



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
August 21, 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); Rob Talbott and Craig Cobb (DGA Residential); Sandra Gober (Community Development); Jermaine Freeman (Mayor's Office); and Richard Beeland (Economic Development).



RE-ELECTION OF OFFICERS

Upon further discussion, there was a motion made by Mr. Gentry to re-elect the present officers as Hicks Armor (Chair), Gregg Gentry (Vice-Chair), and Richard Johnson (Secretary) for another term, with more intentionality about transitioning some of the officers, seconded Ms. Smith, and the motion unanimously carried.



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



MINUTES APPROVAL FOR THE FEBRUARY 20, 2023, MEETING

On motion of Mr. Johnson, seconded by Mr. Erwin, the minutes of the February 20, 2023, monthly meeting were unanimously approved as submitted.



Chair Armor welcomed the newest board members, Brian Erwin and Andrea Smith.

There was no one from the public wishing to comment.

RESOLUTION

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

A RESOLUTION RATIFYING THE CHAIR'S EXECUTION OF A WRITTEN CONSENT DATED MAY 25, 2023, TO (I) THE TRANSFER OF MANAGING MEMBER IN THE OWNER FROM PENNROSE GP, LLC TO THE CHATTANOOGA HOUSING AUTHORITY; AND (II) THE CHANGE OF PROPERTY MANAGER FROM PENNROSE MANAGEMENT COMPANY TO THE CHATTANOOGA HOUSING AUTHORITY REGARDING THE MULTIFAMILY HOUSING REVENUE BONDS (MAPLE HILLS APARTMENTS PROJECT), SERIES 2011. **(HEB2023-05)**

Attorney Noblett stated in this case back in 2011 there were multifamily housing revenue bonds issued for the Maple Hills Apartment complex here in Chattanooga. The initial developer of that was the managing member was Pennrose Management Company and the manager has changed to the Chattanooga Housing Authority. The Chair is authorized by bond documents to sign any and all necessary bond documents in the resolution initially adopting the bond transfer. In this case, it occurred May 25th it was requested to be done and we are asking the Board to ratify the action taken by the Chair. This body is a membership of nine member and has to have the body's approval not just the Chair.

Chair Armor asked Attorney Noblett a question. Once the document is executed if the Board disagrees with the action of the Chair, if they refuse to ratify the signing, what would be done? Attorney Noblett stated that we would send a letter to the bond company of the failure to ratify. Essentially, even though Chair Armor has the authority to sign, should they disagree, they can overrule. Attorney Noblett said yes.

Mr. Gentry sees this as a formality and it is getting the documents right versus does not change project, does not change funding, etc. More getting documents in order. Attorney Noblett stated correct and making sure the Housing Authority will be in charge from this point on to make sure things are running correctly.

The motion carried.

ADOPTED-August 21, 2023

RESOLUTION

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

A RESOLUTION RATIFYING THE CHAIR’S EXECUTION ON A 2023 MULTIFAMILY TAX-EXEMPT BOND AUTHORITY FIRM COMMITMENT LETTER DATED AUGUST 7, 2023, WITH THE TENNESSEE HOUSING DEVELOPMENT AGENCY REGARDING ESPERO CHATTANOOGA, LP DEVELOPMENT LOCATED AT 1815 EAST MAIN STREET, CHATTANOOGA, TN 37404. **(HEB2023-06)**

Attorney Noblett stated that this is a multifamily tax-exempt bond commitment letter by the borrower, Espero Chattanooga, LP. The Board passed a resolution authorizing the issuance of these bonds and any necessary documentation that would need to be done. This is for \$10.7 million worth of bonds that will be in a new development. They have already come to the Board for the bonds.

The motion carried.

ADOPTED-August 21, 2023

RESOLUTION

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

A RESOLUTION RATIFYING THE CHAIR’S EXECUTION ON A 2023 MULTIFAMILY TAX-EXEMPT BOND AUTHORITY FIRM COMMITMENT LETTER DATED JUNE 21, 2023, WITH THE TENNESSEE HOUSING DEVELOPMENT AGENCY AND RATIFYING THE CHAIR’S EXECUTION ON A MTBA BORROWER ISSUER CERTIFICATION DATED AUGUST 10, 2023, REGARDING DGA SHALLOWFORD POINTE DEVELOPMENT LOCATED AT 6402 SHALLOWFORD ROAD, CHATTANOOGA, TN 37421. **(HEB2023-07)**

Attorney Noblett stated that once again this is an identical letter. These are Tennessee Housing Development Agency bonds. This one is \$14,835,000 for a new development that will be at Shallowford Pointe that will provide low and moderate income housing for people in that area based upon bonds that are issued.

The motion carried.

ADOPTED-August 21, 2023

PROJECT UPDATE

DGA SHALLOWFORD POINTE DEVELOPMENT

Mr. Craig Cobb represents DGA Shallowford Pointe as the developer. They have received the tax credit awards, signed for them, and are underway with planning the development to get it closing to break ground. DGA hopes to be going in for permits around October and hope to be closing the tax credit equity and construction and permanent financing in mid-December and hope to break ground in the beginning of January 2024.

The property is 96 units, 48 two-bedroom, and 48 three-bedroom units, all with two bathrooms, and all serving residents at or before 60% AMI. They will be seeking a PILOT at a later date. It will be 100% occupied in October 2023.

They do the same thing in Knoxville which is a three-story building instead of two stories. They are working with the height restrictions that are in place with the current zoning. This is geared more to families.

The height limitations are thirty-five (35') feet. It is R-3 Zone thirty-five feet (35') feet. Knoxville is the same. It was more of a highway there and had to go to flat roof to keep it the third story below the height restriction. It was forty-two (42') feet or so. It is good for us to know that the thirty-five (35') feet height restriction is based upon building code requirements and some requirement for structures that have to have more sprinklers or other materials. This project will also have a clubhouse, workout room, area for kids to play while parents work out, access to free computers and free internet, and playground, with nice amenity package.



PRESENTATION OF ANNUAL PILOT REPORT

Ms. Sandra Gober gave the presentation of the annual PILOT report. The presentation contained a summary of the PILOTs, the number of units, and the percentage of low income or PILOT restricted units versus market rate units.

Attorney Noblett explained what a PILOT was in which it is a Payment in Lieu of Ad Valorem Taxes. This body as an entity has the power under state law to grant PILOTs by taking ownership of property during a specific term to allow people to pay a lesser amount than they would actually pay for the ad valorem taxes on the property. This body has that authority in meetings that occur, and we will give training on how PILOTs work. AMI is Area Median Income. There are specific amounts that have to be considered by the federal government on housing benefits received here and if they are low and moderate, they have to be a certain amount of the AMI.

Ms. Gober stated the program itself has changed over the last 20 years. It started out with a certain footprint which was the downtown area. Under the Berke Administration, it was amended and 20% of the units had to be at or below AMI. The Berke Administration changed the requirements. It was extended City-wide, and at least 50% had to be at or below 80% AMI. We have two types of projects under two different resolutions.

Some of the projects based on the percentage are at or below 80% AMI. The most recent ones have actually for the most part have been at 100% of AMI. The funding has been made available for construction and renovation on some projects.

Mr. Johnson asked if anyone is not in compliance? Ms. Gober stated everyone complies. Each year they get information, reports, annual updates, and just finished some site visits and looking at the rent rolls and the income in the lease agreements. The purpose of this report is to give a quick status on the whole portfolio.

The most recent ones that are in construction or about to be finished were highlighted. The Mai Bell 2 that is located at 1715 Union was approved by the Board in 2021 and expected completion date is October 2023. They were delayed by supply issues. The Reserve at Mountain Pass is the 240 unit is all 100% at or below 80% AMI is located out in south Chattanooga at Central Avenue. The expected completion date is December 2023. They do have some units that are about to come online in phases, but all units will be complete by December 2023.

The Battery Heights was a renovation, and the name of the units was changed to Campbell Ridge Apartments. The renovations were completed in June. Ms. Gober attended the ribbon cutting session and excited about the improvements. The rest are giving information on whether they are compliant. These projects are required to be at least 50% of the units and have to be at or below 80% AMI. This resolution is the old program.

Chair Armor stated that the City is trying to provide for rehabilitation of an older building or building on property that can be used for lower income housing. They will freeze the property taxes for 10 years at the value you pick it up at. You are paying less taxes to let you provide for a lower rent. It recoups land and building back to better usage and provides for housing and financial incentive for the people doing it because otherwise they might not be able to make the numbers work. The property would be brought back to market value. A developer is incentivized financially to do it, it rehabilitates the property which eventually gives the City a better tax rate on newer things, and also provides a way for people to have housing. The City wins, the people living there win, and it makes it possible for an investor to make some money to do this. It does not impact the educational tax.

The amount of investment is also listed on the presentation and will be recouped by the City eventually at the end of the term of the PILOT. That amount in the increase of the property value will be there. Market City Center shows \$28 million thrown into that property. It probably would not occur if you did not incentivize.

Ms. Smith asked about Patton Towers. These were burned out, and the renovation was complete over year ago. All of the units are back online. The ratio is 100%.

Attorney Noblett stated that normally, a PILOT is ten years plus a three year step down. Chair Armor stated there were a couple in here that were 13 years. Ms. Gober stated they are correct. Attorney Noblett stated it is based upon the resolution we passed at the time for the PILOT. Under PILOT policies right now we got it down to ten plus three. The Reserve at Mountain Pass shows 2024-2040 which is a 16 year period. Ms. Gober stated Passenger Flats is the Choo Choo terminated that PILOT.

Ms. Gober stated the other update is on the Chattanooga Affordable Housing Fund which is the program where we are using City funds to provide up to \$40,000 per unit for projects for preservation but also provide funding for studies such as housing and feasibility analysis.

The Housing Authority project is complete that was a renovation. The Habitat for Humanity is at Alton Park and completed construction on half. CALEB was a feasibility study looking at community land trust and the report was completed in 2021. They had some issues with getting the project started so the funding was rescinded. Chattanooga Neighborhood Enterprise was also for a housing feasibility analysis. The report is complete. Another Chattanooga Neighborhood Enterprise is for affordable rental development for construction of 24 units at 621 E. M.L. King which project is under construction.

There are a total of eight PILOTs complete with full tax rate, including UTC, Walnut Commons, and Frazier Place. There were no more issues with 1400 Chestnut who was in litigation. No additional concerns on Market Street which was short term vacation rental.



OTHER BUSINESS

Richard Beeland (Administrator for the Department of Economic Development) introduced himself and has worked with Ms. Gober for quite a few years. Jermaine Freeman works closely with Economic Development and introduced himself.

Chair Armor stated that he appreciates the new members and look forward to serving with them. Attorney Noblett will have an educational session next month during the lunch session before we start.



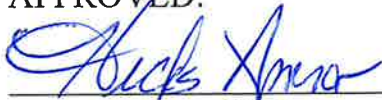
After further discussion and there being no further business to come before the Board, a motion was made by Mr. Johnson to adjourn the meeting, seconded by Mr. Gentry, and the meeting adjourned at 1:10 p.m.

Respectfully submitted,



Richard A. Johnson, Secretary

APPROVED:



Hicks Armor, Chair