

**RESOLUTION NO. RS2019-1685** (VERCHER & GILMORE) – This resolution would authorize the Industrial Development Board of the Metropolitan Government (IDB) to negotiate and accept payments in lieu of ad valorem taxes for the benefit of OliverMcMillan Spectrum Emery, LLC (OMSE). OMSE will construct a development at the corner of Broadway and Fifth Avenue North, to be known as Fifth + Broadway. An approximately 54,783 square foot portion of this development is intended to be used for a museum celebrating African American music to be operated and managed by the African American History Foundation of Nashville.

State law permits local governments to delegate authority to industrial development boards to enter into payment-in-lieu-of-taxes (PILOT) agreements, provided the payments are in furtherance of the public purpose of the board. PILOT agreements essentially provide tax abatements for real and/or personal property taxes the company would otherwise be required to pay to the Metropolitan Government. PILOT agreements have previously been utilized by Metro to provide incentives through the IDB to large employers to create job opportunities and are subject to approval by the Council. Here, the PILOT agreement is being utilized to support the public interest endeavors of the museum.

Under state law, properties owned by the IDB are exempt from all taxation in Tennessee (TCA § 7-53-305). Here, the IDB will own the museum portion at 5th and Broad once conveyed at closing. State law further authorizes the Council to delegate to the IDB the authority to negotiate and accept from its lessees payments in lieu of taxes. Here, the negotiated amount of the payments is zero percent (0%) of the standard tax owed (the amount of ad valorem real property tax that OMSE would otherwise be required to pay if it owned the property.)

OMSE intends to lease property from the IDB for a negotiated basic rent payment of \$1.00. (It is standard practice in IDB leases for rent payments from lessees to be nominal.) In turn, OMSE intends to sublease a portion of the property to the Metropolitan Government for purposes of completing the museum. (See, Ordinance No. BL2019-1605, scheduled for second reading on May 7, 2019). Because it is the intent that the museum portion be subleased to Metro with all sublease obligations assumed by the museum under the management agreement, the payment of 0% of the taxes owed is deemed appropriate during the term of the sublease). If the sublease were to be terminated, but the lease between IDB and OMSE was not, then the PILOT becomes 100% of the standard tax. OSME would then make PILOT payments as if they owned the property outright.

As required by the Metro Code, OMSE would be required to manage a diversified business enterprise (DBE) program with a goal of 20% of the project's hard construction costs spent with DBE firms. The company would be required to provide quarterly reports to the Council regarding DBE participation. The company would also be required to use Metro's workforce development program to ensure reasonable efforts are made to use Davidson County residents in the construction of the project.

This Resolution was previously deferred to track with subsequent related ordinances regarding (1) a sublease between OMSE and the Metropolitan Government (BL2019-1605) and (2) a

development and management agreement between IDB, the Metropolitan Government, and the museum foundation (BL2019-1604). (The Lease Agreement attached to the resolution further references Exhibit A, a description of the leased property, and Exhibit C, an analysis of the costs and benefits of payment-in-lieu of Tax provisions, as “to be inserted”. Though Metro is not a party to the Lease Agreement, the leased property description (Exhibit A) consists of the property description included in the proposed quitclaim deed. This deed, as well as the Cost/Benefit analysis (Exhibit C) provided by the museum, are attached at the end of this Analysis.

*Fiscal Note: This resolution would provide a 100% real property tax abatement for twenty (20) years. OMSE would pay an annual rent for the property of \$1.00. The rental agreement includes an option to purchase this property for \$100.00.*