



Metropolitan Nashville and Davidson County, TN

Legislation Text

File #: BL2022-1415, **Version:** 1

An ordinance to create a Tax Incentive and Abatement Study and Formulating Committee.

WHEREAS, over the course of many years state law has authorized various programs such as tax increment financing, payments in lieu of tax (“PILOT”) incentives, and other tax abatement programs (collectively, the “tax incentives”) to be used as tools to incentivize economic development, historic preservation, and construction of affordable housing pursuant to relevant state laws; and

WHEREAS, on August 4, 2015, the Metropolitan Council adopted Ordinance No. BL2015-1282, amended by Ordinance No. BL2016-334 on September 6, 2016, allowing for the abatement of property taxes on projects utilizing Low Income Housing Tax Credits to build affordable housing; and

WHEREAS, on May 17, 2019, the Tax Increment Financing Study and Formulating Committee Report was issued in response to BL2018-315 which focused primarily on the study of MDHA tax increment financing; and

WHEREAS, on September 21, 2021, the Metropolitan Council adopted Ordinance No. BL2021-864 allowing for the abatement of property taxes to incentivize restoration and preservation of historic structures; and

WHEREAS, on May 5, 2022, the Metropolitan Council adopted Ordinance No. BL2022-1170 allowing the use of PILOTs to further incentivize the construction of mixed-income multifamily housing including a required percentage to be set aside for tenants earning 75% or less of the Area Median Income (AMI); and

WHEREAS, Nashville’s explosive growth has brought many benefits, but has also created barriers for the private sector, government, and non-profits in providing needed community assets like affordable housing, small business locations, grocery stores, and childcare facilities; and

WHEREAS, as additional programs utilize future property tax dollars to incentivize public goods, it is prudent to establish priorities and to determine the amount or proportion of the Metropolitan Government’s potential property tax revenue that should be allocated for these public good purposes; and

WHEREAS, in the interests of transparency and maintaining the public trust and confidence, the Metropolitan Council intends to review the methods and criteria by which all of the various tax incentives are awarded and administered; and

WHEREAS, the most effective and efficient means for studying the use of tax incentives for these purposes is the establishment of a study and formulating committee.

NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY’:

Section 1. There is hereby established a Tax Incentive and Abatement Study and Formulating Committee (the “Committee”) consisting of seven (7) persons to be approved by the Metropolitan Council by resolution. Within

thirty (30) days of the adoption of this ordinance, one (1) member shall be nominated by the Director of the office of Economic and Community Development; one (1) member shall be nominated by the Director of the Affordable Housing Division of the Metropolitan Planning Department, one (2) members shall be nominated by the mayor; and four (4) members shall be appointed by election of the Metropolitan Council. The Director of Finance, or designee, and the Director of Law, or designee, shall provide administrative support and legal guidance, respectively, for the Committee.

Section 2. The Committee shall endeavor to study how the Metropolitan Government has utilized and potentially could utilize tax incentives to incentivize use of property in a way that contributes to the public good and to formulate recommendations for its implementation in a more transparent, equitable, effective, understandable, and fiscally responsible manner. Such study shall assess (a) how tax incentives are awarded, (b) whether alternative lawful applications exist for tax incentives, and (c) whether methods for awarding tax incentives should be expanded given the challenges of Nashville's growth to the preservation or construction of affordable housing, small business locations, and community necessities like grocery stores, and child care facilities, (d) whether there should be a cap on overall tax incentive allocations or individual categories of tax incentive allocations, and if so to recommend a method for setting a cap. (e) acknowledge and incorporate where appropriate, the information and recommendations provided by the Tax Increment Financing Study and Formulating Committee Report issued May 17, 2019.

Section 3. For purposes of its study and formulation, the Committee shall be authorized to obtain from any department, board, commission, agency, officer, or employee of the Metropolitan Government any information and data with respect to tax incentives, as well as other such pertinent information and data as the Committee may require.

Section 4. Within six (6) months of its appointment, unless such time be extended by resolution of the Metropolitan Council, the Committee shall submit to the Council its complete report and recommendations.

Section 5. Be it further enacted that this ordinance shall take effect immediately after its final passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

Analysis

This ordinance establishes a Tax Incentive and Abatement Study and Formulating Committee ("Committee"). The intent of the Committee is to study how the Metropolitan Government has utilized and potentially could utilize tax incentives to incentivize use of property in a way that contributes to the public good and to formulate recommendations for its implementation in a more transparent, equitable, effective, understandable, and fiscally responsible manner.

The Committee would consist of seven members, to be approved by Council by resolution. Within 30 days of the adoption of this ordinance, the following would be nominated:

- One member nominated by the Director of the Office of Economic and Community Development;
- One member nominated by the Director of the Affordable Housing Division of the Metropolitan Planning Department;
- Two members nominated by the Mayor;
- Four members appointed by election of the Metropolitan Council.

The Director of Finance, or a designee, and the Director of Law, or a designee, would provide administrative and legal guidance for the Committee.

The Committee would be directed to assess the following:

- how tax incentives are awarded;
- whether alternative lawful applications exist for tax incentives;
- whether methods for awarding tax incentives should be expanded given the challenges of Nashville's growth to the preservation or construction of affordable housing, small business locations, and community necessities like grocery stores, and child care facilities;
- whether there should be a cap on overall tax incentive allocations or individual categories of tax incentive allocations, and if so to recommend a method for setting a cap;
- acknowledge and incorporate where appropriate, the information and recommendations provided by the Tax Increment Financing Study and Formulating Committee Report issued May 17, 2019.

The Committee would be authorized to obtain from any relevant Metropolitan department, board, commission, agency, officer, or employee any information and data with respect to tax incentives, as well as other pertinent information.

The Committee would also be directed to submit a report and recommendations to Council with its findings within six months of its appointment. This time period could be extended by resolution of the Council.