STRATEGY B: FORTIFY FUNDING AND RESOURCES

Optimize and grow financial and resource support for affordable housing across public, private, and philanthropic sectors

What is the focus of this strategy?

This strategy focuses on increasing the assets, including land and financial resources, to support affordable housing initiatives. Strategy B includes actions for Metro to better utilize its own assets, as well as actions for securing additional funding and support from federal and state sources, philanthropy, employers, financial institutions, and other community partners.

Why is this strategy important?

To advance affordable housing, a wide range of traditional and innovative resources are needed, not just funding, but also key factors like land availability and the optimal use of existing programs. The successful implementation of the UHS strategies depends on robust assets and financial support, particularly in Strategies C and E, which focus on expanding affordable housing for individuals earning 60% of the Area Median Income (AMI) and below. It is not financially feasible for the private market to provide housing that is affordable to Nashvillians earning these income levels, making it essential to secure sufficient public subsidies and fully leverage every available resource.

Federal, state, and local funding have not kept pace with the rising costs of providing affordable housing. Metro cannot shoulder the magnitude of funding to address Nashville's housing needs within its budget constraints. As a result, the need for additional funding sources has become more urgent. Metro Nashville's efforts to leverage American Rescue Plan Act (ARPA) funds since 2021 have helped support new and existing housing programs. However, with ARPA funds set to expire by 2026, it is critical that Metro maximize the impact of current housing tools, like the Barnes Fund, and identify new, sustainable funding sources to continue and expand these vital housing initiatives. Moreover, the uncertainty surrounding future federal funding further underscores the need to maximize local assets and explore additional financial resources.

While Metro Nashville has made strides in increasing local investments in housing initiatives, it's important to recognize that all local public funding comes from finite sources—whether through new fees, taxes, or the reallocation of funds from other essential services such as parks or mental health programs. Additionally, certain revenue sources are earmarked for specific uses, such as school improvements or road maintenance, and cannot be used for affordable housing. Given these constraints, the responsibility cannot fall solely on public funding. This strategy calls on Metro to leverage its assets and explore every possible avenue for support, while also urging new levels of collaboration with private partners – corporations, financial institutions, and philanthropic organizations – who must step up as equal partners in funding affordable housing and supportive services. Without their active involvement and financial commitment, many of the strategies and action items laid out will not be feasible. Strategy B and its related action items aim to secure and strengthen the resources necessary to ensure that all Nashvillians have a safe, affordable place to call home.

Who will this strategy serve?

Strategy B will serve Nashvillians in need of affordable housing, particularly those earning 60% of the Area Median Income (AMI) and lower, who are most impacted by the lack of affordable options. By maximizing local resources and strengthening funding partnerships, this strategy will help ensure that more affordable housing opportunities are available to those who need them the most.

How will we measure our progress?

Metric	Description	Source(s)
Local investments	Total local dollars invested in housing	Metro Departments
Federal investments	Total federal dollars invested in housing	Metro; MDHA
Partner investments	Total private sector dollars invested in housing	Private Organization
Philanthropic investments	Total philanthropic dollars invested in housing	Philanthropic Organizations

What will it take to achieve?

Staff Time, Capacity or Expertise

Underwriting Capacity

Funding and Financing

Strategy B **Actions**

Action 7: Explore new dedicated local and state funding sources for affordable housing and homelessness services

Meeting Nashville's projected affordable housing needs over the next ten years would require approximately $80 million annually in local funding annually under current conditions (i.e., policy environment, underwriting, and resources). Building an underwriting capacity to more efficiently deploy public funding will help to get the most out of all available resources, but it will not eliminate the need to increase public funding to fully address Nashville's housing needs.

All local public funding for affordable homes comes from somewhere—an increase in fee or tax, that residents or businesses must pay, subject to limitations in state law, or a reallocation of funding from another use such as parks, mental health services, or other areas. With this constraint in mind, Metro should give careful thought to which sources of funding it pursues and continue to engage with corporations, institutions, philanthropies, and others to be equal partners in the funding of affordable homes.

As described in the "Resource Analysis" section and Action 1b: "Ensure operating and capital spending plan appropriations related to housing and homelessness further the strategies and actions of the UHS and support strong housing and service delivery" and Appendix I: "Program Inventory and Profiles", Metro and MDHA use various tools to support affordable housing development, including the Barnes Fund, gap financing programs and Payments in Lieu of Taxes (PILOTs) such as the LIHTC PILOT (administered by MDHA) and Mixed-Income PILOT (administered by Housing Division). The funding sources for the tools are varied. The Barnes Fund is almost exclusively supported by allocation from Metro's general fund drawn from Short Term Rental (STR) revenues and property taxes and, in recent years, American Rescue Plan Act (ARPA) funds. The allocation is done on a discretionary basis through the annual budget process, with Metro Council needing to approve funding each year. Federal entitlement funds such as Community Development Block Grant (CBDG) and HOME are deployed by MDHA, and the PILOTs are an abatement of property taxes, which impact revenue collection and, ultimately, the Metro budget.

In addition to funding affordable housing, there is also a growing need to support homelessness services. A critical funding source for homelessness services comes from the U.S. Department of Housing and Urban Development (HUD) which funds local initiatives to end homelessness through the Continuum of Care (CoC) Program Competition. The Office of Homeless Services (OHS) serves as the primary applicant to the CoC Program competition. The availability of CoC funding is subject to change dependent on the administration. Notably, ARPA funds have also been used in recent years to fund support services and shelter operations; local ARP funds are set to expire at the end of 2026, while the HOME ARP funds for supportive services ends September 30, 2030. As Metro seeks to advance permanent supportive housing, there will also be a growing need to identify sources to fund both operating costs and supportive services, both of which are essential components of PSH and work together to prevent individuals once chronically homeless from entering homelessness again. While Medicaid cannot pay for housing development or rent, it can support services for enrollees to find and sustain housing. To access such services for Tennessee Medicaid patients, though, the state would need to pursue a waiver, such as a 1115 Demonstration Waiver, which has been a critical resource in funding supportive services in other states across the county. Metro could work with other local governments and stakeholders to advocate for state involvement to pursue such a waiver.

Nashville's 2021 Affordable Housing Task Force Report proposed a number of dedicated sources for affordable housing, including an increase to the sales tax inside the Tourism Development Zone, redirecting a portion or all of the Real Estate Transfer Tax, a bond issuance fee, and increasing short-term rental (STR) fees and charges, among others. Some of these, like bond issuance fees and the STR fee, were put in place, and STR revenues now support the Barnes Fund in part. However, most of these are not viable paths. See Appendix H for the Analysis of Potential Revenue Sources.

Metro should explore a combination of discretionary funds approved by Metro Council annually while adding in a combination of housing bonds and dedicated sources to scale the level of local public funds to be in line with the level of challenges Nashville faces with the cost of homes. All potential revenue sources outlined in Appendix H require State Law change, and some are restricted for other uses.

In March 2025, Metro Council passed RS2025-1101 requesting the Department of Finance and the Housing Division to research and determine the feasibility of the creation of a revolving loan fund to issue loans for affordable housing that allow for smaller investments from members of the Nashville community. Metro will embark on this research in Fiscal Year 2026.

Many communities rely on a dedicated source of funding, a tax or fee that is dedicated to create and preserve affordable homes. Some examples include:

- The District of Columbia's Housing Production Trust Fund (HPTF) receives an annual deposit of dedicated deed recordation and deed transfer taxes collected by the District. In total, 15 percent of these tax revenues are dedicated to the HPTF, a portion of which is dedicated to repayment of revenue bonds, and the balance of which is deposited directly into the HPTF, without being transferred through the General Fund.[vi]
- The City and County of Denver, Colorado, dedicates a portion of its property taxes to housing and charges a one-time impact fee on development.
- Additionally, in November 2024, Los Angeles County voters approved a half-cent sales tax to fund homelessness and affordable housing. Generating over $1 billion annually, Measure A funding will be shared by LA County, cities and councils of government, the Los Angeles County Development Authority (LACDA), and the Los Angeles County Affordable Housing Solutions Agency (LACAHSA), a body made up of leaders including the LA County Supervisors, elected officials representing cities countywide, as well as nonprofit and community leaders.[vii]

There are other sources that are not a viable or priority option for Metro at this point because of one or more of the considerations above. Unclaimed lottery winnings, construction excise tax, parking tax, vacancy tax, permit fees, motor vehicle registration fee, and others will not be prioritized by Metro because of limits of state law and the relatively modest amount of funding they are likely to generate.

Of the potential revenue sources, the Realty Transfer Tax and Realty Mortgage Tax are the strongest options, but each has limits and obstacles to supporting the development and preservation of affordable homes.

Realty Transfer Tax

The State of Tennessee already collects a Realty Transfer Tax of 37 cents for every $100 of real estate value transferred. This generates about $14 million a year in tax revenue. Metro could work with the State to have a portion of this tax allocated to Metro, or it could work with the State to have a local Realty Transfer Tax added. Metro intends to focus on pursuing a local realty transfer tax. Such a tax has been considered by State policy makers before, and creating the option for a local Realty Transfer Tax would not require the State to give up funds it relies on.[i]

If Metro were to adopt a tax of 50 cents for every $100 of real estate value for residential properties worth over $500,000, it would generate around $23 million a year at the average level of real estate activity from 2022 to 2023.[ii] This is a significant source of funding to support affordable housing. One weakness is that the amount of funding will ebb and flow with the real estate market. When there are fewer sales or prices are down, the amount of funding generated will decrease.

By setting the threshold for the tax at $500,000 and scaling it up based on property value, it has a more equitable impact, with more funding coming from those with greater means. This avoids creating a barrier to accessing homeownership for moderate income households. A home sold for $625,000 would only require a one-time tax of $625—hardly enough to impact a household's ability to qualify for a mortgage.

Metro could also establish an exemption from this local tax for properties with an affordability requirement to ensure that it does not adversely impact the development or sale of affordable for-sale or rental homes.

Metro needs the State of Tennessee's authorization to adopt such a local fee, and this is the key obstacle to this funding source. Tennessee's State Assembly would have to approve Metro's ability to establish this fee and the affordability exemption.

Realty Mortgage Tax

Similar to the Realty Transfer Tax, the Realty Mortgage Tax is already in place and is under the control of the State and not Metro. Metro could choose to pursue a portion of this tax or push for an additional local tax. The important differences are that it could include refinancing of property, not just sales, allowing for a broader number of properties to be taxed. The drawback is that it will not cover cash purchases, since there is not a mortgage, so it would be less equitable. Metro could include the option of a local Realty Mortgage Tax as it engages with the State, but should favor the Realty Transfer Tax, all things being equal.

Figure 24: Evaluation of Potential Funding Sources

	Realty Transfer Tax	Realty Mortgage Tax
Scale	High – It is possible to generate tens of millions of dollars in revenue from this source with only a modest tax relative to the cost of homes.	High – the scale is smaller than the Realty Transfer Tax if restricted to new sales; if refinancing is included this is significantly larger.
Speed	High – this could be put in place immediately or phased in over a few years.	High – this could be put in place immediately or phased in over a few years.
Flexibility	Medium – restrictions are tied to overall state laws about how public funds are used and any requirements imposed as part of getting legislation passed to allow Metro to access this funding source for affordable housing.	Medium – restrictions are tied to overall state laws about how public funds are used and any requirements imposed as part of getting legislation passed to allow Metro to access this funding source for affordable housing.
Feasibility	Medium – this source appears to require new state law that would authorize a local add on to the Realty Transfer Tax.	Medium – this source appears to require new state law that would authorize a local add on to the Mortgage Recordation Tax.
Predictability	Medium – as property sales rise or fall the level of funding will move with them	Low- mortgage originations are closely tied to interest rates with dramatic peaks and troughs.
Equity Impacts	High – the price at which a home is covered by the fee can be set high to avoid creating a barrier to homeownership for lower- and moderate-income households.	High – the mortgage amount that is covered by the fee can be set high to avoid creating a barrier to homeownership or refinancing for lower- and moderate-income households.

Revenue from Activated Public Land or Previously Exempted Property

For properties not already pledged or encumbered, Metro could direct a portion of property taxes collected on local, state, and federal property or on other non-exempt property added or returned to Metro's tax rolls toward affordable housing. Metro already directs proceeds from the sale of tax delinquent properties to the Barnes Fund and could direct a portion of proceeds from other property sales and revenue from ground leases for affordable housing initiatives.

Action 8: Tap new and underutilized resources

Nashville has an opportunity to tap into new or underutilized resources, including sources of funding or land assets, that can support affordable housing production and preservation. Appendix H: "New or Underutilized Funding Sources" includes a table of potential federal funding sources that could be explored. These sources, which include HUD Section 108 Loan and Transportation Infrastructure Finance and Innovation Act loans, present varying levels of potential benefit and effort, and some may require education for the development community. Notably, there is uncertainty about the future of several of the federally funded sources and whether they will remain available under new administrations. Metro should assess the applicability and cost/benefit of these sources to ensure that it maximizes available resources that can be utilized for housing. The table in Appendix F describes the resources and the entities that could pursue them.

Did you know that faith-based institutions own 3,491 acres of land in Davidson County? A recent report found that 57% of this land has potential to be utilized for new homes. The Housing Division recently received a federal PRO Housing grant to help faith-based institutions prepare to use their land for affordable housing.

In addition to new funding sources, Metro should also seek other resources that can support housing production and preservation, such as partnerships with institutional land holders, including faith-based institutions. According to a recent report published by the Urban Institute, faith-based institutions are significant land holders in Nashville, owning over 3,000 acres of land – 57% of which could be converted into housing. There has been growing momentum among the faith community to explore whether their underutilized land could be repurposed to support affordable housing efforts. Following the release of the report, ThinkTennessee, in partnership with ULI Nashville, the Urban League of Middle Tennessee, Hawkins Partners, Inc., Urban Housing Solutions, ClearBlue Company, and others collaborated on a series of three resource guides intended to help congregations understand the basics of housing development and determine their potential and priorities. Building on these initial efforts, Metro's Housing Division was recently awarded a federal Pathways to Removing Obstacles to Housing (PRO Housing grant), which will enable the Division to identify and contract with a partner to provide targeted technical assistance to faith-based institutions interested in exploring how their properties can be leveraged to address housing needs. The Housing Division and other relevant partners should continue to support these institutions and engage in conversations and partnerships with others, such as academic and health care institutions, that also hold land assets. These partnerships represent a critical opportunity to expand the inventory of developable land for housing and build broader coalitions around housing solutions.

Action 9: Attract mission-motivated capital and corporate partners

Every affordable housing development that Metro funds also involves private capital, with the exception of Strobel House. Metro solely financed the construction of 91 units, plus community spaces, on Metro-owned land. The project, which does not include structured parking, cost over $28,000,000. The Barnes Fund projects leverage example of 9:1 could likely have leveraged Metro's funds by $252,000,000 and resulted in 1,000 new homes. Therefore, increasing the amount of private capital being invested to build affordable homes in Nashville is necessary to scale up the number of homes being built.

A growing number of institutions and organizations are moving capital toward mission motivated investments. These sources of capital are able to support a public good, like affordable housing, while also earning a return on their investment. Organizations with mission-motivated capital are willing to accept a lower return for an investment in exchange for the public good that results. In practice this means the capital might be invested in a construction loan to build an apartment building in exchange for limiting the rent to a level that is affordable to a household earning $50,000. To do so, they will charge an interest rate of 3% as opposed to the market rate of 6%. The discount on the cost of mission-motivated capital helps to make it possible to keep homes affordable and allow limited public funding to stretch further and achieve more impact. One local example of this type of investment is Vanderbilt University's investment in the Nashville Catalyst Fund. They invested $5,000,000 and are accepting a lower return on their investment in order to support affordable housing in Nashville. The shared leadership by Metro and the Community Foundation of Middle Tennessee were essential to supporting Vanderbilt's investment and all parties should build on this collaboration and momentum to recruit additional mission-motivated investment into the sector.

Metro should engage with organizations who have mission-motivated capital and work with them to invest more of that capital to build and preserve affordable homes in Nashville. This could include banks who are motivated by the federal Community Reinvestment Act and the state Community Investment Tax Credit to invest in affordable housing as well as foundations, large corporations, universities, hospitals, and other community institutions.

The Housing Division should also work closely with Community Development Financial Institutions (CDFIs) whose purpose is to raise and invest mission motivated capital. Nashville has strong local and regional CDFIs such as Pathway Lending and The Housing Fund, but there are no local offices for a national CDFI in Nashville currently. Metro should work to engage national CDFIs and deepen its partnerships with local and regional CDFIs.

Partner organizations such as those listed above or CDFIs can bring the added advantage of being better able to raise private capital and secure philanthropic investments. The City of Charlotte entered into a partnership with the Local Initiative Support Corporation (LISC), a national CDFI, to operate the Charlotte Housing Opportunity Investment Fund and leverage both LISC's ability to bring private capital to invest in affordable housing and its abilities to underwrite and structure complicated affordable housing transactions. The City of Atlanta relies primarily on Invest Atlanta, its economic development authority, to raise private and mission driven capital for affordable housing and then underwrite and structure investments in affordable housing. The City of San Diego takes a similar approach, but relies on the San Diego Housing Commission, the public housing authority for the City. Metro should give close consideration to models employed in other jurisdictions as it assesses the best approach to take to build underwriting capacity.

Action 10: Build strategic partnerships with philanthropic sector

The philanthropic sector in Nashville has historically focused their giving on grants for critical services. The foundations meet regularly and seek to collaborate on giving in order to maximize their impact. In addition to their essential grant making processes, a handful of foundations have sought to expand their impact through impact investing. The first impact investing collaboration for affordable housing in Nashville was a partnership between Urban Housing Solutions, Regions Bank, The Kharis Foundation, Memorial Foundation, the Healing Trust, and the James Stephen Turner Family Foundation. This process grew the knowledge and expertise of the philanthropic sector for affordable housing impact investment.

In 2023, Metro partnered with the Community Foundation of Middle Tennessee to launch the Nashville Catalyst Fund, which combines public funds with mission-motivated capital to offer loans to develop and preserve affordable homes. It is a proven model for partnership as Metro's initial $20 million grant was joined by nine additional investors to create a total fund size of $76.5 million. Metro's initial investment, strategic leadership, and expertise in housing were essential components to attract additional partners. Likewise, the partners worked diligently to develop an understanding of the model and impact and leveraged their relational capital and area expertise to join Metro in investing in affordable housing.

Metro should strengthen their partnership with the philanthropic sector and seek to collaborate on funding, knowledge sharing, and coordination. The philanthropic sector's grant funding should be focused on services and housing for the highest need and lowest income populations. As the foundations grow their comfort with impact investing, their return-generating investments can support affordable housing creation and provide critical funding to fill gaps in the capital stack.

Throughout the UHS, philanthropy's essential role is elevated to showcase specific areas and initiatives where their unique structure and expertise is needed. These areas can be found in the Appendix J: "Philanthropic Contribution Opportunities" as a reference tool that can be built on and expanded as the sector and the needs evolve.

Action 11: Establish underwriting capacity, requirements, and criteria to maximize public investments in housing

Underwriting is an essential process used to evaluate whether and how public resources should be invested in a specific affordable housing project and a prerequisite to being able to access the more sophisticated financial tools Metro needs to explore to expand the number of affordable homes built and preserved. It should be noted that the legality of the use of a public resource or incentive must be considered before applying underwriting criteria.

The underwriting process involves due diligence to determine whether proposed developments actually require public funding, the form of public funding required, or whether the deal can secure financing from other sources. Underwriting professionals use their knowledge of real estate development and housing finance to size the appropriate amount and type of subsidy and identify and mitigate risks to project delivery (i.e., the success of the investment).

As Metro's underwriting capacity grows, it will be able to engage with partner organizations and explore accessing the bond market, mission-driven investment vehicles, and other tools that are not being used at scale in Nashville currently. Metro needs these more sophisticated tools to scale the development of affordable rental homes beyond what LIHTC can support.[12]

Building public sector underwriting capacity is a multi-year process, and Metro should move through the following stages as it builds this capacity up over time.

- Contract or hire staff with a background in affordable housing lending. Hiring for positions with these financial skills is often difficult for local governments because of the competition in the market for these skills, and Metro may choose to contract in the near-term while it establishes an appropriate position type for this role and conducts a search. This capacity will focus on supporting the allocation of Metro's existing housing tools—Barnes Fund, Mixed-Income PILOT, etc. Any MOU among Metro partners should establish who holds this contract.
- Partner with affiliated entities such as the MDHA, IDB, Catalyst Fund, and potentially other organizations to put under contract firms who are municipal financial advisors, lawyers, and fund managers that are familiar with structuring 501c3 bonds, FHA risk share products, and more complicated financial products. MDHA and the Catalyst Fund each already have some of this capacity under contract. The Housing Division should work with them to evaluate whether the existing firms under contract meet the needs to move forward the execution of more complicated tools.

Over the longer term and in coordination with any MOUs that increase Metro collaboration, the Housing Division can work to expand the underwriting capacity internally and to establish or identify a partner organization that can help it scale its capacity to underwrite and structure investments in affordable housing at the volume and level of sophistication needed to address Nashville's housing challenges.

[12] Metro's underwriting expands, Metro Legal will need to be consulted when determining which incentive tools are permissible under applicable law.

Action 12: Position existing housing tools to align with UHS priorities

To most effectively address Nashville's housing priorities, Metro will need to consider all available tools, including those that are not explicitly tools for housing. As a first priority, this will include refining tools that currently exist to ensure that they are designed to most effectively address housing priorities that they are well suited to serve. Second, Metro and partners such as MDHA, Health and Education Facilities Board (HEFB), East Bank Development Authority (EBDA), and Industrial Development Board (IDB), should assess economic development tools that can support housing, such as TIFs and PILOTs. Ultimately, however, the extent to which Metro deploys these tools depends upon fiscal and legal constraints.

Action 12a: Focus the Barnes Fund to maximize its impact

In 2013, Metro Nashville established its first housing trust, the Barnes Housing Trust Fund, to expand affordable housing resources across the county. Since its creation, the Barnes Fund has awarded more than $160 million to 40 nonprofit developers, resulting in the creation or preservation of over 6,000 affordable housing units. Named in honor of Rev. Bill Barnes, a dedicated community advocate for affordable housing, the Barnes Fund continues his mission of ensuring housing opportunities for all Nashvillians. The Metro Housing Trust Fund Commission oversees the fund to ensure its grants align with this mission and are administered responsibly. The Housing Division has dedicated staff who are responsible for administering the program and is responsive to the Commission.

Recommended Barnes Fund Allocation

- Year 1: $30 Million
- Year 5: Scale up to $55M

As Nashville's most significant and flexible source of local affordable housing subsidy, the Barnes Fund often plays a pivotal role in the funding process of affordable housing by contributing the first grant funds to a capital stack. While Barnes' work has been impactful, review of past grants and project financials, agreement terms, and feedback from stakeholders suggest that these resources could be deployed more strategically and efficiently in order to make greater progress on affordable housing production and preservation objectives and build mission-driven affordable housing expertise within the Nashville ecosystem.

Stakeholder feedback shared to inform the UHS revealed that there are opportunities to better align the Fund's strategic focus with Nashville's housing priorities, and that many developers who could make an important contribution to Nashville's affordable housing goals do not know how to or cannot access the Fund.

To address these challenges and maximize the impact of the Barnes Fund, the following changes are proposed:

1. Organize the Barnes Fund around the housing priorities established in the UHS by establishing three tracks: Affordable Rental Homes, Homeownership, Capacity Building;

2. Introduce a dedicated underwriting process that assesses request for funding;

3. Strengthen the public benefit terms required by Barnes Funding; and

4. Establish processes to coordinate Barnes Funding with Metro's housing priorities and tools.

An overview of the three tracks is shown to the side. For additional details on the proposed changes included below as well as suggested budget allocations for each track, please refer to Appendix G: "The Barnes Fund Recommended Policy and Organizational Changes." Please note, policy changes may require the approval of the Metropolitan Housing Trust Fund Commission and/or Metro Council.

Affordable Rental Home Track

- Focus on producing rental homes for households earning up to 60% of the AMI and addressing supply gaps and invest in critical preservation projects.
- Prioritize developing housing for households earning 30% of the AMI or below and PSH units.
- Allow both nonprofit and for-profit developers with the necessary capabilities to compete for funding.
- Require stewardship plans for all awarded projects to ensure affordability.
- Projects fully underwritten to determine funding amounts and terms.
- Awards may include grants, soft-pay, and hard-pay debt, with for-profit organizations ineligible for grants.

Homeownership Track

- Focus on developing for-sale homes, providing financial assistance to first-generation homeowners, and support rehabilitation of owner-occupied homes.
- Prioritize first-generation homeowners in neighborhoods of opportunity.
- Allow nonprofit organizations focused on affordable homeownership and rebuilding disinvested communities to compete for funding. Partnerships with for-profits to be allowed.
- Projects fully underwritten to determine funding amounts and terms.
- Awards may include grants, soft-pay, or hard-pay debt, with for-profit partner ineligible for grants.

Capacity Building Track

- Focus on building the capacity and expertise of nonprofit affordable housing developers and operators.
- Allow nonprofit developers or affordable housing operators/managers with annual budgets up to $4 million to apply.
- Projects may be subject to underwriting and impact metrics related to organizational capacity building.
- Awards will include reimbursable grants.

Action 12b: Make affordable housing a threshold-eligibility requirement to access Tax Increment Financing and Payment-in-Lieu of Taxes for residential and mixed-use projects

Tax Increment Financing (TIFs) is a funding mechanism where a local government uses anticipated future increases in tax revenues to finance current improvements, such as new or improved infrastructure, that are expected to generate those increased revenues. With a traditional TIF, a local government establishes a district and utilizes the funds from the tax increment generated in that district to either repay the debt incurred or reimburse a developer for the costs of public improvements required to enable private development in the district. TIF may be used to facilitate new rental and for-sale housing.

MDHA, IDB, and the new East Bank Development Authority have the ability to authorize TIFs. Metro should work with these entities and Council to ensure that projects seeking TIF support for residential and mixed-use development include some level of affordable housing. This practice was implemented in the 2000s by Mayor Bill Purcell to incentivize people to move to downtown. At that time, developers utilizing TIF for residential development were required to make 20% of homes affordable at 80% or below AMI for 5 years. With Nashville's current housing needs, Metro should set minimum criteria in each TIF project involving residential development to further the UHS's housing goals with affordability terms running for the period of the TIF loan.

Payment-in-Lieu of Taxes (PILOT) is a financial arrangement in which a developer makes a payment to Metro instead of property taxes, at a reduced rate. Metro offers 2 PILOT programs specifically designed to create and preserve income-restricted affordable housing – LIHTC PILOT and Mixed-Income PILOT. However, where Metro seeks to utilize a PILOT to incentivize other economic development projects that include housing not through the LIHTIC PILOT or Mixed-Income PILOT programs, Metro should require a percentage of the housing to be income-restricted for the term of the PILOT.

Metro should utilize underwriting to ensure TIFs and PILOTs are necessary and further Metro's goals. See Action 11: "Establish underwriting capacity, requirements, and criteria to maximize public investments in housing."