

Metro Nashville – Davidson County Mixed-Income PILOT Program

Program Details

Introduction

Metro cannot provide direct discounts to individual tax bills outside of the parameters set by state law (e.g., tax freezes for eligible households). However, Metro can address the tax liability of low- and moderate-income multifamily housing through **payments in lieu of tax (PILOT)**.

As a part of the PILOT program, the property is transferred to the **Health and Educational Facilities Board**, a tax-exempt entity, and leased back to the developer. Rather than making an annual tax payment, the developer will make a payment to the Health and Educational Facilities Board in accordance with the chosen tier's abatement schedule. The PILOT term and corresponding abatement lasts for at least 15 years with an opportunity to extend after Year 10.

This program aims to incentivize mixed-income housing that affordable to households with incomes lower than 75% or 50% of the area median income for Nashville – Davidson County in multifamily properties that otherwise would not have any income-restricted units.

Eligibility Requirements

Property/Project Specific:

- Located in Nashville – Davidson County
- New construction or substantial rehabilitation of multifamily housing
- Cannot be combined with other PILOT programs, LIHTC, or any other local subsidy
- All subsidized, available units must be publicly noticed including the City's Resident Portal¹
- All units built and maintained to uniform standards in construction and operation, and availability of affordable units must be proportional to market rate units and be mixed throughout the building

Applicants(s)/Developer(s)/Property Management Team:

- We expect that the applicant, development team, and property management team do not have any outstanding fair housing, safety, or wage payment claims. This includes ...
 - o Violations assessed by the U.S. Department of Labor – Occupational Safety and Health Administration and/or by the Tennessee Occupational Safety and Health Administration against the qualified company, or any contractor or subcontractor of the company
 - o Employment or wage-related legal actions filed within federal or state courts against the qualified company, or any contractor or subcontractor of the company.
- Provide evidence of financing commitment for the total project's costs
- Comply with Fair Housing laws and develop a plan for furthering fair housing, including affirmative marketing of all available units

¹ Metro has not launched the Resident Portal yet, but all Mixed Income PILOT properties must list subsidized, available units once the Resident Portal has been launched.

Application Process

Application Submission: Round 2 is open and the Housing Division is accepting applications on a rolling basis until the abatement cap is met.

- Applicant must send one (1) electronic copy of the application, with **all** required attachments to Hannah Davis and Travis Miller at MetroHousing@Nashville.Gov with the subject line "Mixed income PILOT"
- Applicant must send the respective Application Fee to the below address
 - o Tier 1: \$2,000
 - o Tier 2: \$3,000
 - o Tier 3: \$4,000

ATTN: Mixed Income PILOT Application
Metro Nashville Planning Department
800 2nd Avenue South
Nashville, TN 37201

Staff Review:

- Metro Staff will confirm that all the required documentation is included and properly filled out. In the case of missing documentation or information, Metro Staff will reach out requesting updated or missing documentation.
- This review process will take approximately four (4) weeks.
- Applications that pass the staff review and fit within the annual abatement allotment will be notified and begin PILOT Lease and Agreement discussions with Metro Housing and Legal.
- Metro Housing will prepare for the Health and Educational Facilities Board meeting prior to final approval.

Health and Educational Facilities Board Review:

- Applicants must attend the Health and Educational Facilities Board meeting ready to present their project alongside the Housing Division and answer any questions that the board may have regarding the project
- Projects will be voted on by the Health and Educational Facilities Board, and the PILOT Lease and PILOT Agreement must be signed by the Board and the Applicant(s)

Post-Approval:

- Approved applicants must register the quitclaim deed with the Register of Deed prior to the end of the year to ensure the transfer of property happens before the PILOT term begins
- Applicant will pay Metro Housing the Initiation Fee which is equivalent to 75 basis points of the in lieu of tax payment for the initial PILOT year

Payment Calculation

Year 1 Payment = Projected Year 1 Tax Bill - Deduction

Projected Year 1 Tax Bill = estimated property value based off of total development cost * percentage of taxable property * tax rate

Deduction = (Project Year 1 Tax Bill - Base Year Tax Amount) * abatement

Program Tiers

Tier 1

- Abatement Rate:
 - o Years 1-10: 70% abatement, 80% abatement in the UZO
 - o Years 11-15: 50% abatement, 60% abatement in the UZO
- Eligible Properties:
 - o Properties in which the average income for 20% of units is 50% or below the AMI

OR

- o Properties in which the average income for 40% of the units is 75% or below the AMI
- Application fee: \$2,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 3% of the annual PILOT payment
- Developer pays all legal fees up to 10% of the In Lieu of Tax Payment for the Initial PILOT Year

Tier 2

- Abatement Rate:
 - o Years 1-10: 65% abatement
 - o Years 11-15: 45% abatement
- Eligible Properties:
 - o Properties in which the average income for 10% of units is 50% or below the AMI AND average income for 15% of units is 75% or below the AMI (exclusive of the units meeting the 50% AMI test)
- Application fee: \$3,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 4% of the annual PILOT payment
- Developer pays all legal fees up to 10% of the In Lieu of Tax Payment for the Initial PILOT Year

Tier 3

- Abatement Rate:
 - o Years 1-10: 60% abatement
 - o Years 11-15: 40% abatement
- Eligible Properties: Properties in which the average income for 30% of units is 75% or below the AMI
- Application fee: \$4,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 5% of the annual PILOT payment
- Developer pays all legal fees up to 10% of the In Lieu of Tax Payment for the Initial PILOT Year

Application Priorities

As we are expecting a high volume of applications, we want to ensure we are incentivizing the most impactful projects. Metro Nashville seeks to incentivize housing security in high impact mixed-income developments. Below are important aspects of a strong application, and staff will balance the criteria below to determine what applications are selected for approval. We have included resources to research how your plan incorporates and promotes the following criteria, though you are welcome to incorporate other resources to help judge your plans.

No applicant is guaranteed approval. Application fees are nonrefundable. Disapproved applications can apply for the next open PILOT round.

Primary Criteria

1. Location in a high-rent market or closer to the urban core
 - Preference will be given to applications in high-rent markets. Applicants should submit a summary of no less than three comparable projects within a half-mile of the proposed site. Preference will be given to applicants proposing projects within the highest rent areas. Housing Division staff will use CoStar to confirm submitted information.
2. Affordability of Units
 - Preference will be given to those applying at an abatement level that includes affordability at 50% AMI.
3. Opening Date
 - Preference will be given to applications that can demonstrably prove earliest availability of units.
4. Commitment to Accepting Housing Choice Vouchers
 - Preference will be given to applicants that commit to accepting Housing Choice Vouchers. This commitment requires compliance with MDHA's Section 8 guidelines, including an inspection from MDHA.
 - To learn more about accepting housing choice vouchers, please read MDHA's Section 8 overview for landlords: https://www.nashville-mdha.org/wp-content/uploads/2015/02/About_TheHCVProgram.pdf
5. Area Information: Transit Access, Walkability Score, and Food Access
 - Preference will be given to accessible, connected developments. Determine the walk score for the proposed development including transit access, walkability and amenity access including access to grocery stores at <https://www.walkscore.com/>
6. Healthy or Green Building Certification
 - Metro Nashville seeks to incentivize the development of healthy and green buildings. Examples of accepted certifications include LEED, Green Globes, NAHB Green, and Energy Star

EXHIBIT A: Metropolitan Government of Nashville and Davidson County

Health and Educational Facilities Board

Payment in Lieu of Tax (PILOT) Program for Mixed-Income Housing

GENERAL PROGRAM DESCRIPTION

Purpose: To incentivize mixed income housing that is affordable to households with incomes at 50% or 75% or less of the area median income for the Nashville-Davidson MSA in residential properties that otherwise would not have any income-restricted units.

Program Overview: Based on the percentage of income-restricted units made available, the Metropolitan Government offers a tiered program whereby a percent of property taxes is abated for a specified number of years.

Each year, the Metropolitan Housing Division will publish income and rent guidelines for income-restricted units.

Program Parameters:

- Property must be in Nashville-Davidson County.
- At least 60% of the units must not be income-restricted and the project must demonstrate a range of rents.
- Cannot be combined with other PILOT programs, LIHTC, or any other local subsidy.
- Term for income-restricted units is 15 years. Can apply for renewal for a second 15-year term.
- Tax abatement steps down 20% in years 11-15.
- Requires new construction or significant capital improvement resulting in increased property assessment value (tax abatement must never be greater than the tax liability at time of application).
- Abatement only applies to residential portion of the development.
- All units must be built and maintained to uniform standards in both construction and operations. Income-restricted units must be comparable to unrestricted units.
- Must comply with fair housing laws and must develop an affirmative marketing plan.
- Must list units on the Metropolitan Housing Division's resident portal.
- Abatement percentage based on post-construction/improvement tax liability.

Program Cap: Total annual abatement amount cannot exceed \$3 million annually.

Program Tiers:

- **Level 1**
 - 1a: properties in which the average income for 20% of units is 50% or below the AMI;
OR
 - 1b: properties in which the average income for 40% of units is 75% or below the AMI
 - 70% abatement on all units

- 80% abatement for developments in UZO
- Application fee: \$2,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 3% of the annual PILOT payment
- Developer pays all legal fees

- **Level 2** - properties in which the average income for 10% of units is 50% or below the AMI AND the average income limit for 15% of units is 75% or below the AMI (exclusive of the units meeting the 50% AMI test)
 - 65% abatement on all units
 - Application fee: \$3,000 per project
 - Initiation fee: 75 basis points of year 1 PILOT payment
 - Annual monitoring and reporting fee: up to 4% of the annual PILOT payment
 - Developer pays all legal fees

- **Level 3** - properties in which the average income for 30% of units is 75% or below the AMI
 - 60% abatement on all units
 - Application fee: \$4,000 per project
 - Initiation fee: 75 basis points of year 1 PILOT payment
 - Annual monitoring and reporting fee: up to 5% of the annual PILOT payment