



**CITY OF CHATTANOOGA  
RESIDENTIAL PAYMENT IN LIEU OF  
TAXES ("PILOT") PROGRAM  
APPLICATION PROCESS**

Program Administered By  
The Health, Educational and Housing Facility Board of the City of Chattanooga ("HEB")

## GENERAL BACKGROUND

### Introduction

The Residential PILOT Program is a financial incentive that is designed to encourage multi-family rental development “freezing” property taxes at the predevelopment level for a predetermined period of time.

### Basic PILOT Participation Requirements

To be eligible for a PILOT, the building renovations, site improvements, or new construction must be:

1. Fifty (50%) percent or greater of the residential rental units must be affordable to tenants with incomes that do not exceed 80% of the Area Median Income.

At least fifty (50%) percent of the total number of rental units in the development must be rented at a rate that is deemed to be affordable according to HUD guidelines. According to those guidelines, affordable generally means those households with annual incomes that are no higher than eighty (80%) percent of the Area Median Income (AMI). Specifically, the rental rate for the units may not exceed thirty (30%) percent of the maximum allowable annual income.

**EXAMPLE:** *The 2018 median annual income for a household of one is \$61,700. Eighty (80%) percent of that is \$34,550. Therefore, a studio or one-bedroom unit can rent for no more than \$864.00 per month (\$34,550 income X 30% /12 months).*

1. Income verification—and all other procedures relating to program compliance will be monitored no less than annually by the City of Chattanooga Department of Economic & Community Development. All documentation of income verification shall be kept as a public record in compliance with the Open Records Act under Tennessee law. See attached **Exhibit ‘D’ – Annual Income Verification Form** for additional information regarding required annual reporting.

1. Liability insurance is required on the property, within minimum coverage. If the project is valued at less than \$1,000,000 then only \$1,000,000 in coverage is required.

1. All requirements set forth by T.C.A. Section 48-101-312.

## APPLICATION PROCESS

<p style="text-align: center;">PHASE I PREPARE &amp; SUBMIT APPLICATION</p>	<p>A meeting with the City of Chattanooga Department of Economic &amp; Community Development must be held prior to submission of a PILOT application. This meeting is to acquaint all parties with the scope of the project, program requirements, compliance procedures and any related issues. This meeting also serves to familiarize the applicant with the overall submittal and review process as well as overall PILOT policies.</p> <p>The PILOT application follows in this package. Three copies of the application and electronic file (PDF format preferred) should be submitted prior to the regularly scheduled Health and Education Board meeting, which typically is held once a month.</p> <p>The application should be sent to:</p> <p><b>City of Chattanooga</b> 101 E 11th Street, Suite 200 Chattanooga, TN 37402 <b>Attn: HEB Application</b> E-mail: <a href="mailto:HEB@Chattanooga.gov">HEB@Chattanooga.gov</a></p>
<p style="text-align: center;">PHASE II APPLICATION AND DESIGN REVIEW</p>	<p>All applicants pursuing incentives will have their projects reviewed by the City of Chattanooga PILOT Review Panel. The proposed project will be reviewed for project delivery, income levels served, number of housing units provided, need for subsidy, length of affordability term, architecture, and contextual compatibility and other pertinent factors to ensure that the tax freeze is for the benefit for the community.</p>
<p style="text-align: center;">PHASE III APPROVAL &amp; CLOSING</p>	<p>Each project will be reviewed on its own merits, but must meet all the basic eligibility requirements (see above). Once these requirements are met and the project reviewed, the HEB will make its recommendation of approval to the Chattanooga City Council.</p> <p>If the project is approved by the Chattanooga City Council, the HEB board and the Hamilton County Commission, a PILOT closing and final approval meeting will be arranged at the HEB. The closing will include the transfer of title and the tax-freeze will be registered with the City of Chattanooga and Hamilton County.</p> <p>Those parties seeking a tax freeze should contact Hamilton County General Government after the approval of the PILOT by City Council.</p>

### Fees

A non-refundable \$3,500.00 fee is due upon application submittal (Application Fee). A \$15,000 closing fee will be due upon closing, payable to Health, Educational and Housing Facility Board

### Other Requirements

**For more information please contact** Health, Educational and Housing Facility Board at (423) 643-7300 ext. 7312 or [HEB@chattanooga.gov](mailto:HEB@chattanooga.gov).

## APPLICATION FOR RESIDENTIAL PILOT PROGRAM

### 1. APPLICANT CONTACTS

Name of individual(s) or legal entity \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ County \_\_\_\_\_ ST \_\_\_\_\_ Zip \_\_\_\_\_  
1<sup>st</sup> Phone \_\_\_\_\_ 2<sup>nd</sup> Phone \_\_\_\_\_  
Primary contact \_\_\_\_\_

Name of the property owner at the time of application submittal  
Company/Individual(s) \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ County \_\_\_\_\_ ST \_\_\_\_\_ Zip \_\_\_\_\_

Name any of the following that will be involved with the Project (with the address and phone numbers):

1. Counsel for the Applicant
2. Architects and Engineers
3. Contractor, if known.

### 2. COMPANY BACKGROUND and ENTITY INFORMATION

Provide background information about the applicant and guarantors, including development experience, if any, and all other relevant information that may need to be considered while reviewing the application. State the names of the applying entity's representative(s) and any other financial guarantors of the Project and their addresses and telephone numbers if different from above. **Attach resume(s)/bios.**

Please disclose whether any applicant, guarantor or any other person involved with the project is currently engaged in any civil or criminal proceeding. Also disclose whether any individual involved with the project has ever been charged or convicted of any felony or currently is under indictment. Please supply detailed information.

Describe the corporate or partnership structure of applicant.

\_\_\_\_\_

### 3. PROJECT INFORMATION

State the location of the proposed project by street address and legal description

\_\_\_\_\_

Chattanooga TN \_\_\_\_\_

If the Applicant does not presently own the Property, does the Applicant have a valid option to purchase the property? If so, please attach.

Describe any and all existing financing, options and liens on the Property.

**4. PROJECT DESCRIPTION**

Briefly describes the proposed Project. Include the following:

1. Total square footage of the proposed new or renovated building
2. Total square footage, if any, to be used for non-residential rental
3. If applicable, nature of any non-residential rental uses
4. Total acreage of parcel(s) on which the building, parking, etc. will be constructed or renovated
5. Number of residential units, please include mix of unit type (1 BR, 2 BR, etc.)
6. If a renovation, attach architectural drawings and any available history on existing building(s)
7. Attach architectural drawings for new construction
8. Schedule of rent rates upon which the project's pro forma is based
9. The number-of-units that will meet the Handicap Building Codes and Standards ("HBCS") and the Americans with Disabilities Act ("ADA") requirements?

**5. PROJECT SCHEDULE**

Please include:

1. Estimated Project cost broken down by major categories (i.e. land, buildings, construction, equipment, soft costs, etc.)
2. Proposed schedule for the Project anticipated:
  - a. Closing of loan or availability of contributing financing
  - b. First expenditures and anticipated uses of funds
  - c. Anticipated start of construction

**6. ADDITIONAL INFORMATION** required for the PILOT Program

1. State law requires that title to the project be conveyed the local industrial development boards or the Health, Educational and Housing Facility Board (the "Board") in order for it to grant payments in lieu of taxes; the Board to which title is conveyed then leases the property to the applicant or entity designated by the applicant. Indicate who the lessee will be for the Project.

**Lessee** \_\_\_\_\_

1. State the tax parcel number for all property involved with the Project and the most recent assessed value of the Property.

**Tax parcel** \_\_\_\_\_

**Assessed Value: \$** \_\_\_\_\_

1. Are any assessments presently under appeal? If so, describe the status of the appeal.
2. Will the Project result in the consolidation or subdivision of any present tax parcel?

**Financing:** Provide the following information about the loan or proposed loan for the Project.

1. Name, address, and phone number of lender and contact person with lender

Lender/Bank: \_\_\_\_\_

Address \_\_\_\_\_

Contact \_\_\_\_\_

Loan Amount \$ \_\_\_\_\_

Interest Rate:           x.xx% (interest only during construction)

Term:                    # years (term and amortization)

This application is made in order to induce grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant in the consideration of the applicant is included. The applicant acknowledges that it has reviewed the descriptions of financial program for which it is applying and agrees to comply with those policies. 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.

**COMPANY**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**EXHIBIT A**  
**ARCHITECTURAL DRAWINGS**

**EXHIBIT B**  
**PROJECT COST ESTIMATE**

**EXHIBIT C**  
**PROPOSED LOAN TERMS**

**EXHIBIT D**  
**ANNUAL INCOME VERIFICATION FORM**

**INCOME VERIFICATION**

The entity to which the PILOT incentive is issued is responsible for meeting all compliance requirements, including but not limited to income verification.

When verifying income, any of the types of payments listed below are considered sources of income that can be used to determine eligibility. Documentation for proof of income is to be kept with each tenant file.

**INCOME SOURCES**

Wages, tax returns, Social Security, annuities, insurance policies, pensions, disability or death benefits, welfare, payment in lieu of earnings, such as unemployment, disability, workers compensation, and severance pay and offer letters from future employers.

**HEB HOUSING PILOT INCOME VERIFICATION FORM with EXAMPLE BELOW**

Last	First	Unit	Rent	Lease Date	Verification Method	Verification Date	Verified By
White	Betty	215	\$775	11/01/2015 - 10/31/2016	Tax Return	10/20/2015	AX
Fyfe	Barney	414	\$575	11/01/15- 10/31/16	SSI Benefits Letter	10/22/2015	CS