



HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD

City of Chattanooga, Tennessee

SPECIAL MONTHLY MEETING MINUTES

John P. Franklin, Sr. Council Building

J.B. Collins Conference Room

1000 Lindsay Street

Chattanooga, TN 37402

for

Friday, November 1, 2024

1:00 PM

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

Also present were Phillip A. Noblett (Counsel to the Board); Richard Beeland (Economic Development); Jay Moneyhun (Bass Berry & Sims); Javid Majid (CFO); Jim Grauley (Columbia Residential Real Partners); and Steve Barrett (Husch Blackwell).



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



ELECTION OF VICE-CHAIR AND SECRETARY

Richard Johnson, Vice-Chair – nominated by Everhart/Smith.

Hank Wells, Secretary – nominated by Everhart/Johnson.



MINUTES APROVAL FOR THE SEPTEMBER 16, 2024, MONTHLY MEETING

On motion of Mr. Johnson, seconded by Ms. Smith, the September 16, 2024, minutes for the monthly meeting were unanimously approved as written.



PUBLIC COMMENTS

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



RESOLUTIONS

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

A FINAL RESOLUTION AUTHORIZING ISSUANCE OF NOT TO EXCEED THIRTY-FIVE MILLION DOLLARS (\$35,000,000.00) THE HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, MULTIFAMILY HOUSING REVENUE BONDS (ONE WESTSIDE PHASE 1B PROJECT) SERIES 2024. (HEB-2024-18)

Attorney Noblett said that this is the issue that we have been trying to get everybody together for because this project is a bond issuance that will provide a lot of multifamily housing. This has been an issue that has been discussed quite heavily in the City about a project development that is going to be completely redone. Mr. Jay Moneyhun is here from Knoxville to make sure this is accomplished so that they can issue the bonds for \$35 million and that is why we are having this meeting today.

Mr. Moneyhun is serving as bond counsel for this project. Mr. Grauley is present serving as the developer/sponsor for this project for the Housing Authority. This is a really great project and has been in the works for a long time and we are at the final stage. Hopefully, in the next week or two we will be able to close the bonds.

Initially, the bonds would be issued for \$35 million, cash collateralized, with the proceeds of a construction loan from Truist Bank. Because they are cash collateralized, they have a very high rating of AA plus because they are actually collateralized with those proceeds. Once construction is complete, the bond issuance will be converted to a tax exempt loan private placement with Grandbridge, who is a Freddie Mac lender. For the permanent phase it will be a tax exempt loan and the payments will be made to the lender.

Mr. Jim Grauley is with Columbia Residential Real Partners with the Chattanooga Housing Authority. We are actually required by the State of Tennessee to close the bonds. As we have been working on getting this meeting scheduled, we have asked for a couple of extensions. They want us to close the bonds and we are actually closing the bonds cash collateralizing hopefully the week of November 11th. They are planning after this meeting to do the marketing of the bonds next week with the hope it will not be too crazy with it being election week. We will close at that point and then we will close the rest of the financing, which is multiple sources Truist, Grandbridge permanent, Freddie Mac permanent, and a number of other sources in the project. We are anticipating in January or possibly early February to close.

Since we have spoken to you and gave inducement which we greatly appreciated that helped them to get the allocation of bonds and tax credits from the State of Tennessee, and we have made tremendous progress since then. We have all of our financing commitments lined up. That is why we feel comfortable closing the bonds now and then the remainder of the financing will be closed in February.

This bond issue will support 166 new homes and this is a unique structure that is the first time it is being done in Tennessee where there is also a separate 9% tax credit financing at 64 additional. The community will look and feel and be built as 230 new homes and 166 are financed with the bonds and 64 with a separate capital structure - 40% of the units will be reserved for residents moving from the existing College Hill into it. The remainder will be mixed income at various levels of affordability – 60% of AMI, 80% of AMI, and some of it is at unrestricted market. The goal is from the master plan. It is very important that we build this large phase to get a good start for providing new homes for the folks who live in College Hill.

Roughly, 60%-80% of AMI is the target for a considerable number of these. For a number of them, there are 40% of the College Hill residents at 40% AMI and below and then 60% and 80%. There are four different tiers of housing. The 40% with College Hill really gets to the most needy. The idea in the whole master plan is the Build First Plan which allows people to move once from College Hill. There is no demolition of existing housing related to this phase. They have the opportunity to move into that new housing and people will be given choices to live there or elsewhere. We plan to build a second phase before the first phase of housing is vacated and demolished for the old College Hill.

Mr. Moneyhun said they will be totally non-recourse to the Board. The borrower will indemnify the Board of all obligations. There is no personal liability. Mr. Erwin had more of a development question but as individuals that may qualify for below AMI housing, how will they apply? They are planning to close at the latest in February and would plan to open in September of 2026. Before that, we would start to market the property. There is a specific set aside for the residents of College Hill but for the rest of it, it is open to the marketplace. People will apply and will need to qualify for income restricted units based on income levels and household size. That process started several months ahead. One of the things that is great here is that since we met, the overall development with the City of Chattanooga and Chattanooga Housing Authority in this development were awarded the Choice Neighborhoods Implementation Grant which is a really big deal for several reasons not the least of which is the funding to the grant itself but also leverages many other things. Part of that is there is a service provider who is already on board after the grant

which works with the families from College Hill on here is how you get ready for this. The goal is to lift people's lives and help them toward self-sufficiency and what their goals are. Part of that is the housing, and they work with them on their economic and self-sufficiency programs and things that they can improve their lives with and help with the relocation and counseling as to here is what this new housing is going to be and here is what your opportunity is and will be working side by side.

The 40% that is reserved to College Hill residents if a number of the College Hill residents choose to stay where they are, so the 40% that you have reserved after the marketing period of time to them, if you give them a six week window and some people choose not. Say the 40% is 60 units, what level do those 60 units go out? After further discussion, the 40% of the units throughout the development on the 230 it is 92 total, those are public housing units. The way residents pay for those is because they pay based on 30% of their income for rent and utilities. There is a utility allowance that is applied that reduces rent based on the projected utility cost and then the rent is based on 30% of income. That is permanently affordable through several mechanisms. One is the State of Tennessee we signed a Land Use Restriction Covenant that says those units will be for 30 years of the tax credit. Secondly, the Housing Authority owns the ground and is providing a rental subsidy to those residents. The intent is to be permanently affordable at that level. When the AMI goes up and the costs go up, those residents are not impacted by what their own income is. If there are families and help during the programming and their income goes up, the rent would go up still inside 30%.

After further discussion, the master plan replaces all 497 apartments at College Hill with similarly structured apartments that are public housing units at that 30% of the income with a rental subsidy that allows folks to stay there. The first phase does not build 497. There are seven phases in the master plan for the Choice Neighborhoods Grant. Yes, they can all move but it is staged. It will be a staged approach where everyone cannot move at one time. Everybody gets a chance to stay right where they are if they choose to.

The motion carried.

ADOPTED

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

A RESOLUTION RATIFYING ACTION TAKEN BY THE CHAIR AND SECRETARY TO EXECUTE THE FIRST AMENDMENT OF AGREEMENT FOR PAYMENT IN LIEU OF AD VALOREM TAXES RELATING TO THE CHATTANOOGA NEIGHBORHOOD ENTERPRISE MILL TOWN PROJECT. (HEB-2024-19)

Attorney Noblett said that this involves the CNE Mill Town Project, and there was an issue regarding the process for completion of a certain number of the units. We added one section at the end of Section 5(c)(i) in the original agreement saying that the parties agree that 12 of the 34 units will be completed within 24 months after the EPA concludes its work on the underlying real property that was a Brownfield situation in connection with the property and was holding up some of the process.

The motion carried.

ADOPTED

DISCUSSION

Attorney Noblet said we received a new lawsuit yesterday involving a dispute over the Maclellan Apartments, and based upon work that has been done but because of the water overflow in that area they said they had not been paid. We will engage in providing a defense if we need to. The reason they name the HEB is because we hold title to the property. It is between the contractor, developer, and lienholder. The person who did the work has not been paid, which should have happened.

The Green Team Restoration is a ServePro group that provided water displacement after the water went everywhere. Heritage Land and Development, Maclellan Apartments, and Arbor Multifamily Lending are sued. The amount is \$300,000 here plus another \$100,000 punitive damages against the folks who were the lenders not against the HEB, and \$100,000 added along. This body is not exposed nor any members of this Board.

The only way that the HEB could be held liable is if we do not act within the scope of what the Board was empowered by the statute.

After further discussion, Ms. Smith made a motion to adjourn the meeting, seconded by Ms. Everhart, and the meeting adjourned at 1:35 PM.

Respectfully submitted,



Hank Wells, Secretary

APPROVED:



Richard Johnson, Vice-Chair