

**COOPERATION AGREEMENT BY AND BETWEEN THE
METROPOLITAN DEVELOPMENT AND HOUSING AGENCY AND THE
METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

This Cooperation Agreement (hereinafter "Agreement") entered into this ____ day of _____, 2017, by and between METROPOLITAN DEVELOPMENT AND HOUSING AGENCY (hereinafter "MDHA") and the METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (hereinafter "Metro Nashville"), witnesseth:

In consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. DEFINITIONS. Whenever used in this Agreement:

- a. The term "Council-Approved PILOT Project" shall mean properties that are held in MDHA ownership solely for the purpose of eligibility for the Payment in Lieu of Taxes program for affordable housing as authorized under Metro ORDINANCE NO. BL2015-1281 or similar future legislation.
- b. The term "Housing Project" shall mean any and all residential properties, including appurtenant non-residential buildings and land at a property, in which MDHA has an ownership interest, and this shall extend to properties in which MDHA has an ownership interest in the future, including, but not limited to affordable housing developed or redeveloped, with financial assistance from the United States of America acting through the Secretary of Housing and Urban Development (hereinafter "HUD") or through Low Income Housing Tax Credits ("LIHTC") allocated by the Tennessee Housing Development Agency. This shall not include any Council-Approved PILOT Project.
- c. The term "For-profit Parcel" shall mean a parcel which must be subdivided from the remaining Housing Project real property because it represents any land, building, structure, or other improvements used for for-profit activities, including without limitation any office, commercial, retail or industrial use.
- d. The term "Unit" shall mean all residential dwellings included in an MDHA Housing Project.

2. PURPOSE:

- a. It is the intent of MDHA and Metro Nashville to terminate and replace the legacy cooperation agreements with this single agreement that shall apply to all MDHA Housing Projects and Council-Approved PILOT Projects, owned now or acquired in the future.

3. MDHA shall endeavor:

- a. to secure a contract or contracts with HUD and/or other appropriate financing agencies for loans and subsidy contracts covering a Housing Project; and
- b. to develop or acquire and manage Housing Projects. The obligations of the parties hereto shall apply to each Housing Project.

4. PILOT PAYMENTS

- a. Under the constitution and statutes of the State of Tennessee, a Housing Project may be exempt from all real and personal property taxes and special assessments levied or imposed by any Taxing Body. For all Housing Projects, MDHA shall make annual payments or "PILOT"s to Metro Nashville in lieu of such taxes and special assessments in payment for the public services and facilities furnished from time to time without other cost or charge for or with respect to the Housing Projects.
- b. Under the previous cooperation agreements (legacy cooperation agreements), MDHA paid a total PILOT of \$285,795 in 2015 on total inventory of 6,129 Units, which equated to a PILOT rate of forty seven dollars per Unit. MDHA is proposing a fifty dollar (\$50.00) per Unit standard for all Units where residents are screened for an income eligibility requirement and an eighty dollar (\$80.00) per Unit for Units where residents are not screened for an income eligibility requirement. When applied to MDHA's current inventory of 6,129 Units, this formula would create a baseline PILOT payment of \$306,450 for 2017.
- c. Each such annual PILOT payment shall be made after the end of the fiscal year established for a Housing Project, and shall be in an amount equal to:
 - i. Fifty dollars (\$50.00) per Unit for all units where residents are screened for an income eligibility requirement and eighty dollars (\$80.00) per Unit for all Units where residents are not screened for an income eligibility requirement. This computation shall include all Units eligible for occupancy on January 1 of the tax year and the determination of whether Units are or are not screened for income eligibility shall also be made on that date. The initial calculation of \$306,450 will provide the baseline for MDHA PILOTs beginning in 2017, with the per Unit amounts to be adjusted by the applicable consumer price index (CPI) every four years in concurrence with the Property Assessor's schedule for reappraisal of property in Davidson County.
 - ii. The PILOT for any For-Profit Parcel shall be equal to the real- property taxes that would be due for such For-Profit Parcel if it were not owned by a housing authority. If permitted by applicable law, during the term of this Agreement, MDHA shall have the option of seeking approval of Council for a different PILOT payment for a specific For-Profit Parcel.

- iii. Notwithstanding anything to the contrary in this Agreement, if a For-Profit Parcel also contains housing Units, then the PILOT due from MDHA for that parcel shall be: (A) the amount equal to the amount described in subsection (ii) above, (B) minus the amount determined by (A) times the ratio determined by dividing the rentable square feet of housing Units by the total square footage of the improvements; provided that the "rentable square feet" shall mean the actual usable square footage of the housing Units plus a pro-rata share of common areas, and (C) plus fifty dollars (\$50.00) or eighty dollars (\$80.00) per housing Unit as applicable.
 - iv. In conjunction with the property reappraisal schedule, MDHA will provide Metro Nashville with a comparative analysis of the revenue received under this new cooperation agreement and the revenue that would have been received under the legacy cooperation agreements used to calculate the 2015 PILOT in the format shown on Exhibit A for the Housing Projects listed on Exhibit B, in order to monitor and evaluate the impact of the change in PILOT methodology on PILOT revenue payable to Metro Nashville. If MDHA acquires any additional Units for Housing Projects which are not included on the list shown on Exhibit B, then MDHA will submit an updated Exhibit B to Metro with the annual PILOT payment.
 - v. The amount of the adjusted PILOT to be paid to Metro Nashville as established at the beginning of each four year period will remain comparable to the 2017 baseline in that the per unit rate set forth in Section 4.c.i., after any adjustment by CPI, will be further revised through an amendment to this Agreement in order to generate a PILOT payment to Metro Nashville no less than the PILOT that would have been generated under the legacy cooperation agreements for the upcoming four year period.
 - vi. No later than six (6) months prior to the termination of this agreement, MDHA and Metro Nashville shall cooperate to complete an analysis of what the property taxes would be for the current Housing Project Units with no income eligibility requirements if those Units were not owned by a housing authority.
- d. No payment for any year shall be made to Metro Nashville in excess of the amount of the real property taxes which would have been paid to Metro Nashville for such year if the Housing Project were not exempt from taxation.
 - e. For all Council-Approved PILOT Projects, the payment in lieu of taxes made to Metro Nashville pursuant to the Council-Approved PILOT Projects shall be in lieu of any annual payments pursuant to Section 4.c.

5. This Cooperation Agreement will terminate on May 16, 2024.

IN WITNESS WHEREOF Metro Nashville and MDHA have respectively signed this Agreement and caused their seals to be affixed and attested as of the day and year first above written.

METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY

Mayor

ATTEST:

APPROVED:

Metropolitan Clerk

Director of Finance

APPROVED AS TO FORM AND
LEGALITY:

Metropolitan Attorney

METROPOLITAN DEVELOPMENT AND
HOUSING AGENCY

Chair

ATTEST:

Executive Director and Secretary

APPROVED AS TO LEGALITY OF FORM
AND COMPOSITION:

MDHA Attorney