METROPOLITAN GOVERNTMENT

OF

NASHVILLE AND DAVIDSON COUNTY

Public Action Plan

for

Pathways to Removing Obstacles to Housing

(PRO Housing) Grant

Approved April 14, 2026

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Grantee Nashville-Davidson, TN

Grant: B-23-PH-47-0002

LOCCS Authorized Amount:	$5,000,000.00
Grant Award Amount:	$5,000,000.00
Status:	Reviewed and Approved
Estimated PI/RL Funds::	$0.00
Total Budget:	$5,000,000.00

1. Action Plan Summary:

The Metropolitan Government of Nashville-Davidson County, Tennessee (Metro Nashville) is one of the inaugural recipients of the Pathways to Removing Obstacles to Housing (PRO Housing) grants awarded by the U.S. Department and Urban Development, as authorized by the Consolidated Appropriations Act, 2023, Public Law 117-328), approved December 29, 2022. FY23 PRO Housing Requirements can be found in the PRO Housing Notice of Funding Opportunity (NOFO) (FR-6700-N-08, issued November 6, 2023).

Metro Nashville's proposed activities in the grant application built on work already underway in Metro Nashville to address the city's acute demand for affordable housing, reduce and remove barriers to creating and preserving affordable housing, and affirmatively further fair housing. This work is further supported by ongoing stakeholder engagement, data analyses, and best practices to create new or strengthen existing tools and systems to ultimately result in a Nashville that is affordable for all.

For over a decade, Metro Nashville has enjoyed its time in the international spotlight – once being dubbed as the "It" city by the New York Times. It is a popular tourist destination and new home base for many relocating from other regions throughout the country to enjoy the area's quality of life and relative affordability. With over 2,046,715 people, the Nashville-Davidson—Murfreesboro-Franklin Metropolitan Statistical Area (MSA) is the largest MSA in Tennessee. Metro Nashville's population of 708,144 has grown by nearly 100,000 people since 2010 (at the time of grant application in October 2023).

With this growth comes intense pressure on our housing market, leaving many legacy residents and our most vulnerable neighbors struggling to find or keep housing that is affordable. Nearly half of all renters are cost-burdened, and this problem is most acute for households with incomes at or below 30% of the area median income (AMI) where we have a deficit of over 13,000 units affordable to households in this income range (as of October 2023). Furthermore, the 2023 Point-In-Time count showed an overall increase in homelessness by 11%.

In its grant application for $10 million submitted in October 2023, Metro Nashville proposed the following activities to tackle our supply issue from multiple angles:

1. Missing Middle Housing Policy Development encourages a wider range of housing options through zoning and land use reform.
2. Affordable Housing Accelerator Program expands the capacity of small and BIPOC developers to create and preserve equitable affordable housing.
3. Faith-Based Housing Development Initiative unlocks access to valuable land; and
4. Affordable Housing Finance Program funds the creation and/or preservation of permanent supportive housing and deeply affordable housing (0-30% AMI).

Metro Nashville was awarded half of the funding requested ($5 million) in June 2024. With reduced funding, local work progressing, and new Presidential executive orders and state laws, Metro Nashville has revised the activities funded by the grant as follows. This Action Plan describes the activities to be undertaken with the PRO Housing award rather than activities as originally proposed.

Eliminate the Missing Middle Housing Policy Development activity as this work is incorporated into the Housing and Infrastructure Study directed by the Metro Council subsequent to the grant application.

1. Revise the budget, projected outcomes, and program description of the Affordable Housing Accelerator Program to focus on expanding capacity of small and emerging developers to comply with federal and state laws.
2. Revise the budget and projected outcomes for the Faith-Based Development Initiative.

3. Revise the budget and projected outcomes for the Affordable Housing Finance Program.

The Metro Nashville Planning Department's Housing Division will oversee the administration and implementation of this grant, which includes grant management, monitoring, and reporting. The Housing Division team has extensive experience with HUD grants of a similar size and scope. A portion of grant administration funds may be used to support Environmental Review and Procurement actions undertaken by the Metropolitan Development and Housing Agency (MDHA) on Metro Nashville's behalf. Nashville benefits from a deep bench of local and national organizations ready to assist in addressing our housing crisis, and the proposed Affordable Housing Accelerator Program will increase the capacity of developers and contractors.

Please note, Metro Nashville's application was already subject to a 15-day public comment period, with virtual and in-person public hearings held on October 11, 2023. The application was approved for submittal by the Metro Council on October 17, 2023. Accordingly, Metro is not soliciting public comment on this Action Plan. However, interested parties may submit questions or comments at any time by emailing Metrohousing@nashville.gov (Subject line: "HUD PRO Housing Grant").

The Metro Nashville PRO Housing Action and any subsequent amendments and reports will be available at: https://www.nashville.gov/departments/planning/housing-division/pro-housing.

2. Resources and Budget

The following table shows the budget submitted in the application and related projected outcomes and the revised budget based on the actual award and related projected outcomes.

- **Activity: Missing Middle Housing Policy Development**
  Application Budget: $1,000,000
  % of Application Budget: 10%
  Projected Outcomes in Application: 1 plan
  Revised Budget: $0
  % of Revised Budget: 0%
  Revised Projected Outcomes: Activity eliminated

- **Activity: Affordable Housing Accelerator Program**
  Application Budget: $1,500,000
  % of Application Budget: 15%

Projected Outcomes in Application: 15 developers
Revised Budget: $575,000
% of Revised Budget: 11.5%
Revised Projected Outcomes: 12 developers assisted

- **Activity: Faith-Based Development Initiative**
  Application Budget: $500,000
  % of Application Budget: 5%
  Projected Outcomes in Application: 10 FBOs assisted
  Revised Budget: $575,000
  % of Revised Budget: 11.5%
  Revised Projected Outcomes: 12 FBOs assisted

- **Activity: Affordable Housing Finance Program**
  Application Budget: $6,000,000
  % of Application Budget: 60%
  Projected Outcomes in Application: 60 LMI units
  Revised Budget: $3,600,010.24
  % of Revised Budget: 72%
  Revised Projected Outcomes: 36 LMI units

- **Activity: Grant Administration**
  Application Budget: $1,000,000
  % of Application Budget: 10%
  Projected Outcomes in Application: N/A
  Revised Budget: $249,989.76
  % of Revised Budget: 5%
  Revised Projected Outcomes: N/A

- **TOTAL GRANT BUDGET**
  Application Budget: $10,000,000
  % of Application Budget: 100%
  Revised Budget: $5,000,000
  % of Revised Budget: 100%

- **Leverage***
  Application Amount: $10,000,000
  Revised Amount: $5,000,000

*Metro Nashville has committed $5 million in leverage over the course of the Grant Period through the Barnes Housing Trust Fund, which is funded by the City's operating budget, or through other local funds or incentives.

The grant budget is based on CDBG cost effectiveness principles provided in 2 CFR 200.404 to ensure funds are necessary, reasonable, allowable under the PRO Housing NOFO, and allocable. Further, Metro Nashville applied standards obtained through its administration of similar programs and through best practices from other cities. Finally, all activities, except grant administration, will the undertaken by subrecipients procured through a competitive process that will include an evaluation of cost as part of the proposal.

All activities will be completed and funds expended before the end of the period of performance of September 30, 2029, as outlined in the section on Use of Funds – Soundness of Approach.

3. Need:

RECENT EFFORTS TO IDENTIFY, ADDRESS, MITIGATE, OR REMOVE BARRIERS TO AFFORDABLE HOUSING PRODUCTION AND PRESERVATION

In recent years, Metro Nashville has undertaken bold and aggressive action to address its housing crisis. Despite these efforts, the acute demand and deep barriers require additional resources and intentional approaches to build and preserve equitable affordable housing, especially for Nashville's most vulnerable residents.

Metro Nashville has engaged in multiple efforts to identify, address, mitigate or remove barriers to affordable housing production and preservation. These efforts involve a variety of methods, including increasing investment, implementing new policies, studying best practices, expanding local capacity, and modifying regulatory processes. Metro Nashville recognizes that additional housing supply affordable to households at all income spectrums is critical to advancing housing security.

Affordable Housing Defined: "Affordable housing" as used in this Action Plan is consistent with the definition of affordable housing as defined in 24 CFR 92.252(a), (e), and (f) for rental housing and 24 CFR 92.254 (a)(1)-(4) for homeownership.

Affordable Housing Programs

Metro Nashville is a CDBG entitlement jurisdiction and a HOME participating jurisdiction and targets nearly half of its annual CDBG funds for home repair programs and most all of its HOME allocation for new construction activities. In addition to utilizing these and other federal resources to develop and provide housing options to low-to-moderate income (LMI) households, Metro Nashville has implemented several local tools that aim to promote housing affordability particularly for those households whose options are severely limited within the market conditions.

In 2013, Mayor Karl Dean and Metro Council created Metro Nashville's first housing trust fund (Barnes Fund) to leverage affordable housing developments throughout Davidson County. Named after Reverend Bill Barnes, a longstanding advocate for affordable housing and deconcentrating poverty, the Barnes Fund makes competitive grants to nonprofit housing developers to increase affordable housing options for Nashvillians. Grants include funding for preservation and creation of affordable rental and homeowner units and other supportive efforts to encourage long-term affordability. Since its inception in 2011, over $189 million, including nearly $20 million in ARPA funding, has been invested in the Barnes Fund supporting the development and preservation of an estimated 6,500 new rental and homebuyer homes. A total of 556 of those units are rental units for households earning less than 30% of the AMI, 3290 rental units for households earning 31-60% of the AMI, and 77 units for households earning 61-80% of the AMI. Except for one funding round, the Barnes Fund only funds rental housing up to 60% of the AMI; units above 60% of the AMI are considered leveraged units. The Barnes Fund also supported the development of nearly 400 new homebuyer units affordable to households earning less than 80% of the AMI and helped rehabilitate over 400 homes for homeowners earning less than 80% of the AMI. The Barnes Fund has an extensive application process that prioritizes unit development in areas of high opportunity and connection to transit.

After a community survey indicated affordable housing as a top priority, Metro Nashville allocated over $144 million in American Rescue Plan Act (ARPA) to develop new tools and programs aimed at advancing affordable housing and reducing homelessness. By allocating over half of its total ARPA allocation to these efforts, Metro Nashville leads the country in its commitment to address housing and homelessness through its ARPA funds. These new programs include the following: an Affordable Housing Gap Financing program to develop permanent supportive housing for individuals experiencing homelessness; an Eviction Right to Counsel Pilot Program to prevent evictions; a Catalyst Fund to preserve naturally occurring affordable housing; Shared Equity homeownership; new rental units and home improvement funding for older adults, and more. While these programs are at varying stages of implementation, the ARPA programs are anticipated to support the creation and preservation of hundreds of units.

In addition, Metro Nashville launched new programs to support affordable housing creation and neighborhood assets. Since 2020, Metro Nashville has allocated $4 million in capital spending funds to establish the Connecting Housing to Infrastructure Program (CHIP) that substantially enhances infrastructure in the areas surrounding affordable housing. The program supports the development of affordable housing and neighborhood assets in Nashville by sharing the cost of enhanced infrastructure improvements.

Another program created by Metro Nashville is the Mixed-Income Payment in Lieu of Taxes (PILOT) program that encourages affordability by providing tax abatements to construction projects that would not typically offer units at rates lower than the market price. The Mixed-Income PILOT promotes affordability specifically in market-rate buildings and supported the creation of nearly 100 affordable units at 75% AMI or below in its first year.

These public efforts are supplemented by the Amazon Housing Equity Fund's commitment to invest millions in below-market capital for developers to create and preserve affordable homes in Nashville, focusing on projects on privately-owned land within a half-mile of WeGo (Nashville's transit authority) transit corridors. Amazon has already invested $161 million to fund projects that will result in over 1,700 affordable homes and $3.75 to establish the Housing Resiliency Fund at The Housing Fund (a local CDFI) to provide qualified homeowners with property tax relief and/or mortgage payments to mitigate the impact of rising housing costs. Amazon just announced new commitments focused on increasing homeownership.

Since Metro submitted its PRO Housing Application in 2023, it released the city's first Unified Housing Strategy in Spring 2025, which provides current needs analyses and sets recommendations for comprehensively addressing Nashville's housing challenges over the next 10 years through public, private, and philanthropic efforts.

Permanent Supportive Housing and Housing for Extremely Low-Income Households

In an effort to support our most vulnerable residents, Metro Nashville in partnership with public and private partners has sought to implement new programs aimed at increasing permanent supportive housing (PSH) for very low-income households with complex needs. In May 2022, Nashville broke ground on the city's first publicly-developed PSH center, Strobel House, which provides housing and on-site supportive services to people experiencing chronic homelessness. The $28 million development is located in Downtown Nashville and allows 90 Nashvillians in transitional housing to have a permanent housing option through the city's Coordinated Entry process.

Metro Nashville also made over $23 million in ARPA funding available in subordinate financing for an Affordable Housing Gap Financing (AHGF) program to create deeply affordable rental units to house individuals with incomes at or below 30% of the AMI and units to provide PSH. The Metropolitan Development and Housing Agency (MDHA) is administering the Affordable Housing Gap Financing program. In its first round of funding allocating a little over $10 million, MDHA funded over 60 units of housing for very low-income individuals and individuals experiencing homelessness.

Metro Nashville has also incentivized PSH and housing for households earning 0-30% of the AMI in the Barnes Fund. Applicants who propose new units for households earning 0-30% of the AMI and/or PSH units receive bonus points. Though these new and existing tools have made progress towards addressing the housing needs of our most vulnerable residents, additional resources are necessary to produce the number of PSH and low-income units needed.

Notably, members of Metro Nashville's Housing Division and the Office of Homeless Services (OHS) have been actively engaged in a statewide coalition aimed at securing state support to advance PSH. The coalition, which is made up of multi-sector partners and multi-jurisdictions, has been working closely with State executive and legislative leadership to increase awareness on permanent supportive housing and garner support for state investment and coordination to increase PSH.

In addition to the program and policy efforts, Metro Nashville has made strategic changes to strengthen our capacity and expertise to ensure homelessness is rare, brief, and non-recurring. In 2023, Metro Nashville created its first ever standalone department, the Office of Homeless Services, which aims to enact a robust approach to providing housing to the unhoused in Nashville and expand on existing work to assist those without housing.

The FY26 Metro Operating Budget appropriated $250,000 for the creation of a Permanent Supportive Housing Strategy. Although led by the Housing Division, the PSH Strategy will be driven by national experts procured through a competitive process, with oversight from a Working Group of local leaders, and informed by stakeholders, including persons with lived experience, advocates, services providers, and developers. Ultimately, the PSH Strategy will determine annual PSH need, evaluate current resources and capacity, and provide recommendations for the appropriate level of resources and required capacities to create, operate, and provide services to ensure that homelessness is brief, rare, and non-recurring.

Increasing Local Capacity to Advance Affordable Housing

Metro Nashville has made strategic measures to enhance local capacity and expertise to advance affordable housing. In 2021, Mayor Cooper convened an Affordable Housing Task Force to develop recommendations on addressing Nashville's affordable housing crisis. Among its recommendations were expanding local funding for affordable housing, utilizing public land for affordable housing development, and creating a Housing Division to expand capacity to track and implement affordability efforts.

In January 2022, Metro established its first ever Housing Division, which sits within the Metro Nashville Planning Department. The Housing Division is charged with developing policies and initiatives to address the city's affordability needs and developing a comprehensive strategy. Since January 2022, the Housing Division has grown from a team of three to a team of ten with plans of future growth. The increased capacity has allowed Metro to expand its outreach efforts to new and current development partners. The Division provided the needed capacity to implement several of the ARPA funded programs which will offer new supply and innovative solutions.

Additionally, the Housing Division has the unique opportunity to work closely with the Planning Department's staff to identify zoning and land use policies that are barriers to the creation of additional housing supply, including affordable housing. This is reflected in the city's Unified Housing Strategy and the Housing and Infrastructure Study.

In addition to expanding government capacity to advance affordable housing, there have been private local initiatives aimed at increasing and diversifying Nashville's development partners. With the support of the Amazon Housing Equity Fund, the Urban League of Middle Tennessee (ULMT) established a Real Estate Developers (RED) Academy to empower, expand, and educate developers of color in all aspects of residential real estate development. The goal of the RED academy is to increase the development and delivery of attainably priced housing across Nashville's market. In March of 2022, the RED Academy welcomed its first class of developers of color who are participating in an 18-month program to equip them with the needed training, financing, and mentorship to build affordable housing in the city. The second cohort from the RED Academy will graduate in December 2025. Another private program, Music City Construction Careers (MC3). provides training for local residents to gain access to Building Trades and registered apprenticeship programs.

Notably, the Barnes Fund, Metro Nashville's local housing trust fund, has also instituted programmatic policy changes to bolster participation of small businesses. In the fall of 2017, the Barnes Fund partnered with the Center for Nonprofit Management to provide one-time technical assistance to a group of 10 nonprofit affordable housing developers with a focus on strengthening organizational structure with attention to board development, financial reporting, and succession planning. To promote successful applications from small organizations, there is a specific set-aside for small organizations that Metro Council codified in Spring 2023 and requires 20% of the total annual allocation be set-aside for nonprofit organizations with an annual operating budget of no more than $4 million and a housing budget of no more than $1 million. While program policy changes are intended to incentivize diverse applicants, additional efforts, including technical assistance and training, are needed to support emerging and small developers be successful in securing competitive funding opportunities.

Permitting Changes

In addition to utilizing local and federal funding to support affordable housing development, Metro Nashville has also enacted regulatory changes with the intention to expedite affordable housing development. For example, starting in 2019, Metro Nashville began providing expedited review of building permits that include income-restricted affordable housing. The scope of permits and activities (such as inspections) eligible for expedited review has been expanded since its initial inception.

In 2020, Metro reported that review times for some projects had decreased from 4 months to 6 weeks. Housing insecurity can result in long-term negative consequences for individuals and families. Expediting permitting process for affordable housing developments recognizes the urgency of Nashvillians housing needs and encourages quicker housing placement.

Of note, at the time of application, Metro Nashville departments were actively working in partnership with the local Urban Land Institute's Housing Action Council to identify and develop solutions to outstanding roadblocks involved in the affordable housing development permitting and approval process. This work culminated in the creation of an Affordable Housing Permit that flags certified affordable housing projects in the city's plans review and permitting system.

Zoning and Land Use Efforts

Metro Nashville's Planning Department has engaged in multiple efforts to encourage housing supply. In 2015, Nashville adopted its third General Plan, known as NashvilleNext. Coming at the pivot between recovery from the Great Recession and the city's late 2010s economic and development boom, the new General Plan reflected Nashvillians' desires for changing the direction of growth from exclusively auto-oriented sprawl to a walkable, transit-oriented city. Key strategies identified by the plan were to create opportunities through abundant housing (reflecting community concerns with concentrated poverty, gentrification and displacement, suburbanization of poverty, and exclusion) linked with a system of high-capacity transit serving urban and suburban parts of the county. Providing a mix of housing types coordinated with transit access was a crucial component of the plan. These were reflected most strongly in the following goals and policies:

- Land Use, Transportation, and Infrastructure Goal 4: Nashville's neighborhoods provide residents with a choice of places to live, preserving neighborhood character and history while accommodating housing choices across income levels, interests, ages, abilities, and races or ethnicities.

- Land Use, Transportation, and Infrastructure Goal 5: Nashville's neighborhoods include mixed-use, walkable centers, commercial districts, and corridors that fit within their context and character and offer housing affordable across a range of incomes.
- Land Use, Transportation, and Infrastructure Policy 5.2: Create mixed income communities by encouraging more market-rate housing at lower price levels, preserving affordable housing in gentrifying neighborhoods, and creating new affordable homes when new market-rate homes are built.
- Housing Goal 1: Nashville maintains economic and social diversity. Housing choices are affordable, available, and accessible to all new and existing Nashvillians.
- Housing Goal 2: Nashville has a strong and diverse housing market that embraces changing housing demand.
    - Housing Policy 2.1: Create real housing choices in rural, suburban, and urban areas that respect the rural, suburban, and urban development patterns.
    - Housing Policy 2.2: Create tools that encourage context sensitive development in Nashville's neighborhoods.

Notably, following the publication of *NashvilleNext*, Metro Nashville adopted one of the recommended programs, the creation of an inclusionary housing program in 2016. Structured as both a requirement and a subsidy, the program required property owners seeking a zone change to increase entitlements to ensure a portion of the additional entitlements were affordable, matched with a subsidy for the gap between market and affordable rates, so long as the subsidy was available for Metro. While such program may have served as a critical local tool for increasing the affordable housing supply, in 2018, the State of Tennessee pre-empted Nashville's inclusionary housing ordinance. As drafted, the preemption also applied to Nashville's pre-existing bonus program within the Downtown Code. It also precluded bodies such as the Nashville Planning Commission from considering potential affordability of projects in zoning change decisions.

In February 2024, the Metro Council passed a resolution requesting the Metropolitan Planning Department, Metropolitan Department of Codes and Building Safety, Historic Preservation Offices, Metro Water Services, and Nashville Department of Transportation and Multimodal Infrastructure to conduct the necessary technical studies, as determined by the departments, to provide a comprehensive analysis of recommended changes to the Metropolitan Code of Laws that would increase allowable density in Nashville and Davidson County and make recommendations regarding land use policy which incorporates affordable and workforce housing strategies that can be supported by existing and planned infrastructure (i.e., Housing and Infrastructure Study). This work is underway.

<u>Land Availability & Faith Based Housing Development Opportunities</u>

Identifying land for affordable housing development is typically one of the most difficult steps in real estate development transactions. Institutions, whether public, academic, healthcare-related, or faith-based institutions, can play a significant role in expanding housing affordability and mobility given the amount of land they own, their locations, and accessibility to transportation options and services.

While Metro Nashville has undergone an initial analysis on its publicly owned land and plans to further evaluate what land may be appropriate for housing purposes, public and private institutions, particularly faith-based institutions, may offer critical resources to utilize. Faith-based institutions in Nashville have shown a keen interest in supporting affordable housing. In November of 2022, several congregations in partnership with local housing developers hosted a summit, Built on Faith, for congregations interested in learning how to play a role to solve Nashville's affordable housing crisis. The summit which welcomed over 100 attendees included breakout sessions with faith-based institutions from other states who have successfully repurposed portions of their land to house their neighbors.

Since the summit, additional initiatives have taken place to engage faith-based institutions in affordable housing conversations. The Urban Institute and ThinkTennessee, a nonprofit think tank, hosted various institutions in the Nashville community in Spring 2023; academic, health, faith-based, and public sectors convened to better understand the barriers and opportunities of developing institutional land for affordable housing. In the fall of 2023, stakeholders convened again to discuss the findings of the amount of land owned by the institutions and where there are opportunities for significant housing development, particularly for affordable housing development along Nashville's major corridors and neighborhoods.

During the initial convening, nonprofit organizations and faith-based institutions were interested in an introductory or 101 guide to affordable housing to support faith-based institutions in their efforts to build affordable housing on the land they own. The 101 Housing Resource Guide for Faith-Based Institutions underway is being developed and written by Holland & Knight Law Firm, the Urban League of Middle Tennessee's Real Estate Development (R.E.D.) Academy, and ThinkTennessee. It is designed for faith-based institutions that are interested in developing their land for affordable housing opportunities in their communities and for their congregations.

Through conversations with faith-based institutions, it became clear that initial education was needed for faith-based institutions who may have limited familiarity with affordable housing space but a passion to promote solutions. A second guide offers preliminary educational material to faith-based institutions that will include introductory information about affordable housing. As discussed further in Soundness of Approach, PRO Housing funds will expand upon these guides to enable faith-based institutions to move from education to application.

Other Policy Changes

To encourage much needed additional housing supply, Metro Nashville has sought policy changes to promote and allow for housing development. These policy changes include revising parking requirements. In October of 2021, Nashville eliminated parking requirements in the urban core (Urban Zoning Overlay). The parking requirements were imposing additional and unnecessary development while also utilizing space which could be repurposed for additional housing units. Notably, the Urban Zoning Overlay accounts for 6% of Davidson County, by area, whereas 65% of residentially zoned land allows one- or two-family homes only. In addition to reducing development costs, the elimination of parking requirements will encourage missing-middle housing strategies, as well as support walking, biking, and transit use.

In 2011, an adaptive residential provision allowed property zoned for commercial uses only on streets along the Major and Collector Street Plan to use unlimited floor-area-ratio within their bulk building standards, so long as it is for residential. This was a substantial, countywide upzoning for dense multifamily along corridors. Also, in May 2023, Metro approved legislation to allow unrelated and related people to live together and to increase the number of unrelated people who can live in a dwelling based on bedroom size. The previous code allowed no more than three unrelated people to live in the same dwelling regardless of the home and did not allow a mix of related and unrelated people to live together. The change in the code increases housing options in Nashville.

ACUTE DEMAND AND REMAINING NEED FOR AFFORDABLE HOUSING

*Note: The following data was prepared in Fall 2023 for the PRO Housing application. Please see the Unified Housing Strategy for current data. Updated data further supports the needs and activities outlined in the PRO Housing application and this Action Plan.

Internal and external research and data have shown that Metro Nashville's housing needs are acute and require a timely, thoughtful and thorough response. Notably, Davidson County was identified as a priority geography for the PRO Housing grant due to the widespread housing cost burden experienced by Nashvillians. As cited in the Consolidated Plan, one of the most common housing problems in Davidson County was households being cost-burdened, especially those between 0-30% AMI. Out of the 35,015 combined owner and renter households that were severely cost-burdened, 21,589 were in the 0-30% AMI category, or 61.6%. Very few areas of Davidson County are below cost burden status; and areas below cost burden are where several MDHA public/affordable housing properties are located.

Alarmingly, households who are cost-burdened are disproportionately Black and Brown. According to 2021 Census data for Davidson County, 43% of Black households and 45% of Hispanic households are cost burdened compared to 33% of white households. Households who are low-income and who are cost-burdened often face the precarious scenario in which certain essential needs are forgone to afford housing. Households are forced to choose between housing or food or housing or healthcare. These tradeoffs can lead to negative impacts not only on an individual household but also on the larger community.

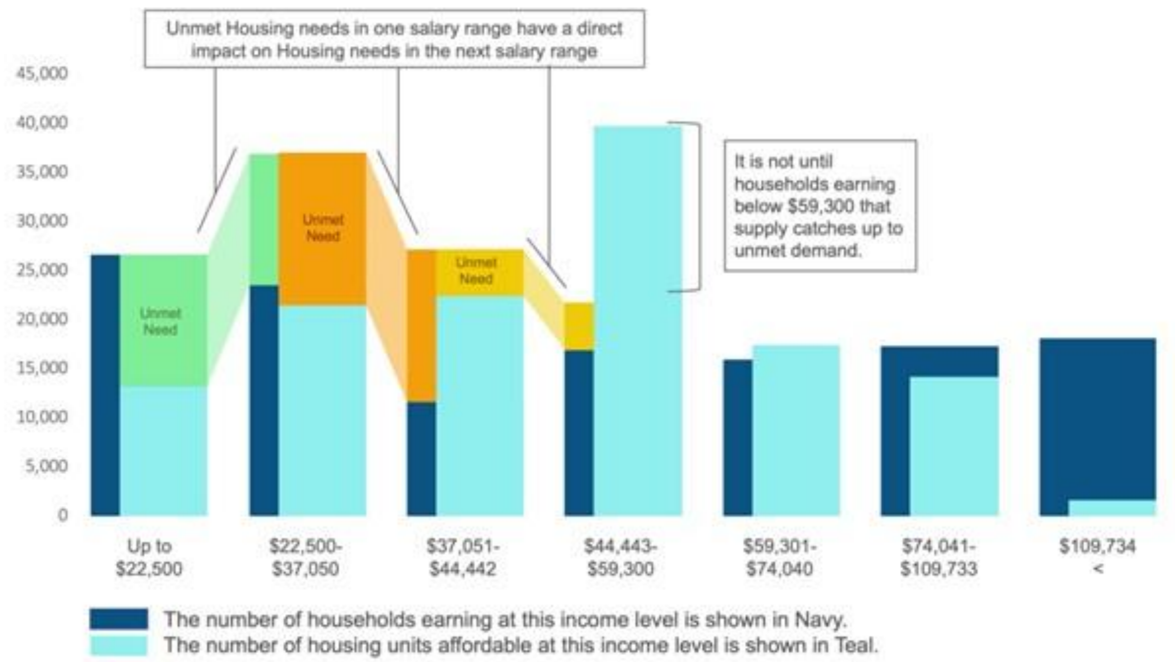
While cost burden is one metric for housing insecurity, additional metrics underscore the need for affordable housing. An analysis conducted by the Planning Department for the Affordable Housing Task Force Report published in 2021 revealed a gap of over 14,000 units for households earning less than 30% of the AMI. This unit shortages forces households earning less than 30% of the AMI to search for housing that is affordable only for those with higher incomes, resulting in severe cost burden for these households. The table (Table 1) below alarmingly shows a shortage of housing at both ends of the income spectrum, with a surplus of housing in the middle. Among low-income households, at first glance, this suggests that about 2,000 households earning 30 to 50% of the median income in Nashville must find higher priced housing. However, this understates the problem because of the 13,000 households earning below 30% of the median income.

As Visual 2 portrays, as households seek housing, the significant lack of options affordable to their income forces them to rent above their income, causing them to be cost burdened and also renting one of the homes affordable to households earning 30 to 50%. This means a larger number of 30 to 50% households are likely to rent above what they can afford, showing up in the surplus of units affordable at 60 to 80% of the median income. As the visual and accompanying table reveals, Nashville has a significant need for additional housing, particularly for households earning 0 to 30% of the AMI.

Table 1 - Unit Needs by AMI Bracket, Source: American Community Survey, 2012

Income level (AMI)	Household income up to	Monthly housing costs	Households	Owner gap	Renter gap
Up to 30%	$22,250	$556	39,147	(573)	(13,754)
30% to 50%	$37,050	$926	39,437	16,685	(2,226)
50% to 60%	$44,442	$1,111	20,010	9,209	11,041
60% to 80%	$59,300	$1,483	32,061	18,202	23,467
80% to 100%	$74,070	$1,852	32,049	7,828	1,460
100% to 120%	$109,733	$2,743	51,015	(15,277)	(3,069)

Visual 2 - Unmet Housing Needs



Partially due to the insufficient housing supply, communities across Nashville have experienced substantial rental increases and homeownership prices resulting in displacement concerns. In an analysis from 2021, Metro Nashville's Planning Department identified neighborhoods vulnerable to displacement. The analysis found that large swaths of the urban core are post-gentrification, gentrifying, or are not home to vulnerable communities. Those areas identified as "continued loss" are high value areas that have experienced demographic change. Areas identified as "late" have newly high home values and are experiencing appreciation and demographic change.

The analysis also shows the spread of displacement pressure to the north and southeast of the urban core. Of note, Metro Nashville recently contracted with the Reinvestment Fund, a nonprofit organization that provides financial and analytical tools, to conduct an updated displacement analysis.

Additional data gathered as part of the Point-in-Time count and HMIS system further reflect our acute need for affordable housing. The 2023 PIT count reported a total of 2,129 people were experiencing homelessness on January 26, 2023. While the number of unsheltered people decreased by 44 persons, there was an overall increase in homelessness of 11% compared to January 2022. Moreover, Nashville's homelessness data reflects larger racial inequities that perpetuate our community. Despite the Black population making up 26.4% of Davidson County the homelessness population in Nashville is 45% Black or African American. While Metro Nashville has invested additional local resources and utilized federal resources to make homelessness rare, brief, and non-recurring, such resources are stymied without adequate housing supply affordable to households experiencing homelessness.

According to HMIS data, families experiencing homelessness in Nashville in 2023 are waiting an average of 101 days before being placed in housing compared to 69 days in 2019. The prolonged length of time spent experiencing homelessness is related to the limited housing supply affordable and accessible to families with low-to-moderate incomes. Additional time spent experiencing homelessness can have lasting negative impacts on our families and children such as reduced educational achievement, poorer health outcomes, and reduced financial security.

Unfortunately, the widespread lack of housing supply experienced in Nashville has also resulted in negative downstream effects to other critical housing programming. For example, as stated in the Consolidated Plan, the lack of available and affordable units has resulted in significant challenges for voucher holders seeking housing. To ensure enhanced utilization of vouchers, MDHA has allowed 1,400 of its housing choice vouchers to be used as project-based vouchers. While MDHA is actively working to recruit new landlords to participate in the voucher program, shortages in affordable housing supply impose barriers to voucher holders' housing attainment and overall stability.

The need for more affordable housing has been clearly reflected in data but also has been elevated by residents of our community. The Consolidated Plan process included several input sessions in addition to a community survey. As articulated in the Plan, more affordable housing units was found to be the top priority for the community. Additionally, and as mentioned previously, affordable housing was also the top priority identified in a survey distributed to Nashvillians as part of the process to determine uses for available ARPA funding.

KEY BARRIERS THAT STILL EXIST AND NEED TO BE ADDRESSED TO PRODUCE AND PRESERVE MORE AFFORDABLE HOUSING

Despite Metro Nashville's ongoing efforts, there are several key barriers that still exist to affordable housing production and preservation in Nashville that need to be addressed. These barriers, many of which were identified in the Consolidated Plan, include the following: zoning/density constraints, limited land availability, scarcity of funding, and development capacity.

Zoning

To adequately address our affordable housing needs, zoning and building codes must allow for development at scale. However, a significant portion of Davidson County has single-family zoning with large minimum lot sizes which sharply limits the growth of housing supply in established neighborhoods with amenities and prohibits more affordable development styles. In fact, only 7% of Nashville is zoned to allow multi-family. The Metro Zoning Code lacks necessary regulations to ensure that more dense and multi-family housing is context sensitive to existing neighborhoods, preventing political support for the upzoning of property in established neighborhoods with amenities and limits overall housing supply and the type of permitted housing to less affordable types.

Metro's current tool to address this is a custom zoning district (Specific Plan zoning) that allows tailoring to local context. However, this (and other base-zone changes) is an expensive and uncertain process that discourages applications and requires extensive time and capital investment to succeed.

In subdivisions specifically, there are additional requirements that limit housing supply and prevent affordable housing types from being provided. The Metro Planning Commission Subdivision Regulations contains requirements that aim to protect neighborhood character and these requirements often result in larger residential lot sizes than the zoning code would otherwise require.

Cost and Availability of Land for Affordable Housing

Limited land availability coupled with the high land costs impede affordable housing production. As discussed in the Consolidated Plan, land is at a premium especially along transportation corridors and near services and commercial activity where it is desirable to create affordable housing in these areas so that low-to-moderate income households have greater access to critical services. Even after controlling for inflation, per-acre land values in Nashville's urban core are approximately six times higher in 2022-2023 compared with sales in 2010-2013. The high costs of land make it financially challenging, and sometimes unfeasible, to create affordable housing without a subsidy or incentive. Through stakeholder input, which included conversations with affordable housing developers and advocacy organizations, costs of land were cited as a significant barrier to development. To address our land limitations, engaging partners with land resources is critical. Metro Nashville will expand upon existing efforts to support interested faith-based institutions in employing their underutilized land to increase housing access.

Scarcity of Affordable Housing Financing

Metro Nashville has made full use of available federal and local funding to support affordable housing production. However, such funds have been insufficient in addressing our substantial housing needs. Federally, except for 2018, funds for affordable housing have been declining since 2010 and 9% LITHC?s are awarded on a competitive basis limiting the extent of use in Nashville-Davidson County. Despite increased local investment in affordable housing development, additional resources are needed to address the housing needs of our community, particularly those households earning 0 to 30% of the Area Median Income and/or experiencing homelessness.

While the Barnes Fund has served as a critical local resource to affordable housing production, the Fund, which provides competitive grants for new rental construction for 60% of the AMI or below and new homeownership units for 80% of the AMI or below, has been limited in advancing permanent supportive housing and housing for very low-income households. Since its creation in 2013, less than 11% of the total units funded by the Barnes Fund have been for households earning 0 to 30% of the AMI. Although applicants are scored favorably for proposing units for special populations and units at deeper affordability, the development community has shared that such development is financially challenging without additional subsidy. Metro Nashville's Housing Division has learned that to develop PSH and units for households earning 0-30% AMI, it is essential to earmark allocations specifically for that purpose coupled with reasonable subsidy.

Of note, the Barnes Fund, even with additional allocations, has been insufficient in meeting the demand. Each year, funding requests are 2x more than funding available. There is strong evidence to suggest that additional funding to support new construction is not only needed but that local partners wish to utilize such funding.

In meetings with development members of the Urban Land Institute, affordable housing developers emphasized the need for additional financing support to make affordable housing proposals financially feasible. The developer community shared that interest rate hikes, inflation and rises in land costs have made it increasingly difficult to develop affordable housing deals that are fiscally sound. The economic challenges faced by developers coupled with the fully exhausted federal and local affordable housing resources strongly support the need for additional dedicated affordable housing financing.

According to recent projections published by the CoC Data committee and Corporation of Supportive Housing, Nashville needs an estimated 4,363 units of permanent supportive housing for individuals experiencing homelessness within five years. To meet this need, additional financing tools are essential. Metro Nashville will address funding barriers by allocating $3.6 million in PRO Housing grants to increase PSH and units for households earning 0-30% of the AMI.

Development Capacity - Barriers Facing Small and Emerging Developers

To address our housing supply challenges, new and diverse development partners are needed. In ongoing community feedback, stakeholders and community leaders have voiced the desire to expand our local development capacity with a focus on small and emerging developers. The lack of capacity among developers can translate into a lack of diversity in the product and moreover a lack of focus on housing low to moderate income households.

Although there are ongoing local initiatives focused on diversifying the development community in Nashville, barriers still exist for small and emerging developers. In development of the proposal, Metro Nashville's Housing Division consulted with leadership from the Urban League of Middle Tennessee's RED Academy, which in 2022 welcomed its first class of 15 developers who are participating in an 18-month program training program to develop skills and knowledge needed to build housing with a focus on affordability. RED Academy leadership shared that some of the major supports needed for emerging developers to be successful are predevelopment costs support, capacity building, and a go-to network of partners to assist with development deals.

To address these outstanding challenges faced by our community's small and emerging developers, Metro Nashville is proposing to use PRO Housing funding to implement an Affordable Housing Accelerator program to support mission driven affordable housing developers and contractors. The funding will be used to develop a network of experts, including lawyers, architects, lending institutions, and others, which developers interested in creating affordable housing could quickly connect with to help develop successful and competitive proposals for local, state, and federal funding opportunities.

4. Use of Funds - Soundness of Approach:

Creating a Nashville that is affordable for all is much like building a house - it requires multiple tools and functioning systems. While we are not able to address all areas of housing affordability through the PRO Housing Grant, the activities described in this

Action Plan are born from ongoing stakeholder engagement, data analyses, and best practices in other jurisdictions and build upon momentum from efforts underway to create new or strengthen existing tools and systems to ultimately remove obstacles to affordable housing. Moreover, these activities address most of HUD?s strategic goals, meet CDBG LMI national objectives, and affirmatively further fair housing.

VISION

The vision statement for the Metro Housing Division is “Every Nashvillian has housing security.” As the city’s first Housing Division, the team wanted our vision statement to be bold and to always bring us back to the “why” of our work. This vision challenges the team, our Metro Nashville colleagues, local decision-makers, and partners to view Nashville’s housing challenges through multiple lenses and realize there is no singular solution to solve our affordability crisis. Each of the proposed activities takes a different, but effective approach, to address the acute demand and deep barriers to creating and preserving affordable housing as discussed in the Need section:

1. Affordable Housing Accelerator Program
2. Faith-Based Housing Development Initiative
3. Affordable Housing Financing
4. Grant administration

Activity 1: Affordable Housing Accelerator Program

Investing in affordable housing for all Nashvillians is investing in small and emerging developers and contractors that live and work in the communities they serve. The Need section articulated how the lack of capacity encountered by small and emerging developers impacts housing - it often translates into a lack of diversity in the product and lack of focus on housing LMI households. By bringing emerging developers into the development pipeline, we not only expand and diversify our capacity to address Nashville's acute demand, we create economic opportunities and entry into a highly competitive industry.

But for these developers to be successful, they must have a level playing field. Nashville's existing programs provide development training and Building Trades-registered apprenticeships. However, many cannot make the leap from training to development because they do not have the capacity or resources to support predevelopment costs.

The Affordable Housing Accelerator Program will fund the creation of a predevelopment marketplace, providing emerging developers and contractors access to a network of experts such as lawyers, architects, and grant writers. Funds would be used to support a contractor to establish the marketplace and program operations. In addition, a portion of funds may be used to the expansion of existing development and contractor training programs. To further support this initiative, Metro Nashville commits to setting-aside a portion of the Barnes Fund budget or other local funds or incentives for projects proposed by organizations that have participated in the Affordable Housing Accelerator Program. The program will be open to all small and emerging developers and contractors meeting the program's requirements.

Lessons Learned from Previous Efforts

In 2017, Barnes Fund staff utilized some funds to create a capacity building program for nonprofit developers. Because this program focused more on organizational capacity than development capacity, many of the organizations that participated in the program still struggle to compete for funding. We hear the concerns and frustrations from elected officials and small nonprofit developers that development capacity limitations keep these organizations from accessing funding. While we have seen some progress, the door for many is still closed due to the lack of capacity/resources to support predevelopment costs. Recent conversations with representatives from training organizations, the Urban League's Real Estate Developers (RED) Academy and Music City Construction Careers (MC3), echo this challenge.

Activity Budget

- PRO Housing Funds: $575,000
- Leveraged Funds: $700,000
- Total Budget: $1,275,000

Performance Measure & Expected Outcomes

- # Developers Assisted: We expect to assist at least 12 developers through this program during the grant term. However, the long-term effect is more capacity to develop affordable housing in the housing development industry that translates to a greater diversity of housing types.

Activity Schedule & Key Milestones

- RFP Released: By March 2026
- Procurement Closed & Evaluation Complete: By July 2026
- Environmental Review Complete: By September 2026 (Should be Exempt)
- Contract Approval: Within 2 months of Release of Funds from HUD
- Funds Obligated: Upon contract execution
- Project Start Date: Upon contract execution
- Project Complete and Funds Expended: By June 30, 2029
- Project Closeout: Upon final invoice and report

<u>Activity 2: Faith-Based Housing Development Initiative</u>

Land is a precious commodity in Nashville; affordable housing developers cannot compete in the real estate market, and the availability of land is a key barrier to increasing the supply of affordable housing. As presented in the Need section, land owned by faith-based institutions is an untapped resource that many of these organizations want to activate for affordable housing development. Initial findings from research conducted by ThinkTennessee and the Urban Institute indicate that faith-based institutions are the largest institutional landowners in Nashville (not including government).

The Faith-Based Housing Development Initiative builds on the work of ThinkTennessee and the Urban Institute to equip faith-based institutions with the tools, resources, and expertise to convert underutilized land into affordable housing. When it comes to real estate development, faith-based institutions have unique opportunities and challenges and need tailored support. This Initiative would fund a contractor that brings the technical expertise to guide institutions in the transition to real estate development and connect them to partners and resources.

To further support this initiative, Metro Nashville commits to setting-side a portion of the Barnes Fund budget or award other local funds or incentives for projects proposed by organizations that have participated in the Faith-Based Development Initiative. We believe that this Initiative could unlock several hundred acres of developable land and potentially lead to the creation of several thousand new housing units.

Lessons Learned from Previous Efforts

Housing Division staff attended the Built on Faith event hosted by several local congregations and housing advocates in Fall 2022. While the event was well attended by over 100 participants and generated interest and excitement, little progress has been made since. In follow-up conversations with congregations and ThinkTennessee, the missing piece is a structured program to empower faith-based institutions with the tools and capacity to pursue development opportunities and connect them to developers and funders.

Activity Budget

- PRO Housing Funds: $575,000
- Leveraged Funds: $700,000
- Total Budget: $1,275,000

Performance Measure & Expected Outcomes

- # Faith-Based Organizations (FBOs) Assisted: We expect to assist at least 12 FBOs through this program during the grant term. However, the long-term effect is scaling the supply of affordable housing in places that are often seen as anchors in communities. In addition, we would have a model to replicate with faith-based institutions in other areas in Tennessee since our housing crisis is not confined to Davidson County.

Activity Schedule & Key Milestones

- RFP Released: By March 2026
- Procurement Closed & Evaluation Complete: By July 2026
- Environmental Review Complete: By September 2026 (Should be Exempt)
- Contract Approval: Within 2 months of Release of Funds from HUD
- Funds Obligated: Upon contract execution

- Project Start Date: Upon contract execution
- Project Complete and Funds Expended: By June 30, 2029
- Project Closeout: Upon final invoice and report

Activity 3: Affordable Housing Finance Program

Our most acute demand, as illustrated in the Need section, is for permanent supportive housing (PSH) and deeply affordable housing (0-30% AMI). Our ability to reduce homelessness to functional zero is largely predicated on an adequate supply of housing that meets the demand. While the Metro Office of Homeless Services and the Metro Homelessness Planning Council have a strategy to transition persons living outdoors to shelter, the pipeline collapses when there is no exit to permanent housing. As previously discussed, scarcity of financial resources is the largest barrier scaling the production of PSH and deeply affordable housing.

PRO Housing funds, leveraged with Barnes Fund or other local dollars or incentives, would allow us to make significant progress. Funding would allow for acquisition, new construction, rehabilitation of existing units, or conversion of hotels or other uses into housing. By allowing a per unit subsidy of up to $100,000, we open the doors for the creation of PSH and deeply affordable housing in high opportunity areas where it is difficult to develop as well as allow the integration of PSH into mixed-income projects.

Lessons Learned from Previous Efforts

Previous attempts to set-aside funds for PSH development (such as through the HOME program) resulted in few responses, primarily due to the challenge in leveraging funds for services and rental assistance. Metro Nashville's recent and ongoing services and MDHA's ability to award project-based vouchers for rental assistance make these projects financially feasible. However, we continue to see through the Barnes Fund process, applications for PSH and deeply affordable housing funding request higher per unit subsidies than other affordable housing projects - continued indication of the challenges financing the types of projects.

Activity Budget

- PRO Housing Funds: $3,600,010.24
- Leveraged Funds: $3,600,000
- Total Budget: $7,200,010.24

Performance Measure & Expected Outcomes

- # Units Created: We expect to create at least 36 PSH or deeply affordable housing units. However, the long-term effect is having a housing supply that drastically reduces the amount of time someone experiences homelessness and increases housing security once housed.

Activity Schedule & Key Milestones

- RFP Released: By March 2026
- Procurement Closed & Evaluation Complete: By July 2026
- Environmental Review Complete: By December 2026 (Will require an Environmental Assessment)
- Contract Approval: Within 2 months of Release of Funds from HUD
- Funds Obligated: Upon contract execution
- Project Start Date: Upon contract execution
- Project Complete and Funds Expended: By June 30, 2029
- Project Closeout: Upon final invoice and report

<u>Activity 4: Grant Administration</u>

The Metro Housing Division will administer the grant, which includes grant management, monitoring, and reporting. A portion of grant administration funds may be used to support Environmental Review and Procurement actions undertaken by the Metropolitan Development and Housing Agency (MDHA) on Metro Nashville's behalf.

Lessons Learned from Previous Efforts

Having administered large HUD grants and other significant projects and programs, staff have a solid grasp on the time and capacity required for grant administration.

Activity Budget

- PRO Housing Funds $249,989.74
- Leveraged Funds: $ 0
- Total Budget: $249,989.74

Performance Measure & Expected Outcomes

- N/A

Activity Schedule & Key Milestones

- Throughout the Grant Period.

Alignment with Other Plans and Initiatives

All activities align with and implement recommendations in NashvilleNext (Nashville's comprehensive plan), the Consolidated Plan; Nashville's Fair Housing Plan, the 2021 Affordable Housing Task Force Report, and the Continuum of Care (CoC) Strategic Plan. In addition, all activities further recommendations in the Unified Housing Strategy.

GEOGRAPHIC SCOPE

The geographic scope is the entire county.

The goal of the Affordable Housing Accelerator Program is to expand affordable housing options throughout Davidson County. Because of Nashville's diverse topography and natural features that present development challenges, curricula will include best practices for understanding and navigating these challenges. The Faith-Based Housing Development Initiative will be open to any organization wishing to participate with guidance on understanding neighborhood context. As with other Metro Nashville housing finance programs, the Affordable Housing Finance Program will prioritize projects located within a half-mile of transit access, in walkable areas, and near healthy food sources. For all of these activities, a goal is to integrate deep affordability into mixed-income housing located in high-opportunity areas.

FAIR HOUSING

Creating affordable housing in well-resourced areas and expanding housing choice is a long-standing challenge due to the availability of land, the cost of land when available, and land use policies. All activities are designed to break through these barriers to increase access to well-resourced areas for underserved groups. By building the capacity of developers and contractors through the Affordable Housing Accelerator Program and activating land owned by Faith-Based Institutions, we expand affordable housing options in high opportunity areas. The Affordable Housing Finance Program and the Barnes Fund will give priority to projects located in amenity-rich areas, that are walkable, and have access to transit and healthy food options.

Metro Nashville has developed a Housing Dashboard that includes mapping of publicly-assisted affordable housing. This data, coupled with data in the Fair Housing plan, and our policy to encourage mixed-income housing allows the city to promote opportunities by guiding investments in affordable housing in areas that do not further perpetuate concentration of poverty.

Each of the Fair Housing protected classes have unique housing needs, whether they are larger units to accommodate families or allow for multi-generational living or on-site care to age in place; language access; or accessibility accommodations. What is critically important is that the city, developers, landlords, and residents know their fair housing responsibilities and rights. The Metro Housing Division will require that the Affordable Housing Accelerator Program and Faith-Based Housing Development Initiative include robust fair housing and civil rights training. The Affordable Housing Finance Program will be subject to the Housing Division's affirmative marketing requirements (described below).

According to the most recent Fair Housing plan, persons with disabilities are fairly evenly distributed in communities throughout Davidson County and not concentrated in specific areas. Although persons with disabilities are geographically dispersed in neighborhoods where they can interact with persons without disabilities, they may not be in areas that meet their needs, such as lack of access to public transit, sidewalks, and nearby services. This is likely due to the scarcity of housing units accessible to persons with disabilities - an identified impediment to Fair Housing choice in Metro Nashville's 2013 and most recent Fair Housing plans.

Through our activities, we will implement policies and practices to create accessible units in areas that support independent living with access to supportive services and transportation. All projects funded through this grant and the Barnes Fund must comply with the Americans with Disabilities Act (ADA) and accessibility requirements under the Fair Housing Act and must be sensitive to Universal Design and visitability standards (which will be included as part of a proposed project's evaluation). By directing funds from the Affordable Housing Finance Program for PSH, we are ensuring that persons experiencing homelessness have housing options and the intensive services to make housing successful.

All proposed activities address the goals established in Metro Nashville's most recent fair housing plan:

- Increase the number of affordable housing units accessible to all protected classes.
- Preserve existing housing units, especially for persons with Limited English Proficiency (LEP) and persons with disabilities.
- Increase access to affordable housing opportunities, especially for persons with Limited English Proficiency (LEP) and persons with disabilities.
- Create/expand programs to help tenants and homeowners retain housing.
- Create/expand programs to increase self-sufficiency.
- Increase public and private investment in underserved neighborhoods.

- Expand fair housing outreach, education, and enforcement activities.

Displacement concerns are commonly expressed by residents, especially those living in “hot” development areas, and naturally occurring affordable housing is disappearing across the county. The Housing Division included a Displacement Risk Ratio (DRR) analysis in the Unified Housing Strategy. This work estimates the DRR for a 10-year period and includes policy recommendations and best practice to minimize or eliminate the risk. While this is a countywide analysis, specific focus will be neighborhoods that have seen the most pressure.

Projects funded through this grant and the Barnes Fund must include a relocation plan if the development is currently occupied. If applicable, developers will have to comply with Uniform Relocation Act (URA) requirements. With a vision that every Nashvillian has housing security, it is our goal that no project results in the ultimate displacement of residents, and we will work with developers on measures for existing residents to retain or return to their housing.

The Housing Division is developing a series of fact sheets to combat misinformation and misunderstanding about affordable housing, such as affordable housing’s impact on surrounding property values and crime and how affordable housing is an important asset to a community. In addition, through a campaign showcasing the high-quality of affordable housing and our ongoing community and stakeholder engagement, we can mitigate concerns and bolster community support.

We use flood and heat island data to ensure we do not invest in projects located in vulnerable areas and have access to local funds to assist income-restricted affordable housing developments undertake enhanced transit-oriented infrastructure improvements in a neighborhood. Projects assisted through this grant will be added to our public-facing Housing Dashboard map, where we can evaluate our efforts on expanding affordable housing access to well-resourced areas and advancing housing opportunities.

The Metro Nashville Housing Division has incorporated affirmative marketing requirements into all housing finance and incentive programs it administers and will require affirmative marketing for all projects funded through the HUD PRO Housing Grant. Applications must submit an Affirmative Marketing Plan as part of an application package. In the Affirmative Marketing Plan, applicants must describe (1) the type of Fair Housing training project staff and/or marketing agents have received; (2) any Fair Housing complaints, for any of its properties, received in the last 12 months, the nature of the complaints, and the current status; (3) how they will notify applicants and tenants of Fair Housing rights; and (4) the target market area; groups least likely to apply and how that was determined; and proposed outreach and marketing strategy for each group identified.

5. Use of Funds - Method of Distribution (State grantees only):

N/A

6. Grantee and Partner Capacity:

As discussed in Soundness of Approach, Metro Nashville does not intend to directly undertake these activities but will procure contractors to provide the described services and developers to create housing. Nashville benefits from a deep bench of local and national organizations ready to assist in addressing our housing crisis. We have no concern with partner capacity necessary to implement any activity. In fact, a survey on local nonprofits conducted by the Housing Division prior to application revealed that each had that capacity to expand their services if additional funding was made available.

Given our work on HUD-funded and other projects of similar size and scope, we have demonstrated experience working with and coordinating partners. Through the Barnes Fund, we typically partner with at least 10 organizations each funding round. MDHA, as the designated responsible entity for Metro, will conduct environmental reviews. In addition, Metro will utilize MDHA's HUD-compliant procurement process to procure external partners. Through our existing work, we already have the necessary infrastructure in place to work with and coordinate partners.

7. Stakeholder Engagement and Public Participation Summary:

Metro Planning staff are committed to robust community and stakeholder engagement throughout the year. Engagement includes attending and hosting numerous community meetings and forums; participating as members of industry-related organizations; and capturing comments made at Metro Council, Planning Commission meetings, and other public meetings. This ongoing engagement enables staff to keep a pulse on issues and ideas and be proactive and responsive. Input from this engagement, as well as through NashvilleNext discussion, Consolidated Plan consultations, and Affordable Housing Task Force meetings shaped the grant application.

For outreach, staff compiled a list of civic organizations, public agencies, non- and for-profit housing developers and advocates, and other organizations with an interest in the Nashville's housing crisis and sent letters and emails to these stakeholders explaining the PRO Housing application process and the intended activities of the funds. Staff also held meetings with individual organizations to discuss the application and the intended use of the funds. Staff specifically engaged with housing developers and organizations representing builders, contractors, and union trades. Staff will continue to communicate during the grant period, and updates will be posted through the department's typical communication channels such as website updates and social media updates.

Staff cast a wide net to encourage public participation and build support for the grant application. The public notice of public meetings was published on September 27, 2023, in The Tennessean (paper of general circulation) and in two minority papers, the Tennessee Tribune and Azul 615 magazine and posted on Planning’s website. Also, staff distributed public notices at the Festival of City Services held on September 30, 2023, in Nashville’s Public Square. The draft application was posted for public review on Planning’s website on October 2, 2023, and email notices were sent to Planning’s stakeholder lists. A virtual public hearing was held at 11:30 am on Wednesday, October 11, 2023, with an in-person meeting held the same day at 5:30 pm in the Sonny West Conference Center. In addition, members of the public were able to provide comments at Metro Committee and Council meetings on October 16 and 17, 2023, in accordance with Council procedures. Members of the public were able to submit comments in writing by email, mail, or hand delivery through 11 pm on October 17.

Since the application submittal, Housing Division staff have maintained communication with interested parties.

8. Long-Term Effect:

Through activities implemented with the PRO Housing Grant, Metro Nashville will be more strongly positioned to address our affordable housing challenges by increasing financing for affordable housing, promoting additional land availability, and accelerating additional development capacity. All activities are expected to primarily benefit low- and moderate-income households.

Affordable Housing Accelerator Program

PRO Housing funding would allow Metro Nashville to expand its development capacity, with a focus on small and emerging developers. In consultations with community leaders focused on diversifying the development field, it was identified that small and emerging developers need access to predevelopment support to transition from training programs to successfully securing funding. Therefore, Nashville intends to use PRO Housing funding to launch an Affordable Housing Accelerator Program that includes a predevelopment marketplace of development partners and experts that affordable housing developers could quickly connect with to support predevelopment activities. In addition, a portion of funds may be used to support the expansion of existing development and contractor training programs.

While PRO Housing funding would directly address one of the outstanding needs, access to capital remains a challenge experienced particularly by small and emerging developers. To address this, Metro Nashville plans to set aside $700,000 from the Barnes Fund or leverage $700,000 in other local funds or incentives over the course of the grant term specifically for participants involved in the Affordable Housing Accelerator program. The set aside will allow developers to access needed capital supports to assist with predevelopment, acquisition, and constructions costs necessary to successfully develop affordable housing.

We expect to assist at least 12 developers through this program during the grant term. However, the long-term effect is more diverse representation in the housing development industry that translates to a wider array of housing options.

<u>Faith-Based Housing Development Initiative</u>

Availability of land, particularly affordable land, is one of the greatest barriers impeding affordable housing development in Nashville. PRO Housing funding would allow Metro Nashville to build on existing efforts underway by ThinkTennesee and the Urban Institute to engage faith-based institutions seeking to activate their land resources for affordable housing development. Using resources from the PRO Housing grant, Metro Nashville will expand upon these efforts to establish a structured program to equip faith-based institutions with the tools, resources, and expertise to convert underutilized land into affordable housing.

To develop affordable housing at the scale needed, strategic partnerships with community partners with land assets is essential. We anticipate that this program will assist at least 12 Faith Based Organizations (FBOs) and unlock several hundred acres of developable land, resulting in the creation of thousands of new housing units.

The long-term effect is scaling the supply of affordable housing in places that are often seen as anchors in communities. In addition, we would have a model to replicate with faith-based institutions in other areas in Tennessee since our housing crisis is not confined to Davidson County.

<u>Affordable Housing Finance Program</u>

The funding allocated for affordable housing financing coupled with leveraged local trust fund (Barnes Fund) dollars or other local funds or incentives will result in an estimated 36 new units of permanent supportive housing and/or deeply affordable housing for households earning 0 to 30% of the AMI. PSH and deeply affordable units are some of the most challenging units to finance without additional subsidy. Unfortunately, rising interest rates coupled with an increasingly expensive market has made it financially difficult for even mission-driven developers to build units that serve households with extremely low incomes. With PRO Housing funding, Metro Nashville will be able to serve more of our most vulnerable neighbors who otherwise may have experienced prolonged homelessness and financial precariousness.

The long-term effect is having a housing supply that drastically reduces the amount of time someone experiences homelessness and increases housing security once housed.

ADDRESSING KEY BARRIERS

Reducing Cost Burden and Increasing Access to Opportunity

All aim to advance housing security through either directly financing affordable housing, removing barriers to affordable housing, or leveraging new resources to develop affordable housing. Metro Nashville's Housing Division and MDHA staff have decades of experience administering affordable housing programs. Metro Nashville's Housing Division administers the local housing trust fund which thoroughly evaluates all project proposals, including their location and proximity to transit. PRO Housing funding used to develop PSH and deeply affordable units will include a similar comprehensive review of all proposed projects.

Projects proposed close to transit and located in amenity rich communities will score more highly. To date, there is a severe shortage of PSH units and units for households earning 0 to 30% of the AMI. PRO Housing funding would directly impact the lives of at least 36 households who otherwise would face significant difficulties in accessing housing that is safe, affordable, and conveniently located. Critically, the other activities, by addressing affordable by increasing development capacity and land availability, will enable more affordable housing development particularly in areas of high opportunity. Moreover, these activities aim to produce implementation tools that would enable a greater variety of housing types to be built, including more affordable units.

Promoting Resiliency

One of Nashville's most significant residential risks are from storms and flooding, as identified by the city's Multi-Hazard Mitigation Plan and resiliency plans. Approximately 6% of Nashville's housing units are potentially affected by flooding (with building footprints in or touching the 100-year floodplain). While Nashville has an active home buyout program for repeat-loss properties and robust building standards for properties in danger of flooding, meeting housing demand through sprawl often places more buildings close to floodplains. Growing through a range of housing types in well-served areas away from hazards can reduce the pressure for adding or keeping homes in areas that flood.

In compliance with program requirements, any projects funded for development using PRO Housing funding will undergo an environmental review to determine that the proposed project does not negatively impact the environment nor have an adverse environmental or health effect on residents. Metro Nashville's staff has significant experience with implementing HUD-funded affordable housing programs and will ensure all development projects funded comply with environmental requirements. Furthermore, Metro Nashville's Housing Division currently evaluates environmental impact in the Barnes Fund scoring and would continue to incorporate such evaluation to encourage projects which promote resiliency.

Identifying and Addressing Roadblocks

To ensure effective use of PRO Housing funds, it is important to identify potential roadblocks that may need to be addressed. For the affordable housing financing activity, one potential roadblock may be hesitancy amongst the development community and continued challenges with financing deeply affordable projects. Metro Nashville's Housing Division staff will conduct strategic outreach to educate the developer community on developing PSH and deeply affordable units and collaborate with development partners who can share successful models of such projects. Further, the Housing Division with work with the Office of Homeless Services to ensure necessary support services are available for PSH projects.

Related, the Affordable Housing Accelerator program for small and emerging affordable housing developers and contractors will offer a unique opportunity for Metro Nashville to recruit potential applicants for the PRO Housing Affordable Housing Finance Program. While it is difficult to predict future market conditions, the Housing Division and MDHA are actively administering new and existing affordable housing programs, many of which could be coupled with PRO Housing funding to develop a financially sound and sustainable project that provides deeply affordable units. As mentioned previously, Metro Nashville's Housing Division plans to set aside $3.6 million of the Barnes Fund or other local funds or incentives to be used as leverage to support the creation PSH and deeply affordable units. Moreover, $700,000 from the Barnes Fund or other local funds or incentives will be set-aside for developers who are part of the Affordable Housing Accelerator program.

Notably, making additional land resources available for affordable housing development is essential to advancing affordable housing production. Helping to facilitate the use of land owned by faith-based institutions for affordable housing purposes will help address barriers related to land availability and financing. While local faith-based institutions have shown immense passion in supporting affordable housing, such institutions require robust education and other supports to repurpose their land. Metro Nashville plans to build off the existing state-wide efforts to engage faith-based institutions and work closely with our local faith-based community to identify what remaining supports are needed. This coordination is essential to developing a program that can be an effective tool for our community's faith-based institutions.

<u>Sustaining Long-Term Success</u>

While the PRO Housing funding will result in tangible outcomes, the processes involved with program implementation will lay a framework to permanently strengthen our capacity and expand our toolkit to more adequately and holistically address our affordable housing challenges. For example, the additional financing for PSH and deeply affordable units will provide a new opportunity for the development community to learn strategies and best practices to develop PSH. Through clearly written and researched program guidelines and strategic mentorship with relevant partners, Metro Nashville's Housing Division will be able to support developers awarded PRO Housing funding or leveraged Barnes or other local funding or incentives to create PSH units and 0-30% AMI units that can be a model to others. Metro Nashville's Housing Division is eager to collaborate with our development partners who have been successful in developing PSH and share such learnings with development partners who may be new to this space. Moreover, the outreach and education efforts surrounding this activity, coupled with the development of a PSH Strategy Plan funded in FY 26, will result in additional units thereafter.

While the Affordable Housing Finance Program will directly result in new units for our most vulnerable neighbors, combined, the proposed activities will transform our land and development capabilities that have stymied our progress towards housing security. Supporting our faith-based institutions to utilize their land resources for affordable housing could greatly enhance the scale at which affordable housing can be developed. To further develop at scale, additional partners are needed, which is why Metro Nashville proposes launching an Affordable Housing Accelerator Program that will provide the resources for small and emerging developers to succeed and accelerate our housing production.

9. Substantial and Non-substantial Amendments (if applicable):

N/A