

MDHA Housing Tax Credit PILOT Program
General Program Description
(AMENDED: _____ 2016)

Preamble:

With the increasing demand for affordable rental housing in Nashville-Davidson County, Metropolitan Development and Housing Agency (MDHA) is constantly seeking new methods to achieve its goal of expanding the local supply of affordable housing. The Tennessee General Assembly provided one such method when it amended Tennessee Code Annotated, Section 13-20-104 to grant MDHA the ability to negotiate a Payment in Lieu of Taxes (PILOT) with Low Income Housing Tax Credit Properties in its jurisdiction, a legal authority that previously existed for most housing authorities in Tennessee. Given the tight rental market conditions and the heavy demand for development of market rate units across Nashville, the State's action granting MDHA the ability to negotiate PILOTS could not have come at a better time. Metro Council's approval of MDHA's PILOT Program, as amended, would provide further financial incentives to developers considering construction or rehabilitation of affordable housing units through the federally sponsored low income housing tax credit programs resulting in a positive impact on the supply of affordable housing in Nashville-Davidson County.

General Program Requirements:

- The program will meet all requirements set forth in T.C.A., Section 13-20-104 which governs the rights of housing authorities to negotiate Payment In Lieu of Taxes (PILOT) from its lessees operating Low Income Housing Tax Credit (LIHTC) Properties.
 - Low Income Housing Tax Credit Property means low-income housing property restricted under government regulations pursuant to § 42 of the Internal Revenue Code of 1986 as amended (the low-income housing tax credit program), the definition of which is referenced in T.C.A., Section 13-20-104.
- Each individual PILOT agreement is subject to the approval of the Council of Metropolitan Government of Nashville and Davidson County pursuant to applicable law.
 - Maximum allowable term for the PILOT lease shall be ten (10) years.
 - MDHA shall have annual authority to negotiate an amount to be established by the Metropolitan Council in additional PILOTS. This would only include additional tax liability over and above the pre-development assessed value of the property.
 - Both existing and new low income housing tax credit properties will be eligible for a PILOT agreement, and such agreements will be awarded competitively based on financial need as evidenced by the pro forma for new LIHTC properties, and financial statement submissions for existing LIHTC properties. In awarding PILOT agreements, MDHA must state how the project avoids concentrations of poverty in Nashville, whether the property is consistent the Metropolitan Planning Commission's general plan for Nashville, whether the project is consistent with MDHA's Consolidated Plan for Nashville-Davidson County, and whether the property is consistent

with the affordable and workforce housing goals of the Metropolitan Housing Trust Fund Commission.

- A PILOT agreement will not affect taxes on the property for its unimproved value, but will only reduce the taxes paid on the property above its pre-development value.
- Applications for participation in the PILOT Program will be accepted bi-annually and established on a schedule that works in conjunction with Tennessee Housing and Development Agency's award of Low Income Housing Tax Credits.
 - PILOT Applications must include a five year project pro-forma or financial statements of the project's income and expenses.
 - An applicant will have up to one (1) year from the time of approval by Metro Council to close a PILOT lease. If the lease has not been closed within that time the project must be resubmitted, reviewed, and reapproved by MDHA and reapproved by the Metro Council.
 - If property subject to PILOT lease is vacant and unoccupied for a period of two (2) years, the lease will be terminated, the MDHA will convey the property back to the owner, and the property will return to the tax rolls at the current tax assessment and rate.
- PILOT Agreements shall only be awarded to properties that have received an allocation of Low Income Housing Tax Credits (LIHTC), and no PILOT lease may be assigned prior to the completion of the project. This is not intended to be a prohibition on Metro Council's ability to pre-approve deals, as pre-approval may be necessary to ensure financial viability of the project in the eyes of the LIHTC award committee.
- An applicant must own the property or have an option or other right to purchase the property, so that it will be able to convey title to MDHA and be eligible to apply for tax abatement under the PILOT program. Conveyance of the property will be required.
- All PILOT leases will be closed in the name of the applicant or party designated in the application as the owner of the project. Prior approval of the MDHA board and the Metro Council will be required for substitution of another party as lessee under any PILOT.
- All PILOT Program projects will be required to submit annual documentation to MDHA showing that they remain compliant with LIHTC program rules.
- MDHA will determine a reasonable fee structure to ensure adequate financial compensation for agency staff time and resources spent on the administration, monitoring, and legal work related to the execution of the Housing Tax Credit PILOT Program.