

# Nashville Social Housing Fund

FY2027 Metro Nashville Operating Budget Request  
Nashville People's Budget Coalition

## Overview

This proposal calls for a **\$10 million** allocation from the FY2027 Metro Nashville operating budget to fund the creation of the Nashville Social Housing Fund (NSHF), a publicly financed, community governed, financially self-sustaining fund for building high-quality, permanently affordable, mixed-income, city-owned housing for low- and middle-income Nashvillians. Approximately **\$540,684** would be for establishing, staffing, and maintaining a new social housing entity or “authority” to successfully operate the fund, while approximately **\$9,459,316** would be for dedicated funding to cover 3-5 years of annual debt service payments.

In the face of an ongoing housing crisis, mass displacement, rising homelessness, and federal disinvestment, this modest investment — 0.2% of the total operating budget — will:

- Significantly expedite the city's efforts to build upwards of 90,000 units over the next decade
- Produce housing that avoids the volatility of the private housing market
- Build affordable housing insulated from the risks of displacement and rent increases intrinsic to private and corporate ownership models
- Proactively reduce the severity of the impending rise of housing insecurity and homelessness that will result from federal cuts to HUD and other critical services
- Implement a financially sustainable housing model that enables the city to operationalize the mayor's central campaign slogan, “I Want You to Stay”

## How it Would Work

Metro Nashville Government would issue between **\$50-100 million in bonds** to finance the Fund, which would provide low-interest construction loans to public interest-aligned developer partners to construct high-quality mixed-income housing that includes both market rate and deeply affordable units made possible through a cross-subsidization financing model. Rental rates would be determined based on income using Davidson County Area Median Income (AMI) figures. Ideally, at least a third of all units produced through the fund should fall within the 0-60% Davidson County AMI range, another third at the 60-80% range, and another third between 80-120%. No resident would pay more than 30% of their income on rent.

The Fund would exist as an independent entity or “authority” that operates in formal partnership with Metro Nashville Government, administering loans financed by Metro-issued bonds to build housing that remains under Metro ownership, at affordable

rates, in perpetuity. Loans would be repaid within 3-5 years. Equity returns from loan and rental payments would revolve back into the Fund to produce more housing, creating a permanent and self-renewing source of affordable housing capital without having to rely on private investment, disappearing federal grants, or additional multimillion-dollar expenditures from the operating budget. Once implemented, Metro would begin paying between \$1.8 million (for \$50 million in bonds) and \$3.6 million (for \$100 million in bonds) in annual debt service on the bonds issued for the Fund. These figures are based on Nashville's current AA+ bond rating and its excellent 3.59% interest rate.

The Fund would partner with developers and property managers that agree to all terms set out in the Fund's policies and protocols, including those detailing terms of ownership, construction and labor standards, rent standards, tenancy standards set in dialogue with tenant associations, and restorative justice mediation processes and just cause eviction standards in the case of conflict between tenants and property managers.

The Fund would provide loans to developers to build on land that the city acquires, ideally through a public land bank, in addition to land that the city already owns. Each parcel of public land that the Fund finances housing construction upon would be incorporated into a Metro Nashville community land trust, meaning it would be removed from the private market and remain in use according to the standards guiding the Fund for 99 years, with the intention that it remain under these guidelines in perpetuity.

While the primary function of the Fund would be to create city-owned housing, the Fund would also be able to provide loans for cooperative and limited-equity housing development projects that transfer ownership from Metro Nashville to a public interest nonprofit that agrees to all terms that guide all partnerships between the Fund and developer and management partners in perpetuity, as described above.

The Fund would be operated and its loans administered by a small staff composed in the first year of an Executive Director, Financial Officer, and Administrative Assistant. The Fund and its loans would be governed by a board with members elected through a democratic co-governance process facilitated by housing justice organizations and elected officials. The board should be composed as follows: one-third renters and people with lived experience of housing insecurity or homelessness, one-third social housing policy experts and grassroots affordable housing advocates, and one-third affordable housing developers and public interest finance professionals.

Because the Fund would be financed through bonds, the cost of operating and administering the Fund would remain below \$700,000 in its first few years, and could eventually become subsidized in part or in whole by equity that the Fund generates.

## How it Differs from Other Housing Models

Based on the housing model known as “[social housing](#),” the Nashville Social Housing Fund would be designed to deliver deeply and permanently affordable and mixed-income housing faster and more sustainably than traditional private or tax-credit-based models. Seeded with public bond proceeds, the fund eliminates dependence upon private equity by providing low-interest construction loans to public-interest-aligned developer partners.

Under traditional affordable housing models, a combination of public and private investor capital is typically used to finance housing production. Under such an approach, equity returns generated by housing projects flow to private investors rather than to the public. With the social housing model, all equity that housing generates is returned to public ownership to build more housing, thereby directing returns on investment toward the public good rather than private good.

Nashville’s current approach to housing, including the Barnes Fund, certainly produces affordable housing, but it does so without guaranteeing long-term affordability and by giving away returns on investment that could be used to fill the enormous gap in our city’s housing stock. In addition to benefiting the public, the permanently affordable social housing model sidesteps the vulnerabilities of the private market and the complexities and delays associated with Low-Income Housing Tax Credit (LIHTC) deals, thereby reducing development timelines and burdensome transaction costs.

The question may arise as to why the Barnes Fund cannot incorporate what we are proposing here. Whereas the Barnes Fund exclusively provides grants for nonprofits to build housing that falls under private ownership, the Nashville Social Housing Fund would have more flexibility to provide loans to create housing that remains permanently affordable by remaining under public ownership through this new entity. The difference in the scope and function of the Barnes Fund and that of the model we are proposing requires a separate structure.

The total annual expenditure for the NSHF — less than \$1 million to operate and less than \$4 million in annual debt service — would allow the city to build more affordable housing that stays affordable permanently for only a fraction of the amount that the city invests annually in the Barnes Fund.

By removing any private profit motive from the financing structure, this model of housing creates a sustainable path for generating permanently affordable, locally controlled, tenant-governed, inclusive development in ways that can genuinely meet the dire need for more affordable housing in Nashville.

## Our Local Housing Crisis

Roughly half of all households in Nashville are renters. In an economy with stagnant wages, median home sale prices approaching half a million dollars, and an area median

rent now above \$2,000 a month, more than half of all renters (54%) are housing cost burdened, meaning they pay more than 30% of their income on rent ([source](#)). The price of rent on privately owned units regularly skyrockets, often with little notice, displacing residents, sometimes out of the city, sometimes into homelessness ([source](#)).

Nearly all housing in Nashville is obtained, if it is obtained at all, through the private market. A private owner lists a house or apartment and a private buyer pays — often exorbitantly — for it. By definition, the private housing market is driven by the pursuit of profit, as opposed to the pursuit of a society in which we guarantee housing for everyone. Oriented as it is, the private market is inherently incapable of providing housing for everyone. And yet, we continue to let the private market dictate the terms of housing, which, combined with other issues including outdated zoning policies that prioritize single-family dwellings, leads to our present crisis in which tens of thousands of residents are uncertain whether they will be able to stay in Nashville at all.

As a direct result of these trends in the cost of living and the cost of housing in Nashville and across the country, homelessness is rising sharply, with a high likelihood that even more people will be pushed into homelessness in the years ahead. Tens of thousands of people in Nashville are either struggling to survive on the streets or are moving between temporary shelters until something more permanent emerges. Waiting lists for Section 8 housing vouchers are long — landlords are increasingly less inclined to accept vouchers — and closed for years at a time to new applicants. Even deeply connected outreach and social workers struggle to help people with vouchers find housing. As a result of these realities, hundreds of people die early deaths every year in our city.

Nashville faces a shortage of more than 50,000 affordable housing units. The Metro Planning Department's Housing Division estimates that Nashville will need to create 90,000 affordable housing units over the next decade to meet the rising demand ([source](#)). Continuing to allow the private market to dictate the terms of housing in Nashville all but guarantees that the problem will grow worse before it gets better. We can forge a path out of this impasse.

## **How it Addresses Our Local Crisis in the Face of Federal Cuts and Local Budget Limitations**

With federal housing funds shrinking and traditional programs like LIHTC becoming increasingly competitive and slow moving, the Nashville Social Housing Fund offers a more resilient, locally controlled solution. By leveraging local public capital through the fund and pairing it with income from mixed-income rents, and potentially commercial tenants, Nashville can build and preserve affordable housing without relying on unstable and possibly nonexistent federal support. This model empowers the city and its partners to take control of housing production timelines, cost structures, and long-term affordability, shielding Nashville's housing future from national policy gridlock and funding uncertainty, with no need to rely on state or federal partners.

Locally, we are facing another tight budget year that will likely not allow for the kind of across-the-board substantial discretionary investments into an array of public goods that the people of Nashville need to thrive. The Fund would help the city generate a significant amount of affordable housing in a fairly short period of time without enormous operating budget expenditures.

## Staffing

The Fund should begin by funding the following FTEs.

<b>ROLE</b>	<b>DESCRIPTION</b>
<b>Executive Director</b>	Leads the overall strategy, operations, and public accountability of the Fund, including sourcing and vetting housing proposals that align with the city's affordability and equity goals, and overseeing partnerships with developers, community organizations, and public agencies.
<b>Finance Manager</b>	Manages the Fund's financial operations by underwriting loans, overseeing repayments, modeling project returns, and ensuring fiscal sustainability, including managing the bond placement and ongoing compliance.
<b>Administrative Specialist</b>	Provides day-to-day support across the Fund's operations, including scheduling, communications, records management, and coordination with external partners and city departments.

## NSHF Budget

<b>Expenditure</b>	<b>Total</b>
Executive Director (Salary + Benefits)	\$218,750
Finance Manager (Salary + Benefits)	\$133,653
Administrative Specialist (Salary + Benefits)	\$79,778
Board Compensation	\$20,000
Administrative & Insurance	\$23,500

Consultant Services	\$40,000
Office	\$25,000
<b>Total</b>	<b>\$540,684</b>

## Examples of Successful Social Housing Projects

- Montgomery County, Maryland’s Housing Opportunities Commission acts as a public investor to create mixed-income housing that includes both deeply affordable and market rate units. Their success has been widely documented and is serving as a model for other efforts around the country. This New York Times feature from 2023 goes in-depth on their model: <https://www.nytimes.com/2023/08/25/business/affordable-housing-montgomery-county.html> This piece from National Public Radio also explores the Montgomery County success story: <https://www.npr.org/2024/10/07/nx-s1-5119633/housing-crisis-solution-public-housing-mixed-income-maryland>
- Vienna, Austria, where more than 60% of all residents across a range of incomes live in publicly-owned social housing, is an international model: <https://www.theguardian.com/lifeandstyle/2024/jan/10/the-social-housing-secret-how-vienna-became-the-worlds-most-livable-city>
- Atlanta, Georgia, has recently developed the Atlanta Urban Development Corporation, which operates in a way similar to the Montgomery County model: <https://www.atlurbdevco.com/>
- This October 2024 policy brief from the NYU Furman Center outlines key findings related to emerging social housing trends in the United States: [https://furmancenter.org/files/The\\_Emerging\\_Spectrum\\_of\\_Government-Led\\_and\\_Publicly-Owned\\_Housing\\_Development\\_Models\\_V5\\_\(2\).pdf](https://furmancenter.org/files/The_Emerging_Spectrum_of_Government-Led_and_Publicly-Owned_Housing_Development_Models_V5_(2).pdf)

## Implementation and Governance

Upon the passage of a budget that allocates money to establish the Fund, a Task Force should be assembled to establish and implement the Fund by drafting the official legislation to create the Fund, hiring staff for the Fund, selecting authority board members, and other policies and protocol to guide the Fund’s equitable and just governance. This Task Force should be composed of representatives from the Mayor’s Office, two Metro Council members, four local affordable housing experts and advocates (two of whom must be a social housing policy expert), one national social housing expert, and eight Davidson County residents directly impacted by housing insecurity (a majority must be renters and at least two should have lived experience of homelessness).

## Alignment with the UHS, Nashville Next & Mayoral Goals

This proposal opens viable pathways for expediting progress toward the housing goals articulated in the Nashville Next plan, the recommendations made in the initial Housing & Infrastructure report, recommendations made in the Unified Housing Strategy, and the mayor's intention to increase our local affordable and workforce housing stock. Without a Fund that is structured to generate permanently affordable mixed-income housing more quickly and without a major financial burden on the city's limited operating budget, it will be difficult to make the kind of progress toward the city's crucial housing benchmarks that tens of thousands of cost-burdened Nashvillians need in order to "stay" — and survive — in this city.

## Conclusion

This modest recurring investment of \$540,684 will:

- Cover startup operations costs for the Nashville Social Housing Fund
- Allow the city to use proceeds from bonds to fund millions of dollars of permanently affordable mixed-income housing development
- Allow Metro, through the Fund, to recycle all equity generated from city-owned housing projects back into the Fund to resource the creation of more housing
- Enable Metro to expedite progress toward critical housing production goals in the face of federal cuts and local budget limitations
- House more low- and middle-income Nashvillians than our current approach to affordable and workforce housing allows

After the Fund is created, Metro will begin making annual debt service payments estimated at between million.

In the end, this investment — which comes in at a cost far less than other mechanisms currently used to fund affordable housing, and which, unlike other models, guarantees affordability in the long-term — promises to generate returns far beyond the cost of the investment by helping to build a city with far more affordable and workforce housing options than it has today. We know from research that housing brings stability to individuals and families and safety to the communities in which they live. Investing less than half a million dollars to create the Nashville Social Housing Fund will not only put people in homes; it will improve the quality of life of all people who want to continue to call Nashville home. If we really want the people of Nashville to "stay," then we must waste no time in creating the means of ensuring that it is possible for them to do so: the Nashville Social Housing Fund.