

## The Potential of Workforce Housing in Downtown Nashville

**TRANSCRIPT From Urban Design Forum - January 17, 2008**

*T. K. Davis: Good evening, and thank you so much for coming to tonight's January Urban Design Forum, which is entitled The Potential for Workforce Housing in Downtown Nashville.*

*This Forum is held in cooperation with the Downtown Partnership's Workforce Housing Task Force, of which I am a member. Tamara Dickson with the Partnership is in the process of producing a report on the subject, which will be informed by the discussion tonight. And by the way, in full disclosure— I am no expert whatsoever in this subject. I am here to learn tonight.*

*In late October, I attended Councilman Charlie Tygard's information gathering session on producing affordable housing in Metro Nashville, and I was struck by the scope and depth of the observations and ideas that were discussed. My only regret was that there was not a note taker recording all of the wisdom that was shed on the topic, so that it could be shared. Many of you here tonight were at that session.*

*Workforce housing is a subset of affordable housing, and is a fairly new terminology. It is embraced by the Urban Land Institute, or ULI, as potentially the largest unmet housing need in the nation's metropolitan areas.*

*Workforce Housing in Downtown Nashville is defined by the Downtown Partnership's Workforce Housing Task Force as housing for those with a household income between 80% -150% of median income, or between \$34,500 and \$64,687. This definition reflects the cost of development in our downtown, and so it varies a bit from the ULI – Urban Land Institute definition of workforce housing as dwellings affordable to typically 60% – 120% of median income earners. Workforce housing is often characterized as housing for nurses, teachers, police, firemen, office workers, early career professionals, and so on.*

*This is a timely and emerging topic in Downtown Nashville, indeed all of Metro, as an unmet market need. Recent polling by Zogby indicates that 63% of Americans believe providing affordable housing in their community is very important, yet this concern is almost completely missing from the presidential campaign discussion. As Clyde Haberman recently wrote in The New York Times, "more than 80% of our population lives in cities and their suburbs, in other words, they are metropolitan voters, yet where is the national discussion of metropolitan issues, such as mass transit, homelessness, poverty, the fast growing Medicaid burden, the future of public hospitals, housing that a working stiff can afford, not to mention roads and bridges that are falling apart."*

*Bruce Katz, the Director of Metropolitan Policy at the Brookings Institution, points out that "the political class at the national level is about 20 years out of date as to how the country has changed because of population growth, demographic diversity and economic restructuring. We're a metro nation. It's time to start acting like one." For Katz, that means discussing, preferably sooner rather than later, issues like climate change, housing, infrastructure and transportation.*

He goes on “If your not talking about cities and suburbs, you might as well not be having the conversation because these are the places where all this really comes together.” In other words, it is groups like you in this room that are doing the heavy lifting on metropolitan issues, and finding solutions to metropolitan housing needs. You’re on the side of the angels.

Tonight we are going to have a brainstorming workshop to address four questions:

- What positive factors or incentives now exist to promote the development of workforce housing in Downtown Nashville?
- What negative factors or counter-incentives now exist to hinder the development of workforce housing in Downtown Nashville?
- What significant opportunities now exist, or could emerge in Downtown Nashville, to develop workforce housing?
- And finally, what problems now exist, or could emerge in Downtown Nashville, to halt the development of workforce housing?

We also will record any general observations that don’t fit naturally within the four questions. I suspect that most of the comments tonight will be applicable to the issue of affordable housing not only in downtown, but throughout Metro, but there are certain development costs associated with downtown, for example, that will make some comments specific to downtown. As we make and record observations tonight, let’s put an asterick next to those which are uniquely applicable to downtown, as opposed to all of Metro.

Before we start, a final observation or two. I was recently asked by a very distinguished planner known throughout the state, “Just what is workforce housing?” While I could define it as a term, I think his question contained an inference that there was an element of “rebranding” going on with the term affordable housing, which for some time has carried with it pejorative associations, particularly in the many suburbs that have fought it tooth and nail. Unfortunately, for a significant segment of non-urban American, it seems to connote down market housing, density, people who are different, crime, school crowding, government mandates and increasing tax burdens. Workforce housing, conversely, tends to connote pursuit of the American dream, a stable work ethic, and after all, who wouldn’t want to live next to a policeman, fireman, teacher, or nurse?

Another Nashvillian who has had a long and successful career in the affordable housing arena, but who couldn’t attend tonight’s meeting, sent the following message to me: “I think it’s very important to recognize the differences between workforce housing and affordable housing as we’ve always presented it. In an environment of shrinking housing resources, its inevitable the two are going to compete unless there is an agreed upon plan for how we deal with those issues. In my opinion, we need to be talking about the housing continuum that we all move through, and not building silos around various checkpoints in that continuum. Well, time to put the soap box and pontificating aside.” I believe I hear in this person’s thoughtful comment the implication that workforce housing may be a cherry picking of the easier, higher sub-market within affordable housing. I make these observations neutrally only so that we might at least be aware of some of the tensions over workforce housing that may exist below the surface within the affordable housing industry.

With those thoughts, let’s get on with it.

What positive factors or incentives now exist to promote development of workforce housing downtown?

AUDIENCE: I think there’s a lot of vacant space above existing businesses that can still be utilized.

315 We still have several large pieces of land that are empty-- that are either not being used, or are being underutilized. So they're kind of a clean slate as places to work with... the Sulfur Dell area, parts of SoBro that don't include the Convention Center, Neely's Bend, the North Gulch...

I have something to say about that market comment. I really think it's pretty important to clarify that a lot of that market are people who work downtown and fit into the demographic that wouldn't be essentially in the category of 80% to 150% needs. There's a working population employed downtown that could use this product so that in addition to being an attractive market, and being a wonderful way to get a sense of the city-- that whole thing-- you've still got people who live downtown very functionally.

There are jobs downtown, and it's easy access, but also, the transit is better for folks who live downtown. If they work somewhere away from downtown, than it's the reverse of that. You can get from downtown out in the spokes, but it's pretty hard to get from Bellevue to Brentwood.

*TKD: One of the things that intrigues us about the North Gulch is the bus lines that run through there go right out to the hospitals and Vanderbilt.*

AUDIENCE: Right. So, it's ease of access-- good transportation to schools?

There may even be the political, social, and professional will to make this happen.

I think that one of the things that exist here in Nashville, over some of the other metropolitan areas, is cheap utilities. Extremely cheap utilities... anywhere in Tennessee, really. Anywhere within TVA grasp.

MDHA (Metropolitan Development and Housing Agency) has several redevelopment districts downtown that might allow for taxing and refinancing a certain amount of workforce housing.

Access to entertainment and culture.

The improvements that downtown has made to make downtown more attractive. Once you build these developments, you have to be able to attract people into them. I know when I've worked with blue-collar people in the past, they'd rather be out of town, not in town. So there's a certain segment that you have to convince that they actually want to live downtown and be closer to their neighbors. Improved perception of downtown will help.

*TKD: There's a movement nationally to stop just thinking about what it costs to buy or rent a dwelling, but combine that figure with the cost of commuting. Because I can build all the workforce housing in the world in Cheatham County, but week by week, it's getting more and more impossible to pay for that commute-- not only in economic terms, but quality of life terms for some people near the interstate. So I think, ironically, the rising costs of transportation, which I don't think is going to reverse itself except in small, momentary waves, is sadly one of the incentives to bring this housing downtown.*

AUDIENCE: I heard a term earlier today, "drive 'til you qualify." That's what people have done in the past, is drive out far enough until they qualify. And now with the increased cost of transportation, it's backfiring on everyone.

Are there any existing financial incentives for developers to develop workforce housing?

I wouldn't think it's tied specifically to the workforce. Tax incrementing... There are several federal programs that you can access that provide down payment assistance, down payment loans, those kinds of things. They're

also for below 80%... There are federal programs, the Home Program in particular of CEG, although it's not used here. You have to apply to a grant through the MDHA, which could be used by the 80% buyer. Typically it would pass through to the buyer. It would be up to the MDHA to name workforce income-- 80% -120%, as a criteria within.

Just within the urban zoning overlay, there are bonuses. But, it also has to include an affordable housing component.

That's more of an opportunity-- we don't have that right now.

If I can clarify that, though: Yes, in the zoning code it's 25%, so there's a difference there between the 20% for TIF (tax increment financing) and 25% for the code, but it also exempts all residential FAR. So, essentially you could have a building that never got to its FAR. You can build unlimited density if you provided 25% affordable. So, in that way, it incentivizes that workforce bracket that we don't have yet, because with the 25% under 80%, if you have unlimited density possibilities, then perhaps you have unlimited possibility for making a different range of housing product.

*TKD: Can you do it today with the workforce at 80%?*

AUDIENCE: Yes, it's 80% of the income, but the code is different than TIF, and we're talked about reconciling those numbers. But, it's 25% under 80%. But the other 75% can be at any price range, and could be at unlimited density. It doesn't have to be market value.

The way it could work today is, for example, in a lot of the areas we've talked about, the land cost is too high. The project on West Eastland is maybe a good example of workforce housing. If you take the property cost of that land, and you can build a thousand units, so 25% of them are below 80%, you may have 25% that are workforce, and 50% that are... The incentive is that you're not restricted in the number of units you can build.

I guess we're saying that if you combined workforce with affordable-- you do 25% affordable and the rest workforce-- you're unlimited. But only in the combination.

I think the lack of density compared to the cost of land-- I mean, relative to what it could be. Although the cost of land is high in the downtown location, it's relatively low compared to other places.

It seems to me that the lack of appropriately zoned property, and the fight against the outside of the downtown area makes the downtown density more preferable.

*TKD: Okay, so external resistance makes downtown potentially more attractive for that market. Do you encounter resistance in the outer parts of Metro to workforce housing?*

AUDIENCE: We encounter density, which causes us to skip a band.

Also in the zoning code, there are lots of exemptions for parking. And I think it's important when we're talking about workforce housing. A big cost of construction is parking garages, and if you can think of your market as possible folks who don't need parking, and who are going to rely more on transportation and the walkability of downtown, then maybe you don't have to provide as much parking. Those exemptions are also in the zoning code for most of downtown... within CC zoning, you can provide no parking for your entire building. That's in the code today, and from Broadway to Gateway, you can provide only 25% of the parking that's required. So we

talk a lot about providing parking for cars, but perhaps we would all walk to work if we didn't depend so heavily on cars.

*TKD: Let me ask a question. There are banks out there, who now, in theory, are prepared to offer Location Efficient Mortgages, LEMs, as an incentive. In other words, if you're living in a place where you can have one car and you can just walk to work or bike to work-- they'll take that savings of \$7,000 - \$11,000 a year, potentially, and factor that into the money you borrow, and you'll have equity right at the outset.*

**AUDIENCE:** Another source of funding is New Market Tax Credits. It's a federally funded program, where you can get 39% of tax credits instead of the 20% you get with historic properties. You can get up to 39% over six years. The problem with New Market Tax Credits is that it's a very complicated process. It requires having a non-profit organization come in and support the idea and go for the funds. Then, once they have the funds, they can distribute to the different organizations or developers. It's a federal program that started in 2002. I think Oak Ridge is the only place somebody has actually (utilized) that sort of funding.

The problem is, you've got to essentially reemploy those tax credits. If it's a three year build out, or a two year build out, you've got to have another project in mind and reemploy those tax credits to a project. A number of larger national entities were getting those applications and then reemploying them in different cities-- it might be in Milwaukee and then Nashville and then Atlanta-- to keep the money flowing. The seven-year is the kicker. It's a good incentive and there are some really great manipulations you can use to create your next project, but it really works a lot easier for retail or commercial in that the expectation is that it's built out and sold in a seven year period. Residential is a little costly.

*TKD: Let me ask something. I don't know if this is a strength or an opportunity-- you tell me. We have big institutions here that have difficulty creating a stable workforce. Think about it: nurses in the big hospitals who have tremendous side bonuses and benefit packages. You've got to find the real ground on thinking about an large project for teachers, thinking about an institution like Vanderbilt that might want to sell these for young faculty or researchers. The potential exists for institutional clients who would help underwrite the costs as a public/private partnership. Is that an opportunity, or is that a strength that has already (been) capitalized, at least in some way? Opportunity?*

**AUDIENCE:** There's a strength in surrounding neighborhoods, unlike some cities where you get a strong civil business district that's surrounded by a bombed-out inner ring of neighborhoods. In Nashville, we have pretty strong inner ring neighborhoods right around downtown, which should be a strength. It's already attractive to move back into those areas. So it's not that big of a move to move downtown.

*TKD: What negative factors, or counter-incentives, now exist that hinder the development of workforce housing downtown?*

**AUDIENCE:** I think we need schools... and daycares... because our target market is families, to some degree.

Parks and everyday retail.

Mostly grocery stores.

Laundromats.

I've just got a question on the schools. We've got Cameron and the school over in Edgehill-- Carter Lawrence. Are those elementary schools? And are they part of the downtown market? I'm just curious where you'd put an elementary school. It seems like we've got it covered.

*TKD: Good editorial. I think that as we go from three thousand residences downtown very rapidly to seven in the next four years, there's going to be a demand. And we need a kind of evolution among downtown's neighborhood schools. Chattanooga's built two of them recently downtown, not only because they need it, but also as economic development. First priority goes to people who live downtown, second priority goes to people who work downtown and want to have their kids nearby them for a variety of reasons. And Memphis is doing the same thing with a downtown elementary school. They don't really need it, but they want it right now as economic development. So they capture that market (between) the young professional couple that doesn't have kids and the empty-nester. They're working on keeping that demographic living downtown so that people don't abandon ship for a good local school and then come back after their kids go off to college.*

**AUDIENCE:** I'm not speaking for schools here, but in other meetings, I've heard them answer that the downtown market, or all the new housing things that are coming online in downtown, aren't people who have children. So they feel that there's no demand downtown currently for a new elementary school. The second thing I would offer is kind of a good case study-- in Iowa of all places-- they took an old building and renovated it into a K-12 school, I believe. Same thing; priority to people who live downtown, second priority to people who work downtown. There is a long, long waiting list and the school's been in place for six to ten years, or something like that. One of the ways that they've cut costs is there's no lunch program. So parents come to pick up their kids and go to lunch and sit in the park and it creates this really interesting lively downtown mix with children everywhere for an hour and families out in the street. They built it and it's a huge success and there's a wait list for years to get your children into that school because that's where you work. That's where you are all day long, why shouldn't they be there, too?

Price per square foot of downtown units is sort of hard to justify for units large enough for families. They tend to go more for singles, couples, young kids, or empty-nesters. But, if you try to build units large enough for families, the price becomes unaffordable.

This is also chicken-and-egg, but with the lack of efficient mass transit.

*TKD: We're moving along. Once you get to nine or ten thousand, suddenly mass transit kicks in pretty rapidly in downtown... it's going to be a while. A few years.*

**AUDIENCE:** For some people there's a negative perception about mass transit, busing systems. And then the negative perception of downtown people have. That's just the way some people don't want to give up a car.

*TKD: That's right. The good news is if you go to Chattanooga, you have three-piece-suits riding around next to people with lunch bags. It comes every ten minutes. It's a quarter. You go ride a super-efficient loop from a high-density parking garage with a cineplex. It's an electric bus made in Tennessee. I mean, you could overcome that (perception problem), but it's not easy.*

**AUDIENCE:** I think she's right about perception, and I would include in that our history as a city. Obviously we're moving forward, but our history is not downtown for people.

*TKD: Well, lately I've been hearing that it wasn't even legal to move downtown until 1993, is that correct? That is an issue.*

**AUDIENCE:** Well, even in the fifties, people didn't actually live downtown...

People used the bus a lot more in the fifties.

*TKD: By the way, how many people have seen that incredible video that was on public television called (something like) Downtown in the Fifties and Sixties? It is amazing how this place buzzed with department stores, great restaurants, experiences, Christmas festivals, the density of movement on the sidewalks. I'd recommend that (video) to anyone. In fact, we probably ought to show it here as the monthly film... how different it was at the time.*

AUDIENCE: The recent increase in sewers. Water and sewer energy tripled this summer-- the 5th of May in Metro. Basically, the projects that are currently under way would have been killed if that had existed.

That's the feet per unit, so that's why it hinders.

...\$500 a unit to \$3,000 a unit... so that's six times larger. Regardless of if you've got a \$100,000 unit or a \$1,000,000 unit. It's the same.

It's also regardless of if you're doing a LEED project that has water rations or light. I've noticed that as well. If you're trying to reduce water use in the project, there are no incentives.

*TKD: Charlie Tygard and other Metro Council people are very concerned about affordable housing and workforce housing, and-- (there is a) new Council. And that's one of the kinds of things they can address.*

AUDIENCE: And remember, the brief problem with that is you have very progressive and creative work that has been done by our County Commission staff, and some of the changes in this other ordinance that are encouraging affordable housing, and this housing and housing up the street, and then that's being countered by NES (Nashville Electric Service), by Metro Art, by Public Works. There is no board, so there's no central organizing direction from the city government as a sort of hippocratic process: "This is what we're trying to achieve as a city." And all the agencies aren't out there trying to support that.

*TKD: So you're saying that the MDHA and Metro Planning are at cross-purposes to Public Works and NES, at times.*

AUDIENCE: I would say Public Works, NES, and Metro Art are. Because you have activities on both sides that are hindering all the planning and revisions that have taken place in the last few years. Those three agencies are probably hindering the implementation of that more than anything.

The idea that downtown creates all the workforce housing, versus any of it being done elsewhere, creates this, "Great, let's keep this downtown and the central core of the region at a workforce level rather than at a diverse level of housing for all kinds of different ranges of cost." In a sense, you've tied in your poor, right?

*TKD: I think most people in here are for a range of incomes downtown.*

AUDIENCE: I agree, but I think if other folks aren't equally interested in ranges of housing, and we're the only place downtown where workforce housing is really being pursued and developed, it distorts the region.

*TKD: So you're saying that with the huge influx of luxury housing--you know, the folks that are coming in from the outside and upset that (dumpsters) being emptied (at night), and panhandling, and no place to walk the dog-- those folks are also not crazy about promoting other income levels downtown, other than themselves?*

AUDIENCE: No, what I'm saying is that if downtown is the only place where workforce housing is being aggressively pursued to be developed-- therefore, that's where it's most available-- then it's not available anywhere else, really kind of distorting the market.

But, it is available other places. That's part of the problem: it's available out in the suburbs. It's not available downtown. I mean, there's already lots of luxury housing downtown and there's no workforce to counter it. Right now there is a workforce option to move out to Murfreesboro... or further out than that. I think you make a good point, but I think you could overstate it.

*TKD: It's in the capital budget for next year, I believe, to make the connection on 29th Street over the railroad tracks to Centennial Park (advocated in the Plan of Nashville), which is very interesting. Because with the giant empty warehouse out there, next to HCA, and all kinds of empty land on the other side of Charlotte, that could be a beautiful location for workforce housing, not in downtown, but certainly (walkable to) all those institutions out there near downtown. I take your point. You don't want to just focus on downtown; you want to have a balance and diversity throughout Metro.*

AUDIENCE: There's a general perception that people want to live next to people that are the same economic level, the same social sensibility and so on as they are, and one thing in the downtown environment that you have to get people to understand is that there should be diversity. Different income levels, different backgrounds should live next to each other. And that's part of his point: if you're getting a whole neighborhood of workforce housing, then how does that work into the environment, and would it be better for that to be a mix of economic backgrounds and social backgrounds within that workforce.

*TKD: I totally agree. I think the last thing we want is a kind of project of workforce housing (only).*

AUDIENCE: From a very practical standpoint, folks that are frustrated with the sky exposure plan of zoning-- the bulk of regulations. I can give you density bonuses all day long for doing good things, but if you have to build within 65 feet and then with the regulations of the sky exposure plan, you're never going to get to that density anyway. We get variances all the time, and requests for SP, and right now the plan, as (someone) said, is supportive of those changes in certain places. But the existing zoning that you can just pull a building permit today, is really difficult to build a mass within.

*TKD: So you're saying that the planning policies are really ahead of the actual legislation.*

AUDIENCE: Yes, I would say that if you choose to pursue a zoning change, in most cases, depending on certain things, the plan will be supportive, but the existing zoning today is a little bit difficult to build out.

In line with what was said earlier about public works increases: there was a recent increase in storm retention requirements by ten times. So the volume has increased dramatically.

I think, as long as we're on the subject of public policy pieces-- and this is something that goes back to *Geography of Nowhere*-- it seems like it's too easy to hold onto a surface parking lot, or to demolish a viable structure which may be a great candidate for either workforce or affordable housing, to make it a parking lot, and then whatever goes in that place, even if it's the best project, just by the fact that it's new, it's hard to make it affordable. It can still be workforce, that upper end of median income.

*TKD: I think you're saying the development return on investment is lower for workforce housing.*

AUDIENCE: It's too easy to remove future product in terms of buildings that could be available to retrofit. You're losing a lot of stock that could be available for the future.

And it's too easy to hold onto a parking lot that just essentially takes water and is not at its highest and best use, but also contributes to the desirability of the housing around it.

The Metro School Board continues to surplus urban schools. Most recently, we had some school in the Sylvan Park area, there's a school on Tenth Avenue that's vacant, that's used for storage, that'll probably get surplus for development, so they're not thinking that as we start filling in the city that we're going to need urban schools again, which we obviously do. There's still a fair stock of buildings that could be easily converted back to school use instead of storage use, and they're being let go by the school board.

*TKD: Is that Metro-wide, or a downtown situation?*

AUDIENCE: It's probably Metro-wide.

*TKD: There's a reverse side of it, of course, and that is a lot of communities flip existing, high-quality Georgian schools from the thirties and turn them into senior housing, and regret it ten, fifteen years later as population grows.*

AUDIENCE: Two things. One being a factor is our boundary and definition of downtown almost seems too small and that seems a really big negative factor. The other thing we haven't talked about is the actual cost of development. It's pretty tight downtown, you know, so you've got additional expense to get machinery in and out, so you (have to) close (the streets), in addition to (steel) tonnage and concrete, and all those kinds of things that it takes to construct a building. Because of land costs, you can't go enlist a crane for three stories.

It always seems tied to controlling the volume of your product. Part of the negative is how we define downtown. If we expand that, even slightly, then some of those factors can be mitigated

Personally, I think the first ring group should be part of it. I mean, I think Germantown needs to be up there. When you pick the main riverfront properties, it's going to be downtown. And, the Gulch-- beyond the Gulch-- out in Cameron Trimble and those areas. I mean, I don't really have a boundary, so much as I think once you get used to that more tightly defined downtown, the more obstacles you create for yourself. You mitigate some of the negative factors involved in producing workforce housing if you can extend that boundary somewhat and give developers a little more room to work with.

Lack of any kind of subsidy for that moderate 80% to 120%. There's no federal, state, or local subsidy or incentive for that group. And I think the other is the lack of political will to make this happen.

*TKD: What significant opportunities now exist, or could emerge, in downtown that involve workforce housing?*

AUDIENCE: I want this from a personal standpoint, not a professional standpoint-- flex car/carshare-- per building or building development or for all of downtown. Somewhere you can go online and say "I want a car for these couple of hours," you swipe your debit card, it gives you a key, you go in, and you have a car for a couple of hours.

*TKD: I think we need to make this (downtown) much more bike-friendly. People will walk 2,000 feet to their job, but not much more than that. But, they'll bike a heck of a lot further. If you live in East Nashville and you want to come downtown to work and you have a choice of a bus, a car, or a bike... for a job, (I think) the bike's going to win every time.*

AUDIENCE: One of the problems that was brought up was the sewer connection fees... some kind of special development zone with a lower connection fee. Collaborate some kind of deal with Public Works, with NES, with Metro Water, and do an exclusion zone where you have lower fees.

Or you could just tie it to the same kind of incentives. Provide 20% for TIF or 25%... you'd also be qualified.

*TKD: Encourage institutional employers to use the workforce housing they invest in as a means of promoting a stable workforce. It's been done elsewhere, big time.*

AUDIENCE: We do have eight or ten existing federal/state/local subsidies for under 80%. The other thing is, there's a very brief (window)... going on right now, where Nashville's being considered by two national funders to do a pilot-shared equity. This is a very brief opportunity-- sort of a revision of the cooperative, but it's more successful. But, shared equity would work for workforce; it would not work for lower income. And we're being considered really briefly.

I think we need to think about the Vancouver model of development: partially or fully subsidized school systems, parks, different amenities, where three or four high-rises go in, they have to pay for a school, pay for a park, a green space, so that you're getting the development to subsidize your infrastructure.

*TKD: In Vancouver, they actually have a certain amount of square feet of public-accessible green space that has to come per one thousand people living downtown, and that is borne by the developer. That's probably a tough sell South of the border, but I take your point.*

AUDIENCE: If you're going to density. I'm not talking about small projects that can't afford it. High-rises-- multiple high-rises.

*TKD: Now, one of the comments that we heard at the Charlie Tygard event was that people working on affordable housing are tired of doing infill projects that are inefficient and labor and time intensive, and don't yield significant results numerically. And the big move nationally, now, is to do entire blocks and ideally entire neighborhoods that, presumably, would have a high percentage of workforce housing, so there's an economy of scale and a bigger return on the effort. Is that an opportunity here? We've already said there's lots of big sites in downtown.*

AUDIENCE: But, sometimes that turns into, just, crummy neighborhoods. Because, when you have that diversity of several different lots and you have different owners and developers who are putting their variety into that block... That's true everywhere, but to start encouraging bigger and bigger developments...

Earlier, when Sheila was talking about schools and parks-- Chicago does that "Super TIF," where they basically take a TIF district, and use the excess tax revenue from the district to go ahead and fund the school and the park, as they do the development.

*TKD: And that's kind of the original intention-- you know, (funding) the amenities and public (elements) to go around the project to make it fly.*

AUDIENCE:...and then the project pays for it.

I really think we've got to rethink how well we do TIF. I mean, the way we do TIF is so arcane, and so difficult to administer, and so difficult to make work, its just time to really rethink what our goals are for it, what we can do at the state legislature, what the use of those funds allows.

*TKD: See, that's a whole other Forum. You go to Madison, Wisconsin, and one mayor used TIF 180 times. If I'm not mistaken, it hasn't been used for hotels in the last eight years (here) as a matter of policy, but elsewhere it's used in hotels often because lower income jobs, and stable jobs, are produced. So the range of projects that are required should be reexamined. And, also, potentially, the percentage of affordable housing you get. When the RUDAT (The American Institute of Architects Regional/Urban Design Assistance Team Program) happened in East Nashville, they recommended*

*30% of all projects receiving those incentives being affordable. There's nothing sacred about those numbers. They tend to be consistent with the national standard, true, but the national standard may not be the best standard.*

AUDIENCE: Well, if, and when we can move away from profit-based TIF to district-based... that would be a huge step.

We toured an affordable housing in Seattle, and they incorporated quite a bit of sustainable building initiatives in their neighborhood. I think that there would be a great opportunity to get something like this to happen in Nashville.

*TKD: You know, if you look at the advertisements for almost any multi-unit housing project of a certain size in this city... it calls itself "green," because that's what the market wants and looks for. I think that opportunity is to push the economic advantages of environmental design more in the city, whether that's legislatively, or just in terms of a consciousness.*

AUDIENCE: The Design Center might be able to explore what incentives exist in other cities for workforce housing, and everything we need enabling legislation (at the) state-level to allow those incentives. That's always been a problem: the lack of enabling legislation to offer incentives in Nashville.

*TKD: We're kind of doing that in workforce housing. That's one of the things we're focusing on. And the ULI actually has three or four really good resources on workforce housing, and a brand new book on affordable housing as well, that has lots of good programs and case studies that look incredibly different and have different densities, scales, and that do have different strategies that are used in different states.*

AUDIENCE: It seems to me an opportunity could be who we elect and who we support. I'm not convinced that... and Metro Council can help, but now that they're there, we can, in a very short period of time, make sure that we get some leaders.

*TKD: So that's an education process, isn't it? An education process for political decision-makers and voters.*

AUDIENCE: Along the same big-picture lines, I guess, the opportunity to look at more than just the workforce housing issue in downtown Nashville, but to look at, still a page removed, our new mayor, as a regional issue and how workforce housing in downtown Nashville supports the region and makes the whole region stronger. What connection do you have with the surrounding areas... what they can do and you can do to work together and make that work here, but also to support them as part of the region.

*TKD: So think regionally. And maybe the momentary touchstone for that is the Music City Star, for example, because all it would take is one developer— one serious, national, sophisticated developer to do a TOD (transit-oriented development) of 2,000 foot radius, walking distance to one of those six stations that have extensive empty land around them, owned by the city or existing commercial places— the toughest piece of that development— and do it right... and you could, by six- or eight-fold, you could increase rider-ship over its build-out.*

AUDIENCE: But, we need to realize that it's a two way street. It's not just development of workforce housing here, but developing viable jobs there so that not as many people there (that) have to commute here.

*TKD: Reverse community development. And some people may think that's counter-intuitive, but there are people out there that are quite happy to work out there, wherever the job is, but they want the vitality of downtown, the entertainment, the sports, the culture, the nightlife, the restaurants (available if they live downtown). I think that's a good point.*

AUDIENCE: In the development of housing in residential downtown, we have more interesting, more innovative design than we're getting from institutional types. It seems to me that because it's private sector, because it's a little bit riskier, and because the market is a little more interested in design. It might be an opportunity for us, as residential developers, to set different trends to cause development, generally, to trend toward better design, by virtue of just setting the standard that always seems to be happening. Residential developers seem to be taking a few more risks, doing a few more interesting things, and it seems to me that maybe then your institutional folks will get to think up, you know, maybe the city... wouldn't be so bad... I'm thinking more architecturally. They're not really very edgy. It's the things that are happening that are improving our... and I just hope that an opportunity might be for us to maybe set a different design standard, as a little more eye-candy thing happening.

...back to your TOD statement. Would that help or hurt downtown? Is that good competition for downtown, or will it hurt downtown?

TKD: *I think it's a wash, but certainly to the extent that we can preserve agrarian farmlands out there in Lebanon and elsewhere, in their surroundings, and de-clog our freeways that are parking lots four hours a day... I think that's a plus.*

AUDIENCE: But, will they get the same incentives? Theirs wouldn't be incentive based-- otherwise, it would be much cheaper to build out there.

TKD: *They're asking for tourism. They want people coming from downtown to Lebanon out there to ride their bikes, and patronize restaurants, antique stores and ecotourism, so I think there's some potential.*

AUDIENCE: There is an incredible amount of government incentives that go into causing housing in the outer ring. And there was a huge incentive that went into putting Nissan out in Cool Springs, and that was a highway interchange. And then you have to put in sewers and you have to put in water lines and you have to put in electrical, so there's already government incentives that go in, it's just convincing the government to think about it differently-- that there's already infrastructure in place-- and if you get someone that's environmentally conscious to go in and say, "The infrastructure's already in place; you can use that now," that should be part of your incentive to get the government, instead of putting (more development) out there, using infrastructure to pull back up the difference in the gas that we would've wasted on the highway.

TKD: *That could be a negative factor, or we could see it in a positive light. We could say, for instance, we've got the biggest parking lot in the State of Tennessee, almost, across the river here (around the stadium), that's used (effectively only) ten Sundays a year. Let's use that Monday thru Friday (by surrounding it with commercial) buildings and housing. It's pre-built (parking), as an incentive to recruit development to get a better return investment.*

AUDIENCE: I was wondering, what's the plan maintaining that line after five years? How do we maintain the workforce housing five years, ten years, twenty years down the line? Because, you know, if everybody sold their units in five years, ten years, twenty, it's back up again.

They have an incentive to sell it to an affordable person, so it passes on. Or, you could recapture the incentive at the settlement market. Outside of that, you could do a land restriction, but it just gets so paternalistic, and it restricts their ability to gain enough equity to move into a home or something else. It's complicated.

You go past the five-year restriction and people really balk in turning it, with affordable housing, because the five years is almost more than they want to commit to at the start.

Would it be different if we were talking about the workforce bracket, and not the affordable bracket? If we're talking about the 80% to 120%, is a longer time frame more realistic? If you were getting some sort of incentive

to do the 80% to 120%, but you were asked to keep it at that range for twelve years or fifteen years, does that reconcile?

Plus, people would have a real problem committing to anything longer than about five years. The average turnover in housing is five to seven, anyway. If you start telling them twelve, they'll never commit.

Plus, home ownership is a way to increase your equity, so if you buy a house priced at workforce housing and that equity increases, that's what you're hoping it would do in the long term.

This goes all the way back to Fulton. We've been warned that our infrastructure downtown is in pretty bad shape, so we've got a serious infrastructure problem... been rattling around for twenty years.

*TKD: There's a lot of nineteenth century infrastructure that's not even mapped. There's a stream— it's in a big culvert that runs almost under the convention center down to the corner over there. Nobody really knows (exactly) where it is.*

**AUDIENCE:** We continue to overpay for land past something it's worth. I guess that's part of... a (market) correction is (needed) for that. If we continue to value buildings a little more like gold, and a little less like buildings-- you know, if we don't maintain our consumer cap.

*TKD: Do you think people are overpaying for land downtown, or it's a different marketplace now instead?*

**AUDIENCE:** In some instances, I think, yes.

So we need to find a way to preserve a certain percentage of workforce and affordable housing as the value of downtown ownership goes up. The incentives are short term, but is there a way to preserve a long term percentage in an open marketplace?

So if the property's appreciated faster than the workforce housing income appreciates, how do you reconcile that?

Income in this area has not gone up in five years. If you look at that 80% income, that 80% number has been exactly the same for the last five years. It's because when you extend an MSA (Metropolitan Statistical Area), you've plotted more counties into your price point. It helps on the outlying counties...

You used to go up every year. So I'm saying, we'll let you keep this, but essentially the focus of a sale price is frozen. So the definition no longer fits the economy, nor the cost of housing, and that's driving so much.

*TKD: I hate to say it, but our federal investment used to invest in our cities. But, it goes to cities today with the names like Faluja and Baghdad. That's where the federal grants are tending to go. And, so, if you want to be philosophical about it... and Afghanistan, these are big problems. It's a total distraction, and there's enormous debt-building... no matter what your position on the war.*

**AUDIENCE:** I think if we don't get some of the incentives like we were talking about earlier, that we're not going to get a diverse mix of workforce housing. The closest we have right now is probably something like the Velocity model. I think that market is great. They have units that are 350 square feet and people are buying them because they're affordable. So, if we did a project like that, and we don't get incentives, we're going to keep repeating this 300, 400, 500 square foot unit, and that is really going to limit who can buy it. It's one person or maybe a couple, but you're not going to get the family. So, we've got to have a diverse mix of workforce housing, and I think the

only way of getting that is incentives, or you can't afford to build it downtown... a police officer and a family that wants to live downtown, but can't fit in 500 square feet.

*TKD: Do cops have to live in their patrolling community by law?*

AUDIENCE: No. They changed that recently.

*TKD: I think (in many of our cities in this country), you've got to live in the cities if you're a policeman or a fireman. I mean, that's obviously going to set...*

An incentive, I guess, is maybe a refocus of TIF from just being tied to redevelopment districts, but also tying it to affordable and workforce housing, so you can develop anywhere you want, workforce and affordable housing could be eligible for TIF.

*TKD: In theory, that can happen now, right? That mall out there... was not a redevelopment district, right— in Bellevue?*

AUDIENCE: Legally, it can, but public policy-wise, it's tied to redevelopment districts.

*TKD: Let me ask a question. It's philosophical. TIF was invented 55 years ago as a way of taking projects that wouldn't be able to happen otherwise and put them over the top. And, over the years, since 1980, with the drying up of federal sources of money and subsidies and incentives, it's become the number one tool of choice, and it's used very widely. Defining blight has become like the definition of "like." And we believe that TIF should only be used on projects that would not otherwise be able to happen (the "but for" clause). Can we agree on that— that it shouldn't just be an incentive you get for development, whether you truly need it or not? I mean, just because you are in a TIF district doesn't mean you should get TIF money. That project would have (to have not been possible otherwise). I leave you with that question.*

AUDIENCE: But, you're supposed to see if people need TIF... because it's more trouble than it's worth.

*TKD: Yes, I mean... lawyer fees, and the nuisance of TIF, and the design review process.*

AUDIENCE: And it's also probably easier to use on a rental property, like a loan cancel tax credit project, or something along those lines, than it is on something for sale. Because then you do get into the five year... and people buying, income qualifying, and then what do you do with...

*TKD: Tell me something: what does this group think the mix should be downtown, as a ratio between ownership and rental? Fifty-fifty? Right now, it's fifty-one-forty-nine... Above that? Just curious...*

AUDIENCE: What do you do if something were a half-and-half, I mean, how do you count that? Do you count that all as ownership on that fifty-fifty?

I know where the investors will be...

*TKD: People talk about how many new speculative units are downtown, and so on. A lot of those so-called "speculative" units are occupied units. They used by a son or daughter, maybe. Or, maybe are used on weekends, as a second home. So, any housing is an investment. What is only investment is potentially not as broad as people think it is. I've talked to developers, to real estate agents downtown, who track it, and they say as few as 12% - 15% of the units they sell will be (speculative) investments. I suspect that whole argument about how downtown is over-inflated by investment is maybe a little overstated.*

*I believe we have uncovered some extremely interesting and useful ideas this evening, so I thank you for turning out for this month's Urban Design Forum.*

(This transcript was prepared by Nashville Civic Design Center intern Hana Chmielewski.)