



\*a program administered by the RiverCity Company on behalf of the Health Educational and Housing Facilities Board of the City of Chattanooga, TN



# “What is this?”

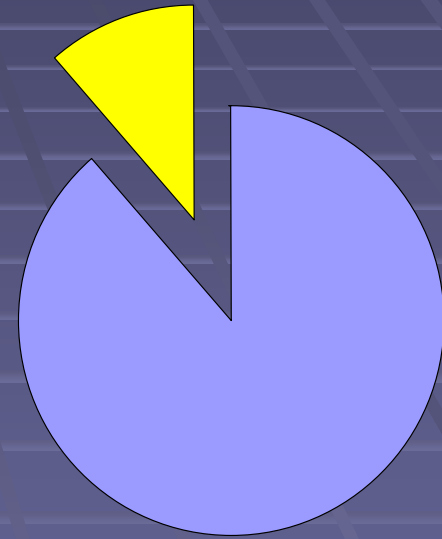
- A financial incentive program
- Designed to encourage **multi-family rental** housing development downtown
- “Freezes” property taxes at the pre-development level for a predetermined period

# “How does it work?”

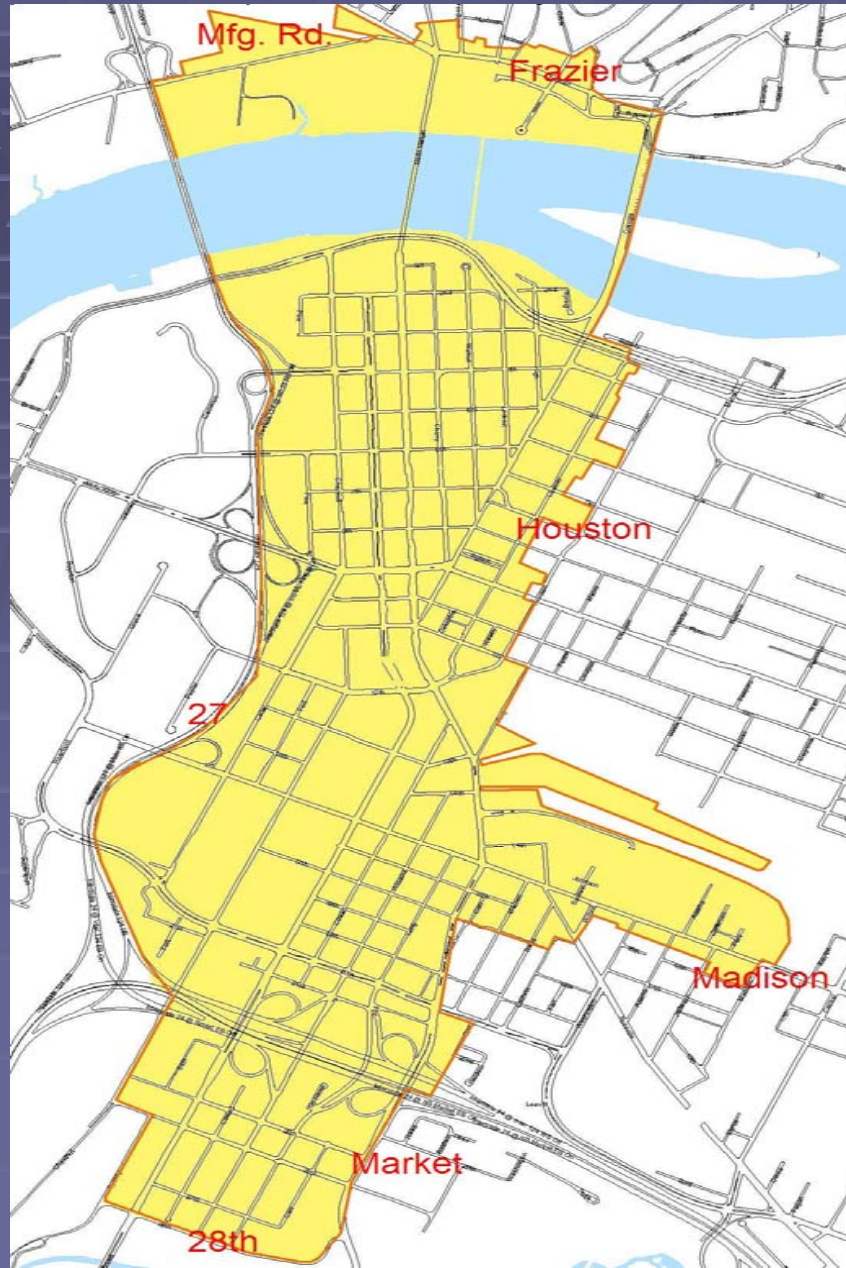
- After the application is approved, at closing, **title is conveyed** to the Health Educational and Housing Facilities Board and the property is **leased back** to the PILOT applicant for a nominal fee.
- At any time, the applicant can discontinue the tax abatement period, terminate the lease and regain title to the property.
- At the end of the abatement period, **title is transferred back to the applicant** and full property taxes are restored.

# “Why is this program needed?”

- Chattanooga needs a full spectrum of housing options for downtown to thrive.
- **Rental units** are only 11% of the current downtown housing projects.
- 370 apartment units on Cameron Hill will soon become the new Blue Cross corporate campus.



# “What area does PILOT cover?”



# “How does a project qualify?”

- **Rehab** of existing building or **new** construction
- Meets zoning, land use and building codes
- Value of construction or improvements must be greater than or equal to **60%** of the property before work commenced.
- Qualifies as a “project” under Tennessee’s State Health and Education Board Act.

## “....What else?”

- Application must be made *before* construction starts
- Applicant must own the property or have the enforceable option
- Applicant must close on the lease within *one year* of application approval

# “What projects have been approved?”

- St. Johns



- Frazier Place



# “....Any others?”

- Bread Factory Lofts
- Southern Railway Lofts



# “What are the freeze periods?”

- New Construction.... 10 Years
- Rehab of existing building.... 12 Years
- Certified Historic Rehab.... 14 Years

# “What’s the thaw period?”

Taxes are phased in over four years -

- Year 1..... 20%
- Year 2.... 40%
- Year 3.... 60%
- Year 4.... 80%

# “How about an example?”

Pete buys a vacant building on E. Main with a tax appraisal of \$450,000.

Before the rehab, the combined property taxes were:

$$\$450,000 \times 40\% = \$180,000$$

$$\$180,000 / 100 = 1,800 \times \$5.095 =$$

**\$9,172** combined City/County tax bill

“ example.....”

Pete converts the building to 24 affordable apartments renting for about \$1.10 per s.f.

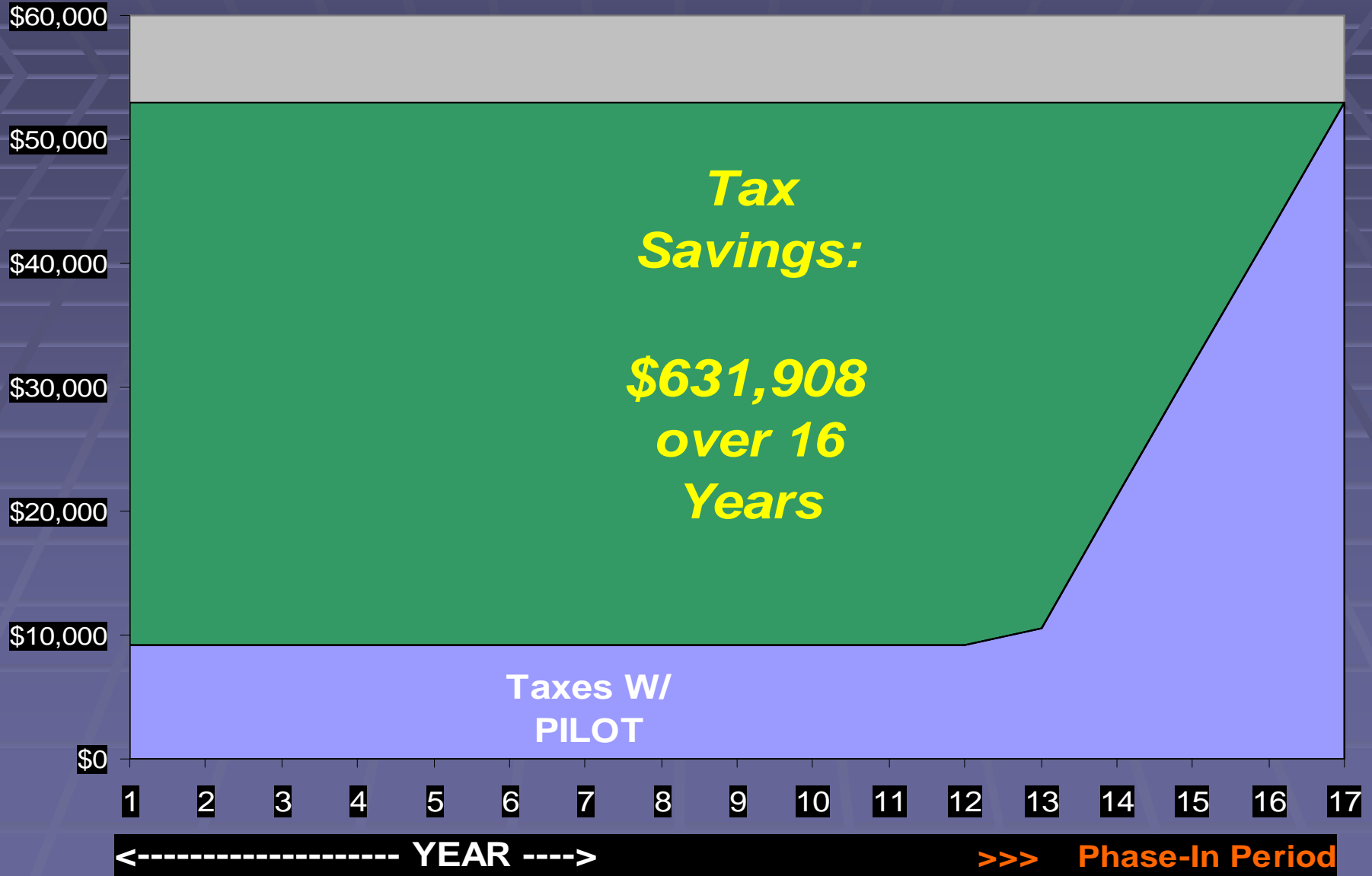
The new completed project now is appraised at \$2.6 million. The new tax would be:

$$\$2,600,000 \times 40\% = \$1,040,000$$

$$\$1,040,000 / 100 = 10,400 \times \$5.096 =$$

**\$52,998** new combined City/County tax bill

“So, how much would PILOT save him?”



# “OK, how do we start?”

## To do list:

- ❑ Pre-submission conference with RiverCity Company.
  
- ❑ Complete and submit application
  - Background info
  - Project description / scope
  - Financing arrangements
  - Cost estimates / time schedules

# “Then what?”

- ❑ Initial design review
- ❑ Health Educational & Housing Facilities Board review and approval
- ❑ Final design review
- ❑ Closing / Lease commences

“Who should I call for more info ?”

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