Metropolitan Nashville Planning Department
Metro Office Building
800 2nd Avenue South | Nashville, TN 37219
(615) 862-7163 | metrohousing@nashville.gov
Nashville.gov/housing

Mixed Income PILOT Program

Program Details

Introduction

The Mixed-Income PILOT aims to incentivize mixed-income housing with income-restricted units targeted to households between 50% and 80% AMI in development that would not otherwise include income-restricted units.

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 (HEFB)**, 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 HEFB in accordance with the abatement schedule. The PILOT term and corresponding abatement lasts for at least 15 years with an opportunity to request an extension for an additional 15 year term after Year 10.

Eligibility Requirements

Property/Project Specific:

- The property must be located in Nashville – Davidson County.
- The property must be new construction or significant capital improvement resulting in increased property assessment value.
- The Mixed Income PILOT cannot be combined with other Payment in Lieu of Tax **(PILOT)** programs or Low Income Housing Tax Credits **(LIHTC)**.
- All subsidized, available units must be publicly noticed.
- All units must be built and maintained to uniform standards in construction and operation.
- Income-restricted units must be distributed proportionally throughout the building and must not be segregated from market-rate units.

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

- The applicant, development team, and property management team shall not have any outstanding fair housing, safety, or wage payment claims or incur any such claims during the duration of the PILOT Term. Any violations shall be reported to the HEFB within 15 days of notice of a fair housing, safety, or wage payment claim. Safety and wage payment claims include:

  - 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; and
  - Employment or wage-related legal actions filed within federal or state courts against the qualified company, or any contractor or subcontractor of the company.
- Applicants must provide evidence of financing commitment for the total project's cost.

Application Process

Application Submission:

The Housing Division accepts 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 MetroHousing@Nashville.gov with the following individuals cc'd:

- Senior Manager, Policy & Innovation: Hannah.Davis@nashville.gov
- Program Associate: Travis.Miller@nashville.gov

SUBMITTAL: The submitted PILOT application must contain the following subject line:

MixedIncomePILOT_Application_[ADDRESS]_[MONTH]/[YEAR]

FEE: The PILOT application fee is $3,000 and PILOT application fees shall be mailed to the address below:

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

Application fees must be paid in full prior to the Metro Nashville Housing Division staff reviewing the PILOT application.

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 Deeds prior to the end of the year to ensure the transferal of property happens before the PILOT term begins.

Approved applicants 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.

<u>Calculator Assumptions, Definitions, and Methods</u>

Definitions and Acronyms

- **HUD:** The US Department of Housing and Urban Development
- **SAFMR:** Small Area Fair Market Rent published annually by HUD and broken down by zip code
- **SAFMR Multiplier**: A factor applied to SAFMRs to estimate actual market rents for a given zip code
- **PILOT Incentive:** A factor applied to estimated market rents to reflect compliance costs and other expenses associated with income-restricted units.

Assumptions

- **SAFMR Multiplier:** 135%
- **PILOT Incentive:** 105%
- **Tax Rate:** 2.814%
- **Escalation Factor:** 3%
- **Max Abatement:** UZO – 80% | non-UZO 70%
- **Estimated Market Rent:** SAFMR * SAFMR Multiplier * PILOT Incentive
- **Income-Restricted Unit Rent:** The Metro Housing Division will update income-restricted unit rents on an annual basis. Rents will be calculated using the standard established by the Low-Income Housing Tax Credit (LIHTC) program, in which the allowable rent is based on what is affordable to a household sized at 1.5 persons per bedroom. Studio units are assumed to serve a one-person household.

Methods

Step 1: Calculating Maximum Abatement

Max Abatement = max abatement percentage * (estimated tax levy – current tax levy)

The **max abatement** for Year 1 of the PILOT term is calculated by multiplying the difference in the estimated tax levy and current tax levy at the time of application by the max abatement percentage

Step 2: Calculating Abatement Value

Abatement Value = minimum (sum(estimated market rent – income-restricted rent), max abatement)

The **abatement value** for Year 1 of the PILOT term is calculated by taking the total accrued abatement from the difference in estimated market rent and income-restricted rent or the max abatement.

Step 3: Calculating Year 1 PILOT Payment

Year 1 PILOT = estimated tax levy – abatement value

Year 1 PILOT is calculated by subtracting the abatement value from the estimated tax levy.

Step 4: Calculating Effective Abatement Percentage

Effective Abatement Percentage = abatement value / (estimated tax levy – current tax levy)

The **effective abatement percentage** is calculated by dividing the abatement value by the difference in the estimated tax levy and current tax levy at the time of application.

Step 5: Calculating PILOT Schedule

Escalated Tax Levy = estimated tax levy * (1 + escalation factor) ^ (year of PILOT term -1)

The **escalated tax** levy is calculated by applying a compounding escalation factor to the estimated tax levy.

Annual PILOT = escalated tax levy – ((escalated tax levy – current tax levy) * effective abatement percentage)

The **annual PILOT** for each year is calculated by applying the effective abatement percentage to the difference between the escalated tax levy and the current tax levy.

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.
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.
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.

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

Adjustment 1, Effective June 18, 2026

Purpose

The Mixed-Income PILOT aims to incentivize mixed-income housing with income-restricted units targeted to households between 50% and 80% AMI in development that would not otherwise include income-restricted units.

Program Overview

Based on the percentage of income-restricted units made available, the Metropolitan Government offers a program whereby a percentage 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

- Project must be in Nashville-Davidson County.
- The project must demonstrate a range of rents, and at least 60% of the units must not be income-restricted unless the project is zoned DTC.
  - For projects zoned DTC, the Mixed Income PILOT program will not subsidize more than 50% of the units.
- The Mixed-Income PILOT cannot be combined with other PILOT programs or LIHTC.
- The Mixed-Income PILOT term will be 15 years with the opportunity to renew for an additional 15 year term.
- Requires new construction or significant capital improvement resulting in increased property assessment value (payment in lieu of taxes must never be lower than the tax liability at the 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.
- Abatement percentage based on post-construction/improvement tax liability.
- Adjustments to the Mixed Income PILOT program will not apply to projects with existing PILOT agreements.

Program Cap

Total annual approved abatement cannot exceed $2 million.

Program Design

The Mixed-Income PILOT program is designed to adapt to market conditions throughout Nashville-Davidson County while supporting county-wide housing priorities. The Housing Division will use a PILOT Calculator to evaluate each project using a consistent set of inputs and priority factors.

The PILOT Calculator provides three main functions:

- **Gap Sizing**: The Calculator estimates the financial gap created by offering income-restricted units by comparing estimated market rents with income-restricted rents published annually by the Housing Division.
- **Project Characteristics and Priority Alignment**: Each project is evaluated on how well it aligns with county-wide housing priorities by weighting certain project characteristics within the Calculator. These characteristics may include, but are not limited to:
  - Depth of affordability
  - Share and distribution of income-restricted units
  - Location
- **Abatement Determination**: Using the rent-difference calculation and priority adjustments, the Calculator determines the Year 1 PILOT, the percentage of the improvement value to be abated, and the PILOT schedule for the 15-year term.

On an annual basis, the Housing Division will review and update the Calculator methodology to ensure it accurately reflects current market conditions and county-wide housing priorities. All underlying factors used in the Calculator will be published on the Housing Division's webpage following each annual review to promote transparency, predictability, and ease of use for applicants.

Applicants may use the published Calculator and related documentation to evaluate the feasibility of their projects prior to submitting a PILOT request.

PILOT Abatement Calculation

The Mixed-Income PILOT Calculator determines the value of the abatement by estimating the rent difference between the projected market rents and the income-restricted rents, up to the maximum allowable abatement for Year 1 of the PILOT term.

The maximum abatement is calculated by applying the maximum abatement percentage to the difference between the estimated tax levy and the current tax levy of the parcel(s) on which the project will be constructed.

The Year 1 PILOT is calculated by subtracting the abatement value from the estimated tax levy of the completed project and current tax levy of the parcel(s) on which the project will be constructed. If the applicant accrues abatement above the maximum, the Year 1 PILOT is calculated by subtracting the maximum abatement value from the estimated tax levy.

The effective abatement percentage is equal to the share of the difference between the estimated tax levy and the current tax levy that is abated in Year 1.

The full PILOT schedule is created by applying an escalation factor to estimate the tax levy for each subsequent year of the 15-year term. The difference between the estimated tax levy for each year and the current tax levy is then multiplied by the effective abatement percentage to determine the annual PILOT amount.

All factors used to estimate the rent difference and to generate the PILOT schedule will be published in the supporting materials on the Housing Division’s webpage following each annual review.

Implementation and Oversight

The Metropolitan Housing Division will assist the HEFB with the implementation and oversight of the Mixed-Income PILOT Program and will work with the HEFB to establish policies and procedures and appropriate enforcement mechanisms.
The Metropolitan Housing Division may contract with a third party for administrative services and operational support, such as income verification, compliance reviews, reporting, legal services, and market analyses.

Administrative and operational costs are supported by fees collected through the Program. Fees for legal services will be borne by the applicant developer in addition to the administrative and operational fees.

Pursuant to the Interlocal Agreement approved by RS2023-2252, the Metro Finance Department will handle all financial matters necessary as needed for the HEFB related to the Mixed Income PILOT program, and the Metro Law Department will provide services to the HEFB related to the Mixed Income PILOT program.

Acknowledgement and Signature

- The applicant acknowledges that they have reviewed the above Mixed-Income PILOT program guidelines and agrees to comply with those policies.
- All information materially significant in the consideration of the applicant is included. The applicant hereby represents that all statements contained in the attached application are true and correct.
- The applicant acknowledges and agrees that the PILOT Agreement and Lease shall not be executed until all necessary approval has been granted for the plans for the project.
- The applicant shall mail or hand deliver the $4,000 application fee the Metropolitan Government of Nashville and Davidson County as specified above upon submission of this application.

Primary Applicant Signature:

Printed Name:

Title:

Organization:

Secondary Applicant Signature:

Printed Name:

Title:

Organization: