



HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD

**City of Chattanooga, Tennessee
MONTHLY MEETING MINUTES**

**John P. Franklin, Sr. Council Building
Assembly Room
1000 Lindsay Street
Chattanooga, TN 37402
for
November 20, 2023
12:30 p.m.**

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

Also present were Phillip A. Noblett (Counsel to the Board); Vickie Haley (Finance); Rob Talbott (DGA Residential); Sandra Gober (Community Development); Richard Beeland (Economic Development); Jay Moneyhun (Bass, Berry & Sims); Steve Barrett (Husch Blackwell); and Martina Guilfoil (CNE).



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



MINUTES APROVAL FOR THE NOVEMBER 1, 2023, MEETING

On motion of Mr. Johnson, seconded by Mr. Gentry, the minutes of the November 1, 2023, special monthly meeting were unanimously approved as submitted.



There was no one from the public wishing to make a comment.



RESOLUTION

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

FINAL RESOLUTION AUTHORIZING ISSUANCE OF NOT TO EXCEED TWENTY MILLION (\$20,000,000.00) THE HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE COLLATERALIZED MULTIFAMILY HOUSING BONDS (SHALLOWFORD PROJECT) SERIES 2023. (HEB2023-12)

Mr. Jay Moneyhun is serving as bond counsel from Bass, Berry & Sims for this financing. Mr. Rob Talbott is present who is the developer with DGA Residential and partnering with the Chattanooga Housing Authority. This board previously passed the preliminary resolution that allowed them to go to THDA and apply for bond allocation. We are seeking final approval and trying to close the bond financing prior to December 15th which is the deadline with THDA. This is for 96 units of new construction on Shallowford Road.

Mr. Moneyhun put together the summary for the Board which highlights the specifics of where the project is located and the cash collateralized structure. They will get permanent taxable financing which will collateralize the bonds. There is always enough cash collateral or treasury sitting there to pay off the bonds. It is a highly rated bond structure AA plus typically and very low risk financing. The bond issuance triggers the four percent federal income tax credits.

Attorney Noblett asked Mr. Moneyhun for the record, the entire project will be for low to moderate income housing that is within the definition of a project. Mr. Moneyhun confirmed yes.

The motion carried.

ADOPTED-November 20, 2023

RESOLUTION

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

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. (HEB2023-13)

Mr. Moneyhun stated they have had discussions with the City about applying for a PILOT. In order to approve the PILOT, there will be a formal delegation resolution from the City. They are still working out final details with the City. This approval is what they need from this Board which will be subject to obviously getting the delegation resolution from City Council.

This will be low to moderate for 100% of the project. The term is for 25 years which helps them with their loan underwriting with HUD. The longer the term the more they are able to borrow and finance the project and have more proceeds to pay for the improvements. It is just a function of the bank and lenders plugging in what are the fixed costs for the project and debt service coverage and operating expenses. That is the reason for the request for the 25 year term. Typically, for these projects the tax period is 15 years. After the 15 year period, they can come up for rescinding of the tax credits and likely to have a rehab at that time and come back about extending the PILOT or other options.

Chair Armor asked that this is 25 years on the front end and it is up to the Council. The Council could set the period of time for the abatement of taxes at a different time length than the whole 25 years. Attorney Noblett stated, yes, if they do not approve that. It is also involving the aspect of tax dollars that might be available for the school system and that is one reason the County would be willing. Essentially, the Board is approving the PILOT, but the City and County have to settle on the specific terms of the tax abatement school tax, etc. Attorney Noblett stated, yes. This gives the Board the authority to enter in the documents once that is complete. This is typically different for the Board. Usually, it is a 10-15 year term. They may not get the tax abatement the whole period of time.

The motion carried.

ADOPTED-November 20, 2023

RESOLUTION

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

A RESOLUTION ALLOCATING AND APPROVING AN AWARD OF ONE MILLION DOLLARS (\$1,000,000.00) 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 FOR RENTAL HOUSING AND 82 ADDITIONAL UNITS IN 2024. (HEB2023-14)

Ms. Martina Guilfoil of the Chattanooga Neighborhood Enterprise gave an overview. Ms. Gober stated this is out of the Affordable Housing Fund that the City established under the Berke Administration, and the funding was moved over to the HEB. We have used it for other projects for construction. We have a little over \$2 million in the budget for projects such as this.

Ms. Guilfoil spoke on the application that they filled out. The funding is to be used to facilitate affordable housing development and preservation. They have 52 units that are currently under construction and another 84 units in development. Unlike a lot of projects that you might have seen that have come before the Board in the past, CNE has never gotten a developer fee. They have served for 37 years as part of the Economic and Community Development Department of the City and under that they have developed to date over 200 units of affordable housing, Highland Park and Ridgedale, and have seen a lot of incremental duplexes, quads, six-plexes.

How to insert affordable housing into neighborhoods in a way that fits into the context of the neighborhood and also provides opportunities for people to live in small format apartment buildings and remain affordable as neighborhoods continue to change and rents go up. Their average tenant income is 53% of median income - \$31,000.00. They are very proud about that.

The million dollars will also be used to promote the homeownership programs. They are looking at helping 14 people achieve homeownership through a \$50,000.00 down payment program that was recently funded through ARP dollars. They have closed seven or eight loans to date, and they have enough money for about another 14 and part of that important work which are for households that are at 80% AMI. The way that program works is that if you qualify for \$150,000.00, they will do a \$50,000.00 loan on top of that so you can qualify for \$200,000.00 and there is no payment while you have the loan and zero interest when you repay it at sale or title transfer or if you refinance and get cash out. That is helping Chattanooga families be able to have a stake and start building wealth in our community.

The money also goes to fund our substantial home improvement program. We always talk about new construction or new homeownership, but we cannot forget about 100s of people that are living in substandard Chattanooga if you would go into some of these homes you would realize that people are living in unfortunately in third world living conditions and CNE's role in the home improvement continuum has been into really helping people with substandard and need substantial home improvements of \$50,000.00 to \$75,000.00 and some cases even more and what that does again zero interest loan, due on sale, and helps people to be able to remain in their homes where otherwise where they go that they can afford is a big challenge.

Education and counseling are huge. As we talk about the Mayor's One Chattanooga Program vision, how do you help people achieve homeownership or even just budget, credit counseling. Credit dictates what you pay for everything. When you look at the inequities that happen because people have fallen into bad credit because they do not have education or better yet how do you get out of that situation. CNE serves over 200 people a year with homebuyer education and credit counseling services.

Loan servicing – these loans that we talk about for 37 years they have been making loans in the City of Chattanooga, somebody has to service those loans and you need to have sensitivity to work with our customers because people are very low income. These loans probably back in the day they were called subprime loans, not at subprime pricing because of the way that we do them but people that have no credit maybe not enough equity in their property certainly can afford a loan. They make a loan to them and if they fall into a situation where they can't make the payment, then they can do a forbearance and change it to a title transfer but will do anything but

foreclosure is the last resort. In traditional bank servicing, these loans would not look at it like that. There are 595 loans worth about \$6.28 million and that portfolio actually returns a rate back to the City of about \$753,000.00 a year but then go back into these sorts of loans.

Their recent program is rental assistance where they are providing right now people that are unable to pay rent for a variety of reasons related to COVID, very broad guidelines by THDA, the state, which can actually even include inflation. After COVID, everything went up, rents went up and people are having a really hard time paying their rent. We have money right now where we are helping people to be able to pay their rent and stay in their homes.

They did a calculation of what they think the million dollars provides back to the City and it is a rate of return about 168% based on affordability, preservative affordability for tenants in our units, we generate about \$174,000.00 in property taxes back to the City. We have one PILOT that will be coming back to the Board in a couple of weeks, but unfortunately, most of their properties are paying full property taxes at 1.25%. They are generating revenue back to the City on that and savings on developer's fees about 168%.

Chair Armor asked, there is a whole million being asked for to go through the development of these units or is part of that administrative for CNE, or how is that determined? Ms. Guilfoil stated that in terms of a deferred developer fee that is not part of the projects now under construction, would go toward that part of it. The rest are operational in operating programs. Ms. Guilfoil would need to do the math on the split. Is the million totally dedicated to the 52 or 84 units? Ms. Guilfoil stated the things that she just outlined to support all of that. Housing production and preservation.

Attorney Noblett stated that it says 52 units for rental housing and 82 additional units in 2024. Ms. Guilfoil said this is the total, but there will be a PILOT. Mr. Gentry stated that to his understanding, these million dollars, based on Ms. Guilfoil's comments, this is for all of your packages (inaudible) that you bring as an offering, it is not specifically for those 52 units but part of the dollars in these programs will assist with the 52 and will assist with the 84. Ms. Guilfoil agreed.

After further discussion, Mr. Johnson asked relative to the one million mentioned, there is a small buyer's fee or developer's fee, is that where the credit, education, and counseling come out of that? Ms. Guilfoil stated that their total budget is about \$2.3 million. Some of that is revenue that they generate through property management, loan origination, loan servicing, through CNE's loans that they make out of their own funds. Some of that goes back into as part of that, and all the grant dollars that they get from other places. They never charge that because they were supported through General Funds to cover those sorts of activities. After further discussion, Ms. Guilfoil stated the homeownership program people buy wherever they can find a place that is affordable to them and you would see the dots really cover a wide (swoff). Home improvement – wide swoff. Their development of units has been focused on having a part in Ridgedale because that is where they were able to buy the 32 lots from Tennessee Baptist University. Although some of the 82 units, 32 and 16, 32 are in Highland Park, the remaining are in the new Milltown Development. Which is really exciting because those rents in that neighborhood are in the 2,500 to 2,800 range and going to be coming in with rents at about \$900 or less.

Mr. Gentry asked legal counsel, based on this discussion, the wording of the resolution is appropriate? Attorney Noblett stated that he believes so. This is what we had a request for. This award of \$1 million in connection with this is from funds that we have available and would supplement what CNE is doing in that regard with the building of a total number of units. The problem is that it is not going to provide the capital funding for that and merely providing to make sure those units get constructed. Chair Armor stated that you have 134 units whether for purchase or rental divided by million is about \$7,500 per unit. You are funding the administration of the development to come back for either a PILOT or bond issuance to fund the actual units itself. Otherwise, those units would not be built.

The Affordable Housing Fund has \$2 million in it. The Board would be pulling \$1 million out to do this. Was the intent of that fund for funding units or for promoting organizations who would be able to, from an administrative standpoint, to come up with how to do it. Ms. Gober stated that when they initially established the fund, it was for hard costs and then in 2022, some of you were on the Board, we expanded the use of the funding, increased the eligible activities even down to providing rent, utility assistance, and we also expanded the use of the funding to include plans and projects, feasibility studies. It is really activities that are connected with and promoting are aligned with the City's goal of increasing affordable housing.

Is there a specific project tied to the 52 and 82? It is five projects. M.L.K. is 24 downtown, Mai Bell 2 is 27 units, Milltown is 34 units, Lyerly is 16 units, and Bailey Avenue is 32 units. Those are component parts of a larger project. CNE is participating in a larger project to make affordable housing units within the project that is being developed.

Attorney Noblett stated the CNE funding here is within the amounts of money that we have available and the Affordable Housing Fund is not depleted by this in connection with this matter. In 2024, hopefully that money will have time to grow. Ms. Gober said yes, the funds are not being depleted by this. In regard to adding additional funds to the budget, that will be up to the City General Fund.

Chair Armor stated that from a personal standpoint, in the future when we come up with, and he has been a supporter of CNE for 20 years, it would be good in the proposal to say here where this goes, here's five existing projects, M.L. King has (x), here's what that project is, the City wants to make 24 of these units available for low to moderate housing, those important things to do and did not come out as to where the money was going. Everyone is in favor of additional affordable housing. A little more definition at the front end will help the Board understand whether – they are used to seeing project costs. This is more project development and does not fund the actual project. After further discussion, in the future to present this is not so much the actual cost to build the unit, it is the cost of us developing additional affordable housing even within so much a project, we are going to make sure that is in there because if someone else has developed that project, they have been to us for a PILOT or bond issue and say they are going to do these things we are doing things and theirs and we do not know how theirs is constructed.

The more information that the Board has – they want to say yes, make it as easy as possible to yes. It could be misconstrued because either one of those projects could have been here for a bond issuance. It is important to know there are projects and the City has looked at the need for affordable housing. Our goal is to make sure the citizens have appropriate affordable housing and we are doing this to push that goal forward.

The motion carried.

ADOPTED-November 20, 2023

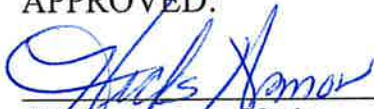
After further discussion, a motion was made by Mr. Johnson to adjourn the meeting, seconded by Mr. Erwin, and the meeting adjourned at 1:05 PM.

Respectfully submitted,



Richard A. Johnson, Secretary

APPROVED:



Hicks Armor, Chair