

AGENDA
MONTHLY MEETING OF
THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD
OF THE CITY OF CHATTANOOGA, TENNESSEE

Monday, March 18, 2024 @ 12:30 PM

1. Call to Order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Approval of the Minutes for the February 19, 2024, monthly meeting.
4. Recognition of Persons Wishing to Address the Board.
5. **PILOT – Mill Town Residential Project**

A resolution authorizing the Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, to take title to certain real and personal property, to execute a Lease Agreement to lease such property to Chattanooga Neighborhood Enterprise, Inc. (the “Company”) Mill Town Residential Project for operation of a multi-family housing facility, and to enter into an Agreement for Payments in Lieu of Ad Valorem Taxes with the Company. **(HEB-2024-07)**

6. **PILOT – Lyerly Avenue Residential Project**

A resolution authorizing the Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, to take title to certain real and personal property, to execute a Lease Agreement to lease such property to Chattanooga Neighborhood Enterprise, Inc. (the “Company”) Lyerly Avenue Residential Project for operation of a multi-family housing facility, and to enter into an Agreement for Payments in Lieu of Ad Valorem Taxes with the Company. **(HEB-2024-08)**

7. Discussion – Security and Evacuation Plan for meetings.
8. Other Business.
9. Adjournment.



HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD
City of Chattanooga, Tennessee
MONTHLY MEETING MINUTES
John P. Franklin, Sr. Council Building
J.B. Collins Conference Room
1000 Lindsay Street
Chattanooga, TN 37402
for
Monday, February 19, 2024
1:00 p.m.

Present were Board Members: Hicks Armor (Chair), Richard Johnson (Secretary), Johnika Everhart, Andrea Smith, Hank Wells, and Dr. Patti Skates. Absent were Gregg T. Gentry (Vice-Chair) and Brian Erwin.

Also, present were Phillip A. Noblett (Counsel to the Board); Sandra Gober (Community Development); Harolda Bryson (OCA); Betsy McCright (CHA); Stan McCright; Vickie Haley (Finance); Janice Gooden; Steve Barrett (Husch Blackwell LLP); Mike Pare (Times-Free Press); Hannah Campbell (Chattanooga.com); Richard Beeland (Economic Development); Craig Cobb (DGA Residential); Jay Moneyhun (Bass Berry); Jim Gravoley (Columbia Residential); Joe Kelly (CHA); Caleb Moneyhun; Cole Moneyhun; Ashley Moneyhun; and James Moneyhun.



Chair Armor called the meeting to order, confirmed the meeting advertisement, and established that a quorum was present to conduct business.



MINUTES APROVAL FOR THE JANUARY 22, 2024, MEETING

On motion of Mr. Wells, seconded by Ms. Smith, the minutes of the January 22, 2024, monthly meeting were unanimously approved as submitted.



PUBLIC COMMENTS

Ms. Janice Gooden addressed the Board and is a resident of East Chattanooga and her church is on the Westside. Ms. Gooden is very much in support of the One Westside Plan. Ms. Gooden offered her support on the bond issuance.



RESOLUTION

On motion of Mr. Johnson, seconded by Dr. Skates,

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE REGARDING A PAYMENT IN LIEU OF TAXES TRANSACTION WITH DGA SHALLOWFORD LP. (HEB-2024-04)

Mr. Jay Moneyhun serves as bond counsel for the bond issuance that came before this Board last year. The PILOT documents are ready to be approved. There was a presentation at the last board meeting.

Attorney Noblett stated that the Board received an educational session before this meeting regarding PILOTs. We went through the ethics, Robert’s Rules of Order, and Sunshine Law requirements. This is a perfect example of when the Board deals with a PILOT Agreement. This includes a Lease Agreement during the term of the PILOT in the name of the HEB to make it tax exempt. It also includes HUD’s requirements for low to moderate income requirements. This PILOT has a term of up to 20 years.

The motion carried.

ADOPTED-February 19, 2024

RESOLUTION

On motion of Mr. Johnson, seconded by Ms. Everhart,

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE RELATING TO THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS FOR AN AMOUNT NOT EXCEEDING \$35 MILLION TO PROVIDE FINANCING TO ONE WESTSIDE PHASE 1B, LP FOR THE ACQUISITION, CONSTRUCTION,

AND EQUIPPING OF AN APPROXIMATELY 166-UNIT HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 501 WEST 12TH STREET, CHATTANOOGA, TENNESSEE. (HEB-2024-05)

Mr. Jay Moneyhun is serving as bond counsel for this proposed bond issuance for the One Westside Project. Columbia Residential is represented by Mr. Jim Gravoley who is partnering with the Columbia Housing Authority. We are in the preliminary phase and are applying to THDA for bond allocation for this project in round one. In order to apply, they have to have this Board adopt a preliminary resolution and hold a TEFRA hearing.

Summary

Mr. Gravoley is present on behalf of the Chattanooga Housing Authority (CHA), and there are a number of representatives present. Columbia Residential were procured as the development partner for CHA on the Westside Evolves Master Plan. This is an inducement for the first phase of development. They have crossed a lot of steps working with the City Council through the summer and the fall. The TIF has been passed, the City donated the land for this project to the CHA. It is now under their control. They formed the legal entities and submitted a preliminary application to the state for the Tax Credit Financing Program and this application is for the portion of the project that involves tax exempt bonds at four percent tax credits. With this Board's support, they will move forward with the application to the state on the 1st of April.

They have received great support from this from the community. It came out of a master plan that was done and referenced earlier by the citizens here in 2020 and 2021. They have been working diligently on that since the start of last year and encouraged with the support in all of the steps they have been able to make.

The development will house residents moving from the existing College Hill housing. About 40% of the housing units will be for that and will create additional low income and affordable workforce housing units in the community, and it will have unrestricted market rate units. The master plan calls for a mixed income model. They have applied for bonds based on how they have been modeling that in their application prep and hoping to move that forward. If all goes according as planned, they will be able to receive an allocation of tax credits and bonds from the state and close by the end of the year. They are on a very fast track already going on plans and specs.

Discussion

The total project is 230 units and with this unique structure that Tennessee is piloting this year, they are doing what is called a twinning application which will actually have two components, two limited partnerships in a single project. A little extra complexity, but it allows for Chattanooga to build a larger project in the first phase and accelerate the Westside Master Plan. In total, there will be 172 affordable units out of the 230 units.

A component that the bonds will be on is 166 of those 230 units. About 75% of the units overall are affordable. The goal in the master plan calls for a substantial portion of it to be mixed income, including market rate. It will all be built to a managed market rate standard, but very low income people and moderate income, and people who have choices to live anywhere in the City have the opportunity to live there.

It is a different design than typical for maybe here and certainly that neighborhood. It is something that their company does a lot of around the southern United States and see it as really helpful for the mixed objectives of providing really great affordable housing but also revitalizing neighborhoods. The neighborhood asks for a de-concentration of all very low income people, and they wanted options for people from around the City. The development sits off of 12th Street, looks straight into downtown, it is very well located. They believe they can build something that is attractive for people that have choices all around the City but also first to house people moving out of the old College Hill housing.

Chair Armor supports the low to moderate because we need that but also thinks that the mixed housing, which we have not done much of, is really good. Based on that location, it would attract that and help a whole lot.

Attorney Noblett stated that part of the issue for this body is that it has to have at least 166 low and moderate income housing units to be qualified as a project under state law.

A question was raised out of the total housing units on the Westside now, what would be the difference in the total housing units after this company comes in and does the project? Mr. Gravoley said that this is the first phase of a substantial master plan that was developed by the CHA, the City, and the citizens in the Westside. They have come alongside that.

The plan calls for ultimately as many as 1,600, 1,700, housing units built in the neighborhood, but the plan is specific to the land that CHA owns. The City and CHA just submitted a choice neighborhoods application for the overall master plan that has seven or eight phases of development. This is the first phase and actually proceeds when we have the choice neighborhood's application for grant. The total is anticipated to replace the 497 units of College Hill with 1,162 units of mixed income housing. You have to first make sure we replace every one of the 497 units of people living there today. Those housing units that the CHA operates, and if you are looking for a mixed income model, you have a multiplier on that because you have to build units that exceed the number there and create more housing opportunities. Overall, it will create 65% or so of that 1,162 will be affordable units and then 35 at market. That creates a lot more housing. It will be a higher density, larger buildings, and some elevator served buildings, with what the City was looking for with being right next to downtown and higher density.

The idea is to house everyone who is living in the Westside to give them an opportunity to stay on the Westside and move into the new housing, but also to attract others. It is what is called a build first strategy. We are building first on this phase and will continue through the project to build phases of housing so folks can move in from existing College Hill and folks can move in from housing outside.

After further discussion, Mr. Joe Kelly spoke with the CHA. Everyone who is in College Hills currently has a guaranteed right of return. All of the long-term residents or anyone who is in College Hills will have the right to come into the new development. There will be no displacement of the current residents except during construction. When we demolish a unit – one of the reasons we are phasing the 230 units now, 100 units in the next few years, is so that everyone can stay onsite at College Hills, and we move them into the new units as they are completed so that we minimize the number of people that may have to temporarily go off site. We want to keep everyone onsite as much as we can. The rents will not change for the College Hill residents. Their rents will remain the same. What a mixed income will be – there will be folks that are paying College Hill rents and on a graded scale up to market rate. It will de-concentrate but will be a mix of everybody in the City.

After further discussion, there is an extensive master planning process that occurred during 2020 and 2021 that developed with the City, with the Chattanooga Design City, CHA, residents, and other stakeholders to come up with a plan for neighborhood. What they are doing as a housing developer partner is coming along side that and starting to execute that. It was focused on the area between the Hwy. 27 area, really focusing on College Hill and Gateway Towers, and also area all the way up to Riverside and also incorporates and is related to the Bend development that is to the west on the river. That is a separate development but there are benefits that will flow from that to the Westside to help fund some of the infrastructure. That occurred during that period of time and there were several votes with the Council during the summer about that. The site has been rezoned. They also passed the resolution to deed the property that the first phase is going to be on that property on 12th Street.

When talking about the neighborhood you are talking about residents from the Westside community and Gateway that participated. Mr. Joe Kelly said that they surveyed all of the residents at Gateway and all the residents in College Hills a couple of times. We have had multiple meetings and a lot of input from them. That is how they started the process. They asked them what you would like to see happen in their neighborhood and started from there. The whole idea is that they want to de-concentrate because the tradition has been in public housing in this country for decades is we build a series of units for folks on subsidized housing. It becomes a little island of poverty and gets ignored by the rest of the City. The whole idea is that we are going to build their projects where everybody in the City is going to live, and everybody has an interest. It raises the living standards for all the residents including their clients in their unit. That is the big purpose behind the mix.

Ms. Everhart asked if they were educated on what the different alternatives may be. Ms. Betsy McCright said that the project started in March 2020. They started with a survey that consisted of 76 questions. Because they were in the middle of the pandemic, they went doorstep to doorstep and did not just ask the people about what type housing they wanted whether townhome or elevator building, we talked about the needs as residents, what kind of healthcare would you like to see, what kind of amenities of transportation, what childcare do you need, what kind of jobs would you inspire for your family. They asked them an array of questions and were able to get 82% of a response rate both from the College Hill residents and seniors in Gateway Tower, and those responses drove the plan. From there, after doing one for one interviews with folks, they

had a number of meetings again during COVID where we rolled out what we heard and had them re-comment on that. It was really about a two and half year process and published the plan in November 2021. They have gone back to the community for more information.

Ms. Everhart asked for clarity she wants to understand the part about if this is multi-faceted or diverse in what rents look like, how do the current residents – 230 units and about 172 units were affordable housing. They are guaranteed a spot. Their rent is just going to stay forever. The rent for current housing residents is based on 30% of their income for rent and utilities. The rent would be the same in this new development. There will be project-based vouchers that are provided for that project. The rent will stay the same and based on 30% of the income for rent and utilities. For the project-based vouchers as part of the new development, it is prioritized for the residents who are from College Hill and moving in. Part of the goal is to allow as many people as possible to have that opportunity as early as possible.

Mr. Johnson had a couple of observations. His perception is in terms of vetting and due diligence, Councilperson Dotley whose district this is in, she has been very involved and endorses this as does Mayor Kelly. It is also the transition of The Bend? Just to clarify, there will be no displacement for the current residents even during construction. This site does not have any occupants on it. It is a former youth and family development site. There is a slightly used building on the site today that is planned to be demolished and the site graded for new development. No one will have to move until there is new housing available to move to.

Mr. Johnson asked in terms of timing, it will be 2025 before ground is broken if all legalities are in place? Mr. Gravoley said that according to the Tennessee Housing Development Authority, if we receive a bond allocation following this inducement, it will require the closing by the end of the year in December. They are anticipating that they are working with plans and permitting to be ready for that and probably start January 2025 with construction. We estimate an 18-20 month period. The third quarter of 2026 when the first units would be available.

After further discussion, the Westside Evolves website has a series of FAQ and see all the questions started at the inception process right up to last week when we published the most recent informational pieces.

The twinning process was explained. The twinning process is the concept that they are seeing more in the states. What is happening with affordable housing since 2019, construction costs have skyrocketed. Interest rates have gone way up and the amount of tax credits in the state are relatively fixed. What that does is you either are going to do much smaller projects or you are going to have projects that have a much larger financing gap. The reason that twinning is being adopted by a number of states is to build larger sized projects particularly where there is a private public purpose.

What you have in your package is what we submitted on January 19th to the state. After working with them on this concept, they decided they would pilot it for two communities around the State of Tennessee. We are certainly hopeful we will be one of them. We are waiting to hear from the state. They asked for a narrative to make the case for Chattanooga wide in particular for the Westside needed to have this. We made the case based on the scale of the overall development.

College Hills has been there for 84 years and there really is a big need. We felt like this was a great opportunity to jump start on a larger scale project. If we went the normal route without twinning, we would have a much smaller project where we had a lot more money that we had to raise locally for gap funding in addition to the bonds, the construction loan, and the tax credit. There are still a substantial amount and with great support from the City from the philanthropic community in putting themselves in a position to make that application to the state. The twinning will really accelerate that and brings a lot more tax credit equity into the project.

The twinning is specific to the Low Income Housing Tax Credit Program. You could do it 100% affordable or with whatever mix you wanted to meet the requirements of the tax credit program. What you really have are two tax credit allocations.

TEFRA HEARING

The TEFRA hearing was re-opened again for discussion. Ms. Janice Gooden commented and she has been following the process from the beginning with Westside Evolves and even turning over into One Westside. There have been a lot of questions asked today. The City Council has asked the same questions. A lot of progress has been made because things were really not that clear. This is going to be a good thing and appreciates what is being done.

Chair Armor thanked Ms. Gooden for her willingness to make sure the residents there know what it is. It is important for people to see what their options are and some do not. It is important for the best efforts in helping to blend the communities. Chair Armor appreciates what the CHA has done in trying to involve the people. It is a challenge.

The TEFRA hearing was closed.

The motion carried.

ADOPTED-February 19, 2024

RESOLUTION

On motion of Mr. Johnson, seconded by Ms. Everhart,

A RESOLUTION RESCINDING RESOLUTION NO. HEB-2023-14 DATED NOVEMBER 20, 2023, ALLOCATING AND APPROVING AN AWARD OF \$1 MILLION TO CHATTANOOGA NEIGHBORHOOD ENTERPRISE (CNE) FROM THE AFFORDABLE HOUSING FUND TO EXPAND AFFORDABLE HOUSING ACROSS THE CITY FOR LOW AND MODERATE INCOME INDIVIDUALS FOR 52 UNITS OR RENTAL HOUSING AND 82 ADDITIONAL UNITS IN 2024. (HEB-2024-06)

Mr. Richard Beeland said that CNE was able to identify with the City's help through the federal CBGD Program additional funds that can be used to work on specific projects that would allow them to use other funding to be able to have operations which is what they were going to use this for. They are still going to be able to produce the same amount of housing but will not be using the funds the HEB is in control of. CNE found another source. An extra \$1 million will come back to the Board.

The motion carried.

ADOPTED-February 19, 2024

OTHER BUSINESS

Bylaws

Attorney Noblett stated that the Board went from a seven member board to a nine member board for the five votes yes and five votes no to adopt or defeat any motion. If you do not have five votes it does not have action by the Board. The meeting deadline time is correct and also had the public comments section. Attorney Noblett gave the Board the opportunity to use what the City Council uses for public comments. Another change is the deadline of when anyone needs to get something on the agenda. Those were the only changes.

After further discussion, a motion was made by Dr. Skates, seconded by Mr. Johnson, to adopt the Bylaws as proposed and amended, and the motion unanimously carried.

PILOT Inventory

Mr. Wells asked if there was an inventory list of the PILOTs. The annual report will be forwarded to the Board.

Security Evacuation Plan

Chair Armor asked for a security evacuation plan for both rooms in the Council Building. Attorney Noblett said there is a security guard who normally sits in the Council meetings.

Chair Armor thanked everyone on behalf of the City or Attorney's Office for everyone's expertise, questions, and everybody's willingness to do community work and appreciates what you do. The design of the City Council is that people from the different districts and represents that everybody is important and works well.

After further discussion, the meeting adjourned at 1:45 PM.

Respectfully submitted,

Richard A. Johnson, Secretary

APPROVED:

Hicks Armor, Chair

A RESOLUTION

AUTHORIZING THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, TO TAKE TITLE TO CERTAIN REAL AND PERSONAL PROPERTY, TO EXECUTE A LEASE AGREEMENT TO LEASE SUCH PROPERTY TO CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. (THE “COMPANY”) MILL TOWN RESIDENTIAL PROJECT FOR OPERATION OF A MULTI-FAMILY HOUSING FACILITY, AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES WITH THE COMPANY.

WHEREAS, Chattanooga Neighborhood Enterprise, Inc., or a related or affiliated entity (the “Company”), is considering the construction of the Mill Town Residential apartments, including the construction, equipping, and furnishing of a multifamily, low income housing apartment project with approximately thirty-four (34) units on property located at 2461 East 18th Street in Chattanooga, Hamilton County (the “Project”); and

WHEREAS, the Company has requested that The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the “Board”), agree to take title to the real and personal property comprising the Project (the “Leased Property”) and lease the Leased Property to the Company; and

WHEREAS, the Company has provided information in a written application (the “Application”) filed with the Board concerning the tenants whom the Company expects to occupy the Project; and

WHEREAS, the Company has requested that the Board agree to enter into an agreement with the Company whereby the Company will make payments in lieu of ad valorem taxes; and

WHEREAS, the City Council of the City of Chattanooga and the Hamilton County Board of Commissioners have been asked to delegate to the Board the right to receive payments in lieu of ad valorem property taxes in accordance with Tenn. Code Ann. Section 48-101-312; and

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WHEREAS, the ownership of the Leased Property and the leasing thereof to the Company are within the powers of the Board as described in Tenn. Code Ann. Section 48-101-308, and the provision for payments in lieu of ad valorem property taxes on the Leased Property is within the powers of the Board as described in Tenn. Code Ann. Section 48-101-312; and

WHEREAS, the form of an Agreement for Payments In Lieu of Ad Valorem Taxes and the form of a Lease Agreement have been presented to the Board for approval in connection with this Project;

NOW, THEREFORE, BE IT RESOLVED by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, as follows:

Section 1. The Board hereby finds that the Project constitutes “Housing” as that term is defined in Tenn. Code Ann. Section 48-101-301, in that the Project will be a multi-family housing facility to be occupied by persons of low and/or moderate income, and /or elderly, and/or handicapped persons, based upon the information supplied by the Company in the Application.

Section 2. Subject to obtaining a delegation of authority from the City Council of the City of Chattanooga and the Hamilton County Board of Commissioners authorizing the execution of the PILOT Agreement (defined below), the Board agrees to accept title to the Leased Property and to lease the Leased Property to the Company. The form, terms and provisions of the Lease Agreement attached hereto as Exhibit “A” (the “Lease Agreement”) are hereby approved, and all of the terms, provisions and conditions of the Lease Agreement are hereby incorporated herein. The Chairman or Vice Chairman of the Board is hereby authorized, empowered and directed to execute, acknowledge and deliver the Lease Agreement in the name and on behalf of the Board, and the Secretary or Assistant Secretary of the Board is hereby authorized and directed to attest the same. The Lease Agreement is to be in substantially the form now before this meeting

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and hereby approved, or with such changes therein as shall be approved by the officials of the Board executing the same.

Section 3. Subject to obtaining a delegation of authority from the City Council of the City of Chattanooga and the Hamilton County Board of Commissioners, the Board agrees to enter into the Agreement for Payments in Lieu of Ad Valorem Taxes, attached hereto as Exhibit “B” (the “PILOT Agreement”), with the Company and the form, terms and provisions are hereby approved, and all of the terms, provisions and conditions of the PILOT Agreement are hereby incorporated herein. The Chairman or Vice Chairman of the Board is hereby authorized, empowered and directed to execute, acknowledge and deliver the PILOT Agreement in the name and on behalf of the Board, and the Secretary or Assistant Secretary of the Board is hereby authorized and directed to attest the same. The PILOT Agreement is to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officials of the Board executing the same.

Section 4. The Chairman, or Vice Chairman, and Secretary, or Assistant Secretary, of the Board shall be, and they are hereby further authorized and directed for and on behalf of the Board, to take any and all such action as may be required by the Board to carry out, give effect to and consummate the transactions contemplated by the Lease Agreement and the PILOT Agreement authorized pursuant to this resolution and to execute all papers, documents, certificates and other instruments that may be required for the carrying out of the authority conferred by this resolution or to evidence said authority.

Section 5. Prior to or in connection with the execution of the Lease Agreement, the Chairman, or the Chairman’s designee, may, upon the Company’s request, enter into or consent to such documents as are necessary to consummate the financing and/or development of the Project

in the same manner and to the same extent provided under Sections 9.03 and 9.04 of the Lease Agreement; provided that any such transaction or approval must be expressly non-recourse to the Board beyond its interest in the Project and related property and must further satisfy the requirements of Section 8.01 of the Lease Agreement with respect to the immunities provided to members of the Board.

Approved this 18th day of March, 2024.

THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

By: _____

Print: Hicks Armor

Title: Chair

ATTEST:

By: _____

Print: Richard Johnson

Title: Secretary

HEB-2024-07

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT is made and entered into as of the ____ day of _____, 2024, by and among THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE (the “Board”); CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC., a Tennessee non-profit corporation (the “Company”); the CITY OF CHATTANOOGA, TENNESSEE (the “City”); and HAMILTON COUNTY, TENNESSEE (the “County”) and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by WILLIAM F. HULLANDER and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE (“Trustee”), and by MARTY HAYNES and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY (“Assessor”).

W I T N E S S E T H:

WHEREAS, the Company is contemplating the construction of thirty-four (34) one bedroom and two bedroom units located at 2461 E. 18th Street in Chattanooga, Hamilton County, Tennessee, (the “Project”), and has requested the Board’s assistance in the financing of the Project; and

WHEREAS, substantial public welfare benefits to the City and County will be derived from the Project; and

WHEREAS, the Board has agreed to take title to certain real and personal property that constitutes the Project, as described in Exhibit “A” attached hereto (the “Property”), which Property is to be owned by the Board and leased to the Company; and

WHEREAS, because the Property is to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, §48-101-301, et seq.,

all such property will be exempt from ad valorem property taxes (“property taxes”) normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, §48-101-312; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the “In Lieu Payments”), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through their duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions; and

WHEREAS, the Board wishes to designate the County Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Trustee and the City Treasurer, as applicable, as its agent to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State

of Tennessee as though the Property were subject to property taxes. According to Chapter 0600-10 of the Rules of the Tennessee State Board of Equalization, following construction of the Property, such appraisal shall consist of the residential use component (the “Residential Project Value”) which will be based on the Assessor’s valuation of the Project’s operating income. The Assessor shall give the Trustee, the City Treasurer, the Board, and the Company written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Company all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes.

The Board hereby designates the Trustee as its agent to compute the amounts of the In Lieu Payments. On or about October 1 of each year during the term of this agreement, the Trustee shall compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Trustee shall send the Board and the Company a bill for appropriate amounts of In Lieu Payments (the “Tax Bill”).

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, the Company shall pay to the Trustee the amounts indicated on the Tax Bill to be paid to the County and the Company shall pay to the City Treasurer the amounts on the Tax Bill to be paid to the City in accordance with the amount set forth below in Section 4. The In Lieu Payments shall be made by the Company in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Company.

(a) Payments for Unimproved Project. For each of the years 2025 through 2044 (the “Tax Abatement Period”), the Company shall make In Lieu Payments with respect to the Property in an amount equal to one hundred percent (100%) of all City and County annual ad valorem property taxes levied in the base year of 2024 (the “Base Year”) on the value of the Project (the “Unimproved Project Value”). The intent is for the City and County to continue receiving throughout the term of this Agreement all taxes assessed as to the Unimproved Project Value exclusive of the improvements made in connection with the construction of the Project, which improvements are subject to the payment in lieu of tax obligations set forth in subsection (b), immediately below.

(b) Payments for Residential Project.

(i) School Tax on Construction. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the then constructed Property, the Company shall make In Lieu Payments in the amount required to satisfy the Hamilton County Schools portion of the property taxes that would be due on the improvements to the Property if it were subject to taxation (the “School Portion”) based upon the increase in the Residential Project Value over the Unimproved Project Value (the “Residential Value”). The parties acknowledge and agree that the School Portion currently equates to 24.80% of the amount of the total City and County taxes that would have been payable on the improvements

to the Property if it were subject to property taxes. The parties further acknowledge that the percentage of the School's Portion will vary as City and County tax rates change.

(ii) General Fund Tax on Construction. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the newly constructed Property, the Company shall also make In Lieu Payments in the amounts set forth below under paragraph (iii) based upon the City and County general fund property taxes that would be due on the Residential Project Value (defined above) of the Property if it were subject to taxation.

(iii) In Lieu Payments and Phase In Period. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the newly constructed Property, additional In Lieu Payments on the Residential Project Value will be as follows:

Tax Year	City General Fund Portion ⁽¹⁾	County General Fund Portion ⁽¹⁾	County School Fund Portion ⁽¹⁾
	Residential Project Value	Residential Project Value	Residential Project Value
2025 – 2044	0%	0%	100%

(1) – The above percentages refer to the percent of the amount of taxes that would have been payable on the value if it were subject to property taxes.

As noted above, during such years 2025 to 2044, the Company shall continue to pay an In Lieu Payment based upon the Unimproved Project Value and shall continue to pay the School Portion attributable to the Hamilton County Schools. For any periods before or after the Tax Abatement Period that the Property is owned by the Board, the Company shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to one hundred

percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

5. Penalties and Late Charges; Affordability Requirement. The Company shall make the In Lieu Payments for each year before March 1 of the following year. All In Lieu Payments to the City and County shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any In Lieu Payment when due, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount, for each month that each payment has been unpaid. Such one and one-half percent (1-1/2%) per month late charge amount shall accumulate each month and be payable so long as there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees, and if the Company should fail to pay all amounts and late charges due as provided hereinabove for more than two (2) years, the City or the County may, as to their respective In Lieu Payments, terminate the benefits of this Agreement and thereafter require the Company to pay one hundred percent (100%) of the amount of taxes that would have been payable on the Property for so long as such payment default continues as determined by the Mayor of the City and the Mayor of the County. In the event of a disagreement between the parties concerning whether or not the Company has cured a default, a representative of the Company may request that the City and County, as applicable,

each meet to determine whether such default has been cured, and the Company and the City or the County, as the case may be, shall meet promptly thereafter attempt in good faith to resolve such dispute. The Company may, in addition, file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

(c) The Company covenants as follows:

(i) The Project will be completed within twenty-four (24) months following the date of this Agreement, and the Project will be constructed in substantial compliance with the project description set forth in the PILOT Application that the Company submitted to the City as determined by the Land Development Office of the City and in consultation with the County.

(ii) After completion of the Project and during the Tax Abatement Period, fifty percent (50%) of the dwelling units in the Project will be set aside for occupancy by households whose income is not greater than eighty percent (80%) of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development (the "Affordability Requirement").

(iii) After completion of the Project and during the Tax Abatement Period, the Project shall be maintained in habitable condition and in compliance with all applicable City and County ordinances and codes.

(d)

(i) If the Company should fail to meet the Affordability Requirement under Section 5(c)(ii) above with respect to the Project and such failure continues for a period of more than one hundred eighty (180) days following receipt by the Company of written notice

from the City or the County specifying such failure in reasonable detail (an "Affordability Event of Default"), the City and the County may then require the Company to pay an additional In Lieu Payment based upon the difference between (i) the In Lieu Payments on the Property owed pursuant to Section 4 during the period of the continuance of such Affordability Event of Default and (ii) the full taxes that would have been payable on the Property if it were subject to property taxes multiplied by a fraction (expressed as a percentage), the denominator of which is the number of dwelling units at the Project subject to the Affordability Requirement and the numerator of which is the number of dwelling units times fifty percent (50%) that are not occupied by or available for occupancy by households whose income is not greater than eighty percent (80%) of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development. The County and the City shall look solely to the Company for any repayment obligations.

(ii) In no event shall the Company be required to pay more in In Lieu Payments than the Company would have paid in property taxes, if the Property were subject to property taxes.

6. Disbursements by the Treasurer and Trustee. All sums received by the Treasurer pursuant to Section 4 for the benefit of the City general fund shall be disbursed to the general funds of the City in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All sums received by the Trustee pursuant to Section 4 for the benefit of the County general fund shall be disbursed to the general fund of the County in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All such sums received by the Treasurer

shall be placed into an account for the use and benefit of the City. All such sums received by the Trustee shall be divided into an account for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All sums received by the Trustee pursuant to Section 4 for the benefit of the County school system shall be disbursed to the County and thereafter deposited into an account for the educational use and benefit of the County schools. The parties acknowledge and agree that all disbursements to the City and County pursuant to this Agreement are in furtherance of the Board's purposes as set forth in Tennessee Code Annotated § 48-101-302.

7. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property by the Assessor and the computation by the Trustee of the amount of the In Lieu Payment. If the Company contests any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. Likewise, if the Company contests any such computation, it shall present evidence to the Trustee in favor of its position. If the In Lieu Payments being contested shall be or become due and payable, the Company shall make such payments under protest. The Company and the Assessor or the Trustee, as the case may be, shall negotiate in good faith to resolve any disputes as to appraisal, assessment or computation. If the Company and the Assessor or the Trustee are unable to resolve a dispute, then the Company may file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation,

be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

8. Annual Report. The Company will provide the City, the County and the Board, on or before February 15 of each calendar year during this Agreement following the date the Project is placed in service, a certification of the Company as to the Company's compliance with the covenants set forth in Section 5(c). An independent audit of these certifications may occur if requested by the City or County during any calendar year of this Agreement.

9. Lien on Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

10. Term. This Agreement shall become effective on the date that the Board attains title to the Property and shall continue for so long as the Board holds title to any of the Property or the Company has made all payments required hereunder, whichever shall later occur.

11. Leasehold Taxation. If the leasehold interest of the Company should be subject to ad valorem taxation, then any amounts assessed as taxes thereon shall be credited against any In Lieu Payments due hereunder. The Company agrees to cooperate fully with the Assessor in supplying information for completion of leasehold taxation questionnaires with respect to the Property.

12. Stormwater Fees. In addition to other requirements under this Agreement, the Company shall be responsible for all stormwater fees assessed by the City of Chattanooga against the Real Property.

13. Notices, etc. All notices and other communications provided for hereunder shall be written (including facsimile transmission), and mailed or sent via facsimile transmission or

delivered, if to the City or the Board, c/o Mr. Phillip A. Noblett, Suite 200, 100 E. 11th Street, Chattanooga, Tennessee 37402; if to the County, c/o Mr. Rheubin M. Taylor, County Attorney, Hamilton County Government, Room 204, County Courthouse, Chattanooga, Tennessee 37402-1956; if to the Company, c/o Ms. Martina Guilfoil, Chattanooga Neighborhood Enterprise, Inc., 1500 Chestnut Street, Suite 102, Chattanooga, Tennessee 37408; if to the Trustee, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; and if to the Assessor, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications, when sent by U.S. certified mail, return receipt requested, shall be effective three days after sending, or when sent by overnight courier or personal delivery, shall be effective upon delivery, or when sent by facsimile transmission, confirmed electronically, shall be effective when sent, in each case addressed as aforesaid.

14. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

15. Assignment.

(a) Except in the event of the conveyance of the Property as a result of a foreclosure or deed in lieu of foreclosure or except as otherwise provided in this Section, the Company may only assign this Agreement, or any part hereof, with the prior consent of the Mayor of the City, the Mayor of the County, and the Board. The Mayor of the City, the Mayor of the County and/or the Board shall not withhold such consent upon the occurrence of all of the

following conditions: (i) there is no default under this Agreement at the time of the assignment, (ii) all requirements of the Company under this Agreement have been satisfied as of the date of the assignment, and (iii) any assignee agrees to provide proof of sufficient assets to fund the business plan for the Project and agrees to be bound by the terms of this Agreement from and after the date of assignment (the “Consent Requirements”). If the Company provides the Mayor of the City, the Mayor of the County and the Board (x) a certificate of an officer of the Company certifying that the requirements of (i) and (ii) have been satisfied and (y) proof of sufficient assets to fund the business plan for the Project and a copy of an assignment and assumption agreement pursuant to which the assignee agrees to be bound by the terms of this Agreement, the Mayor of the City, the Mayor of the County and the Board shall each have the option, upon at least seven (7) days’ prior notice to the Company, to meet with a representative of the Company within forty-five (45) days of receipt of the Company’s certificate for purposes of determining whether the Company has satisfied the Consent Requirements. Unless the Mayor of the City, the Mayor of the County and the Board meet with the Company and all state in writing within such forty-five (45) day period that the Company has not satisfied the Consent Requirements, the Company may assign this Agreement in accordance with the terms and conditions described in the Company’s certificate without any further action of the Mayor of the City, the Mayor of the County and/or the Board. In the event that the Mayor of the City, the Mayor of the County and the Board timely state in writing that the Company has not satisfied the Consent Requirements, the Company and the assignee may, upon the Company’s request, appear before the City Council of the City, the Board of Commissioners of the County and the Board to request approval of such assignment pursuant to the terms of this Section, which consents shall not be unreasonably withheld. Upon satisfaction of the requirements of this Section, the assignment shall relieve the

Company from liability for any of its obligations hereunder as of the effective date of the assignment.

(b) Notwithstanding the provisions of subsection (a), above, and notwithstanding any other provision in this Agreement or the Lease to the contrary, the Company may make a collateral assignment of all or any portion of its interests in this Agreement, the Lease and the Project for the benefit of one or more banks or other lenders that, from time to time, provide financing to the Company. Nothing in this Agreement or the Lease shall in any way restrict any sale or transfer of the leasehold interest and other interests of the Company in the Project pursuant to a judicial or non-judicial foreclosure sale as a result of the exercise of any one or more lender's rights under the applicable loan documents. The City, the County and the Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the City, County or Board, in consummating any financing for the Company that involves a pledge or assignment of the Company's interests in this Agreement, the Lease or the Project. Without limitation of the foregoing, the Mayor of the City, the Mayor of the County, and the Chairman of the Board, or any of their respective designees, are authorized, upon the Company's request, to enter into or consent to such documents as are necessary to consummate such financing as well as additional consents to assignment, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the City, County and Board beyond the Board's interest in the Project

16. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

17. No Liability of Board, City and County Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, official, director or officer, as such, of the Board, the City or the County, whether past, present or future, either directly or through the Board, the City or the County. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

19. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

20. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

ATTEST:

By: _____
Secretary

THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY
OF CHATTANOOGA, TENNESSEE

By: _____
Chairman

CHATTANOOGA NEIGHBORHOOD
ENTERPRISE, INC.

By: _____
Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

WILLIAM F. HULLANDER

By: _____
Hamilton County Trustee

MARTY HAYNES

By: _____
Hamilton County Assessor of
Property

EXHIBIT "A"
TO AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES

REAL PROPERTY

All that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, described as follows, to wit:

All that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, described as follows, to wit:

Being a Combination of three parcels on E. 17th Street and E. 18th Street, as follows:

2510 E 17TH ST / 156F B 016

2514 E 17TH ST / 156F B 017

2461 E 18TH ST / 156F B 026

Lot 7, MILL TOWN 2020, as recorded in Plat Book 129, Page 93 in the Register's Office for Hamilton County, Tennessee, to which Plat reference is hereby made for a more complete description of the property.

Containing in Area, 0.923 Acres, more or less.

PERSONAL PROPERTY

All personal property used by the Company in connection with its housing facility located on the real property described above.

This Instrument Prepared By:
Phillip A. Noblett, City Attorney
100 E. 11th Street, Suite 200
Chattanooga, TN 37402

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered as of this ___ day of _____, 2024, by and between **THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE** (the “Board”), a public corporation duly created and existing under the laws of the State of Tennessee, and **CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.** (the “Company”), a Tennessee limited liability limited partnership.

WITNESSETH:

In consideration of the respective covenants and agreements hereinafter contained, the Board and the Company agree as follows:

ARTICLE I. **DEFINITIONS**

Section 1.01 Definitions. The following terms when used in this Agreement, unless the context shall clearly indicate another or different meaning or intent, shall be construed as follows:

“Act” means Chapter 333 of the Public Acts of 1969, as codified in Tennessee Code Annotated Sections 48-101-301 et seq., as heretofore amended and as hereafter amended from time to time.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Company or the Board under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

“Agreement” means this Lease Agreement as it now exists and as it may hereafter be amended.

“Board” means The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, a public corporation duly created and existing under the Act, and its successors and assigns.

“City” means the City of Chattanooga, Tennessee.

“County” means Hamilton County, Tennessee.

The terms “default” and “event of default” mean any occurrence or event specified in Section 10.01 hereof.

The term “pending” with respect to any proceedings commenced by an Act of Bankruptcy means that such proceedings have not been dismissed, or are subject to further appeal.

“PILOT Agreement” means the Agreement for Payments in Lieu of Ad Valorem Taxes entered into by and among the Board, the Company, the City and the County.

“Project” means the multi-family rental housing project located on the Property.

“Property” means the real and personal property described in **Exhibit “A”** attached hereto, together with additions thereto, replacements thereof and substitutions therefor.

ARTICLE II. **CERTIFICATIONS**

Section 2.01 Certifications by Board. The Board makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Board is a public corporation of the State of Tennessee, duly organized and existing under the provisions of the Act. The Act authorizes the Board to acquire real and personal property constituting a “Project” under the Act.

(b) The Board has found and does hereby declare that the Project constitutes “multi-family housing facilities” qualifying as a “Project” under the Act and that the acquisition of the Project and the leasing of the same to the Company will be in furtherance of the public purposes for which the Board was created.

(c) The Board has been induced to enter into this undertaking by the promise of the Company to operate a housing facility in the State of Tennessee.

(d) There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Board threatened, against or affecting the Board in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by this Agreement or which, in any way, would materially and adversely affect the validity or enforceability of this Agreement or any agreement or instrument to which the Board is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

Section 2.02 Certifications by Company. The Company makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Company is a Tennessee non-profit corporation duly formed under the laws of the State of Tennessee, is in good standing under Tennessee law, has full power and authority to enter into this Agreement and to perform all obligations contained herein and therein, and has, by proper action, been duly authorized to execute and deliver this Agreement and, when executed and delivered by the parties thereto, this Agreement will constitute the valid and binding obligation of the Company enforceable in accordance with its terms.

(b) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein by the Company, nor the fulfillment of or compliance with the terms and conditions of this Agreement, does or will conflict with or result in a breach of the terms, conditions or provisions of any restriction or internal governing document of the Company or any agreement or instrument to which the Company is now a party or by which it is bound, or any existing law, rule, regulation, judgment, order or decree to which it is subject, or constitutes a default under any of the foregoing or, except as contemplated hereby, results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

(c) There are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company in any court or before any governmental authority, arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Company, or the ability of the Company to perform its obligations under this Agreement. The Company is not in default with respect to an order of any court, governmental authority, arbitration board or tribunal.

(d) No event has occurred and no condition exists with respect to the Company that would constitute an “event of default” under this Agreement, or which, with the lapse of time or with the giving of notice, or both, would become such an “event of default.”

ARTICLE III. **LEASING CLAUSES; WARRANTY OF TITLE**

Section 3.01 Lease of Property. The Board hereby leases to the Company, and the Company hereby leases from the Board, the Property, for the consideration set forth in Section 5.03 hereof and in accordance with the provisions of this Agreement.

Section 3.02 Title. The Board will obtain upon the acquisition thereof good and marketable title to the Property, free from all encumbrances except for (a) encumbrances of record as of the date of this Agreement, (b) (i) a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing and (ii) an Absolute Assignment of Leases, Rents and Income, each executed by the Company in favor of BrightBridge, Inc. to secure financing for the Project provided by BrightBridge, Inc., pursuant to an Assignment of Deed of Trust and Other Recorded Instruments, and (c) a Deed of Trust and Security Agreement executed by the Company in favor of the City of Chattanooga, Tennessee to secure credit extended in connection with HOME Funds being provided for the Project. The Board acknowledges that the security documents referenced in subsections (b) and (c) of the prior sentence will be recorded prior to the deed from the Company conveying the Property to the Board and that the Board will take title to the Property subject to such security documents. The deed to the Board will be made expressly subject to such security documents and the Board's title to the Property will be subject to all rights and remedies available to the holders of such security documents. In addition, the Board acknowledges and agrees that the PILOT Agreement and this Lease may be collaterally assigned to BrightBridge, Inc. as additional security, but that neither BrightBridge, Inc. nor its assigns shall be deemed to assume any obligations or obtain any rights of the Company under the PILOT Agreement or the Lease unless they elect to do so.

Section 3.03 Quiet Enjoyment. The Board covenants and agrees that it will warrant and defend the Company in the quiet enjoyment and peaceable possession of the Property, free from all claims of all persons whatsoever, throughout the Lease Term, so long as the Company shall perform the covenants, conditions and agreements to be performed by it hereunder, or so long as the period for remedying any default in such performance shall not have expired. If the Board shall at any time be called upon to defend the title to said property as aforesaid, it shall not be required to incur any costs or expenses in connection therewith unless indemnified to its satisfaction against all such costs and expenses.

ARTICLE IV.
ACQUISITION, CONSTRUCTION AND INSTALLATION OF PROPERTY

Section 4.01 Agreement to Acquire, Construct and Install Project. The Company agrees that:

- (a) It will cause title in and to the Property to be vested in the Board.
- (b) It will acquire, construct and install the Project in the name of and on behalf of the Board.
- (c) It will complete the acquisition, construction and equipping of the Project as promptly as practicable.

ARTICLE V.
EFFECTIVE DATE; DURATION OF LEASE TERM; CONSIDERATION

Section 5.01 Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created hereunder shall then begin, and, subject to the other provisions of this Agreement, shall expire at midnight, December 31, 2031.

Section 5.02 Delivery and Acceptance of Possession. The Board agrees to deliver to the Company sole and exclusive possession of the Project, and the Company agrees to accept possession of the Project upon such delivery.

Section 5.03 Consideration for Lease. In consideration of the lease granted hereunder the Company agrees to:

- (a) Acquire, construct and install the Project as described in Section 4.01 hereof;
- (b) Operate the Project as a multi-family housing facility for its own benefit and for the benefit of the citizens of the County and the City; and
- (c) Make the payments required of it under the PILOT Agreement.

ARTICLE VI.
MAINTENANCE: MODIFICATION: TAXES AND INSURANCE

Section 6.01 Maintenance and Modification of Property by Company. The Company agrees that throughout the term of this Agreement it will, at its own expense, keep the Property (i) in as reasonably safe condition as its operations shall permit, and (ii) in good repair and in good operating condition, normal wear and tear and obsolescence excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 6.02 Removal of Personal Property Included in Project. The Board shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary personal property constituting a part of the Project. In any instance where the Company in its sole discretion determines that any items of such personal property have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may remove such items of personal property and (on behalf of the Board) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Board therefor.

Section 6.03 Taxes, Other Governmental Charges and Utility Charges. The Board and the Company acknowledge that under present law the Project will be exempt from taxation in the State of Tennessee. The Company will pay, as the same become lawfully due and payable, (i) all taxes and governmental charges of any kind whatsoever upon or with respect to the Project and (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project.

The Company may, at its own expense and in its own name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom. The Board will cooperate fully with the Company in any such contest.

Section 6.04 Maintenance of Insurance. Throughout the term of this Agreement, the Company shall keep the Property continuously insured against such risks as are customarily insured against with respect to property similar to the Property by businesses of like size and type (other than business interruption insurance), paying as the same become due all premiums in respect thereto.

Section 6.05 Indemnification of Board. The Company shall and hereby agrees to indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Property during the term of this Agreement, and against and from all claims arising during the term of this Agreement, from:

- (a) any condition of the Property caused by the Company;
- (b) any breach or default on the part of the Company in the performance of any its obligations under this Agreement; and

(c) any act of negligence of the Company or of any agents, contractors, servants, employees or licensees of the Company or of any assignee or sublessee of the Company.

The Company shall indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all costs and expenses incurred in or in connection with any action or proceeding brought thereon, and, upon notice from the Board, the Company shall defend the Board and any such officer, director, agent, servant or employee or any of them in any such action or proceeding.

Section 6.06 Board Expenses. In addition to other payments required to be made by the Company hereunder, the Company shall pay any reasonable expenses not specifically mentioned herein which are incurred by the Board in connection with the Property or this Agreement.

Section 6.07 Depreciation and Investment Credit. The Board covenants and agrees that depreciation expenses and investment tax credit, if any, with respect to the Project shall be made available to the Company, and the Board will fully cooperate with the Company in any effort by the Company to avail itself of any such depreciation expenses or investment tax credit, but the Board shall have no responsibility or liability for failure of the Company to receive any such expenses or credits.

ARTICLE VII.

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01 Damage and Destruction. If during the term hereof the Property is damaged by fire or other casualty, the Board shall cause the proceeds received by it from insurance to be paid to the Company for application in one or both of the following ways, as shall be determined by the Company:

- (a) Repair, rebuilding or restoration of the property damaged.
- (b) Reimbursement to the Company for loss in value of its interest in the Property.

Section 7.02 Condemnation of Property. If title in and to, or the temporary use of, the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Board shall cause the proceeds received by it from any award made in such eminent domain proceeding to be paid to the Company for application in one or more of the following ways, as shall be determined by the Company:

- (a) Restoration of the Property to substantially the same condition as existed prior to the exercise of said power of eminent domain.
- (b) Acquisition, by construction or otherwise, of other property having substantially the same use and utility as the property taken in such proceedings (which property will be deemed a part of the Property available for use by the Company under this Agreement).

(c) Reimbursement to the Company for loss in value of its interest in the Property.

The Board shall cooperate fully with the Company in the handling and conduct of any prospective or pending eminent domain proceeding with respect to the Property or any part thereof and shall, to the extent it may lawfully do so, permit the Company to litigate in any such proceeding in the name and on behalf of the Board. In no event will the Board voluntarily settle, or consent to the settlement of, any prospective or pending eminent domain proceeding with respect to the Property or any part thereof without the written consent of the Company.

ARTICLE VIII.
SPECIAL COVENANTS

Section 8.01 No Warranty of Condition or Suitability by Board. The Board makes no warranty, either express or implied, as to the condition of the Property or that it will be suitable for the purposes or needs of the Company. The Company releases the Board from, agrees that the Board shall not be liable for, and agrees to hold the Board and its officers, directors, agents, servants and employees harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Property or the use thereof. The members of the Board of Directors of the Board shall incur no liability either individually or collectively by reason of the obligations undertaken by the Board hereunder.

Section 8.02 Identification of Personal Property Included in Project. The Company will at all times maintain in its permanent records a complete list of the personal property constituting a part of the Project, which will specifically identify each item of such personal property as being property of the Board.

ARTICLE IX.
ASSIGNMENT, SUBLEASING, DEVELOPMENT AND SELLING

Section 9.01 Assignment. This Agreement may be only assigned, as a whole or in part, by the Company without the prior written consent of the Board if:

(a) The Company is permitted to assign the PILOT Agreement in accordance with its terms as set forth in Paragraph 15 of the PILOT Agreement;

(b) The assignee shall assume all obligations of the Company hereunder to the extent of the interest assigned and shall provide documentation and information to the Board, as required under Paragraph 15 of the PILOT Agreement; and

(c) The Company and/or assignee shall, within thirty (30) days after the execution and delivery thereof, furnish or cause to be furnished to the Board a true and complete copy of each such assignment and assumption of obligation, as the case may be.

Upon satisfaction of the requirements of this Section, the assignment shall relieve the Company from further liability for any of its obligations hereunder as of the effective date of the assignment.

Section 9.02 Subleasing. The Company may sublease all or a portion of the Property without the prior written consent of the Board; provided that any such sublease shall not relieve the Company from its obligations under this Agreement or the PILOT Agreement, and such obligations shall remain in full force and effect.

Section 9.03 Financing Approvals and Consents. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in consummating any financing related to the Project, the Property or other improvements on the Property. Without limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, enter into or consent to such documents as are necessary to consummate such financing including, without limitation, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.04 Cooperation. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in connection with development approvals and requirements and related activities for the Project and the development of the Property. Without limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, execute zoning, rezoning and variance applications and any subdivision plats, easements or other documents as may be required or useful in connection with the Project or the development of the Property, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.05 Restrictions on Sale of Property by Board. The Board agrees that, except for transactions effected in accordance with Section 11.03 hereof and except as requested by the Company, it will not sell, assign, mortgage, transfer or convey the Property during the Lease Term or create or suffer to be created any debt, lien or charge on the rents, revenues or receipts arising out of or in connection with its ownership of the Property, and it will not take any other action which may reasonably be construed as tending to cause or induce the levy or assessment of ad valorem taxes; provided, that if the laws of the State of Tennessee at the time shall permit, nothing contained in this Section shall prevent the consolidation of the Board with, or merger into, or transfer of the Property as an entirety to, any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning, leasing and selling of the Property; provided that such consolidation, merger or transfer shall be authorized by the governing body of the State of Tennessee.

ARTICLE X.

EVENTS OF DEFAULT AND REMEDIES

Section 10.01 Events of Default Defined. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Board or the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to one party by the other, unless the one giving notice shall agree in writing to an extension of such time prior to its expiration. If a failure under this Section 10.01(a) is such that it can be corrected but not within the applicable period, it shall not constitute an event of default if appropriate corrective action is instituted within the applicable period and diligently pursued until the default is corrected.

(b) A voluntary Act of Bankruptcy or an Act of Bankruptcy which, if resulting from the filing or commencement of involuntary proceedings against the Company or the Board, is not dismissed or discharged within sixty (60) days of the filing or commencement thereof.

The foregoing provisions of subsection (a) of this Section are subject to the following limitations: if by reasons of force majeure, the Board or the Company is unable in whole or in part to carry out the agreements on its part herein referred to, the failure to perform such agreements due to such inability shall not constitute an event of default nor shall it become an event of default upon appropriate notification or the passage of this stated period of time. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; act of public enemies; orders of any kind of the government of the United States of America or of the State of Tennessee or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires, hurricanes, tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Board or the Company. The Board and the Company agree, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board or the Company, as the case may be and the Board and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Board or the Company, unfavorable to it.

Section 10.02 Remedies on Default. Whenever any event of default referred to in Section 10.01 hereof shall have occurred and be subsisting, the Board or the Company, as the case may be, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant under this Agreement including, without limitation, termination of this Agreement.

ARTICLE XI.

OPTIONS IN FAVOR OF COMPANY

Section 11.01 Options to Terminate. The Company shall have the following options to cancel or terminate the term of this Agreement:

(a) At any time, the Company may terminate the Lease Term by giving written notice to the Board of such termination.

(b) At any time, the Company may terminate this Agreement as to a part of the Property by giving written notice to the Board of such termination, and such termination shall forthwith become effective as to that part of the Property.

Section 11.02 Option to Purchase Property. Upon termination or expiration of the Lease Term or termination of this Agreement as to a part of the Property, the Company shall have, and is hereby granted, the option to purchase the Property or that part of the Property as to which the Agreement has been terminated, as the case may be, for the purchase price, in each case, of One Dollar (\$1.00). This option may be exercised whether or not the Company is in default hereunder.

Section 11.03 Conveyance on Exercise of Option. Upon exercise of the option granted above, the Board will, upon receipt of the purchase price, deliver to the Company documents conveying to the Company title to the Property or part of the Property, as the case shall be, by appropriate deeds and bills of sale, subject only to:

(a) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Board;

(b) those liens and encumbrances created by or with the consent of the Company; and

(c) those liens and encumbrances resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Agreement.

ARTICLE XII. **MISCELLANEOUS**

Section 12.01 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class United States mail, postage prepaid, or sent by telegram addressed as follows:

Board:	The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee c/o Phillip A. Noblett, Deputy City Attorney Suite 200, 100 E. 11 th Street Chattanooga, TN 37402
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Company:	Chattanooga Neighborhood Enterprise, Inc. c/o Ms. Martina Guilfoil 1500 Chestnut Street, Suite 102 Chattanooga, TN 37408
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Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent.

Section 12.02 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Company, the Board, and their respective successors and assigns.

Section 12.03 Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.04 Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.05 Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope, extent or intent of any provision or Section hereof.

Section 12.06 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Tennessee.

[Signature Page Follows]

IN WITNESS WHEREOF, the Board and the Company have caused this Agreement to be duly executed in their respective corporate names, all as of the date first above written.

THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY
OF CHATTANOOGA, TENNESSEE

ATTEST:

By: _____
Secretary

By: _____
Chairman

CHATTANOOGA NEIGHBORHOOD
ENTERPRISE, INC.

By: _____

Title: _____

STATE OF TENNESSEE
COUNTY OF HAMILTON

Personally appeared before me, _____, Notary Public, _____ and _____, with whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purposes therein contained, and who further acknowledged that they are the Chairman and Secretary of the Maker, THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, and are authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2024.

Notary Public
My Commission Expires: _____

STATE OF TENNESSEE
COUNTY OF SHELBY

Personally appeared before me, _____, Notary Public, _____, with whom I am personally acquainted, and who acknowledged that (s)he executed the within instrument for the purposes therein contained, and who further acknowledged that (s)he is the _____ of the Maker, CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC., a Tennessee non-profit corporation, and is authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2024.

Notary Public
My Commission Expires: _____

EXHIBIT "A"
TO LEASE

REAL PROPERTY

All that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, described as follows, to wit:

Being a Combination of three parcels on E. 17th Street and E. 18th Street, as follows:

2510 E 17TH ST / 156F B 016

2514 E 17TH ST / 156F B 017

2461 E 18TH ST / 156F B 026

Lot 7, MILL TOWN 2020, as recorded in Plat Book ____, Page _____ in the Register's Office for Hamilton County, Tennessee, to which Plat reference is hereby made for a more complete description of the property.

Containing in Area, 0.923 Acres, more or less.

PERSONAL PROPERTY

All personal property used by the Company in connection with its housing facility located on the real property described above.

A RESOLUTION

AUTHORIZING THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, TO TAKE TITLE TO CERTAIN REAL AND PERSONAL PROPERTY, TO EXECUTE A LEASE AGREEMENT TO LEASE SUCH PROPERTY TO CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. (THE “COMPANY”) LYERLY AVENUE RESIDENTIAL PROJECT FOR OPERATION OF A MULTI-FAMILY HOUSING FACILITY, AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES WITH THE COMPANY.

WHEREAS, Chattanooga Neighborhood Enterprise, Inc., or a related or affiliated entity (the “Company”), is considering the construction of the Lyerly Avenue Residential apartments, including the construction, equipping, and furnishing of a multifamily, low income housing apartment project with approximately sixteen (16) units on property located at 1805 South Lyerly Avenue in Chattanooga, Hamilton County (the “Project”); and

WHEREAS, the Company has requested that The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the “Board”), agree to take title to the real and personal property comprising the Project (the “Leased Property”) and lease the Leased Property to the Company; and

WHEREAS, the Company has provided information in a written application (the “Application”) filed with the Board concerning the tenants whom the Company expects to occupy the Project; and

WHEREAS, the Company has requested that the Board agree to enter into an agreement with the Company whereby the Company will make payments in lieu of ad valorem taxes; and

WHEREAS, the City Council of the City of Chattanooga and the Hamilton County Board of Commissioners have been asked to delegate to the Board the right to receive payments in lieu of ad valorem property taxes in accordance with Tenn. Code Ann. Section 48-101-312; and

HEB-2024-08

WHEREAS, the ownership of the Leased Property and the leasing thereof to the Company are within the powers of the Board as described in Tenn. Code Ann. Section 48-101-308, and the provision for payments in lieu of ad valorem property taxes on the Leased Property is within the powers of the Board as described in Tenn. Code Ann. Section 48-101-312; and

WHEREAS, the form of an Agreement for Payments In Lieu of Ad Valorem Taxes and the form of a Lease Agreement have been presented to the Board for approval in connection with this Project;

NOW, THEREFORE, BE IT RESOLVED by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, as follows:

Section 1. The Board hereby finds that the Project constitutes “Housing” as that term is defined in Tenn. Code Ann. Section 48-101-301, in that the Project will be a multi-family housing facility to be occupied by persons of low and/or moderate income, and /or elderly, and/or handicapped persons, based upon the information supplied by the Company in the Application.

Section 2. Subject to obtaining a delegation of authority from the City Council of the City of Chattanooga and the Hamilton County Board of Commissioners authorizing the execution of the PILOT Agreement (defined below), the Board agrees to accept title to the Leased Property and to lease the Leased Property to the Company. The form, terms and provisions of the Lease Agreement attached hereto as Exhibit “A” (the “Lease Agreement”) are hereby approved, and all of the terms, provisions and conditions of the Lease Agreement are hereby incorporated herein. The Chairman or Vice Chairman of the Board is hereby authorized, empowered and directed to execute, acknowledge and deliver the Lease Agreement in the name and on behalf of the Board, and the Secretary or Assistant Secretary of the Board is hereby authorized and directed to attest the same. The Lease Agreement is to be in substantially the form now before this meeting

and hereby approved, or with such changes therein as shall be approved by the officials of the Board executing the same.

Section 3. Subject to obtaining a delegation of authority from the City Council of the City of Chattanooga and the Hamilton County Board of Commissioners, the Board agrees to enter into the Agreement for Payments in Lieu of Ad Valorem Taxes, attached hereto as Exhibit “B” (the “PILOT Agreement”), with the Company and the form, terms and provisions are hereby approved, and all of the terms, provisions and conditions of the PILOT Agreement are hereby incorporated herein. The Chairman or Vice Chairman of the Board is hereby authorized, empowered and directed to execute, acknowledge and deliver the PILOT Agreement in the name and on behalf of the Board, and the Secretary or Assistant Secretary of the Board is hereby authorized and directed to attest the same. The PILOT Agreement is to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officials of the Board executing the same.

Section 4. The Chairman, or Vice Chairman, and Secretary, or Assistant Secretary, of the Board shall be, and they are hereby further authorized and directed for and on behalf of the Board, to take any and all such action as may be required by the Board to carry out, give effect to and consummate the transactions contemplated by the Lease Agreement and the PILOT Agreement authorized pursuant to this resolution and to execute all papers, documents, certificates and other instruments that may be required for the carrying out of the authority conferred by this resolution or to evidence said authority.

Section 5. Prior to or in connection with the execution of the Lease Agreement, the Chairman, or the Chairman’s designee, may, upon the Company’s request, enter into or consent to such documents as are necessary to consummate the financing and/or development of the Project

in the same manner and to the same extent provided under Sections 9.03 and 9.04 of the Lease Agreement; provided that any such transaction or approval must be expressly non-recourse to the Board beyond its interest in the Project and related property and must further satisfy the requirements of Section 8.01 of the Lease Agreement with respect to the immunities provided to members of the Board.

Approved this 18th day of March, 2024.

THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

By: _____

Print: Hicks Armor

Title: Chair

ATTEST:

By: _____

Print: Richard Johnson

Title: Secretary

HEB-2024-08

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT is made and entered into as of the ____ day of _____, 2024, by and among THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE (the “Board”); CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC., a Tennessee non-profit corporation (the “Company”); the CITY OF CHATTANOOGA, TENNESSEE (the “City”); and HAMILTON COUNTY, TENNESSEE (the “County”) and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by WILLIAM F. HULLANDER and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE (“Trustee”), and by MARTY HAYNES and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY (“Assessor”).

W I T N E S S E T H:

WHEREAS, the Company is contemplating the construction of sixteen (16) one bedroom, two bedroom, and three bedroom residential units located at 1805 S. Lyerly Avenue in Chattanooga, Hamilton County, Tennessee, (the “Project”), and has requested the Board’s assistance in the financing of the Project; and

WHEREAS, substantial public welfare benefits to the City and County will be derived from the Project; and

WHEREAS, the Board has agreed to take title to certain real and personal property that constitutes the Project, as described in Exhibit “A” attached hereto (the “Property”), which Property is to be owned by the Board and leased to the Company; and

WHEREAS, because the Property is to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, §48-101-301, et seq.,

all such property will be exempt from ad valorem property taxes (“property taxes”) normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, §48-101-312; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the “In Lieu Payments”), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through their duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions; and

WHEREAS, the Board wishes to designate the County Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Trustee and the City Treasurer, as applicable, as its agent to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of

Tennessee as though the Property were subject to property taxes. According to Chapter 0600-10 of the Rules of the Tennessee State Board of Equalization, following construction of the Property, such appraisal shall consist of the residential use component (the “Residential Project Value”) which will be based on the Assessor’s valuation of the Project’s operating income. The Assessor shall give the Trustee, the City Treasurer, the Board, and the Company written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Company all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes.

The Board hereby designates the Trustee as its agent to compute the amounts of the In Lieu Payments. On or about October 1 of each year during the term of this agreement, the Trustee shall compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Trustee shall send the Board and the Company a bill for appropriate amounts of In Lieu Payments (the “Tax Bill”).

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, the Company shall pay to the Trustee the amounts indicated on the Tax Bill to be paid to the County and the Company shall pay to the City Treasurer the amounts on the Tax Bill to be paid to the City in accordance with the amount set forth below in Section 4. The In Lieu Payments shall be made by the Company in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Company.

(a) Payments for Unimproved Project. For each of the years 2025 through 2044 (the “Tax Abatement Period”), the Company shall make In Lieu Payments with respect to the Property in an amount equal to one hundred percent (100%) of all City and County annual ad valorem property taxes levied in the base year of 2023 (the “Base Year”) on the value of the Project (the “Unimproved Project Value”). The intent is for the City and County to continue receiving throughout the term of this Agreement all taxes assessed as to the Unimproved Project Value exclusive of the improvements made in connection with the construction of the Project, which improvements are subject to the payment in lieu of tax obligations set forth in subsection (b), immediately below.

(b) Payments for Residential Project.

(i) School Tax on Construction. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the then constructed Property, the Company shall make In Lieu Payments in the amount required to satisfy the Hamilton County Schools portion of the property taxes that would be due on the improvements to the Property if it were subject to taxation (the “School Portion”) based upon the increase in the Residential Project Value over the Unimproved Project Value (the “Residential Value”). The parties acknowledge and agree that the School Portion currently equates to 24.80% of the amount of the total City and County taxes that would have been payable on the improvements

to the Property if it were subject to property taxes. The parties further acknowledge that the percentage of the School's Portion will vary as City and County tax rates change.

(ii) General Fund Tax on Construction. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the newly constructed Property, the Company shall also make In Lieu Payments in the amounts set forth below under paragraph (iii) based upon the City and County general fund property taxes that would be due on the Residential Project Value (defined above) of the Property if it were subject to taxation.

(iii) In Lieu Payments and Phase In Period. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the newly constructed Property, additional In Lieu Payments on the Residential Project Value will be as follows:

Tax Year	City General Fund Portion ⁽¹⁾	County General Fund Portion ⁽¹⁾	County School Fund Portion ⁽¹⁾
	Residential Project Value	Residential Project Value	Residential Project Value
2025 – 2044	0%	0%	100%

(1) – The above percentages refer to the percent of the amount of taxes that would have been payable on the value if it were subject to property taxes.

As noted above, during such years 2025 to 2044, the Company shall continue to pay an In Lieu Payment based upon the Unimproved Project Value and shall continue to pay the School Portion attributable to the Hamilton County Schools. For any periods before or after the Tax Abatement Period that the Property is owned by the Board, the Company shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to one hundred

percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

5. Penalties and Late Charges; Affordability Requirement. The Company shall make the In Lieu Payments for each year before March 1 of the following year. All In Lieu Payments to the City and County shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any In Lieu Payment when due, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount, for each month that each payment has been unpaid. Such one and one-half percent (1-1/2%) per month late charge amount shall accumulate each month and be payable so long as there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees, and if the Company should fail to pay all amounts and late charges due as provided hereinabove for more than two (2) years, the City or the County may, as to their respective In Lieu Payments, terminate the benefits of this Agreement and thereafter require the Company to pay one hundred percent (100%) of the amount of taxes that would have been payable on the Property for so long as such payment default continues as determined by the Mayor of the City and the Mayor of the County. In the event of a disagreement between the parties concerning whether or not the Company has cured a default, a representative of the Company may request that the City and County, as applicable, each meet to determine whether such default has been cured, and the Company and the City or the County, as the case may

be, shall meet promptly thereafter attempt in good faith to resolve such dispute. The Company may, in addition, file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

(c) The Company covenants as follows:

(i) The Project will be completed within twenty-four (24) months following the date of this Agreement, and the Project will be constructed in substantial compliance with the project description set forth in the PILOT Application that the Company submitted to the City as determined by the Land Development Office of the City and in consultation with the County.

(ii) After completion of the Project and during the Tax Abatement Period, fifty percent (50%) of the dwelling units in the Project will be set aside for occupancy by households whose income is not greater than eighty percent (80%) of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development (the "Affordability Requirement").

(iii) After completion of the Project and during the Tax Abatement Period, the Project shall be maintained in habitable condition and in compliance with all applicable City and County ordinances and codes.

(d)

(i) If the Company should fail to meet the Affordability Requirement under Section 5(c)(ii) above with respect to the Project and such failure continues for a period of more than one hundred eighty (180) days following receipt by the Company of written notice from the City or the County specifying such failure in reasonable detail (an "Affordability Event of

Default"), the City and the County may then require the Company to pay an additional In Lieu Payment based upon the difference between (i) the In Lieu Payments on the Property owed pursuant to Section 4 during the period of the continuance of such Affordability Event of Default and (ii) the full taxes that would have been payable on the Property if it were subject to property taxes multiplied by a fraction (expressed as a percentage), the denominator of which is the number of dwelling units at the Project subject to the Affordability Requirement and the numerator of which is the number of dwelling units times fifty percent (50%) that are not occupied by or available for occupancy by households whose income is not greater than eighty percent (80%) of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development. The County and the City shall look solely to the Company for any repayment obligations.

(ii) In no event shall the Company be required to pay more in In Lieu Payments than the Company would have paid in property taxes, if the Property were subject to property taxes.

6. Disbursements by the Treasurer and Trustee. All sums received by the Treasurer pursuant to Section 4 for the benefit of the City general fund shall be disbursed to the general funds of the City in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All sums received by the Trustee pursuant to Section 4 for the benefit of the County general fund shall be disbursed to the general fund of the County in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All such sums received by the Treasurer shall be placed into an account for the use and benefit of the City. All such sums received by the Trustee shall be divided into an account

for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All sums received by the Trustee pursuant to Section 4 for the benefit of the County school system shall be disbursed to the County and thereafter deposited into an account for the educational use and benefit of the County schools. The parties acknowledge and agree that all disbursements to the City and County pursuant to this Agreement are in furtherance of the Board's purposes as set forth in Tennessee Code Annotated § 48-101-302.

7. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property by the Assessor and the computation by the Trustee of the amount of the In Lieu Payment. If the Company contests any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. Likewise, if the Company contests any such computation, it shall present evidence to the Trustee in favor of its position. If the In Lieu Payments being contested shall be or become due and payable, the Company shall make such payments under protest. The Company and the Assessor or the Trustee, as the case may be, shall negotiate in good faith to resolve any disputes as to appraisal, assessment or computation. If the Company and the Assessor or the Trustee are unable to resolve a dispute, then the Company may file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation, be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

8. Annual Report. The Company will provide the City, the County and the Board, on or before February 15 of each calendar year during this Agreement following the date the Project is placed in service, a certification of the Company as to the Company's compliance with the covenants set forth in Section 5(c). An independent audit of these certifications may occur if requested by the City or County during any calendar year of this Agreement.

9. Lien on Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

10. Term. This Agreement shall become effective on the date that the Board attains title to the Property and shall continue for so long as the Board holds title to any of the Property or the Company has made all payments required hereunder, whichever shall later occur.

11. Leasehold Taxation. If the leasehold interest of the Company should be subject to ad valorem taxation, then any amounts assessed as taxes thereon shall be credited against any In Lieu Payments due hereunder. The Company agrees to cooperate fully with the Assessor in supplying information for completion of leasehold taxation questionnaires with respect to the Property.

12. Stormwater Fees. In addition to other requirements under this Agreement, the Company shall be responsible for all stormwater fees assessed by the City of Chattanooga against the Real Property.

13. Notices, etc. All notices and other communications provided for hereunder shall be written (including facsimile transmission), and mailed or sent via facsimile transmission or delivered, if to the City or the Board, c/o Mr. Phillip A. Noblett, Suite 200, 100 E. 11th Street, Chattanooga, Tennessee 37402; if to the County, c/o Mr. Rheubin M. Taylor, County Attorney,

Hamilton County Government, Room 204, County Courthouse, Chattanooga, Tennessee 37402-1956; if to the Company, c/o Ms. Martina Guilfoil, Chattanooga Neighborhood Enterprise, Inc., 1500 Chestnut Street, Suite 102, Chattanooga, Tennessee 37408; if to the Trustee, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; and if to the Assessor, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications, when sent by U.S. certified mail, return receipt requested, shall be effective three days after sending, or when sent by overnight courier or personal delivery, shall be effective upon delivery, or when sent by facsimile transmission, confirmed electronically, shall be effective when sent, in each case addressed as aforesaid.

14. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

15. Assignment.

(a) Except in the event of the conveyance of the Property as a result of a foreclosure or deed in lieu of foreclosure or except as otherwise provided in this Section, the Company may only assign this Agreement, or any part hereof, with the prior consent of the Mayor of the City, the Mayor of the County, and the Board. The Mayor of the City, the Mayor of the County and/or the Board shall not withhold such consent upon the occurrence of all of the following conditions: (i) there is no default under this Agreement at the time of the assignment, (ii) all requirements of the Company under this Agreement have been satisfied as of the date of the

assignment, and (iii) any assignee agrees to provide proof of sufficient assets to fund the business plan for the Project and agrees to be bound by the terms of this Agreement from and after the date of assignment (the “Consent Requirements”). If the Company provides the Mayor of the City, the Mayor of the County and the Board (x) a certificate of an officer of the Company certifying that the requirements of (i) and (ii) have been satisfied and (y) proof of sufficient assets to fund the business plan for the Project and a copy of an assignment and assumption agreement pursuant to which the assignee agrees to be bound by the terms of this Agreement, the Mayor of the City, the Mayor of the County and the Board shall each have the option, upon at least seven (7) days’ prior notice to the Company, to meet with a representative of the Company within forty-five (45) days of receipt of the Company’s certificate for purposes of determining whether the Company has satisfied the Consent Requirements. Unless the Mayor of the City, the Mayor of the County and the Board meet with the Company and all state in writing within such forty-five (45) day period that the Company has not satisfied the Consent Requirements, the Company may assign this Agreement in accordance with the terms and conditions described in the Company’s certificate without any further action of the Mayor of the City, the Mayor of the County and/or the Board. In the event that the Mayor of the City, the Mayor of the County and the Board timely state in writing that the Company has not satisfied the Consent Requirements, the Company and the assignee may, upon the Company’s request, appear before the City Council of the City, the Board of Commissioners of the County and the Board to request approval of such assignment pursuant to the terms of this Section, which consents shall not be unreasonably withheld. Upon satisfaction of the requirements of this Section, the assignment shall relieve the Company from liability for any of its obligations hereunder as of the effective date of the assignment.

(b) Notwithstanding the provisions of subsection (a), above, and notwithstanding any other provision in this Agreement or the Lease to the contrary, the Company may make a collateral assignment of all or any portion of its interests in this Agreement, the Lease and the Project for the benefit of one or more banks or other lenders that, from time to time, provide financing to the Company. Nothing in this Agreement or the Lease shall in any way restrict any sale or transfer of the leasehold interest and other interests of the Company in the Project pursuant to a judicial or non-judicial foreclosure sale as a result of the exercise of any one or more lender's rights under the applicable loan documents. The City, the County and the Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the City, County or Board, in consummating any financing for the Company that involves a pledge or assignment of the Company's interests in this Agreement, the Lease or the Project. Without limitation of the foregoing, the Mayor of the City, the Mayor of the County, and the Chairman of the Board, or any of their respective designees, are authorized, upon the Company's request, to enter into or consent to such documents as are necessary to consummate such financing as well as additional consents to assignment, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the City, County and Board beyond the Board's interest in the Project

16. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

17. No Liability of Board, City and County Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, official, director or officer, as such, of the Board, the City or the County,

whether past, present or future, either directly or through the Board, the City or the County. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

19. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

20. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

ATTEST:

By: _____
Secretary

THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY
OF CHATTANOOGA, TENNESSEE

By: _____
Chairman

CHATTANOOGA NEIGHBORHOOD
ENTERPRISE, INC.

By: _____
Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

WILLIAM F. HULLANDER

By: _____
Hamilton County Trustee

MARTY HAYNES

By: _____
Hamilton County Assessor of
Property

EXHIBIT "A"
TO AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES

REAL PROPERTY

All that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, described as follows, to wit:

Being Lot Thirty-four (34), MILL TOWN 2020, as recorded in Plat Book 6, Page 38 REV Plat Book 127, Page 74 in the Register's Office for Hamilton County, Tennessee, to which Plat reference is hereby made for a more complete description of the property.

Containing in Area, 0.445 Acres, more or less.

PERSONAL PROPERTY

All personal property used by the Company in connection with its housing facility located on the real property described above.

This Instrument Prepared By:
Phillip A. Noblett, City Attorney
100 E. 11th Street, Suite 200
Chattanooga, TN 37402

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered as of this ___ day of _____, 2024, by and between **THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE** (the “Board”), a public corporation duly created and existing under the laws of the State of Tennessee, and **CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.** (the “Company”), a Tennessee limited liability limited partnership.

WITNESSETH:

In consideration of the respective covenants and agreements hereinafter contained, the Board and the Company agree as follows:

ARTICLE I. DEFINITIONS

Section 1.01 Definitions. The following terms when used in this Agreement, unless the context shall clearly indicate another or different meaning or intent, shall be construed as follows:

“Act” means Chapter 333 of the Public Acts of 1969, as codified in Tennessee Code Annotated Sections 48-101-301 et seq., as heretofore amended and as hereafter amended from time to time.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Company or the Board under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

“Agreement” means this Lease Agreement as it now exists and as it may hereafter be amended.

“Board” means The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, a public corporation duly created and existing under the Act, and its successors and assigns.

“City” means the City of Chattanooga, Tennessee.

“County” means Hamilton County, Tennessee.

The terms “default” and “event of default” mean any occurrence or event specified in Section 10.01 hereof.

The term “pending” with respect to any proceedings commenced by an Act of Bankruptcy means that such proceedings have not been dismissed, or are subject to further appeal.

“PILOT Agreement” means the Agreement for Payments in Lieu of Ad Valorem Taxes entered into by and among the Board, the Company, the City and the County.

“Project” means the multi-family rental housing project located on the Property.

“Property” means the real and personal property described in **Exhibit “A”** attached hereto, together with additions thereto, replacements thereof and substitutions therefor.

ARTICLE II. **CERTIFICATIONS**

Section 2.01 Certifications by Board. The Board makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Board is a public corporation of the State of Tennessee, duly organized and existing under the provisions of the Act. The Act authorizes the Board to acquire real and personal property constituting a “Project” under the Act.

(b) The Board has found and does hereby declare that the Project constitutes “multi-family housing facilities” qualifying as a “Project” under the Act and that the acquisition of the Project and the leasing of the same to the Company will be in furtherance of the public purposes for which the Board was created.

(c) The Board has been induced to enter into this undertaking by the promise of the Company to operate a housing facility in the State of Tennessee.

(d) There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Board threatened, against or affecting the Board in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by this Agreement or which, in any way, would materially and adversely affect the validity or enforceability of this Agreement or any agreement or instrument to which the Board is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

Section 2.02 Certifications by Company. The Company makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Company is a Tennessee non-profit corporation duly formed under the laws of the State of Tennessee, is in good standing under Tennessee law, has full power and authority to enter into this Agreement and to perform all obligations contained herein and therein, and has, by proper action, been duly authorized to execute and deliver this Agreement and, when executed and delivered by the parties thereto, this Agreement will constitute the valid and binding obligation of the Company enforceable in accordance with its terms.

(b) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein by the Company, nor the fulfillment of or compliance with the terms and conditions of this Agreement, does or will conflict with or result in a breach of the terms, conditions or provisions of any restriction or internal governing document of the Company or any agreement or instrument to which the Company is now a party or by which it is bound, or any existing law, rule, regulation, judgment, order or decree to which it is subject, or constitutes a default under any of the foregoing or, except as contemplated hereby, results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

(c) There are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company in any court or before any governmental authority, arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Company, or the ability of the Company to perform its obligations under this Agreement. The Company is not in default with respect to an order of any court, governmental authority, arbitration board or tribunal.

(d) No event has occurred and no condition exists with respect to the Company that would constitute an “event of default” under this Agreement, or which, with the lapse of time or with the giving of notice, or both, would become such an “event of default.”

ARTICLE III. **LEASING CLAUSES; WARRANTY OF TITLE**

Section 3.01 Lease of Property. The Board hereby leases to the Company, and the Company hereby leases from the Board, the Property, for the consideration set forth in Section 5.03 hereof and in accordance with the provisions of this Agreement.

Section 3.02 Title. The Board will obtain upon the acquisition thereof good and marketable title to the Property, free from all encumbrances except for (a) encumbrances of record as of the date of this Agreement, (b) (i) a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing and (ii) an Absolute Assignment of Leases, Rents and Income, each executed by the Company in favor of BrightBridge, Inc. to secure financing for the Project provided by BrightBridge, Inc., pursuant to an Assignment of Deed of Trust and Other Recorded Instruments, and (c) a Deed of Trust and Security Agreement executed by the Company in favor of the City of Chattanooga, Tennessee to secure credit extended in connection with HOME Funds being provided for the Project. The Board acknowledges that the security documents referenced in subsections (b) and (c) of the prior sentence will be recorded prior to the deed from the Company conveying the Property to the Board and that the Board will take title to the Property subject to such security documents. The deed to the Board will be made expressly subject to such security documents and the Board's title to the Property will be subject to all rights and remedies available to the holders of such security documents. In addition, the Board acknowledges and agrees that the PILOT Agreement and this Lease may be collaterally assigned to BrightBridge, Inc. as additional security, but that neither BrightBridge, Inc. nor its assigns shall be deemed to assume any obligations or obtain any rights of the Company under the PILOT Agreement or the Lease unless they elect to do so.

Section 3.03 Quiet Enjoyment. The Board covenants and agrees that it will warrant and defend the Company in the quiet enjoyment and peaceable possession of the Property, free from all claims of all persons whatsoever, throughout the Lease Term, so long as the Company shall perform the covenants, conditions and agreements to be performed by it hereunder, or so long as the period for remedying any default in such performance shall not have expired. If the Board shall at any time be called upon to defend the title to said property as aforesaid, it shall not be required to incur any costs or expenses in connection therewith unless indemnified to its satisfaction against all such costs and expenses.

ARTICLE IV.
ACQUISITION, CONSTRUCTION AND INSTALLATION OF PROPERTY

Section 4.01 Agreement to Acquire, Construct and Install Project. The Company agrees that:

- (a) It will cause title in and to the Property to be vested in the Board.
- (b) It will acquire, construct and install the Project in the name of and on behalf of the Board.
- (c) It will complete the acquisition, construction and equipping of the Project as promptly as practicable.

ARTICLE V.
EFFECTIVE DATE; DURATION OF LEASE TERM; CONSIDERATION

Section 5.01 Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created hereunder shall then begin, and, subject to the other provisions of this Agreement, shall expire at midnight, December 31, 2031.

Section 5.02 Delivery and Acceptance of Possession. The Board agrees to deliver to the Company sole and exclusive possession of the Project, and the Company agrees to accept possession of the Project upon such delivery.

Section 5.03 Consideration for Lease. In consideration of the lease granted hereunder the Company agrees to:

- (a) Acquire, construct and install the Project as described in Section 4.01 hereof;
- (b) Operate the Project as a multi-family housing facility for its own benefit and for the benefit of the citizens of the County and the City; and
- (c) Make the payments required of it under the PILOT Agreement.

ARTICLE VI.
MAINTENANCE: MODIFICATION: TAXES AND INSURANCE

Section 6.01 Maintenance and Modification of Property by Company. The Company agrees that throughout the term of this Agreement it will, at its own expense, keep the Property (i) in as reasonably safe condition as its operations shall permit, and (ii) in good repair and in good operating condition, normal wear and tear and obsolescence excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 6.02 Removal of Personal Property Included in Project. The Board shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary personal property constituting a part of the Project. In any instance where the Company in its sole discretion determines that any items of such personal property have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may remove such items of personal property and (on behalf of the Board) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Board therefor.

Section 6.03 Taxes, Other Governmental Charges and Utility Charges. The Board and the Company acknowledge that under present law the Project will be exempt from taxation in the State of Tennessee. The Company will pay, as the same become lawfully due and payable, (i) all taxes and governmental charges of any kind whatsoever upon or with respect to the Project and (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project.

The Company may, at its own expense and in its own name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom. The Board will cooperate fully with the Company in any such contest.

Section 6.04 Maintenance of Insurance. Throughout the term of this Agreement, the Company shall keep the Property continuously insured against such risks as are customarily insured against with respect to property similar to the Property by businesses of like size and type (other than business interruption insurance), paying as the same become due all premiums in respect thereto.

Section 6.05 Indemnification of Board. The Company shall and hereby agrees to indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Property during the term of this Agreement, and against and from all claims arising during the term of this Agreement, from:

- (a) any condition of the Property caused by the Company;
- (b) any breach or default on the part of the Company in the performance of any its obligations under this Agreement; and

(c) any act of negligence of the Company or of any agents, contractors, servants, employees or licensees of the Company or of any assignee or sublessee of the Company.

The Company shall indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all costs and expenses incurred in or in connection with any action or proceeding brought thereon, and, upon notice from the Board, the Company shall defend the Board and any such officer, director, agent, servant or employee or any of them in any such action or proceeding.

Section 6.06 Board Expenses. In addition to other payments required to be made by the Company hereunder, the Company shall pay any reasonable expenses not specifically mentioned herein which are incurred by the Board in connection with the Property or this Agreement.

Section 6.07 Depreciation and Investment Credit. The Board covenants and agrees that depreciation expenses and investment tax credit, if any, with respect to the Project shall be made available to the Company, and the Board will fully cooperate with the Company in any effort by the Company to avail itself of any such depreciation expenses or investment tax credit, but the Board shall have no responsibility or liability for failure of the Company to receive any such expenses or credits.

ARTICLE VII.

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01 Damage and Destruction. If during the term hereof the Property is damaged by fire or other casualty, the Board shall cause the proceeds received by it from insurance to be paid to the Company for application in one or both of the following ways, as shall be determined by the Company:

- (a) Repair, rebuilding or restoration of the property damaged.
- (b) Reimbursement to the Company for loss in value of its interest in the Property.

Section 7.02 Condemnation of Property. If title in and to, or the temporary use of, the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Board shall cause the proceeds received by it from any award made in such eminent domain proceeding to be paid to the Company for application in one or more of the following ways, as shall be determined by the Company:

- (a) Restoration of the Property to substantially the same condition as existed prior to the exercise of said power of eminent domain.
- (b) Acquisition, by construction or otherwise, of other property having substantially the same use and utility as the property taken in such proceedings (which property will be deemed a part of the Property available for use by the Company under this Agreement).

(c) Reimbursement to the Company for loss in value of its interest in the Property.

The Board shall cooperate fully with the Company in the handling and conduct of any prospective or pending eminent domain proceeding with respect to the Property or any part thereof and shall, to the extent it may lawfully do so, permit the Company to litigate in any such proceeding in the name and on behalf of the Board. In no event will the Board voluntarily settle, or consent to the settlement of, any prospective or pending eminent domain proceeding with respect to the Property or any part thereof without the written consent of the Company.

ARTICLE VIII.
SPECIAL COVENANTS

Section 8.01 No Warranty of Condition or Suitability by Board. The Board makes no warranty, either express or implied, as to the condition of the Property or that it will be suitable for the purposes or needs of the Company. The Company releases the Board from, agrees that the Board shall not be liable for, and agrees to hold the Board and its officers, directors, agents, servants and employees harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Property or the use thereof. The members of the Board of Directors of the Board shall incur no liability either individually or collectively by reason of the obligations undertaken by the Board hereunder.

Section 8.02 Identification of Personal Property Included in Project. The Company will at all times maintain in its permanent records a complete list of the personal property constituting a part of the Project, which will specifically identify each item of such personal property as being property of the Board.

ARTICLE IX.
ASSIGNMENT, SUBLEASING, DEVELOPMENT AND SELLING

Section 9.01 Assignment. This Agreement may be only assigned, as a whole or in part, by the Company without the prior written consent of the Board if:

(a) The Company is permitted to assign the PILOT Agreement in accordance with its terms as set forth in Paragraph 15 of the PILOT Agreement;

(b) The assignee shall assume all obligations of the Company hereunder to the extent of the interest assigned and shall provide documentation and information to the Board, as required under Paragraph 15 of the PILOT Agreement; and

(c) The Company and/or assignee shall, within thirty (30) days after the execution and delivery thereof, furnish or cause to be furnished to the Board a true and complete copy of each such assignment and assumption of obligation, as the case may be.

Upon satisfaction of the requirements of this Section, the assignment shall relieve the Company from further liability for any of its obligations hereunder as of the effective date of the assignment.

Section 9.02 Subleasing. The Company may sublease all or a portion of the Property without the prior written consent of the Board; provided that any such sublease shall not relieve the Company from its obligations under this Agreement or the PILOT Agreement, and such obligations shall remain in full force and effect.

Section 9.03 Financing Approvals and Consents. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in consummating any financing related to the Project, the Property or other improvements on the Property. Without limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, enter into or consent to such documents as are necessary to consummate such financing including, without limitation, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.04 Cooperation. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in connection with development approvals and requirements and related activities for the Project and the development of the Property. Without limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, execute zoning, rezoning and variance applications and any subdivision plats, easements or other documents as may be required or useful in connection with the Project or the development of the Property, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.05 Restrictions on Sale of Property by Board. The Board agrees that, except for transactions effected in accordance with Section 11.03 hereof and except as requested by the Company, it will not sell, assign, mortgage, transfer or convey the Property during the Lease Term or create or suffer to be created any debt, lien or charge on the rents, revenues or receipts arising out of or in connection with its ownership of the Property, and it will not take any other action which may reasonably be construed as tending to cause or induce the levy or assessment of ad valorem taxes; provided, that if the laws of the State of Tennessee at the time shall permit, nothing contained in this Section shall prevent the consolidation of the Board with, or merger into, or transfer of the Property as an entirety to, any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning, leasing and selling of the Property; provided that such consolidation, merger or transfer shall be authorized by the governing body of the State of Tennessee.

ARTICLE X.

EVENTS OF DEFAULT AND REMEDIES

Section 10.01 Events of Default Defined. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Board or the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to one party by the other, unless the one giving notice shall agree in writing to an extension of such time prior to its expiration. If a failure under this Section 10.01(a) is such that it can be corrected but not within the applicable period, it shall not constitute an event of default if appropriate corrective action is instituted within the applicable period and diligently pursued until the default is corrected.

(b) A voluntary Act of Bankruptcy or an Act of Bankruptcy which, if resulting from the filing or commencement of involuntary proceedings against the Company or the Board, is not dismissed or discharged within sixty (60) days of the filing or commencement thereof.

The foregoing provisions of subsection (a) of this Section are subject to the following limitations: if by reasons of force majeure, the Board or the Company is unable in whole or in part to carry out the agreements on its part herein referred to, the failure to perform such agreements due to such inability shall not constitute an event of default nor shall it become an event of default upon appropriate notification or the passage of this stated period of time. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; act of public enemies; orders of any kind of the government of the United States of America or of the State of Tennessee or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires, hurricanes, tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Board or the Company. The Board and the Company agree, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board or the Company, as the case may be and the Board and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Board or the Company, unfavorable to it.

Section 10.02 Remedies on Default. Whenever any event of default referred to in Section 10.01 hereof shall have occurred and be subsisting, the Board or the Company, as the case may be, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant under this Agreement including, without limitation, termination of this Agreement.

ARTICLE XI.

OPTIONS IN FAVOR OF COMPANY

Section 11.01 Options to Terminate. The Company shall have the following options to cancel or terminate the term of this Agreement:

(a) At any time, the Company may terminate the Lease Term by giving written notice to the Board of such termination.

(b) At any time, the Company may terminate this Agreement as to a part of the Property by giving written notice to the Board of such termination, and such termination shall forthwith become effective as to that part of the Property.

Section 11.02 Option to Purchase Property. Upon termination or expiration of the Lease Term or termination of this Agreement as to a part of the Property, the Company shall have, and is hereby granted, the option to purchase the Property or that part of the Property as to which the Agreement has been terminated, as the case may be, for the purchase price, in each case, of One Dollar (\$1.00). This option may be exercised whether or not the Company is in default hereunder.

Section 11.03 Conveyance on Exercise of Option. Upon exercise of the option granted above, the Board will, upon receipt of the purchase price, deliver to the Company documents conveying to the Company title to the Property or part of the Property, as the case shall be, by appropriate deeds and bills of sale, subject only to:

(a) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Board;

(b) those liens and encumbrances created by or with the consent of the Company; and

(c) those liens and encumbrances resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Agreement.

ARTICLE XII.
MISCELLANEOUS

Section 12.01 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class United States mail, postage prepaid, or sent by telegram addressed as follows:

Board:	The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee c/o Phillip A. Noblett, Deputy City Attorney Suite 200, 100 E. 11 th Street Chattanooga, TN 37402
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Company:	Chattanooga Neighborhood Enterprise, Inc. c/o Ms. Martina Guilfoil 1500 Chestnut Street, Suite 102 Chattanooga, TN 37408
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Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent.

Section 12.02 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Company, the Board, and their respective successors and assigns.

Section 12.03 Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.04 Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.05 Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope, extent or intent of any provision or Section hereof.

Section 12.06 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Tennessee.

[Signature Page Follows]

IN WITNESS WHEREOF, the Board and the Company have caused this Agreement to be duly executed in their respective corporate names, all as of the date first above written.

**THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY
OF CHATTANOOGA, TENNESSEE**

ATTEST:

By: _____
Secretary

By: _____
Chairman

**CHATTANOOGA NEIGHBORHOOD
ENTERPRISE, INC.**

By: _____

Title: _____

STATE OF TENNESSEE
COUNTY OF HAMILTON

Personally appeared before me, _____, Notary Public, _____ and _____, with whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purposes therein contained, and who further acknowledged that they are the Chairman and Secretary of the Maker, THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, and are authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2024.

Notary Public
My Commission Expires: _____

STATE OF TENNESSEE
COUNTY OF SHELBY

Personally appeared before me, _____, Notary Public, _____, with whom I am personally acquainted, and who acknowledged that (s)he executed the within instrument for the purposes therein contained, and who further acknowledged that (s)he is the _____ of the Maker, CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC., a Tennessee non-profit corporation, and is authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2024.

Notary Public
My Commission Expires: _____

EXHIBIT "A"
TO LEASE

REAL PROPERTY

All that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, described as follows, to wit:

Being Lot Thirty-four (34), MILL TOWN 2020, as recorded in Plat Book 6, Page 38 REV Plat Book 127, Page 74 in the Register's Office for Hamilton County, Tennessee, to which Plat reference is hereby made for a more complete description of the property.

Containing in Area, 0.445 Acres, more or less.

PERSONAL PROPERTY

All personal property used by the Company in connection with its housing facility located on the real property described above.

PILOT Presentation: Two New Residential Projects

February 27, 2024



CHATTANOOGA
NEIGHBORHOOD
ENTERPRISE

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1805 South Lyerly
16 Units (duplex, quadplex, 10-plex)



CHATTANOOGA
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2461 E. 18th Street
34 Units (12-plex, 10-plex, two 6-plexes)



CHATTANOOGA
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Project Overview: Two Apartment Projects

- Lyerly Apartments
 - 1805 S. Lyerly St.
 - Three buildings (a 10-plex, a quad-plex, and a duplex)
 - 16 Units (10 one-bed, 4 two-bed, 2 three-bed units)
- Mill Town Apartments
 - 2461 E. 18th Street
 - Four Buildings (12-plex, 10-plex, two 6-plexes)
 - 34 Units (18 one-bed, 16 two-bed units)



Proposed Rents and Unit Mix – 1805 S Lyerly

Rents & Unit Mix

BRs	Units	NOAH Units	Rents	80% Units	Rents	HOME High	Rents	HOME Low	Rents
0	0	0	\$ 900	0	0	0	\$ 822	0	\$ 633
1	10	0	\$ 1,200	8	\$ 1,195	2	\$ 846	0	\$ 673
2	4	0	\$ 1,500	3	\$ 1,434	1	\$ 974	0	\$ 803
3	2	0	\$ 1,800	1	\$ 1,513	1	\$ 1,200	0	\$ 923
Totals:	16	0		12		4		0	

Annual PGI

\$ 230,885

RENT RESTRICTION SUMMARY

	#	%
NOAH Units	0	0%
80% Units	12	75%
HOME High	4	25%
HOME Low	0	0%
Total @ 80% or less	16	100%
Total Units	16	100%

According to Zumper.com as of 11/13/23, average Chattanooga downtown submarket rents are \$1439 for a one bed and \$2100 for a two bed



CHATTANOOGA
NEIGHBORHOOD
ENTERPRISE

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Proposed Rents and Unit Mix – MT Apartments

Rents & Unit Mix

BRs	Units	NOAH Units	Rents	80% Units	Rents	HOME High	Rents	HOME Low	Rents
0	0	0	\$ 900	0	\$ 1,115	0	\$ 833	0	\$ 644
1	18	0	\$ 1,200	14	\$ 1,195	3	\$ 858	1	\$ 685
2	16	0	\$ 1,500	12	\$ 1,434	3	\$ 989	1	\$ 818
3	0	0	\$ 1,800	0	\$ 1,513	0	\$ 1,219	0	\$ 942
Totals:	34	0		26		6		2	

Annual PGI

\$ 491,748

RENT RESTRICTION SUMMARY

	#	%
NOAH Units	0	0%
80% Units	26	76%
HOME High	6	18%
HOME Low	2	6%
Total @ 80% or less	34	100%
Total Units	34	100%

According to Zumper.com as of 11/13/23, average Chattanooga downtown submarket rents are \$1439 for a one bed and \$2100 for a two bed

Proposed Project Budgets

1805 S Lyerly

USES - Development Budget

Acquisition & Related Costs	\$ 243,000
Building and Site	\$ 2,750,200
Soft Costs	\$ 732,311
Financing Costs	\$ 163,000

Total Development Budget \$ 3,888,511

SOURCES of Development Financing

Construction Loan	\$ 2,015,511
HOME Funds	\$ 808,000
Land - Benwood Grant	\$ 243,000
Lyndhurst Grant	\$ -
CNE Cash	\$ 122,000
Benwood Grant	\$ 300,000
Arpa	\$ 400,000
Total Development Sources	\$ 3,888,511

Mill Town Apartments

USES - Development Budget

Acquisition & Related Costs	\$ 500,000
Building and Site	\$ 4,700,000
Soft Costs	\$ 1,070,500
Financing Costs	\$ 342,000

Total Development Budget \$ 6,612,500

SOURCES of Development Financing

Construction Loan	\$ 4,376,500
HOME Funds	\$ 1,133,000
Land - Benwood Negotiated	\$ 500,000
Lyndhurst Grant	\$ -
CNE Predev Cash	\$ 3,000
Benwood Foundation Grant	\$ 300,000
Arpa	\$ 300,000
Total Development Sources	\$ 6,612,500



Summary

- The request is to commit at least 50% of the units to households at 80% or less Area Median Income in exchange for the PILOT.
- The estimated initial *annual* cost savings of the PILOT to the projects will be \$34,000 (Lyerly) and \$59,000 (MT Apartments).
- The only way to replace this money without the PILOT is to raise rents.
- Without the PILOT, CNE cannot build this project and hold these rent levels.

