

City of Chattanooga

Affordable Housing Payment In Lieu Of Taxes (“PILOT”) Program

Facilitated through the Health, Education, And Housing Facility Board
of the City Of Chattanooga (“HEB”)

Guidelines and Application

The Affordable Housing PILOT Program is a tax incentive program to encourage mixed-income and affordable multi-unit rental development in Chattanooga. The PILOT provides incentives to developers committed to providing affordable units for a period of at least 15 years by “freezing” property taxes at the predevelopment level and abating the value of improvements for 15 years. If approved for a PILOT, the title to the property is transferred to the Health, Educational and Housing Facility Board of the City of Chattanooga (HEB), and the developer makes payments in lieu of the full property tax bill for the PILOT term.

Project Location	Proposed projects shall be located in the City of Chattanooga
Eligible Projects	Proposal rental housing with a minimum of 10 housing units. <ul style="list-style-type: none">• New construction• Renovation (with substantial capital improvement)
Eligible Abatements	Abatement is based on the assessed value of the improvements, but Hamilton County School Taxes shall not be abated.
Affordability Terms	All committed units shall remain affordable for the 15 year PILOT term.
PILOT Term	Projects return to full taxation after year 15. Projects eligible for 1 PILOT renewal request.
Program Limits	This program shall be effective for 10 years. There will be a cap of \$2 million in abatements on improved value of property awarded annually.
Application and Approval Process	Applications are accepted at any time. Applications are vetted by the Housing and Community Investment (HCI) Division and presented to Chattanooga City Council and the Health, Educational and Housing Facility Board (HEB) for consideration. Projects using LIHTC shall not require approval of the City Council. The project should be on a timeline to secure a Certificate of Occupancy within 3 years of the date the PILOT Lease is executed by the HEB.
Application Fee/Other costs:	Application Fee: Payable to City of Chattanooga: \$1,500. 501(c)3 organizations exempt. Closing Fees: Payable to Health, Education and Housing Facility Board <i>up to</i> \$15,000.

City of Chattanooga Affordable Housing Payment in Lieu of Taxes (“PILOT”) Program

General Background and Guidelines

Purpose:

The PILOT provides incentives to developers committed to providing affordable units for a period of at least 15 years by “freezing” property taxes at the predevelopment level and abating the value of improvements for a period of 15 years (PILOT term). During the PILOT term, the title to the property is transferred to the Health, Educational and Housing Facility Board of the City of Chattanooga (HEB), and the developer makes payments in lieu of property taxes that would otherwise be issued on the tax bill.

Any owner of a property leased to the HEB through a PILOT agreement must maintain the affordable units for the duration of PILOT term as outlined in the PILOT agreement. If the property owner fails to submit rent and income verification certifying compliance with the PILOT agreement, the HEB and City are at liberty to terminate the PILOT agreement and impose fines for failure to comply with program requirements.

Minimum Requirements:

Please read and review the full program guidelines posted on the Chattanooga Affordable Housing PILOT Program website.

- **Project Location:** The proposed project shall be in the City of Chattanooga.
- **Project Scale:** The proposed project shall provide a minimum of 10 units in total.
- **Eligible Projects:** PILOTs may be issued for new construction or renovation of existing structures with substantial capital improvement.

PILOT Abatement and Affordability Terms:

Calculation of PILOT Abatement: Abatement amounts are calculated based on the difference in monthly rents at market value according to 130% HUD Published Annual Small Area Fair Market Rent and affordable rents according to HUD published Area Median Incomes. The City will publish all relevant information on its website on an annual basis through the PILOT Calculator.

- **Eligible Abatement:** Abatement applies to up to one-hundred percent of the assessed value of the proposed improvements on the property as determined by the Hamilton County Assessor.

Calculation of PILOT: The payment in lieu of taxes shall be calculated according to the abated improvement value, the predevelopment value of the property at a fixed amount, and other taxes, including County school taxes for the duration of the PILOT term.

- **Abated Improvement Value** shall be equal to the assessed value of the improvements, less the PILOT abatement. As the assessed value of the PILOT project changes, the percentage of City and County taxes abated shall remain fixed for the duration of the PILOT term.
- **Predevelopment Value** shall be equal to the assessed value of the property according to the Hamilton County Tax Assessor at the time of the PILOT award as documented in the PILOT agreement, prior to new improvements on the property. This amount shall be “frozen” at a fixed amount for the duration of the PILOT term.
- **County School Taxes** and other taxes and fees are not subject to abatement under this program. County school taxes shall be calculated according to the full assessed value of the complete project.

PILOT Calculator and Abatement Schedule: Find the PILOT abatement schedule and calculator [HERE](#).

Application and Approval Process:

The complete application must be submitted through the [PILOT Application Portal](#).

Applications must include the following components in order to be considered complete:

- Application Cover Page with the appropriate signatures (this document)
- Application Worksheet ([download Excel from the PILOT website](#))
- Supporting Documents (PDF)
- \$1,500 application fee (instructions below)

Application Requirements

- An applicant shall apply for a PILOT *before* commencement of construction or rehabilitation of a project;
- An applicant shall own the subject property or have an enforceable option to purchase the property before applying;
- The applicant shall secure zoning approval and other entitlements prior to submitting PILOT application
- HCI staff and Hamilton County Assessor’s staff shall review the applications prior to submittal to the City Council or HEB
 - Projects participating in the Low Income Housing Tax Credit (LIHTC) program shall not require approval of City Council.

- The predevelopment PILOT Freeze shall go into effect when the PILOT lease is executed. If the project subject to a PILOT Lease does not break ground within one (1) year, the PILOT Lease will be terminated and the property will be returned to private ownership and full property taxation;
- The period of affordability and PILOT term shall begin when the property obtains a Certificate of Occupancy.
- PILOTs may not be assigned without the prior written approval of the HEB and without a written commitment from the assignee that the new company acknowledges they are bound by the terms in the original agreement;
- Upon completion of any project qualifying for a PILOT the project shall be monitored by HCI and the HEB, or its designee, for the duration of the PILOT term to determine if it was completed substantially in accordance with the representation set forth in the application. If appropriate, the PILOT will be revoked by action of the HEB.
- The PILOT lease shall remain in effect for the duration of the PILOT term regardless of change in ownership or the PILOT property;
- To voluntarily terminate the PILOT lease, the lessor must pay 150% of the present abatement value for each committed affordable unit.

Nonprofit and for-profit developers may submit applications at any time, with the option for a Pre-Submittal conference. The typical process is as follows.

Application Submission and Fees:

1. The applicant completes the application and submits it through [this online form](#). A complete application must include three components:
 - Application Cover Page with the appropriate signatures (PDF)
 - Application Worksheet (Excel)
 - Supporting Documents (PDF)
2. A non-refundable \$1,500.00 fee is due upon application submission (Application Fee). Payments can be made payable to the City of Chattanooga, and checks should be mailed or hand delivered to:

City of Chattanooga
 Department of Community Development
 Attn: Sandra Gober
 101 E. 11th Street, Suite 200
 Chattanooga, TN 37421

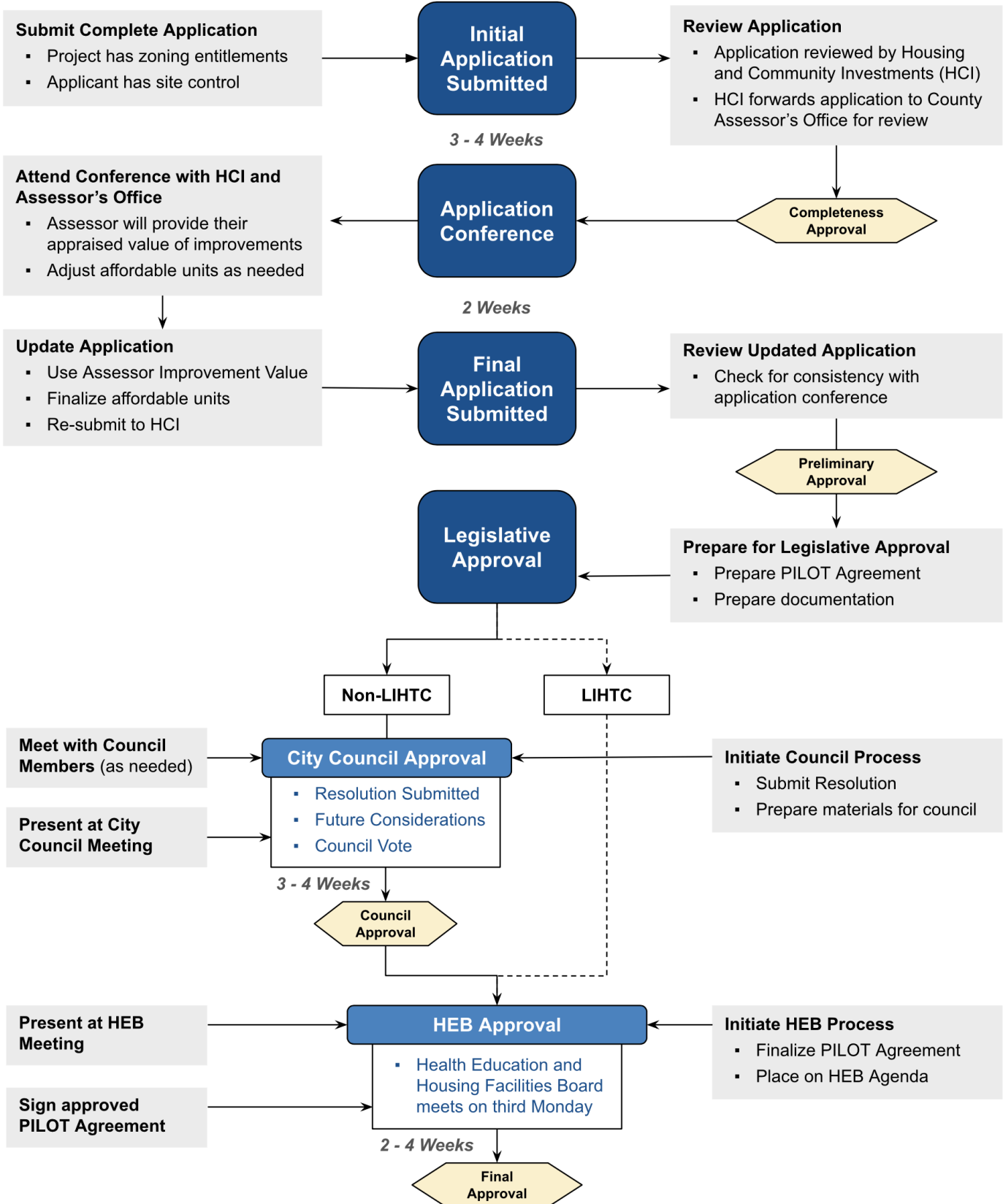
3. **A closing fee** will be due upon closing, after HEB approval is granted. Checks shall be made payable to the Health, Educational and Housing Facility Board, according to the following fee schedule:

- \$1,000 - \$50,000 of annual abatement granted: \$5,000 closing fee
- \$50,001 - \$100,000 of annual abatement granted: \$10,000 closing fee
- \$100,001 or more annual abatement granted: \$15,000 closing fee

Affordable Housing PILOT Approval Process

Applicant Actions

City Actions



Application Review and Approval Process

1. **Initial Application Submitted:** Applications are reviewed by the City of Chattanooga Housing and Community Investment (HCI) staff for completeness. Completed applications are forwarded to the Hamilton County Assessor's Office and reviewed by both parties within 30 business days.
 - The Hamilton County Assessor's Office will use the information submitted in the application to provide:
 - Verification of the pre-development tax freeze according to the proposed use and size and location of the lot.
 - An estimate of the appraised improvement value of the property
 - HCI will review the proposed project for project delivery, income levels served, number of affordable and total housing units provided, need for subsidy, architecture and contextual compatibility, and other pertinent factors to ensure that the PILOT is for the benefit of future residents and the community. Each project will be reviewed on its own merits but must meet all the minimum project requirements outlined above. **HCI will provide comments and a recommendation for completeness approval or denial in writing within 30 days of receiving the PILOT application.**
 - If HCI does not recommend approval, the review process will terminate. The applicant will have the opportunity to request a post review conference to discuss HCI's findings, and they may reapply the following fiscal year.
2. **Application Conference:** If HCI makes a recommendation for completeness approval, the Assessor's Staff and HCI staff shall have an Application Conference with the Applicant, the purpose of which is to:
 - Ensure all parties are clear on the assessed value of the property and value of Payment in Lieu of Taxes;
 - Use the calculator to adjust the number of affordable units proposed based on the assessor's improvement value;
 - Share HCI's recommendation for approval and discuss any questions or concerns arising from the application review;
 - Discuss the legislative approval process, including presentations to the City Council (if relevant) and HEB for approvals. Projects using LIHTC require approval only by the HEB. Projects not using LIHTC require approval from both the City Council and HEB.
3. **Final Application Submitted:** Following the Application Conference, the applicant shall update their application to reflect the Improvement Value provided by the assessor and

any subsequent changes to the affordable units proposed. HCI staff will review the updated application and make a recommendation for preliminary approval or denial in writing within 14 days. If granted preliminary approval, HCI will prepare the PILOT Agreement using the template posted on the City's website.

4. **Legislative Approval:** Once approved, HCI will initiate the process for bringing a PILOT request before the City Council. The steps for approval, although they can vary for many reasons, are as follows:
 - HCI requests permission to have the item added to the Council Agenda for Council approval. The request has to be made at least four weeks prior to the date of the desired vote. The applicant is encouraged to meet with City Council members during this time. The applicant has an opportunity to present its project to the City Council one week prior to the date of the vote. City Council approvals take place on Tuesday evening of each week.
 - Final approval comes from the HEB. HCI will place the item on the HEB's agenda for its next meeting. The HEB meets on the 3rd Monday of each month. The applicant has the opportunity to present its project to the HEB at their meeting.
5. **Final Approval:** If the project is approved by all required entities, a PILOT closing and final approval meeting will be arranged by the HEB. The closing will include the transfer of title and the tax-freeze will be registered with the City of Chattanooga.

Underwriting Policy

In considering approving a project under the PILOT Program, the City must evaluate the proposal to determine that the PILOT is necessary to provide quality affordable housing that is financially viable for the entire affordability period while providing a reasonable level of profit or return on the owner's or developer's investment.

This evaluation will include, at a minimum:

- An assessment of the current market demand in the neighborhood in which the project will be located
- The experience of the developer
- The financial capacity of the developer
- An examination of the sources and uses of funds for the project and a determination that the costs are reasonable; and
- Firm, written financial commitments for the project.

The City may rely upon the guidelines developed and/or evaluations conducted by other agencies, such as when Low Income Housing Tax Credits (LIHTC) or other HUD program funding are used.

Acknowledgement and Signature

This application is made in order to induce tax abatement for the project / property and applicant/s referenced below.

- The applicant acknowledges that they have reviewed the most recent Affordable Housing PILOT program guidelines and agrees to comply with those policies.
- All information materially significant in the consideration of the applicant is included. The applicant hereby represents that all statements contained in the attached application materials are true and correct.
- The applicant acknowledges and agrees that the Lease Agreement and Agreement for Payments In Lieu of Ad Valorem Taxes shall not be executed until all necessary approval has been granted for the plans for the project.

Project Considered for PILOT

Project Name:

Project Address:

Primary Applicant

Name:

Title:

Company:

Primary Applicant Signature:

Co-Applicant

Name:

Title:

Company:

Co-Applicant Signature:
