



# Metropolitan Nashville and Davidson County, TN

## Legislation Text

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**File #:** RS2025-960, **Version:** 2

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A resolution to adjust the Mixed-Income PILOT Program as described in Exhibit A, authorized pursuant to Ordinance No. BL2022-1170.

WHEREAS, increasing demand for affordable rental housing and tight rental market conditions continue to exist in the Metropolitan Government of Nashville and Davidson County (“Metropolitan Government” or “Nashville”) area; and

WHEREAS, housing affordability is a primary concern of the citizens of Nashville, as ~~it is~~ it is a major barrier to economic progress for many individuals in Nashville; and

WHEREAS, increasing the supply of housing for low and moderate-income persons supports economic growth and is an important tool in reducing poverty in Nashville; and

WHEREAS, the Affordable Housing Task Force (“AHTF”) Report (June 8, 2021) projected that 44,772 rental units for households with incomes at or below 80% of the area median income (“AMI”) are needed to meet the current demand and future growth over the next ten years; and

WHEREAS, the Metropolitan Government currently has a successful payment in lieu of ad valorem tax program (“MDHA PILOT Program”) operated by the Metropolitan Development and Housing Agency (“MDHA”) for MDHA lessees operating Low Income Housing Tax Credit (“LIHTC”) properties resulting in a positive impact on the supply of affordable housing in

Nashville; and

WHEREAS, MDHA’s PILOT Program is limited by state law to properties that have received LIHTC, and the need for affordable housing is much greater than what can be provided by this program alone; and

WHEREAS, the AHTF Report recommended the creation and expansion of tools and resources to address the City’s housing affordability challenges, including the creation of a payment-in-lieu of taxes (“PILOT”) to support non-LIHTC developments to fund long-term housing options in partnership with nonprofit and private developers; and

WHEREAS, mixed-income housing in market rate developments creates affordability options that may not otherwise exist and, therefore, increases the supply of housing for low and moderate-income persons; and

WHEREAS, mixed-income housing in market rate developments has the potential to create affordability in areas where none exists, thereby increasing access to employment, opportunity, and education; and

WHEREAS, the Affordable Housing Task Force (“AHTF”) Report (June 8, 2021) recommended the creation and expansion of tools and resources to address the City’s housing affordability challenges, including the creation of a payment-in-lieu of taxes (“PILOT”) to support non-LIHTC developments to fund long-term housing options in partnership with nonprofit and private developers; and

WHEREAS, The Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County (“HEFB”) was created pursuant to Chapter 101 of Title 48 of the Tennessee Code Annotated (the “Act”) with a public purpose, among other things, to provide for safe and sanitary low and moderate income multi-family housing facilities; and

WHEREAS, Tennessee Code Annotated § 48-101-312 provides that the HEFB performs a public function on behalf of the Metropolitan Government and is a public instrumentality of the Metropolitan Government and, therefore, exempt from taxation in the state of Tennessee; and

WHEREAS, the Act allows the Metropolitan Government to delegate to the HEFB the authority to negotiate and accept payments-in-lieu of ad valorem taxes from the HEFB's lessees operating multifamily housing facilities upon finding that the payments are in furtherance of the public purpose of the HEFB; and

WHEREAS, the Metropolitan Government determines that it is in the best interest of the citizens of the Metropolitan Government to expand upon the affordable housing efforts by creating a new program administered through HEFB to negotiate and accept payments in lieu of taxes for multifamily housing projects operating without LIHTC that meet certain affordability thresholds; and

WHEREAS, on May 5, 2022, the Metropolitan Council adopted Ordinance No. BL2022-1170 created creating the initial Mixed-Income PILOT program, and the first two rounds of applications resulted in commitment of 800 which delegated to the Board the authority to negotiate and enter into payment-in-lieu-of-tax agreements with qualifying multifamily housing property owners who agree to provide a certain percentage of income-restricted housing units of affordable housing, however financing and construction of many of these units has been hindered by changing economic conditions at affordable rates in accordance with the Program's requirements; and

WHEREAS, RS2023-2252 approved an Interlocal Agreement between The Metropolitan Government of Nashville and Davidson County and The Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County for administrative, financial, and legal services for the Mixed-Income PILOT Program.

WHEREAS, there continues to be great need for housing and a great interest in using this tool to provide housing in areas of opportunity, and flexibility in program requirements can increase the economic feasibility of proposed projects; and

WHEREAS, the Unified Housing Strategy identifies the Mixed-Income PILOT as an efficient and effective way for a multifamily property owner to offer lower rents due to the decreased expenses over the lifetime of the affordability period; and

WHEREAS, the Unified Housing Strategy calls for the Housing Division to focus on recalibrating the program criteria to be more adaptable and responsive to market conditions; and

WHEREAS, Section 7 of BL2022-1170 allows for the Metropolitan Housing Division to review the performance of the Mixed-Income PILOT Program with the HEFB and the Metropolitan Council to make adjustments to the Mixed-Income PILOT Program ~~to be made~~ by resolution.

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

SECTION 1. That the Metropolitan Council hereby approves an adjustment to the Mixed Income PILOT Program, as approved by Ordinance No. BL2022-1170, by amending the ~~Tier requirements of the Mixed-Income PILOT Program,~~ parameters and design as described in the attached Exhibit A, 2025 Revision-4.

SECTION 2. That all other reporting and administrative requirements and services remain as laid out in Ordinance No. BL2022-1170 and RS2023-2252 remain in effect.

SECTION 3. That this Resolution shall take effect ~~from and after its adoption~~ on July 1, 2025, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

### Analysis

This resolution approves an adjustment to the Mixed-Income PILOT program, previously authorized by the

Metropolitan Council pursuant to Ordinance No. BL2022-1170.

BL2022-1170 authorized the Health and Education Facilities Board (“HEFB”) of the Metropolitan Government to negotiate and accept payments in lieu of ad valorem taxes (“PILOT”) from its lessees operating mixed-income multifamily housing facilities, including housing for low and moderate-income persons. The ordinance allowed a PILOT program for non-Low Income Housing Tax Credit properties. This Mixed-Income PILOT program incentivizes mixed-income housing that is affordable to households with incomes at 50% or 75% or less of the area median income (“AMI”) for the Nashville-Davidson Metropolitan Statistical Area in multifamily properties that otherwise would not have any income-restricted units. Program applicants apply to receive a property tax abatement for a specified number of years where the abatement value is determined by a tiered programmatic structure based on specific AMI levels and percentage of reduced rent units proposed in the development, as detailed in the General Program Description in Exhibit A to BL2022-1170. The total annual abatement amount for new Mixed-Income PILOT program projects is limited to \$3,000,000 annually.

The resolution under consideration would make adjustments to Exhibit A, the General Program Description, to remove the tiered approach with a calculation-based approach. The revised Exhibit A would eliminate the program tiers. A new section entitled “Abatement Calculation” would be added, which provides that the abatement for the PILOT will be determined according to an abatement calculator posted on the website of the Housing Division of the Metropolitan Planning Department. The calculator would be based on the U.S. Department of Housing and Urban Development (“HUD”) Small Area Fair Market Rates (“SAFMR”) and annually published AMI. Multipliers for calculating market value based on SAFMR and for the PILOT incentive would be evaluated by the Housing Division and updated on the website annually at the same time that new HUD AMI numbers are published. Other housekeeping changes would be made to reflect the calculation-based approach.