

## **EXHIBIT A**

### **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 July 1, 2025**

**Purpose:** To incentivize mixed-income housing that is affordable to households with incomes at 50% or 80% or less of the area median income for the Nashville-Davidson MSA in multifamily properties that otherwise would not have any income-restricted units.

**Program Overview:** Based on the percentage of income-restricted units made available, the Metropolitan Government offers a calculation-based program whereby a percent 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:**

- Property must be in Nashville-Davidson County.
- The project must demonstrate a range of rents. Outside of the Downtown Code (DTC) no more than 40% of the units can be income restricted. For projects zoned DTC, no more than 50% of the units can be income restricted.
- The Mixed Income PILOT cannot be combined with other PILOT programs or LIHTC without Housing Division review, but the Housing Division encourages combining with below market senior debt and mission driven subordinate debt.
- The term for income-restricted units is 15 years. The owner can apply for renewal for a second 15-year term.
- The program requires new construction or significant capital improvement resulting in increased property assessment value (the payment in lieu of taxes must never be lower than the tax liability at time of application).
- Abatement applies only to the 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 and must develop an affirmative marketing plan.
- Must list units on the Metropolitan Housing Division's resident portal.
- Abatement percentage based on post-construction/improvement tax liability.

- Adjustments to the Mixed Income PILOT program will not apply to project with existing PILOT agreements
  - Projects that have been approved but have not yet closed a PILOT agreement must reapply for any program adjustments to apply to their project.

**Program Cap:** Total annual abatement amount cannot exceed \$3 million annually. Any unused abatement from a given year may be rolled over to future years, subject to available and program guidelines.

**Program Design:** The Mixed Income PILOT program is designed to adapt to market conditions throughout Nashville-Davidson County and align with county-wide housing priorities.

The Housing Division will use a dynamic calculator to estimate the annual value difference between market-rate units and income-restricted units based on factors including but not limited to location, market conditions, targeted AMI levels, and county-wide housing priorities. Projects that best align with these priorities will receive priority.

On an annual basis, the Housing Division will assess and update the factors used in the calculator to ensure it is accurately adapting to market conditions and promoting county-wide housing priorities. To promote transparency, the Housing Division will publish all relevant information regarding the abatement calculation methodology on its website upon completing the assessment and updates. Applicants can review the calculator and supporting material to determine the feasibility of their projects.

**PILOT Abatement Calculation:** The abatement value will be calculated as the total value difference for the number of income restricted units, up to 80% of the estimated tax liability of the improvement value. The Year 1 PILOT will be calculated by subtracting the abatement value from the estimated tax liability of the improvement value. A PILOT schedule will be calculated by applying a set escalation factor to each subsequent year of the PILOT term. This escalation factor will be included in the supporting materials.

- Application fee: \$4,000 per project
- Initiation fee: 75 basis points of year 1 PILOT payment
- Annual monitoring and reporting fee: up to 5% of the annual PILOT payment
- Developer pays all legal fees

## **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.