

**RESOLUTION NO. RS2018-1139** (S. DAVIS, VERCHER, & MENDES) – This resolution would authorize the Metropolitan Development and Housing Agency (MDHA) to enter an agreement to accept payments in lieu of taxes (PILOT) with respect to a multi-family housing project known as Oakwood Flats, located at 2034 Pittway Drive. This would be the seventh such PILOT program overall and the fourth for MDHA since 2016 when Ordinance Nos. BL2015-1281, BL2016-334 and BL2016-435 were enacted authorizing MDHA to negotiate and accept PILOT payments from operators of low income housing tax credit (LIHTC) properties, capped at \$2,500,000 annually.

PILOT agreements essentially provide tax abatements for real and/or personal property taxes that would otherwise be owed to the Metropolitan Government. PILOTs have previously been utilized by Metro to provide incentives through the Industrial Development Board (IDB) to large employers to create job opportunities. Under Tenn. Code Ann. §13-20-104, MDHA now has the authority to enter PILOTs to create affordable rental housing.

MDHA developed their PILOT program to provide additional financial incentives to developers considering construction or rehabilitation of affordable housing units through a federally funded LIHTC program. Subsidized low income housing tax credit developments serve those at or below 60% of the average median income (AMI) for the Nashville area, which translates to an income cap of \$31,500 for individuals and \$44,940 for families of four in 2018. Once negotiated by MDHA, each PILOT agreement must be approved by the Council by resolution.

The maximum term for a PILOT lease under this program is 10 years. The PILOT would only be available for additional tax liability over and above the pre-development assessed value of the property. The program is available for both existing and new developments, based on financial need. The PILOT lease is to be terminated if the property sits vacant for two years.

MDHA is required to file an annual report with the Council, Assessor of Property, and State Board of Equalization identifying the values of the properties subject to PILOTs, the date and term for each PILOT, the amount of PILOT payments made, and a calculation of the taxes that would otherwise be owed.

ECG Oakwood, L.P. owns land located at 2034 Pittway Drive. The owner has proposed that an apartment project consisting of approximately 280 units restricted to individuals and families earning no more than 60% of the AMI be constructed on this site and operated as a LIHTC property. The application for this project, as well as the associated PILOT agreement, have been approved by the MDHA Board of Commissioners.

The Planning Commission recommended approval of this project on June 26, 2017, advising that the project is consistent with the approved Specific Plan zoning of the property and is also consistent with the policy for the area.

The approval by the Planning Commission applied two conditions:

1. Provide a sidewalk along Oakwood Avenue from the project entrance to the intersection of Oakwood Avenue and Slaydon Drive;
2. A final site plan complying with all standards of the approved preliminary Specific Plan must be submitted for review and approval prior to the issuance of any permits. Final determinations on building height and needed traffic improvements will be made at that time.

*Fiscal Note: This PILOT request would require the developer to make a first-year payment of \$15,653 in lieu of property taxes, which would increase annually by 3% in year 2 and each subsequent year for the remainder of the 10-year period.*

*In addition to the PILOT payments, the developer would be required to pay a monitoring and reporting fee to MDHA. This fee will be set by MDHA, not to exceed five percent (5%) of the amount of the PILOT payment due each year.*

*The final assessed value of this project would not be known until completion. However, the value of the project when completed is expected to be approximately \$32,842,985. For purposes of this analysis, this number can be used as a reasonable estimate of the final project value.*

*Over the 10-year life of this PILOT agreement, a total of \$3,965,340 would be abated, although Metro would still receive \$179,445 in new property taxes from this project. The following table shows the details of this PILOT:*

**Real Property Tax (New)**

<b>Year</b>	<b>Total Value</b>	<b>Standard Tax</b>	<b>Still Pay</b>	<b>Abatement</b>	<b>Abatement %</b>
1	\$32,842,985	\$414,478	\$15,653	\$398,825	96.2%
2	\$32,842,985	\$414,478	\$16,123	\$398,355	96.1%
3	\$32,842,985	\$414,478	\$16,606	\$397,872	96.0%
4	\$32,842,985	\$414,478	\$17,104	\$397,374	95.9%
5	\$32,842,985	\$414,478	\$17,618	\$396,860	95.7%
6	\$32,842,985	\$414,478	\$18,146	\$396,332	95.6%
7	\$32,842,985	\$414,478	\$18,691	\$395,787	95.5%
8	\$32,842,985	\$414,478	\$19,251	\$395,227	95.4%
9	\$32,842,985	\$414,478	\$19,829	\$394,649	95.2%
10	\$32,842,985	\$414,478	\$20,424	\$394,054	95.1%
<b>Totals</b>		<b>\$4,144,785</b>	<b>\$179,445</b>	<b>\$3,965,340</b>	<b>95.7%</b>