STRATEGY F: PRESERVE EXISTING HOUSING

Preserve and protect long-term housing affordability and stability

What is the focus of this strategy?

Strategy F focuses on ensuring that Nashville's current and future housing that is affordable to Nashvillians remains affordable for Nashvillians for years to come. This strategy includes actions that will seek to minimize the loss of "naturally occurring affordable housing" and preserve the affordability of income-restricted housing whose affordability requirements are set to expire. It also includes actions to ensure that the affordable housing being built for our future has additional measures in place to protect affordability for longer-term.

Why is this strategy important?

Nashville has both naturally occurring affordable housing and income-restricted housing. Naturally occurring affordable housing is affordable without public funding, while income-restricted housing receives public subsidies and is required to be affordable for people earning below a certain income for a certain duration of time. Preserving both types of housing is crucial to prevent displacement of current residents. Notably, the number of naturally occurring homes has been shrinking in recent years as rents have risen faster than incomes. Market pressure in Nashville increases the likelihood that renters living in naturally occurring affordable housing will face rent increases that either leaves them with too little income to cover other essentials or pushes them to move to a lower rent area, which is a form of displacement. Although Metro is limited in its ability to intervene in private actions, the Housing Division has developed tools, such as the Catalyst Fund, to work with private developers with the goal of keeping these homes affordable.

Nashville also has approximately 20,000 income-restricted or affordable homes with deed restrictions[15] to keep them affordable. These restrictions, however, have expiration dates, and once they expire, property owners can choose to raise rents or sell and redevelop the property. This phenomenon is common across the U.S. and not unique to Nashville. Different affordable housing programs set different time limits on how long homes must remain affordable for households earning at/or below certain incomes. For example, Barnes-funded rental projects (funded post Round 8) must be affordable for 30 years while projects funded through HOME, a HUD program, are required to be affordable for a minimum of 20 years. In the next 10 years, it is estimated that about 30% of Nashville's income-restricted homes affordability protections are set to expire. Many of these homes are located in high-demand areas, such as along Charlotte Avenue, Dickerson Pike, and I-440, making them vulnerable to market pressure. Without action to preserve them, tenants could face rent hikes or displacement due to redevelopment. Strategy D seeks to create more housing stability for those current and future tenants living in affordable housing.

[15] HR&A identifies deed-restricted affordable housing properties as being active or inconclusive in each year based on the earliest start date and latest end date across all subsidies reported by National Housing Preservation Database (NHPD) as of 2024. In addition, NHPD data may undercount the total count of deed-restricted housing units, especially in recent years, because the total housing units that NHPD reports for each property is the maximum number of housing units covered by any subsidy attached to the property, and because there is a reporting lag of at least 1-2 years for some subsidies between when the property is placed in service and when the property is reported in NHPD.

Who will this strategy serve?

This strategy will serve low and moderate-income households living in affordable housing.

How will we measure our progress?

Metric	Description	Source(s)
Home Preservation	Total number of homes, including naturally occurring affordable housing and income-restricted housing, that were preserved	Catalyst Fund; Metro Housing Division; Metropolitan Housing and Development Agency; Developer Community

What will it take to achieve?

Staff Time, Capacity or Expertise

Funding or Financing

Data

Strategy F **Actions**

Action 30: Incorporate mechanisms, such as right of first refusal, and support existing mechanisms, such as LIHTC PILOT, into local programs to protect affordability for the long-term

Housing Division should ensure Barnes Fund and other affordability agreements maximize opportunities to keep deed-restricted properties affordable in the long term. The Housing Division should undertake a review of available opportunities, including adding a right of first refusal and enhancing requirements to support housing stability for residents of properties that proceed to market sales.

Current Barnes Fund agreement templates, for example, require consent from Metro to reassign the contract to a new owner. Metro should take a broader approach to Barnes Fund and other affordability agreements by requiring grantees to notify the Housing Division in advance of intended sale of the property and establishing a process by which Barnes Fund recipients (and other recipients of Metro financial support) may sell their properties, retaining the right to find a buyer who will keep the property affordable. Metro agencies should also ensure that notices are sent to the Housing Division (at least some agreements instruct recipients to notify Metro Department of Finance). Additionally, Metro should encourage MDHA to take similar approaches where applicable (e.g., via LIHTC PILOT).

Metro should also add conditions in its agreement templates that improve outcomes for tenants living in new affordable properties subsidized by Metro or MDHA whose affordability requirements are set to expire and the property is approved to proceed to market sale. This could include adding requirements for tenant relocation assistance and minimum time periods for notice, perhaps in the form of requiring a tenant relocation plan or right of return.

Nashville is experiencing tremendous production using 4% LIHTC credits and has over 10,000 LIHTC homes in operation throughout Davidson County. Following year 15 of operation, federal law dictates that LIHTC owners may explore sale of their property through a process called Qualified Contract Review (QCR). In Tennessee, when a LIHTC owner chooses to initiate QCR, the Tennessee Housing Development Agency (THDA) has one year to market the property and find a buyer who will keep the property affordable. If THDA is unable to find a buyer, the property is released from its affordability covenant and the property owner is entitled to sell to a buyer without affordability restrictions.

Nashville will not be able to intervene in the QCR process. However, for LIHTC properties with a local LIHTC PILOT (administered by MDHA), Nashville can layer an affordability restriction that keeps properties affordable independent of LIHTC regulations, ensuring that the property remains affordable in years 16-30 even after a QCR process. It is worth noting that, according to information on THDA's website, as of 2024, applicants for LIHTC 4% financing are required to waive their right to initiate Qualified Contract Review. However, this has not been the case in years past,16 and there may still be instances in which property owners can enter QCR.

Action 31: Prioritize projects that will provide long-term or perpetual affordability, such as long-term ground leases, community land trusts, and social housing

To promote lasting housing affordability, Metro should prioritize projects for local funding that commit to long-term or permanent affordability such as 50 or 99 years. While federal programs such as the Low-Income Housing Tax Credit (LIHTC) impose their own affordability requirements, Metro should encourage deeper commitments—favoring affordability periods of at least 50 years and aiming for 99 years where possible. Long-term affordability restrictions are common in communities across the country and have a negligible impact on the value of the property they are placed on relative to a standard affordability restriction of 15 or 30 years. The O'Connell administration showcased the importance of this long-term affordability by securing a 99-year commitment as part of the recent East Bank deal. The Amazon Housing Equity Fund also mandates a 99-year affordability period for most of its investments.

Metro should also support shared equity models—such as limited equity cooperatives (LECs) and community land trusts (CLTs)—which provide long-term affordability while fostering democratic governance through community and resident ownership.

In the limited equity co-op model, residents purchase a share in a cooperative rather than owning the property outright. This share grants them the right to occupy a unit and participate in decision-making. If they choose to move, members agree to sell their share at an affordable price to a qualifying low- or moderate-income buyer rather than keeping the full equity they may have accrued. As mentioned in the introduction, the Housing Division made ARPA funds available through the Barnes Fund for the creation of Nashville's first limited equity co-op, Cottages at Drake Creek.

Community land trusts operate similarly but include a nonprofit governing body that manages sales and supports homeowners. In a CLT, the nonprofit retains ownership of the land while homeowners purchase the buildings. Through a ground lease agreement, homeowners pay a small monthly fee to the nonprofit and agree to resell their homes at an affordable price. This model lowers the initial purchase cost and preserves long-term affordability for future buyers. In 2019, Metro Nashville provided seed funding and property to launch a CLT in partnership with The Housing Fund.

While shared equity models and extended affordability commitments somewhat constrain the wealth-building potential for individual homeowners, they provide critical protections against displacement and ensure that public investments continue to serve the community for generations. By prioritizing these approaches, Metro can strengthen housing stability, expand access to affordable homeownership, and maintain affordability over the long term.

Figure 29: Community Land Trust Model Overview

These models often still require public investment to create affordability initially, but administration of the affordability in the long term is largely managed by the co-op board or nonprofit CLT, increasing community control and ecosystem capacity outside the public sector. The Barnes Fund recently supported the first publicly funded co-op in Nashville, and Metro should continue to prioritize these community-controlled, affordable projects whether stand alone or through CLTs.

Action 32: Maintain and monitor a countywide database of all deed restricted affordable units

A comprehensive database is a critical tool needed to be proactive in identifying and preserving affordable housing set to expire. In April 2023, Metro Council passed ordinance BL2023-1742 directing the Metro Planning Department, through its Housing Division, to create a centralized dashboard to track funding and development and preservation of subsidized homeownership and rental housing. As part of the dashboard's development, the Housing Division has begun creating a countywide affordable housing database to track all deed-restricted units in the area. In 2023, the Division purchased a technology platform to securely store and organize affordable housing data. The current database includes data from programs managed by the Housing Division, as well as some other publicly funded programs. While this database provides a solid foundation, compiling a comprehensive inventory of affordable housing in Nashville requires reviewing records from multiple sources, and carefully verifying that multiple funding sources for a single project do not result in duplicate counts. Maintaining a database that tracks all subsidized affordable rental units and the year their affordability restrictions expire is essential to preservation efforts. The current database should be expanded upon to include MDHA, THDA, and Metro subsidized properties. As outlined in Action 1a, Metro should work with partners, such as MDHA, to establish a data reporting partnership to ensure a robust inventory. In addition to data partnerships, adequate staffing capacity at the Housing Division is needed to further develop the database and maintain its accuracy.

Action 33: Leverage the Catalyst Fund to support preservation

The Catalyst Fund, launched in summer 2024, is intended to solve a common problem for affordable housing developers in markets across the country. Typically, nonprofit or mission-driven affordable housing developers lack the staff resources and capacity to acquire for-sale properties at the same speed as market-rate developers. In appreciating markets like Nashville's, lower-rent apartments that enter the for-sale market can be quickly acquired by market-rate developers before mission-driven developers can assemble financing, place bids, negotiate, and close. The Catalyst Fund provides a source of fast-moving bridge financing that allows affordable housing developers to compete for Nashville's existing apartment stock as acquisition opportunities occur.

The Housing Division coordinates with the Catalyst Fund through an impact strategy, which is approved by the Housing Director on an annual basis. Metro should ensure that the impact strategy articulates a priority for using Catalyst for affordable properties at risk of being lost or in high demand. For example, in order to maximize the utility of the Fund, Catalyst can prioritize applications for properties that are in need of deeper rehabilitation, properties in areas highly susceptible to market pressure, and possibly other criteria, such as bedroom sizes. Deed-restricted affordable properties, as well as naturally occurring affordable properties, are both eligible for the program.

Action 34: Support a preservation pool that includes ability to acquire expiring affordable stock

A preservation partner pool is a pre-approved bench of affordable housing property managers/owners who are interested in purchasing qualifying affordable properties that go up for sale. These could be local or national partners focused on preservation (e.g. Preservation of Affordable Housing (POAH),National Housing Trust, and the NHP Foundation, and locally, the newly established Pathway Affordable Housing Corporation), and the creation of a pool increases the chances of homes being owned by entities committed to keeping housing affordable. Properties that have received subsidy from Metro, as well as properties acquired through Catalyst Fund loans, could be considered for purchase by a mission-driven pool of affordable housing providers before going to the full market. They then issue an RFQ/RFP and pre-approve the partner pool. An eventual partner pool, once established, would also need a way to determine how/when properties are eligible for purchase by this group. The Housing Division should spearhead efforts to create a preservation partner pool.