Nashville Downtown Living Initiative

A report on the current state of and possibilities for housing in downtown Nashville

August 2003
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Mission Statement

To encourage the production of well-designed market-rate and affordable housing in a healthy downtown neighborhood.

With the wealth of historic buildings as well as potential views from areas such as the Gulch, downtown offers a unique housing market for Nashville and the region.
An ad hoc task force composed of representatives of the Metropolitan Development and Housing Agency, the Mayor’s Office of Affordable Housing, the Metropolitan Planning Department, the Nashville Civic Design Center, and the Nashville Downtown Partnership created the Downtown Living Initiative. This group convened to study housing in Nashville’s urban core and develop a plan for its enhancement.

The intent was to evaluate the location and characteristics of the existing downtown housing market, evaluate the market demand for new residential development, and review the local government incentives and support programs available to encourage urban residential development.

This plan outlines steps to support and further stimulate the downtown housing market, and in doing so, to attract more residents to Nashville’s urban core. In order to achieve this, we will need to expand the number and variety of housing options in the central city, create clusters of housing and neighborhood-scaled services, and emphasize downtown’s location and amenities: easy access to work, recreation, cultural events, museums, retail, and restaurant choices.
Overview

Downtown Nashville has always been a residential neighborhood. Unfortunately, much of the historic downtown housing stock no longer exists and little has been developed over the last few decades. However, there are opportunities for new infill construction and adaptive reuse of the city’s older, historic buildings.

The recent announcement of Griffin Plaza and Laurel House in the Gulch area, Werthan Mills, the Stahlman Building, the Phoenix, Kress Building, and the success of the Row 8.9 Townhouses, Mercury View Apartments, the Post Bennie Dillon, and several small scattered site developments indicate a renewed interest in downtown living. In addition, current occupancy rates of over 95% in the existing product available in downtown indicate a strong interest in a variety of rental and owner-occupied housing options.

The impact and presence that 24-hour residents, particularly homeowners, will bring to downtown is a key component in downtown’s overall development strategy. This plan recognizes the direct connection between new housing options and other types of investment. As each new piece of the development matrix—housing, retail, commercial, and destination attractions—falls into place, more people will view downtown living as an attractive option.

The following recommendations outline several goals that will facilitate the development of downtown housing.

- Market and promote downtown Nashville as a distinctive residential area offering unique living environments in Tennessee and the Southeast.
- Create a vital and well-integrated downtown residential population by promoting social and economic diversity in downtown residential neighborhoods and developments.
- Develop additional downtown housing by assisting new construction and adaptive reuse of existing non-residential buildings with a combination of uses.
- Apply the full range of incentives available to assist in the development of additional downtown housing, including public improvements, land assembly, financial assistance, and the development of structured parking.
- Develop distinctive downtown neighborhoods by insisting upon design excellence and by assisting in the development of high-quality public improvements, open space, and convenience retail.
- Support changes to existing state laws and local ordinances in order to encourage downtown residential development.
Several plans or strategies have been developed in the recent past for this downtown area. Nashville’s General Plan Concept 2010, considered as the Vision Plan for Nashville’s development, proposes four goals that address downtown housing and eighteen objectives on how to encourage its development. While progress has been made on some of these objectives, now is the time to capitalize on the renewed interest and advance the progress on the remaining objectives.

(Footnotes)

1 Metropolitan Planning Commission

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<th>Goal</th>
<th>Objectives</th>
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| Develop a “24 hour” downtown by increasing the amount of residential, retail and entertainment activity in the area | - Make zoning and other policy changes that encourage downtown residential uses  
- Facilitate community scale shopping to serve downtown residents  
- Encourage diversity of commercial size options within the CBD to accommodate tenants with a variety of space needs  
- Achieve compatible land use mix in the CBD frame area, where the majority of residential uses are expected to locate |
| Guide downtown redevelopment and expansion in an orderly pattern that will not interfere with other stated goals | - Identify redevelopment opportunities in CBD  
- Closely monitor development/economic trends affecting downtown  
- Use MDHA plans and the downtown area’s Subarea 9 plan to guide downtown growth and redevelopment  
- Facilitate provision of incentives and/or assistance for redevelopment |
| Ensure adequate accessibility to and within the CBD | - Create a safe and interesting pedestrian environment  
- Make walking and mass transit circulators the preferred modes of travel within downtown  
- Encourage alternatives to traditional above-grade and on-site surface parking facilities  
- Improve mass transit’s share of CBD trips  
- Improve access between the interstate system and arterial street system downtown |
| Preserve and enhance the features that make downtown distinct from other commercial areas | - Continue to promote festivals and special events, and encourage the development of permanent cultural/sport/entertainment facilities where feasible  
- Avoid street level dead space that reduces the appeal of downtown for pedestrians  
- Encourage retail facilities at street level to make the streetscape more interesting  
- Encourage preservation and reuse of architecturally or historically significant buildings  
- Promote new development that is compatible with and respectful of significant buildings  
- Provide the flexibility to make the use of significant buildings economically feasible while preserving their architectural integrity |
In considering how to promote downtown housing, a city must define boundaries for focused attention. As Nashville continues to set goals and incentives for downtown housing, a target area must be clearly defined. The historic Central Business District (CBD), which has the highest concentration of employment and the most potential for new urban residential development, is defined as the Target Area for this Downtown Living Initiative.

The area is bounded by 1st Avenue on the east, Charlotte Avenue on the north, 9th Avenue on the west, and below Franklin Street on the south. The Target Area is home to many State and Metro offices, financial institutions, museums, civic facilities, office towers, hotels, parks, restaurants, and retail facilities. A more complete description of existing amenities is on page 10.
Including the Gulch, Rutledge Hill, and Germantown, there are 1,764 residential units in or immediately adjacent to the downtown Target Area. There are also known plans for 405 units, which are expected to be available within the next twelve months. Occupancy in this market currently sits at 95%. The residential population for this downtown area fluctuates around 3,300.

The average size for a one bedroom residential unit downtown is 680 square feet. Two bedroom units are 1,150 square feet on average. One bedroom units range in price from $525 to $1,200 per month. Two bedroom units range from $690 to $2,300 per month. Three bedroom units can bring from $2,400 to $5,000 in monthly rents.

In the Target Area, there are 687 residential units, of which only 10 are ownership properties.

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<th>Downtown Residential at a Glance (includes target area)</th>
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<tr>
<td>3,305 Downtown residents (2000 Census)</td>
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<tr>
<td>1,764 Residential units in downtown</td>
</tr>
<tr>
<td>95.1% Occupancy rate as of March 2003</td>
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<tr>
<td>405 New residential units proposed/under construction</td>
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<tr>
<td>680 sq. ft. Average square feet of a ONE bedroom unit</td>
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<tr>
<td>1,150 sq. ft. Average square feet of a TWO bedroom unit</td>
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<tr>
<td>$525 - $1,200 Rental range of a ONE bedroom unit</td>
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<tr>
<td>$690 - $2,300 Rental range of a TWO bedroom unit</td>
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<td>$2,400 - $5,000 Rental range of a THREE plus bedroom unit</td>
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<th>Target Development Area Statistics</th>
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<tr>
<td>687 Existing residential units</td>
</tr>
<tr>
<td>10 Purchase units</td>
</tr>
<tr>
<td>677 Rental units</td>
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<tr>
<td>201 New residential units proposed/under construction</td>
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Informal field surveys indicate that 84 downtown buildings have vacant upper floors. Most (71) of them are in MDHA Redevelopment Districts. These buildings contain approximately 178 vacant floors, or roughly two floors per building. This equates to about 683,000 square feet of vacant floor space.

Based on the average size of existing units in this market, this vacant floor space could potentially support anywhere from 550 to 1,000 new units. At the average household size for current units in the broader market, 1.87 people per household, those new units represent 1,000 to 1,900 potential new downtown residents.

Of these buildings with vacant floors, 57 are contributing buildings in National Register Historic Districts or are listed individually on the Register. This historic designation means they are eligible for federal tax incentives if redeveloped for commercial or apartment space. Six additional buildings are eligible for listing on the National Register, and five have been locally designated as Worthy of Conservation. Only sixteen of the buildings are not considered historic.

Also in the approximate 80-block area, 134 parcels are currently used as surface parking lots. These parcels represent over 38 acres of property in the heart of a major urban center. To put this in perspective, this is almost exactly twice the size of Nashville’s Bicentennial Capitol Mall. Thirty-one of those acres are located in MDHA Redevelopment Districts. In addition, eleven acres of property, while not vacant, have been identified in an informal field survey as having significant potential for redevelopment.

In summary, almost 50 acres of physically underused land and scores of vacant historic structures in the Central Business District represent a compelling invitation for new urban development and a striking opportunity to construct new housing in Nashville’s urban core.
This map shows existing and proposed residential projects in the Target Area and other properties that have potential for redevelopment. For a description of the terms used on this map, see page 18.
Downtown Nashville offers a compact, walkable environment complete with many essential services. The Frist Center For The Visual Arts, right, and the Public Library, far right, are two of many existing amenities useful to residents. For a description of the terms used on this map, see page 18.
The many historically and architecturally significant structures give downtown its character and provide a unique opportunity for restoration and creative re-use for residential and other supporting development. For a description of the terms used on this map, see page 18.
This section identifies principles that should accompany a successful downtown housing program. In a paper describing experiences in downtown housing in Denver, Colorado, Jennifer Moulton, FAIA, prepared a discussion paper for the Brookings Institution Center on Urban and Metropolitan Policy outlining “Ten Steps to a Living Downtown.”1

"Ten Steps to Downtown Housing: A City Government Agenda":

1. **Housing Must Be Downtown’s Political and Business Priority**
   
   Key downtown interests – business owners, government, and residents – should all agree on housing as a priority. Ambiguous or conflicting agendas will at best dilute efforts; at worst doom them to failure.

   Nashville’s goal of investment in quality downtown residential neighborhoods, and the ripple effect of downtown reinvestment, must be clearly articulated to the general population. Resolution RS2002-1067 sponsored by various groups and passed by Metro Council indicates strong unified agreement that downtown housing is important.

2. **Downtown must be legible**

   A “legible downtown” is one with clearly delineated and distinguishable boundaries. Neighborhoods are created in many ways – ethnic or religious concentrations, similarity of architecture, landmark buildings or landmarks. Comprehensive plans, common streetscape furniture or good signage can give a neighborhood definition and cohesion.

   Nashville’s efforts include the Plan of Nashville, a downtown wayfinding initiative, and a comprehensive streetscape design plan.

3. **Downtown must be accessible**

   For the downtown economic environment to grow and prosper, its physical infrastructure needs to be in good shape. The better the access points – such as entrances and exits – into downtown, the higher the quality of the streetscape, the more effective and efficient the water/sewer service, the more attractive the downtown is to prospective residents.

   City government acts as the “property manager,” making repairs and beautifying the common areas in order to maintain downtown’s investment value.

   Nashville’s recent efforts in parking initiatives, access plans, and the planned Public Square all address access points and infrastructure.

4. **Downtown must have new and improved regional amenities**

   Downtowns need people – a lot of people – in order to have lively, vital streets and be efficient economic machines. If regional amenities are located within or close to downtown, legions of newcomers in the form of sports fans or arts patrons will be exposed to the diversity of downtown’s entertainment and shopping choices. The more familiar and comfortable the area becomes, the less threatening it seems. This promotes a sense of habitability.

   Nashville has several of these amenities, including the Gaylord Entertainment Center, the Coliseum, the Country Music Hall of Fame, Ryman Auditorium, and the planned Schermerhorn Symphony Hall. The “Downtown Residential Amenities” map and table on page 10 show many of the current businesses that offer a wide variety of residential support services.
5. Downtown must be clean and safe

Downtowns have a reputation for being dirty, deteriorating and unsafe. Assuming that this negative stereotype is correct, many residents never go into the center city. For downtown to become a neighborhood in which to live, it must feel safe and be clean. The density of a downtown neighborhood, particularly with public amenities nearby, means that downtown housing supporters must pay more attention to safety and cleanliness than their suburban counterparts.

The Nashville Downtown Partnership’s clean and safe programs are a clear commitment to this goal.

6. Downtown must preserve and reuse old buildings

Of a smaller scale than Class A office towers, groups of these buildings stand as a residential neighborhood in waiting. Some of these buildings have elaborate decorative construction, and their preserved historic character distinguishes downtown from suburban residential development.

Nashville’s buildings that have been designated as historic are shown on the “Historic Property Locations” map on page 12.

7. Downtown regulations must be streamlined and support residential growth

Specific provisions and regulations, as well as the attitudes of the regulators, should be reviewed and adjusted to promote housing in the urban center.

8. City resources should be devoted to housing

Any city has a number of sources of public funding for housing: its own tax funds, state and federal funds. Leadership, good information for the private sector, and financial resources must be leveraged in order to boost the production of downtown housing.

A recommended incentive program for Nashville is addressed on pages 16-17.

9. The edge of downtown should be surrounded by viable neighborhoods

Like the empty buildings downtown, these surrounding downtown neighborhoods are important assets to a city’s downtown housing and revitalization strategies.

Significant investment has already been made in downtown Nashville’s adjacent neighborhoods and will support downtown as a residential market.

10. Downtown is never “done"

- Constant attention must be given to managing the dynamics of conflicting uses.
- Keeping downtown affordable housing options available may require additional attention and incentives as residential prices rise.
- Exercise patience with retail.
- Keep up green spaces.
- Broaden the market so that downtown becomes a family residential market.

(Footnotes)
Economics Research Associates (ERA) of Washington, D.C., in conjunction with Walker Collaborative of Nashville, recently completed a market feasibility study for development of the Rolling Mill Hill area south of the CBD. While the scope of the report was designed to address market potential for that specific site, it revealed notable data related to residential development potential for the greater downtown area.

Assuming proactive action on the part of local public agencies to stimulate interest in downtown economic development, the ERA report estimates that downtown could expect to welcome more than 7,500 new residents by 2010, just seven years from now. This translates into an additional 4,450 housing units.

The ERA report highlights one particular indicator of the current lack of downtown housing in Nashville: the ratio of employment to residence as compared with other cities in the Southeast. According to the report, there are approximately 67,000 downtown employees and only 3,800 or so residents in Nashville’s larger downtown market. This number of residents represents only 5.7% of the downtown workforce. Expressed another way, there is a ratio of nineteen downtown jobs for every one downtown resident. In Charlotte, the ratio is one resident per seven jobs. In Chattanooga the ratio is one to five. Nashville’s share of downtown housing relative to its employment base is out of step with comparable cities, suggesting demand for significant new residential development to address the disparity.

The Nashville Downtown Partnership reports that potential downtown residents, particularly those interested in ownership opportunities, contact its office on a regular basis. Several downtown apartment buildings, including the Quarters, Lofts Above Ichiban, and Watauga House Apartments, operate at 100% occupancy and have waiting lists. This anecdotal evidence of local demand is consistent with an increased demand for urban housing nationwide due to demographic shifts occurring in the population. An increasing proportion of empty nesters and unmarried people contribute to a shrinking of the average household size. The ERA report notes that this shift is also occurring in Nashville. The low-maintenance, convenience, and dynamic setting offered by urban housing typologies represent attractive living conditions for an increasing share of Americans and Nashvillians.

In spite of high demand for in-town living, the downtown and CBD combined account for only 6% of the region’s current apartment inventory according to the Greater Nashville Apartment Association. Among the highest in the region, occupancy levels in the CBD/West End area have held strong during the recent economic downturn while most of the rest of the apartment submarkets have experienced some decline. Moreover, according to the ERA report, average monthly rents in the CBD/West End submarket have outperformed every other submarket in the Nashville area, increasing more than 9% over a three-year period compared to a regional increase of 4%. At $1.35 per square foot, rental rates in the CBD are the highest in the region by a strong margin.
The Issues

Residential development in downtown is typically complicated by a variety of conditions, processes, or regulations unique to an urban core. The following is an effort to identify proactive measures that would help put more rental and for-sale units in Nashville's urban core. Developers, builders and design professionals must deal with a number of factors that may make downtown housing development unique. Input from the development community raised the following issues:

- Parking
- Infrastructure Upgrades
- Building Code Requirements for Historic Structures
- Approval Process
- Ownership Issues
- Incentives to Promote Downtown Housing

Recommendations

Recommendations are presented in the following three categories:

- Public Awareness
- Project Review Process
- Support Incentives

Public Awareness

1. Develop a guide that explains:
   a. The philosophy and intent of the policy and the procedures for downtown housing development.
   b. The need for Historic Preservation and high design standards.
2. Establish a demonstration project geared for national recognition.
3. Promote downtown housing in both the print and electronic media.
4. Promote downtown residential through presentations to local organizations and groups.
5. Provide downtown residential information and resources at the Nashville Downtown Partnership’s Downtown Development Center.

Project Review Process

1. Develop a user-friendly procedure for project review:
   a. This procedure should ensure consistency for all types of projects.
   b. The procedure should help ensure that an individual or team professionally prepares the proposed project to avoid substandard proposals.
2. One entity should be selected as an ombudsman or should be appointed to shepherd projects through the process.
3. Request agencies with regulatory responsibilities to review their policies, fees and procedures to ensure they do not act as barriers to downtown residential development.

Support Incentives

1. Develop additional financial incentives that can be leveraged with existing resources to attract developers who provide a variety of housing options (see page 16).
2. Develop a policy with infrastructure providers to make development more cost effective. Request utilities to review their fees, procedures, and policies to ensure that they do not act as barriers to downtown residential development.
3. Develop a comprehensive parking strategy for the downtown that takes into account the 24-hour needs of residents.
4. Develop a financial “map” to help developers put the “package” together.
5. Institute more progressive use of 2003 ICC existing structures code.
Several financial incentives for urban development are already available in Nashville in the form of tax increment financing (TIF), façade improvement loans, and historic tax credits. TIF and façade loans are administered by MDHA and have induced significant investment in downtown and Nashville’s urban neighborhoods. Additional financial incentives could be offered to further stimulate downtown residential development. Several recommended programs are noted below that would make downtown residential development even more attractive to the development community.

Nashville is not alone in its desire to support urban living opportunities. Various programs are offered in other American cities such as Memphis, Louisville, Providence, and Chattanooga to encourage urban development. The recommended financial incentives below have been integral parts of successful urban residential strategies in cities comparable to Nashville.

**Currently Available**

**Tax Increment Financing**

With tax increment financing, the increase in assessed valuation and tax revenues attributed to the new development pay for eligible new development costs. The tax increment is the difference in assessed valuation and tax revenues generated by the property in the district after construction compared with the assessed valuation and tax revenues generated by the property before construction. This difference in assessed valuation and tax revenues is used to pay the current eligible development costs.

**Façade Improvement Loan Program**

MDHA provides a second mortgage up to $35,000 at 0% interest, repaid over five years in four annual payments. This program is for exterior improvements to commercial/mixed-use buildings in MDHA Redevelopment Districts.

**Historic Tax Credit Program**

The federal government offers a 20% tax credit incentive for rehabilitating historic properties for income producing purposes. One dollar of tax credit reduces the amount of income tax owed by the property owner by one dollar.

The tax credit applies to projects designated by the Secretary of the Interior as a certified rehabilitation of a certified structure. Certified structures are buildings listed in the National Register of Historic Places or a building located in a registered district and certified by the National Park Service as contributing to the historic significance of that district.

**Recommended**

**Payment-in-Lieu of Taxes (PILOT) Program**

The PILOT (payment in lieu of taxes) Program is a financial incentive that would be designed to encourage commercial real estate development in and around the urban core by “freezing” property taxes at the predevelopment level for a predetermined period of time. This incentive is currently offered in Chattanooga, Knoxville, and Memphis.

To be eligible for a PILOT, the value of the building renovations, site improvements, or new construction must be equal to or greater than a certain percentage (usually 60%) of the total project cost.

**Residential Development Loan Program**

Subordinated debt is a financial incentive that would be designed to encourage residential development in the target area. This low-interest loan program targeted to the affordable units in a mixed-income residential development provides up to $50,000 per unit for rehabilitation or new construction based on established project evaluation criteria. The loan is amortized over a twenty-year period at a three percent interest rate with a balloon payment due at the end of the tenth year. Similar incentive programs are offered in Louisville and Providence.
All across the country, cities have begun to recognize how important downtown living is to the vitality of their urban centers. In Nashville, both public and private sectors agree with this trend and are prepared to partner in transforming our downtown into a compelling neighborhood whose residents have all of the amenities of a great city within walking distance of their front door.

Although recent residential development projects are bringing new life to Nashville’s downtown, there remains great potential for additional downtown residential growth. Potential city dwellers, now an underserved consumer market, should be able to choose from a wide variety of downtown housing options. When this is available, our green spaces, public spaces, sports and entertainment venues, office towers, historic buildings and busy streets will become the backdrop and backyard of a distinctive urban neighborhood.

Nashville’s Downtown Living Initiative has broad-based support from downtown stakeholders. This report points to “the production of well-designed market-rate and affordable housing in a healthy downtown neighborhood” as being vital to the city’s economic future.

Local government agencies, non-profit groups, developers and downtown citizens need to work together to create an implementation strategy, including further incentives for urban residential development. It will be equally important to give constant attention to maintaining and strengthening the unique quality of urban life that makes downtown Nashville an exciting place to live, work, play and invest.
**Existing Residential** – As shown on the map on page 9, properties in and around the target area that are currently residential or mixed-use buildings that include residential. This designation includes both rental and owner-occupied properties.

**Historic Properties** – As shown on the map on page 11, properties in the target area that are listed on the National Register individually or in National Register Districts, are eligible for such listing, or have been locally designated as worthy of conservation. Many of these properties are eligible for federal tax credits if redeveloped for income-producing uses.

**Other Properties with Potential for Redevelopment** – As shown on the map on page 9, properties in the target area, in addition to those with vacant floors and those currently used for surface parking, which, based on an informal survey, are thought to have significant potential for redevelopment on a physical basis. Buildings on these properties are not considered to have historic or architectural significance and are not of such significant scale as to preclude redevelopment.

**Proposed Residential** – As shown on the map on page 9, parcels in the target area on which residential development is proposed or is currently under construction.

**Redevelopment Districts** – As shown on the maps on pages 9, 10 and 11, areas designated by Metro Council and administered by MDHA in which development incentives, including tax increment financing and façade improvement loans, are offered and in which MDHA exercises design and land use review of development projects.

**Residential Amenities** – As shown on the map on page 10, places in and around the target area where services, retail, and activities are available that are considered attractive amenities to residents. Due to constant change, these places do not represent a comprehensive catalog. Additionally, uses or places predominantly inclined to tourist or employee use, such as souvenir shops or office supply stores are not included.

**Surface Parking** – As shown on the map on page 9, properties in the Target Area whose dominant use is surface parking and is therefore considered to have high redevelopment potential on a physical basis. This designation does not apply to relatively small parking lots incidental to other uses on the same property.

**Target Area** – As shown on the maps on pages 6, 9, 10 and 11, the geographic area covering approximately eighty blocks of Nashville’s central business district, including roughly the area from First to Ninth Avenues and from Charlotte Avenue to below Franklin Street, which due to the intensity and character of existing development, is recommended as an appropriate area in which to focus the attention of the Downtown Living Initiative.

**Vacant Upper Floors** – As shown on the map on page 9, based on an informal survey, buildings that have vacant upper floors and that are considered to have high redevelopment potential on a physical basis. This designation does not apply to vacant floors that are clearly intended and prepared for a particular use (e.g. vacant office space). These buildings were identified irrespective of activity on the ground floor, as ground floors were assumed to be generally unsuitable for residential uses.