

Metropolitan Development and Housing Agency
Report on Applying Agreed-Upon Procedures
For the Period October 1, 2018 through September 30, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
Metropolitan Development and Housing Agency

We have performed the procedures enumerated below, which were agreed to by Metropolitan Development and Housing Agency ("MDHA" the "Authority"), on the Tax Increment Financing ("TIF") process during the period October 1, 2018 through September 30, 2020. The Authority's management is responsible for the TIF record keeping for the period October 1, 2018 through September 30, 2020.

MDHA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reporting on the TIF process for the period October 1, 2018 through September 30, 2020. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are as follows:

	Procedure	Results and Findings
A.	Obtain from Metropolitan Development and Housing Agency a detail listing of the loans for which Tax Increment Financing ("TIF") funds were used to pay the loans during the period from October 1, 2018 through September 30, 2020.	Listing of loans was obtained for the period October 1, 2018 through September 30, 2020.
B.	Select the following loans for testing for the year October 1, 2019 through September 30, 2020: The Cumberland, 1821 Jefferson Street, Gulch Crossing, ACME Feed Building and Ash-McNeil. We selected the following loans for testing for the year October 1, 2018 through September 30, 2019: 5 th and Broad (Parking Garage), Kress Lofts, Rolling Mill Hill, Westin and Braid. For each of these loans, perform the following procedures:	Noted loans were selected for testing.

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Independent Accountant's Report on Applying Agreed-Upon Procedures (Continued)

		Procedure	Results and Findings
B.	1	Obtain a detail listing of all parcels assigned to the loan. Select up to 10 parcels from each of the five specified loans and obtain documentation either directly or through the web-site from Metropolitan Government of Nashville & Davidson County, Tennessee Planning Department ("Metro Government").	A total of 32 parcels were selected for testing.
B.	2	Recalculate the adjusted base year tax for all parcels selected by multiplying the base year assess value by the current property tax rate based on information obtained from Metro Government.	We recalculated the adjusted base year tax for all parcels selected for testing. It was noted that the calculation of base year taxes is different for each project depending on when the TIF agreement was completed. For base years prior to 2012, the base year tax is calculated by multiplying the base year assessed value by the current tax rate. However, the regulation for determining the base year tax changed for loans initiated after 2012. Per Tennessee Code Title 9, Chapter 23, base year tax is defined as the property taxes levied by a taxing agency for the year prior to the date the plan was approved. For the year October 1, 2018 through September 30, 2019, the base year tax for 21 parcels was tested. Out of those 21 parcels, 2 exceptions were noted. In addition, MDHA was unable to locate historic parcel data for 1 project to confirm the base year assessed value. For the year October 1, 2019 through September 30, 2020, 11 parcels were tested with one exception noted. In addition, MDHA was unable to locate historic parcel data for 1 project to confirm the base year assessed value. See Attachment 1, "Recalculation of Base Year Tax - Exceptions" for a detailed listing of the exceptions noted and the resulting impact on increment collected.
B.	3	For the loans 5 th and Broad (Parking Garage), Kress Lofts, Rolling Mill Hill, Westin and Braid, obtain the amount of the 2018 tax increment collected during the year October 1, 2018 to September 30, 2019 for the parcels selected (the current year tax). For the loans The Cumberland, 1821 Jefferson Street, Gulch Crossing, ACME Feed Building and Ash-McNeil., obtain the amount of the 2019 tax increment collected during the year October 1, 2019 to September 30, 2020 for the parcels selected (the current year tax).	See Attachment 2, "2018 and 2019 Tax Increment Deposits" for a summary of tax increment collected for each loan during the year noted. We also obtained the amount of 2018 tax increment collected during the year October 1, 2018 to September 30, 2019 and 2019 tax increment collected during the year October 1, 2019 through September 30, 2020 from Metro Government. MDHA collected 2018 tax increment of \$24,909,175.65 during the year October 1, 2018 through September 30, 2019 and 2019 tax increment of \$7,500,000 during the year October 1, 2019 through September 30, 2020. The 2019 tax increment reflects a one-time reduction due to the refinancing of ten loans.

Independent Accountant's Report on Applying Agreed-Upon Procedures (Continued)

		Procedure	Results and Findings
B.	4	Compare the adjusted base year tax as determined in B (2) above to the 2018- and 2019-year taxes for the year selected for testing. Recalculate the difference and review information from Metropolitan Development and Housing Agency to determine the difference in these amounts was the TIF funding collected by Metropolitan Development and Housing Agency.	We compared the adjusted base year tax as determined in B (2) above to the 2018 and 2019-year tax paid for the parcels selected for testing. It was noted that taxes subject to tax increment financing exclude the Central Business Improvement District tax, Gulch Central Business Improvement tax and debt service taxes. We recalculated the difference between the tax paid less these excludable taxes and the base year. We reviewed information from the Authority to determine the difference in these amounts was the TIF funding collected by MDHA. The difference in the calculated base year tax and the 2018 and 2019 taxes subject to TIF was the amount of TIF funding collected by MDHA, however, as noted in B (2) above, the base year tax was not calculated correctly for certain parcels. The result was a favorable impact to Metro Government in the amount of \$144.
C.		Compare 2018 and 2019 tax increment received from the detail listing of all parcels and compare the 2018 and 2019 tax increment received with the deposit in Metropolitan Development & Housing Agency's bank account.	We compared the 2018 and 2019 tax increment received from the detail listing of all parcels and compared the 2018 and 2019 tax increment received with deposits in MDHA's bank account for the period October 1, 2018 - September 30, 2020. See Attachment 2 - "2018 and 2019 Tax Deposits". No exceptions were noted.
D.		Compare total tax increment received during the year October 1, 2019 through September 30, 2020 for all eligible parcels to amounts used to pay principal and interest payments on all loans during that year. Compare total tax increment received during the year October 1, 2018 through September 30, 2019 for all eligible parcels to amounts used to pay principal and interest payments on all loans during that year. Compare the TIF funds collected by the district during each of the years September 30, 2019 and 2020 to the loans for which those funds are being applied.	We compared total tax increment received during the year October 1, 2018 through September 30, 2019 and during the year October 1, 2019 through September 30, 2020 for all eligible parcels to amounts used to pay principal and interest payments on all loans. We also compared the TIF funds collected by district to the loans for which those funds are being applied. Total principal and interest payments were \$30,060,255.15 for the year ended September 30, 2019. Total principal and interest payments were \$8,073,129.29 for the year ended September 30, 2020. No exceptions were noted.
E.		Obtain a schedule of revenue and expenses for the TIF program for the period October 1, 2018 through September 30, 2019 and for the period October 1, 2019 through September 30, 2020.	Schedule of revenues and expenses was obtained.

Independent Accountant's Report on Applying Agreed-Upon Procedures (Continued)

		Procedure	Results and Findings
E.	1	Inquire with management regarding the sources of revenue. Obtain detail documentation for revenue sources with individual transactions greater than \$20,000 to determine revenue is from a TIF-eligible source.	No exceptions were noted.
E.	2	With respect to office, legal, utilities, ordinary maintenance and other direct program costs, obtain a detail transaction listing of the activities within those accounts. Obtain supporting documentation for disbursements in excess of \$5,000 in these accounts to determine the expense relates to the TIF program. Test for approval of the supporting documentation by management.	No exceptions were noted.
E.	4	With respect to management fees, inquire with management as to the methodology used of charging costs to the TIF program.	No exceptions were noted.
F.		Obtain a detail of the draws made on the Regions Phillips Jackson Refi loan during the period of October 1, 2019 through September 30, 2020. Obtain documentation in support of these draws to determine the draw applies to the Regions Phillips Jackson Refi loan.	We obtained a detail of the draws made on the Regions Phillips Jackson Refi loan during the year October 1, 2019 through September 30, 2020. One draw was made on the loan. We reviewed the documentation in support of the draw and determined the draw applied to the Regions Phillips Jackson Refi loan.

We were engaged by MDHA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the TIF process. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of MDHA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of MDHA and is not intended to be and should not be used by anyone other than these specified parties.

Lexington, Kentucky
April XX, 2022

ATTACHMENT 1 (Recalculation of Base Year Tax - Exceptions)

The following exceptions to the recalculation of base year taxes were noted:

Tax year tested	Parcel	Address	Base year tax used to determine TIF collections	Actual base year tax	Difference	Increment collected	Actual increment	Excess/(deficit) increment collected
2019	092-03-420	1903 Jefferson Street	536 \$	3,278 \$	2,742 \$	37,010 \$	34,268 \$	2,742 \$
2018	093-10-025	315 8th Ave S	13,555	8,659	(4,896)	14,315	19,211	(4,896)
2018	093-10-032	807 Clark Place	47,777	49,787	2,010	1,538,643	1,536,633	2,010
			\$ 61,868	\$ 61,724	(144)	\$ 1,589,968	\$ 1,590,112	(144)

MDHA was unable to locate historic parcel data to support the Base Year Assessed Value for the following projects:

Tax year tested	Parcel	Address	Base year assessed value	Tax rate	Base year tax	Base year tax used to calculate tax increment	Difference
2019	093-09-B-002 CO	1033 Demonbreun St	\$ 119,204	0.03155	3,761 \$	3,761 \$	-
2018	093-09-234	1100 Demonbreun St	282,520	0.03155	8,914	8,914	-

Management of MDHA provided the following comment regarding the exceptions noted above:

As noted in the report, there have been changes in state law as to how base year taxes are calculated. Those changes were not retroactive on existing projects necessitating a two-tier system in our data base when determining total increment. In addition, the nature of redevelopment often causes parcels to be combined or split into new additional parcels. Changes in Metro's software has prevented MDHA from retrieving historical data on parcels that are no longer active. MDHA is in the process of getting new software to address the exceptions noted in the report. The new system will also include storage of historical records to keep all information in a single data base.

ATTACHMENT 2 (2018 and 2019 Tax Increment Deposits)

Receipt of 2018 tax increment by loan	
5th and Broad	\$ 731,448.02
Kress Lofts	53,449.79
Rolling Mill Hill	376,442.41
Westin	1,552,958.19
Braid	129,865.66

\$ 2,844,164.07 Total

Receipt of 2019 tax increment by loan	
The Cumberland	\$ 645,464.38
1821 Jefferson Street	37,009.96
Gulch Crossing	771,956.61
ACME Feed Building	70,793.91
Ash-McNeil	57,734.07

\$ 1,582,958.93 Total

Receipt of 2018 tax increment	
Deposit date	Deposit amount
4/22/2019	\$ 24,809,175.65

Receipt of 2019 tax increment	
Deposit date	Deposit amount
4/21/2020	\$ 7,500,000.00