

Affordable Housing Position Paper #2

The Nashville Barnes Housing Trust Fund

"Too many in our city are burdened by housing costs forcing them to choose between paying their rent or buying food or other basic needs for their family." Mayor Karl Dean

Background Information:

According to the most recent study by Metro Social Services well over one-third of Nashville/Davidson County residents are cost burdened homeowners or renters, meaning that they are paying more than 30% of their gross household income on housing and related costs. While our city is improving its efforts at housing the chronically homeless, it is not fairing nearly as well housing families. The shortage of affordable housing is expected to increase, along with rapid gentrification and a projected significant rise in population during the next two decades. Too many people working full-time in many critical occupations necessary to our community cannot afford to buy a home or rent an apartment without being cost-burdened. Rapidly increasing gentrification of historic neighborhoods has helped to increase the already existing shortage of affordable housing and has led to forced relocations, often to outlying areas in which access to social and health services is problematic. These factors, along with the growth of the low-wage workforce make this a crucial time to promote affordable housing. There is still time for the option of pleasant, safe and economically mixed neighborhoods to be widely available to Nashvillians. This can be achieved by a serious effort on the part of our city to plan for affordable housing, but Nashville needs to act now to make this possible.

Housing Trust Funds

In the US, housing trust funds are among the most well tested strategies for increasing affordable housing, with nearly 700 hundred funds already established in cities, counties, and states around the country. The popularity and utility of these funds is attributable, in large part, to their inherent flexibility. They are being used to facilitate the construction and preservation of a wide array of affordable housing options, including establishing long-term affordable rental housing for families with the lowest incomes while also promoting home ownership by funding new construction and rehabilitation of existing housing, revitalizing neighborhoods, and addressing the needs of people with disabilities.

Sources of funding for housing trust funds

The most successful housing trust funds are those that are supported by dedicated municipal funding streams (rather than more unpredictable annual general fund budgetary allocations). Funds are often further supported by private contributions and/or the issuance of government bonds. Approximately 20% of trust funds receive more than \$10 million in funding per year, including housing trust funds in Knoxville, Savannah, Indianapolis, Charlotte, and Charleston. Austin recently dedicated \$65 million to its fund; Seattle has committed \$145 over seven years.

The Nashville Barnes Housing Trust Fund:

The Metro Nashville City Council, with the support of Mayor Karl Dean, approved the creating of a housing trust fund in 2013. Called the Barnes Housing Trust Fund in honor of Rev. Bill Barnes, a Nashville minister who has long championed affordable housing and the establishment of such a fund, its primary charge is to encourage the development of quality affordable housing and expand access to affordable housing for households earning less than 60% of the median family income. It was launched with an initial allocation of \$3 million from unused grant money set aside for housing purposes. Now in its second year, a onetime allocation of \$500,000 was made, the first time Metro general fund revenues have been used in this way, but hardly

enough to continue the funds work into the future in spite of increased need for the fund. Today, the Nashville Barnes Housing Trust Fund is seriously underfunded.

VOICE'S Position:

The availability of affordable housing is an important and critical component that is essential for our city to continue thriving. **A VOICE for the Reduction of Poverty in Nashville** strongly believes it is the responsibility of local government to create an environment in which non-profit housing developers will ~~feel~~ be encouraged and supported to advance the construction of affordable housing. To this end, we support the Barnes Housing Trust Fund as a mechanism to encourage and support the building and sustaining of a variety of affordable and inclusive housing and mixed-income developments in Nashville, with two recommendations:

Recommendation #1:

A substantively larger annual budgetary commitment from Metro must be made to assure the fund's viability as a tool in generating and maintaining Metro's supply of affordable housing. We recommend that at least three steady sources of ongoing, dedicated revenue be identified, considering the following sources of revenue that are being utilized by other cities to support their housing trust funds:

- Sales or lease of government owned property, including surplus property
- Impact fees/developer contributions
- Hotel occupancy taxes/restaurant surcharges
- Real Estate transfer taxes; permit-license-document recording fees
- Property, sales and/or wheel taxes
- Interest from government funds (e.g. bonds, rainy day, unclaimed property, etc.)
- Density bonuses in exchange for affordable units
- Condominium conversion fees; housing replacement fees
- Payments in lieu of taxes
- Inclusionary zoning in-lieu of fee
- Fines or code violations

Recommendation #2:

The Barnes Housing Trust Fund remains focused on the following proposals previously articulated by affordable housing advocates and experts in our community (e.g. members of The Barnes Housing Trust Fund Coalition):

- Increase the number of rental units affordable to households earning less than 60 % of the median family income (MFI)
- Increase the number of affordable units that are accessible to those with special needs
- Increase support for rehabilitation of existing affordable housing units
- Increase the number of affordable units in mixed income developments
- Emphasize geographic distribution of funding to ensure a variety of housing choices in middle and upper income communities and minimize the concentration of poverty
- Assist both homeowners and renters, through low-interest loans and grants for home repairs, tenant relocation funds, individual development accounts, and assistance with rent control ordinances, and tax deferrals where appropriate, etc.