



Section 1: That the Agreement, by which the Metropolitan Government undertakes to furnish to the Agency and its residents the same types and level of public services and facilities that are provided without cost or charge to other dwellings and inhabitants of the community at large, is approved, and the Metropolitan Mayor is authorized to execute and deliver it.

Section 2: That this Resolution shall take effect from and after its adoption, the welfare of the Metropolitan Government requiring it.

### Analysis

This resolution authorizes the execution of a Cooperation Agreement between the Metropolitan Government and the Metropolitan Development and Housing Agency (“MDHA”). Metro has previously executed cooperation agreements with MDHA pursuant to the Tennessee Housing Authorities Act, found at T.C.A. § 13-20-101, *et seq.* The most recent agreement was adopted pursuant to Resolution No. RS2017-690, as amended.

MDHA is in the process of converting its traditional public housing under the U.D. Department of Housing and Urban Development’s (“HUD”) Rental Assistance Demonstration program to allow MDHA to participate in various financial scenarios to ensure the long-term financial security of low-income housing. The new proposed Cooperation Agreement would make it possible for Metro to assist and cooperate with MDHA to operate, maintain, construct, and reconstruct mixed-income housing, including affordable and workforce housing.

Pursuant to the terms of the agreement, the purpose of the agreement is to terminate and replace the existing cooperation agreement. This new agreement will apply to all MDHA housing projects and Council-approved Payment in Lieu of Taxes (“PILOT”) projects owned now or acquired in the future.

MDHA agrees to pay \$54 per unit for all units where residents are screened for an income eligibility requirement and \$86 per unit for units where residents are not screened for an income eligibility requirement. MDHA currently has 6,524 units and would make a PILOT payment to Metro in the amount of \$362,088 for 2024.

The PILOT will be adjusted as follows during each reappraisal year:

- For all units which receive a subsidy from HUD, the PILOT will increase or decrease by a percentage equal to the percentage increase or decrease in the total subsidy received by MDHA from HUD in the reappraisal year for such units as compared to the preceding reappraisal year.
- For all units not receiving a subsidy from HUD, the PILOT will increase or decrease by a percentage equal to the percentage increase or decrease in the total amount of rent paid for all such units in the immediately preceding reappraisal year.

The PILOT for a parcel containing land, building, structures or other improvements used for for-profit activities that were subdivided from a housing project (“For-Profit Parcel”) will 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. MDHA could seek approval from Council for a different PILOT payment for a specified For-Profit Parcel.

If a For-Profit Parcel also contains housing units, the PILOT due from MDHA will be the amount for the For-Profit Parcel described above, minus the amount of the For-Profit Parcel multiplied by the ratio determined by

dividing the rentable square feet of the housing units by the total square footage of the units.

Every four years, MDHA and Metro will cooperate to complete an analysis of what 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.

The agreement further states that no payment for any year should exceed the amount of the real property taxes which would have been paid to Metro if the housing project had not been exempt from taxation.

Council-approved PILOTs are exempt from the payments described above and will pay the amount as approved in the Council legislation.

*Fiscal Note: The new agreement would establish a standard PILOT rate of \$54 per unit where residents are screened for an income eligibility requirement and \$86 per unit where residents are not screened for an income eligibility requirement, creating a baseline PILOT payment of \$362,088 for 2024. No payment for any year would be made in excess of the amount of real property taxes which would have been paid to Metro for such year if the housing project were not exempt from taxation. For all Council-approved PILOT projects, the PILOT made to Metro would be in lieu of any annual payments approved by this agreement.*