File #: BL2022-1163, **Version:** 1

An ordinance amending Chapter 2.213 of the Metropolitan Code to create a funding mechanism to support the implementation of the Inclusionary Housing Incentive program.

WHEREAS, the Metropolitan Government of Nashville and Davidson County ("Nashville") undertook an Inclusionary Housing Feasibility and Market Study (the "Study") in 2016; and

WHEREAS, the Study found that there has been cost appreciation and housing turnover in central areas of the city; and

WHEREAS, the Study found that 46% of renters in the city are cost-burdened; and

WHEREAS, cost appreciation in central areas can lead to the displacement of cost-burdened households and gentrification; and

WHEREAS, much of the housing affordable to persons with 80% Average Medium Income is outside of the central areas, with poor access to jobs, transit, and services; and

WHEREAS, affordable and workforce housing is a primary concern of the citizens of Nashville, as it continues to be a major barrier to economic progress for many in Nashville; and

WHEREAS, increasing the supply of affordable and workforce housing supports economic growth and is a vital tool in reducing poverty in Nashville; and

WHEREAS, Ordinance No. BL2021-832 amends various sections of the Metropolitan Zoning Code to, at the voluntary election of a developer ("Participating Developer"), incentivize inclusionary housing within multifamily residential developments, which includes an ability for a developer to obtain a height bonus for providing affordable or workforce rental housing while at the same time ensuring the developer/landlord receives market rate rents through an appropriation from the Metropolitan Government using all or a portion of the estimated new tax revenue (the "New Tax Revenue") generated by the bonus height; and

WHEREAS, Tenn. Code Ann. § 5-9-113 authorizes the county legislative body of any county with a metropolitan form government and a population not less than five hundred thousand (500,000), according to the 2010 federal census or any subsequent federal census, to appropriate government funds for affordable or workforce housing; and

WHEREAS, Chapter 2.213 of the Metropolitan Code provides an incentive grant program for new and converted workforce and affordable housing units; and

WHEREAS, the Metropolitan Council desires to amend Chapter 2.213 of the Metropolitan Code to establish a funding mechanism whereby the Metropolitan Council will appropriate the estimated New Tax Revenue to the Metropolitan Development and Housing Agency, or other entity competitively selected by the Metropolitan Government, who will administer the payments to Participating Developers.

NOW, THEREFORE, BE IT ENACTED BY THE COUNTY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. There is hereby established within the Department of Finance an Inclusionary Housing Incentive Payment Fund (the "Fund"), which consists of funds appropriated by the Metropolitan Council for the Inclusionary Housing program established by Article XVII of Chapter 17.40 of the Metropolitan Code. The Director of Finance or their designee shall be responsible for transferring payments for the administration of the program in accordance with Article II of Chapter 2.213 of the Metropolitan Code.

Section 2. That Chapter 2.213 of the Metropolitan Code is hereby amended by designating the existing sections as Article I., and by adding the following new sections as Article II.:

Article II. - Inclusionary Housing Incentive Payment Program

2.213.110. Inclusionary housing incentive payment program determination.

A. The Metropolitan Planning Director or their designee shall be responsible for determining whether a project is eligible for a height bonus in accordance with the provisions of the Downtown Code District and Article XVII of Chapter 17.40 of the Metropolitan Code (the "Enabling Ordinance") for participation in the inclusionary housing incentive program (the "Program").

B. Upon determining that a project is eligible for participation in the Program, the Metropolitan Planning Director or their designee shall provide written notice of such determination to the Director of Finance or their designee and the Davidson County Property Assessor or their designee.

2.213.120 Appropriation of funds - Procedures.

A. As soon as practicable after notification of project eligibility, the Davidson County Property Assessor or their designee shall determine the estimated new tax revenue that would be generated by the bonus height within the qualifying project and provide a written estimate to the Director of Finance.

B. The Department of Finance shall notify the Metropolitan Council of the amount needed to fund the Program and request an adequate appropriation to the Inclusionary Housing Incentive Payment Fund from the Metropolitan Council. The Metropolitan Council shall appropriate funds for the Program either as part of the annual operating budget ordinance or by a separate resolution.

C. The Metropolitan Development and Housing Agency, or other entity competitively selected for such purposes by the Metropolitan Government, (the "Administering Agency") shall be responsible for administering the Program and distributing payments to developers entitled to receive such payments in accordance with the Enabling Ordinance ("Qualified Developers").

D. Upon receiving the compliance report required by Section 17.40.810 of the Metropolitan Code, the Department of Finance shall transfer the necessary funds to the Administering Agency to make payments to Qualified Developers.

Section 3. The Director of Finance is hereby authorized and directed to promulgate rules, regulations, and policies necessary for the implementation of this ordinance, provided that such rules, regulations, and policies are consistent with the provisions of this ordinance.

Section 4. This ordinance shall take effect from and after its enactment, the welfare of the Metropolitan Government of Nashville and Davidson County requiring it.

Analysis

This ordinance amends the Metro Code to create a program to implement the inclusionary housing incentive that is proposed in Ordinance No. BL2021-832. This ordinance establishes an Inclusionary Housing Incentive Payment Fund within the Department of Finance to consist of funds appropriated by the Council for the Inclusionary Housing program established by BL2021-832.

The Planning Department is responsible for determining whether a project is eligible for a height bonus in accordance with the Downtown Code for participation in the inclusionary housing incentive program ("the Program"). Upon determination of eligibility, the Planning Director must submit written notice of the determination to the Director of Finance.

The Davidson County Assessor's Office would then determine the estimated new tax revenue that would be generated by the bonus height to subsidize the rental of workforce or affordable housing units for the development qualifying for the Program. The Council would then consider whether to appropriate this amount for the program, either as part of the operating budget or by a separate resolution.

The administering agency responsible for administering the Program would be responsible for administering payments to developers eligible under the Program. Funds would be transferred from Finance to the administering agency upon receiving the compliance report required in BL2021-832, and in accordance with the terms of the master lease.