



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
Monday, January 27, 2025
12:30 PM**

Present were Board Members: Richard Johnson (Vice-Chair); Hank Wells (Secretary); Andrea L. Smith; Brian Erwin; and Malcolm Harris. Absent was Hicks Armor (Chair) and Johnika Everhart.

Also present were Phillip A. Noblett (Counsel to the Board); Jim Grauley (Columbia Residential); Javaid Majid and Matt Dale (Finance); Jay Moneyhun (Bass Berry & Sims); Deidra Burrows and Joe Engel; Betsy McCright (Chattanooga Housing Authority); Cameron Hill (Baker Donelson); Richard Curley; and Kathy Pepoy (Legal Assistant).



Vice-Chairman Richard Johnson called the meeting to order, confirmed the meeting advertisement, and established that a quorum was present to conduct business.



**MINUTES APPROVAL FOR THE NOVEMBER 1, 2024,
SPECIAL MONTHLY MEETING**

On motion of Mr. Wells, seconded by Ms. Smith, the November 1, 2024, minutes for the special monthly meeting were unanimously approved as written.



PUBLIC COMMENTS

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



TEFRA Hearing - Eastwood Manor II, LP
Preliminary Bond Inducement - \$18 million

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

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 EIGHTEEN MILLION DOLLARS (\$18,000,000.00) TO PROVIDE FINANCING TO EASTWOOD MANOR II, LP FOR THE ACQUISITION, CONSTRUCTION, AND EQUIPPING OF A MULTIFAMILY HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 3831 WILCOX BLVD., CHATTANOOGA, TENNESSEE. (HEB-2025-01)

Mr. Jay Moneyhun serves as bond counsel for this proposed bond issuance. This is an existing property which is planned on acquiring, rehabbing, and will be applying to THDA for tax exempt bonds and low income housing tax credits similar to the others on the agenda today. This is the initial step that is required in order to apply to THDA. We have to propose an inducement resolution in front of this board, we are aware of acceptance and approval, and we have to hold the TEFRA hearing. They are hoping to apply in the first round this year, which will likely open some time between February and March. Attorney Noblett said that since this is going to be a TEFRA hearing the public would have an opportunity to ask questions.

Mr. Joe Engel and Ms. Deidra Burrows spoke and said that this is an existing property built in 1977, 98 units, they are all studio, one, and two bedrooms. It has 100% project based Section 8. The eligibility is not only 50% or less of the AMI, but you also need to be a head of household or co-head that is either disabled or over 62. In the HUD world, it is considered an elderly property. We plan to do about \$7.5 million hard cost renovation, full complete interior rehab, exterior rehab, a common area, and adding serves such as a health clinic for the elderly and physicians who can come there and help them with their needs.

Attorney Noblett asked how quickly do you plan on trying to be open and available? It is already 100% occupied. Because of the scope of work, the residents will need to be relocated temporarily. They would typically use an extended stay hotel on their dime as part of the cost and put them up for probably a 30-40 day rehab while they are relocating and try to build a building at a time. They come home to a brand new home.

They will never be without a place at any time. They pay the movers to pack up their stuff, put it in a pod, help them to get to the hotel if they need to, and see if they have any special requirements while they are relocated. They check and see how they are doing. The biggest challenge is taking care of the residents. That is all on their dime.

The property is 3831 Wilcox Blvd. Looking at Chattanooga, the airport over to the right, it is northwest of the airport. Even though it is 98 units, there are 10-12 properties that are all one level. It does not look like a typical elderly mid-rise or high rise. It is guard style like patio homes. It is across from the old Red Food Store, Eastwood. Ms. Smith lives in this area. It is a single-family dominant neighborhood. It is a great place for elderly property.

Mr. Erwin asked of those 98 units, what is the breakdown of one bedroom, two bedroom, the form and size? The largest is one bedroom. We have less than that as far as studio. There are not a lot of twos. In the elderly, they are typically one family households, sometimes they have a live-in aide. There are 30 studios, 54 one bedroom, and 14 two bedrooms.

The back end before the application stage, they have already been drawing for the architect, and make sure that everything they touch is being 504 disability code, and it is a great chance to bring new lift to an older property that is obviously needed.

Mr. Johnson asked a question on timeline. The application for the round one window and it is important that we get into round one because the preservation of an existing affordable housing takes precedence in all the applications that are submitted. That window is between the first week of February and middle of March, then they will probably find out in July or August if they have an award, and have 30 days to accept the award, and have to close within 90-120 days. We will close in 2025 and finish the rehab in 2026.

Mr. Erwin asked a question regarding the THDA application, with the finances and proposal, do you anticipate any interest rates continuing to rise or inability to move forward with the financing? They have a sensitivity. They are covered. It may fluctuate 50 bases points to 75. That is all you can do in this environment. If they were to go up higher, they would have to do something more creative with sources. That is why once you get the award in June or July, they give you 30 days, and that is the way we make sure our loan, credit, and construction costs are a moving target too.

Attorney Noblett asked if he considered the bond financing rate of this board to be an incentive to do that. That is correct. Since this is a TEFRA hearing, we need to make sure if there is anybody that has any questions about this from the audience, please speak now, and we will give you a chance. No one in the audience had any questions.

The motion carried.

ADOPTED

TEFRA Hearing - Hamilton South, LP
Preliminary Bond Inducement - \$48 million

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

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 FORTY-EIGHT MILLION DOLLARS (\$48,000,000.00) TO PROVIDE FINANCING TO HAMILTON SOUTH, LP FOR THE ACQUISITION, CONSTRUCTION, AND EQUIPPING OF A MULTIFAMILY HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 7610 STANDIFER GAP ROAD, CHATTANOOGA, TENNESSEE. (HEB-2025-02)

Mr. Moneyhun said this is a similar term of bonds. This is a proposed new construction project and is in partnership with the Housing Authority and was the proposal that was sent out for request and the developer that was awarded the request bringing this proposal is on the tax credit side of the transaction and is what is a Faircloth-to-RAD transaction which helps with the rents and how the project operates. Mr. Leach was coming with the developer or the Housing Authority who could answer some questions about the proposal process. This one is scheduled probably to go for round two for application. They are still working out some of the details as to the mix of units and also because of the change in administration with the new President, some of the HUD vouchers that are available are a little bit in flux. The developer is working with the Housing Authority to determine what vouchers would be available and is looking at a holding pattern but wanted to go ahead and bring the initial request to the Board to get approval so that once they get those details worked out, they will be able to act quickly and apply with the THDA.

Attorney Noblett wanted more information as far as units. Ms. Betsy McCright is the Executive Director of the Chattanooga Housing Authority and can answer a little bit. We have an application using the Faircloth-to-RAD conversion process which creates vouchers for this particular developer. We have not been awarded those vouchers. We are in negotiations about the number of units, the timing, and last week we were told by HUD that we are not allowed to issue any new vouchers at this time. We are holding and looking carefully at the project to determine the scope, and how we can help if we can get the funding piece from HUD.

Mr. Moneyhun said that the \$48 million request was based on 198 of the 200 units. That is what they are planning to apply for now. Ms. McCright said that they would have to take a close look at that number because they have taken the position throughout the new developments that we do not want to create large pockets of local developments. They are talking to them about numbers and what would be acceptable for the Housing Authority to create a mixed income community which is really their preference, not just all low income housing on one site. It is all in flux right now.

Ms. McCright was unaware that it was brought here today. When she heard vouchers mentioned it raised a question in her mind. If we are able to reach a consensus for this developer, they are always willing to award the appropriate number of vouchers to expand on affordable housing because we need it here. Right now, the Housing Authority's position here is that we do not have enough to actually make that award and are in a moratorium on awarding vouchers right now through March.

Mr. Johnson asked if they could come back to the Board after they have all of the specifics, and Mr. Moneyhun said they can certainly do that. As a little bit more background, when they published the notice, this one was all going ahead, and they had been chatting with Mr. Kelly and the developer, and last week is when they found out that HUD was not able to commit to some of the vouchers. A few of the items are in flux, and Mr. Moneyhun thought Mr. Leach was going to be here. One option would be to postpone because they do have a little bit of time before round two opens up, this would authorize up to \$48 million, and for whatever reason they needed to draft that back some for whenever the Housing Authority does get more confirmation from HUD, then they can bring it down, they could not exceed that amount, but could decrease it. Mr. Johnson said that he thinks the Board should have as much information as possible in terms of the numbers, how they are going to be structured, approximate timeline, we have been very supportive, we would like to have more information beforehand.

Attorney Noblett asked if the deferral of a month would help or more. Mr. Moneyhun said that with the new administration and HUD trying to figure out where they are going to be in funding and how many vouchers they will have, it may be a month or longer. Ms. McCright said that HUD told them last week that it would go to mid-March because there is a moratorium on issuing vouchers, and we will see where we are from there.

Mr. Harris asked if Ms. McCright could speak about the criteria for the vouchers. Ms. McCright said that the developer has to send a Request for Proposal and after they assess those proposals and bring them to their board and they will award some vouchers. These are some Faircloth-to-RAD conversion which are a different flavor of voucher. In the typical voucher environment, the participants have to be at or below 50% of AMI, but in Faircloth-to-RAD, (inaudible) public housing, the incomes can go up to 80% of AMI, and this will be one of our first awards if we do this under Faircloth-to-RAD conversion. They have about 1,200 Faircloth-to-RAD units available. The reason they become available is when you take down a property such as Harriett Tubman or La Paz Homes, we are able to retain those public housing units in our community but until last November, fund those units, this is a great mechanism to try to replace what was lost over the years and to fund them adequately so that we can extend affordable housing.

Mr. Johnson said we could do this March 17th if they came back to this Board with more specifics and particulars. It is fair. Mr. Erwin asked a question about the location, is it currently raw land? It is raw land.

The motion carried for deferral to the March 17th, 2025, meeting.

DEFERRED TO 3/17/25

TEFRA Hearing - One Westside Phase 2B, LP
Preliminary Bond Inducement - \$20 million

On motion of Mr. Harris, seconded by Ms. Smith,

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 TWENTY MILLION DOLLARS (\$20,000,000.00) TO PROVIDE FINANCING TO ONE WESTSIDE PHASE 2B, LP FOR THE ACQUISITION, CONSTRUCTION, AND EQUIPPING OF A MULTIFAMILY HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 1150 BOYNTON DRIVE, CHATTANOOGA, TENNESSEE. (HEB-2025-03)

Mr. Moneyhun said that this bond inducement is very far down the road. This board issued bonds for Phase 1 last year. That bond issuance has closed and moved forward. This is Phase 2 of the Westside Project that will be financed through tax exempt bonds. Mr. Jim Grauley spoke and said they are in partnership with the Chattanooga Housing Authority. This is the second phase which they are applying for. This is part of a Choice Neighborhoods Initiative and the City of Chattanooga was blessed to receive that. We have phases happening very quickly. The first phase the Board supported and closed the bonds in November. It is on the site at 12th Street and you can see the demolition of the existing structure happening. Planning to have construction to start in early March. The window they are applying for is the first round of the Tennessee Housing Development Authority which opens on the 21st of February and closes on the 19th of March. We need to be ready for that in requesting this inducement.

The development would be a new building of 144 units. We have a unique financing structure like we did with Phase 1 which is called twinning and incorporates 90 units in the phase of inducement of \$20 million. It will be a combined structure like Phase 1. This is the second phase which is built off-site from College Hill Courts so residents can move to off-site housing before there is demolition of existing housing. The Housing Authority and other partners of the Choice Neighborhoods Initiative with the City are working very closely with residents, surveying their interests, understanding what their interests are as far as where they want to live, and working with them on their family self-sufficiency. That is a tremendous asset families have.

A little over 40% of the residents in this new phase will be residents from College Hill Court relocation. They will also have units at 60% and 80% AMI, and units that are unrestricted to meet the goals that were planned which are for mixed income development. It is similar to Phase 1, not quite as large, and has different building characteristics. It is on Boynton Drive just to the south of the high rise towers on land that the Housing Authority currently owns and built on the hillside. It is a little bit complicated on construction but a great location.

Mr. Johnson asked of the 144 units what is the breakdown? The better mix on this one is 86 one bedrooms and 58 two bedrooms at 60-40. One is that we have three bedroom units in Phase 1 and plan to have a lot more in Phase 3, but this building is a donator served building with structured parking. It will have ones and twos and the majority of the residents relocating out of College Hill are part of one and two bedroom households.

Mr. Johnson asked what is the timeline for construction and completion? On the first phase they are closing in March which timeline runs through the third and fourth quarter of 2026 when the buildings will be delivered. This is the second phase which they plan to close in December. That is the outside date as others mentioned on THDA. We are in full blown design and in pre-development will be making applications. They applied to THDA on January 17th for economic development, that gives this project a much better chance of getting funded. The set aside chance of getting funded we are hoping to hear about that. They plan to close this phase in December of 2025 and would run into the summer of 2027 for new construction.

These are all new units and no one will be out of a place to live. This is on vacant land where this is being built. What it is going to do is facilitate and accelerate the opportunities for people moving out of College Hill housing, which is seen as obsolete and the plan calls for over a phased period of time to be demolished. Mr. Johnson said based on your credibility for Phase 1, thank you for bringing Phase 2. These applications could not go forward without the support of the City and without the support of the HEB.

The motion carried.

ADOPTED

SREIT 1400 Chestnut PILOT Agreement and Lease

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

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR TO EXECUTE ASSIGNMENT AND ASSUMPTION DOCUMENTS RELATED TO THE 1400 CHESTNUT PILOT AND PURCHASE AND SALE WHICH HZ CHESTNUT DST WILL ACQUIRE THE 1400 CHESTNUT MULTI-FAMILY HOUSING DEVELOPMENT ON FEBRUARY 5, 2025. (HEB-2025-04)

Mr. Cameron Hill represents SREIT 1400 Chestnut LLC, and they have representatives of both the Buyer and Transferee present if the Board has any questions. This is a simple process of transferring a PILOT Agreement to the new owner of the facility. The PILOT complies, is a well-maintained, and well-run operation. The acquiring entity is well-financed and is already present in the Chattanooga area with two locations.

This is a transfer of an existing PILOT Agreement. It is fairly straight-forward. Mr. Johnson said that some PILOTs are not assignable. The PILOT has been signed once and it is eligible for an assignment as well. It complies, and the Board should know that this is acceptable if we need a vote. Section 15 of the PILOT Agreement specifically entitles it to be transferred.

Attorney Noblett said that this particular PILOT has been ongoing for a number of years. At this point in time, it is 100%, no increases until 2026, and after that, there is a step-up in the valuation of the property for a four year term until 2031 at which time it will be 100%. That is the term of the original PILOT.

Mr. Richard Curley is in-house counsel for the prior entity. It is San Francisco based multifamily, investment company manager. They are already in Tennessee and have 11 assets. Two assets in Chattanooga which is Bluebird Row at 1348 Passenger Street which has 283 units, the other property is (inaudible), 328 Cherokee Blvd. They fully intend to comply with all the terms of the PILOT Agreement and include the affordability aspect. Being good stewards of the property. Mr. Wells said that the most important statement is that they fully intend to continue to comply with the terms of the original PILOT Agreement. We do not do a lot of those anymore. That is the key point he was concerned about.

Mr. Harris said those are awesome and spectacular communities. With the affordability aspect of course, have you seen this fit for all Chattanoogaans? Their commitment is to the community and the residents. They fully intend to be a strong part of the community by offering housing with affordable rates and working with the community to provide a path for affordable housing. The motion carried.

ADOPTED

OTHER BUSINESS-DISCUSSION

- (a) FYI – Report on Debt Obligation relating to the One Westside Phase 1B Series 2024 Multifamily Housing Revenue Bonds in the amount of \$35 million.

This report was given to our finance folks. We did have to send this to the Secretary of State and the Comptroller’s Office and have had no issues since we filed that report which was included in the packet. This is a form they have to file with the State for every bond issue and provides the Board for notice purposes. There is no action that has to be taken.

After further discussion, Ms. Smith made a motion to adjourn the meeting, seconded by Mr. Harris, and the meeting adjourned at 1:10 PM.

Respectfully submitted,



Hank Wells, Secretary

APPROVED:



Hicks Armor, Chair