



HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD
City of Chattanooga, Tennessee
MONTHLY MEETING MINUTES
Virtual Electronic Zoom Meeting
for
February 24, 2021
12:00 p.m.

Present were Board Members: Hicks Armor (Chair), Gregg T. Gentry (Vice-Chair), Nicole Watson, Richard Johnson, Amanda Jelks (Secretary), and Dr. John A. Schaefer.

Also present were Phillip A. Noblett (City Attorney); Donna Williams and Sandra Gober (ECD); Joshua Haston (LGD Multi-Family) (The Reserve at Mountain Pass); Martina Guilfoil and Jake Toner (CNE); Kurt Faires (Chambliss, Bahner & Stophel); Mark Smith (Miller & Martin); Steven Lamb; Helen Burns Sharp (ATM); and Lloyd Longnion.

Mr. Armor called the meeting to order, confirmed the meeting advertisement, and established that a quorum was present. Roll call was made for the members present 5-0.

MINUTES APPROVAL FOR THE JANUARY 27, 2021 MEETING

On motion of Mr. Johnson, seconded by Mr. Gentry, the minutes of the January 27, 2021, meeting, were approved by roll call vote 5-0.

There was no person present wishing to address the Board.

1. Mr. Armor presented the next order of business: **“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 THE RESERVE AT MOUNTAIN PASS, LP FOR CONSTRUCTION AND OPERATION OF A MULTI-FAMILY HOUSING FACILITY, AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES WITH THE COMPANY.”** (HEB2021-03) Ms. Jelks joined the meeting at this point.

Mr. Joshua Haston gave an overview of this PILOT which was approved last night at City Council. This presentation is the same as what was provided to City Council. LGD is trying to build a 240-unit development which is a total of about \$52 million invested into the Alton Park community. LGD totally believes that everyone deserves a quality place to call home no matter your income, no matter where you live, everyone deserves to have a great place to call home. They follow that mantra to help develop over 17,000 apartment units for workforce and affordable

housing tenants since establishment and would like to continue that effort by developing this apartment community and building long-term partnerships in the Alton Park community.

The site is located at 4905 Central Avenue in Councilman Oglesby's district pretty close to the Tennessee/Georgia line. It fronts on Central Avenue and the back door is on Kirkland Avenue. The site plan buildings throughout the project are three-story apartment buildings. Beyond just building the apartments, LGD will be improving the neighborhood infrastructure, specifically adding landscaping along Central Avenue, as well as re-paving in its entirety Kirkland Avenue to the nearest intersection. They will be replacing infrastructure beyond the property as well as replacing infrastructure that was previously on-site from the Franklin Trotter School, as well as making sure wetlands are restored on the site and protecting them and help signs throughout the property. Beyond that, LGD sees this as a big investment in terms of catalyzing future economic development. This property is directly across the street from the former Velsicol Site. This is a way that if this \$52 million is invested, it could attract potential future investment from other people wanting to be developed across the street of the Velsicol Site. At peak construction, there will be around 200 jobs on site as well as around six permanent jobs on-site through the leasing and managing office. They are working to create jobs and not only housing.

The pictures are from actual LGD developments, such as amenities. Every unit has a porch and balcony. They have wood-like vinyl flooring, all the appliances are energy star appliances, as well as different amenities throughout the community such as having on-site management. This is a gated community. The clubhouse has a leasing office, space for tenants to hold meetings in community space, as well as providing business and community centers. If students that live in the property have a homework assignment, there is a computer center to access any time of day. There is also a fitness center, dog parks, etc.

LGD has been working with the Chattanooga Housing Authority and were recently awarded and approved for project-based vouchers on some of the units that have allowed them to serve tenants making from 30% AMI, which is for a family of four around \$21,000 a year, all the way up to 80% AMI, which is again for a family of four just around \$58,000 a year. If you live in those income sectors for a family of four, you would be able to qualify to rent an apartment. LDG foresees the rent being for a two bedroom between \$860 and \$1,050 range and for the three-bedrooms between the \$1,030 and \$1,150 range based upon current market conditions and what they are restricted based upon HUD approval housing rules. If LDG is approved, their hope is to start construction this summer. LDG is still seeking the PILOT approval from the County Commission after this vote. Based upon what they are projecting with this PILOT, they think that they will be able to generate around \$1.8 million increased tax revenue for the school over the length of the PILOT period because they are only requesting property tax abatement on the non-school tax portion for the property. The length of the PILOT will revert back to 100% ad valorem property tax rates which will be significantly more than what they are projecting to pay already, as well as if the project did not happen without the PILOT. If you look at what could happen, a \$52 million investment versus what is currently being taxed, the City is making around \$4,100 a year in property taxes. The level of the improvement and tax base, as well as the housing, is a great asset to the community. It is a win-win-win.

Mr. Gentry asked if the property will be occupied open one day and occupancy starts the next or is it a phased-in occupancy schedule? There will be a phase and occupancy schedule. Mr. Haston went back to the site plan. These are called multi-building Certificate of Occupancies. LDG will finance the whole development at one time, but as the buildings are completed, they will start leasing immediately. There will be different leasing schedules but no off wall within a few weeks of each other. What they see in other projects is that it usually takes about 14 months or so from when they break ground to when they can start leasing but around two years for full construction completion.

Mr. Gentry said the 16-year PILOT would trigger after all units are on-line? Mr. Haston said correct. Mr. Johnson stated that Mr. Haston indicated that he made his presentation a couple of weeks ago, and the City Council voted last night to approve it. Mr. Haston said yes, that was unanimous. Mr. Schaerer said this was a good overview having some familiarity with Velsicol in the history in Alton Park and presumes LDG has done an environmental study one and two. Mr. Haston said yes. Nothing negative showed up. The railroad is handled and has been dealt with.

With regard to the lease payments of \$800 to \$1,000, how often is that subject to change and generally speaking when it is subject to change, historically, how do you run your properties about increasing? The leases are pretty standard for LIHTC properties such as this. What the management company does is they evaluate of what we are allowed to charge legally every time that the lease becomes renewed. HUD updates those annually as well as what the market would allow you to charge. Right now, the market is not supportive of the maximum amount. What we do will reduce the rent considerably and make sure that we are not overcharging. Chattanooga based market rent that property versus what the financials might bear out. Yes, HUD bases it on the metropolitan statistical area and even though certain areas of Chattanooga may have much higher rents, the market does not necessarily prove out in some areas, so we will have to reduce the rents.

Ms. Williams stated that because of the different types of financing that are in this project, all necessary to build a beautiful \$52 million project and then make it available for very low, low, and moderate income tenants, there are different types of financing in the transaction and some of that financing requires rigorous environmental studies and remediation especially given that it was across from Velsicol. Velsicol has always been a wonderful partner as far as their commitment to maintaining an environmentally safe site even though it is not currently in use. A lot of environmental vetting has gone through with this site.

After further discussion, a motion was made by Ms. Watson to approve this resolution, seconded by Mr. Johnson, and the resolution unanimously passed by roll call vote of 6-0.

2. Mr. Armor presented the next order of business: **“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”) 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.” (HEB2021-04)** This project has been approved by City Council.

Ms. Martina Guilfoil stated that during the course of a day, you have encountered at least eight people who live in the CNE affordable units, and by giving a verbal tour those people need the \$275 savings in rent that the PILOT will provide. These are the working people who are making \$12 to \$14 an hour that often times are invisible but really make our lives possible.

There are three key points to talk about in terms of the request. The PILOT will provide an average of \$275 in rent savings per month to 26 households as compared to the average Chattanooga rent and according to the recent RPA 2020 Jobs and Housing and Trends Report for Hamilton County, 71% of renters with annual incomes of \$20,000-\$35,000 are cost burdened. This demonstrates that there is a huge dire need for more affordable housing so that people do not pay more than 30% of their income.

CNE is a non-profit organization. The future of Chattanooga is rooted in the vibrancy of our neighborhoods and the prosperity of our people. They are not a market rate developer and the \$275 a month per unit savings that is incurred from the PILOT will go straight back into reduced rents for tenants and help to increase their prosperity.

This is a 10-year PILOT tax abatement after which full tax will be received on the assessed value of the property. During this time, they will pay approximately \$22,000 in school taxes a year in addition to the current assessed value of \$1,600.

This property is located in the 1700 block of Union and Hawthorne. The Mai Bell 1 is a 48-unit apartment building located at 1728 Bailey. That project pays full taxes at about \$79,000 in annual taxes a year. To take advantage of the PILOT, there will be 47 units, 26 of which are PILOT units, another 9 units are HOME funds.

Mr. Gentry asked about reductions and expenses that fed back into lower rents, lower lease payments. Do you have capital needs and should that be channeled back into fixing plumbing and electrical issues, etc. or do they have funds to do that outside of this? Ms. Guilfoil stated that all of their performers have a maintenance reserve that we take on an annual basis.

The Mai Bell 1 is 51 units of rental and 11 of those are HOME funds. They voluntarily restrict another 30% to people who are under 80% AMI. Their goal is really to provide the most affordable rents to people and with those affordable rents, do not want anybody just to open them up to anybody. They are restricting the income and that way they create mixed income communities. Even though legally they can rent the units at 80% AMI, they are restricting the rents to the income that can afford the rent. For example, on a PILOT one-bedroom that will rent for \$695 to qualify for that at 30% of your income, you would have to earn \$27,800. That is where they will cap that income so that a person that earns that amount of money can actually qualify. That is how CNE makes their rents and targets their rents to maximize affordability for people at the right income.

Mr. Johnson asked will the design elements and the amenities be similar to Mai Bell 1 as well? Ms. Guilfoil said it is a little different project. They worked with the neighborhood and had several meetings with them. The neighborhood did not want another two-story/three-story building fronting Union Avenue and so we have a three-story walk up that fronts Hawthorne which

then is across from Girls' Preparatory School and the new Montessori School -- so the scale is very similar. Along Union Avenue, they have created a new product that they have not built yet which is a quadplex. They are putting in five quadplexes that will be a new missing prototype. One of the differences between them and the affordable housing group, a lot of affordable housing developers come in and they do big projects. CNE has created this model where we have missing middle, small scale apartment buildings that fit in the context of neighborhoods. If you drive by any of their product at Union and Willow, it looks like a big house and there is a huge house right now where this is being built. The President of Tennessee Temple used to live in, now the Giffords, it is bigger than any of the product they are building on the street right next to it. The idea is that it looks like big houses in the neighborhood. There are four/six units, duplexes, they are building out a product type that they encourage other developers use to help increase affordable housing supply. Mr. Johnson thanked Ms. Guilfoil for her priority as far as making sure that neighborhood associations and neighbors in general have buy-in and in-put into this as well.

Ms. Williams stated that CNE engaging in the neighborhood is an understatement. CNE has been very proactive and responsive to the neighborhood groups. Those folks are part of the neighborhood association. There are those who are not part of the neighborhood association, and they have really done a beautiful job of integrating their product with what esthetically, architecturally, would have been in the neighborhood years ago. There are 47 units in the Mai Bell 2, 12 of those units are market rate, nine of them are HOME funds (federal monies that come to the City). This Board has not seen a project with HOME funds. This is the first time they have allowed City resources to be stacked on a project. There are federal funds that require that nine of the units be income restricted. Those are deed restrictions much like Mr. Haston was talking about in his project. These are restrictions that run with the property. If the rent triples in Chattanooga, those units are projected, and with the PILOT units, they are 26. CNE's building has a wide-range of income limits for all types of people with the occupations mentioned before.

This is the very first time the City has allocated HOME funds on a project that also has a PILOT. One of the reasons they felt this was appropriate to do is because the cost of housing is unbelievable in Chattanooga and in the neighborhood like Highland Park is really rising. In order for them to do this is to make sure that just because somebody is low income does not mean they should not have an opportunity to engage with and develop friendships and relationships with folks who are not low income. When we are able to infuse neighborhoods that are experiencing really rapid increase in rental and Highland Park for housing, is a great opportunity for folks who are otherwise tend to be a little isolated from others that make more money than they do.

Mr. Noblett stated that he wanted to make sure that everyone is aware that even if some of these units are to be at full rate and some are at partial rate, there is no allowance in the City Code for any of these units to be used as short-term vacation rentals. That is one of the issues that will be discussed a little later. There is a resolution with The Simpson Organization. That is a requirement in the City Code that these units cannot be used as short-term vacation rentals. Ms. Guilfoil said they have no interest.

After further discussion, a motion was made by Mr. Gentry to approve this resolution, seconded by Ms. Watson, and the resolution unanimously passed by roll call vote of 6-0.

Mr. Armor wanted to thank Ms. Guilfoil as well. The diversity of products we have for housing is imperative. The rates are skyrocketing in places where people cannot afford housing. Mr. Armor appreciates her niche mark to take care of people in certain places. She is to be commended for what she and CNE are doing.

3. Mr. Armor presented the next order of business: **“A RESOLUTION APPROVING THE CHARTER AMENDMENT OF THE HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, TO AMEND THE CHARTER FROM A SEVEN (7) MEMBER BOARD TO A NINE (9) MEMBER BOARD.” (HEB2021-05)**

Mr. Noblett stated that this Board is a separate and independent corporation under Tennessee law. Under Tennessee law, they make the appointments to the Board of Directors for this corporation. There is a specific statute under T.C.A. 48-101-307 that allows them to have a number of directors “not less than seven” all of whom have to be duly qualified electors and taxpayers in the City to be a member of this Board. It does not allow them to amend this Board’s Charter. This Board has the authority to amend your own Charter under state law because it is a non-profit corporation. We have to submit a Charter Amendment form to the Secretary of State. Once that is approved, you have a nine-member board. The Council has made this request because it is much easier since we have gone up – whenever this body was first created in 1985, you had a five-member City Commission. That has changed over the years to become a nine-member City Council. Each of the Council members have different districts in the City, and they are wanting to make sure there is representation of all those districts on the Council. That is the only reason to go from seven to nine. We have prepared a document that can be filed with the Secretary of State allowing that to occur. We just need a resolution from this body authorizing that to occur.

Mr. Johnson had a question – currently, it is his understanding with the seven that each district is represented although when three districts represent one, will this mean that each district and each City Commissioner will have a recommendation for their district? Mr. Noblett stated that each Council district would have an opportunity to make an appointment. What they have been doing at the request for several years is they put three districts together to make one appointment. That is how they have been doing it. This would allow each district to have a specific appointment. Anybody that has been appointed serves until you have been replaced are simply trying to make sure we have people on the Board to represent each district if we can do that. That is what they are trying to work on. Mr. Johnson said that makes sense.

Mr. Armor has some comments. He does not want to be seen as the negative person. He wanted to make a couple of observations:

(1) He has been on a number of City or County boards and the problem arises when you get above five, six, seven people, they have trouble getting people who will commit to the meetings. Part of the reason they have reduced them at certain times is for lack of attendance. He totally agrees with the district approach. That is good for the balance of people and represents everyone, but he does worry about how many people. That means when you have nine, you have to get five people there, which increases a bad situation.

(2) He has been involved in too many discussions recently regarding the who rolls off and who stays on. He thinks that the nature of this Board tends to be a little more complex than some and understanding the process of a TEFRA hearing and a PILOT, takes a while. He thinks it is important that we get – the makeup of the City as diverse as it is, should be represented on all City boards. He concurs with that. At the same time, he thinks you have to have people with experience or confidence, which he thinks we have been very blessed with, and when you go from seven to nine that makes your issue of getting people on not just to serve but people who are willing to come in and learn.

Mr. Armor asked, in our Charter, we do not have staggered terms now, do we? Mr. Noblett stated that the Board is actually fulfilling staggered terms for the seven members of the body and those staggered terms after the initial appointments of the board were for six years. That was to try to make sure that at least you have continuation. Hopefully, all of those six year terms do not end at the same time. That is the other concern. At the current time, we do have at least three people rolling off. He had discussion with the City Council person about that he thinks that Mr. Longnion rolled off, the concern is that they need to get staggered enough to where somebody has been involved and not having three rolling off at the same time. He has had that discussion with at least two City Council members because this Board has been through a lot of turnover, it is a little more complex. Mr. Armor is totally in favor of it, his reservation is that we will have nine participating members who want to serve. That is not a negative vote, it is something that he has fought on two other commissions, it is very difficult, this is one that needs to meet. We do not meet if we do not have something. When we meet, we do need to be able to attend.

Mr. Noblett stated that as Mr. Armor was speaking this a.m. he was trying to count up five votes to make sure we would have it. We were a little thin right at first. Everybody showed up. Mr. Armor does not want to be the one that casts the no vote, that is the wrong thing to do, but he does not think the commission always understands the complexity of a board. We have not always had the Mayor's office keeping up with appointments. He's not being critical just being honest because the worst thing we can do is sit here and try to educate somebody on what a PILOT is or a TEFRA hearing. It is hard enough when you have been here for a while and know it, you have five new members, he would hate to think that – Mr. Longnion has played a phenomenal role over the years and he was not always popular because he asked questions, but as you will see today, two or three people asked the questions, and it is imperative that the information come out from different points of view. That is his concern.

Mr. Johnson stated that Mr. Armor well-stated his concern. Mr. Johnson shares some of his concerns. He has served on several boards, the City as well as others, and this particular board does take some time and expertise. You do have to do your homework and some due diligence. That is very important. The City Commission should be cognizant of that. Mr. Johnson said he knows Councilwoman Berz was because she asked him quite a few questions and he appreciated that at the time when she nominated him. Mr. Johnson said his term expires in September. Is he term limited because Councilwoman Berz has asked if he would consider reappointment.

Mr. Noblett stated there are no term limits. That is one good thing. That is one reason they try to make sure they can continue to have folks that have got some experience. The provisions are as long as you continue to hold office until a successor is elected under state law, you can continue to do so. Mr. Longnion could continue in these meetings if he wished as well. The term needs to be at least specific here as to the time of your appointment on and for a specific six-year term. That allows them to be able to continue to have rotations. Whenever the Board was first created there were a group of people that actually had a two-year term, a four-year term, and then a six-year term so that they could try to develop that continued knowledge on the body. That really needs to be in process here. Over the years, I'm not sure if that's worked out correctly. He thinks it is very good to have nine members in at least insofar as you do not have infighting among the governing body as to who gets to make appointments. Sometimes that slows down appointments going on as well. Those are good things at least can hopefully get that back in order.

Mr. Armor stated that is why he asked about staggered terms because he knew that three or four are rotating off at the same time. When they came to him, he raised that issue and they went back and changed their mind on what they were going to do. Mr. Noblett said that he will try to give them good advice in that regard about keeping continuity. Mr. Gentry stated there is no doubt that this particular board trials, tribulations, and experience and eventually you get traction with what is really taking place.

Mr. Gentry asked if we have a sound and good onboarding for new members? A lot of boards have a few hours of onboarding, meetings, being able to understand process, kind of vocabulary used. We may be doing exactly that. He does not recall when he came onto the board because it has been a number of years. Mr. Armor stated in his experience, no, but he does think in the last three or four years, Donna's personal and department participation has made it much easier. Mr. Armor stated that when he sat on this board, the first five or six years, he looked around and everyone looked stupid and you voted what everybody else voted. That is why at times, he wants to be reminded as well. He does think that is something that we probably have done a couple of education pieces at times. Mr. Armor thinks that is something we probably should do more than we do. And he almost thinks that it should be a part of their agreeing to go through two or three sessions because if they are not willing to do that, then they do not want to be there. He does not know that having your name on a board and the high salary we get for doing this makes it all worthwhile.

Mr. Johnson stated that when he initially started, he appreciated the fact that Phil had him in for an orientation and it really is about all the resources and where to go and that kind of things, not to mention the asset, and things of that nature. Also Mr. Armor was Chair and very instrumental in either before or after meetings answering a lot of his questions as was really other board members, you are right about Mr. Longnion who was a tremendous resource as well. He does agree that Ms. Williams' group he could not agree more on that. They have fed us something, they give us a lot of materials beforehand now as opposed to just at the day of the meeting. There has been some improvement. But he would like to see something maybe a little more structured for new members coming in as well. It could certainly help and not hurt.

Mr. Armor asked if there was an attendance requirement? Mr. Noblett stated there is an attendance requirement at least in the City as to boards as if someone misses a number of meetings. In that regard, the Council members could replace them on the Board. The only concern we have is the aspect of making sure there is quorum where the Board can actually conduct business.

Another question was, can the Board itself declare a vacancy? Mr. Noblett stated you could if you wish to adopt that in your Bylaws, you would need to make a Bylaws amendment. We could consider that at some point, but if you start having problems in that regard, clearly the governing body of the City could replace a member. It has partially been a problem because it is a seven-member board and a nine-member Council. That is part of the problem. If they were more responsive to a Council member that would help. Mr. Johnson asked if the Board could impose reasonable attendance standards insofar as attendance is important and the business we do is very important. Mr. Noblett stated you can do that as part of the Bylaws. This is something that can be talked about again. There needs to be some requirement. They have to attend the orientation sessions and at least a number. Dr. Schaerer does need an orientation.

After further discussion, a motion was made by Dr. Schaerer to approve this resolution, seconded by Ms. Jelks, and the resolution passed by roll call vote of 4-2. The two abstentions were made by Mr. Armor and Dr. Schaerer. Upon observation of the Chair, orientation should be a component and may want to entertain attendance requirements. Mr. Noblett stated that we will get a copy of the Bylaws as they currently sit and the suggestions for what changes.

Mr. Armor asked the Board, since we have been here over an hour, do we have much business for the next section? Mr. Noblett stated not currently. Mr. Noblett has been told by the Tennessee Municipal League and MTAS that there is going to be an extension until next month of ability to be able to meet via electronic meetings. Otherwise, the order would expire on February 27th. We have been informed that it will at least go through the month of March. That will allow us to do this again if a meeting is needed. Currently, that is all we have on the agenda.

Mr. Armor thought the Board should roll the PILOT report until next time. Mr. Longnion was one of Ms. Williams' recommendations to the Mayor to be appointed to this Board because she knew him before the Board and suspected that what he would bring to the Board is exactly what he brought to the Board. This annual report is more robust as a result of Mr. Longnion serving on this Board. Ms. Williams is happy to do the annual report next month. After polling the Board, Mr. Armor rolled the annual report to the next month. Dr. Schaerer does not have any business, but he does think it is in order to complement Ms. Williams and her work with the Mountain Pass initiative. That has taken a long time. Mr. Armor stated that Ms. Williams has been a great addition in the last few years for helping board members with the knowledge of what it is. He appreciates her and her department.

There being no further business, the meeting adjourned at 1:07 p.m.

Respectfully submitted,


Amanda Jelks, Secretary

APPROVED:


Hicks Armor, Chair

**The electronic Zoom presentation is kept on record by the Health, Educational, and Housing Facility Board.*