



## **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, September 15, 2025**

**12:30 PM**

Present Board Members: Hicks Armor (Chair); Richard Johnson (Vice-Chair); Hank Wells (Secretary); Brian Erwin; Kanika Wellington-Jones; and Jonathan Mason. Absent were Andrea Smith; Malcolm Harris; and Tom Hirsch.

Also present were Phillip A. Noblett (Counsel to the Board); Jim Grauley (Columbia Residential); Janice Gooden; Megan Miles (Director Housing Policy); Sandra Gober (Community Development); Hanneke van Deursen (Director Housing Finance); Steve Barrett (Husch Blackwell); Joe Kelly and Betsy McCright (Chattanooga Housing Authority); Alex Samber (Bass Berry); Ellen Gerst (Times-Free Press); and Richard Beeland (Economic Development).



Chairman Hicks Armor confirmed that the meeting was properly advertised and there is a quorum to conduct business.



### **WELCOME NEW BOARD MEMBERS**

Chairman Hicks Armor welcomed the new board member Mr. Jonathan Mason to the Board. This is Ms. Kanika Wellington Jones' second meeting. We appreciate you being here.



### **ELECTION OF OFFICERS**

On motion of Mr. Richard Johnson, seconded by Mr. Brian Erwin, to keep the same officers in place for consistency and the same officers were re-elected.

**Chairman Hicks Armor  
Vice-Chairman Richard Johnson  
Secretary Hank Wells**

Chairman Armor said that he thinks it is important that we involve our people and rotate.

The motion carried keeping the same slate of officers.



### **MINUTES APPROVAL FOR THE MAY 19, 2025, MONTHLY MEETING**

On motion of Mr. Johnson, seconded by Mr. Wells, the May 19, 2025, minutes for the monthly meeting were unanimously approved as written. Mr. Erwin said the minutes looked appropriate to him. After further discussion, the motion carried.



### **PUBLIC COMMENTS**

There was no one from the public present with comments.



### **RESOLUTIONS**

On motion of Mr. Johnson, seconded by Mr. Wells,

**FINAL RESOLUTION AUTHORIZING ISSUANCE OF NOT  
TO EXCEED TWENTY MILLION DOLLARS  
(\$20,000,000.00) THE HEALTH EDUCATIONAL AND  
HOUSING FACILITY BOARD OF THE CITY OF  
CHATTANOOGA, TENNESSEE, MULTIFAMILY  
HOUSING REVENUE BONDS (ONE WESTSIDE PHASE 2B  
PROJECT). (HEB-2025-08)**

Mr. Jim Grauley is with Columbia Residential and gave a presentation. Mr. Grauley introduced Ms. Betsy McCright, and he and Ms. McCright are the sponsor and the borrower on these bonds and on the financing for Phase 2. Mr. Joe Kelly is the attorney for the Chattanooga Housing Authority, and Alex Samber is with Bass Berry. They were here on the 27<sup>th</sup> of January and asked for an inducement for the \$20 million of bonds. Thanks to that and really appreciate that, they were able to apply to the State of Tennessee. We have received an allocation of bonds, they are highly competitive, but we have an advantage position with Choice Neighborhood's overall project. We have received both the 4% credits for the bonds and the 9% credits allocation to build Phase 2.

What we are asking for today is a final resolution so we can close those bonds. The Tennessee Housing Development Agency asks you to close the bonds within one hundred twenty (120) days of receiving them. It is really fast. We actually need to close the bonds by October 15<sup>th</sup>. As we did with Phase 1, we plan to close the bonds into what is called a Cash Forward Structure that all \$20 million of the bonds will close and the offsetting will have treasury securities that will sit there, and when we close the full financing and construction financing in January of 2026, it will close under that structure. We have lined this up with our permanent lender and with our equity investor. It went very well last time. We did the same exercise late in 2024 and then we closed and started construction on Phase 1 in early 2025.

Mr. Grauley gave some context. Mr. Grauley presented a board diagram of the Master Plan for the Choice Neighborhoods redevelopment. There is a broader Westside Master Plan and of course, The Bend that is to the west of the site and over on the river. Just for context this is Hwy. 27, 12<sup>th</sup> Street that comes from the Convention Center, and Riverfront Parkway. We are under construction and the HEB issued bonds for Phase 1. Phase 1 is well under construction. Pretty soon you will start seeing buildings coming out of the ground. Right now it is mostly dirt, underground, and foundations.

The Phase 2 site that we are speaking of is up on the hill on Boynton. It is next to an existing building that sits by the Gateway Tower, which is one of the three towers that you can see from all over the City. It is actually land that is owned by the Housing Authority. The Housing Authority has petitioned HUD to turn that land into a ground lease to the new partnership.

The logic of this is very important for the promises made to the residents of the community, to the City, and everybody involved which we are creating housing offsite before these College Hill Court units come down. People will have the opportunity to move into these locations as opposed to going somewhere offsite. They will also have a choice of where they want to live. They do not have to move there. The Housing Authority and their partners on relocation are going to handle that starting once we have Phase 1 underway and then we have Phase 2.

Chairman Armor said that essentially, they will have to relocate but they will not be without and have some place to go by the way you are phasing it. Mr. Grauley said yes, even if they choose not to live here, everybody will be well taken care of. Ms. McCright could be better than him articulating that. It is very detailed and very extensive hands on approach with each family that lives there and their housing options.

Mr. Grauley showed a view of the building. This is on Boynton Street at the top of the hill. This is the elevation. There are a lot of slopes. There is parking space on the first level and on the other side. After further discussion, Mr. Grauley said that this is facing east and downtown would be behind it, there are a lot of trees behind it that will continue to be there. It is a five-story building on top of the parking structures. Mr. Grauley pointed out the main entrance for visitors, others, and the area, that is the amenity area, and the leasing office. Mr. Grauley thinks it will be a spectacular building. It is a tight site. This shows the view from the end and a little bit of 3-D perspective of how it sits on the site. There is structured parking underneath, very nice courtyard for residents, and we are also going to rebuild this park area here with amenities for outdoor amenities.

It is 144 apartment units. One and two bedroom units. College Hill Courts is made up of mostly one and two bedroom units. We are replacing that and also have a big eye towards the market and the college from the City have recently reviewed their market study work and the demand is very high for one bedrooms in particular. This is 60% one bedrooms. It is also very high for apartments that are in that 80% AMI range. There is nothing getting built for that right now. That is a lot of what we are building here.

Chairman Armor asked what do you anticipate the average rent would be? Mr. Grauley said there are four different levels of affordability. Sixty-six of these apartments will be for residents moving out of College Hill Court. They will have a Section 8, project-based voucher from the Housing Authority that will pay the same rent that is 30% of their income for rent and utilities. There are apartments at 60% of AMI under the Tax Credit Program and 80% of AMI. The 80% rents approach where our market rents are. The market rents we have in our proforma and, supported by the market study, this would be the highest rent, one bedrooms are at \$1,325 and two bedrooms at \$1,550. For new construction, they are below where the rest of the market is right now. Part of the market study says that this is new, it is unproven, we are revitalizing an area. We expect some of those may increase over time, but the majority of the units in the entire development will be permanently affordable at those levels at 80%, 60%, and below 40% AMI.

Chairman Armor said that what Mr. Grauley just gave is really going to be true for almost all of the phases. Mr. Grauley said it is a similar template. They vary a little bit. We had to tell HUD what we were going to do for all seven phases. We are following that pretty closely. When you look at this, the big principles of it are to replace everyone of the 497 College Hill units in the overall Master Plan and then 40% of the units overall are at market rate because Chattanooga as a city and the Housing Authority, we certainly believe in this as a developer and partner. We want to see a mixed-income neighborhood. Our observation, having done this for many years, is over time, you see those rents lift at first are very close to where the affordable rents are, but it really helps us over time and the mixed income creates the more economically vibrant neighborhood. A lot of units also at 60% and 80% AMI. So 60% of the units that are being built here are for people who are going to move here and then 40% are offered to people in the public housing program moving from the neighborhood.

Ms. Kanika Wellington-Jones said that she is so grateful being enrolled because she grew up in the Westside. Her grandparents and mom went to school at James A. Henry the school across the street. It is great being part of a group that can make decisions like this. Ms. Jones wants to make sure she understood what Mr. Grauley said. HUD's low to moderate income standard, are you aligned with that or are you going by a different benchmark? Mr. Grauley believes what Ms. Jones is asking is the HUD low to moderate income standard is based on that.

Can housing policy nationwide when you talk about the affordability levels is based on the area median household income and then what can a family at that income afford for rent and utilities? The 40% of the units – we have several programs overlaying each other. They are all at 40% AMI or lower but that means that somebody at 10% AMI could live here and they will have a Housing Authority voucher that pays the difference in the rent as opposed to what they pay.

There is a band on that at 60% AMI and 80% AMI. Those are restricted. They are based on whatever Chattanooga's AMI is across the area and you cannot rent them for more than that amount that is affordable for a low family. A family of three at 60% of AMI, that is how the rents get set. Those rents come out every year from HUD and they say this is your maximum rent. That is probably there for a minimum of thirty (30) years and longer because of the underlying ground lease that the Housing Authority has on the land. The remainder of the units are unrestricted. They are at market. They can move up, down, whichever way of the market. Those do not have a particular restriction. Mr. Grauley answered Ms. Jones' question.

Ms. Jones asked if we are going to be tracking the demographics with low to moderate population to ensure that these are equitable across racial and ethnic groups? Ms. Betsy McCright said what is really important to them as they started out is that they wanted to make sure the families who lived in College Hill Courts now during this process were able to eventually have homes on that footprint.

So if your family has lived there for a couple of generations, we do not want to put people out. We have been very conscious about the number of units that are dedicated to College Hill Courts residents, actually 92 in Phase 1, and 66 in Phase 2. Right now the first area where they will be relocating residents, if every single resident asked to move into a new unit, we could accommodate that resident because we stopped leasing at the site. We are down to 348 households, so we can more than accommodate the new units.

We get options because really by the choice of the residents, the Housing Authority will give three different options for residents as with counseling them for relocation. They can either choose to go into a brand new unit that we have constructed, we can get a housing choice voucher which will enable them to go anywhere in the country with a subsidized voucher, or they can elect to move into one of the units we currently have in our portfolio. The beauty of it is that somebody could elect to move offsite during construction, they take a voucher and move offsite for eight years, and they have the ability to return. It is absolutely guaranteed under the CNI grant. Ms. McCright gave an example.

Mr. Armor asked for a comparison of what they are paying now. Mr. Grauley said that public housing residents' rent does not change because it is based on their income. There is a lot of things that the Housing Authority and the Choice Neighborhoods Program is doing to try to help families improve their income. As their income rises, their rent can rise with that but only to a certain level. It can never go above the 40% AMI rent on the tax credit units or above the standards.

Ms. McCright said that the average income for residents on the Westside is at or below \$15,000. We are putting project based vouchers in and that has an AMI level of up to 50% AMI. All of the folks who live there now are well below that threshold. We are trying to bring that up and we engaged in a company who is working at each of the households. There on educational, jobs, everything you can imagine, health goals, and they are working one-on-one with each household to address that. We expect that the incomes will rise over the years.

Mr. Grauley spoke again about tracking the demographics. There is a lot particularly with the Choice Neighborhoods Program, the Housing Authority has that data on the residents, and we typically track that. It is confidential information so we do not release names and things like that but we track is overall for a lot of our developments. People want to see and ask did that mixed income work. Did people who live there improve their lives and raise their income and standard of living as a result of all of this. People want to know that and see outcomes. It is very important to track it.

Chairman Armor said if he remembers correctly, the last time we saw a presentation on AMI, it was like \$44,000 a year. Attorney Noblett said yes, sir. Chairman Armor's concern is that you have by your own numbers the average income level there is \$15,000. Ms. McCright said that the \$44,000 figure relates to a family of four. A lot of our folks are going to be one-bedroom households. Chairman Armor said as long as you have looked at it, that is fine, but he just wanted to point that out and know that he has a daughter who has now moved but she had a master's degree working in town making \$25,000 a year and she could not afford anything around town.

After further discussion, Mr. Grauley said the demand is really high. There are not really options downtown. We are really hoping that this is going to meet the market, in addition to housing, folks who are already here in dramatically better housing. After further discussion, Mr. Grauley said that the tax exempt bonds that are issued by this Board with substantial help from the City and the state is what allows us to build to those price points because otherwise it is really just a math problem. These are expensive to build. These are of a high quality as anything that is going to be built in town. We are able to offer rents that are lower level because of the public benefit.

Chairman Armor said that College Hill today has 497 units. How many will that all phase? Mr. Grauley said it is 1,126. It is very substantial. They will only relocate if they want to. We went through a very careful phasing and planning exercise to demonstrate to City Council. We discussed it previously with this Board on how we were able to make sure that the people had an opportunity to move into new housing like many who chose to do so.

Mr. Grauley asked for the final resolution in the second phase. There are a lot of phases. We really appreciate this Board being instrumental in allowing to plan to be on track since we started in 2023. They are doing it phase-by-phase so in each phase you will have to come back in front of the Board. We have had two very similar financing structures in the first two phases. We gave the package to the banker and one of the bankers said that it is one of the best most complicated things they have ever seen. It is complicated because we have to put a lot of things in, meet a lot of goals at the same time, costs exploded in the early 2020s, and the rates are still high. Ms. McCright and Mr. Grauley are working on a permanent financing campaign to figure out how to do this. The work in it and inducement the Board is doing is really valuable. Thank you.

Ms. Jones asked if the Board would receive regular reports on occupancy, affordability compliance, and financial inclines? Mr. Grauley said they can certainly do that. Mr. Grauley would be interested in whether there is a specific compliance function. We have some Issuers that have a specific compliance overlay, but we can certainly provide updates. Chairman Armor said we do an annual report on all of our projects. Attorney Noblett said that it goes to the State as well.

Mr. Mason asked how recent the market analysis was and do you know who did that market analysis? Ms. Hanneke van Deursen said that we have a number of different market analyses, one of which is on the agenda today. We did a deep dive on census data because that gives us some of the more current data that is currently running to 2023. We compared the household size in Chattanooga with the housing we have. We found that most households are either one or two people, which is a surprise to them and elected officials. We tend to think of Chattanooga as a place for a lot of families. We have a lot of seniors and young people moving here and they need different housing needs. This applies to largely three and four + bedroom units. From that we identified that there is a gap of 14,000 one-bedroom units. We have 14,000 more households and we have one-bedroom units for them to live in which means there are plenty of people who would trade a little bit of monthly rent for a slightly smaller space that meets their household size a little better.

After further discussion, Mr. Grauley said they also had a market study done that we have done for all of the financing specific to this building and location and the unit mix that they have. That looks at what do they believe from the market data is achievable rents. That guides their rent structure and the lender's investor underwriting. It also looks at absorption. One of the things that parallels that is the absorption estimate on one bedrooms in particular is really low. This project would have to get a relatively very low percentage of the overall market who are looking for those in this market area.

Mr. Johnson had a comment for the new board members that Ms. McCright and Choice Neighborhoods have a great reputation as far as he is concerned. They always do their due diligence and homework, and anything and everything they ask they did not have; they always come back to us. There is a lot of credibility as far as Mr. Johnson is concerned. This is an exciting project and well done.

Mr. Wells said that it seems to him that it is easy for us to talk about numbers and how many folks are in each category, and appreciates Mr. Johnson talking about CNE and the work that they have done. Mr. Wells said we know what the numbers are and what we are offering people an opportunity to move, how is that going? What kind of reactions are we getting? Ms. McCright said that they are doing a survey right now which will be completed at the end of September again to gauge what people's desires are. We have not started moving and will not move anyone or offer the opportunity to move until these units have been built.

At their board meeting in two weeks they will bring on Housing Opportunities Unlimited. This is a national firm that is an expert in doing relocation for residents and them too in addition to our other partner will be meeting individually with every single resident and they ask about schools, medical needs, and really help them find – what is the best living situation for them. We have not moved anyone yet.

Mr. Wells is really more concerned about whether they know what is coming? Ms. McCright said yes. Mr. Wells asked if they are happy about what is coming, grumbling? Ms. McCright said that they started this process the day before COVID started. What they had to survey the residents to find out what they wanted. We were able to survey 82% of the residents at College Hill Courts and 82% at Gateway Tower, which is a second property down the road. We asked them 56 different questions about all of their needs. They were very excited about it. What Ms. McCright is really happy about is that this is a team effort with everybody in this room. We have worked together with the residents throughout the past five and a half years advising them, seeking their input along the way, and they are really excited.

They are renovating James A. Henry School and there is a parking building right next door, 13 units, and they asked every resident there that there is going to be a lot of construction and dust, do any of you want to move to a different place on the site so you do not have to be subjected to that? They said, "are you kidding, we want to watch this." They are really embracing the whole renovation of the school right now and the start on the hill, blocking construction, moving a lot of dirt, and they tell her every day they go up and look in and see what is happening. Ms. McCright feels excited. She might be an optimist but feels really good about it.

Mr. Grauley said we are all optimists in this business and feel the same from being onsite a lot by their team. They also meet with the residents very regularly and go to them first and talk and show this in earlier designs and ask about what they are interested in. People are naturally a little bit of a skeptic until they can actually see it. We are still in the drawing mode of what people have seen but think that we are delivering the first phase in late 2026. People will be able to walk and see what their opportunity is to live in a dramatically different residential experience. At that point the excitement grows. First you have to make sure people know it is actually for them because that is something we always have to work on to overcome all of the dialogue, which is really important.



Ms. McCright said what they are most excited about is every unit is going to have a washer and dryer. It is more and more the standard market rate apartment. After further discussion, the balance of mixed income housing is creating that opportunity for people who are living in 1940 housing and making it attractive for people from all over the City to want to live there downtown in a mixed income community.

Mr. Erwin had a question regarding Section 8 of this resolution, it is requesting a bond term of 40 years, and he was calculating a few things on the gross rents estimated around just under \$2.5 million a year based on the one and two bedroom numbers provided. Do you anticipate needing the full term of the bonds for execution? Mr. Grauley said the bonds are backing this and there is credit enhancement that is put into it. In affordable housing, the permanent financing is always a lower amount than the construction financing.

In the long term, we have a loan from Freddie Mac and it will be an 18 year loan. Those will get paid off in 18 years. It is amortizing at 40 years but it is a balloon payment at the end of 18 years which is typical for their industry. The investor wants to see a minimum of 15 year term. They do not want to take any interest rate risk or have to think about it. Typically, a 15 year term after the project is built and stabilized. If you had a HUD loan, you could perhaps have a 40 year amortization and 40 year term, but this one we will have an 18 year. Typically, the investor will ask the Housing Authority and have choices to purchase the investor's interest at the end of the 15 year period. The Housing Authority will always own the ground and have the first option. What they usually do with their partners is to recapitalize at that point with a different debt structure. At that point, the bonds would be paid off.

Attorney Noblett said to the new members that this body is a corporation under Tennessee law. This Board is the directors of the corporation under Tennessee law and have the authority under 48-101-302 to be able to issue certain things that are based upon health, education, and housing facilities' needs in our communities. We may have a different group each time coming to see the Board. One of the powers that the Board has under state law is the power to make additional safe and sanitary multi-family housing facilities used by persons of low and moderate income. That is one of the reasons that they came to this Board for the issuance of bonds. Those bonds will be issued and will be at least approved after there is closing. People go and purchase those bonds because they can get a lower interest rate for the development than they might get otherwise.

The motion carried.

**ADOPTED**

On motion of Mr. Johnson, seconded by Mr. Erwin,

**A RESOLUTION AUTHORIZING THE SOLE SOURCE PURCHASE OF SERVICES FROM "REINVESTMENT FUND" FOR AN UPDATE TO THE CITY'S MARKET VALUE ANALYSIS (MVA) TO EXAMINE HOW CHATTANOOGA'S HOUSING MARKET HAS CHANGED, PARTICULARLY IN RESPONSE TO VARIOUS MUNICIPAL-LED HOUSING ACTIVITIES IN THE LAST TWO YEARS, IN THE AMOUNT OF FIFTY THOUSAND DOLLARS (\$50,000.00) (SOLE SOURCE APPROVED BY CITY PURCHASING). (HEB-2025-09)**

Ms. van Deursen said that by the end of 2023 they completed a market value analysis and this is a tool created for the Reinvestment Fund to identify the strength of housing markets throughout the City and to identify where market change is happening. This is used to inform policy work and data that they share with all of their partners so they can generate the type of housing that they need to see built in Chattanooga. The data that was used at the time of the original market value analysis have changed. We would like to update the market value analysis in order to see those changes and make sure that we are up to date with what it is we are working with in the City. The reason for the sole source in this case is we want to engage the same firm who is the inventor of this methodology to make sure that we can compare apples to apples and use the same metrics in order to construct an analysis.

Chairman Armor asked if this is essentially for internal use and is not a project. It is not for a specific project. They are used internally when people come to them and need to have their own market analysis. Mr. Johnson asked if this was new money or reallocated money. Ms. van Deursen said that this is from the Reinvestment Trust Fund. Ms. Jones asked if we could commit to having the updated MVA to be publicly available instead of internally? Ms. van Deursen said that it is publicly available. It is not going to tie to any one development. Developers will do a market analysis for their project. This is a citywide analysis. With the last market value analysis they went to City Council and made the whole presentation available.

Attorney Noblett said that the reason she is going to the sole source aspect is that otherwise it would have to be bid out for that to occur and they would not have the same data going into this. Chairman Armor said to be consistently where they left off. Attorney Noblett said it is just to update. The key component for them is to see how our market has changed in the last few years.

Mr. Erwin asked if Ms. van Deursen's team considered using the realtors as a resource for this or UTC or any of the other education groups to do market analysis on this because he reads on here that it says contracting with a reinvestment firm is the only viable option to produce a valid and consistent update to Chattanooga's MVA. Mr. Erwin is trying to understand how they are the only viable option. Has Ms. van Deursen communicated with any other groups?

Ms. van Deursen said that it has to do with the methodology used to create the market value analysis. This group has their own formula that they have created to value different properties. We want to be able to have that same methodology used in this update so that we are making an apples to apples comparison. We do work with the realtors, and we have engaged with UTC as well on data analysis broadly. We are really a data driven team so we try to get as much as we can to talk about sharing this data. We absolutely work with those groups. For this specifically, we want to make sure that we can have the same methodology and analysis just for the updated data.

Ms. Megan Miles said that part of it is that this is a partial update. They have already done a lot of groundwork because they have formulas that already exist. For example, Chattanooga has topographic factors, mountains, they made tweaks to their formula. Otherwise, we would have to start from scratch. They are able to plug things into the work that they have already done, which makes it more cost effective. They are the only ones who have created these formulas and they have already done a portion of the work.

Mr. Erwin asked how frequently there needs to be the next review. Ms. van Deursen said that the reason they are going forward with it now is because as she said it is that the data that was used in the first one was pre-COVID and things have changed so quickly in Chattanooga that it is stale really at this point, it is not usable. Ms. van Deursen hopes that there will not be any changes in 5-15 years. We can anticipate that as the pace of change slows and the need to revise this data will calm down as well but at this point, we really want to have that comparison between pre-COVID and now.

Mr. Mason said that we went into contract in 2023 and they used pre-COVID data. Where did that data come from that they used for the 2023 analysis? The data comes from the early census. Mr. Mason said that he looked on their website, and they have done this for New Orleans, Philadelphia, and Baltimore. Their timeline is usually every three or four years that they would be doing this. We really want to do it now just because of census information and data has been updated. We are basing it on the same data and same census information.

Attorney Noblett asked how does it look at reassessments since that occurs every four years? Ms. van Deursen said that it is also a component that they can look at and they are tracking the sales data and other metrics. The reassessment is certainly a component.

The motion carried with five votes in favor and one vote not in favor by Mr. Erwin.

**ADOPTED 5-1**

On motion of Mr. Wells, seconded by Mr. Johnson,

**A RESOLUTION RATIFYING THE CHAIR'S EXECUTION  
OF AN INSPECTION AND MAINTENANCE AGREEMENT  
OF PRIVATE STORMWATER MANAGEMENT  
FACILITIES RELATING TO THE CNE/LYERLY PILOT  
PROJECT. (HEB-2025-10)**

Chairman Armor explained to the Board that from time to time the Chair will need to sign documents after they are reviewed by the attorney's office. The Board is ratifying what the Chairman has signed previously but all of these are not signed without him knowing what we are supposed to do and the Chair has that authority. This is one of the PILOT projects that we do and that is the report you will see annually on PILOTs and other things.

Attorney Noblett said that we were in between meetings and are on the Mill Town Project and the Land Development Office was asking for an Inspection and Maintenance Agreement so they can do inspections on the property. The purpose is that any time there is a Payment in Lieu of Tax Program like the one we just talked about, there has to be a change in ownership of that property while that Payment in Lieu of Tax process is ongoing. If there is a PILOT that may be a 10 year PILOT, then the HEB will be on the title as the property owner during that timeframe. The reason for that is because we are a tax exempt entity and have the power to issue specific payments that are usually based upon the value of the property before the development occurs. That encourages development to on-go in the City of Chattanooga if it is within our powers to be able to do so for health, education, and housing facilities. That is the reason people come to us to be able to see about a PILOT.

In this case, it is just simply the inspection and maintenance of the property because it is in the Board's name during that time and it is confirming that we will comply with the stormwater requirements and not let floods occur on our property because we have not maintained the property properly. We pass all of that obligation on to the leaseholder who has the lease in connection with this property for Mill Town in this process and it is actually the CNE Lyerly PILOT Project. Chattanooga Neighborhood Enterprise is involved in that process and the Lyerly PILOT is involved for a specific period of time that the Board has ownership. This is the old Standard Coosa Thatcher Project.

Chairman Armor did not do something that is terribly outside of his authority at that point in time but we got it done and that is the reason we bring it to the Board to ask to ratify his execution of that document.

The motion carried.

**ADOPTED**

### **OTHER BUSINESS-DISCUSSION**

Both of these items are for information only. Mr. Johnson dismissed himself from the meeting at this point.

- a. Lawsuit concerning the Espero PILOT Project filed by Demolition & Environmental Companies, LLC.

Attorney Noblett said that this is simply a lawsuit that was filed by Demolition and Environmental Companies, LLC. Apparently, the contractor involved Community Construction Group, the AIM Center, Espero Chattanooga, LP, HEB, Cadence Bank, Cedar Rapids Bank, and the Trustee for those entities. This is a claim that one of the contractors in connection with this matter has not been fully paid for the work that was involved in this project. We have forwarded copies of this on to the Espero Group and AIM Center group who are supposed to hold harmless and indemnify the HEB from any claims that might occur while this project is ongoing. The person that is involved in this particular claim is a group that did some sort of environmental work in the amount of \$95,754.05 and they want to get paid for that work.

Attorney Noblett is not exactly sure how that work has been proceeded at this point in time but they have asserted that this is a violation of breach of contract, unjust enrichment, mechanics and materialman's liens, and violation of the Prompt Pay Act. The only concern Attorney Noblett has and we immediately sent this on to Ms. Gober and the folks that might be involved with the Espero Group is that there are some obligations to pay for attorneys' fees and costs on some of these claims if they do not pay them quickly enough. Just trying to make sure that it is involved in connection with this matter.

This complaint was served on our office on August 27<sup>th</sup>, which means we have 30 days to respond from that date. An Answer has not been filed yet, but we will be filing an answer saying we have a contract that this Board is indemnified and held harmless by agreement.

Chairman Armor said what this basically is on is a PILOT project and the property in the project had to demolish and some type of environmental status. The reason the Board is named is because we hold title to the property.

Mr. Joe Kelly is General Counsel for the Chattanooga Housing Authority. We are actually the general partner for one of our entities which is an instrumentality, not CHA itself, because we are involved in this project with the issuance of vouchers. We are aware of the claim. We know that the contractor has been engaged in discussions. We will be following up with the contractor to make sure to the extent necessary that this resolves as quickly as possible and if we are not able to resolve it, then an Answer will be filed to proceed. They are aware.

- b. FYI - Reports on Debt Obligation – Silverdale Baptist Academy Project Series 2025A in the amount of \$2,166,727 and Series 2025B in the amount of \$2.5 million.

Attorney Noblett said that this is for the Silverdale Baptist Academy bond process. Whenever we issue bond debt amounts by this Board, we file that with the Comptroller's Office with the state. These are just for the bonds that have been issued this year for 2025. There is an obligation now for that amount of money to be paid. It is not delinquent.

After further discussion, a motion to adjourn the meeting was made by Mr. Mason, there was no second, and the meeting adjourned at 1:25 PM.

Respectfully submitted,



Hank Wells, *Secretary*

APPROVED:

  
Hicks Armor, *Chair*