Advantages of Issuing PILOTs to Low-Income Housing Tax Credit (LIHTC) Properties in Rural and Suburban Areas

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Capstone Project

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Introduction

As a lifelong public servant and advocate for affordable rental housing solutions for over 20 years, the interest in the advantages of issuing Payments in Lieu of Taxes (PILOTs) to Low-Income Housing Tax Credit (LIHTC) properties in rural and suburban areas derives from a commitment to addressing the pressing challenges faced by low- to moderate-income communities. Throughout a career in affordable rental housing, the demand for access has grown not only in urban settings but also in rural and suburban regions, reflecting the significant impact on both individuals and communities. The scarcity of affordable rental housing options, particularly in rural and suburban regions, presents a challenging barrier for economic stability and social progress.

The LIHTC program has long been recognized as a vital tool in expanding affordable rental housing opportunities across the United States. Yet, in many rural and suburban areas, the financial feasibility of LIHTC developments remains unstable due to various factors, including lower rent potential, higher development costs, and limited access to resources. From this perspective, exploring the potential benefits of PILOTs for LIHTC properties creates a shift in mindsets to unlocking new ideas for sustainable and inclusive community development in rural and suburban areas.

Through researching the advantages of PILOTs for LIHTC multifamily properties in rural and suburban areas, there is a distinct lack of understanding of the intersection between tax policy, affordable rental housing finance, and community development. Through personal experience and evidence-based case studies, this paper seeks to inform policymakers, practitioners, and stakeholders about the potential role of PILOTs in encouraging the development of much-needed affordable rental housing units while ensuring fiscal stability for local governments.

By bringing attention to this important matter, the intent is to advance the discussions surrounding equitable housing policies and advocate for solutions that prioritize the well-being and success of all community members, regardless of income or zip code. Ultimately, this topic is driven by a commitment to fostering inclusive, resilient communities where every individual has the opportunity to thrive.

Affordable Housing Challenges in Rural and Suburban Communities

Rural and suburban communities face unique affordable rental housing challenges that differentiate them from urban areas. These challenges are often shaped by their distinct characteristics, including lower population densities, limited infrastructure, and different economic dynamics. There are several key challenges specific to rural and suburban areas that could benefit from incentivizing developers to build affordable rental housing in the community.

**Limited Rental Market:** In rural areas, there may be a scarcity of multifamily rental properties, making it challenging for individuals and families to find
affordable rental housing. Suburban areas might have more rental options but can still struggle with limited availability in high-demand locations.

Economic Disparities: Rural and suburban areas can experience a broader spectrum of economic disparities. While some areas may have prosperous communities, others may have a high proportion of low-income residents. This diversity can complicate the creation of affordable rental housing policies that meet the varying needs of the population.

Transportation Barriers: Rural areas often lack reliable public transportation, which can make it difficult for residents to access job opportunities, healthcare, and essential services. In suburban areas, residents may face long commutes and transportation costs, impacting the affordability of housing in certain locations.

Infrastructure Challenges: In rural communities, the cost of providing necessary infrastructure like water, sewer, and road access to new housing developments can be prohibitively high. Suburban areas might have some of these services but can still experience infrastructure limitations.

Land Use and Zoning: Land use and zoning regulations in suburban areas can contribute to housing challenges. Strict zoning laws can limit the development of multifamily housing, leading to a shortage of affordable rental options.

Affordability Gaps: While housing may be less expensive in rural and suburban areas compared to urban centers, the lower wages in these regions can still result in affordability gaps. This is particularly true for low-wage workers who may struggle to find housing within their budget.

Aging Housing Stock: In rural areas, there may be an abundance of older housing units in need of repair and renovation. In suburban areas, aging housing stock can face similar challenges, requiring investment to maintain affordability.

Lack of Services: Rural areas, in particular, may lack essential services, including healthcare facilities, schools, and community resources. The absence of these services can impact the desirability of living in these areas and affect rental housing demand.

Scarcity of Financing Options: Rural and suburban communities often have limited access to financial resources for affordable rental housing development. This can hinder the ability to attract developers and investors to create these types of housing projects. High interest rates have also increased the cost of debt to acquire and build multifamily properties, impacting whether rural and suburban areas can be profitable without incentives.

Community Resistance: In suburban areas, there can be resistance from existing residents to affordable rental housing developments, fueled by concerns about
property values and neighborhood changes. NIMBY (Not in My Backyard) opinions can be a significant barrier.

Addressing these unique challenges in rural and suburban counties would require tailored housing policies and strategies that consider the local environment and the specific needs of these communities such as having PILOT agreements for LIHTC multifamily properties. Collaborative efforts involving state and local governments, nonprofits, and private developers are essential to create effective solutions and expand affordable rental housing opportunities in these areas.

PILOT Background

PILOTs are agreements made between local governments and property owners or developers to make alternative payments instead of traditional property taxes. These agreements are often used to incentivize economic development, including the construction of affordable housing as well as for recruitment for manufacturing industries and retail.

According to the TN Comptroller of the Treasury, PILOTs are payments made by private taxpayers, often businesses, to a local government to help offset losses in property taxes due to special tax treatment.

A PILOT is used when a local government provides tax incentives for a private company to relocate to or expand in the area. To that end, an agreement is made that allows real and personal property to be transferred for a specified period to an industrial development board (IDB) or health, education, and housing facility board (HEHB). The effect of this transfer is that the company’s assets, now in the hands of a governmental entity, are exempt from taxation. In exchange for favorable tax treatment, the entity agrees to pay the local government payments in lieu of taxes. At the conclusion of the agreement period, the property is transferred back to the private company and placed on the property tax roll at full value. PILOT payment calculations vary but are most often an incremental percentage of what the actual taxes would have been otherwise. (TN Comptroller of the Treasury Website)

The use and regulations of PILOTs can vary widely from one jurisdiction to another, and their history reflects the changing needs and priorities of local governments and communities. In recent years, the application of PILOTs has expanded to address a variety of challenges, including affordable housing, economic development, and balancing the fiscal needs of local governments with the contributions of tax-exempt entities.

LIHTC Background

The LIHTC multifamily program was enacted as part of the Tax Reform Act of 1986 and went into effect on January 1, 1987. The LIHTC is a federal income tax credit available to owners of residential rental properties. These properties are rented to low- to moderate-income households at restricted rental rates as determined by Housing and Urban
Development (HUD), making the LIHTC an indirect federal subsidy aimed at financing affordable housing. It serves as an incentive for private developers and investors to contribute to the provision of more affordable rental housing options.

The LIHTC is designed to create affordable rental housing options for low- and moderate-income families by offering developers tax incentives to setting aside units to house those targeted populations.

Examples of Partnering PILOTs and LIHTC
Many urban municipalities have an increasing trend in the use of PILOT agreements for LIHTC multifamily properties. Local governments, such as Metropolitan Development and Housing Agency (MDHA) in Nashville, have been turning to PILOTs to ensure that they receive some form of compensation in lieu of property taxes while still encouraging the development of affordable rental housing. MDHA ensures that “The applicant show a need for the tax abatement and demonstrate proof that the financial viability of the project is at stake without the PILOT relief” as a prerequisite to entering into a PILOT agreement for 10 years. (MDHA Website) The final decision to determine if a PILOT is awarded is that of the Metro Council. As of May 31, 2023, they have 18 active PILOT agreements that are assisting over 4,000 households maintain a place that is affordable.

In November 2023, the Industrial Development Board of Cheatham County formed a partnership with LIHTC developer Brookhollow Nonprofit GP, LLC, to establish a 10-year PILOT agreement for a 63-unit development located in Ashland City. This collaboration stands out as one of the rare instances where a LIHTC project in a rural area successfully initiated a PILOT agreement. This policy trend should be evaluated by other rural and suburban communities to understand the importance of this type of partnership between private developers and public entities and how it encourages collaboration to address the overall housing rental needs within their communities.

Combining PILOTs with LIHTC initiatives can ensure that while local governments forgo some property tax income, they still benefit from the developments through alternative revenue streams and neighborhood stabilization. This balance supports the establishment of affordable rental housing without completely sacrificing local fiscal health.
The Role of LIHTC Multifamily Properties

LIHTC multifamily projects significantly increase the supply of affordable rental housing units in rural and suburban communities, where such options are often limited. This helps meet the housing needs of low- to moderate-income residents who may otherwise struggle to find affordable rental housing. The construction and operation of these properties also create jobs and generate local economic benefits, such as increased consumer spending and higher property values.

By renovating or constructing new rental housing, these projects help revitalize neighborhoods and increase the appeal of these areas for both residents and investors and often incorporate mixed income housing models, promoting economic diversity. This can help reduce the concentration of poverty in certain areas, creating more balanced and inclusive communities.

The LIHTC multifamily program is not limited to just urban areas, but rather encourages investment and development in areas that may otherwise face challenges in attracting private developers. These projects can be designed to serve vulnerable populations in rural and suburban areas, such as seniors, individuals with disabilities, and veterans. These types of housing options can provide stability and support for these individuals and families’ long term.

Benefits of Issuing PILOTs to LIHTC Multifamily Properties

PILOTs aim to reconcile the fiscal interests of tax-exempt or incentive-seeking entities with the revenue needs of municipalities. They support broader economic and community development goals, including affordable rental housing, by providing a flexible framework for financial agreements.

Here are the benefits of PILOTs for LIHTC properties:

Economic Benefits

Combining PILOT agreements with the LIHTC multifamily program creates a win-win situation for communities, especially in areas where developing affordable rental housing might not seem as attractive due to higher interest rates compared to urban areas. PILOT agreements motivate investors to venture into these less likely areas by offering financial leverage, while the LIHTC multifamily program provides tax incentives to developers for building or renovating affordable housing. This collaboration not only makes it financially viable for owners to keep rent prices stable without significant hikes over time but also allows for the improvement of property management and living conditions.

Such affordable rental housing initiatives play a crucial role in revitalizing communities. They not only generate additional tax revenue, which can be funneled back into enhancing local services like schools and infrastructure, but also stimulate economic growth by creating jobs tied to the construction and upkeep of these properties.
Introducing or preserving affordable rental housing in neglected areas often leads to a rise in property values nearby. This increase can boost property tax collections for local governments, effectively balancing out any initial decrease in revenue due to PILOT agreements. Through these efforts, affordable rental housing projects become a pivotal element in driving community development and economic vitality.

Social Benefits
Affordable rental housing is a basis for fostering social and economic diversity within communities, creating a foundation where individuals across various income levels can find common ground. By ensuring a mix of housing options, communities not only embrace inclusivity but also strengthen a resilient social make-up. Central to this approach are the LIHTC multifamily properties, which, when strengthened by PILOT agreements, significantly enhance the availability of affordable rental housing. This strategic partnership addresses critical housing shortages, providing low- to moderate-income individuals and families with stable, quality homes, therefore contributing to the decreasing of homelessness by offering a viable alternative to those in unstable housing situations.

The ripple effects of accessible affordable rental housing extend into furthering neighborhood stabilization. Residents, having the opportunity to settle in a neighborhood, experience improved social relationships, greater involvement in their children's education, and enhanced engagement in local activities. This stability is not just about having a roof over one's head; it is about creating a conducive environment for learning, improving health outcomes, and encouraging a sense of belonging and community. Individuals and families living in stable, affordable conditions are more likely to contribute to their communities, whether through school participation, local events, or neighborhood improvement initiatives.

Affordable rental housing plays a fundamental role in leveling the societal playing field, ensuring that lower- to moderate-income individuals have access to the same quality housing as those at a higher income. This emphasis on social equity is necessary for building just and equitable communities where everyone, regardless of their financial standing, has the chance to thrive. Through the lens of affordable rental housing, communities not only witness an improvement in the quality of life but also in the collective well-being and unity among residents, illustrating the impact housing stability can have on a community.

Fiscal Benefits
While PILOT agreements might lower property taxes at first, the bigger picture shows that developing affordable rental housing can actually help local governments financially, eventually. Having a variety of stable housing options
can draw in businesses and new residents, which boosts the overall amount of money coming into a community.

Even though these agreements sometimes mean the government takes less in taxes upfront, the tax money that LIHTC multifamily properties end up bringing in can be substantial, helping the local government's finances. Plus, when affordable rental housing projects get off the ground with the help of PILOT agreements, they kickstart a lot of economic activity. This is not simply good for creating jobs in construction, real estate, and retail but also means more tax money from these areas.

Affordable, stable, rental homes also mean fewer crises related to homelessness or people living in adverse conditions, saving money on emergency services like the police, fire departments, and hospitals. So, investing in affordable rental housing is not just about helping people find a good place to live; it is a smart move for local governments financially. By meeting the rental housing needs of the community, they can attract more businesses and investments, laying down a strong economic foundation for the future.

Challenges and Considerations

The LIHTC multifamily program is the largest federal program in providing affordable rental housing for low- to moderate-income Americans. While there is a support for the program at the local, state, and national levels, there is a wide disagreement about the most appropriate approach to valuing these properties for property tax purposes, particularly whether to consider the value of the federal tax credits that help fund them. (TACIR January 2015).

When assessing any new commercial buildings, property assessors consider all funds spent to build these properties during the initial assessment of determining property value for tax purposes. Until the building is occupied, the cost approach is usually used by assessors. However, once it is occupied, local assessors typically apply an income approach to valuing the property based on the income it generates as the key factor in determining the amount a buyer would be willing to pay. In 2001, the Tennessee Court of Appeals ruling (Spring Hill, L.P., et al. v. Tennessee State Board of Equalization, et al. (2003)), allowed local assessors the authority to include the value of the LIHTC in a property’s appraised value. The Spring Hill decision did not mandate or require the use of this more restrictive method, but rather allowed the practice.
Those assessors that have opted to use this method may be creating difficulties in developing affordable rental housing in the future throughout Tennessee utilizing the LIHTC multifamily program. Applying the Spring Hill method reduces the value and impact of the only federal incentive available to encourage public-private partnerships to build and maintain affordable rental housing. In situations where the property taxes increase, market-rate developments can pass those additional expenses on to residents. When a development is a LIHTC multifamily property, the rents are limited based on HUD’s rent limits, therefore not able to be pushed on to the residents. For instance, the HUD Multifamily Tax Subsidy Program (MTSP) Gross Rent Limit for a 2-bedroom unit in Dickson, TN, set at 60% of the Area Median Income (AMI), would be $1,348 (effective May 15, 2023). For the purpose of calculating rent, the number of residents is estimated based on the number of bedrooms, with an assumed occupancy rate of 1.5 persons per bedroom.

Therefore, the maximum rent for a 2-bedroom unit would be calculated as follows:

**HUD’s MTSP Income Limit of $53,940** for Dickson County (part of Nashville-Davidson-Murfreesboro-Franklin Metropolitan Statistical Area (MSA)), multiplying it by 30%, and then dividing by 12 months:

\[
\begin{align*}
$53,940 \times 30\% &= $16,182 \\
$16,182 \div 12 &= $1,348.50
\end{align*}
\]

Gross Rent, including utilities estimates, cannot exceed $1,348. In this example, normal rounding rules would not apply since it could potentially have residents paying more than the allowable gross rent limit. Gross Rent includes the cost of any utilities paid directly by the resident, except for the cost of telephone, cable, and Internet. Adding the cost of any utilities to the resident’s gross rent effectively reduces the maximum rent that can be charged to the resident. *(Novogradac, Low Income Housing Tax Credit Handbook, 2020 Edition, p.389)* If the resident covers expenses such as heating, air conditioning, and electricity, and the estimated monthly cost, as determined by one of the various options outlined in LIHTC regulations, is $80, then the maximum charge for the 2-bedroom unit would be $1,268 ($1,348 - $80).
In many cases, LIHTC developments must use 4-5 months of annual operating income to pay local property taxes. This then creates deferred maintenance issues and puts the development in jeopardy of deteriorating at a much faster rate.

For example, in support documentation submitted by the Tennessee Housing Development Agency (THDA) in 2014 relating to House Bill #1390 and Senate Bill #1671, they compared a LIHTC multifamily property, Alton Place located in Chattanooga, to similar market rate properties.

<table>
<thead>
<tr>
<th>Property</th>
<th>Units</th>
<th>Annual Taxes</th>
<th>Taxes/Unit</th>
<th># Months Rent to Pay Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ridgemont</td>
<td>226</td>
<td>$171,784</td>
<td>$760</td>
<td>1 Month</td>
</tr>
<tr>
<td>Windridge</td>
<td>174</td>
<td>$231,741</td>
<td>$1,332</td>
<td>1.1 Months</td>
</tr>
<tr>
<td>Alton Place</td>
<td>88</td>
<td>$209,755</td>
<td>$2,384</td>
<td>4.4 Months</td>
</tr>
</tbody>
</table>

Figure 3: Based on 2013 Tax Bill

It's important to consider offering a PILOT agreement that accurately reflects the property's financial capacity, especially for LIHTC developments constrained by HUD's rent guidelines. This effort aims to contribute to the long-term stability and balance of the neighborhood.

One might also argue that taxing the value of LIHTCs, which contribute to creating affordable rental housing in communities, is comparable to a scenario where a local assessor decides to tax the value of economic development incentives offered by the state to companies they are encouraging to relocate or expand in Tennessee. Such a practice could significantly undermine Tennessee's ability to attract companies, thereby weakening the state's economic appeal. Similarly, taxing LIHTCs could adversely affect Tennessee's efforts to develop and preserve the affordable rental housing that is necessary, potentially causing long-term damage as devastating as if assessors were to tax the incentives for companies being enticed to the state.

Legislation aimed at addressing this concern has been introduced over time. However, no bills have been enacted mandating local assessors to disallow tax credits when assessing LIHTC multifamily properties. Conversely, local governments, recognizing the significance of affordable rental housing creation and preservation, have the option to support such developments within their community. Presently, local governments can engage in PILOT agreements with LIHTC partnerships, allowing them to determine the appropriate property tax amounts for these developments.

For several years, urban areas in Tennessee, including Davidson County, Knox County, and Shelby County, have been leveraging PILOT agreements to further the creation and preservation of affordable rental housing assisted by tax credits from the LIHTC multifamily program. However, rural and suburban areas have shown hesitancy in embracing this policy, largely due to a lack of understanding regarding the mutual benefits of the partnership between local government and private developers, as well as
its potential impacts on the community. Additionally, local communities may exhibit resistance, apprehensive about potential effects on property values, neighborhood character, and the strain on local services and infrastructure.

Collaboration with private developers can introduce necessary expertise and resources, making effective public-private partnerships essential for realizing affordable rental housing projects in rural and suburban communities. Incorporating mixed-income developments can further enhance community integration and reduce the stigma often associated with affordable rental housing, creating neighborhoods that are diverse and inclusive. Dickson County is currently looking at opportunities to increase its private-public partnerships for support of more affordable rental housing throughout the county.

In early 2023, Dickson County requested assistance from Bass, Berry, and Sims, PLC, to create policies and procedures regarding PILOT agreements for developers dedicated to producing or preserving affordable rental housing. With the population projected to reach nearly 58,000 by 2028 shown in Figure 4, and the impact that would have on the need for affordable rental housing, it became increasingly evident the community must evaluate and tackle the potential future economic impact on the county. Dickson County has established its commitment to enhancing the local business environment, economy, and workforce housing options by identifying eligibility criteria and assessment models deemed important to incentivize developers to view Dickson County as a desirable investment location.

Educating local elected officials on the significance of PILOT agreements and the scope of benefits they offer, along with clarifying the nature of the LIHTC multifamily program, is essential in encouraging a more positive perception and support. Such efforts stress the social, economic, and fiscal advantages of aligning these initiatives, showcasing their positive impact on the community.

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**Figure 4: TVA Economic Workforce Dashboard**

![Population Growth and Number of Households](image)
Strategies and Policy Recommendations

Implementing PILOT programs for LIHTC multifamily properties in rural and suburban counties involves several important strategies. These strategies aim to ensure that the program is effective, equitable, and sustainable. Below is a summary of these strategies:

**Comprehensive Needs Assessment**

Identify Housing Needs: Assess the specific housing requirements in rural and suburban areas, focusing on low- to moderate-income groups.

Engage Stakeholders: Involve local governments and community organizations in the planning process.

Market Analysis: Understand the local real estate market to ensure the LIHTC properties address unmet needs.

**Collaboration with Local Governments**

Negotiating Terms: Work closely with county and city officials to determine fair PILOT payments that reflect both the need for affordable rental housing and the fiscal requirements of the county and city.

Policy Alignment: Ensure PILOT agreements align with local zoning, land use policies, and long-term development plans.

**Financial Planning and Analysis**

Budgeting: Develop a realistic budget for the PILOT program, factoring in potential revenue fluctuations and operating costs.

Economic Impact Analysis: Assess how the PILOT program will affect local tax revenues and public services.

**Transparent and Fair PILOT Agreements**

Clear Terms: Define the duration, payment calculations, and conditions of the PILOT agreement clearly.

Flexibility: Include provisions for periodic reviews and adjustments to the agreement based on economic changes or shifts in rental housing needs.

**Sustainability and Environmental Considerations**

Green Building Practices: Encourage or require sustainable building practices in LIHTC developments.

Energy Efficiency: Promote energy-efficient designs to reduce long-term costs for residents and enhance environmental sustainability.

**Compliance and Monitoring**
Regular Reporting: Set up a system for regular financial and compliance reporting.

Performance Metrics: Monitor the success of the PILOT program against predefined metrics, such as occupancy rates and resident satisfaction.

**Legal and Regulatory Compliance**

Adhere to LIHTC Requirements: Ensure all LIHTC guidelines are followed.

Local Laws and Regulations: Stay compliant with all relevant local and state laws.

**Promoting Long-term Affordability**

Affordability Period: Ensure that the affordability of rental housing is maintained for the longest feasible period.

**Scalability and Replicability**


Adaptation for Other Regions: Tailor the approach to be adaptable to other rural and suburban areas with similar characteristics.

Implementing a successful PILOT program for LIHTC multifamily properties in rural and suburban areas requires a balanced approach that considers the needs of low- to moderate-income residents, the financial realities of affordable rental housing development, and the fiscal health of the local government. Continuous engagement with all stakeholders and adaptability to changing circumstances are important for the long-term success of these programs.
Case Study Analysis

There are several ways PILOTs for affordable rental housing are structured in Tennessee. In this analysis we are looking at a 65-unit development who has been awarded LIHTCs by THDA requesting a PILOT. In Figure 8, it is determined the assessed value of the property using the Spring Hill method would be significantly higher than using the income approach, excluding the valuation of the tax credits as shown in Figure 5.

In Figure 6, the tax liability for the development would be $62,448, $961 per unit whereas in Figure 8, the tax liability would be $93,608, $1,440 per unit. The gross monthly rent, including utilities estimates, that can be collected based on HUD’s current Multifamily Tax Subsidy Projects (MTSP) calculations from income limits in Dickson County are:

- 1 Bedroom: $1,123  648 Square Feet
- 2 Bedroom: $1,348  950 Square Feet
- 3 Bedroom: $1,557  1156 Square Feet

This site’s Gross Potential Income (GPI), which is what the development would generate if 100% occupied, is $794,100 a year based on the maximum rents being charged. If the assessment
considers the tax credit value, the property would be paying around 12% of GPI for property taxes. Since the financing is so thin during the award of the tax credits by THDA, if PILOT agreements are not provided to the development, often they either return those tax credits that were hard fought for, or they are forced to reduce the number of units constructed to align the funding with costs. If they choose to not build in the community, the property will continue to only bring in $2,969 in property taxes annually, whereas if a PILOT was provided, excluding the value of the tax credits, it will bring in $62,448. The economic impact the addition of 65 units of affordable rental housing would have on a community in need greatly outweighs the negatives on approving a PILOT agreement:

- Receiving tax revenue exceeding previous years unimproved value
- Providing affordable rental housing units to low vacancy community
- Increased sales revenues during construction of indirect jobs being created
- Increased property value for community

In 2022, the rural area of Tullahoma, located in Coffee County, developed a partnership with Community Preservation Partners aimed at revitalizing an 88-unit complex in dire need of capital enhancements. This endeavor utilized THDA’s Multifamily Tax-Exempt Bond Program alongside the LIHTC Program. Originally built in 1977, Tullahoma Village served extremely low- to low-income households through the Project Based Section 8 program under HUD’s administration. However, the property had posed numerous challenges to the community, ranging from crime issues to deferred maintenance and was in need of rebranding and recapitalization.

By 2021, the complex had become a hotspot for police responses, with 250 incidents recorded, combined with uncollected solid waste, neglected landscaping, and recurring water shutdowns. Recognizing the urgency, the City of Tullahoma reached out to the Heath, Educational, and Housing Board who opted to offer a PILOT to the affordable rental housing development. This financial assistance was deemed essential to facilitate upgrades, ensuring the safety, decency, and sanitation of the property for its residents.

The collaborative effort between the City of Tullahoma and the development venture extended beyond ordinary renovation. It encompassed additional provisions such as meal services, onsite coordinators catering to specific needs, community spaces for recreation, educational programs, a playground, updated security infrastructure including cameras and outdoor lighting, and a partnership with local law enforcement and officials.

Figure 9: Tullahoma Villages Rehabilitated Community Space
Under new ownership and with the backing of the Health, Educational, and Housing Facility Board in Tullahoma, the development committed a substantial capital expenditure totaling $16,000,000, with estimated hard costs of $9,300,000. Furthermore, it secured a 15-Year PILOT valued at approximately $474,000. In Figure 10, this property is now appraised at $3,317,000, which does NOT include the value of the tax credit in the assessment. This will allow the development to continue to thrive from the investment and community support of the PILOT.

Despite the complexity arising from the use of diverse financing tools, the City of Tullahoma anticipates a potential decrease in costs following the property's re-appraisal. Enhanced security measures are expected to lead to reduced reliance on city-supported services, thereby decreasing expenses related to law enforcement, among other areas.

The success of the partnership between the City of Tullahoma, new ownership of the development, the Health, Educational, and Housing Board, and THDA is attributed to nearly a year of ongoing dialogue. Currently, the development is in the process of rehabilitating the property, with completion scheduled no later than December 31, 2024.

Conclusion
Affordable rental housing plays a pivotal role in ensuring the economic vitality, social well-being and, and overall sustainability of rural and suburban areas. It is not only a matter of shelter but also a basic building block for prospering communities.
community with proactive leaders who assess needs and take advantage of opportunities to advance public-private partnerships, especially in scenarios where the Spring Hill approach might impede future development, is actively working towards a more promising solution, especially in rural and suburban areas.

The significance of having initiatives like the one undertaken in Tullahoma cannot be overstated, particularly in a rural area. These regions often face unique challenges, including limited access to resources, economic disparities, and a scarcity of affordable rental housing options. In such circumstances, collaborative efforts between local governments, development entities, and relevant organizations are significant for addressing necessary community needs.

The partnership in Tullahoma demonstrates how proactive engagement and innovative solutions can undertake complicated issues troubling rural and suburban communities. By leveraging programs like THDA’s Multifamily Tax-Exempt Bond Program and the LIHTC multifamily program, alongside local initiatives such as PILOTs, these areas can mobilize resources to revitalize key infrastructure, enhance living standards, and encourage community well-being.

Initiatives like this not only address immediate concerns such as crime and maintenance issues but also lay the groundwork for long-term sustainability and growth. By investing in affordable rental housing, providing essential services, and fostering partnerships with law enforcement and community stakeholders, rural and suburban areas can develop environments where residents thrive, and opportunities succeed.

The success of the Tullahoma project stresses the importance of tailored approaches to suit the unique needs and circumstances of each locality. What works in an urban setting may not necessarily be applicable or effective in a rural or suburban situation. Therefore, having flexible financing options, collaborative frameworks, and community-driven strategies is essential for achieving meaningful impact and ensuring equitable development across diverse landscapes.

Forward thinking ideas like the one in Tullahoma serve as a driving force, demonstrating that positive change is possible even in resource-constrained environments. They highlight the power of working together and initiative-taking control in addressing the complicated challenges facing rural and suburban communities, paving the way for a brighter, more inclusive future for all residents.

In rural and suburban areas, the need for affordable rental housing is vital due to a range of factors including economic stability, quality of life improvement, workforce attraction, community resilience, educational opportunities, aging population support, and regional development. This document’s intent was to examine the impact and role of PILOTs within the perspective of LIHTC multifamily properties in these areas, exploring the benefits and challenges, and proposing potential policy enhancements.
References


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