

# Nashville-Davidson Metro Housing Policy & Feasibility Study

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## Inclusionary Zoning Ordinance Recommendations

Presented by:

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Berkeley

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# Incentive-Based Zoning Ordinance

## **The policy should apply...**

- Countywide
- For-sale projects
- Rental projects

## **It would apply if a project...**

- ...applies for additional entitlements beyond by-right, e.g. additional density primarily
- ...receives public financing or assistance (except already affordable/workforce housing developments)

## **Two basic options should be available...**

- A. Build affordable housing on-site + receive incentive
- B. Make an in-lieu contribution to Barnes Housing Trust Fund

# Set-Asides for Building Onsite

**15 years**

**30 years**

	<b>Rental</b>				<b>For-Sale</b>			
	<b>at 60% AMI</b>	<b>at 80% AMI</b>	<b>at 100% AMI</b>	<b>at 120% AMI</b>	<b>at 60% AMI</b>	<b>at 80% AMI</b>	<b>at 100% AMI</b>	<b>at 120% AMI</b>
<b><u>Single-family, Two-family, and Multi-family uses less than 3 stories</u></b> Recommended	20%	30%	n/a	n/a	n/a	10%	15%	n/a
<b><u>Multifamily uses (3 to 6 stories)</u></b> Recommended	15%	25%	35%	n/a	n/a	10%	15%	n/a
<b><u>Multifamily uses (≥ 7 stories)</u></b> Recommended	10%	20%	30%	n/a	n/a	10%	15%	n/a

Source: Economic & Planning Systems

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**Available to projects in  
UZO & Corridors**



# Incentives for Building Onsite

(Additive to the incentive that add'l density brings)

## **For-Sale**

### UZO / Multimodal Corridors

- \$20,000 / unit

### Elsewhere

- \$10,000 / unit

## **Rental**

### UZO / Multimodal Corridors

- Housing Grant = approx. 50% of property taxes

### Elsewhere

- Housing Grant = approx. 50% of property taxes

# In-Lieu Contribution Option

	Within the UZO	Outside of UZO
<b>For-Sale</b>	50% of maximum affordable sales price at 100% AMI for <b>20%</b> of SQFT in residential floor area	50% of maximum affordable sales price at 80% AMI for <b>10%</b> of SQFT in residential floor area
<b>Rental</b>	50% of maximum affordable sales price at 100% AMI for <b>30%</b> of SQFT in residential floor area	50% of maximum affordable sales price at 80% AMI for <b>20%</b> of SQFT in residential floor area

Source: Economic & Planning Systems

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# In-Lieu Contribution Calculation Updates

## General Assumptions

- HUD income limit information
- Maximum down payment of 5 percent
- Prior six-month moving average interest rate based on the Fannie Mae Yield on 30-year mortgage commitments (price at par) plus one-half point (0.5 percent) spread
- 30-year fixed-rate mortgage;
- Property taxes, calculated according to the Urban Services District (currently at 4.516 percent)
- Average homeowner insurance costs.

## Additional Assumption

- The entity responsible for calculating this should also be responsible for estimating an average unit size for rental and for-sale projects. This factor will be used in applying the per-square foot ILC to project that choose not to build units on-site.

# Exemptions

## Objective

- Exempt projects that are already effectively building new housing in already affordable neighborhoods
- There is sometimes considerable risk of abuse anytime a community grants an exception to a rule that is in the applicant's interest to avoid.

## Recommended Exemption

- Where a project demonstrates that its pricing is within 5% above 100% AMI for Nashville-Davidson County market prices or rental rates; and
- That the project demonstrates that the average price of market-rate housing in the Census tract is affordable to a household at 100% AMI

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# ADDITIONAL MATERIAL



# Affordability

## 2000

- 2.5-person household
- HUD AMI = \$50,000
- Census reg'l AMI = \$42,700

## Affordable Home Price

- HUD AMI = \$147,500
- (Rent = \$1,250 / mth)
- Census reg'l AMI = \$125,700
- (Rent = \$1,180 / mth)

## Average Sales Price

- \$156,200

## 2015

- 2.5-person household
- HUD AMI = \$56,900
- Census reg'l AMI = \$54,400

## Affordable Home Price

- HUD AMI = \$229,350
- (Rent = \$1,423 / mth)
- Census reg'l AMI = \$223,400
- (Rent = \$1,355 / mth)

## Average Sales Price

- \$312,300

# Feasibility Model Set-Asides

	Rental				For-Sale			
	at 60% AMI	at 80% AMI	at 100% AMI	at 120% AMI	at 60% AMI	at 80% AMI	at 100% AMI	at 120% AMI
<b><u>Single-family, Two-family, and Multi-family uses less than 3 stories</u></b>								
Single-Family Detached	19%	27%	43%	+ 100%	4%	7%	13%	+ 100%
Townhomes	20%	31%	53%	+ 100%	2%	4%	7%	58%
<b><u>Multifamily uses (3 to 6 stories)</u></b>								
5-Story	19%	28%	45%	+ 100%	< 0%	0%	< 0%	< 0%
<b><u>Multifamily uses (≥ 7 stories)</u></b>								
10-story	15%	22%	31%	64%	< 0%	< 0%	< 0%	< 0%
20-Story	15%	21%	29%	50%	< 0%	< 0%	< 0%	< 0%

Source: Economic & Planning Systems

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# For-Sale Project Feasibility

	For-Sale				
	Single-Family Detached	Townhomes	5-Story	10-Story	20-Story
<b>Internal Rate of Return</b>					
Base Entitlement	11.64%	11.65%	6.54%	8.66%	7.86%
w/ Density Bonus	13.64%	13.44%	6.58%	8.62%	7.47%
IZ + Onsite Affordability + Incentive	8.26%	4.64%	4.18%	5.97%	5.57%
IZ + CIL	8.34%	6.08%	4.12%	7.01%	6.58%
<b>Profit</b>					
Base Entitlement	\$10,692,695	\$2,253,408	\$9,506,423	\$9,600,426	\$27,117,366
w/ Density Bonus	\$16,162,862	\$3,250,448	\$13,688,465	\$11,027,341	\$31,269,116
IZ + Onsite Affordability + Incentive	\$9,697,189	\$1,531,495	\$8,651,589	\$7,968,965	\$23,504,540
IZ + CIL	\$10,615,305	\$1,965,577	\$9,054,254	\$9,590,591	\$28,618,254
<b>Profit Above / Below "Base Entitlement"</b>					
w/ Density Bonus	\$5,470,168	\$997,040	\$4,182,042	\$1,426,915	\$4,151,750
IZ + Onsite Affordability + Incentive	-\$995,506	-\$721,913	-\$854,834	-\$1,631,460	-\$3,612,826
IZ + CIL	-\$77,390	-\$287,831	-\$452,169	-\$9,834	\$1,500,888

Source: Economic & Planning Systems

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# Rental Project Feasibility

	Rental				
	Single-Family Detached	Townhomes	5-Story	10-Story	20-Story
<b>Return on Cost</b>					
Base Entitlement	6.58%	5.78%	6.30%	5.20%	5.10%
w/ Density Bonus	6.88%	5.91%	6.46%	5.26%	5.14%
IZ + Onsite Affordability + Incentive	6.55%	5.87%	6.54%	5.50%	5.40%
IZ + CIL	6.52%	5.70%	6.20%	5.14%	5.04%
<b>Net Operating Income</b>					
Base Entitlement	\$4,169,592	\$1,117,440	\$4,469,976	\$2,845,750	\$5,290,227
w/ Density Bonus	\$5,013,438	\$1,350,240	\$5,367,012	\$3,130,325	\$5,816,156
IZ + Onsite Affordability + Incentive	\$4,774,136	\$1,342,133	\$5,429,763	\$3,273,799	\$6,108,672
IZ + CIL	\$5,013,438	\$1,365,760	\$5,367,012	\$3,130,325	\$5,831,625
<b>NOI Above / Below "Base Entitlement"</b>					
w/ Density Bonus	\$843,846	\$232,800	\$897,036	\$284,575	\$525,929
IZ + Onsite Affordability + Incentive	\$604,544	\$224,693	\$959,787	\$428,049	\$818,445
IZ + CIL	\$843,846	\$248,320	\$897,036	\$284,575	\$541,398

Source: Economic & Planning Systems

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# Sensitivity Findings

	Single-Family Detached	Townhomes	5-Story	10-Story	20-Story
<b>Per-Unit Incentive for For-Sale Development</b>					
Actual Gap	\$116,500	\$122,500	\$111,250	\$181,375	\$251,500
Per-Unit Incentive Necessary	\$115,396	\$163,565	\$173,113	\$293,761	\$453,081
<b>Housing Grant for Rental Developments</b>					
Amount of Housing Grant Approximately = Prop Taxes	53%	46%	36%	29%	27%
<b>In-Lieu Contribution</b>					
for For-Sale Development	54.06%	63.76%	51.05%	84.41%	108.94%
for Rental Development	48.78%	23.61%	-18.43%	-121.63%	-112.27%

Source: Economic & Planning Systems

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# Definitions

TCA § 5-9-113 (2015)

- What is “affordable housing”?
  - “...housing that...costs 30 percent or less than the estimated median household income for households earning 60 percent or less of median household income [AMI]...”
- What is “workforce housing”?
  - “...housing that...costs 30 percent or less than the estimated median household income for households earning more than 60 percent and not to exceed 120 percent [AMI]...”