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Nashville Mixed-Income PILOT Program 2.0: New Tax Abatement Incentives for Multifamily Developers

Nashville is relaunching and revamping its Mixed-Income PILOT (Payment-in-Lieu-of-Taxes) program — a significant property tax abatement tool available to real estate developers of multifamily housing. The revamped program, PILOT 2.0, which is now accepting applications on a rolling basis, offers a property tax abatement designed to incentivize mixed-income housing developments that include income-restricted units serving households earning between 50% and 80% of area median income (AMI) within market-rate projects. Developers, affordable housing investors, and construction lenders evaluating multifamily projects in Nashville may want to consider the program's updated structure and eligibility requirements.

Program Overview: Nashville's Tax Incentive for Mixed-Income Development

PILOT 2.0—a program permitted under Tennessee law and implemented by Metro Nashville—provides a 15-year property tax abatement coupled with a corresponding 15-year compliance period. The program is available to both for-profit and non-profit developers undertaking new construction or substantial rehabilitation projects (such as motel-to-apartment conversions and office-to-residential repositioning).

A specific property's tax abatement is calculated using the [PILOT 2.0 dynamic calculator](#), which uses certain development-specific information — including the number of income-restricted units by AMI level (*i.e.*, 50%, 60%, 70%, and 80%) and unit size (studio through four-bedroom) — and certain constraints, such as a Small Area Fair Market Rent (SAFMR) multiplier of 135% and a PILOT 2.0 incentive of 105%. Additionally, the PILOT 2.0 payment cannot be lower than the project's property tax liability at the time of application.

PILOT 2.0 may be used to improve a development's net operating income (NOI) and debt service coverage ratio (DSCR). Improved NOI and DSCR may allow developers to increase the amount of permanent debt available to projects, which has become more relevant by the day in light of the recent interest rate increases.

What Changed: Key Updates for Developers and Lenders in PILOT 2.0

During fiscal year 2026, the original PILOT program paused accepting new applications while Metro Nashville staff solicited feedback from interested developers regarding obstacles to participation and studied the characteristics of previously successful projects. Following that review, the Nashville Metro Council approved the new and improved PILOT 2.0 over the summer.

PILOT 2.0 introduces several updates:

- **Dynamic abatement calculator replaces one-size-fits-all thresholds.** The original program used a tiered model with fixed abatement thresholds. The revamped program introduces a dynamic calculator that accrues abatement based on the depth of affordability, unit size, and project location. This approach is intended to tie the incentive more closely to the characteristics of a developer's project and may give sponsors more flexibility in deal structuring and unit mix.
- **Subsidy layering now permitted.** Under the original program, developers were prohibited from layering PILOT with other subsidy programs. The updated program allows layering with subsidy programs other than the federal Low-Income Housing Tax Credit and other PILOTs. This change is significant, as it enables developers to combine PILOT 2.0 incentives with additional financing tools to render more deals financially feasible.
- **Abatement consistent through full 15-year term.** The original program imposed a 20 percentage point stepdown in the abatement for years 11 through 15 of the PILOT term. Under

PILOT 2.0, the abatement percentage remains consistent throughout the entire 15-year term. This provides greater certainty and stability in long-term project underwriting.

Application Process: Rolling Submissions Now Open

The Metro Nashville Housing Division is now accepting PILOT 2.0 applications on a rolling basis until the \$2,000,000 annual abatement cap is reached — meaning developers with ready projects should consider applying soon. Once an application is submitted, it proceeds through a multi-stage review process involving Metro Nashville staff, the Housing Division, and the Health & Educational Facilities Board. Developers should expect the process to take several weeks and should plan their predevelopment timelines accordingly. Approved projects will enter into a PILOT lease and PILOT agreement with Metro Nashville, and applicants must satisfy certain post-approval requirements before the PILOT 2.0 term begins.

How We Can Help

FBT Gibbons is a go-to firm for multifamily real estate developers, affordable housing investors, commercial lenders, and other key stakeholders navigating the full spectrum of tax-credit and conventionally funded apartment developments nationwide. Our [Multifamily Housing](#) team has deep experience structuring transactions that leverage PILOT program incentives alongside other state and federal incentive programs, and we routinely advise clients on the interplay between PILOTs and other affordable housing financing tools.

Whether you are evaluating if PILOT 2.0 fits your next Nashville deal, need help modeling tax savings through the program's dynamic calculator, or want strategic guidance on the application and approval process, our team is ready to assist. For more information, please contact the authors of this article or any attorney with [FBT Gibbons' Multifamily Housing team](#).

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