



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, May 20, 2024
12:50 p.m.**

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

Also, present were Phillip A. Noblett (Counsel to the Board); Sandra Gober (Community Development); Janice Gooden (CALEB); Mike Pare (Times-Free Press); Tom Lauth (Kutak Rock); Steve Barrett (Husch Blackwell); Jeff Woodard (Erlanger); Nicole Heyman; Hannebe van Deursen; Sydney Shivers; and Chandra Freeman.



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



MINUTES APROVAL FOR THE MARCH 18, 2024, MEETING

On motion of Mr. Wells, seconded by Mr. Erwin, the minutes of the March 18, 2024, monthly meeting were unanimously approved as submitted.



ELECTION OF OFFICERS

After further discussion, on motion of Mr. Johnson, seconded by Ms. Everhart, the Board decided to keep the current officers' structure for two months. Hicks Armor, Chair; Gregg Gentry (Vice-Chair); and Richard Johnson (Secretary) have been re-elected.

PUBLIC COMMENTS

Ms. Janice Gooden (CALEB) is also a resident of District 8. At the last meeting in March, there was a lengthy discussion at the end about the dilemma of the lack of affordable housing which led to a decision to approach the Council and Mayor concerning the issue. Ms. Gooden had questions about the process of how the Board is educated and have received the information. Today there are experts in the room which makes her feel much better. Ms. Gooden encouraged the Board to be engaged and stay up to date on all of the changes because what the Board does is very important.

Chair Armor thanked Ms. Gooden and said that he thinks the Board is cognizant of the need. We did construct a letter that we have not sent to the City Council stating our concern. What we saw today is that the City is looking at options which are important. Within the realm of the responsibility for what they have and see that there may be pockets of people that were not serving as well as they should be.

Chair Armor appreciates Ms. Gooden coming before the Board and taking the time to come and speak. Mr. Johnson also agrees and said that the City does a great job in keeping them abreast. Council does a great job, and the Board on a regular basis has training as well, which is all about transparency. The Board right now is as ethical and really concerned and really has a heart into this Board. This is one of the most-high functioning boards the City has and we all take our role seriously. We have a tremendous amount of respect for each other, and we know what we are doing is important. We know we represent our neighbors, friends, and other members of the City. Thank you for your interest and engagement in coming before the Board as well.

RESOLUTION

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

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE TO INDUCE ERLANGER HEALTH, A TENNESSEE NON-PROFIT, PUBLIC BENEFIT CORPORATION AND A 501(C)(3) ORGANIZATION, TO FINANCE AND REFINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND EQUIPPING OF CERTAIN HEALTH CARE FACILITIES AND RELATED AMENITIES LOCATED OR TO BE LOCATED IN OR NEAR CHATTANOOGA, TENNESSEE THAT ARE OR WILL BE OWNED AND OPERATED BY ERLANGER HEALTH; AND TO AUTHORIZE THE ISSUER

**TO TAKE SUCH OTHER ACTIONS AS MAY BE
NECESSARY TO FACILITATE THE FINANCING OF THE
SAME THROUGH THE ISSUANCE OF REVENUE BONDS
AS MAY BE REQUESTED BY ERLANGER HEALTH.
(HEB-2024-09)**

Attorney Noblett stated that this is a general resolution on the front end authorizing the Board as Issuer to take action to facilitate the financing of revenue bonds. The first step is a resolution authorizing the issuance. There will be a TEFRA hearing involved at the next meeting regarding the public opportunity to be able to be present and hear the extent of what those bonds will be used for. Beyond that, there will be a request for the issuance of bonds. Those bonds that this Board can issue are at a lower financial rate than they might be by some other agencies and that is why we have previously done this before for Catholic Health Initiatives for Memorial as well. This is the same type of request as before. The Board has to pass a resolution saying the Board is getting ready to do that, and you are going to have a hearing next time and issue the bonds.

Mr. Wells said that he and the attorney have talked about this matter and that he volunteers at Erlanger on a regular basis in addition to the fact that he moved to Chattanooga to work at Erlanger 40 years ago. Mr. Wells feels it is important that he disclose that to this Board so that as we get into discussions about Erlanger and Erlanger's finances that the Board is aware of that. Mr. Wells does not think there is a conflict, and he does not have any financial ties to Erlanger. The attorney and Mr. Wells have discussed that, they agree, but he just wanted to disclose it in the interest of full accountability.

Attorney Noblett said that we did that in connection with the Ethics Code with the City as regard to issues as to whether there was a personal financial interest involved. Mr. Wells has assured Attorney Noblett that there is none and wanted to make sure this was disclosed.

Chair Armor said that he is somewhat the same but not totally. Chair Armor ran an organization they were a member of. He was compensated by 15 hospitals of which they were a member of the organization he ran. This was about 30 years ago. Attorney Noblett said that is not an issue. Chair Armor is not receiving any financial interest. Mr. Johnson is a past board member of the Pleiades Foundation which is the successor of the Erlanger Foundation. Mr. Erwin said that he has no personal interest in Erlanger.

Mr. Johnson asked about the 501(c)(3) organization which is relatively new, does this impact the Board? They are no longer a governmental entity under state law to get the governmental rates. That is why they are coming before this Board for the issuance of bonds. The bonds that they currently have are all in the name of Chattanooga-Hamilton County Hospital Authority.

Mr. Tom Lauth spoke and serves as bond counsel for Erlanger Health. Mr. Jeff Woodard is the Chief Legal Officer at Erlanger. Attorney Noblett described pretty clearly what the ask is here. Historically, the Chattanooga-Hamilton County Hospital Authority has been the public entity that has issued bonds to help build capital projects for Erlanger. In July of last year, Chattanooga-Hamilton County Hospital Authority transferred substantially all of its assets to this

newly created 501(c)(3) which is Erlanger Health. As a result of that change, in order for Erlanger Health to be able to borrow money on a tax-exempt basis which is lower cost to borrowing, they need to come to a conduit Issuer which is what the HEB is to issue the bonds. This body will have no financial obligation on the bonds but is going to issue the bonds and loan the proceeds of the bonds to Erlanger Health and the obligation to pay back the bonds would be solely Erlanger Health. In order for those tax-exempt rates, they would need the assistance of the HEB to issue the bonds.

The bonds are a combination of refinancing of existing bonds and also paying for new projects that Erlanger's Board of Directors capital projects has on the agenda to build over the next couple of years. Attorney Noblett said that is pretty broad on the aspect of construction and improvement renovation. What would be involved?

Mr. Lauth said that the number here is a high popping number of \$370 million. That is on the upside that the underwriters (Morgan Stanley) have come up with. In the resolution there is about \$150 million worth of bonds that were issued ten years ago. Those bonds paid for a number of capital projects that already exist at Erlanger. About \$150 million give or take, the proceeds would be used to pay off those bonds. Erlanger over the last several years has entered into some loan agreements with First Horizon Bank and borrowed about \$50 million over the last two years to use the \$50 million for additional capital projects on the Erlanger campus. When you add, it is \$200 million which is going to be refinancing obligations Erlanger currently has today.

On top of that, there is another \$100 million in new projects that Erlanger is contemplating. Mr. Jeff Woodard with Erlanger said they are really looking to expand out the growth and building the hospital up to meet the needs of the community expansion of the diversity department of new in-patient rooms, additional ICU, NICU and neonatal. They are looking at some projects in Cleveland as well expanding their reach. They see a tremendous number of those patients every day giving them another access point. There are a lot of little projects as well. Oasis Park out in Hixson as a multi-specialty clinic to serve that community.

Murphy is also included. Most of these projects are in the Chattanooga area. There is a relatively small amount of capital projects that are in the Murphy facility. Attorney Noblett was concerned about the North Carolina aspect of our entity as involved as a Tennessee corporation.

In the inducement resolution, to the extent the projects are located in the City of Chattanooga, then there is no additional approval that is needed. There are some projects that are located in Hamilton County outside of Chattanooga. For those projects, the plan is to have the Hamilton County Board of Commissioners approve those projects as required by the Act. There is also a project located in Bradley County in Cleveland that will approve that. There are also some capital projects that are contemplated in the Murphy, North Carolina, area. Under the Act, the HEB is permitted to finance projects that are located outside of the state as long as the borrower, Erlanger Health, maintains their principal place of business in the State of Tennessee.

In the resolution with Erlanger Health, Erlanger Health is going to covenant that they will maintain their principal place of business in the State of Tennessee as long as the bonds are outstanding. Attorney Noblett wanted to make sure this body realized this. Mr. Woodard said that they have Erlanger South facility on 2A and an office in the City. There has been some discussion

generally about whether it would cover Catoosa County or whether we would need to get Catoosa County involved.

This inducement resolution will authorize Erlanger Health to publish a TEFRA notice which is in federal legislation which requires a public hearing. There is a public hearing on the June 17th meeting. The notice is to be published in the local newspaper in the Chattanooga Times-Free Press, newspaper in Cleveland, and in Murphy, North Carolina. We can have it all in one hearing for federal tax purposes. You are allowed to have a hearing all in one location as long as all of those other locations are within 100 miles. The Murphy, North Carolina, campus is about 91 miles away. They will give a copy of the TEFRA notices.

The motion carried.

ADOPTED

RESOLUTION

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

**A RESOLUTION RATIFYING THE CHAIR'S
ELECTRONIC SIGNATURE ON A GROUND LESSOR
ESTOPPEL CERTIFICATE REGARDING THE PATTEN
TOWERS PILOT AGREEMENT. (HEB-2024-10)**

The motion carried.

ADOPTED

RESOLUTION

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

**A RESOLUTION RATIFYING THE CHAIR'S
ELECTRONIC SIGNATURE ON A MULTIFAMILY TAX-
EXEMPT BOND AUTHORITY BORROWER ISSUER
CERTIFICATION REGARDING THE WESTSIDE 1B
PROJECT. (HEB-2024-11)**

The motion carried.

ADOPTED

OTHER BUSINESS-DISCUSSION

Review Affordable Housing Initiative Letter to Mayor Kelly and the City Council - Chair Armor thinks the letter is good and wanted to make sure the Board has seen the letter.

Ms. Everhart thinks paragraph two needs a little bit of work. It should be low to moderate income people. The projects that come before the HEB may not be meeting the true crisis for housing at all levels. The second paragraph is confusing. After further discussion, what we are trying to say is that based on the presentation at the previous board meeting, what the AMI was that there are people who are below the AMI who cannot find affordable housing.

The projects that the HEB are approving are not sufficient for the people with the AMI level or low poverty income level. Chair Armor is going to revise the letter and send it to everyone. After the presentation that the Board had today, there may be something that is trying to address it.

The City Council has passed a resolution recently talking about the aspect of them working on the Affordable Housing Program which will help in this process as well. After further discussion, Ms. Everhart said that we recognize that we are not meeting the need is valuable to people right now, that matters to the Board, and based on our research, we have had people come in and explain and recognize there is a need. We are doing our best to help get that need met which is the education to see how we can come alongside these organizations to promote that.

Chair Armor said that we want the Council to know that we are approving of them, but do not know if that is truly meeting the needs of anybody who has a need. We want to be educated so we are the most beneficial.



After further discussion, a motion was made to adjourn the meeting by Mr. Erwin, seconded by Ms. Everhart, and the meeting adjourned at 1:20 PM.

Respectfully submitted,

Richard A. Johnson, Secretary

APPROVED:

Hicks Armor, Chair