



**HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD
City of Chattanooga, Tennessee
MONTHLY MEETING MINUTES**

**John P. Franklin, Sr. Council Building
J.B. Collins Conference Room
1000 Lindsay Street
Chattanooga, TN 37402
for
Monday, February 19, 2024
1:00 p.m.**

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

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



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



MINUTES APPROVAL FOR THE JANUARY 22, 2024, MEETING

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



PUBLIC COMMENTS

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



RESOLUTION

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

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

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

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

The motion carried.

ADOPTED-February 19, 2024

RESOLUTION

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

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

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

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

Summary

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

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

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

Discussion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TEFRA HEARING

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

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

The TEFRA hearing was closed.

The motion carried.

ADOPTED-February 19, 2024

RESOLUTION

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

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

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

The motion carried.

ADOPTED-February 19, 2024

OTHER BUSINESS

Bylaws

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

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

PILOT Inventory

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

Security Evacuation Plan

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

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

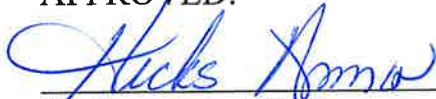
After further discussion, the meeting adjourned at 1:45 PM.

Respectfully submitted,



Richard A. Johnson, Secretary

APPROVED:



Hicks Armor, Chair