



nashvillenext

# Housing

## driving forces report

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This report addresses key forces and decisions shaping the future of Nashville's housing market and affordability. The contents of this report were developed by NashvilleNext planning staff working with the Housing Resource Team (members at right) during 2013.

### About Driving Forces

Each NashvilleNext Resource Team began its work by identifying a set of Driving Forces — key decisions or outside factors shaping Nashville's future. Each Team considered trends currently affecting Nashville, as well as how different trends and forces interact to affect the future.

This exercise served three primary purposes:

- » Identify key trends & understand how different trends interact
- » Bring different perspectives into the process and understand how they interact
- » Introduce team members to one another prior to beginning the process of making recommendations.

This report contains no direct policy guidance or recommendations. However, its contents did shape the Goals & Policies developed by this Resource Team in early 2014 (available for review by the public in mid-2014).

It is presented here as a record of the process.

### See more

See the Driving Forces identified by other Resources Team

- » <http://www.nashville.gov/Government/NashvilleNext/NashvilleNext-Resource-Teams.aspx>

Once available for review, the draft Goals & Policies for all of the Resource Teams will also be available on that page.

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## Parts of the Driving Forces

Each Resource Team's work is presented in three parts that together make up the Driving Forces for their element:

- » **Loops:** A high-level summary of the topics and trends discussed by the Resource Team. The loops are the most straightforward way to understand what's involved in each element.
- » **Forces:** A more detailed listing of the forces considered by each Resource Team. Each forces lists whether it is included in the People influence diagram or the Places influence diagram.
- » **Influence Diagram:** This complex picture represents how the Forces interact. Forces are linked to one another when changes in one Forces are directly or inversely related to one another.

## Loops

### SUPPLY AND DEMAND

The Supply and Demand loop describes the housing market in Nashville with regard to the type of demand and [resulting supply and types of housing](#). The loop begins with changes in housing demand created by seniors and millennials — [the largest age groups which will, due to the size of the group, dictate the market for certain types and locations of housing](#). Both groups are demanding housing that has high access to pull factors such as walkability and access to transit. Housing supply includes all of the existing homes in Nashville, with an emphasis on urban and suburban homes. Changes in demand are currently leading to increasing development of housing [that is more compact with access to amenities and less maintenance. This generally occurs in urban settings, however](#), the loop ends with the idea that similar housing supply can also exist in suburban locales and the forces that would affect such change.

### GENTRIFICATION

The Gentrification Loop describes what could result if [there are no interventions in the market to create or preserve](#) affordable housing. Building on the supply and demand loop, demographic preferences are driving housing preferences and demand. Where demand outpaces supply in urban locales, the cost of urban housing increases, creating cost burden in urban areas.

Other factors that affect cost burden include rising taxes, utilities, and transportation costs. The result of these forces working together ignites the gentrification process, identified in the influence diagram by displacement and exclusion; some residents are displaced [from neighborhoods](#) while others are excluded due to home prices that are out of reach.

As the displacement and exclusion occurs, suburbanization of poverty ensues. Suburbanization of poverty describes the impact that changing housing markets and preferences, loss of jobs, and disinvestment (issues that once affected primarily urban areas) has on suburban areas. Therefore suburbanization of poverty is not solely defined as the displacement of residents due to gentrification in the urban core. Its definition should also consider the plight of existing suburban residents whose economic circumstances may have changed due to changes in the economy, as well as residents that were drawn to the suburbs following increasing employment opportunities outside of Davidson County. This concept is reflected in the diagram through relationships between displacement/exclusion, costs of suburban housing, and regional job growth.

### COST OF LIVING

The third and final Cost of Living Loop describes the factors and trends affecting broad affordability. Urban and suburban land costs, costs associated with construction, and transportation are forces affecting the cost of living. As these costs



increase, the costs of housing increases, [making more housing unaffordable to more Nashvillians](#). The loop suggests that creating and preserving affordable housing and providing a mixture of housing can assist in reducing the cost of urban housing and the concentration of poverty.

## Forces

### “Pull” Factors Driving Demand

Factors that make a particular neighborhood or location desirable to home buyers. These pull factors can exist in either suburban or urban environments. Education — [or the understanding that a community has high-quality schools](#) — is such a significant pull factor that it is displayed individually on the influence diagram.

General pull factors include:

- » Proximity to transit
- » Proximity to employment, retail centers
- » Neighborhood character, historic housing stock
- » Walkability
- » Parks
- » Affordability
- » Larger lots and/or homes for the money
- » Safety

### Employment

*(Economy and Access to Capital)*

Having immediate access to money for building or purchasing a home.

### Displacement/Exclusion

When a person or group of people is cost burdened in a neighborhood and has to move to meet their budget (displacement) and/or cannot afford to move into a neighborhood due to the cost of housing (exclusion).

### Suburbanization of Poverty

Suburbanization of poverty describes the impact that changing housing markets and preferences, loss of jobs, and disinvestment (issues that once affected primarily urban areas) has on suburban areas. Suburbanization of poverty is not only due to displacement of residents due to gentrification in the urban core. It also includes existing suburban residents whose economic circumstances changed during the 2008 recession.

By 2008, suburbs were home to the largest and fastest-growing poor population in the country. Between 2000 and 2008, suburbs in the country's largest metro areas saw their poor population grow by 25 percent — almost five times faster than primary cities and well ahead of the growth seen in smaller communities. [In Middle Tennessee, the number of poor in suburb counties grew by 88% compared with only 69% in Davidson County. This likely understates the effect in Nashville, since so many of Nashville's older suburbs are incorporated as part of Metro Nashville Davidson County.](#)

*Source: <http://confrontingsuburbanpoverty.org/wp-content/uploads/metro-profiles/Nashville-Davidson-TN.pdf>*

### Affordable Housing and Housing Affordability

[Affordable Housing and Housing Affordability are two related – but distinct – terms representing related, but distinct issues and gaps in Nashville/Davidson County's housing market.](#)

Affordable housing generally means homes for lower-income households. It may include subsidized housing or homes with income-restrictions to preserve their affordability. [However, most “affordable housing” in Nashville/Davidson County is market rate housing that is affordable to lower-income households due to age, condition, or location of the homes.](#)



Housing affordability is the ability of a household to afford its housing costs. Households who pay more than 30 percent of their income for housing are considered cost burdened. Housing cost burden can be felt by households at any income level, but is particularly **onerous for** households making less than 80 percent of the Area Median

Income (AMI) who may have more difficulty affording necessities such as food, clothing, transportation and medical care after their rent or mortgage payment has been made.

Source: US Housing & Urban Development: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/)

### Area Median Income Limits for the Metro Nashville-Davidson County area, adjusted for household size:

#### FY 2013 Income Limits for 50% of HUD Area Median Income

| 1 person household | 2 person household | 3 person household | 4 person household | 5 person household | 6 person household | 7 person household | 8 person household |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$22,350           | \$25,550           | \$28,750           | \$31,900           | \$34,500           | \$37,050           | \$39,600           | \$42,150           |

#### FY 2013 Income Limits for 80% of HUD Area Median Income

| 1 person household | 2 person household | 3 person household | 4 person household | 5 person household | 6 person household | 7 person household | 8 person household |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$35,750           | \$40,850           | \$45,950           | \$51,050           | \$55,150           | \$59,250           | \$63,350           | \$67,400           |

#### FY 2013 Income Limits for 120% of HUD Area Median Income

| 1 person household | 2 person household | 3 person household | 4 person household | 5 person household | 6 person household | 7 person household | 8 person household |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$53,650           | \$61,250           | \$68,900           | \$76,550           | \$82,700           | \$88,800           | \$94,950           | \$101,050          |

Source: CHAS (Comprehensive Housing Affordability Strategy) Data Query Tool [http://www.huduser.org/portal/datasets/cp/CHAS/data\\_querytool\\_chas.html](http://www.huduser.org/portal/datasets/cp/CHAS/data_querytool_chas.html)

### Household Income Levels for Nashville – Davidson County 2006 - 2010.

|                                     |                          |
|-------------------------------------|--------------------------|
| Household Income <=80% AMI          | 103,645 Total Households |
| Household Income >80% to <=100% AMI | 26,555 Total Households  |
| Household Income >100% AMI          | 112,295 Total Households |

Total households include Renter and Owner households.

Source: CHAS (Comprehensive Housing Affordability Strategy) Data Query Tool [http://www.huduser.org/portal/datasets/cp/CHAS/data\\_querytool\\_chas.html](http://www.huduser.org/portal/datasets/cp/CHAS/data_querytool_chas.html)



More recently, cost burden has been expanded to include transportation costs as part of housing affordability, with the general rule being that no more than 45 percent of a household budget should be spent on housing and transportation combined.

*Source Housing & Transportation Affordability Index: <http://www.htaindex.org/about.php>*

The NashvilleNext Housing Resource Team recommends, however, that while it is a solid philosophical argument to include transportation costs, there remain several reasons while housing affordability is best defined by solely considering housing costs. First, housing lenders do not consider transportation costs, thus a definition of affordability that looks solely at the cost of housing is aligned with how the market considers affordability today. Second, if the housing itself is affordable, then a household's budget can more easily accommodate changes in transportation costs without causing financial hardship. The Resource Team recognizes transportation as an important factor, and recommends that transportation should be a strong consideration when developing policies regarding housing affordability and siting affordable housing units.

As Nashville grows, middle-income households (earning between 80 to 120 percent of area median income) are under increasing financial pressures. This pressure is partly due to a gap in the housing market, called workforce housing. Workforce housing does not qualify for subsidies or government support, yet the private housing market is not building homes affordable at the "workforce housing" level — for those earning between 80 and 120 percent of area median income. Recognizing the distinction between affordable housing and workforce housing is important to developing policies and solutions to the distinct issues affecting different income groups.

## **Design Standards**

Rules for site or building design and development. These rules specify the preparation of plats (both preliminary and final), indicating among other things the minimum or maximum dimensions of such items as right-of-way, blocks, easements, and lots.

Design standards may also be guidelines for the architectural appearance, alteration, construction, demolition, or relocation of a building.

## **Construction Costs (factors)**

The cost of construction is influenced by factors such as infrastructure, city services, tax base, streetscapes and parking. This may also include development fees (such as filing notices, zone change, variances, and fees for utilities). The economy also has a direct effect on construction costs, due to changes in the cost of materials.

## **Consensus Areas for Growth**

Areas where there is a general consensus from the community on the possibility of additional development, often at greater density and/or intensity.



## Influence Diagram

The influence diagrams on the next two pages show how the above Forces interact. This is presented as the effects of changes each Force. As one Force changes (increases or decreases), what other Forces also change (either in the same way as the first Force (direct relationship) or opposite to the first Force (inverse relationship)). Each diagram focuses on a different aspect of Economic & Workforce Development. The first, People, focuses on forces related to people and the workforce in Nashville. The second focuses on Places. Some forces appear in both diagrams (these are shown underlined).

-  **Direct relationship** (More X leads to *more* Y)
-  **Inverse relationship** (More X leads to *less* Y)
-  **Metro tax base** (takes contributions *from*)
-  **Metro tax base** (contributes *to*)

