



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, July 22, 2024
12:30 p.m.**

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

Also, present were Phillip A. Noblett (Counsel to the Board); Richard Beeland (ECD); Janice Gooden (CALEB); Helen Burns Sharp (ATM); Kelsey Wilson (Nelson Community Partners); Steve Barrett (Husch Blackwell LLP); and Josh McCutcheon (Finance).



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 JUNE 17, 2024, MONTHLY MEETING

On motion of Mr. Wells, seconded by Mr. Erwin, the June 17, 2024, minutes for the monthly meeting were amended by Ms. Smith. Ms. Smith made a correction on the June 17, 2024, meeting minutes on page two. After it says the TEFRA hearing, add also that Ms. Smith worked for Erlanger Hospital for 28 years and wanted to make that noted and has since retired. The minutes were unanimously approved as amended.

Attorney Noblett said that this was involving a TEFRA hearing and we have another one coming up today. The purpose for that is to establish that when you are voting on something whether there might be some sort of personal financial interest that you might have that would affect voting one way or another. Ms. Smith is retired but not currently employed by Erlanger Hospital. If she had been at the meeting, she could have announced that there, and there would be a discussion. The group today is Airport Landing and will be conducting a TEFRA hearing on that as well.

Last month's meeting was the initial TEFRA hearing on a bond issuance for Erlanger. At this point in time, Erlanger is coming to this Board to seek bonds to be issued to allow them to have a lower interest financing.



PUBLIC COMMENTS

Helen Burns Sharp, Founder **Accountability for Taxpayer Money (ATM)**

Ms. Helen Burns Sharp is involved with ATM, which is a public interest advocacy group that focuses on tax incentives and on government transparency. Ms. Sharp used to be a regular at the meetings and there really has been no need for her to be here. One of the reasons Ms. Sharp came back ten years ago, five years ago, we went through a period in Chattanooga where the Board was given PILOTs that seemed to her, she could not figure out the benefit to low and moderate income that they were saying they were but you wondered and setting aside units, maybe they were not being monitored not our finest hour. What Ms. Sharp has sensed in reading in the paper is that this Board is really fully committed to affordable housing and that the current housing staff with the City is taking housing affordability very seriously. We definitely have come up a notch and that things are in good shape. There are a couple of things that Ms. Sharp hopes the Board will discuss in the future.

In The Bend Development Agreement, which is a TIF and this Board is typically dealing with PILOTs, it is the same kind of thing that they wrote in their Development Agreement that they had committed to providing 10% of affordable housing that any housing that they built or if they sold it to other private developers they would have to do 10%, but they added in the final product some language that said but if we don't want to, we can sort of buy our way out and pay some money into the City's Affordable Housing Fund. Which to Ms. Sharp sort of negates the idea about having a little mixed income housing and don't have the affordable housing over here and the market rate and upscale housing over here. That was sort of the concept. The idea yes, our Affordable Housing Fund is always nice to get an infusion of funds, but I think that is something that when your PILOT program for housing kicks in, pay attention to that whether or not you want to because unfortunately it is going to be the case that some people sign on to this and think that it is great because they are going to get a tax break, we really don't want those people in our unit, but we will be glad to write a check so the City can benefit somewhere else.

In the jobs PILOT program that is managed by the Industrial Development Board, they are done on a sliding scale where you get a ten year PILOT at 100% the first year, then 80%, and 60%, and 50% or whatever. On the HEB it is 100% for the entire 10 years I believe. Chairman Armor said it can vary but it is not sliding. Whatever it is continues out. Think a little bit about that. The reason this matters is not that these incentives are bad and this is going to help because the private sector had not been doing much affordable housing this is a way to get some more, but on the other hand remember that we have a lot of abuse in the City, anything that is colored is not paying the taxes the way you and I are and small businesses are because of TIFs which are in red and PILOTs are in green, and all of this is government-owned property. What happens is that the cost of

providing basic services continues to go up, but the more money we are abating through PILOTs or diverting TIFs, means that the burden falls more on the rest of us and it could increase the likelihood of a tax increase and some of those are inevitable anyway. Just always keep that in mind that we want to incentivize some things that we think have public benefit like jobs and affordable housing, but we need to be able to have firefighters and police officers and good parks and things like that. We need to be conservative about the General Fund.

Ms. Sharp had a chart that she gave to the Industrial Development Board and the City Council and County Commission and would be delighted if this Board would be interested in this. Chair Armor wanted this to be included in our Annual Report to a large degree because of your work and previous board member, we do an audit of all of the PILOTs every year and present it annually. Ms. Sharp's graph is a great representation and puts it into perspective.

Finally, what Ms. Sharp would discuss is a lot of times when she does not get to meetings, she will watch the streaming and the Industrial Development Board meetings are all streamed and we have the capability of streaming in this room as well. Ms. Sharp thinks this Board is as important as the IDB and when you realize that the Beer Board meetings are streamed, I think the HEB meetings should be streamed. Also, Ms. Sharp said Attorney Noblett did some good things where years ago on the IDB where on the City Attorney website you created a category for the IDB and put the agendas and minutes on there. What about doing that for the HEB? We can do that for the HEB.

Chairman Armor said that they noticed that the AMI had gone up significantly and the Board has expressed a concern that with it being as high as it is that still leaves a lot of people below that number that when you base the rent on that, if you are making \$25,000 a year you do not have the money to qualify for it. We noticed this several months ago and sent a letter to the Mayor and Council a letter calling that to their attention. It is great that the AMI has increased, but you still have the people who cannot afford housing and not that that is a contribution to the homeless problem, but we were raising that to their concern to show them that we still need to make sure we try to have housing for those who are well below the AMI. Chairman Armor appreciates all of Ms. Sharp's contributions. Mr. Johnson said it is always nice to see her and she is welcome anytime.

Mr. Johnson said when we talked about The Bend and they wanted to have that buyout, did they give a reason why? Ms. Sharp said she thinks when they start to sell to other developers that the other developer says I don't know about that because they have their model in mind and maybe their model heretofore does not have an affordability component. Maybe they may say well I don't know about that. Like on the stadium project, one of the developers Core was asked at an IDB meeting or by the Council is any of this going to be affordable and they said that is not our model and we did not push back. We are giving significant incentives because we are kind of like in the driver's seat and need to make sure there is public benefit if we are doing these incentives. Ms. Sharp is not saying the buyout is totally a bad idea but it sort of undermines the purpose of having a mixture of housing. It is a fundamental policy issue that the Board needs to discuss.



RESOLUTION

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

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, DECLARING ITS INTENTION TO ISSUE TAX-EXEMPT MULTIFAMILY HOUSING BONDS IN ONE OR MORE SERIES IN AN AGGREGATE AMOUNT NOT TO EXCEED TEN MILLION DOLLARS (\$10,000,000.00) TO FINANCE THE ACQUISITION, ADAPTIVE REHABILITATION, AND EQUIPPING OF APPROXIMATELY EIGHTY (80) MULTIFAMILY RENTAL DWELLING UNITS IN CHATTANOOGA, TENNESSEE, TO BE KNOWN AS AIRPORT LANDING, AND FOR RELATED PURPOSES, AND DECLARING ITS INTENTION TO SUPPORT THIS PROJECT AND THE CONCEPT OF THIS BOND ISSUANCE AFTER CONSIDERATION OF THE DONATION AGREEMENT BY THE CHATTANOOGA CITY COUNCIL TO WOODBINE COMMUNITY ORGANIZATION, INC. AND THE CONTINUATION OF THIS MULTIFAMILY HOUSING PROJECT GOING FORWARD. (HEB-2024-14)

TEFRA HEARING

Attorney Noblett said that the federal government under their Treasury Regulations requires there to be published in the paper at least seven days prior to this type of hearing in a newspaper of general circulation the fact that there may be tax exempt bonds that would be issued by this body. This body has the power under state law to be able to issue those bonds and the notice was in the paper in this case the actual last page of your handout shows that this notice of public hearing was put in the Times-Free Press on July 14th which is more than seven days before this hearing on July 22nd.

The purpose of this hearing is just to consider the issuance of the bonds whether it is appropriate or not, is it something that will be good for the City if these bonds are approved but the proceeds would be loaned to a group called Airport Landing LP and it is a Tennessee Limited Liability Company for the purpose of financing a building that is the Airport Inn that would be low and moderate income permanent supportive housing for folks that really need it in our community.

This entity would be handling a multifamily residential facility that has approximately 80 units that would be available in our community and these bonds would be \$10 million would help facilitate that facility being renovated and being able to be run. Mr. Richard Beeland will give the presentation and is working with the Airport Landing people.

Mr. Richard Beeland gave a presentation. In 2021, the City purchased the old Airport Inn using ARPA dollars with the intent to turn it into permanent supportive housing. We issued an RFP in 2023 and were unsuccessful in selecting a vendor or partner to help us do that. Earlier this year, we reissued the RFPs and have selected a partner to hopefully renovate and operate a permanent supportive housing facility at the old Airport Inn. We are also meeting with the community there to explain what we are doing and get their input and feedback, and we will be doing that later this week. Council will have this on their agenda coming up in a week and we will determine if what they are doing is donating the property to Airport Landing LP for this purpose.

Ms. Kelsey Wilson with Nelson Community Partners will talk a little bit about what the project is. Nelson Community Partners is an affordable housing community development firm based in Nashville. We have been doing this work for eight years as a firm but have collectively over 30 years of experience and on this particular project we are partnering with Woodbine Community Organization which is a Nashville based non-profit that also has decades of experience of affordable housing and a strong focus on permanent supportive housing. They own and operate Magnolia Gardens.

Overview

The company includes three people and is a small team and does a lot of work in partnership with other organizations, a lot of churches and non-profits. A couple of examples of their projects. (inaudible) Manor is a permanent supportive housing project in Knoxville. Spiritus will be a senior housing development in Nashville and will break ground at the end of the year. Cleveland Court is just down the road. Park Commons is a mixed income development next to Nashville's new soccer stadium at the fairgrounds.

Woodbine has deep experience in this particular type of housing. They operate a lot of shared living and are really familiar with that kind of community dynamic. We have Shopworks Architecture as a design consultant. We will work with a Chattanooga based firm for full design and construction, but Shopworks has a really much practice in trauma informed design to help integrate that into all of their plans understanding that people who have experienced homelessness have also experienced a lot of traumas and their physical environment is really integral in that healing process.

Emerald Housing Management will be the property manager. They also operate Magnolia Gardens and have a lot of experience with this population as well. All the images are very conceptual and illustrative in their initial take on what might happen at the site. The intent is to create 75 units of permanent supportive housing. One of those will be an onsite manager's unit, a two-bedroom. Seventy of the units will be studios and four one-bedrooms which sort of maximizes the current setup of the building.

Part of their intent is to create sort of new resident entry that is really centralized with strong access control and strong resident interfaced with staff. Also a community hub where they will have case management space for onsite supportive services, resident programming, in the manager's unit.

With their development vision, drawing on the principles of trauma design, there is really strong focus on safety. That could rely on security surveillance but we find it creating a strong sense of community which is actually the most effective preventative form of safety. Having that centralized point of access in creating ways for residents to build community within their neighborhoods and strong relationships with staff as well as the community and CPD.

We find investing in things at the front end yields better results in the long term. Not doing things the cheapest way and focusing on being cost effective but really investing in durable materials and something is going to last and create a strong sense of dignity and really focusing on choice. Especially for residents, you do not often have a lot of control over their environment such as temperature, lighting, sound, within their own residential unit, and choices on how they can engage with their neighbors and the staff.

Our services plan will be spearheaded by Woodbine. They provide services but are really focused on creating a network. We are not interested in reinventing the wheel and we know there are strong organizations here in Chattanooga already. We will be looking to create a network of service providers that can use the building as sort of hub to convene things that the residents might need and having case management on a 1-25 ratio.

Their role will be to oversee property management and have developed a really great process for moving to ongoing operations and really trying to reinforce not just getting folks into housing but having them successfully thrive in what is really permanent supportive housing. This is not intended to be a transitional environment. We hope that folks if they choose to move onto a mainstream market housing, at some point we will be able to do so but really the goal is to keep people permanently and stably housed here.

With regard to the financials, they are anticipating a mortgage that will be most likely a CITC loan which is a state program that allows for lower interest rates and community tax credit. The LIHTC equity is the piece that we are here about today. We have the anticipated land donation from the City, we have applied for a grant through the Federal Home Loan Bank of Cincinnati and will hear about that later this year, and we will defer a portion of the developer fee that will be paid out through the operations of the project. We have the acquisition which again is a net neutral line item. We are expecting around \$7 million in construction costs, including contractor fees and overhead soft costs. All of their design and engineering, financing fees, legal, and the developer fee which a portion of that will be deferred and stay in the project, and funding operational reserves.

We are a couple of months in currently filling out the application and stakeholder engagement fees. We are hoping to kickstart the design and engineering in the next couple of weeks. Their LIHTC application is due at the end of this month. We are hoping to be able to close all of the financing by the end of the year and start construction at the start of 2025. We currently project a 9-12 month construction window allowing for some flexibility in the rehab environment. We feel really confident about that timeframe. Their goal is to be operational by the end of 2025. Obviously, a lot of things have to fall into place for that to happen but that is the goal we are aiming for.

Mr. Erwin had a few questions about the development and also the construction elements. Firstly, you explained how Woodbine and Nelson Community will be overseeing it all but that you would be using a local contractor or construction company, will that be presented in the language that a local contractor will be selected? Ms. Wilson said that she does not know that it has a place right now in the Donation Agreement. Local funds and local contractors would be used.

With regard to the 80 units, are all of those single bedroom units or multi. Ms. Wilson said that 75 total units. One of them is a two bedroom manager's unit that currently exists as an owner/operator in the motel. There is a set of units that are currently sort of two room units and intend to make those true one-bedrooms. There will be four, one-bedroom apartments, and the remaining will be studios. They will be intended for single occupancy but could accommodate a couple and those range from 220-268 sq. ft. They are very efficient and will have a kitchenette and private bathroom. One of the amenities will include a community kitchen. The units themselves probably won't have a full oven but folks will be able to microwave, cooktop, in their own units and then use the community kitchen for more.

Mr. Johnson asked in reference to the neighbors that you are going to meet with them what are the expectations there and are the representatives going to be there as well. Mr. Beeland said they are going to be there along with the City. The last time we did this, we did meet with the community, and what came out of that was a commitment to the community and it is included in the Donation Agreement about things that we are guaranteeing that we will do such as security, work with police, work with CARTA, and different things like that in the donation. That is something we have done and we are going to be meeting with them and will report back.

Ms. Smith wanted to make sure she understood the different units. There are 75 total units, one on-site manager which will be a two-bedroom, and the others would be one-bedroom with the capability of making it expanded if needed? Ms. Wilson said there will be four one-bedroom units and 70 studio units. They are currently applying through the Chattanooga Housing Authority for project based vouchers. Seventy-four of those are everything except the manager's unit, and are project based housing assistance. Residents will pay 30% of their income and the voucher will make up the difference. The project itself is really financially sustainable but the residents will only have to pay that affordable portion of whatever income they have.

Mr. Erwin asked if you have proposed what that rental rate is looking like? Ms. Wilson said it will be based off the small area fair market rent which updates every year. Chair Armor said but the individual going into it would not pay more than 30% of their income. Ms. Wilson said correct. Which goes back to the purpose that it hits a lower end which is important.

Chair Armor asked who determines who goes in there. There are applications whatever, who does that vetting to see who goes in? Ms. Wilson said it will be done through the coordinated entry system which is managed by the COC. Part of their Friday meetings is with the Homeless Coalition. This will come through that coordinated entry process for all of the eligibility criteria. We anticipate that the folks are coming directly from homelessness. It will be the first priority but will make sure there are ways to seek referrals from other community agencies.

Ms. Smith also said that is what she was kind of picking up since the units were basically more for one individual that it seems something like more for single person and you are working through the homeless shelter and the other agencies here to help provide you all with these types of clients which will be using the voucher system. That they are already able to participate in but just do not have the housing to use. Ms. Wilson said the vouchers will be tied to the units themselves. Someone would not have to go through the CHA to get a tenant based voucher and they typically would go find a landlord who would make that unit available. Someone will be able to access that benefit simply by moving into the unit attached to the apartment.

Mr. Beeland said the bus line is a few blocks away from it so that is what we are trying to address and how we are going to work with CARTA to make sure there is transportation available. Chair Armor said essentially this was a hotel. Motel room with probably one bed versus two and a bathroom. They will have a small kitchen so you really got essentially what you and I would think of as a single hotel room that is 200 sq. ft. or something like that. But at least it gives them a permanent place, which is important.

Ms. Wilson said Woodbine would be the lead agency and will help identify a local partner. We are happy to work directly with an existing agency to build their capacity to fill that role if that is the best solution. That is what they will be spending the next year doing. The similar projects that were shown, are they similar type of model? Ms. Wilson said yes, the one (inaudible) Manor in Knoxville is a Volunteer Ministry Center (VMC) are the owner/operator and service provider, and Emerald provides the property management. It is separating the property management function which is really a concern with the best interest of the property and the service for resident. All utilities are owner paid.

After further discussion, Woodbine will be the coordinating agency for case management. If there is not a local agency that is able or willing to take that on, Woodbine is able to do so. The case managers will be employed by either Woodbine or a local agency. They will be staffed at the building but not employed. It could be Woodbine who is a non-profit and most likely be a non-profit agency whether Woodbine or an existing local non-profit.

Ms. Smith did case management and knows those services are very important but are hard to come by. Depending on who provides them how good the services would be and since you are dealing with a certain population of people, the case management part is going to be very important. We can have all the housing there is but if we do not have somebody to manage the needs of the clients or people, it is just a structure. Part of the benefit of the project based vouchers is that it sets the project up to be able to continually provide those services. The case management staffing is budgeted into the operations of the building as it stands. Not relying on outside fundraising. Mr. Beeland said that it was really important for them to have that as permanent supportive housing is a component audit of the design and will always be there.

Mr. Erwin had a question regarding the community hearings. When would that be scheduled for this week? Attorney Noblett said this is one opportunity for the public to be here as well because that notification went out seven days before this meeting.

This Board acts on behalf of the City to either approve or recommend that they get the bonds which is why they come to us which is also why it is a public hearing. If someone felt strongly that the City should not be doing this, then people are going to approve, it is this Board and is the right place to come. The hearing for the area is one thing but the approval is here. A number of times Ms. Sharp has come and represented the community. She comes to this Board regarding PILOTs. The purpose of us having the hearing is because we are the ones that are supposed to at the end say we agree with the purpose of it.

After further discussion, Mr. Beeland said that the Donation Agreement goes before Council and will happen next. If for some reason the Council would vote down the Donation Agreement, then this would never happen. This is for the issuance of the bonds related to the project. After further discussion, Attorney Noblett said that the power of this Board under state law is to be able to issue those bonds. The City can issue General Obligation Bonds for the benefit of the community but this issue is specifically for housing. Today is just the public hearing. This Board takes it out of the public arena so it is not being approved or declined by the commission. They delegate that to this Board. The notice gave people the opportunity to appear at the hearing today or send in written comments. We did not get any comments.

Ms. Janice Gooden represents CALEB but is a District 8 resident and understands that this is in District 6. Ms. Gooden has been following it remotely. There is a definite need for this type of housing. Ms. Gooden cannot speak to the financial part but thinks that the Board is asking the right questions about the case management and the process. What happens is you have a lot of barriers for trying to get this type of service done and people think nothing is being done but there is a definite need. From Ms. Gooden's perspective, she thinks it needs to move forward.

Attorney Noblett says that this facility has been vacant for about three years and we are dealing with a 1980's motel that will be converted into assistance housing for folks that really need it. It is an important issue to consider because it puts something back on the tax records and typically the hotels are fairly well-made.

All the Board is doing at this point in time is declaring your intention to issue that and waiting for public hearings in the City. The City has to donate the property or the deal does not work.

The TEFRA hearing has been held, you have a resolution but do not know whether they would prefer the Board to actually say this is a good thing for the community or not by any type of motion. Mr. Johnson asked should we wait for the results of the vetting of the neighbors. Chair Armor said he thinks you can or if the members feel like this is something they would like to put approval on at least conceptually because the Board is not voting on the bonds. All you are doing is saying that you agree with the concept, but it does not have a whole lot of teeth in it. You can, we do not have to, and it is up to the Board.

Mr. Wells said that we drafted a letter to the Mayor and Council supporting projects like this and at the very least it seems we should go on record as being supportive of the concept so that the Council knows that is where we are. Mr. Wells made this in the form of a motion that we are supportive of the concept and that we believe it should go forward, Dr. Skates seconded.

Mr. Erwin is in favor of making it known that we are in favor of the concept, he would like more information on the \$10 million price tag. He was running some numbers on development costs and construction costs and \$90,000 for 222 sq. ft. units seems high. He is not an estimator but would like to get more information about the development cost.

Ms. Wilson said the \$10 million is also sort of a cap. We can request up to that amount. There is a function of the LIHTC that is the 50% test. We need to make sure we have enough capacity that depending on where our final construction numbers come in, the bonds have to account for at least half. That is usually why we ask for more than we anticipate needing. We do want to make sure we are budgeting enough to not only rehab the units but furnish them.

Mr. Wells said that when we meet again to discuss approval of the bonds, we will have the opportunity at that time to approve the final financial plan too. Today is conceptual. Other than construction, operational costs are huge in a project of this nature because part of the purpose is to help people get their feet on the ground and become or return to be contributing members of the community. What funds the services portion? Who is going to fund the social services component? Ms. Wilson said the project will. Those numbers were strictly the development budget and not the operating budget but effectively because the project based assistance are sufficient to cover operating expense of the project including the debt service as well as debt service coordination. Because the debt service will be lower, the additional equity that the tax credits and other grants bring allows them to keep the debt service as low as possible so it frees up more of that operating revenue. That is why we are able to do that, but really is the project based rental assistance.

The effectiveness and value of the investment we are making is totally dependent upon the successful nature of the social services component to allow the people to be productive. It is important that that piece be as appropriately funded as is the construction cost of it. Ms. Smith says to make sure there is a good foundation with the local agencies that already provide these services. A lot of the participants in the program already have case management services like the AIM Center possibly or the Homeless Coalition. You would have to have a margin of oversight even with those who do have the case management that is assigned. There definitely has to be a cohesiveness with that or it is very easy for people to drop off and get neglected or overlooked because of the type of people we are dealing with who those needs are so important, it could mean the difference in them being successful.

The motion carried.

ADOPTED

OTHER BUSINESS-DISCUSSION

Dr. Skates had a question with regard to this, do we, or what do we, is it part of our purview to seek out organizations like this to come in and either build or if we have other hotels/motels in town. She is trying to get (inaudible) towers. They are going into cities and taking older hotels/motels and setting them up. Is there a way that we could find out how many homeless veterans we have that we could pursue something of that nature to give bring them on say here would be a good place?

Chairman Armor said that this Board was set up to do more than approval than to seek out. After further discussion, if we see the need it is important for us to communicate that. Not to get in the acquisition piece of it. The City has the departments, resources, relationships with organizations to do that, but if there is something that we can push forward like the housing for those below the AMI, it is appropriate for us to call it to somebody's attention or go to the housing authority.

Attorney Noblett said if you hear someone who wants to donate property to get in touch with Richard Beeland's group because if they are a private property owner the only way the City could actually get involved is by a condemnation. If there is an ability of folks that see the need and are willing to enter into a Donation Agreement, see what it is doing, then we can solicit from there on how that would work.




After further discussion, Mr. Erwin made a motion to adjourn the meeting, with no second, and the meeting adjourned at 1:30 PM.

Respectfully submitted,



Richard Johnson, Secretary

APPROVED:



Hicks Armor, Chair