Affordable and Workforce Housing Incentive Grants Pilot Program

Policies & Procedures

April 2017

BL2016-342 (Pridemore, Allen & Others)

Summary:

Workforce Housing Incentive Grants will be provided to qualified developers to assist with the development of affordable and/or workforce housing within the boundaries of the metropolitan government. Incentive grants may be made to qualified projects both for rental developments and owner-occupied (i.e. for sale) units, at the time of deed restrictions. Such grant funds for rental developments shall be disbursed on a monthly basis as rents are due.

This is a three (3) year pilot program with a maximum annual cap of $2,000,000. Each grant agreement will be approved by the metropolitan council by resolution.

*An additional $500,000 is available for new construction and conversion projects beginning in April 2017.

Purpose:

To incentivize an increase in the supply of affordable and workforce housing to support economic growth and reduce poverty in Davidson County. Specifically, by incentivizing the creation and preservation of affordable and workforce housing, we can: (1) meet existing and anticipated housing and employment needs; (2) mitigate the impacts of increasing housing cost; and (3) provide for a range of housing choices throughout the city.

Metro can make private development of affordable and workforce housing more attractive by utilizing future increased property tax collections to fund a common-sense modest incentive program for private developers.

Definitions:

Affordable housing: Housing that, for households earning sixty percent (60%) or less than the median household income for Davidson County based on the number of persons in the household, as established by the “Median Household Income in the Past 12 Months by Household Size” from the most recently available United States Census Bureau American Community Survey costs thirty percent (30%) or less than their estimated annual median household income.
Workforce housing: Housing that for households earning more than sixty percent (60%) and not to exceed one hundred twenty percent (120%) of the median household income for Davidson County based on the number of persons in the household, as established by the “Median Household Income in the Past 12 Months by Household Size” from the most recently available United States Census Bureau American Community Survey costs thirty percent (30%) or less than their estimated annual median household income.

Eligible applicants: Private Developers and owners of existing or proposed rental and owner occupied (i.e. for sale) developments who agree to include affordable and/or workforce units in their developments and further meet grant criteria.

Incentive Grants:

New Rental Housing construction: Rental developments receive the difference between the average rent for comparable occupied unrestricted rental housing units and the average rent for an occupied affordable or workforce housing for the duration that the housing rental units remain affordable or workforce housing. In no event shall the amount of the annual grant be greater than fifty percent (50%) of the difference between the annual post-development and pre-development ad valorem property tax liabilities for that property. This applies to development located within the UZO or along a multimodal corridor designated in the Major and Collector Street Plan, excluding Expressways, Freeways, and Ramps. See UZO and Multimodal Corridor Map on our website.

Opt-in/Conversion Rental Housing: Owners of existing rental housing developments in the county shall be eligible for an annual incentive grant if they voluntarily convert market-based rental units to affordable and/or workforce housing units. The amount of the incentive grant will be the difference between the average rent for a market-based rental housing unit and the average rent for an occupied affordable or workforce housing unit multiplied by the number of occupied affordable or workforce housing rental units for the duration of the affordability period. In no event shall the amount of the annual grant be greater than twenty percent (20%) of the real property ad valorem tax assessment for the calendar year for which an incentive grant is applicable.

The average rent for a market-based rental housing unit will be calculated on a square footage basis using the rent charged for the three most comparable unrestricted units within the same or, if there are less than three unrestricted in the same and comparable, development, as determined by OEOE.

Owner occupied developments receive a one-time payment of $10,000 per unit for properties located outside of the urban zoning overlay (UZO) district, and $20,000 per unit for properties located within the UZO or along a multimodal corridor designated in the Major and Collector Street Plan, excluding Expressways, Freeways, and Ramps.

Owner-occupied development process: Prior to receiving use and occupancy permits, a grant agreement will be executed that will outline the number of years, number of units at each median income range,
and estimated grant amount. The developer will be granted funding at the time of closing and upon the filing of the deed restrictions.

**Term of affordability:**

15 years for rental development

30 years for owner occupied development, conditioned upon the recording of deed restrictions with the Register of Deeds ensuring the units remain designated for affordable and/or workforce housing for the duration provided in the grant agreement.

**Incentives grants pilot program’s cap:**

The annual amount of all grants, including related administrative costs, awarded in the aggregate shall not exceed two million dollars ($2,000,000). This program is in effect for three (3) years after the enactment date, unless extended by resolution of the metropolitan council.

**Budget process:**

Once enacted, the OEOE and the director of finance will procure a third party entity to provide administrative services to coordinate developer incentive payments, provide income verification training, and provide reports and compliance measures.

If any applications are received prior to the next budget year, the director of finance will request a supplemental appropriation from the metropolitan council to fund any applications received prior to the end of FY 2017. For FY 2018 and FY 2019 of the pilot program, the director of finance will request an appropriation amount and request the creation of a Housing Incentive Revenue Fund.

The director of finance and the director of the OEOE shall review the incentive grant program on an annual basis to determine whether the demand for grant funds significantly exceeds the amount of the cap, and shall make a recommendation to the metropolitan council regarding whether the amount of the cap should be adjusted. Any adjustments to the amount of the cap shall be approved by the council by resolution prior to becoming effective.

The housing incentives program is subject to funding availability annually.

**Application Process:**

An application will be provided online for developers to submit their interest in participating in the program. The Mayor’s OEOE staff and other appropriate Metro departments will be notified for review.

The review process will include review of the following information at a minimum:

a. # of units provided and range of income
b. Workforce units proposed comparable to market rate units
c. Location of proposed units
d. Proximity to transportation options/services/employment centers

e. Partnering with nonprofit or is a nonprofit organization with a mission of affordable/workforce housing

f. Timeline of units on the market

g. Estimated property taxes(amount consistent with development pro forma provided to financial institutions)

Grant Agreements:

Prior to receiving building permits, a grant agreement will be executed that will outline the number of years affordability restrictions will apply, total number of units (broken down by MHI income category) in the project, and an estimated reimbursement amount. For existing rental developments, a grant agreement will be executed upon completion of a review of the request and approval by metropolitan council.

Each grant agreement will be subject to approval by resolution of the metropolitan council.

Once the grant agreement is approved by the metropolitan council, the third party entity will receive a copy of the agreement. The third party entity will provide a standard workforce housing rental agreement addendum, income verification training, and reporting standards and procedures prior to initial payment to developers.

For owner occupied units, the developer will receive payment upon the filing of restrictive covenants with the Register of Deeds office. The developer of owner occupied or for sale units will need to work with a homebuyer counseling agency to ensure proper income verification and underwriting procedures are in place for potential homebuyer. A list of agencies in Davidson County will be available on the HIPP website.

Reporting requirements:

The developer will provide a report verifying signed leases of the workforce units and invoices to the third party entity on a monthly basis. The third party entity will submit the reviewed invoice (due upon receipt) to OEOE.

An annual audit of workforce housing units will be performed by an independent accounting firm including a thorough review of workforce unit leases and rent rolls for workforce units and will reported to the Mayor’s OEOE staff and the finance department. Items required for review:

h. The number of months and partial months each unit was occupied;
   a. The Median Household Income level applicable to each unit;
   b. The rent charged for each unit; and
   c. The market value rent of each unit calculated based on the three closest comparable units on a square footage basis.

A review of market and workforce rents will be reviewed annually to ensure Metro pays the correct difference amount and is not exceeding the grant cap for each development. In the event that the cap is
exceeded for developments, the Director of Finance will take corrective action, which may include a modified grant agreement or an adjustment of the amount of workforce housing units, in consultation with the Mayor’s Office of Economic Opportunity & Advancement, and the grantee.

The Mayor’s OEOE staff will provide a semi-annual report to Metro Council on application activity, actual/anticipated unit count, and funding status.

**Noncompliance**

In the event a grantee fails to provide the number of affordable and/or workforce units required for the specified grant term pursuant to the grant agreement, the director of finance shall have the authority to require the grantee to repay the metropolitan government for all grant funds disbursed for affordable and/or workforce housing units in accordance with the provisions of the grant agreement. The director of finance shall have the authority to pursue all other remedies at law or in equity to ensure the availability of the affordable and/or workforce housing units required under the grant agreement.

**Additional resources to be provided with the housing incentive application include the following:**

- An UZO/multimodal corridor map
- Household incomes
- Monthly rental maximums, and
- Affordable sales prices

*For more information about the Housing Incentives Program, please contact Adriane Harris by email at Adriane.harris@nashville.gov or by phone at 615.880.3353.*