

# NASHVILLE CIVIC DESIGN CENTER

## Building the Affordable Neighborhood, One Block at a Time

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It is an axiom of the Plan of Nashville that the neighborhood is the building block of the city. In the Plan, the ideal neighborhood has a variety of housing for a broad range of ages and incomes: rental and owner-occupied, single and multifamily. Included in that range must be various types of affordable housing.

To fully grasp the challenge of housing affordability, it is crucial to understand it, not as an end unto itself, but as a means for achieving sustainable communities. By definition, such communities are, among other things, economically, ethnically and architecturally diverse-- and therefore interesting and desirable places to live.

Over the last twenty-five years, the importance of housing affordability in the life of cities, large and small, has been extensively researched. This research has concluded that, all along the economic ladder, when housing conditions are safe and secure, families are more stable and children perform better in school. Consequently, there is less strain on a community's social services, public health facilities and law enforcement system.

It is also generally accepted that the lack of affordable housing options drives families farther away from the city to areas where land and development costs are less and housing prices are therefore lower. This out-migration or "sprawl" erodes a city's property tax base, limiting the effectiveness of basic services and diminishing revenues that support the quality of neighborhood life, such as parks and schools. Because those who choose to migrate tend to be middle-income families, the economic disparity between the so-called "haves" and "have-nots" who remain in the city is exacerbated. Sprawl also contributes significantly to traffic congestion.



Row 8.9n, Ninth Avenue facades. This project, which combines affordable and market-rate units, is a prime example of the Hope Garden neighborhood's revitalization. Photograph, 2004: Gary Gaston

A common dilemma is how to ensure affordability as a matter of public policy. In many cities, mixed income development, which designates affordable units for sale or rent in an otherwise market rate development, has gained favor as a compromise that enables a city to meet its affordable housing needs without public resistance. Mixed income development can assuage the fears of residents who fear the impact on property values of housing that is clearly identifiable as lower income.

Another benefit of the mixed income approach is that it reverses a historical trend by dispersing rather than concentrating populations in need of affordable housing. In a new subdivision or apartment building, for example, a number of units

might be set aside as "affordable," thereby creating a mix of market rate and lower cost units. The economics of the project are adjusted through the use of incentives such as density bonuses, which grant a developer increased units beyond the normally allowed maximum for a project. This increase enables the developer to realize the return anticipated for a fully market rate project.

The mixed income approach can also work well in an older neighborhood that has a high incidence of low cost housing. In this context, higher priced homes or apartments are developed in conjunction with affordable units to help increase property values and foster economic stability. This is usually referred to as "leading the market" and is a common neighborhood revitalization tool.

Such was the case leading to the development of the Row 8.9n townhomes between 8th and 9th Avenues in the Hope Gardens community of North Nashville, which were completed in 2003. The Hope Gardens community revitalization initiative had been underway since 1997. A number of new single family homes had been constructed and property values had increased, but the revitalization effort was attracting exclusively lower income families and individuals to an area that was already one of Nashville's lowest income census tracts. To stabilize and enhance the community's economic base, Row 8.9n was conceived as housing with superior design features that would appeal to the pent up market for homes located close to downtown. The project's intent was to lead the market by offering a more "high end" housing option than had previously been available in the area. It also sought to capitalize upon the successful revitalization of the nearby Germantown neighborhood and take full advantage of two urban amenities: the Farmers Market and the Bicentennial Mall.

Row 8.9n is a model for mixed income development that could be replicated in other first ring Nashville neighborhoods. Sales of 11 of the 29 units were subsidized for households at or below 80 percent of the city's median income--\$34,500 for a single person. The remaining units were sold on the open market at prices well above the area average. The resulting economic mix of residents benefited the community as well as the nearby Jefferson Street commercial district. Row 8.9n sold out before completion of construction and led to a similarly successful project on nearby Ireland Street: Ireland 28.

Both Row 8.9n and Ireland 28 relied heavily on government funding that had been previously allocated to help revitalize the Hope Gardens community. Significant government investment, which is critical to successful affordable housing and community development, is, however, increasingly difficult to come by. Local and state governments have constrained budgets and the federal government is reducing its support for housing and community development. Without government support or an alternative funding source, developers are hesitant to take the risks inherent in the production of affordable housing and the redevelopment of first ring neighborhoods.

Furthermore, sustainable communities must be supported by planning and regulatory agencies that recognize and share common goals, operate efficiently and have enough flexibility to respond to the differing needs of emerging communities. Local governments typically utilize a "one size fits all" approach to development and redevelopment. Such an approach ignores the uniqueness that is inherent to each development and is counter to cost effective production.

It is important to recognize the gradual nature of achieving sustainable growth and ensuring affordability. By their nature, large scale initiatives are difficult to mount and maintain. Incremental adjustments to public policy and resource allocation have the added benefit of lessening the impact on existing policies and programs. Following is a summary of some incremental strategies--typical of other cities--that have been part of Nashville's public discourse regarding affordable housing. None is, in and of itself, a solution. Taken together over time, they could be of significant benefit

#### Increase Resources

A dedicated source of revenue for housing has been discussed locally for some time. Typically this would take the form of a housing trust fund. Capital for the fund would derive from an identified source such as a real estate transaction fee. After a sufficient capitalization period, fund revenues are used to supplement or leverage government and private resources.

Nashville relies heavily on federal funds to meet its housing needs, particularly for lower income households. Even though government and housing are inextricably attached, it is unwise to rely so heavily on federal support. A reliable source of revenue would ease the pressure on federal funds and enable higher allocations to programs that serve low and no income populations.

#### Gain Community Acceptance

A community's willingness to look beyond individual self interest and to effect policies that serve the greater good is a measure of its maturity. Community resistance, however, is a key obstacle to sustained affordability, whether it is based on opposition to increased housing density, negative stereotypes about ethnic or racial diversity, or concerns over property depreciation. It is typically cited among the top five national issues inhibiting the development of workforce housing. While the Plan of Nashville is not a handbook for behavior modification, it is incumbent

on any plan to acknowledge an impediment and encourage the public at large to think and act in the interest of the common good. It is also important to recognize that diverse neighborhoods are strong neighborhoods and that families should have some measure of choice when deciding where to live.

## Reduce Development Costs

As previously discussed, mitigating financial risk for the developer is essential to attracting investment for emerging communities and is critical for the production of affordable housing. It is common for infrastructure and utility costs to be born by project developers and then passed on to the home buyer or renter. Most cities, Nashville included, are struggling to update an aging infrastructure and to comply with new environmental and accessibility mandates.

Developers of affordable housing are less able to pass extra costs along to their customers in the form of higher rents or home prices. A strategy to help non-profit and other providers of affordable housing offset infrastructure and utility costs would greatly enhance productivity and reduce overall housing costs.

## Eliminate Regulatory Impediments

The 2003 Mayor's Housing Summit highlighted the need to address local regulatory barriers that cause delays and increase housing production costs. Participants noted that planning approvals generally take in excess of one year, and that the Metro review process is unnecessarily decentralized and duplicative, often resulting in jurisdictional conflict and confusion. They recommended a "one stop shop" for development approvals and suggested that the city more adequately reward developers for including affordable units in new projects.

Housing affordability is a key component of community sustainability. It is fundamental to broad planning archetypes such as New Urbanism, which seeks to recast the way communities are created. It is equally fundamental to the Hope VI program, which seeks to undo our warehouse approach to public housing. Clearly, a supply of decent, safe and affordable housing is a large consideration for the future of all cities. For Nashville, affordability through sustainability should be the ultimate goal.

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