

RESOLUTIONS NO. RS2018-1161 through RS2018-1163:

These resolutions would authorize the Metropolitan Development and Housing Agency (MDHA) to enter into agreements to accept payments in lieu of taxes (PILOT) with respect to three (3) multi-family housing projects detailed below. In 2016, 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. If approved, these resolutions would bring to ten (10) the number of such PILOT programs by MDHA overall, with seven (7) approved since 2016.

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.

Resolution No. RS2018-1161 – (SLEDGE, MENDES, & VERCHER)

This resolution would authorize MDHA to enter a PILOT agreement with respect to a multi-family housing project known as Trevecca Towers I and East, located at 60 Lester Avenue.

Lester One East, L.P. has proposed acquiring land located at 60 Lester Avenue for an apartment project consisting of the renovation of 354 existing units to serve low-income senior residents 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 February 28, 2018,

advising that the project is consistent with the existing ORI zoning of the property and is also consistent with the NashvilleNext general plan and the community character policy for the area.

Resolution No. RS2018-1162 – (SLEDGE, MENDES, & VERCHER)

This resolution would authorize MDHA to enter a PILOT agreement with respect to a multi-family housing project known as Trevecca Towers II, located at 310 Stanley Street.

Stanley Two, L.P. has proposed acquiring land located at 310 Stanley Street for an apartment project consisting of the renovation of 210 existing units to serve low-income senior patients 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 February 28, 2018, advising that the project is consistent with the existing ORI zoning of the property and is also consistent with the NashvilleNext general plan and the community character policy for the area.

Resolution No. RS2018-1163 – (HUEZO, MENDES, & VERCHER)

This resolution would authorize MDHA to enter a PILOT agreement with respect to a multi-family housing project known as Biltmore Place II, located at 1136 Massman Drive.

Highmark Biltmore Place II, L.P. owns land located at 1136 Massman Drive. The owner has proposed construction of an apartment project consisting of approximately 42 units, restricted to individuals and families earning no more than 60% of AMI, to be 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 February 5, 2018, advising that the project is consistent with the existing RM20 zoning of the property and is also consistent with NashvilleNext general plan and the community character policy for the area.

The approval by the Planning Commission applied two conditions:

1. Provide a sidewalk along the east side of the driveway that connects to the internal sidewalk network;
2. All internal sidewalks must have a minimum width of five feet.

Fiscal Note: This would be the second, third, and fourth PILOT requests for 2018. After approval of these PILOTs, the remaining available balance from the annual \$2.5 million cap would be \$1,585,780.

In addition to the PILOT payments, the developer would be required to pay a monitoring and reporting fee to MDHA. This fee would 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 these projects would not be known until completion. However, for purposes of this analysis, the estimated value of the projects when completed can be used.

The PILOT request for Trevecca Towers I would require the developer to make a first-year payment of \$361,888 in lieu of property taxes. This would increase by 28% in year 2 and 5% in year 3 and each subsequent year for the remainder of the 10-year period.

Over the 10-year life of this PILOT agreement, a total of \$2,638,895 would be abated, although Metro would still receive \$1,889,250 in new property taxes from this project. The following table shows the details of this PILOT:

Trevecca Towers I						
	Year	Total Value	Standard Tax	Still Pay	Abatement	Abatement %
	1	\$38,580,703	\$486,888	\$125,000	\$361,888	74.3%
	2	\$38,580,703	\$486,888	\$160,000	\$289,028	64.4%
	3	\$38,580,703	\$486,888	\$168,000	\$281,028	62.6%
	4	\$38,580,703	\$486,888	\$176,400	\$272,628	60.7%
	5	\$38,580,703	\$486,888	\$185,220	\$263,808	58.8%
	6	\$38,580,703	\$486,888	\$194,481	\$254,547	56.7%
	7	\$38,580,703	\$486,888	\$204,205	\$244,823	54.5%
	8	\$38,580,703	\$486,888	\$214,415	\$234,613	52.2%
	9	\$38,580,703	\$486,888	\$225,136	\$223,892	49.9%
	10	\$38,580,703	\$486,888	\$236,393	\$212,635	47.4%
	Totals		\$4,528,145	\$1,889,250	\$2,638,895	58.3%

The PILOT request for Trevecca Towers II would require the developer to make a first-year payment of \$125,000 in lieu of property taxes. This would decrease to \$98,796 in year 2 and increase by 5% in year 3 and each subsequent year for the remainder of the 10-year period.

Over the 10-year life of this PILOT agreement, a total of \$1,575,685 would be abated, although Metro would still receive \$1,209,382 in new property taxes from this project. The following table shows the details of this PILOT:

Trevecca Towers II						
	Year	Total Value	Standard Tax	Still Pay	Abatement	Abatement %
	1	\$22,068,673	\$278,507	\$120,000	\$158,507	56.9%
	2	\$22,068,673	\$278,507	\$98,796	\$179,711	64.5%
	3	\$22,068,673	\$278,507	\$103,736	\$174,771	62.8%
	4	\$22,068,673	\$278,507	\$108,923	\$169,584	60.9%
	5	\$22,068,673	\$278,507	\$114,369	\$164,138	58.9%

	6	\$22,068,673	\$278,507	\$120,087	\$158,420	56.9%
	7	\$22,068,673	\$278,507	\$126,092	\$152,415	54.7%
	8	\$22,068,673	\$278,507	\$132,396	\$146,111	52.5%
	9	\$22,068,673	\$278,507	\$139,016	\$139,491	50.1%
	10	\$22,068,673	\$278,507	\$145,967	\$132,540	47.6%
Totals			\$2,785,067	\$1,209,382	\$1,575,685	56.6%

The PILOT request for Biltmore Place II would require the developer to make a first-year payment of \$21,103 in lieu of property taxes. This would increase by 3% in year 2 and each subsequent year for the remainder of the 10-year period.

Over the 10-year life of this PILOT agreement, a total of \$424,155 would be abated, although Metro would still receive \$241,923 in new property taxes from this project. The following table shows the details of this PILOT:

Biltmore Place II						
	Year	Total Value	Standard Tax	Still Pay	Abatement	Abatement %
	1	\$5,277,955	\$66,608	\$21,103	\$45,505	68.3%
	2	\$5,277,955	\$66,608	\$21,736	\$44,872	67.4%
	3	\$5,277,955	\$66,608	\$22,388	\$44,220	66.4%
	4	\$5,277,955	\$66,608	\$23,060	\$43,548	65.4%
	5	\$5,277,955	\$66,608	\$23,752	\$42,856	64.3%
	6	\$5,277,955	\$66,608	\$24,464	\$42,144	63.3%
	7	\$5,277,955	\$66,608	\$25,198	\$41,410	62.2%
	8	\$5,277,955	\$66,608	\$25,954	\$40,654	61.0%
	9	\$5,277,955	\$66,608	\$26,733	\$39,875	59.9%
	10	\$5,277,955	\$66,608	\$27,535	\$39,073	58.7%
Totals			\$666,078	\$241,923	\$424,155	63.7%