

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PATHWAYS TO REMOVING OBSTACLES TO HOUSING
(PRO HOUSING) GRANT APPLICATION**

**SUBMITTED ON BEHALF OF THE
CITY OF CHATTANOOGA
DEPARTMENT OF ECONOMIC DEVELOPMENT**

OCTOBER 15TH, 2024



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EXHIBIT A: EXECUTIVE SUMMARY

City of Chattanooga PRO Housing Application

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The City of Chattanooga has long been a place where homeownership was attainable for median income households, but new data reveals the dramatic shift our housing market has undergone in the last four years. Rents and home prices have increased 30% since 2020, and our city is no longer affordable for our preschool teachers, school bus drivers, retail workers, and many other community members that make our city great. Today there is a \$110,200 gap between what median income families can afford and the median sales price, meaning that the majority of households earning 100% AMI and below – including 70% of our Black and Latino residents – are shut out of homeownership.

In the midst of a housing crisis, Chattanooga has acted swiftly and boldly to overcome local barriers to affordable housing production and preservation through a comprehensive approach that addresses both systemic challenges and regulatory reforms. Over the past year, the City has made significant strides in updating outdated zoning codes, streamlining land use policies, and creating new incentives for affordable housing development. However, significant barriers remain. **Increased competition for developable land is driving up housing prices, the market is not producing enough starter homes, and we lack the partner capacity to scale affordable housing production to meet demand.** The City has recently reconstituted its Land Bank Authority to leverage publicly-owned land for affordable housing development, but **we still lack a mechanism to steward permanent affordability**, which would ensure these assets could remain affordable for generations of Chattanoogaans.

To address these barriers, we propose to use the HUD PRO Housing Grant to quickly and efficiently scale City-led affordable housing development through the following activities:

1. **Scale Chattanooga Land Bank Authority (CLBA)** activities to leverage existing City-owned parcels and strategically acquire parcels for affordable housing development in high opportunity neighborhoods. PRO Housing Funds would be used for predevelopment and acquisition costs.
2. **Launch and seed a Community Land Trust (CLT)** to partner with the CLBA to create permanently affordable housing within the City. PRO Housing Funds would be used for technical assistance related to CLT startup activities, startup funding for CLT staff, and development, rehab, or acquisition of CLT homes.

Our approach addresses the above barriers to production and preservation of affordable housing by:

- Removing legal and regulatory barriers to disposition of City-owned land so that it can be donated for the development of affordable housing
- Targeting projects that include smaller units and "missing middle" housing to add gentle density and address a clear gap in the housing market
- Adding a new, well resourced entity to the affordable housing ecosystem that can also help bolster the efforts of other affordable housing entities in the city
- Creating a Community Land Trust that maximizes the City's investment in affordable housing by leveraging publicly-owned assets with a model that retains permanent affordability, multiplying the effect of that subsidy to generations of Chattanoogaans

We believe this approach makes the best use of our limited housing subsidy to address Chattanooga's most urgent housing needs, leverage public assets, and create a pipeline for permanently affordable housing that secures inclusive growth.

EXHIBIT B: THRESHOLD AND OTHER SUBMISSION REQUIREMENTS

City of Chattanooga PRO Housing Application

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Exhibit B: Threshold and Other Submission Requirements

The City of Chattanooga meets all Threshold Eligibility Requirements listed in Section III.D and has fulfilled the Other Submission Requirements listed in Section IV.G of the NOFO, with the exception of environmental reviews which will be completed and the necessary clearance obtained prior to the implementation of any PRO Housing activities. We are eligible to apply as a city government (02) and submitted only one application under this NOFO by the stated deadline. Furthermore, the City does not have any outstanding civil rights matters as listed in Section III.D.1.a.1-5 of the NOFO.

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EXHIBIT C: NEED

City of Chattanooga PRO Housing Application

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Ongoing Efforts to Address Affordable Housing Needs Improved Laws, Regulations, or Land Use Policies

The City of Chattanooga has demonstrated a strong commitment to overcoming local barriers to affordable housing production and preservation through a comprehensive approach that addresses both systemic challenges and regulatory reforms. Over the past year, the City has made enormous strides in updating outdated zoning codes, streamlining land use policies, and creating new incentives for affordable housing development. These efforts reflect an understanding that solving the affordable housing crisis requires more than incremental change—it demands bold, targeted action to remove long-standing obstacles. Key regulatory changes, such as the adoption of a reformed zoning code, the introduction of accessory dwelling units (ADUs) by right, and state-level advocacy to expand incentive programs, have laid the groundwork for an expanded housing supply. These actions, coupled with efforts to enhance local capacity and develop innovative financing mechanisms, represent a forward-thinking strategy to ensure that affordable housing is produced and preserved for the long term.

Barrier: Restrictive Zoning Code

Antiquated zoning codes written for suburban development are posing barriers to affordable housing nationwide, and Chattanooga was no exception. To address this, in July 2024, the Chattanooga City Council adopted the first comprehensive reform of the city's zoning code since the 1960s. This four-year initiative, led by the Chattanooga - Hamilton County Regional Planning Agency (RPA) (a joint agency of the City of Chattanooga and Hamilton County), aimed to remove regulatory barriers to affordable housing and facilitate greater density, particularly in urban areas. The new zoning code streamlines regulations, expands by-right development, and allows for greater density and building heights while reducing lot minimums, setbacks, and parking requirements. It also introduces new residential zones that permit a variety of housing types within the same zone, including "Traditional Residential Neighborhood" zones, which encourage "missing middle" housing such as duplexes, triplexes, quadplexes, and townhomes. These changes are critical for increasing density and economizing on construction costs, particularly in Chattanooga's urban core.

To illustrate the significance of this zoning reform, under the previous code, a 20-unit apartment building along a commercial corridor would require 45,500 square feet of land. Under the new code, the same building only needs 19,000 square feet, reducing the lot area by 58%. This enables more efficient land use and lowers costs for developers, making it easier to produce affordable housing. Similarly, converting hotels to residential units, which previously required a lengthy and politically-charged rezoning process, is now allowed by right. Chattanooga has 122 hotels, many of which are extended stay hotels that are easily converted to studio apartments. Developers like Vivo Living, specialized in these conversions, had approached the city prior to the zoning reform, but the rezoning process proved too much of a barrier to attract their investment. Now, with a streamlined, by-right development process, these developers can easily add new inventory of affordable housing at a low cost.

Additionally, in May 2022, the Chattanooga City Council passed an ordinance allowing accessory dwelling units (ADUs) by right in all single-family residential zones. This change has already yielded measurable results, with 97 ADUs permitted for construction in the two years since the law's passage. ADUs provide a flexible and affordable housing option for smaller households and help increase density without altering neighborhood character.

Alongside the new zoning code, the RPA is leading the city's first comprehensive planning effort to manage long-term growth, assess community needs, prioritize capital projects, and develop an implementation program. A key finding from this process is the anticipated need for 46,000 new housing units by 2040, along with a shift toward smaller households—54% of which are single-person households. The comprehensive plan will include detailed future land use maps for the entire city, divided into eight area plans. Early drafts show that growth and increased density will be focused in urban neighborhoods near downtown, along major commercial corridors, and close to job centers. These area plans will serve as a guide for future upzoning, using the new palette of zoning districts. The reformed zoning code in combination with the City's first comprehensive plan will make space for new housing development for decades to come.

Barrier: Limited Local Resources to Subsidize Affordable Housing

Chattanooga has also worked at the state level to address regulatory barriers to creating new tools to incentivize affordable housing development. In June 2024, Governor Lee signed a bill lifting a state preemption that had previously restricted cities from offering land use incentives for affordable housing. Under Chattanooga Mayor Tim Kelly, the city has played a leading role in convening a statewide working group, resulting in legislation that empowers local governments to create customized incentive packages for affordable housing development. Chattanooga is now drafting an ordinance to establish a voluntary, by-right zoning incentives program, and is poised to be [the first city in Tennessee](#) to implement this powerful new tool for boosting affordable housing production.

At the local level, City Council voted to pass significant changes to Chattanooga's Affordable Housing Payment In Lieu Of Taxes (PILOT) program in March 2024. Previously, the PILOT program was designed to support federally-subsidized housing projects, requiring half of the units in a development to rent at or below 80% of the area median income (AMI) to qualify for a full tax abatement. This structure, however, made the program unattractive to market-rate developers, as the tax abatement alone was insufficient to offset the revenue loss from lower rents. A significant barrier for Chattanooga is limited local funding to subsidize affordable housing. The PILOT is one of the few sources of subsidy the city has to incentivize mixed-income development, so the goal of the new program was to expand its reach to our private development community. The new PILOT program was designed to make up the full difference between market-rate and affordable rents. Using HUD's Small Area Fair Market Rent to factor in ZIP code, the new program enables the city to target incentives more accurately based on local market conditions. The new PILOT framework will also enable developers to include affordable units with varying affordability levels—50%, 60%, 70%, and 80% AMI—within the same project. By broadening the financial appeal of affordable housing development, the new PILOT program significantly increases the number of developers incentivized to build mixed-income housing, particularly in stronger markets. City staff are already in discussions with multiple developers interested in applying under the revised program, and the first applications are anticipated soon.

Barrier: Local Fire Code Limiting Missing Middle Housing

Alongside addressing major barriers like zoning code reforms and state preemption, the Kelly administration has also tackled smaller regulatory barriers that present obstacles to affordable housing development. In July 2024, following a change in state law, Chattanooga City Council updated the local building code to allow three- and four-unit multifamily dwellings to be

separated by 2-hour firewalls rather than requiring sprinkler systems. The cost and unfamiliarity of installing sprinkler systems for small residential contractors had previously made “missing middle” housing—like triplexes and quadplexes—financially infeasible. By reducing these regulatory costs, the updated code supports the development of affordable, smaller-scale multifamily housing, an important step in diversifying Chattanooga’s housing stock.

Barrier: Lack of Public Land Disposition Process

Another area of focus is internal policies related to the use of public land. In 2023, Mayor Kelly reconstituted the Chattanooga Land Bank Authority, one of only four land banks in the state of Tennessee. The City has an inventory of hundreds of publicly-owned parcels, many of which have been sitting vacant for years because of legal and regulatory barriers preventing disposition and development. Over the past year, the City’s Housing department has worked diligently behind the scenes to position the Land Bank as a viable redevelopment partner, undertaking an extensive analysis of the inventory of tax foreclosed properties to assess opportunities and eliminate sites that are unsuitable for housing development and working with the county to transfer full ownership of the identified properties to the city - a necessary step to begin the surplus process required to dispose of the land. The City has allocated a specific funding stream to support title clearance on tax foreclosed properties, and is working to ensure that all properties are development-ready and properly zoned to maximize density upon release to selected development partners. The City has selected the first 11 properties that will be donated for the construction of affordable housing through a Request for Proposals process. We expect to convey this first round of properties to selected developers in January 2025.

Additionally, the City is taking a broader look at how it disposes of all publicly owned and controlled properties and is developing a new framework to guide how decisions are made about their use, in order to ensure that these properties are leveraged to their highest potential and best address the most critical needs of Chattanoogans. The City is developing a new redevelopment framework modeled on national best practices, that clearly articulates the processes and partnerships for all community and economic development projects. This will enable wide-scale development, community and economic impact, and revenue generation by creating a system that is transparent and predictable to proactively dispose of City-owned land for projects that offer a public benefit.

Other Actions Taken to Overcome Barriers to Affordable Housing

Chattanooga has taken significant steps beyond regulatory changes to address capacity constraints, streamline affordable housing development, and create new financing mechanisms that directly tackle barriers to affordable housing production and preservation. The city's housing ecosystem was historically designed to address weak-market conditions such as blight remediation and neighborhood stabilization, but the market dynamics have shifted dramatically due to post-pandemic pressures. In the two years since the City’s first Chief Housing Officer was hired, the city has worked to overcome barriers by adding staff capacity, completing critical assessments and action plans, updating existing programs to address new needs, and identifying new resources to subsidize affordable housing development. Key actions taken include:

Barrier: Limited Capacity to Implement Affordable Housing Initiatives

- Chattanooga hired its first Chief Housing Officer, Nicole Heyman, in November 2022;

Exhibit C: Need

- Chattanooga hired its first Director of Housing Policy in August 2023;
- Chattanooga is currently hiring for its first Director of Housing Finance;
- Leveraged HUD technical assistance to develop more efficient procedures and enhance staff capacity to achieve the goals of the Housing Action Plan;
- Chattanooga was selected to receive a Bloomberg Harvard City Hall fellow for two years, grant-funded through the Bloomberg City Leadership Initiative. The fellow's focus is on developing innovative new affordable housing programs, and they have been working with the housing team since August 2023;
- Chattanooga was selected as a [Bloomberg American Sustainable City](#), an initiative to turbocharge the City's efforts to leverage historic levels of federal funding to proactively build low-carbon, resilient, and economically thriving communities. Bloomberg Philanthropies has recruited a three-person innovation team to work on anti-displacement in Chattanooga with a focus on sustainability and racial wealth equity. These grant-funded staff members will start in October 2024, adding much-needed capacity to our team at City Hall for the next three years.

Barrier: Insufficient Data and Resources to Guide Housing Investments

- Completed Putting Assets to Work study to identify publicly-owned land that could be leveraged for development (July 2022);
- Completed Housing Needs Assessment to identify the City's most pressing housing needs (June 2023);
- Completed Housing Action Plan (HAP) to inform and guide housing policy and strategic investment (August 2023). The HAP is a strategic framework to be used by City staff, elected officials, and the community to guide affordable housing policies and investments over the next five years. The HAP outlines strategies to build the housing ecosystem, increase the number of affordable, quality rental homes, expand access to homeownership and protect existing homeowners, make homelessness rare, brief, and non-recurring, and move towards equitable housing for all Chattanoogans;
- Completed a Market Value Analysis to help public officials and private actors more precisely target housing intervention strategies (September 2023);
- Procured Building Blocks by Tolemi, a map-based application that allows city staff to perform advanced spatial analysis, making it easier to connect data across agencies and inform key decisions on affordable housing development.

Barrier: Existing Programs Misaligned with Market Needs

- Redesigned and launched a new Down Payment Assistance (DPA) program using American Rescue Plan Act (ARPA) and City General Funds (launched June 2023, with 27 completed closings, 4 under contract, 25 active prequalifications, and 29 applicants in credit counseling as of September 2024);
- Launched a new homeowner rehab program for low-income seniors in partnership with Habitat for Humanity;
- Lifted our \$40,000 per unit cap on HOME funds investments, making these funds a viable subsidy for low-income rental units;
- Launched Affordable Housing Fairs in our most challenged neighborhoods to promote new housing tools and provide information to community members about affordable housing options (reaching over 400 residents).

Barrier: Limited Funding for Affordable Housing Development

In July 2024, the Chattanooga Housing Authority was awarded a \$50 million Choice Neighborhoods Implementation grant. The grant will help fund the transformation of the city's oldest public housing community, with the [Westside Evolves Plan](#). The plan was developed over a 2 year period with the participation of more than 82% of the neighborhood's public housing residents and collaboration between the City, the Chattanooga Housing Authority, and the Chattanooga Design Studio. The redevelopment will include the renovation of the historic James A. Henry school into a neighborhood hub that will include 100 additional early learning seats for young children and 1,783 units of mixed-income housing, including 445 new income-restricted units and 629 one-for-one replacement units for the families living in Westside's public housing.

As part of the 20x leverage for the Choice grant, THDA, the state housing finance agency, has committed a first-ever LIHTC "twinning" award to the project, so both 4% and 9% tax credits can help fund the development. Chattanooga has historically struggled to compete with Knoxville for its fair share of LIHTC credits under the state QAP, so the commitment of tax credits to Westside represents a particularly significant state investment in affordable housing in Chattanooga.

The City made significant investments in the project as well. \$2.5 million in land donation, \$3 million in HOME funds, \$14 million in Capital Funds, \$1.5 million in CDBG, \$8.6 million for Head Start, and \$1.2 million in in-kind staff. The City also negotiated a TIF with an adjacent, 300-unit market rate development at "The Bend" that will support street and pedestrian infrastructure connecting Westside to new amenities and require 10% of new housing development to be affordable. The TIF is expected to deliver \$31.6 million to support Westside.

Acute Affordable Housing Needs

Chattanooga today is a growing city with great potential that continues to attract attention and accolades from across the nation and the world. New residents and businesses continue to arrive in our city and new amenities, restaurants, and activities are emerging to animate our downtown. However, prosperity and security still remain far out of reach for far too many of our residents. National research shows that Chattanooga is one of the worst cities in America to grow up poor, and a legacy of racist policies and decades of disinvestment in our neighborhoods have created a city where life experiences can be vastly different depending on the zip code you're born in, and the color of your skin.

These disparities are evident in recent housing trends. Our data indicates the City of Chattanooga is at risk of meeting PRO Housing priority geography criteria by 2030 without immediate and scalable interventions that create permanently affordable housing opportunities. Cost-burden among low- and moderate-income groups is growing, and homeownership rates are in decline. New housing units entering the market are not affordable to median and low-income residents. According to a recent [Regional Planning Agency market study](#), the largest category of new homes being built in Hamilton County is expected to be priced between \$350,000 and \$500,000, whereas the maximum price for a home to be affordable to a 2-person household earning just below 80% AMI would be \$188,800. High density areas with the most new development are out of reach for all but the city's highest income earners – which excludes the majority of

Chattanooga's households of color. Meanwhile, the remaining affordable markets are characterized by poor housing quality, owner distress, and prevalence of speculative investment.

Chattanooga's population has grown steadily over the past decade, up approximately 6% between 2012 and 2022. Households moving to Chattanooga have higher incomes and smaller household sizes than existing households. Between 2017 and 2022, median household income increased 54%, creating significant pressure on the housing market. Meanwhile, the pace of home development dropped by approximately 80% from the 2000s through the 2010s, with only 9,773 units added in 2010-2019 compared to 45,600 added in 2000-2009. Development picked up to meet demand after the pandemic, adding 7,149 units since 2021, but higher interest rates have brought production levels back down.

The combination of growth and the slowdown in housing development, along with inflation, high interest rates, and COVID-related supply chain issues, has exerted significant pressure on the housing market. Median home prices increased by 48% between 2020 and 2024. Currently, there is a \$110,200 gap between what median income families can afford and the median sales price, meaning that the majority of households earning 100% AMI and below are shut out of homeownership. Historically, middle class families have made up a large share of the City's homeowners, but as new, higher-income households buy up limited housing stock and low- and moderate-income households struggle to enter the housing market, that ratio is changing. There was a 23% decline in owner-occupied households earning less than \$100,000 per year between 2011 and 2021 while the number of owner occupied households earning more than \$100,000 nearly doubled in the same period. As home values soar, Chattanooga needs more resources to ensure low- and moderate- income residents can access stable housing and wealth building opportunities.

Chattanooga also needs more resources to keep pace with the demand for stable, quality housing that is affordable for renters, and low-income renters in particular. Households that are not able to afford homeownership at the higher home prices are now competing for rental homes, driving up competition and rents. Affordable rental housing for Chattanooga residents has become more limited in recent years, with a 30% increase in median rents since 2020, compared to just a 13% increase in median renter income. An [analysis by HR&A Advisors using Zillow data](#) showed that the median renter in Chattanooga needed an additional \$570 per month to afford median rent in 2022. Approximately 42% of renter households earn \$35,000 or less (50% AMI for a 2 person household), and these low income renters are especially vulnerable to present and future market shifts. The dramatic rise in rents translated to 1 in 4 affordable rental homes, or approximately 7,000 total units, becoming unaffordable to a household earning \$35k between 2016 and 2021. There is currently a gap of 1,800 units affordable to renters earning \$35,000 annually, and the HR&A Housing Needs Assessment estimates that Chattanooga will have a shortage of 7,300 units affordable to this group of renters by 2030.

Further, the lack of access to affordable housing is disproportionately impacting families of color. The typical Black household in Chattanooga earns \$38,848, which is about half of the median income of white families in Chattanooga. Black, Latino, and Other households have significantly lower homeownership rates compared to White households in Chattanooga. Between 2011 and 2021, the homeownership rate for Black households declined at the fastest rate of any racial group; a [2019 report commissioned by the Chattanooga Organized for Action Coalition](#) found that between 2005 and 2015, Chattanooga saw one of the greatest declines in

Black homeownership in the country. Lower Black homeownership and racial wealth gaps are products of decades of systemic racism and redlining policies and practices that have targeted Black communities. Income alone is not the primary factor hindering access to ownership for non-White households. Non-White households, especially Black households, experience disproportionately high mortgage denial rates, which creates a major obstacle to homeownership access for a rapidly growing segment of Chattanooga's population: a Black household earning \$100K has a higher mortgage denial rate than a White household earning \$35K. The most cited reason for denial is credit scores. The racial wealth gap for renters parallels existing dynamics in homeownership access. Black and Latino renters experience the highest rates of housing cost burden compared to other racial groups. As population and incomes grow, households of color are likely to continue to be disproportionately impacted without additional tools and resources.

As low- and moderate-income households and households of color face being priced out of the housing market, they also have fewer choices about where to live. According to a recent [Market Value Analysis provided by the Reinvestment Fund](#), 73% of the city's recent single family development, 76% of new large multifamily development, and 36% of small multifamily development occurred in the three highest value and strongest markets. Although 36% of all new development in the city was large multifamily development, increased density alone is not fostering diverse and inclusive communities. While the majority of Chattanooga's White residents reside in the three highest value and strong markets, only 23% of Black residents and 34% of Hispanic residents currently reside in those areas.

Homeownership opportunities are especially limited for low- and moderate-income households in strong market areas. According to the Market Value Analysis, buyers in the 60-80% AMI range are limited to markets characterized by concentrated poverty, greater presence of code violations and vacant parcels, and lower density. These markets, many of which are historically Black communities, have modest homeownership rates and little development activity. The concern is more of these neighborhoods will start to "tip" as prospective buyers look to more affordable areas adjacent to already saturated markets. Many neighborhoods in these more affordable markets have seen recent spikes in median family income and median sales prices, indicating gentrification pressures and displacement risk for long-term residents.

Key Remaining Barriers to Building Affordable Housing

While the City of Chattanooga has taken bold action to address our unprecedented housing crisis through law changes, new policies, and comprehensive zoning reform, barriers still remain. There is increasing competition for developable land, we have limited developer capacity to address the rapidly expanding affordability gap, and we lack a mechanism to steward the creation of permanently affordable housing.

Barrier 1: Increasing competition for land for affordable housing development

Local housing developers cited the high price of land and increased competition for developable land as a significant reason for higher housing costs. Several factors in Chattanooga's landscape contribute to increasing competition for land, which present barriers to addressing this critical need. A [land use model](#) recently completed with RPA lists the following significant constraints on feasibility of housing development:

- High slope

- Conservation easements
- Reserved space (industrial, military parks, wildlife management areas)
- High risk flood areas

In addition to these geological and legal barriers, market pressure has dramatically increased the competition for developable land, driving prices up and availability down. There is an increasing prevalence of investor-owned vacant land in historically disinvested neighborhoods, particularly in areas that are poised to see significant public investment. Many residentially-zoned vacant parcels are in the process of being redeveloped as investor-owned rental properties, which are rapidly driving up prices in historically low-income neighborhoods like Alton Park, where residents complain at community meetings of being bombarded with “cash for your house” postcards. Other residential land has been held vacant for several years by LLCs, indicating investor speculation on land value in these neighborhoods, and there is considerable “boosterism” for Chattanooga on real estate investment and development platforms. In 2020, a [local property management company ranked](#) Chattanooga as the fourth best market among the nation’s biggest cities for U.S. home sales and price appreciation.

The City is looking to address this challenge in part by creating a public land disposition strategy to leverage publicly-owned land for affordable housing development, but the City needs resources and tools to quickly acquire property for affordable housing development before values skyrocket and trigger displacement.

Barrier 2: Market is not producing enough starter homes to meet demand

Chattanooga has historically been a place where low-and moderate-income families could achieve homeownership. However, recent trends show a dramatic shift: median home prices surged 48% between 2020 and 2024, largely due to rising construction costs, high interest rates, competition from speculative investors, and overall population growth. Currently, there exists a \$110,200 gap between what median-income families can afford and the median sales price of homes, and most households earning 100% AMI or below are effectively shut out of the market.

The City’s Down Payment Assistance Program illustrates this challenge—despite offering up to \$50,000 in assistance, pre-qualified buyers struggle to find properties within their price range. With median sales prices around \$320,000, many buyers can only afford mortgages between \$150,000 and \$220,000. There is intense competition for homes priced between \$250,000 and \$300,000 and few homes available under \$250,000, highlighting the urgent need for additional tools to facilitate the development of affordable homes.

However, the market is not producing starter homes that are naturally more affordable and meet the needs of our young professionals, newlyweds, seniors, and single parents. 73% of City residents only require one- or two-bedroom units, and census data reveals a 16,000 unit gap in one bedroom units, pushing small households into more expensive, larger spaces. Recent zoning reforms have lowered minimum lot sizes and created zones to encourage the development of smaller units and missing middle housing—like duplexes and triplexes—though the market may take time to adapt. The City hopes to leverage publicly-owned land, which consists primarily of small infill lots, to stimulate this development by providing scoring bonuses for this type of housing in Requests for Proposals for development.

Barrier 3: Capacity of local affordable housing developers

There is insufficient developer capacity to create affordable units in our competitive market. Since 2013, only 59 new homeownership opportunities for low- and moderate-income households have been developed through HUD funding, all by Habitat for Humanity and the City's sole Community Housing Development Organization. Historically, the focus has been on preserving existing affordable stock, and while this remains a priority for the City, quality and affordable housing stock is dwindling. Changing market demands mean that we need new resources and tools to create affordable homes at a meaningful scale and at price-points that are aligned with what low- and moderate-income residents can afford, if we want to avoid displacement. A catalytic investment would allow the City to leverage new local investment and build partner capacity to quickly scale its housing production and create permanently affordable housing units that provide wealth-building opportunities for households now priced out of the housing market.

Barrier 4: No mechanism to produce permanent affordability

The City of Chattanooga receives a modest federal subsidy (\$2.4 million annual average) to support affordable housing development, a number that is no longer sufficient to meet the City's need. We have therefore turned to other tools, including the development of a new public land disposition strategy facilitated by the Chattanooga Land Bank Authority, which was formed in 2015 but never put into use. The City is partnering with the Land Bank, recently reconstituted by Mayor Tim Kelly's administration, to convey eligible City-owned parcels, clear titles, and donate them to qualified partners through a competitive bid process in exchange for the construction of affordable housing. The Land Bank will release the first round of parcels for development in fall 2024.

Given the extent of Chattanooga's housing crisis, the need to leverage public land for affordable housing is urgent. However, while the Land Bank is an effective tool for disposition, the City still lacks a mechanism to steward permanent affordability of units created through this program. Properties released through the Land Bank will be income restricted for a certain number of years, but will eventually revert to market rate housing. A community land trust operating within the community could partner with the Land Bank to receive publicly-owned properties and preserve their affordability in perpetuity, ensuring that generations of Chattanoogaans benefit from this land and have the opportunity to build wealth and remain in their community.

EXHIBIT D: SOUNDNESS OF APPROACH

City of Chattanooga PRO Housing Application

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Vision

With limited subsidies available, Chattanooga urgently needs to establish processes to leverage its city-owned land for affordable housing. To make best use of these assets, Chattanooga needs to adopt new affordable housing models to steward permanent affordability to ensure longtime residents can remain stably housed and benefit from our unprecedented growth for generations to come. We propose to use the HUD PRO Housing Grant to quickly and efficiently scale City-led affordable housing development through the following activities:

3. **Scale Chattanooga Land Bank Authority (CLBA)** activities to leverage existing City-owned parcels and strategically acquire parcels for affordable housing development in high opportunity neighborhoods. PRO Housing Funds would be used for predevelopment and acquisition costs.
4. **Launch and seed a Community Land Trust (CLT)** to partner with the CLBA to create permanently affordable housing within the City. PRO Housing Funds would be used for technical assistance related to CLT startup activities, startup funding for CLT staff, and development, rehab, or acquisition of CLT homes.

These funds are critical to support our 6 year vision for overcoming fundamental capacity challenges to create permanent affordable housing solutions at scale, while building on the plethora of work underway to reform zoning regulations, invest in community amenities and infrastructure, and leverage the City's real estate assets to address housing needs. The City has spent the last year reconstituting the CLBA, which has the statutory authority to bulk clear titles on tax foreclosed properties, many of which have been sitting vacant for years. In order to position the CLBA to take action, the City has needed to develop processes and remove barriers to the redevelopment of publicly-owned properties. A permanent source of funding has been established for Land Bank activities, derived from the County surplus sale. The CLBA is now ready to take action and is preparing RFPs for the first round of eleven tax foreclosed parcels to be put out for affordable housing development in fall 2024. The City's Housing Division has identified approximately 60 additional parcels to move through the CLBA in the next two years. Additionally, the City is in the process of developing a broader public disposition strategy to guide the development of all publicly-owned land.

While the Land Bank is an effective tool for disposition, the City still lacks a mechanism to steward permanent affordability of units created through this program. Properties released through the Land Bank will be income restricted for a certain number of years, but will eventually revert to market rate housing. However, with Chattanooga's rapidly growing market, it is critical to preserve affordable housing opportunities while it is still financially viable to do so. For this reason, the City and its partners have identified that a community land trust could partner with the Land Bank to receive publicly-owned properties and preserve their affordability in perpetuity, ensuring that generations of Chattanoogans benefit from these public assets and have the opportunity to build wealth and remain in their community.

We propose a model that directs select CLBA properties to a newly-formed Community Land Trust. This model maximizes the impact of CLBA by returning formerly tax-delinquent properties to the market at a price point that is truly attainable to families unable to access fee-simple homeownership. The CLT model recaptures the initial subsidy investment, making the best use of limited public funding and creating permanently affordable housing that can endure for generations. By coupling the land bank's acquisition and development authority with

the land trust's long-term stewardship, we create a pipeline for permanently affordable housing that secures inclusive growth and reactivates vacant and blighted parcels that will serve households at - and in some cases well below - 80% AMI.

City-owned properties present a dual opportunity. Infill development will add housing capacity to amenity-rich neighborhoods that are close to downtown job centers. Subsidizing infill development that is permanently affordable will support inclusive growth, allowing long-term residents to benefit from neighborhood reinvestment.

Our proposal addresses the following National Objectives:

- **Benefitting low- and moderate-income persons:**
 - One hundred percent of CLT direct affordable housing activities will benefit LMI individuals and families (L/M Income Housing)
 - City back-tax properties suitable for housing development will be eligible for development of affordable housing that serves LMI individuals and families (L/M Income Housing)
 - If CLBA properties are deemed unsuitable for affordable housing development, they may be suitable for a qualifying L/M Income Area benefit activity such as a park
- **Preventing or eliminating slums and blight:**
 - Some land bank properties that are deemed unsuitable for the development of affordable housing may qualify for the elimination of specific conditions of blight or deterioration on a spot basis.

Action 1: Scale Land Bank Activities

Proposed Eligible Activities: Acquisition or disposition of land or real property for the development of affordable housing; Financing the construction or rehabilitation of affordable housing; Preserving affordable housing in segregated, high poverty neighborhoods as part of a larger revitalization plan which improves conditions and eliminates disparities in access to opportunity between residents.

Over the past year, the City has reviewed its portfolio of back-tax and surplus properties and identified approximately 339 parcels that could be viable for affordable housing development. The first parcels being offered through an RFP process are those with the fewest barriers to development. However, as we make our way through the list there will be parcels with increasingly high barriers to development. The City will likely need to take on some of the predevelopment work such as demolition or environmental remediation to ensure these parcels are development-ready once awarded. The City currently anticipates moving 15 to 35 parcels through the CLBA each year, with \$773,000 in NSP I funds allocated for title clearance, demolitions, site preparation, and property maintenance until they are awarded to affordable housing partners. With an additional \$800,000 in PRO Housing funds for predevelopment work, the City could increase both the number and speed of properties prepared for affordable housing development.

In addition, we propose using \$1 million of HUD PRO Housing Funds to establish an acquisition fund for the Land Bank Authority. This fund would allow the CLBA to strategically acquire properties in high-opportunity neighborhoods identified by the City's Market Value Analysis.

The fund would help reserve more properties for affordable homeownership in high-opportunity communities that are becoming inaccessible to low- and moderate-income buyers.

Action 2: Establish a Community Land Trust to Steward Permanent Affordability

Proposed Eligible Activities: Providing large-scale technical assistance to affordable or nonprofit developers, community land trusts, or other entities which leads to the development of affordable housing; Financing the construction or rehabilitation of affordable housing

There has been a great deal of interest in community land trusts from housing partners and community organizations in Chattanooga. In 2020, the Chattanoogaans in Action for Love, Equality & Benevolence (CALEB) published a [CLT Feasibility Study](#) with support from Burlington Associates consultants. The report argues that a city-wide CLT would be one of the most efficient and effective uses of local housing subsidies. However, without a pipeline of affordable land and an infusion of resources, housing partners have not been able to seed the CLT.

Investing in shared equity and permanent affordability would shift the paradigm for Chattanooga for years to come. Through a land trust, we could create and preserve a mix of affordability in neighborhoods that are rapidly gentrifying while creating pathways to homeownership and equity building opportunities for a range of income-earners. Land trusts can support homeownership through a shared equity model, permanently affordable rental housing, or [limited equity co-op models](#) that allow residents to build equity over time. The Chattanooga housing ecosystem currently does not have the resources or development capacity to support a successful community land trust, and therefore our proposal is focused on building capacity and partnerships to support a CLT partner in quickly scaling up.

The first two years of this program would be focused on ensuring the correct partners are selected and future investments are sound. With \$400,000, we would hire a consulting team to provide technical assistance and support with the following activities:

<p>Year 1</p>	<ul style="list-style-type: none"> ● Create a CLT Advisory Committee comprised of City staff, Land Bank Authority Staff, community leaders, housing development partners, philanthropic partners and members of LMI and vulnerable populations. ● Lead community engagement ● Identify CLT partner or partners and establish the entity
<p>Year 2</p>	<ul style="list-style-type: none"> ● Support the CLT in establishing operating policies and procedures ● Select model for permanent affordability that best responds to specific needs of Chattanooga and its housing ecosystem ● Continue community engagement

The goal of this approach is to build on the CLT work that has been done and strengthen local partnerships to support the CLT, drawing from a broad base of institutional leaders, local housing experts, and city staff. Under the advice of the CLT Advisory Committee, the City will select the CLT partner organization. The partner organization will be selected based on demonstrated

commitment to the CLT model and responsiveness to community needs, housing finance and development acumen, diverse leadership, a commitment to equity, and readiness to scale.

In year 2 of the program, our technical assistance consultant would shift to working with the selected partner on building a feasible CLT model that meets the needs of the community and creates equitable access to Chattanooga's opportunity neighborhoods. Conditional upon completion of capacity building and organizational assessment, this organization would be eligible to receive up to \$528,164 in funds to cover the salary of an Executive Director to begin implementing project delivery and administration of eligible CLT activities.

Action 3: Seed the Community Land Trust with a Pool of Direct Subsidy

In addition to land donated by the CLBA, a \$4 million investment will be used for direct subsidy to ensure CLT homes are quality and affordable to households at 80% AMI and below. This subsidy would be flexible to support a range of CLT models including new construction of small multifamily or single family homes built on CLT land, buyer-initiated models in which the land trust becomes a co-owner with buyers purchasing a home already on the market (as suggested in the 2021 Feasibility Study), or other models for acquisition and rehab. The subsidy would be structured as a loan to the CLT, forgivable on the condition the CLT meets specific compliance measures determined in the strategic planning phase. Assuming average subsidies between \$40-50,000, this investment would subsidize the creation of approximately 80-100 permanently affordable homes.

Relationship of Proposed Activities to Key Barriers

There is ample evidence of Land Bank and CLT partnerships as an effective model for addressing affordable housing needs in a sustainable and impactful manner. Our proposal addresses our key barriers to affordable housing in the following ways:

Barrier 1: Increasing competition for land for affordable housing development

Chattanooga is facing competitive market conditions where affordable housing developers are incapable of accessing growing markets. Local developers have cited increased competition for land as one of the primary factors contributing to rising housing costs. By combining the land bank and the land trust models, parcels that currently are unused can be buffered from market pressure and used to seed a portfolio of permanently affordable housing units.

Evidence: Availability of affordable land, staff capacity to manage real estate transactions, and [lack of financial resources to purchase land](#) to scale the land trust are commonly cited obstacles for CLTs. By leveraging Land Bank properties, we will support the CLT's ability to quickly scale development activity while creating new affordable homes in high opportunity neighborhoods.

Barrier 2: Market is not producing enough starter homes to meet demand

In July 2024, the Chattanooga City Council adopted the first comprehensive reform of the city's zoning code since the 1960s. The new zoning code streamlines regulations, expands by-right development, and allows for greater density and building heights while reducing lot minimums, setbacks, and parking requirements. It also introduces new residential zones that permit a variety of housing types within the same zone, including "Traditional Residential Neighborhood" zones, which encourage "missing middle" housing such as duplexes, triplexes, quadplexes, and townhomes. These changes are critical for increasing density and economizing on construction costs, particularly in Chattanooga's urban core.

Through the Land Bank's Request for Proposals (RFP) process, the City aims to encourage the development of smaller units and "missing middle" housing that adds gentle density and addresses a clear gap in the housing market. The RFPs will include scoring bonuses for projects that maximize unit density and affordability by incorporating innovative housing designs or "missing middle" housing models. By showcasing how the new zoning code can be utilized, the City hopes to inspire similar middle-density developments on nearby privately-owned vacant parcels.

Evidence: Missing middle housing enhances supply and promotes walkable communities by optimizing land use, offering compact yet comfortable living spaces, utilizing cost-effective construction techniques without sacrificing quality, decreasing dependence on cars, and often creating income opportunities for owners. These elements contribute to housing options that are generally more affordable for both buyers and renters compared to traditional detached single-family homes.

Barrier 3: Capacity of local affordable housing developers

There is currently insufficient developer capacity to build starter homes and affordable rental units in this increasingly competitive market. By providing an influx of resources to a CLT, we are creating a sustainable and scalable model for development which addresses specific capacity challenges developers report that they currently face: insufficient operating funds, insufficient inventory, insufficient subsidy, and insufficient support, expertise, and collaboration with the City and other partners.

Evidence: A 2019 paper published by the [Joint Center for Housing Studies](#) studies factors that lead to successful CLT growth. The research found CLTs that incorporate five key strategies are more likely to reach an “sustainability threshold” enabling greater housing production with less subsidy in the long run. Those factors are listed below, with narrative addressing how our approach will bolster capacity for the selected CLT partner:

1 and 2: Secure the support of local public officials, Leverage partnerships:

Addressed in the planning and technical assistance phase, focused on partnerships with the City community, and partners.

3: Use mixed portfolios and programs: T.A. providers will help the CLT develop a model that considers unit mix, acquisition and development strategy, and resale formula to support sustainable growth and increased production.

4: Reducing reliance on grants: Financial resources to support increased operations we propose will be key, but a long term goal is that this initial investment supports reduced reliance on subsidy without sacrificing production.

5: Advocate as a collective movement sustainable growth: As discussed above and in the section on stakeholder engagement, key partners are already engaged in assessing CLT feasibility and are taking steps to introduce this model in Chattanooga.

Additionally, there is evidence that properly supported CLTs can rapidly increase housing production. A 2022 report from [The Lincoln Land Institute](#), indicates that CLTs are able to quickly increase production of affordable housing. In a survey of 132 CLTs nationwide, respondents reported a growth rate of 35% for anticipated production of shared equity homes between 2022 and 2023. Chattanooga’s Habitat chapter reported in a grant application to the City

that with \$7 million invested in a Community Land Trust model, they could increase the number of homes created by 300%.

This proposal would allow the City to build sustainable partner capacity and quickly scale its housing production. While currently, the City's investments in housing are a one-time investment limited by staff capacity (on the nonprofit's side) and funding (on the City's side), we intend to combine technical assistance with a small operating fund early in the grant initiation to decrease the amount of funding needed to support development in the long term. This approach should help our CLT partner meet operational needs after the initial grant runs out, while decreasing the ratio of City subsidy to units produced over the long term.

Barrier 4: No Mechanism to Produce Permanent Affordability

The City is already working to creatively leverage publicly-owned properties for the construction of affordable housing through the Chattanooga Land Bank Authority. However, properties donated through the Land Bank will eventually revert back to market rate units, because there is currently no entity in Chattanooga that can steward permanent affordability. A community land trust (CLT) is designed to hold properties long-term and preserve their affordability. Establishing a CLT would provide Chattanooga with the necessary infrastructure to support permanently affordable homeownership opportunities, strengthening the city's affordable housing ecosystem.

Evidence: CLTs have a proven track record as a sustainable, financially self-solvent model for affordable housing production. The Lincoln Land Institute report found CLTs and Shared Equity organizations show strength in key financial health indicators when compared to Community Based Development Organizations (CBDOs):

- CLTs and shared equity organizations are less likely to have a negative net income and are 9% less likely to be insolvent than CBDOs
- By holding more assets on average than CBDOs, CLTs and shared equity organizations are more resilient to market shocks and financial disruption.

Creating Permanent Affordable Housing without Inviting Displacement: Community land trusts are a proven model for scaling production of quality, affordable housing without leading to displacement. While land banks are seen as a tool to stabilize weak markets, where high vacancies threaten to collapse surrounding property values, investing through the Land Bank/Land Trust model protects affordability as the markets heat up, preventing the familiar pattern of displacement, socioeconomic segregation, and unequal access to amenities.

Lessons from Similar Efforts

While community land trusts and land banks exist throughout the country, historically they have not coordinated their work. However, recent reports by the [Lincoln Institute of Land Policy](#) and the [Center for Community Progress](#) argue that by partnering together, land banks and community land trusts can establish a reliable pipeline for the production and preservation of housing that is permanently affordable.

Our proposal is based on successful partnerships between land banks and CLTs initiated by local governments. For example, in 2018, the City of Houston, Texas launched the New Home Development Program in collaboration with the Houston Land Bank and the Houston Community Land Trust. This program aimed to provide affordable newly-constructed homes to buyers earning less than 80% AMI to preserve affordability in the midst of rising housing costs. Houston's approach demonstrates the efficacy of partnership between the three entities: the City,

the land bank, and the land trust. The City puts out the RFQ and selects the builder, leading the development process, while the Land Bank and CLT identify an income-qualified buyer. As we design our own development pipeline for Land Bank properties, the City could also assume this more active position. The Houston CLT also places a strong emphasis on creating homeownership opportunities for historically marginalized groups, with 96% of its homes owned by Black families, and 4% by Latino families. The emphasis on generational wealth creation opportunities for historically marginalized groups is something we hope to emulate.

Another successful example is in Atlanta, Georgia, where the Metro Atlanta Land Bank and the Atlanta Land Trust have had a longstanding partnership and strong support from the City of Atlanta. The Permanent Affordability Pilot Program was initiated by the land bank to transfer homes in neighborhoods at risk of gentrification to the land trust and neighborhood nonprofits. This model demonstrates the important role that CLTs can play in neighborhoods at risk of gentrification and displacement. Informed by this, our program will pay particularly close attention to high opportunity geographies that will soon see an influx of public and private investment, introducing affordable homeownership opportunities before it becomes cost-prohibitive.

The Lincoln Institute and the Center for Community Progress reports highlight obstacles in establishing stronger partnerships between land banks and CLTs. The main challenges are misunderstandings and misperceptions, both within the organizations themselves and in their communication with potential homebuyers. Land banks and CLTs have distinct but complementary goals—land banks are designed for weaker markets, while CLTs work well in stronger ones—and a lack of effective communication between them could undermine their collaboration. Our proposal draws lessons from these experiences by focusing on neighborhoods at a tipping point, where strategic land bank acquisition is feasible, but a CLT is necessary to preserve affordability in the long term. By designing our CLT with the land bank in mind and dedicating a 2-year period to strategic planning and capacity building, we aim to ensure seamless integration and coordination. Furthermore, we intend to partner with housing counselors to provide comprehensive homebuyer education to address concerns about the CLT model's limitations, enabling informed decisions by buyers and positioning shared equity homeownership along a pathway to traditional homeownership.

Alignment with Other City Initiatives

City staff have analyzed existing City-owned parcels to determine which parcels are best suited for development for affordable housing and identify vacant parcels to target for acquisition. They utilized data from the 2023 Housing Needs Assessment, Market Value Analysis, and integrated geospatial data through Toilemi. Staff considered factors including but not limited to proximity to community amenities, transportation networks, schools, childcare providers, walkability, potential for gentle density, potential public and private investment, and displacement risk. This has been done in close coordination with the Chattanooga Regional Planning Agency, as they finalize their comprehensive plan, an overall citywide growth framework with detailed area plans for all areas of Chattanooga. Each area plan considers demographics, natural resources, parks and greenways, commercial and industrial development, housing, transportation, and related topics. These plans, developed with extensive community feedback, provide guidance for new development, zoning changes, capital improvements, and conservation and are expected to be finalized in June 2024. Wherever possible, properties within 5-10 minutes walking distance from

high-frequency transit corridors will be prioritized for CLT properties, as an anti-displacement strategy.

Environmental Risks

Chattanooga has a history of industrial development, particularly in and adjacent to formerly redlined areas. There are more than 30 EPA designated Brownfield sites across the City. Therefore contamination of soil is a critical concern for environmental justice. In 2022, the City was awarded a total of \$4.9M from EPA to address our environmental sites, including an EPA Community-Wide Assessment Grant of \$500K. This grant will provide site environmental assessments for priority sites for developing affordable housing, including a few city-owned properties, with an expected completion date of September 2026.

All sites proposed for affordable housing development involving HUD subsidy will be required to undergo an environmental review under 24 CFR Part 58. This review will include analysis of all compliance factors under 58.5 and 58.6, as well as additional NEPA factors if an environmental assessment is required. For all environmental assessments, as well as environmental reviews that are categorically excluded subject to 58.5 that cannot convert to exempt due to compliance issues, the appropriate request for release of funds process will be followed and authority to use grant funds obtained. Per 58.22, no choice-limiting actions will be taken on any project until environmental clearance is achieved. Particular consideration will be given to evaluating the potential impact of environmental hazards on vulnerable populations, including site screening for toxic and environmental substances. Any contamination identified that could pose an adverse impact on a project site and/or its users will be appropriately remediated.

Extreme heat is also a climate change related threat, according to HUD's Community Resilience Toolkit. Like most places, Chattanooga has experienced above average temperatures in recent summers. Chattanooga's energy utility, EPB, offers energy efficiency testing and Smart Build certifications for contractors. We will explore requiring this or a similar qualification like Energy Star for any CLT home built using PRO Housing funds, as well as construction measures such as insulation and energy-efficient windows, to ensure residents avoid energy burden and can stay cool during summer months. Additionally, no CLT property shall be sited in a 100 year flood zone, as is common practice for affordable housing development currently.

Perceived Roadblocks

Two of the most likely roadblocks to our proposal, as well as possible mitigation strategies, are described below:

1. **Unexpected encumbrance on properties in the land bank inventory:** As stated in Section B, we will leverage NSP funds and are requesting additional \$800,000 in PRO Housing Funds to clear titles and conduct other critical pre-development work on Land Bank properties dedicated to the CLT. In this process, it is possible some properties will be determined infeasible for transfer or redevelopment, due to title and ownership issues, unknown environmental contamination, or other encumbrances. This is mainly a concern for the City's back-taxed properties. Any strategic acquisitions made with PRO Housing Funds will be substantially vetted prior to purchase.

- **Mitigation:** The City owns a significant number of scattered-site parcels beyond its back-tax inventory. These sites may be leveraged to replace the back-tax properties currently positioned for disposition through the Land Bank Authority.
2. **Significant decline in available or affordable properties available for acquisition:** As discussed in the needs section, the availability of land is constrained by competitive market conditions as well as legal and environmental factors common to Chattanooga (slope, flood risk, land held in trust). This may make it difficult to acquire property where there is a significant amount of investor-owned property or development pressure. While the city currently has a high number of vacant properties, it is difficult to predict how market conditions may impact the availability of land in target neighborhoods.
- **Mitigation:** The CLBA is not limited to back-tax properties. There are a number of other city-owned and publicly owned sites that are not being used to their highest and best use. Should land in high-opportunity neighborhoods not become available for the land bank to acquire, city staff can reexamine other publicly-owned assets that may be leveraged for affordable housing development. The Land Bank and CLT could use the acquisition funds to purchase homes through a buyer initiated model, set up a receivership program with faith based organizations who own land, or other creative shared equity models. The City of Chattanooga is also considering policy measures to disincentivize holding undeveloped land, through a vacant property registry ordinance, which may free up more land for development in the future.

Geographic Scope

Our public land disposition and acquisition strategy for seeding the Community Land Trust (CLT) is designed with a sharp focus on preventing displacement while creating and preserving affordable housing across the entire city. This initiative has the potential to impact the entire city of Chattanooga. In particular, we aim to provide affordable housing options in neighborhoods that are facing the highest risk of displacement pressures, while also ensuring new affordable homes are built in high-opportunity and high-amenity areas. We will prioritize parcels based on the following key factors:

- **Access to Amenities and Public Investments:** Properties near high-frequency transit lines, current and planned public investments in parks, recreational facilities, trails, commercial developments, employment hubs, schools, and grocery stores will be prioritized. These areas offer residents better access to jobs, education, and essential services, enhancing the overall quality of life and promoting long-term community sustainability. The City is working closely with the Chattanooga Area Regional Transportation Authority to identify locations that are appropriate for new transit-oriented development.
- **Alignment with Broader Planning Initiatives:** Our proposal aligns with ongoing citywide planning efforts to diversify housing stock and promote walkable, mixed-use neighborhoods. We will target areas where zoning changes allow for gentle density increases, such as duplexes or triplexes, as well as mixed-use developments along

multimodal corridors. This ensures that CLT investments are made in communities where future growth can support both economic vitality and affordability.

- **Leveraging Public Investments:** We will also target areas that are expected to benefit from future public investments, such as the new Parks Plan, the Alton Park Connector Trail, and the emerging Stadium District. While public investments in infrastructure and amenities often spur neighborhood revitalization, they can also lead to displacement. By acquiring land in these areas now, we aim to preserve long-term affordability before rising property values push out current residents.

Market Typologies: [2023 Market Value Analysis](#) informs our understanding of local housing markets, helping us identify:

- **Strong Markets:** Areas near the urban core or high-frequency transit corridors identified as A, B, and C in the MVA (shown in purple and blue on the map). Acquiring land in these areas will help preserve affordability in high-demand markets.
- **“Tipping Point” Neighborhoods:** Middle and weak markets (D-F on the map) adjacent to strong markets. These neighborhoods, especially those near forthcoming public or commercial investments, are at risk of rapid property appreciation. CLT investments here will stabilize the market, preventing displacement and ensuring affordable housing options remain available as market pressures increase.
- **High Displacement Risk Areas:** Areas where property values have recently increased significantly compared to median incomes will be given priority. These neighborhoods are particularly vulnerable to gentrification and displacement, and strategic CLT acquisitions will help maintain affordability for existing residents.

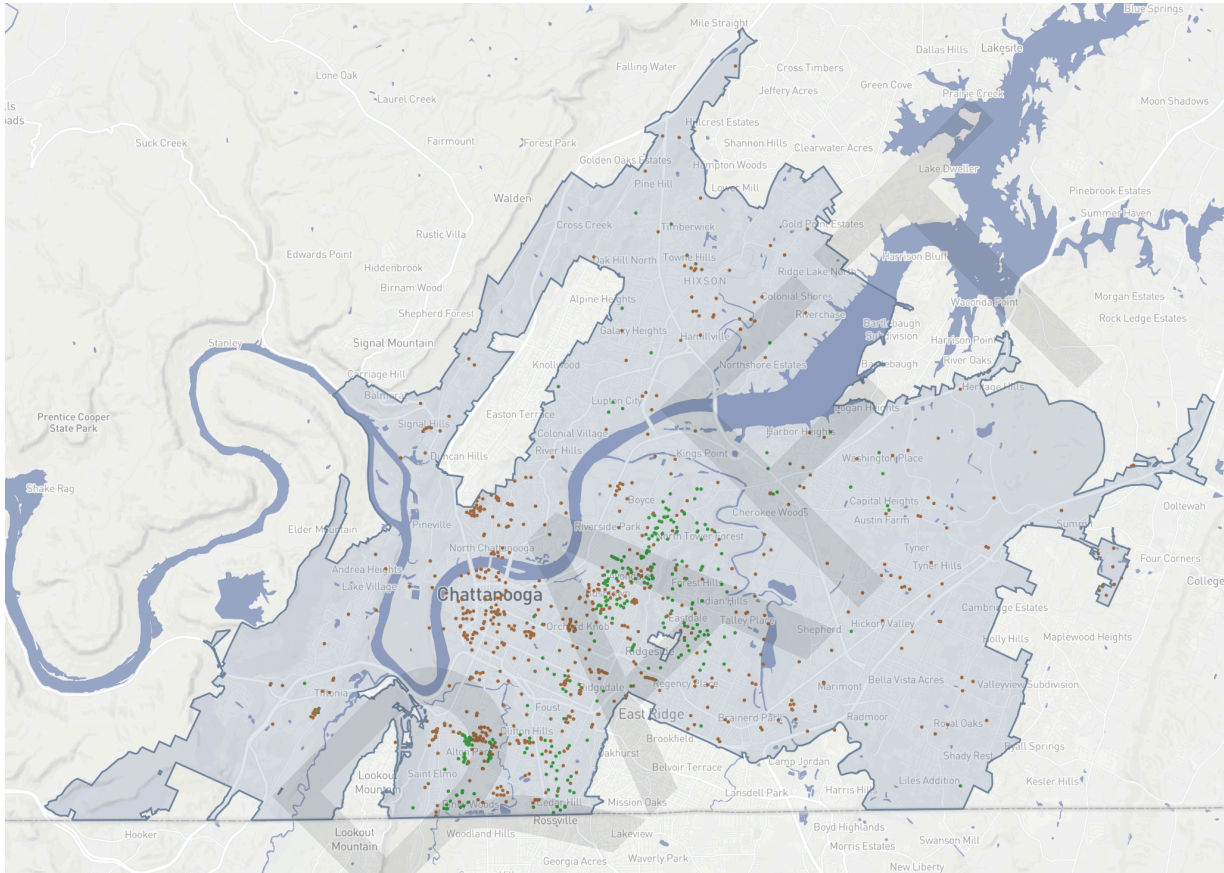
By focusing on these criteria, our acquisition and public land disposition strategy is designed to cover a wide geographic scope, addressing both high-opportunity neighborhoods and those at risk of displacement. Focusing on an anti-displacement lens, we will not only preserve housing affordability in areas vulnerable to gentrification, but also ensure that low- and moderate-income residents have access to the opportunities and public investments that are reshaping Chattanooga. The result will be a more inclusive city where residents can thrive without being priced out of their neighborhoods.

We have undertaken an extensive analysis of the tax foreclosed parcels in the City’s inventory and have identified five neighborhoods that include a high concentration of potentially developable parcels and are facing or poised to face increased market pressure. These include Alton Park, a historically Black neighborhood that contains amenities including a high-frequency transit service, urban trails, and new neighborhood parks. The City recently invested 000 to build the Alton Park Connector, a shared use path along a former rail line that connects the neighborhood to the City’s main pedestrian and bike trail network. Although it was rated as an “F” market in the MVA, with current median home sales of \$99,869, this neighborhood is adjacent to an [\\$8 billion Stadium Development](#) that is driving new investment and development in the neighborhood. Through this project, we are looking to leverage public assets in high opportunity neighborhoods like Alton Park where displacement risks to longtime residents are high. While this project is somewhat geographically constrained by the location of City-owned land (see map below), we are also requesting \$1 million to strategically acquire properties in

Exhibit D: Soundness of Approach

high value neighborhoods to ensure that there are opportunities for affordable housing across the entire city.

Land Bank Properties and Public Land Inventory



Map shows back-tax and surplus parcels for the Land Bank in green and all other public land in brown.

Maps and analyses through tools like Building Blocks will be used to guide our land acquisition decisions, and we will continuously evaluate the geographic scope of our efforts to ensure we are reaching a broad and diverse range of communities.

Expanding Geographic Scope in the Long-term: These funds will be invested in housing development in the Chattanooga city limits, though as the CLT scales over the long term and as housing needs and development trends evolve, it may be appropriate for the CLT to acquire and build affordable housing efforts in Hamilton County and the Chattanooga Metro Area. Additionally, the CLT model developed by technical assistance providers and selected CLTs may include buyer initiated shared-equity purchases that extend beyond the geographic priority areas of Land Bank properties.

Key Stakeholders and Engagement Strategy

Our proposal has been shaped by the input of key stakeholders, including community advocacy groups, affordable housing developers, public agencies, and residents most impacted by housing challenges in Chattanooga. To ensure that the proposal reflects the needs of those it seeks to serve, we conducted outreach early in the process to build support, solicit feedback, and engage those most likely to benefit from this initiative. Our engagement strategy includes ongoing collaboration with these stakeholders throughout the grant's performance period to ensure transparency, accountability, and meaningful community participation.

For several years, our affordable housing ecosystem has been advocating for a permanent affordability mechanism. Community land trusts (CLTs) have gained significant interest due to their proven track record in ensuring long-term affordability. In 2020, the Chattanoogaans in Action for Love, Equality & Benevolence (CALEB), with support from Burlington Associates consultants, published a [CLT Feasibility Study](#). The study concluded that a city-wide CLT would be one of the most efficient and effective ways to use local housing subsidies. Conversations with our housing development partners revealed that while the idea of a CLT has been explored for years, the right catalyst has not yet emerged. CALEB has the community organizing capacity, and organizations like Chattanooga Neighborhood Enterprise (CNE) and Habitat for Humanity have the development capacity, but the lack of affordable land and seed funding has prevented them from moving forward on their own.

Despite these challenges, the idea of CLTs continues to surface. During negotiations around the community benefits agreement related to the city's Tax Increment Financing (TIF) for a new stadium, the community called for a CLT to protect against displacement. More recently, as the City has been preparing RFPs for the first round of CLBA properties, calls for permanent affordability have come up again, from residents, community advocates, and elected officials.

We also consistently receive feedback that the lack of a clear and transparent public land disposition process has frustrated partners and blocked innovative, community-centered development projects. We also brought together a roundtable for small local developers and asked what barriers they were facing to develop affordable housing. The availability of developable land was unanimously identified as the most significant barrier. These developers, who often grew up in the same communities they work in, expressed a desire to build in a community-oriented manner, but feel pressure from speculators willing to pay above-market prices. The developers were interested in a mechanism to protect their land against speculation and a vehicle through which they would know their properties would be permanently affordable and an asset to their communities.

To develop this grant application, we have actively engaged the following key stakeholders early in the process through informational interviews, shaping the proposal's direction and ensuring alignment with community needs. It is as a result of their input and desire to see a mechanism for permanent affordability in Chattanooga that our proposal focuses so explicitly on seeding a CLT.

Community Advocacy Organizations:

- **Chattanoogaans in Action for Love, Equality & Benevolence (CALEB):** CALEB, a coalition of faith communities, labor unions, nonprofits, and individuals, has been a

long-standing advocate for affordable housing in Chattanooga. Their 2020 [CLT Feasibility Study](#), conducted in collaboration with Burlington Associates, emphasized the potential of a city-wide Community Land Trust (CLT) as a key solution to Chattanooga's affordability challenges. CALEB has been deeply involved in discussions around permanent affordability and remains a key partner in developing this proposal. Their community organizing capacity will be instrumental in engaging grassroots support for the CLT model.

Affordable Housing Developers:

- **Chattanooga Neighborhood Enterprise (CNE):** as a major contributor to the housing ecosystem in Chattanooga through real estate development, homebuyer education and financial counseling, and community development initiatives, CNE has long advocated for innovative affordability mechanisms. CNE currently manages the City's downpayment assistance and first time home-buyer program. CNE has engaged City leadership on CLTs in the past and is a long-standing partner.
- **Habitat for Humanity of Greater Chattanooga Area:** the City's most significant partner in developing affordable homes for first time homebuyers. Building on the Feasibility Study conducted by CALEB, Habitat for Humanity has explored the use of a community land trust model to help qualified buyers achieve homeownership while ensuring long-term affordability. They have board support to pilot a shared equity model to develop 17-21 affordable townhomes in a high opportunity, strong market neighborhood in Chattanooga.

Public Agencies:

- **Chattanooga-Hamilton County Regional Planning Agency (RPA):** jointly operated by the city and county, is actively addressing regulatory barriers to make housing more affordable. They were instrumental in passing an ordinance in May 2022 to allow accessory dwelling units city-wide. RPA drafted the recently-passed comprehensive zoning reform and is finalizing its comprehensive plan that includes transit-oriented development zones, simplified permitting, expanded by-right development, and potential upzoning. We are working hand-in-hand with RPA to ensure this process aligns with our goals to create a range of housing typologies in areas targeted for land bank acquisition and CLT investment.
- **City of Chattanooga Parks and Outdoors Department:** The department is working to implement equitable park and trail improvements without displacing residents. We are collaborating with them to ensure that public investments in open spaces align with our affordable housing strategy, particularly in areas with land bank acquisitions for CLTs.

In addition to these key stakeholders, we will continue to engage our other affordable housing partners, faith-based organizations, lenders, philanthropic foundations, and resident groups as this proposal materializes. We will rely on partnerships with the following City Agencies to do so:

- Community Programs and Outreach
- Community Engagement
- Office of New Americans
- Neighborhood Services

- City of Chattanooga’s Parks and Outdoors Department

To prepare this application, input was also solicited from the community at large. The City's Citizen Participation Plan provides the framework and process by which citizens receive a reasonable notice and an opportunity to comment on plans and performance reports. The City posts notices of all meetings, available plans, and HUD funding allocations on the City's website, department newsletter, and the local newspaper.

During the comment period, copies of the application were made available online and at City Hall. All reports are available online and at the CD Office. The City hosted a public meeting on October 1st, 2024 to solicit additional feedback.

Extended Engagement During Grant Implementation: If awarded, our engagement strategy will include ongoing input from a Community Advisory Board, which will be created to provide feedback throughout the grant’s performance period. The board will consist of members of LMI and vulnerable populations, City staff, community leaders, housing development partners, and philanthropic partners. It will meet regularly to ensure transparency and accountability in decision-making.

Action Plan for Community Outreach

- **Public Meetings & Listening Sessions:** To be organized in collaboration with CALEB and CNE, focusing on identifying resident priorities.
- **Site Specific Engagement Sessions:** To be organized in collaboration with the Chattanooga Design Studio to work with residents to create a vision for specific parcels of city-owned land.
- **Partnership with Local Organizations:** Leveraging existing relationships with faith-based groups and housing advocates to extend outreach to hard-to-reach populations.
- **Feedback Mechanisms:** Establishing online platforms and surveys to allow continuous input throughout the grant period.

By centering community voices from the outset and throughout the performance of the grant, we aim to create sustainable and equitable housing solutions that reflect the needs of Chattanooga’s diverse population.

Affirmatively Furthering Fair Housing

Chattanooga's 2023 Housing Needs Assessment and Market Value Analysis highlight enduring racial disparities in housing. Black households in particular face greater barriers to accessing homeownership and less affordable rents at all income levels. Our proposal aligns with AFFH requirements by promoting equitable housing access, creating opportunities for permanent affordability in gentrifying neighborhoods where the majority of households of color live, expanding housing options and wealth-building opportunities for households of color and low- and moderate-income families, and increasing the capacity of community-based organizations.

Exhibit D: Soundness of Approach

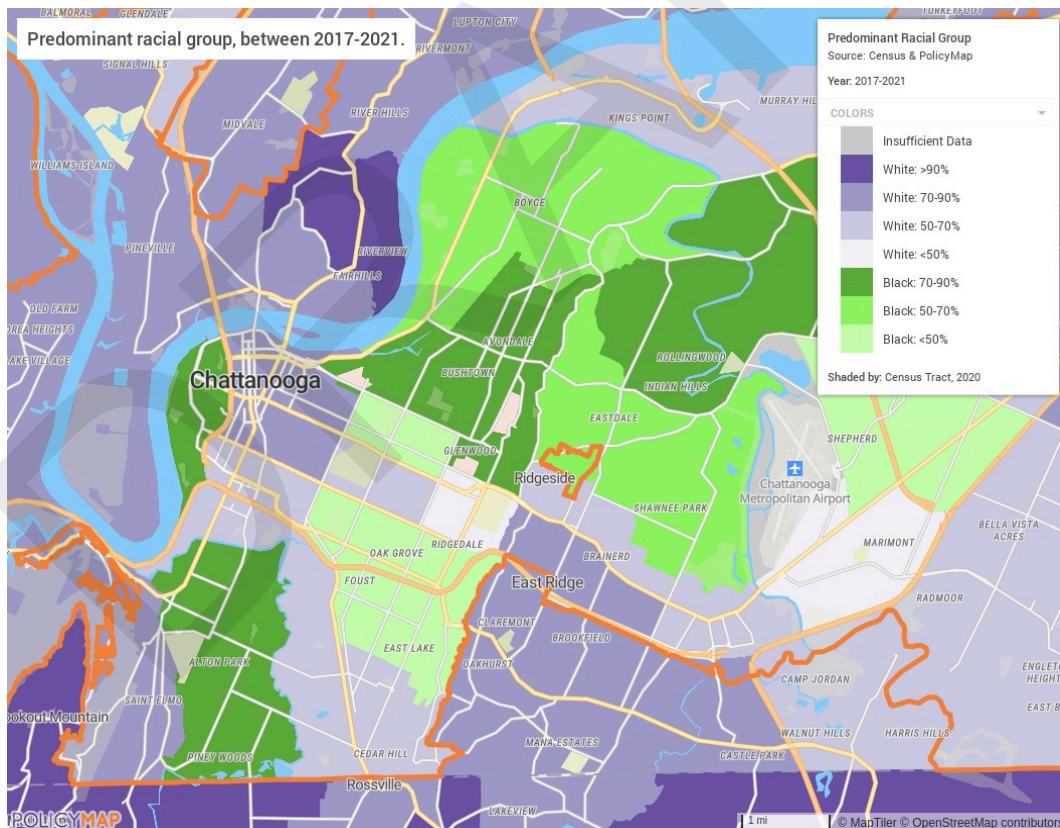
We aim to remove barriers to affordable housing in well-resourced areas of opportunity by acquiring land in these areas and developing permanently affordable units, which can be held in perpetuity by a community land trust.

Underlying Disparities Create Unequal Buying Power in Chattanooga’s Tipping Markets:

Over decades, racist policies and practices, including intentional disinvestment, have shaped Chattanooga’s neighborhoods. Chattanooga’s [2023 Market Value Analysis](#) reveals how Chattanooga’s population is still de facto segregated, with a much higher proportion of communities of color living in its most stressed markets, as described in the Need narrative and shown in the map below.

Desegregation and Deconcentration of Poverty: Underlying disparities in income and access to credit put typical Black residents who are prospective homebuyers at a disadvantage in a competitive market like Chattanooga. As housing prices increase and more new development occurs in historically BIPOC neighborhoods, they tend to become more racially mixed as white residents with greater buying power move in. **By preserving affordable housing in gentrifying neighborhoods, we will also promote more racially mixed communities.**

Predominant Racial Groups in Chattanooga, TN



The community land trust model provides wealth-building opportunities for households for whom fee-simple home ownership may otherwise be out of reach. Well-structured and equitable CLT deals ensure buyers will benefit from appreciation as they would in the typical housing

market, while providing prices that are aligned with the amount buyers qualify for through their first mortgage. CLTs can support a range of income levels in a range of neighborhoods across the city, granting Non-white residents more choice and economic mobility. In addition, with permanent affordable models, housing subsidies stay within the home and community, providing continued access to affordable housing for current and future generations.

Diversifying Choices through Strategic Acquisition for the Land Bank: The land bank can help guide development through strategic acquisition and targeted investments in historically marginalized neighborhoods. The land bank will work closely with the Regional Planning Agency and other partners to strategically align acquisition with public investment in transportation, infrastructure, parks, and other critical community amenities. At the same time, the community land trust can help to preserve long-term affordability in tipping point neighborhoods with the most risk of displacement and gentrification. By investing in middle-income neighborhoods at risk of displacement, we ensure a balanced distribution of affordable housing options in racially mixed neighborhoods.

Addressing the Unique Housing Needs of Protected Class Groups: We expect the racial composition of the beneficiaries of these programs to be similar to other homeownership support programs. In a recent analysis of their Homeownership Program, Habitat for Humanity of Chattanooga found that their participants are predominantly Black, female heads of household, with single mothers comprising 90% of their future homeowner pipeline for new home builds and those with disabilities comprising 5% of future homeowners. Fifty-three percent of families assisted with CDBG funds in 2022-2023 were non-White, and 48% were Black.

- **Persons with Disabilities:** All housing built under our proposal would be required to comply with the applicable accessibility provisions of the Americans with Disabilities Act (ADA) and the Fair Housing Act. We will collaborate with service providers to facilitate independent living for people with disabilities, offering access to supportive services and community transportation.
- **Families with Children:** We will consider the unique needs of families with children by creating safe, family-friendly housing options with a diverse mix of bedroom sizes. Land acquisition will take into account proximity to amenities including schools and parks.
- **Underserved Communities of Color:** The racial composition of beneficiaries will reflect our commitment to equity. We expect a diverse mix of beneficiaries, including communities of color who have traditionally been denied access to homeownership.

Consistency with Con Plan: Chattanooga's 2020-2024 Consolidated Plan identified five impediments to affirmatively furthering fair housing:

1. **Minorities are more likely to be economically disadvantaged and live in areas where they have less access to economic opportunities.** We address this by creating wealth-building opportunities for economically disadvantaged populations through permanent affordable housing.
2. **Minority children and children with English language barriers live in areas that limit access to a quality education.** Our proposal indirectly addresses this by investing in neighborhoods with better access to quality education and services.

3. **Low income persons with disabilities, minorities, and people with English language barriers have disproportionately fewer housing choices.** We aim to provide more housing choices, especially for minorities and low-income individuals, addressing this impediment directly.
4. **Neighborhoods with a high concentration of minorities and poverty are not neighborhoods of choice, with higher rates of blight and crime, and less access to jobs, public transportation, and neighborhood services.** Our investments in distressed neighborhoods aim to improve quality, reduce blight, and enhance safety, making these neighborhoods more attractive.
5. **Fair Housing education and advocacy are not widespread.** While our proposal primarily focuses on housing development, we acknowledge the importance of fair housing education and advocacy and support these efforts. The City is addressing Fair Housing education through a separate initiative.

Reducing Displacement: While public investment in historically underserved neighborhoods can contribute to gentrification and displacement, community land trusts are a proven model for scaling production of quality, affordable housing without leading to displacement. We will proactively seek to reduce displacement driven by market pressure by strategically acquiring properties in areas most at risk of displacement, as determined by an analysis conducted by The Reinvestment Fund, which measures displacement risk by comparing resident income from a fixed year (2017 for Chattanooga) to the median sale prices at a block group level. The higher the ratio, the more unaffordable an area has become to an original resident from 2017. We plan to target areas where the displacement ratio has increased from 2.69 in 2018/2019 to 3.76 in 2021/2022.

All property acquired through the land bank or the community land trust will be vacant and will not require the displacement of existing tenants. However, in the event of unforeseen displacement of existing tenants, the City will follow its Residential Anti Displacement and Relocation Assistance Plan (RARAP) to mitigate the impacts of such displacement.

Implementation and Enforcement: The City will be responsible for implementing the grant and ensuring compliance with all federal requirements. The Housing and Community Investment Division of Economic Development has created written policies and procedures relative to operating CPD programs, including monitoring. Funded subrecipients/partners are provided information, training, and technical assistance, as necessary based on the size and complexity of the project/program/activity. Subrecipients/partners receive training on cross-cutting federal requirements prior to signing a contract. All contracts contain language relative to compliance with funding requirements.

Generally, the CD staff conduct on-site annual monitoring of all subrecipients and programs. This is in addition to desk monitoring. Monitoring visits assist in determining if the subrecipient is carrying out its program and activities within the timeline denoted in the contract and ensures that the required records are maintained to demonstrate compliance with applicable regulations. Adequate documentation is required for all funding reimbursement requests. A CD staff member is present at all pre-construction meetings to ensure adherence to requirements involving Davis Bacon and minority business outreach.

Engagement of Minority-, Women-, and Veteran-Owned Businesses: The City will engage its Supplier Diversity Program and Minority Business Task force to offer partnership and provide referrals to the CLT to maximize diversity, equity and inclusion in contracting.

Evaluation and Tracking: The City’s Housing and Community Investment Division (HCI) collects, analyzes, and monitors data to identify underserved areas and track progress made in targeted areas. In considering activities for funding, HCI reviews neighborhoods on the basis of the following criteria: location, amount of investment, proximity to other investment, and ability to sustain and leverage City/Federal investment. We will evaluate the impact of our proposal on desegregation, equitable access to opportunity areas, and de-concentration of affordable housing. This evaluation will use key performance indicators and data analysis to assess our progress. We will actively track our progress in promoting racial equity in our grant activities, ensuring transparency and accountability.

Affirmative Marketing: We will engage in broad affirmative marketing efforts and aim to reach a diverse range of potential beneficiaries through our marketing campaigns. We will work closely with the City’s Director of New Americans and the Office of Community Outreach and Engagement to reach demographic groups unlikely to apply without specific outreach efforts. We will also actively engage with the local lending community and housing counselors to support potential participants in addressing credit challenges that may be a barrier to engagement.

Developers will be required to engage in affirmative marketing to target persons identified as “Least Likely to Apply” due to their representation in the housing market and to make such persons aware of available affordable housing opportunities. The city of Chattanooga ensures that project partners make all federally-assisted units available to all qualified individuals regardless of race, color, religion, sex, familial status, disability, national origin, sexual orientation, and gender identity. Guidance is provided to partners in advertising and selecting potential tenants. Monitoring visits will be performed on all projects funded through this grant, including checking records of advertising and outreach activities.

The minimum affirmative marketing efforts required of developers will include, but are not limited to, the following:

1. Informing the public, owners, and potential tenants about Federal Fair Housing Laws and the City’s Affirmative Marketing Policy (e.g., the use of the Equal Housing Opportunity logotype or slogan in press releases and advertisements, written communication to fair housing and other groups).
2. Displaying the Fair Housing poster in view of any potential tenant, owner, and the public.
3. Using community contacts for marketing such units and reaching out to inform and solicit applications from persons who would not likely apply without special outreach (e.g., neighborhood associations, community development corporations, places of worship, employment centers, fair housing groups, or housing counseling agencies).
4. Maintaining records that describe the actions taken to affirmatively market units and in such form to assess the results of these actions.

Exhibit D: Soundness of Approach

The Community Land Trust will also be responsible for developing an affirmative marketing strategy for all of its properties. This will be a focus of technical assistance during the startup phase of the CLT.

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Budget and Timeline

Budget Table Summary							
Cost Allocation	Eligible Activity	HUD Pro Housing Request		Proposed Leverage		Total Funding Committed	Nat'l Objective Targeted
		Requested Amount	% of Request	Committed Resource	Amount Committed		
Project Delivery	Executive Director, CLT	\$528,164	7.6%			\$1,312,084	LMI Income
General Grant Administration and TA	Grant Administration	\$338,270	4.8%	Staff - Director of Housing Policy, Housing Analyst, Fiscal Analyst	\$352,219	\$452,816	N/A
	Technical Assistance / Planning	\$400,000	5.7%	General Fund - Plans & TA (Non-Consumable materials, Consultants)	\$612,300	\$1,012,300	
Direct Costs - Land Bank	Pre-Development	\$808,928	11.6%	NSP I Funds - Predevelopment Costs	\$773,572	\$1,582,500	- Slums & blight - LMI Income
	Acquisition	\$920,000	13.2%	Donated LBA Properties	\$4,442,210	\$5,362,210	
Direct Costs - Community Land Trust	Subsidy	\$4,000,000	57.2%	Community Foundation Subsidy	\$10,000	\$4,010,000	LMI Income
Total	Total Requested Amount	\$6,995,363	100.0%	Total Leveraged Amount	\$6,190,301	\$13,731,910	
	Total Admin/TA	\$738,270	10.6%	% of Total Ask	88.49%		

Industry Standards and Research to Inform Budget

- **CLT Technical Assistance:** This estimate assumes a two-year contract with a small team of expert consultants, who would travel to Chattanooga to meet with stakeholders frequently. This estimate is based on other City contracts with similar scopes of work.
- **Staffing:**
 - **City Staff (Grant Administration and Land Bank Staff):** These are positions that would be situated in the City of Chattanooga government. Costs are informed by standard hourly rates and benefits for Community Development Specialists and Director level positions in the Housing Division.
 - **CLT Staff:** Staffing estimate is based on the salaries suggested for a CLT Stewardship Manager and Program Administrator in the CLT Feasibility Study. We combined these two roles into one CEO position to position the CLT to attract a talented leader.

- **Predevelopment Funds:** It is difficult to assess the total amount needed per property without starting evaluation and work of specific properties, but based on quotes received for title clearing, environmental assessments and mitigation, surveys, lot clearing, and other pre-development work, we expect a significant investment will be needed to ready Land Bank properties for development.
- **Acquisition Fund:** The acquisition fund is set aside for the Land Bank to acquire high-opportunity parcels in strong market neighborhoods to be leveraged for affordable housing development.
 - **Methodology:** 1) Identify residential properties likely to be vacant land or structures using MVA and Tolemi vacancy data 2) Calculate median property value properties and average property values for those parcels using most recent Assessor’s data on appraised values (see chart below). 3) Increase median property value 30% to account for increased value since 2021 and future growth.
 - Given the median value of vacant properties is estimated to be \$29,250 and the average value is estimated to be \$92,132, we believe \$920,000 would enable the Land Bank to acquire 23 properties at an average cost of \$40,000.
- **Subsidy:** The subsidy estimates were based on the feasibility analysis done by Burlington Associates and other research on building sustainable CLTs, as well as Chattanooga’s Homebuyer Assistance program the City currently offers to 80% AMI buyers, who are currently offered \$40,000-50,000 as forgivable loans.
 - Assuming we provide this amount in subsidy to the typical eligible CLT property, we estimate that 80-100 CLT homes will be served with \$4 million.

Note on Assumptions for Subsidy: We assume some CLT properties will require “layers” of subsidy to create a range of affordability for renters and buyers earning under 80% AMI, including donation of land, direct subsidy, and predevelopment assistance. Additionally, the CLT partner may develop a buyer-initiated model or other acquisition strategies, which could be eligible uses for direct subsidy regardless of whether the property was donated through the Land Bank. Direct subsidy will be available as gap financing as needed to ensure that CLT properties are affordable to households at 80% AMI and below, and the CLT partner will be required to submit pro formas and other documents demonstrating need.

Impact of Reduced Award: While the donated land will certainly reduce the cost of housing developed on Land Bank parcels, it is typically not enough of a subsidy to make homeownership affordable to households earning less than 80% AMI. To create homeownership opportunities for low- to moderate-income households, we have budgeted a \$40,000 subsidy for 100 homes from the HUD PRO Housing grant award. Should the HUD PRO Housing grant be less than the \$6,995,362.82 requested, we would reduce the amount of funding set aside to subsidize CLT properties by the unawarded amount. As a result, the CLT homes would likely be unaffordable to households earning 60-80% AMI, and the CLT would need to find buyers making 80-100% AMI who can afford the purchase without additional subsidy. That said, projects developed on CLBA parcels are also eligible to apply for HOME funds, the City’s Affordable Housing Payment in Lieu of Taxes program (rental), and homebuyers making less than 100% AMI are eligible for the City’s Down Payment Assistance program. The CLT could leverage these funds to provide housing opportunities to lower-income families.

The focus on technical assistance and creating the pipeline of land bank properties for development in the first two years are critical to addressing Chattanooga’s barriers to housing

Exhibit D: Soundness of Approach

development. At a minimum, this initiative requires \$2,995,362.82 to establish a CLT and move city-owned parcels through the Land Bank. However, the \$4 million requested for CLT subsidy is directly correlated with the CLT’s ability to provide homeownership opportunities to households making 80% AMI. For this reason, we believe full funding is necessary to serve those households likely to be priced out of Chattanooga in the future, particularly Chattanooga’s Black households.

Budget Timeline

<i>HUD Pro Housing</i>		2025	2026	2027	2028	2029	2030
<i>Leverage</i>		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Grant Management							
Grant Administration and TA (staff, non-consumable materials)		\$738,270					
		\$964,519					
Land Bank Activities							
Donated City properties		\$4,442,210					
Pre-development, legal, & maintenance		\$773,572			\$808,928		
Land acquisition		\$920,000					
Community Land Trust Activities							
Technical Assistance / Planning		\$400,000					
Executive Director, CLT				\$528,164			
Direct Subsidy				\$4,000,000			\$10,000

Project Timeline

Year 1 (2024-2025): Laying the Foundation

- **Milestones:** Award RFP for the first 11 CLBA parcels; Establish CLT Advisory Committee.
- **Key Tasks:**
 - Launch RFP process and donate the first 11 CLBA parcels;
 - Hire consultants for technical assistance.
 - Create a CLT Advisory Committee comprised of City staff, Land Bank Authority Staff, community leaders, housing development partners, philanthropic partners and members of LMI and vulnerable populations;
 - Lead community engagement specifically on which type of CLT that would meet Chattanooga’s housing needs;
 - Identify CLT partner or partners and establish the entity;

Year 2 (2025-2026): CLT Setup & Property Disposition

- **Milestones:** Select CLT partner; move 15-35 additional parcels through the CLBA.
- **Key Tasks:**

Exhibit D: Soundness of Approach

- Select model for permanent affordability that best responds to specific needs of Chattanooga and its housing ecosystem and develop a strategy for the CLT to facilitate permanently affordable housing
- Continue community engagement
- Establish CLT operational policies; continue community engagement.
- Move 15-35 parcels through CLBA with predevelopment support.
- Hire CLT Executive Director.

Year 3-5 (2026-2029): Seed CLT & Scale the Program

- **Milestones:** Build first permanently-affordable home. Reach 100 redeveloped city-owned properties
- **Key Tasks:**
 - Allocate \$4M in direct subsidies to the CLT;
 - Continue putting 20-25 city-owned parcels out for affordable housing development annually;
 - Execute the strategy prepared for the CLT with the assistance of the consultants.

Year 6 (2029-2030): Evaluation & Sustainability

- **Milestones:** Comprehensive program review; Sustainability strategy developed.
- **Key Tasks:**
 - Conduct full evaluation of CLT and CLBA activities;
 - Develop long-term strategies for housing affordability and future growth;
 - Secure funding and partnerships to sustain and expand CLT initiative.

EXHIBIT E: CAPACITY

City of Chattanooga PRO Housing Application

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Capacity

The City of Chattanooga will lead the implementation of proposed activities. Specifically, the Chief Housing Officer, Nicole Heyman, and members of the Housing and Community Development Division will serve as project managers, direct activities and oversee partner contributions. Nicole is an expert in equitable and place-based code enforcement strategy. She also served as vice president and director of Louisiana initiatives at the Center for Community Progress, where she helped eliminate 10,000 vacant and abandoned properties in post-Katrina New Orleans. Nicole Heyman has an extensive background partnering with a diversity of stakeholders spanning from individual residents to nonprofit and municipal leaders as well as state and national policymakers. She previously served as director of the Mayor's Office of Community Assets and Investment in New Orleans, leading a team of policy and data specialists to address problem properties and invest in equitable development.

Megan Miles, Director of Housing Policy, and Hanneke van Deursen, Bloomberg Harvard City Hall Fellow, will also provide critical implementation support. Megan has extensive experience collaborating with public, for-profit, and nonprofit agencies to provide integrated planning and collaboration around public investments. She was responsible for implementation of Denver's HUD Choice Neighborhood Implementation Grant, including community outreach, partner coordination, event planning, data collection and reporting. As a program manager for the Denver Housing Authority, she developed an anti-displacement strategy to support low- and moderate-income residents in rapidly gentrifying neighborhoods in Denver, and built a *promotora* program that connected thousands of predominantly Limited English Proficiency and Hispanic residents and business owners to critical housing resources. Megan has led the City of Chattanooga's work to reconstitute the Chattanooga Land Bank Authority and develop a comprehensive disposition strategy for publicly-owned land.

Hanneke van Deursen came to Chattanooga through the Bloomberg Harvard Center for Cities, where Mayor Tim Kelly participated in the center's City Leadership Initiative. Her two-year fellowship is fully sponsored by Bloomberg Philanthropies to support cities in developing and deepening capabilities to address pressing municipal challenges. Hanneke was trained as an architect and pivoted to affordable housing policy design in her graduate work. She published a comprehensive overview of the Dutch social housing system through the Joint Center for Housing Studies, covering its history, governance, and financing mechanisms. Now, she is focused on reshaping U.S. policy and financing models to create a more equitable and efficient affordable housing system. In her first year in Chattanooga, Hanneke designed the new affordable housing PILOT program, successfully advocated for lower lot minimums and more allowed housing types in the new zoning code, created public-facing materials that use data to articulate Chattanooga's housing needs, and is currently designing an innovative program for the city's \$20 million housing production fund.

The Bloomberg American Sustainable Cities (BASC) initiative, launched in March 2024, is a three-year program designed to accelerate 25 U.S. cities' efforts to build low-carbon, resilient, and economically thriving communities by leveraging historic levels of federal funding. As one of the selected cities, Chattanooga is receiving a three-person, Bloomberg Philanthropies-funded innovation team (i-team) with specialized expertise in data analysis, human-centered design, systems thinking, and project management. This team adds critical capacity by providing a dedicated focus on anti-displacement. The i-team will apply its skills to conduct root cause

analysis, develop insights, and design innovative solutions that ensure the CLT model addresses Chattanooga's specific challenges, particularly in historically marginalized communities. Their involvement ensures the CLT initiative is not only responsive to the immediate housing needs of the community but is also integrated into the city's larger vision of equitable and sustainable development.

The Housing and Community Investment (HCI) division will support grant management and compliance with federal regulations. HCI is led by Sandra Gober, a veteran administrator with over thirty years of experience managing federal grants for the City. HCI has a staff of seven who are trained in HUD reporting and grant management systems including IDIS, DRGR, HEROS, and eLOCCS. Combined, the team has nearly 70 years of experience managing HUD grants, including annual allocations of CDBG, HOME, and ESG funds as well as special allocations such as the Lead Hazard Control and Healthy Homes grant and the Neighborhood Stabilization Program. HUD's most recent remote monitoring of the City of Chattanooga HOME Investment Partnerships Program found no findings and no concerns. The City of Chattanooga has never had a program terminated for cause or failed in achievement of goals. In addition, the City of Chattanooga and Chattanooga Housing Authority was awarded a \$50 million HUD Choice Neighborhoods implementation award in 2024, a testament to the partnership between the Housing Authority, the City, and our partners.

Community Land Trust: As part of this proposal, the City will procure a technical assistance provider that specializes in organizational development and operational planning for newly-formed community land trusts to lead the community engagement process, support the selection process of a CLT partner, assist in crafting policies and programs in support of permanently affordable housing, and serve as support to the CLT for the first two years of its existence.

Software:

- Project Management – Monday.com; Google Suite
- Grant Management – Amplifund
- Data analysis – Building Blocks by Tolemi, a data integration & insights platform that helps local governments harness the power of all their data; ArcGIS

Additional City departments that will play a role in the management of this grant include: Grants Department, Finance and Procurement, GIS department, Department of Equity and Community Engagement, Department of Economic Development

Project Management and Internal Capacity

As a recipient of federal funds and a local government with a AAA bond rating, the City of Chattanooga is well-positioned with the technical and financial capacity necessary to implement federal funds. Additionally, the City's Office of Equity and Community Engagement helps ensure that DBEs are competitive in the purchasing process for all city bids and solicitations. The City of Chattanooga is also compliant with civil rights obligations and nondiscrimination laws, including Title VI of the Civil Rights Act of 1964 and implementing regulations (49 CFR § 21), the Americans with Disabilities Act of 1990 (ADA), and Section 504 of the Rehabilitation Act, and accompanying regulations.

Exhibit E: Capacity

When performing procurement functions, City of Chattanooga departments and agencies are required to follow the City's written procurement policies and procedures established under the authority of Chapter 2 Administration, Article V Purchases, Contracts and Property Disposition of the City of Chattanooga Code Annotated; Part 3 - the Municipal Purchasing Law of 1983, Tennessee Code Annotated 6-56-301, et seq.

The City's policies and procedures conform to procurement standards identified in 2 C.F.R 200.318 through 200.327. They include standards of conduct covering conflicts of interest and governing actions of employees engaged in procuring goods and services, and in selecting, awarding and administering contracts. Sub-recipients, sub-grantees and partner entities are also required to have written standards that comply with the requirements under the same regulations.

Flow-of-funds occurs through legal documents such as legal MOU, sub-grantee, or contract agreements. Terms are met before invoices are reviewed, approved, and paid.

The City's Department of Finance and Administration is responsible for managing all the fiscal affairs. The department provides financial and management information, control, and guidance. Staff also assists in development of processes and procedures to ensure compliance with applicable federal, state and local laws and ordinances. The City's grant administration is based on 2 CFR 200 whenever Federal grants funds are used.

Leadership Capacity and Legal Authority

Chattanooga Land Bank Authority's purpose is to do business as a land bank as prescribed by the Land Bank Pilot Program, codified in Tennessee Code Annotated Section 13-30-101, et seq., by returning non revenue generating, non tax producing, or blighted property in the City of Chattanooga to a productive use in order to provide market and affordable housing, public space, new industry and jobs. Chattanooga Land Bank Authority is a Tennessee nonprofit public benefit corporation recognized as tax exempt under Section 501(c)(3) of the United States Internal Revenue Code. The corporation is authorized to file an action to quiet title as to any real property in which the corporation has an interest in a manner consistent with provisions set forth in Tennessee Code Annotated Section 13-30-117.

Partner Coordination

As the municipal local government of the 4th largest city in the state of Tennessee, the City of Chattanooga has extensive experience working with and coordinating partners in current and previous projects. Examples are not limited to:

- **Department of Equity and Community Engagement:** Key partner in community engagement and development of the One Westside Plan, a multi-million dollar revitalization plan for a Chattanooga Housing Authority development.
- **Office of Grants and Opportunities** managing \$38.6m in ARPA SLFRF funds which include managing and monitoring over 30 subrecipient organization-led projects, 40 beneficiary organization-led projects, and multiple City-led projects
- **Transportation Division's** \$60m project to replace the Wilcox Bridge, coordinated with the federal government, state government, county government, and two railroad companies.

- **Chief Housing Officer** brings extensive experience managing partnerships across government, the philanthropic sector, consultants and industry experts, and community. In her capacity as Director of the Louisiana Vacant Property Initiative with LISC and a leader with the Center for Community Progress, Chattanooga’s Chief Housing Officer brings expertise in providing critical technical assistance to organizations with limited capacity and implementing high-level vision to drive successful neighborhood stabilization and redevelopment efforts.

Partner Capacity

Community Advocacy Organizations

- In February 2020, the City granted **Chattanoogans in Action for Love Equality & Benevolence (CALEB)** \$25,000 from the Housing Trust Fund to conduct a feasibility assessment for a Community Land Trust in Chattanooga. CALEB is an institutional coalition of faith communities, labor unions, nonprofits and individuals that builds campaigns around systemic issues in Chattanooga and Hamilton County. Members saw an opportunity to build on prior plans recommending CLTs as a way to address Chattanooga’s growing affordability gap. CALEB's coalition worked with Michael Brown of Burlington Associates to publish [a feasibility study](#), which identifies key assumptions for the CLT initiative, including mission, governance, resources, scale of activities, and initial projections for housing development.

Nonprofit Partners

- **Habitat for Humanity of Greater Chattanooga Area** is currently the City's most significant partner in developing affordable homes for first time homebuyers. They have more than 35 years of affordable housing management experience in the area, and have forged community partnerships and used affirmative marketing to support an equity-centered homebuyer program. They have produced 52 affordable homes since 2013, which have primarily been sold to Black, female heads of households, with single mothers making up 90% of their future homeowner pipeline. Habitat regularly receives the city’s HOME funds to support their affordable housing development.
- **Chattanooga Neighborhood Enterprises (CNE)** is a major contributor to the housing ecosystem in Chattanooga through real estate development, homebuyer education and financial counseling, and community development initiatives. CNE has been a dedicated nonprofit affordable housing development partner since 1986 and has received recognition from HUD, ULI, THDA, and NeighborWorks America for its work in homeownership promotion and preservation, its missing middle development, and its “extraordinary partnership” with the City of Chattanooga. In the past, CNE focused on developing affordable homes for homeownership. In recent years, the greater need for affordable rental housing shifted their focus to infill affordable rental housing development. CNE has built 1,051 rental units and created 5,060 homeowners. CNE currently manages the City’s downpayment assistance and first time home-buyer program, and CNE has experience working with CDBG and HOME funds.

Local and Public Agencies

- The **Chattanooga-Hamilton County Regional Planning Agency (RPA)**, jointly operated by the city and county, is actively addressing regulatory barriers to make housing more affordable. They were instrumental in passing an ordinance in May 2022 to allow accessory dwelling units city-wide. RPA drafted the recently-passed comprehensive zoning reform and is finalizing its comprehensive plan that includes transit-oriented development zones, simplified permitting, expanded by-right development, and potential upzoning. We are working hand-in-hand with RPA to ensure this process aligns with our goals to create a range of housing typologies in areas targeted for land bank acquisition and CLT investment.
- Through a grant from the **Trust for Public Land (TPL)**, the **City of Chattanooga's Parks and Outdoors Department** is collaborating with local TPL leaders to bring equity into action as they implement their respective parks and trails master plans. We have engaged both groups to discuss proactive measures to ensure legacy investments do not lead to residential displacement.

Application Submission

This application was drafted by the following City of Chattanooga staff:

- Megan Miles, Director of Housing Policy, City of Chattanooga
- Hanneke van Deursen, Bloomberg Harvard City Hall Fellow, City of Chattanooga

In 2023, the City of Chattanooga engaged Capital Access, a consulting firm that assists state and local governments with the design and implementation of housing and community development activities, to assist with the preparation of last year's PRO Housing application. The City was primarily responsible for developing and submitting the application. Capital Access provided strategy guidance, editorial support, and assistance with the administrative and submission requirements of grants.gov. This year's application was prepared solely by the above City staff. The City is responsible for achieving the outcomes described herein.

Civil Rights and Fair Housing Experience

To ensure equity through fair and competitive procurement processes, the City of Chattanooga deployed both a Supplier Diversity Program in 2013 and a Minority Business Task Force in 2017. The Supplier Diversity Program expands existing education, outreach, and technical support to under-privileged business entities to increase the number of available and certified minority, female, and disadvantaged firms as well as the number of and dollar amount of purchases with regional DBE firms. The program also serves to support DBE firms in building more competitive and sustainable businesses within the Chattanooga area, intended to address the systemic barriers minority and disadvantaged business owners face in the pursuit of individual and collective wealth creation and economic participation. MBEs, WBEs, LGBTBEs, and SDVBEs are included under the City's Supplier Diversity Program.

City Minority Business Task Force was devised out of Executive Order No. 2016-1 of Chattanooga's former mayor. Over 200 minority-owned businesses were engaged to provide feedback on their most dire challenges to growing and succeeding as disadvantaged groups within the regional economic and entrepreneurial landscape. Following their recommendations,

Exhibit E: Capacity

the City of Chattanooga has implemented a DBE Certification process to local minority businesses along with a maintained DBE Certified vendor list, in addition to DBE certification acceptance from at least seven other certifying agencies. The City also completed a full disparity analysis in 2019, and has since expanded their entrepreneurial support capacity for both direct technical assistance to businesses and DBEs as well as indirect aid to uplift minority businesses.

The City of Chattanooga is committed to the equitable advancement of our region through the implementation and guidance of the 2022 One Chattanooga Plan. Under the leadership of Mayor Tim Kelly's administration, this plan lays the current groundwork for the City of Chattanooga's goals to uplift and advocate for every resident within our community. The main priority areas in the strategic plan include infrastructure and public transit, early learning, housing, public health, the Black middle class, the regional economy, and responsive local government. The One Chattanooga Plan was formulated using an array of socioeconomic data that demonstrates a vital need for considerate public investment within our historically underserved and marginalized communities, emphasizing some of the most integral capacities in ensuring and maintaining equity for all.

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Organizational Chart

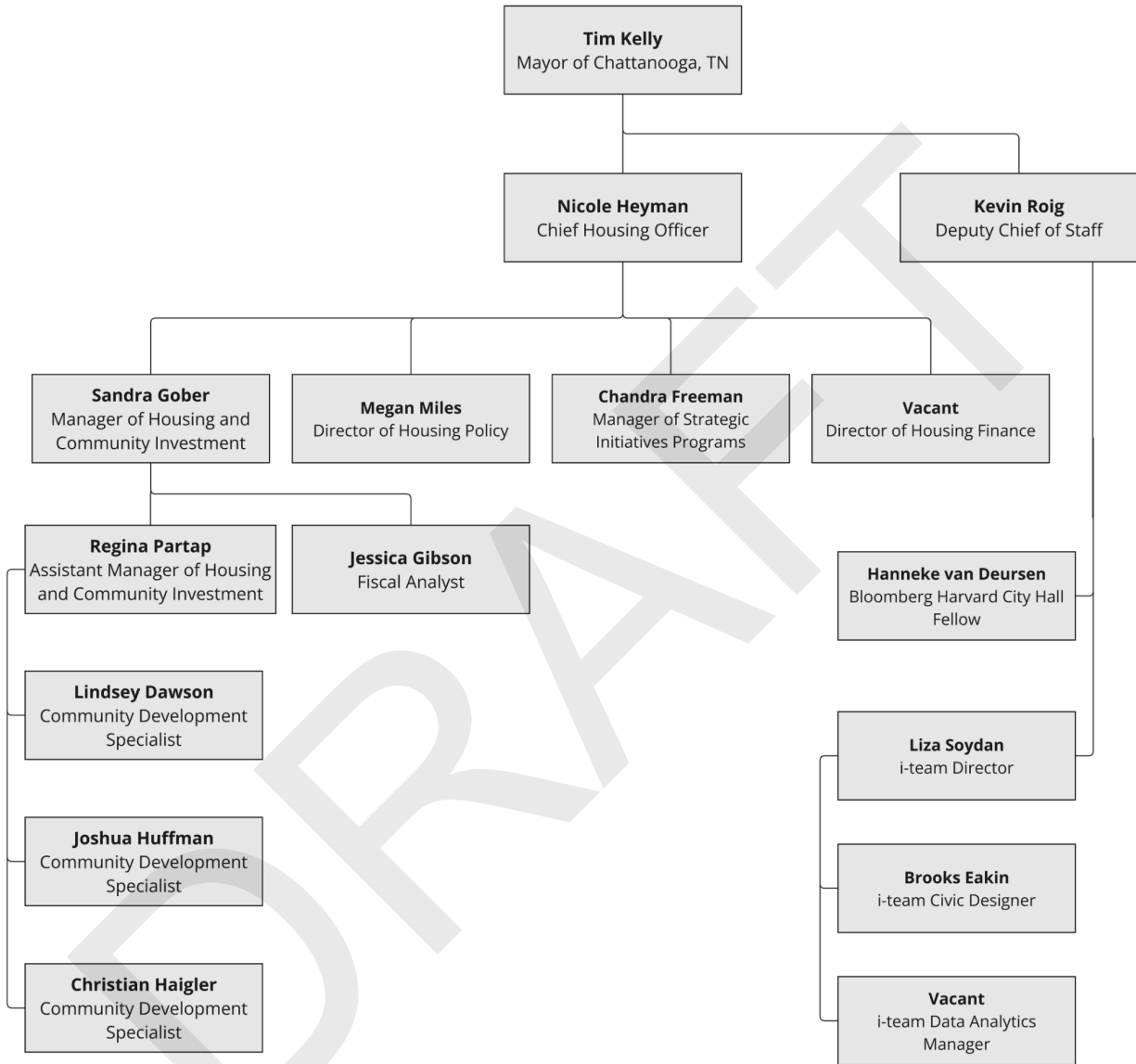


EXHIBIT F: LEVERAGE

City of Chattanooga PRO Housing Application

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We have secured \$6,190,301 as leverage, which is about 88% of our total request. The City of Chattanooga has committed \$6,180,301 of its own resources to ensure the success of this program. The signed commitment letter from Mayor Tim Kelly is included in Attachment B: Leverage Documentation. Specific commitments are detailed below.

General Fund Commitments

- **\$25,000 – CALEB CLT Feasibility Study:** The City provided Chattanoogaans in Action for Love Equality & Benevolence (CALEB) \$25,000 from the Housing Trust Fund to conduct a feasibility assessment for a Community Land Trust in Chattanooga.
- **\$197,000 – 2023 Housing Needs Assessment / Housing Action Plan:** The HNA highlights declining homeownership and increasing prices to be urgent challenges for the City. The HAP identifies the Land Bank Authority as a critical tool for addressing this challenge.
- **\$82,500 – 2023 Market Value Analysis:** The CLBA will use this tool to identify neighborhoods at risk of displacement and inform a property acquisition strategy.
- **\$288,000 – Ongoing Contract with Tolemi AI Spatial Analytics Tool:** This tool will be critical for building on the MVA data to identify areas where it would be most strategic to focus Land Bank and Land Trust activities. Tolemi’s Building Blocks will allow us to track real estate investment activity and trends, identify properties we want to dispose of or acquire, and map our impact through this program.
- **\$19,800 – 2023 Capital Access Contract:** The Capital Access team provided critical project management support to the grant-writing team for our FY23 HUD PRO grant application. This application was built off of that initial submission.

Staffing for Grant Administration:

- **\$316,899 – Director of Housing Policy:** Approximately 40% of staff time will contribute to managing procurement, facilitating partnership, and supporting the land bank.
- **\$9,300 – Housing Data Analyst:** Approximately 10% of staff time will contribute to data collection and analysis, market data analysis, and supporting the land bank.
- **\$26,021 – Fiscal Analyst:** Approximately 5% of staff time will contribute fiscal management of grant funds.

Additional Commitments from the City of Chattanooga

- **\$773,572– NSP I Funds:** The Housing Division recently determined the City and County have claim to 230 tax delinquent properties that could be feasible for affordable housing development. The City is deploying \$773,572 of NSP I funds for this select group of properties to clear title, conduct demolitions and site clearing, and maintenance. These NSP funds are expected to produce up to 50 shovel-ready properties to award to affordable housing developers serving residents under 80% AMI as part of this proposal.
- **\$4,442,210– Inventory of future Land Bank Properties:** The Land Bank will donate its tax delinquent properties to affordable housing developers to incentivize affordable housing and seed the Land Trust. Based on appraisal data provided by the Hamilton County Assessor and Tolemi, the City estimates it has 339 developable back-tax and surplus properties worth \$7.3 million. Starting with 100 properties, the City will leverage approximately \$4,442,210 in its own assets to subsidize affordable housing production.

Community and Foundation Support

In addition to these financial commitments from the City, we received 5 letters of support from key stakeholders stating they are ready to engage with this proposal, which are included in Attachment C. We also engaged local philanthropic organizations to solicit support for this initiative. While most foundations were not able to award funding during the time period of this grant, the Benwood Foundation and Lynhurst Foundations both indicated they are interested in committing resources to this effort in the future. Both submit letters of support accordingly.

Foundation Leverage

The Community Foundation of Greater Chattanooga has committed \$10,000 as leverage for this proposal and in support of permanent supportive housing models for Chattanooga. The Community Foundation has indicated they will consider our proposal for future funding in their Strategic Initiatives Committee later this year.

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EXHIBIT G: LONG-TERM EFFECT

City of Chattanooga PRO Housing Application

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Long-Term Effect

Our approach leverages City resources and makes the best use of our limited housing subsidy to address Chattanooga's most urgent housing needs, **with the goal of creating 150 new affordable housing units** during the period of performance, **approximately 300% the number of affordable homeownership opportunities produced in Chattanooga in the last 10 years.** Critically, this project would create a development partner with the capacity to be financially sustainable, so it can multiply the inventory of affordable homes over the long term without the need for continuous public subsidy. The focus on planning and creating the pipeline of land bank properties for development in the first two years is critical to being able to quickly scale the CLT inventory.

Land trusts work best at scale, and work from the [Joint Center for Housing Studies](#) estimates land trusts that reach 150 units are most viable in the long-term. The "sustainability threshold" is the point at which fees from development, resale, monthly leases, and revenue from commercial or rental properties are enough to cover the operating budget for a CLT without additional subsidy. Once the land trust reaches this breakeven threshold, all additional public funds go directly into subsidizing the development of new units.

Our proposal addresses our key barriers to affordable housing in the following ways:

- **Increasing competition for developable, affordable land**
 - Create a lasting pipeline of developable land, designating 100-150 vacant lots in high opportunity neighborhoods for affordable housing
 - Scale Chattanooga Land Bank operations to remove barriers to development of publicly-owned land which otherwise is sitting vacant and unutilized
 - All properties in the Land Bank inventory will be leveraged for public benefit, including affordable housing through other partnerships, if they are not found to be suitable for the CLT.
 - Create a source of permanently affordable units in high opportunity areas across the City that become neighborhood assets, ensuring affordability for generations to come even as markets shift over time
- **Market is not producing enough starter homes to meet demand**
 - Seed the market with viable starter home and missing middle housing units that can push market rate development to take advantage of new zoning reforms and build smaller units that address a gap in the market and are naturally more affordable
- **Capacity of local affordable housing developers**
 - Add a new, well resourced entity to the affordable housing ecosystem in Chattanooga that can also help bolster the efforts of other affordable housing entities in the city
- **No mechanism to steward permanent affordability**
 - Create a Community Land Trust that maximizes the City's investment in affordable housing by leveraging publicly-owned assets with a model that retains permanent affordability, multiplying the effect of that subsidy to generations of Chattanoogaans
 - Invest public funds into a model that will create pathways to self sufficiency for more Chattanooga residents AND development partners:

- Help CLT participants gain stable, affordable housing, while building equity that can subsequently be the downpayment for fee simple homeownership if desired
- Retain and resell land trust homes as quality, affordable housing in perpetuity without additional subsidy

As a result of this investment, we will be able to efficiently scale affordable housing production in neighborhoods of opportunity, while reducing the CLT's reliance on subsidy to provide quality affordable housing in the long-term. Perhaps most importantly, beyond removing barriers to production, these efforts will ensure Chattanooga has an inventory of permanently affordable housing opportunities that will allow families to build equity and have quality, stable housing regardless of market conditions. While most investments in affordable housing yield a small number of units over a finite period of affordability, this proposal guarantees 100% affordability in perpetuity.

A Model for Municipal Land Bank and CLT Partnerships

While 2014 legislature enabled communities throughout Tennessee to establish Land Banks, the Authorities have yet to realize their full potential. Without a development pipeline in place, the emphasis of a Land Bank is on disposition, and many land banks are working with long backlogs of tax-delinquent properties. By piloting the collaboration between a Municipal Land Bank and CLT in Chattanooga, following the lessons of partnerships in other regions such as Houston, Albany, and Atlanta, we hope to demonstrate the efficiency of identifying a CLT to be the primary disposition partner for the CLBA's vacant residential land. Land Banks are specialized in the acquisition, rehabilitation, and disposition of vacant properties and those with impediments to productive use. CLTs across the country have proven effective stewards of permanently affordable housing, but their main challenge is acquisition of new land and properties. By pairing the two institutions together, the Land Bank has a trusted partner, speeding up disposition, and the CLT has a source of low-cost land. As this program will create a new CLT for this purpose, we hope to pave the way for other municipalities in our region that are interested in mobilizing their land banks to create a scalable supply of permanently affordable homeownership opportunities.

Affordable Housing Production and Preservation Metrics for Success

The trends discussed in this application indicate a need for substantial resources to ameliorate existing disparities across neighborhoods and prevent further inequity and future displacement. As stated above, the goal of this proposal is to scale Land Bank inventory to meet the following metrics which we believe will address these urgent needs in the long-term, over the course of a relative short period of time:

- **Secure 100-150 parcels of land** to leverage for affordable housing production through the Chattanooga Land Bank Authority, increasing production of homes for LMI, first time homebuyers by 300-400%
- **Create a mechanism to steward permanent affordability** through the creation of a Community Land Trust or similar model that responds to Chattanooga's specific needs and market
- **Reach operational sustainability**, where revenue from development, resale, and monthly leases are enough to cover the operating budget for a CLT without additional subsidy

These metrics directly track whether the program is functioning on schedule and as designed. Beyond ensuring the efficient allocation of public resources, these metrics also track the number of new affordable homeownership opportunities that have come online as a result of this program.

Other Metrics for Long-term Success

- **Amenity-Rich Neighborhoods:**
 - **Metric:** All CLT residents will be able to access a neighborhood park and high frequency transit service in under a 10 minute walk. They shall be able to access a grocery store, public school, and job centers within 15 minutes.
- **Cost Burden:** The CLT model supports a flexible subsidy structure to ensure housing costs are aligned with what residents can afford. In the technical assistance phase of this project, the selected CLT developer will design a model that closes the affordability gap for residents, while maintaining financial solvency of the organization.
 - **Metric:** There will be no current or future CLT household paying more than one-third of their gross monthly income on housing costs for an indefinite period of time.
- **Pathways to Homeownership:** The goal of this program is to help families a) secure stable, quality, and affordable housing, and b) accrue equity that translates into generational wealth.
 - **Metric:** Residents who exit their CLT homes will be able to achieve fee simple homeownership, if that is their goal
- **Displacement:** The CLT model and place-based approach we are proposing is intended to address the areas of the City most at risk of displacement. While no program can interrupt involuntary displacement entirely, this proposal seeks to ensure long-term residents can benefit from and share in growth and appreciation of Chattanooga's neighborhoods.
 - **Metric:** At least 60% of CLT residents will be long-term residents of the neighborhood where they reside in a CLT home.
 - **Metric:** Within 10 years of CLT operation, the partner will develop an equitable model for acquisition of distressed homes to interrupt displacement

Preserving Racial Diversity in Opportunity Neighborhoods

Chattanooga's communities of color, particularly Black residents, have fewer choices about where to live and fewer opportunities to build generational wealth. Over decades, racist policies and practices, including intentional disinvestment, have shaped Chattanooga's neighborhoods. Chattanooga's [2023 Market Value Analysis](#) reveals how the city's population is still de facto segregated, with a much higher proportion of communities of color living in its most stressed markets, and Black households in Chattanooga face greater barriers to accessing homeownership and less affordable rents at all income levels.

Our proposal seeks to address racial disparities by generating equity and pathways to fee simple homeownership for households earning 80% AMI or below – which includes the majority of Black households – and prioritizing the development of permanently affordable housing in neighborhoods where households of color are at the highest risk of involuntary displacement. The CLT model has its roots in the Civil Rights movement of the late 1960s; it was first implemented to provide Black tenant farmers in the rural south, grappling with violence and

Exhibit G: Long-Term Effect

eviction, with an opportunity to own and control land, achieve greater economic security, and fully exercise their legal voting rights. A [2019 study of shared equity housing performance](#) includes evidence that CLT homes (which comprised 73 percent of the over 4,000 homes analyzed) significantly contribute to family wealth creation and are increasingly serving families of color, with the potential to narrow the racial wealth gap. CLTs are also a proven tool to mitigate the impacts of neighborhood revitalization, which can lead to gentrification and displacement of long-term residents.

Our efforts through this proposal will be aligned with other City initiatives to address long-standing racial disparities, including proactively reaching out to households and communities that face higher barriers to homeownership and encouraging lenders to adapt their mortgage products to promote greater access for households facing systemic barriers. We will also establish a community advisory committee that is reflective of the racial diversity of Chattanooga to select the CLT partner for this proposal.

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ATTACHMENT A: SUMMARY OF COMMENTS RECEIVED

City of Chattanooga PRO Housing Application

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Summary of Public Hearing, October 17th, 2023

East Lake Community Center, 5:30-6:30pm

9 attendees present

Comments:

- Is this the first meeting that you all had about community land trusts?
 - A: Yes, for the purposes of this grant. In 2020 a local advocacy group did a feasibility study on the topic and engaged residents. Part of our proposal includes an extensive community engagement process to understand how a community land trust would best operate in Chattanooga.
- If the Land Trust owns the property, who will build on the properties? How does the builder get paid?
 - A: The Land Trust Bank will hire the developer/builder or develop the property themselves, depending on the model and partner selected. If the developer is a separate entity they would be paid as a subcontractor.
- What if a developer wanted to build a quad as a nonprofit?
 - A: That would be possible within this grant depending on the property in question.

Summary of Submitted Comments

Submitted via email on October 24th, 2023:

I have read the grant application content and I support your efforts to address the need for affordable housing and creating a path for home ownership for those who would not otherwise have this opportunity.

This grant has the potential of providing much needed funding for some of the areas addressed in the Housing Action Plan. As a leader with the Economic Mobility Task Force for CALEB, I am pleased to see that the Land Bank and the Community Land Trust are major components of this request.

I look forward to a positive outcome and I appreciate your efforts to address the needs of those who have long been overlooked.

List of Commenters

- Pat Jones, resident
- Ben Peterson, Nice Homes LLC
- William Morris, Pathway YAP
- Janice Gooden, CALEB

**ATTACHMENT B: CERTIFICATION OF COMPLIANCE WITH NOFO
PUBLIC PARTICIPATION REQUIREMENTS**

City of Chattanooga PRO Housing Application

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ATTACHMENT C: ADVANCING RACIAL EQUITY NARRATIVE

City of Chattanooga PRO Housing Application

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**ATTACHMENT D: AFFIRMATIVE MARKETING AND OUTREACH
NARRATIVE**

City of Chattanooga PRO Housing Application

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**ATTACHMENT E: EXPERIENCE PROMOTING RACIAL EQUITY
NARRATIVE**

City of Chattanooga PRO Housing Application

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ATTACHMENT F: LEVERAGE DOCUMENTATION

City of Chattanooga PRO Housing Application

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ATTACHMENT G: EVIDENCE OF PARTNERSHIP LETTERS

City of Chattanooga PRO Housing Application

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