle housing could result in gentle density and in turn prevent development in environmentally precarious areas.

In compliance with program requirements, any projects funded for development using PRO Housing funding will undergo an environmental review to determine that the proposed project does not negatively impact the environment nor have an adverse environmental or health effect on residents. Metro Nashville's staff has significant experience with implementing HUD-funded affordable housing programs and will ensure all development projects funded comply with environmental requirements. Furthermore, Metro Nashville's Housing Division currently evaluates environmental impact in the Barnes Fund scoring and would continue to incorporate such evaluation to encourage projects which promote resiliency.

Identifying and Addressing Roadblocks

To ensure effective use of PRO Housing funds, it is important to identify potential roadblocks that may need to be addressed. For the affordable housing financing activity, one potential

roadblock may be hesitancy amongst the development community and continued challenges with financing deeply affordable projects. Metro Nashville's Housing Division staff will conduct strategic outreach to educate the developer community on developing PSH and deeply affordable units and collaborate with development partners who can share successful models of such projects. Further, the Housing Division will work with the Office of Homeless Services to ensure necessary support services are available for PSH projects. Related, Metro Nashville's proposal to create an Affordable Housing Accelerator program for mission driven affordable housing developers and contractors could offer a unique opportunity for Metro Nashville to recruit potential applicants for the PRO Housing Affordable Housing Finance Program. While it is difficult to predict future market conditions, the Housing Division and MDHA are actively administering new and existing affordable housing programs, many of which could be coupled with PRO Housing funding to develop a financially sound and sustainable project that provides deeply affordable units. As mentioned previously, Metro Nashville's Housing Division plans to set aside \$6 million of the Barnes Fund to be used as leverage to support the creation PSH and deeply affordable units. Moreover, \$4 million in the Barnes Fund will be set-aside for developers who are part of the Affordable Housing Accelerator program.

Notably, making additional land resources available for affordable housing development is essential to advancing affordable housing production. The proposed activity to help facilitate use of land owned by faith-based institutions for affordable housing purposes could help address barriers related to land availability and financing. While local faith-based institutions have showed immense passion in supporting affordable housing, such institutions require robust education and other supports to repurpose their land. Metro Nashville plans to build off the existing state-wide efforts to engage faith-based institutions and work closely with our local faith-based community to identify what remaining supports are needed. This coordination is essential to developing a program that can be an effective tool for our community's faith-based institutions.

Similar to the roadblocks for the affordable housing financing proposal, developing a financially sound middle housing project could be a challenge. Depending on economic conditions, there could be difficulty making proformas for middle housing projects work broadly across Nashville even once regulatory barriers are removed. To account for this, the missing middle housing Phase 2 will have a consultant test code changes and evaluate the ability for hypothetical proformas to work in the private market. This work will be done in collaboration with private development stakeholders to ensure its relevance. Making land available through partnerships with faith-based institutions could further support financially feasible missing middle housing projects. Additional roadblocks could include identifying barriers to middle housing that do not have clear solutions. To account for this, staff is conducting initial work in Phase 1 to consult with a Planner that has had success in implementing middle housing regulatory updates in another community also in the state of Tennessee. Additionally, Phase 2 would bring in the applicable agencies and other private stakeholders to work on identifying the barriers and potential solutions.

Sustaining Long-Term Success

While the PRO Housing funding will result in tangible outcomes, the processes involved with program implementation will lay a framework to permanently strengthen our capacity and expand our toolkit to more adequately and holistically address our affordable housing challenges. For example, the additional financing for PSH and deeply affordable units will provide a new opportunity for the development community to learn strategies and best practices to develop PSH with a Housing First approach. Through clearly written and researched program guidelines and strategic mentorship with relevant partners, Metro Nashville's Housing Division will be able to support developers awarded PRO Housing funding or leveraged Barnes funding to create PSH units and 0-30% AMI units that can be a model to others. Metro Nashville's Housing Division is eager to collaborate with our development partners who have been successful in developing PSH and share such learnings with development partners who may be new to this space. If awarded, \$6 million in PRO Housing funding will be leveraged with an additional \$6 million from the Barnes Fund to directly create 120 new PSH and/or deeply affordable units. Moreover, the outreach and education efforts surrounding this activity could indirectly result in additional units thereafter.

While the Affordable Housing Finance Program will directly result in new units for our most vulnerable neighbors, together, the proposed activities will transform our land and development capabilities that have stymied our progress towards housing security. Supporting our faith-based institutions to utilize their land resources for affordable housing could greatly enhance the scale at which affordable housing can be developed. To further develop at scale, additional partners are needed which is why Metro Nashville proposes launching an Affordable Housing Accelerator Program that will provide the needed resources for new developers, with a focus on developers of color, to succeed and accelerate our housing production. Lastly, favorable land use policies are essential to develop housing of diverse housing types and at all price points. Implementing tools to allow for more middle housing units could sizably address our housing supply shortages and in turn reduce housing cost burden.

ATTACHMENT A
SUMMARY OF PUBLIC COMMENTS*
METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

*To be added to final grant application package.

ATTACHMENT B

REQUIRED FORMS*

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

*To be added to final grant application package.

ATTACHMENT C

CERTIFICATE OF CONSISTENCY WITH THE CONSOLIDATED PLAN*

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

*To be added to final grant application package.

ATTACHMENT D

AUTHORIZATION TO SUBMIT GRANT APPLICATION*

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

*To be added to final grant application package.

ATTACHMENT E
LEVERAGE DOCUMENTATION*
METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

*To be added to final grant application package.

ATTACHMENT F

LETTERS OF SUPPORT*

METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

*To be added to final grant application package.

ATTACHMENT G
MAP OF
METROPOLITAN NASHVILLE-DAVIDSON COUNTY, TN

Draft

Metropolitan Nashville-Davidson
County, TN

RIDGETOP

GOODLETTSVILLE

BERRY HILL

BELLE
MEADE

OAK HILL

FOREST
HILLS

