

AGENDA
MONTHLY MEETING OF
THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD
OF THE CITY OF CHATTANOOGA, TENNESSEE

Monday, January 22, 2024 @ 12:30 PM

1. Call to Order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Approval of the Minutes for the November 20, 2023, monthly meeting.
4. Recognition of Persons Wishing to Address the Board.
5. **DGA Shallowford Bond Issuance**

A resolution ratifying the Chair's electronic signature on November 14, 2023, of an Engagement of and Disclosures by Underwriter Raymond James relating to the DGA Shallowford Bond Project. **(HEB2024-01)**

6. **CNE PILOT Application**

A resolution recommending a PILOT term of ten (10) years (plus an option for another ten (10) for new, mixed, income-restricted and market rate construction to Chattanooga Neighborhood Enterprise, Inc., for the project located at 2003 Bailey Avenue, Chattanooga, TN 37404, consisting of approximately twenty (20) one (1) bedroom and twelve (12) two (2) bedroom residential rental units for approximately thirty-two (32) total rental units, based on the PILOT application submitted to the Economic and Community Development Department of the City of Chattanooga. **(HEB2024-02)**

7. **CNE PILOT Agreement and Lease Agreement**

A resolution authorizing the Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, to take title to certain real and personal property, to execute a Lease Agreement to lease such property to the Chattanooga Neighborhood Enterprise, Inc. (the "Company") for the project located at 2003 Bailey Avenue and to enter into an Agreement for Payments in Lieu of Ad Valorem Taxes with the Company. **(HEB2024-03)**

8. Discussion – Bylaws.
9. Other Business.
10. Adjournment.



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
November 20, 2023
12:30 p.m.

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

Also present were Phillip A. Noblett (Counsel to the Board); Vickie Haley (Finance); Rob Talbott (DGA Residential); Sandra Gober (Community Development); Richard Beeland (Economic Development); Jay Moneyhun (Bass, Berry & Sims); Steve Barrett (Husch Blackwell); and Martina Guilfoil (CNE).



Mr. Armor 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, 2023, MEETING

On motion of Mr. Johnson, seconded by Mr. Gentry, the minutes of the November 1, 2023, special monthly meeting were unanimously approved as submitted.



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



RESOLUTION

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

FINAL RESOLUTION AUTHORIZING ISSUANCE OF NOT TO EXCEED TWENTY MILLION (\$20,000,000.00) THE HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE COLLATERALIZED MULTIFAMILY HOUSING BONDS (SHALLOWFORD PROJECT) SERIES 2023. (HEB2023-12)

Mr. Jay Moneyhun is serving as bond counsel from Bass, Berry & Sims for this financing. Mr. Rob Talbott is present who is the developer with DGA Residential and partnering with the Chattanooga Housing Authority. This board previously passed the preliminary resolution that allowed them to go to THDA and apply for bond allocation. We are seeking final approval and trying to close the bond financing prior to December 15th which is the deadline with THDA. This is for 96 units of new construction on Shallowford Road.

Mr. Moneyhun put together the summary for the Board which highlights the specifics of where the project is located and the cash collateralized structure. They will get permanent taxable financing which will collateralize the bonds. There is always enough cash collateral or treasury sitting there to pay off the bonds. It is a highly rated bond structure AA plus typically and very low risk financing. The bond issuance triggers the four percent federal income tax credits.

Attorney Noblett asked Mr. Moneyhun for the record, the entire project will be for low to moderate income housing that is within the definition of a project. Mr. Moneyhun confirmed yes.

The motion carried.

ADOPTED-November 20, 2023

RESOLUTION

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

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. (HEB2023-13)

Mr. Moneyhun stated they have had discussions with the City about applying for a PILOT. In order to approve the PILOT, there will be a formal delegation resolution from the City. They are still working out final details with the City. This approval is what they need from this Board which will be subject to obviously getting the delegation resolution from City Council.

This will be low to moderate for 100% of the project. The term is for 25 years which helps them with their loan underwriting with HUD. The longer the term the more they are able to borrow and finance the project and have more proceeds to pay for the improvements. It is just a function of the bank and lenders plugging in what are the fixed costs for the project and debt service coverage and operating expenses. That is the reason for the request for the 25 year term. Typically, for these projects the tax period is 15 years. After the 15 year period, they can come up for rescinding of the tax credits and likely to have a rehab at that time and come back about extending the PILOT or other options.

Chair Armor asked that this is 25 years on the front end and it is up to the Council. The Council could set the period of time for the abatement of taxes at a different time length than the whole 25 years. Attorney Noblett stated, yes, if they do not approve that. It is also involving the aspect of tax dollars that might be available for the school system and that is one reason the County would be willing. Essentially, the Board is approving the PILOT, but the City and County have to settle on the specific terms of the tax abatement school tax, etc. Attorney Noblett stated, yes. This gives the Board the authority to enter in the documents once that is complete. This is typically different for the Board. Usually, it is a 10-15 year term. They may not get the tax abatement the whole period of time.

The motion carried.

ADOPTED-November 20, 2023

RESOLUTION

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

A RESOLUTION ALLOCATING AND APPROVING AN AWARD OF ONE MILLION DOLLARS (\$1,000,000.00) 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 FOR RENTAL HOUSING AND 82 ADDITIONAL UNITS IN 2024. (HEB2023-14)

Ms. Martina Guilfoil of the Chattanooga Neighborhood Enterprise gave an overview. Ms. Gober stated this is out of the Affordable Housing Fund that the City established under the Berke Administration, and the funding was moved over to the HEB. We have used it for other projects for construction. We have a little over \$2 million in the budget for projects such as this.

Ms. Guilfoil spoke on the application that they filled out. The funding is to be used to facilitate affordable housing development and preservation. They have 52 units that are currently under construction and another 84 units in development. Unlike a lot of projects that you might have seen that have come before the Board in the past, CNE has never gotten a developer fee. They have served for 37 years as part of the Economic and Community Development Department of the City and under that they have developed to date over 200 units of affordable housing, Highland Park and Ridgedale, and have seen a lot of incremental duplexes, quads, six-plexes.

How to insert affordable housing into neighborhoods in a way that fits into the context of the neighborhood and also provides opportunities for people to live in small format apartment buildings and remain affordable as neighborhoods continue to change and rents go up. Their average tenant income is 53% of median income - \$31,000.00. They are very proud about that.

The million dollars will also be used to promote the homeownership programs. They are looking at helping 14 people achieve homeownership through a \$50,000.00 down payment program that was recently funded through ARP dollars. They have closed seven or eight loans to date, and they have enough money for about another 14 and part of that important work which are for households that are at 80% AMI. The way that program works is that if you qualify for \$150,000.00, they will do a \$50,000.00 loan on top of that so you can qualify for \$200,000.00 and there is no payment while you have the loan and zero interest when you repay it at sale or title transfer or if you refinance and get cash out. That is helping Chattanooga families be able to have a stake and start building wealth in our community.

The money also goes to fund our substantial home improvement program. We always talk about new construction or new homeownership, but we cannot forget about 100s of people that are living in substandard Chattanooga if you would go into some of these homes you would realize that people are living in unfortunately in third world living conditions and CNE's role in the home improvement continuum has been into really helping people with substandard and need substantial home improvements of \$50,000.00 to \$75,000.00 and some cases even more and what that does again zero interest loan, due on sale, and helps people to be able to remain in their homes where otherwise where they go that they can afford is a big challenge.

Education and counseling are huge. As we talk about the Mayor's One Chattanooga Program vision, how do you help people achieve homeownership or even just budget, credit counseling. Credit dictates what you pay for everything. When you look at the inequities that happen because people have fallen into bad credit because they do not have education or better yet how do you get out of that situation. CNE serves over 200 people a year with homebuyer education and credit counseling services.

Loan servicing – these loans that we talk about for 37 years they have been making loans in the City of Chattanooga, somebody has to service those loans and you need to have sensitivity to work with our customers because people are very low income. These loans probably back in the day they were called subprime loans, not at subprime pricing because of the way that we do them but people that have no credit maybe not enough equity in their property certainly can afford a loan. They make a loan to them and if they fall into a situation where they can't make the payment, then they can do a forbearance and change it to a title transfer but will do anything but

foreclosure is the last resort. In traditional bank servicing, these loans would not look at it like that. There are 595 loans worth about \$6.28 million and that portfolio actually returns a rate back to the City of about \$753,000.00 a year but then go back into these sorts of loans.

Their recent program is rental assistance where they are providing right now people that are unable to pay rent for a variety of reasons related to COVID, very broad guidelines by THDA, the state, which can actually even include inflation. After COVID, everything went up, rents went up and people are having a really hard time paying their rent. We have money right now where we are helping people to be able to pay their rent and stay in their homes.

They did a calculation of what they think the million dollars provides back to the City and it is a rate of return about 168% based on affordability, preservative affordability for tenants in our units, we generate about \$174,000.00 in property taxes back to the City. We have one PILOT that will be coming back to the Board in a couple of weeks, but unfortunately, most of their properties are paying full property taxes at 1.25%. They are generating revenue back to the City on that and savings on developer's fees about 168%.

Chair Armor asked, there is a whole million being asked for to go through the development of these units or is part of that administrative for CNE, or how is that determined? Ms. Guilfoil stated that in terms of a deferred developer fee that is not part of the projects now under construction, would go toward that part of it. The rest are operational in operating programs. Ms. Guilfoil would need to do the math on the split. Is the million totally dedicated to the 52 or 84 units? Ms. Guilfoil stated the things that she just outlined to support all of that. Housing production and preservation.

Attorney Noblett stated that it says 52 units for rental housing and 82 additional units in 2024. Ms. Guilfoil said this is the total, but there will be a PILOT. Mr. Gentry stated that to his understanding, these million dollars, based on Ms. Guilfoil's comments, this is for all of your packages (inaudible) that you bring as an offering, it is not specifically for those 52 units but part of the dollars in these programs will assist with the 52 and will assist with the 84. Ms. Guilfoil agreed.

After further discussion, Mr. Johnson asked relative to the one million mentioned, there is a small buyer's fee or developer's fee, is that where the credit, education, and counseling come out of that? Ms. Guilfoil stated that their total budget is about \$2.3 million. Some of that is revenue that they generate through property management, loan origination, loan servicing, through CNE's loans that they make out of their own funds. Some of that goes back into as part of that, and all the grant dollars that they get from other places. They never charge that because they were supported through General Funds to cover those sorts of activities. After further discussion, Ms. Guilfoil stated the homeownership program people buy wherever they can find a place that is affordable to them and you would see the dots really cover a wide (swoff). Home improvement – wide swoff. Their development of units has been focused on having a part in Ridgedale because that is where they were able to buy the 32 lots from Tennessee Baptist University. Although some of the 82 units, 32 and 16, 32 are in Highland Park, the remaining are in the new Milltown Development. Which is really exciting because those rents in that neighborhood are in the 2,500 to 2,800 range and going to be coming in with rents at about \$900 or less.

Mr. Gentry asked legal counsel, based on this discussion, the wording of the resolution is appropriate? Attorney Noblett stated that he believes so. This is what we had a request for. This award of \$1 million in connection with this is from funds that we have available and would supplement what CNE is doing in that regard with the building of a total number of units. The problem is that it is not going to provide the capital funding for that and merely providing to make sure those units get constructed. Chair Armor stated that you have 134 units whether for purchase or rental divided by million is about \$7,500 per unit. You are funding the administration of the development to come back for either a PILOT or bond issuance to fund the actual units itself. Otherwise, those units would not be built.

The Affordable Housing Fund has \$2 million in it. The Board would be pulling \$1 million out to do this. Was the intent of that fund for funding units or for promoting organizations who would be able to, from an administrative standpoint, to come up with how to do it. Ms. Gober stated that when they initially established the fund, it was for hard costs and then in 2022, some of you were on the Board, we expanded the use of the funding, increased the eligible activities even down to providing rent, utility assistance, and we also expanded the use of the funding to include plans and projects, feasibility studies. It is really activities that are connected with and promoting are aligned with the City's goal of increasing affordable housing.

Is there a specific project tied to the 52 and 82? It is five projects. M.L.K. is 24 downtown, Mai Bell 2 is 27 units, Milltown is 34 units, Lyerly is 16 units, and Bailey Avenue is 32 units. Those are component parts of a larger project. CNE is participating in a larger project to make affordable housing units within the project that is being developed.

Attorney Noblett stated the CNE funding here is within the amounts of money that we have available and the Affordable Housing Fund is not depleted by this in connection with this matter. In 2024, hopefully that money will have time to grow. Ms. Gober said yes, the funds are not being depleted by this. In regard to adding additional funds to the budget, that will be up to the City General Fund.

Chair Armor stated that from a personal standpoint, in the future when we come up with, and he has been a supporter of CNE for 20 years, it would be good in the proposal to say here where this goes, here's five existing projects, M.L. King has (x), here's what that project is, the City wants to make 24 of these units available for low to moderate housing, those important things to do and did not come out as to where the money was going. Everyone is in favor of additional affordable housing. A little more definition at the front end will help the Board understand whether – they are used to seeing project costs. This is more project development and does not fund the actual project. After further discussion, in the future to present this is not so much the actual cost to build the unit, it is the cost of us developing additional affordable housing even within so much a project, we are going to make sure that is in there because if someone else has developed that project, they have been to us for a PILOT or bond issue and say they are going to do these things we are doing things and theirs and we do not know how theirs is constructed.

The more information that the Board has – they want to say yes, make it as easy as possible to yes. It could be misconstrued because either one of those projects could have been here for a bond issuance. It is important to know there are projects and the City has looked at the need for affordable housing. Our goal is to make sure the citizens have appropriate affordable housing and we are doing this to push that goal forward.

The motion carried.

ADOPTED-November 20, 2023

After further discussion, a motion was made by Mr. Johnson to adjourn the meeting, seconded by Mr. Erwin, and the meeting adjourned at 1:05 PM.

Respectfully submitted,

Richard A. Johnson, Secretary

APPROVED:

Hicks Armor, Chair

RESOLUTION

A RESOLUTION RATIFYING THE CHAIR’S ELECTRONIC SIGNATURE ON NOVEMBER 14, 2023, OF AN ENGAGEMENT OF AND DISCLOSURES BY UNDERWRITER RAYMOND JAMES RELATING TO THE DGA SHALLOWFORD BOND PROJECT.

BE IT RESOLVED, that the Health, Educational, and Housing Facility Board of the City of Chattanooga be and is hereby ratifying the Chair’s electronic signature on November 14, 2023, of an Engagement of and Disclosures by Underwriter Raymond James relating to the DGA Shallowford Bond Project.

ADOPTED: January 22, 2024

THE HEALTH, EDUCATIONAL, AND
HOUSING FACILITY BOARD OF THE CITY
OF CHATTANOOGA

Attest:

Hicks Armor, *Chair*

Richard Johnson, *Secretary*

HEB2024-01

RAYMOND JAMES®

11/14/2023

The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee
100 E. 11th Street, Suite 200
Chattanooga, Tennessee 37402

Attn: Hicks Armor, Chairman

Re: Engagement of and Disclosures by Underwriter
Pursuant to SEC Municipal Advisor Rule and MSRB Rule G-17
The Health, Educational and Housing Facility Board of the City of Chattanooga,
Tennessee, Collateralized Multifamily Housing Bonds (Shallowford Project),
Series 2023

Dear Mr. Armor:

We are writing to confirm our underwriting engagement and provide you, as Chairman of the Board of The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee ("Issuer"), and an official of the Issuer with the authority to bind the Issuer by contract, with certain disclosures relating to the captioned bond issue (the "Bonds"), as required by the Securities and Exchange Commission's Municipal Advisor Rule, and the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 as set forth in MSRB Notice 2019-20 (Nov. 8, 2019).¹

The Issuer hereby confirms and engages Raymond James & Associates, Inc. ("RJA"), to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as underwriter, RJA may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial risks described in this letter will be borne by the obligor or borrower ("Obligor") as set forth in those legal documents. A copy of this letter is also being sent to the Obligor.

The following G-17 conflict of interest disclosures are now broken down into three types, including: (I) dealer-specific conflicts of interest disclosures (if applicable), (II) transaction-specific disclosures (if applicable), and (III) standard disclosures.

I. Dealer-Specific Conflicts of Interest Disclosures

RJA has identified the following potential or actual dealer-specific material conflicts or business relationships we wish to call to your attention. When we refer to *potential* material conflicts throughout this letter, we refer to ones that are reasonably likely to mature into *actual* material conflicts during the course of the transaction, which is the standard required by MSRB Rule G-17.

¹ Revised Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective Mar. 31, 2021).

In the ordinary course of its various business activities, RJA and its affiliates, officers, directors, and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. RJA and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

- Other Conflicts of Interest Disclosure
 - RJA may also act as bidding agent for the competitive bidding process with regards to the collateral for the bonds and will receive compensation from the Obligor.

II. Transaction-Specific Disclosures

- Disclosures Concerning Complex Municipal Securities Financing:
 - Because we have recommended to the Issuer a financing structure that may be a “complex municipal securities financing” for purposes of MSRB Rule G-17, attached is a description of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and reasonably foreseeable at this time.

III. Standard Disclosures

- Disclosures Concerning the Underwriters' Role:
 - MSRB Rule G-17 requires an underwriter to deal fairly at all times with both issuers and investors.
 - The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.
 - Unlike a municipal advisor, an underwriter does not have a fiduciary duty to the Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests.
 - The Issuer may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the Issuer's interest in this transaction.
 - The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.

- o The underwriters will review the official statement for the Bonds in accordance with, and a part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction. Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.
- Disclosures Concerning the Underwriters' Compensation:
 - o The underwriters will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriters may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

Please note that nothing in this letter should be viewed as a commitment by the underwriters to purchase or sell all the Bonds and any such commitment will only exist upon the execution of any bond purchase agreement or similar agreement and then only in accordance with the terms and conditions thereof.

You have been identified by the Issuer as a primary contact for the Issuer's receipt of these disclosures, and that you are not a party to any disclosed conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

Under SEC and MSRB Rules, we are required to both (i) confirm our role and engagement as underwriter of the Bonds, and (ii) seek your acknowledgement that you have received this letter. Accordingly, please send me an email **both** (1) confirming that RJA is engaged as underwriter of the Bonds, **and** (2) acknowledging your receipt hereof. Alternatively, you may sign, scan, and return this letter to me via email.

Depending on the structure of the transaction that the Issuer decides to pursue, or if additional actual or potential material conflicts are identified, we may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

We look forward to working with you and the Issuer in connection with the issuance of the Bonds. We appreciate your business.

Sincerely,


RAYMOND JAMES & ASSOCIATES, INC.



By: _____
Ted Fellman, Director

Confirmed and Acknowledged:

The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee

By:  _____
Hicks Armor (Nov 14, 2023 18:42 EST)
Hicks Armor, Chairman

Date: Nov 14, 2023

Attached: Financing Disclosures

Fixed Rate Structure Disclosure (3.31.21)

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds ("Fixed Rate Bonds"), as well as a general description of certain financial risks that are known to us and reasonably foreseeable at this time and that you should consider before deciding whether to issue Fixed Rate Bonds. If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to us. In addition, you should consult with your financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate.

If you decide that you would like to pursue this financing alternative, we may provide you with additional information more specific to your issue.

As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial risks described below will be borne by the obligor, as set forth in those legal documents. A copy of our disclosure letter is also being sent to the obligor. In such case, any reference below to "you" or "your" shall refer to the obligor, unless otherwise noted because of transaction's terms.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities, whether for their benefit or as a conduit issuer for a nongovernmental entity. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.¹

¹ The discussion of security characteristics is limited to general obligation and revenue bond structures. This summary should be expanded and modified, as necessary, for other security structures, such as bonds that are secured by a double-barreled pledge (general obligation and revenues), annual appropriations or a moral obligation of the issuer or another governmental entity. If the security for the bonds is known at the time this disclosure is provided to the issuer, include only those portions relevant to the actual security for the bonds.

General Obligation Bonds. “General obligation (GO) bonds” are debt securities to which your full faith and credit is pledged to pay principal and interest. If you have taxing power, generally you will pledge to use your ad valorem (property) taxing power to pay principal and interest. The debt service on “unlimited tax” GO bonds are paid from ad valorem taxes which are not subject to state constitutional property tax millage limits, whereas “limited tax” GO Bonds are subject to such limits.

General obligation bonds constitute a debt and, depending on applicable state law, may require that you obtain approval by voters prior to issuance. In the event of default in required payments of interest or principal, the holders of general obligation bonds generally will have certain rights under state law to compel you to impose a tax levy.

Revenue Bonds. “Revenue bonds” are debt securities that are payable only from a specific source or sources of revenues. Revenue bonds are not a pledge of your full faith and credit, and you (or, if you are a conduit issuer, the obligor, as described in the following paragraph) are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Revenue bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

Some revenue bonds (conduit revenue bonds) may be issued by a governmental issuer acting as a conduit for the benefit of a private sector entity or a 501(c)(3) organization (the obligor). Conduit revenue bonds commonly are issued for not-for-profit hospitals, educational institutions, single and multi-family housing, airports, industrial or economic development projects, and student loan programs, among other obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the obligor. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the obligor defaults.

The description above regarding “Security” is only a summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all the following (generally, the obligor, rather than the issuer, will bear these risks for conduit revenue bonds):

Issuer Default Risk. You may be in default if the funds pledged to secure your bonds are not enough to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find

it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. If interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk. If your financing plan contemplates refinancing some or all the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required.

Reinvestment Risk. You may have proceeds from the issuance of the bonds available to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as "negative arbitrage".

Tax Compliance Risk. The issuance of tax-exempt bonds is subject to several requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If tax-exempt bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.





HEB - Raymond James - LOI & G-17 Disclosures - Shallowford Project, Series 2023 (2023-11-14)

Final Audit Report

2023-11-14

Created:	2023-11-14
By:	Maria Manalla (mmanalla@chattanooga.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAjnSbutgDg7uBA4lr_Y8ZxyttOLH8dIEx

"HEB - Raymond James - LOI & G-17 Disclosures - Shallowford Project, Series 2023 (2023-11-14)" History

-  Document created by Maria Manalla (mmanalla@chattanooga.gov)
2023-11-14 - 8:42:54 PM GMT- IP address: 45.43.96.8
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-  Document e-signed by Hicks Armor (hicksarmor@gmail.com)
Signature Date: 2023-11-14 - 11:42:37 PM GMT - Time Source: server- IP address: 74.221.178.230
-  Agreement completed.
2023-11-14 - 11:42:37 PM GMT

RESOLUTION

A RESOLUTION RECOMMENDING A PILOT TERM OF TEN (10) YEARS (PLUS AN OPTION FOR ANOTHER TEN (10) FOR NEW, MIXED, INCOME-RESTRICTED AND MARKET RATE CONSTRUCTION TO CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC., FOR THE PROJECT LOCATED AT 2003 BAILEY AVENUE, CHATTANOOGA, TN 37404, CONSISTING OF APPROXIMATELY TWENTY (20) ONE (1) BEDROOM AND TWELVE (12) TWO (2) BEDROOM RESIDENTIAL RENTAL UNITS FOR APPROXIMATELY THIRTY-TWO (32) TOTAL RENTAL UNITS, BASED ON THE PILOT APPLICATION SUBMITTED TO THE ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT OF THE CITY OF CHATTANOOGA.

WHEREAS, if the proposed rent restriction is maintained for the additional period following a construction period of two (2) years following with a goal of the developer to hold all units at eighty (80%) percent rents and Chattanooga Neighborhood Enterprise, Inc. restricting half of the units at eighty (80%) percent rents per PILOT requirements, and seven (7) units at fifty (50%) percent to sixty (60%) percent per HOME funds requirements; and

WHEREAS, a PILOT freeze of Ad Valorem Taxes on the real estate at the 2016 level during such construction period, base period, and phase in period;

NOW THEREFORE, BE IT RESOLVED BY THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, That it is hereby recommending a PILOT term of ten (10) years (plus an option for another ten (10) for new, mixed, income-restricted and market rate construction to Chattanooga Neighborhood Enterprise, Inc., for the project located at 2003 Bailey Avenue, Chattanooga, TN 37404, consisting of approximately twenty (20) one (1) bedroom and twelve (12) two (2) bedroom residential rental units for approximately thirty-two (32) total rental units, based on the PILOT application submitted to the Economic and Community Development Department of the City of Chattanooga.

ADOPTED: January 22, 2024

HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE CITY OF CHATTANOOGA

Hicks Armor, *Chair*

ATTEST:

Richard Johnson, *Secretary*

APPLICATION FOR RESIDENTIAL PILOT PROGRAM

APPLICANT SUMMARY

Applicant Information and Contact Form

Name of individuals or legal entity: CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.
Address: 1500 CHESTNUT STREET, SUITE 102
City: CHATTANOOGA, TN 37408
County: Hamilton
State: Tennessee
Zip: 37408
1st Phone: P 423.756.6201
2nd Phone: F 423.756.3851
Primary Contact: Martina Guilfoil
mguilfoil@cneinc.org
+1-310-722-0126

Name of Property Owner at time of application submittal: CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.
Address: 1500 CHESTNUT STREET, SUITE 102
City: CHATTANOOGA, TN 37408
County: Hamilton
State: Tennessee
Zip: 37408

Project Summary

Project Address:	2003 Bailey Ave, Chattanooga, TN 37404
Map / Lot number:	146K R 029
Current Number of Units:	0
Number of Units Upon Completion:	32 units
Number of Affordable Units:	16 restricted at 80% AMI rents or less
Total Project Cost:	\$5.9MM
Number of Years Being Requested for PILOT	10 (plus an option for another 10 if the proposed rent restriction is maintained for the additional period)
Project's Expected Start Date:	Q1 2024 (or earlier pending approval of PILOT)
Type Development:	New Construction

Application Details

Brief Summary on Proposed Project

CNE is developing a mixed income development consisting of three buildings of “Missing Middle” multi-family housing (small neighborhood-scale apartment buildings). The development is part of an overall revitalization effort CNE launched in Highland Park-Ridgedale in FY16. CNE created a development plan for 34 vacant parcels it owned in the neighborhoods. To date, the plan has created over 300 new rental and owned housing units in a variety of types and price points with 51 more units under construction. The plan uses the Missing Middle housing prototypes as the basis for the new housing design. These are multi-unit or clustered housing types compatible in scale with single-family homes that help meet the growing demand for walkable urban living. These building types provide diverse housing options along a spectrum of affordability, including single family, duplexes, four-plexes and six-plexes.

The availability of workforce affordable housing is a growing and now persistent challenge in Chattanooga. Rents have increased 50% since 2015. Data from Zumper in mid-March 2023 showed that the average rent for a one-bedroom apartment in the downtown area is \$1,349. The rent in the metro Chattanooga area has increased 14% over the past 17 months and is now effectively equal to the rent downtown at \$1,341. A person or household needs an income of \$25.94/hour (\$53,959/year) for this rent to be considered affordable. This is three times the minimum wage in Chattanooga.

Rents are expected to increase another 23.9% over the next three years before flattening to more modest 2-3% increases. With the average rent for a one-bedroom apartment projected to increase to as much as \$1,650 by 2025, the creation and preservation of affordable housing are more important than ever.

CNE rental units target households earning \$13-\$20 per hour. We currently own 193 units of housing spread across 15 properties. CNE provides lower rents by layering in grants funds through foundations and the city of Chattanooga which reduces the debt service on projects. CNE also reduces costs by accessing lower-interest bank financing using the state’s Community Investment Tax Credit, reducing tax liability through the PILOT program, and targeting a low return on equity of only five (5%) percent on each project.



This new construction project in the Highland Park Neighborhood consists of three separate buildings including two 10-plexes and a 12-plex up on 0.558 acres of land. There will be a mix of one bed units, and two bed units, with 32 total residential units and no commercial space in the project. There will be 25 off-street vehicular spaces, 1 van accessible space, 9 on street parking spaces, and 4 bicycle spaces. Seven units will be income restricted $\leq 60\%$ AMI. All the remaining units will be initially priced to be affordable at 80% AMI rents. Half the project will remain at 80% AMI rents or less for the duration of the PILOT.

The PILOT is crucial to the successful implementation of this project because without the additional funding, CNE cannot in a financially responsible way maintain half the project at 80% AMI rents.

Details on Applicant / Developer

Company Background and Entity Information

Chattanooga Neighborhood Enterprise, Inc. – Corporate Overview

Chattanooga Neighborhood Enterprise is a nonprofit neighborhood revitalization and development corporation founded in 1986.

WHAT WE DO

CNE's innovators propel its mission through a variety of programs and initiatives aimed to drive homeownership, promote financial well-being, build community connections, restore and build stable housing and more.

Promoting and Preserving Homeownership

At CNE, we believe that, through homeownership, people more effectively build financial security and stability. Owning a home correlates with increased social and political involvement, improved health and educational achievement. CNE helps Chattanoogaans of all income levels achieve homeownership through its homebuyer education and counseling program as well as its down payment assistance and other services.

Additionally, CNE believes that owning a home requires ongoing maintenance and financial commitment. Therefore, we offer an array of loans and grants that can help homeowners keep their homes as well as improve their home's efficiency. Read more about CNE's free foreclosure prevention counseling and home improvement loans.

Promoting Financial Wellbeing

CNE offers free, financial education opportunities throughout the year, namely our annual Money School event each April, which is a single day "everything you need to know about money" series of workshops. Additionally, CNE supports a Small Dollar Loan program offering an alternative option to harmful payday lending for individuals and families. In 2020, CNE will launch a series of webisodes that will focus on popular financial topics that promote financial literacy and smart fiscal decision-making.

Connecting Neighborhoods

CNE's community work focuses on building relationships and trust among residents and identifying individuals who are interested in learning more about affordable housing and neighborhood development and training them to take leadership in these areas.

Real Estate Development

CNE is investing in housing development by helping to encourage mixed-income communities. CNE housing developments include single-family homes, small-scale, multi-unit homes and apartment buildings. The long term plan is to build ~450 new housing units with at least 20% of those units being income-restricted.

Asset and Portfolio Management

CNE invests in Chattanooga's neighborhoods primarily through lending. CNE Homeownership Center offers mortgage loans and manages a \$9 million portfolio for the City of Chattanooga.

Systems-Level Change

This new objective will integrate CNE's community engagement, organizing and public education activities into a long-term strategy for building a housing and neighborhood development vision and policy platform that will be adopted by candidates running for Mayor of Chattanooga.

Chattanooga Neighborhood Enterprise, Inc. – Asset Management Overview

Chattanooga Neighborhood Enterprise focuses on infill “missing middle” small format (4-6 unit) and low-rise apartment developments.

CNE currently manages a residential portfolio of 180 operational units. Additionally, 64 units are under construction, and another 82 units are in different stages of design and predevelopment, and land is banked for more single and multifamily development.

Recently completed projects include 2104 Union, a 30-unit courtyard apartment complex in the Ridgedale neighborhood of Chattanooga, 2105 Union, the first 6-unit prototype that CNE developed, and the Mai Bell Apartments, a 49-unit apartment building on Bailey Avenue, 8 Units on Kelley Street in a renovated 100 year old Post Office building.

<p><u>2104 Union Ave.</u></p> 	<p><u>2105 Union Ave.</u></p> 
<p><u>The Mai Bell Apartments</u></p> 	<p><u>416 S Kelley – The Post Office</u></p> 

CNE is currently finishing the 27 units of 47 at 1715 Union, and CNE has 24 new units under construction at 621 E MLK.

1715 Union Ave



The Property Management and Leasing team are CNE employees. The department is led by the Vice President of Asset and Property Management who reports to the CEO of CNE. This is an in-house team with an established track record and their only priority is management of CNE properties.

RESUMES / BIOS

Martina Guilfoil, CEO of CNE

Martina Guilfoil is the president and chief executive officer of Chattanooga Neighborhood Enterprise (CNE). Martina has focused on community development, economic development, and affordable housing issues for over 33 years. Martina has been responsible for managing millions of dollars in private and public investments to create innovative lending programs for housing preservation, first time homebuyers, new affordable housing units and new business creation. She earned a BA from The Evergreen State College in Olympia, Washington and completed the Achieving Excellence in Community Development program at Harvard University.

Jake Toner, Development Consultant

Jake Toner is an experienced real estate developer with a track record of planning, staffing, financing, constructing, managing and selling a wide range of real estate projects, including national credit NNN retail, multi-tenant retail, self-storage, and multi-family deals. He has extensive experience with start-ups and entrepreneurial companies. He earned a BA from Washington and Lee University, and a Master of International Business Studies from the University of South Carolina.

Robert Prichard, Vice President Property and Asset Management

Robert Prichard is the Vice President of Property & Asset Management for CNE. He has been employed in Property & Asset Management since 2003. Over the course of his career, he has managed LIHTC, Rural Development, HOME Funds, HUD Project Based, age-restricted and free market assets throughout the country. Prior to joining CNE, he worked in New York City as director of an investment company that owned and managed over 100 million in assets. During his tenure in NYC, he supervised many new construction and rehab projects. Prior to asset management, Robert worked in law enforcement, and he currently runs a contract security operation. Robert holds designees of Certified Apartment Manager, Certified Occupancy Specialist, Certified Home Specialist, Certified Financial Specialist, Housing Credit Certified Professional, Certified Lead Renovator, and Occupational Health and Safety Specialist.

No individual involved with the project has ever been charged or convicted of any felony or currently is under indictment.

Corporate Structure / Project Ownership

The applicant, Chattanooga Neighborhood Enterprise, Inc., is a 501c3 nonprofit corporation registered in Tennessee. There are no other corporate entities or individuals invested in the project.

Legal Names of the Business

a. Director / President of the Organization	Martina Guilfoil mguilfoil@cneinc.org +1-310-722-0126
b. Articles of Incorporation and current bylaws	Attached to this application
c. IRS 501 c (3) determination letter (if non-profit)	Attached to this application
d. Type of Organization, (corporation, a general partnership, Limited Liability Corporation, etc.)	Corporation / 501c3
e. List of Board of Directors (Include address and telephone numbers). List officers and their positions	Attached to this application
f. Current organizational chart	Attached to this application
g. Federal Tax ID#	62-1300726
h. Counsel of the Applicant: (name, address, phone number)	Kurt Faires Of Counsel Chambliss, Bahner & Stophel P.C. 605 Chestnut Street 1700 Chattanooga, Tennessee 37450 423-757-0226 kfares@chamblisslaw.com
ii. Architects and Engineers	Architect: KRONBERG URBANISTS + ARCHITECTS 887 Wylie St SE Atlanta, GA 30316 Eric Kronberg O 404.653.0553, ext 701 ekronberg@kronbergua.com www.kronbergua.com Civil Engineer: AD Engineering Donna Shepherd, E.I. 537 Market St, Suite 202 Chattanooga, TN 37402 Phone (423) 266-3501 donna@adengineering.us
iii. Contractor, if known	TBD

Project Details

Description and scope of the project / acquisition / construction / rehabilitation goals

An assessment of the current market demand in the neighborhood in which the project will be located,	CNE has a waiting list with hundreds of applications. No market study has been completed for any of CNE's developments because the rents are held lower than market rate rents.
b. Details on proximity to amenities – services, transportation, and employment opportunities	The bus line is in front of the site. Downtown center is less than 2 miles. Churches, schools, parks, and other multifamily residential are around the site. Restaurants and retail are located throughout the corridor, from the downtown center to the Ridge.
c. Legal description of real estate	One platted lot with ID 146K R 029 LT 15 BLK 31 MONTAGUES HIGHLAND PARK ADDN NO 2 PB 1 PG 35 REV 125-54
i. Are any assessments presently under appeal? If so, describe status of the appeal	Not applicable.
ii. Will the Project result in the consolidation or subdivision of any present tax parcel?	No, already completed.
d. Map of the site	Map and Proposed Plat attached.
e. The total acreage of the parcel(s) on which the building, parking, etc. will be constructed or renovated	0.706 acres
f. Photographs of the site including buildings and other significant structures	See attached.
g. Description of known or suspected environmentally significant site condition(s)	This property was originally included in a list of properties under a TN DOR site. Environmental exploration found evidence of foundry sands on the site. CNE's environmental consultant will prepare a soil management plan to properly handle any foundry sands per current acceptable standards.
h. Description of required Historic Review (if applicable)	Not Applicable.
i. A description and evidence of site control – (Site control can be exhibited through an option to purchase, purchase contract, or executed deed)	Deeds attached.
j. Architectural drawings for: i. new construction	Architectural drawings are attached.
k. Total square footage of the proposed new or renovated unit(s)/building	21,744

<p>l. Total square footage, if any, to be used for non-residential rental i. If applicable, the nature of any non-residential rental uses</p>	<p>0 sf non-residential rental.</p>																										
<p>m. Number of residential units, please include mix of unit type (1 BR, 2 BR, etc.) and number of income-restricted and market rate.</p>	<table border="0"> <tr> <td>0 Bedroom Units</td> <td>0</td> </tr> <tr> <td>1 Bedroom Units</td> <td>20</td> </tr> <tr> <td>2 Bedroom Units</td> <td>12</td> </tr> <tr> <td>3 Bedroom Units</td> <td>0</td> </tr> <tr> <td>4 Bedroom Units</td> <td>0</td> </tr> <tr> <td>5 Bedroom Units</td> <td>0</td> </tr> <tr> <td>Total Units</td> <td>32</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>80% Units</td> <td>17</td> </tr> <tr> <td>HOME High</td> <td>6</td> </tr> <tr> <td>HOME Low</td> <td>1</td> </tr> <tr> <td>Total @ 80% or less</td> <td>24</td> </tr> <tr> <td>Total Units</td> <td>32</td> </tr> </table> <p>1/2 of the units in the development will be restricted to 80% AMI rents or less per the standard PILOT agreement.</p>	0 Bedroom Units	0	1 Bedroom Units	20	2 Bedroom Units	12	3 Bedroom Units	0	4 Bedroom Units	0	5 Bedroom Units	0	Total Units	32			80% Units	17	HOME High	6	HOME Low	1	Total @ 80% or less	24	Total Units	32
0 Bedroom Units	0																										
1 Bedroom Units	20																										
2 Bedroom Units	12																										
3 Bedroom Units	0																										
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80% Units	17																										
HOME High	6																										
HOME Low	1																										
Total @ 80% or less	24																										
Total Units	32																										
<p>n. The number of units that will meet the Handicap Building Codes and Standards (“HBCS”) and the Americans with Disabilities Act (“ADA”) requirements (if applicable)</p>	<p>All ground apartment units will be wheelchair accessible with proper turning radii in the kitchens and bathrooms. There will be a minimum of 5% Type A ADA units per HUD funded requirements.</p>																										
<p>o. Income levels to be served (specify the number of units at each income level).</p>	<p>It is the goal of the developer to hold all units at 80% rents. CNE will restrict per the PILOT requirements half of the units at 80% rents. 7 units will be at 50-60% per HOME funds requirements.</p>																										
<p>p. Details on the number of years the unit will remain affordable (period of affordability).</p>	<p>The HOME units will remain affordable for 20 years. The PILOT restricted units will remain restricted for the term of the PILOT.</p>																										
<p>q. Description of any supportive services (if applicable)</p>	<p>Not applicable</p>																										
<p>r. Detail management plan for housing, when completed</p>	<p>CNE employs a property manager and leasing agent and uses in house maintenance techs and contracted services to maintain all of CNE’s properties. Property management is responsible for showing the property to prospective tenants, executing leases, managing tenant issues, lease renewals and evictions. CNE has a 24 hour emergency number for all tenants. CNE has almost</p>																										

	200 rental units and maintains over 95% occupancy.
s. List of any properties managed by the proposed management company that have been in default in the last ten (10) years. (if applicable)	n/a
t. Statement or list of any outstanding uncorrected noncompliance issues for properties managed by the proposed management company (if applicable)	n/a
u. Relocation plan and statement of proposed relocation assistance (if project is a renovation, as applicable)	n/a

Project Budget

Provide estimated project cost and support documentation, broken down by major categories (i.e. land, buildings, construction, equipment, soft costs, etc.)	See attached budget.
Also, include: i. Construction contract or preliminary bids.	TBD.
ii. 20-year pro-forma for multi-family rental developments (with reasonable assumptions for percentages of annual changes in rents, in income, and in expenses).	See attached budget.
Also provide information/details on: 1. Real Estate Taxes – State the assumptions used to arrive at the annual real estate taxes proposed in the pro-forma	See attached budget.
2. Schedule of rent rates upon which the project’s pro forma is based	See attached budget.
3. Proposed terms of the PILOT	10 years of PILOT property tax abatement / 10 years of 50% of the units at 80% AMI rents or less An option for 10 more years if the rental restriction is maintained.
4. Any developer fees and equity share	See attached budget.
5. Agreements governing the various reserves which are capitalized at closing (to verify that the reserves cannot be withdrawn later as fees or distributions).	Not applicable. Capital reserves will be accrued based on the construction loan documents after the project is finished.

<p>iii. Appraisal (to substantiate the value of land and property after rehabilitation/construction). Project appraisal is to be determined by a Member of the American Institute (MAI) – Land and building(s). Appraisals should be no older than 6 months. Older appraisals will be accepted for review purposes but must be updated prior to final project approval.</p>	<p>See attached appraisal.</p>
<p>iv. If low-income housing tax credits are utilized, documentation on the syndication costs (legal, accounting, tax opinion, etc.) from the organization /individual who will syndicate and sell the offering to ensure that the project can support the fees necessary to syndicate/fund the project. All assumptions in the offering should be verified in the supporting documentation</p>	<p>Not applicable.</p>

Project Financing

<p>Proposed sources and uses of financing i. Sources 1. Please provide a statement/schedule detailing ALL available and anticipated financing for the project along with verification, including commitment letters, letters of intent, feasibility letters, etc., with all terms and conditions for all indicated sources.</p>	<p>See attached budget. Lender letter provided.</p>
<p>2. Investment tax credits (historic, low-income, if applicable)*Note: The proceeds from the sale of tax credits must be identified as a source of funding.</p>	<p>Not applicable.</p>
<p>3. Provide a statement on the purpose of the PILOT request - emphasizing the public benefit and detailing why a PILOT is needed, the projected impact of the project, and proposed terms.</p>	<p>The purpose of the PILOT is to keep rents low and provide workforce housing. If the PILOT is not provided, CNE cannot maintain rents at PILOT levels. The proposed terms of the PILOT are that CNE will maintain at least half of the units in the development at 80% AMI rents for the duration of the PILOT (10 years + proposed extension).</p>
<p>ii. Uses 1. Please provide a statement/schedule detailing the proposed use of all funding proceeds.</p>	<p>See attached budget.</p>

Project Timeline

<p>Detail the chronological order and dates of the major phases of the project, including acquisition, financing, development, and occupancy. Include expected start and end dates. Projects should be on a timeline to begin construction within 2 years of the date the incentive is granted.</p>	<ol style="list-style-type: none">1. Acquisition – Complete2. Financing – Lender term sheet provided, financing will be closed as soon as PILOT and HOME funds are approved.3. Construction Start – Q1 20244. Construction End – March 2026 (two years)5. Occupancy – May 2026
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PRO FORMA SUMMARY

Project Name: Bailey Park Apartments
Project Address: 2003 Bailey Ave, Chattanooga, TN 37404
Scenario: 32 units / 7 HOME / 8 Voucher / 17 80%
Revision Date: 10/30/2023
Financing Scenario: BB 5.75 35 yr am / 8 CHA Vchr / 6 HOME / 10 Yr Pilot / Refi year 11 / 5% mgmnt fee

Rents & Unit Mix

Bedrooms	Units	CHA Vchr	Rents	80% Units	Rents	HOME High	Rents	HOME Low	Rents
0	0	0	\$ 857	0	\$ 1,115	0	\$ 833	0	\$ 644
1	20	4	\$ 858	11	\$ 1,195	4	\$ 858	1	\$ 685
2	12	4	\$ 989	6	\$ 1,434	2	\$ 989	0	\$ 818
3	0	0	\$ 1,279	0	\$ -	0	\$ 1,219	0	\$ 942
Totals:	32	8		17		6		1	

Annual PGI \$ 422,766

USES - Development Budget

Acquisition & Related Costs	\$ 228,000
Building and Site	\$ 4,299,000
Soft Costs	\$ 1,068,105
Financing Costs	\$ 305,000
Total Development Budget	\$ 5,900,105

Annual Operating Budget

Management Fees	\$ 20,716
OPEX (ex mgmnt fees, taxes, insurance)	\$ 53,760
Property Insurance	\$ 17,600
Property Tax	\$ 23,149
Total Annual Operating Budget	\$ 115,225
Annual Operating Budget Per Unit	\$ 3,601

SOURCES of Development Financing

Construction Loan	\$ 3,642,105
HOME Funds	\$ 630,000
Land	\$ 228,000
Lyndhurst	\$ 300,000
CNE Predev Cash	\$ 500,000
Benwood Foundation Grant and ARPA Funds (50/50)	\$ 600,000
Total Development Sources	\$ 5,900,105

Cash Flow Summary

Year	1	2	3	4	5	6	7	8	9	10
Total Cash Flow	\$ 49,177	\$ 53,767	\$ 58,411	\$ 63,110	\$ 67,864	\$ 72,672	\$ 77,536	\$ 82,453	\$ 87,425	\$ 92,451
DCR First Mortgage	120%	122%	124%	126%	128%	130%	132%	134%	136%	138%

PROJECT RENTS

Project Name: Bailey Park Apartments
Project Address: 2003 Bailey Ave, Chattanooga, TN 37404
Scenario: 32 units / 7 HOME / 8 Voucher / 17 80%
Revision Date: 10/30/2023
Financing Scenario: BB 5.75 35 yr am / 8 CHA Vchr / 6 HOME / 10 Yr Pilot / Refi year 11 / 5% mgmnt fee

	Unit Quantity	SF / unit	Total SF
Building 1			
1b/1b Unit A	4	503	2012
1b/1b Unit B	3	508	1524
1b/1b Unit C	2	609	1218
1b/1b Unit D - UFAS	1	503	503
Building 2			
2b/1b Unit A	11	752	8272
2b/1b Unit B - UFAS	1	752	752
Building 3			
1b/1b Unit A	4	503	2012
1b/1b Unit B	3	508	1524
1b/1b Unit C	2	609	1218
1b/1b Unit D - UFAS	1	503	503
Total	32		19538

CHA Vchr			80% Units			HOME High			HOME Low		
Unit Quantity	Rent	Total	Unit Quantity	Rent	Total	Unit Quantity	Rent	Total	Unit Quantity	Rent	Total
2	\$ 858	\$ 1,716	0	\$ 1,195	\$ -	2	\$ 858	\$ 1,716	0	\$ 685	\$ -
0	\$ 858	\$ -	3	\$ 1,195	\$ 3,585	0	\$ 858	\$ -	0	\$ 685	\$ -
0	\$ 858	\$ -	2	\$ 1,195	\$ 2,390	0	\$ 858	\$ -	0	\$ 685	\$ -
0	\$ 858	\$ -	1	\$ 1,195	\$ 1,195	0	\$ 858	\$ -	0	\$ 685	\$ -
4	\$ 989	\$ 3,956	5	\$ 1,434	\$ 7,169	2	\$ 989	\$ 1,978	0	\$ 818	\$ -
0	\$ 989	\$ -	1	\$ 1,434	\$ 1,434	0	\$ 989	\$ -	0	\$ 818	\$ -
0	\$ 858	\$ -	1	\$ 1,195	\$ 1,195	2	\$ 858	\$ 1,716	1	\$ 685	\$ 685
2	\$ 858	\$ 1,716	1	\$ 1,195	\$ 1,195	0	\$ 858	\$ -	0	\$ 685	\$ -
0	\$ 858	\$ -	2	\$ 1,195	\$ 2,390	0	\$ 858	\$ -	0	\$ 685	\$ -
0	\$ 858	\$ -	1	\$ 1,195	\$ 1,195	0	\$ 858	\$ -	0	\$ 685	\$ -
8		7388	17		\$ 21,748	6		\$ 5,410	1		\$ 685

ERROR CHECK UNIT COUNT OK

RENT RESTRICTION SUMMARY

	#	%
CHA Vchr	8	25%
80% Units	17	53%
HOME High	6	19%
HOME Low	1	3%
Total @ 80% or less	24	75%
Total Units	32	100%

SQUARE FOOT SUMMARY

	#	%
CHA Vchr	5030	26%
80% Units	10489	54%
HOME High	3516	18%
HOME Low	503	3%
Total @ 80% or less	14508	74%
Total Res Sqft	19538	100%

Rents & Unit Mix

BRs	Units	CHA Vchr	Rents	80% Units	Rents	HOME High	Rents	HOME Low	Rents
0	0	0	\$ 857	0	1115	0	\$ 833	0	\$ 644
1	20	4	\$ 858	11	\$ 1,195	4	\$ 858	1	\$ 685
2	12	4	\$ 989	6	\$ 1,434	2	\$ 989	0	\$ 818
3	0	0	\$ 1,279	0	\$ -	0	\$ 1,219	0	\$ 942
Totals:	32	8		17		6		1	

Annual PGI \$ 422,766

**Common Area
Total under roof**

BEDROOM MIX SUMMARY

	#	%
0 Bedroom Units	0	0%
1 Bedroom Units	20	63%
2 Bedroom Units	12	38%
3 Bedroom Units	0	0%
4 Bedroom Units	0	0%
5 Bedroom Units	0	0%
Total Units	32	100%

RENTAL INCOME SUMMARY

Total Monthly Income CHA	\$ 7,388
Total Monthly Income 80%	\$ 21,748
Total Monthly Income HOME	\$ 6,095
Total Monthly Income	\$ 35,231
Total Annual Potential Income	\$ 422,766

RENT RESTRICTION CALCULATIONS

Project Name: Bailey Park Apartments
Project Address: 2003 Bailey Ave, Chattanooga, TN 37404
Scenario: 32 units / 7 HOME / 8 Voucher / 17 80%
Revision Date: 10/30/2023
Financing Scenario: BB 5.75 35 yr am / 8 CHA Vchr / 6 HOME / 10 Yr Pilot / Refi year 11 / 5% mgmnt fee

Year: 2023
City / State: Chattanooga MSA
AMI: \$ 90,700
Source: HUDUSER
FY: 2023
Date: 9/24/2023

Source of HOME Rents: HUDUSER
Source of Allowances: CNE PM
Date: 6/14/2023
Year: 2023
Effective Date of Rents: 6/15/2023
Source of I HUDUSER Date: 9/24/2023
FY: 2023

CHA VOUCHER RENTS				
No. of Bedrooms		Max Gross Rent	Utility Allow	Max Monthly Rent
0		\$ 910	\$ 53	\$ 857
1		\$ 919	\$ 61	\$ 858
2		\$ 1,067	\$ 78	\$ 989
3		\$ 1,372	\$ 93	\$ 1,279

Rent Calculation Method: CNE

HOME HIGH				
No. of Bedrooms	FMR - 2023	Max Gross Rent	Utility Allow	Max Monthly Rent
0	910	\$ 886	\$ 53	\$ 833
1	919	\$ 919	\$ 61	\$ 858
2	1067	\$ 1,067	\$ 78	\$ 989
3	1372	\$ 1,312	\$ 93	\$ 1,219

80% Rents				
No. of Bedrooms		Max Gross Rent	Utility Allow	Max Monthly Rent
0		\$ 1,115	\$ -	\$ 1,115
1		\$ 1,195	\$ -	\$ 1,195
2		\$ 1,434	\$ -	\$ 1,434
3		\$ -	\$ -	\$ -

Rent Calculation Method: HUD / CITC
 0 bed = 1 person 2 bed = 3 people
 1 bed = 1.5 people 3 bed = 4.5 people

HOME LOW				
No. of Bedrooms	FMR - 2023	Max Gross Rent	Utility Allow	Max Monthly Rent
0	910	\$ 697	\$ 53	\$ 644
1	919	\$ 746	\$ 61	\$ 685
2	1067	\$ 896	\$ 78	\$ 818
3	1372	\$ 1,035	\$ 93	\$ 942

Utility Allowance Calculation						
Source: City of Chatt Chart - 5+ units						
Date: 10/30/2023						
Source of Allowance (ELEC HEAT PUMP)*:		Electric Heat Pump				
Date:						
Utility	Type	Pays?	Studio	1 BR	2 BR	3 BR
Heat:	Heat Pump	Tenant	\$ 21	\$ 23	\$ 26	\$ 28
Electric Cooking:	Electric	Tenant	\$ 4	\$ 5	\$ 8	\$ 10
AC:	Electric	Tenant	\$ -	\$ -	\$ -	\$ -
Water Heating:	Electric	Tenant	\$ 11	\$ 13	\$ 16	\$ 20
Other Electric:	Electric	Tenant	\$ 17	\$ 20	\$ 28	\$ 35
Water:		Landlord	\$ -	\$ -	\$ -	\$ -
Sewer:		Landlord	\$ -	\$ -	\$ -	\$ -
Sewer:		Tenant				
Other:						
Total:			\$ 53	\$ 61	\$ 78	\$ 93

2023 Income Limits		Very Low	Extr Low
Persons in Family		80%	50%
1	\$ 44,600	\$ 27,900	\$ 16,750
2	\$ 51,000	\$ 31,850	\$ 19,720
3	\$ 57,350	\$ 35,850	\$ 24,860
4	\$ 63,700	\$ 39,800	\$ 30,000
5	\$ 68,800	\$ 43,000	\$ 35,140
6	\$ 73,900	\$ 46,200	\$ 40,280
7	\$ 79,000	\$ 49,400	\$ 45,420
8	\$ 84,100	\$ 52,550	\$ 50,560

Development Budget - P&L - Financing

Project Name: Bailey Park Apartments
Project Address: 2003 Bailey Ave, Chattanooga, TN 37404
Scenario: 32 units / 7 HOME / 8 Voucher / 17 80%
Revision Date: 10/30/2023
Financing Scenario: BB 5.75 35 yr am / 8 CHA Vchr/ 6 HOME / 10 Yr Pilot / Refi year 11 / 5% mgmnt fee

Sources	lrc	Total	Per Unit	Per LSF
Construction Loan	62%	\$ 3,642,105		
HOME Funds	7 units @ 90,000	7 \$ 90,000 \$ 630,000		
Land		\$ 228,000		
Lyndhurst		\$ 300,000		
CNE Predev Cash		\$ 500,000		
Benwood Foundation Grant and ARPA Funds (50/50)		\$ 600,000		
Total		\$ 5,900,105		

Uses		Total	Per Unit	Per LSF
Land	1 0	\$ 228,000	\$ 7,125	\$ 11.67
Total Land and Acquisition Costs		\$ 228,000	\$ 7,125	\$ 11.67
Site and Building				
Demolition		\$ 62,000	\$ 1,938	\$ 3.17
Site / Stormwater connection / Street Improvements		\$ 467,000	\$ 14,594	\$ 23.90
Building 1 - 10 units		\$ 1,110,000	\$ 34,688	\$ 56.81
Building 2 - 12 units		\$ 1,550,000	\$ 48,438	\$ 79.33
Building 3 - 10 units		\$ 1,110,000	\$ 34,688	\$ 56.81
Total Hard		\$ 4,299,000	\$ 134,344	\$ 220.03
Soft				
Access Control		\$ 10,000	\$ 313	\$ 0.51
Appliances	32 4000	\$ 128,000	\$ 4,000	\$ 6.55
Appraisal		\$ 5,000	\$ 156	\$ 0.26
Asbestos Testing & Abatement		\$ -	\$ -	\$ -
Bank Inspections	18 \$ 500.00	\$ 9,000	\$ 281	\$ 0.46
Carry Cost - Lanscaping		\$ -	\$ -	\$ -
Carry Cost - Utilities		\$ -	\$ -	\$ -
Construction Admin - Arch		\$ 20,000	\$ 625	\$ 1.02
Construction Admin - Owner		\$ 64,485	\$ 2,015	\$ 3.30
Construction Testing / Special Inspections		\$ -	\$ -	\$ -
Contingency		\$ 171,960	\$ 5,374	\$ 8.80
Design -		\$ 200,000	\$ 6,250	\$ 10.24
Design - Civil	0	\$ 35,000	\$ 1,094	\$ 1.79
Development Fee	% of Hard Costs Only	\$ 215,000	\$ 6,719	\$ 11.00
Financing Carry Cost - below		\$ -	\$ -	\$ -
Financing Fee - below		\$ -	\$ -	\$ -
Impact / Tap / Meter / Utility		\$ -	\$ -	\$ -
Insurance - carry / builder's risk by GC		\$ 2,000	\$ 63	\$ 0.10
Landscape		\$ 20,000	\$ 625	\$ 1.02
Leasing Fees - Commercial		\$ -	\$ -	\$ -
Leasing Fees - Residential		\$ -	\$ -	\$ -
Legal - Environmental		\$ -	\$ -	\$ -
Legal - Landlord constr and perm		\$ 20,000	\$ 625	\$ 1.02
Legal - Lender constr and perm		\$ 40,000	\$ 1,250	\$ 2.05
Marketing and Photography	120 18	\$ 2,160	\$ 68	\$ 0.11
Model Unit		\$ -	\$ -	\$ -
Permits & Zoning		\$ 25,000	\$ 781	\$ 1.28
Phase I / Phase II / BVA		\$ 50,000	\$ 1,563	\$ 2.56
Prints & Other Admin		\$ 2,000	\$ 63	\$ 0.10
Property Tax & Other Muni Fees		\$ -	\$ -	\$ -
Security Cameras		\$ 10,000	\$ 313	\$ 0.51
Soils / Geo / Test Pits		\$ 6,000	\$ 188	\$ 0.31
Survey - ALTA & As Built / Plat		\$ 7,500	\$ 234	\$ 0.38
Title Policy & Closing		\$ 25,000	\$ 781	\$ 1.28
Total Soft		\$ 1,068,105	\$ 33,378	\$ 54.67
Land Hard Soft		\$ 5,595,105		
Financing				
Constr Finance Fee		\$ 19,000	\$ 594	\$ 0.97
Construction Debt		\$ 268,000	\$ 8,375	\$ 13.72
Perm Fee		\$ 18,000	\$ 563	\$ 0.92
Total Finance		\$ 305,000	\$ 9,531	\$ 15.61
Total Land+Hard+Soft+Finance		\$ 5,900,105	\$ 184,378	\$ 301.98
NOI		\$ 291,086	\$ 9,096	\$ 14.90
		4.93%		

OPEX AND FINANCING

Project Name: Bailey Park Apartments
 Project Address: 2003 Bailey Ave, Chattanooga, TN 37404
 Scenario: 32 units / 7 HOME / 8 Voucher / 17 80%
 Revision Date: 10/30/2023
 Financing Scenario: BB 5.75 35 yr am / 8 CHA Vchr/ 6 HOME / 10 Yr Pilot / Refi year 11 / 5% mgmt fee

OPERATIONAL EXPENSES						TOTAL	PER UNIT	PER MONTH	
Management Fees	% of EGI		5.00%		\$	20,716	\$ 647	\$ 1,726	
OPEX (ex mgmt fees, taxes, insurance)	PUPA	\$	1,680		\$	53,760	\$ 1,680	\$ 4,480	
Property Insurance	PUPA	\$	550		\$	17,600	\$ 550	\$ 1,467	
TOTAL ANNUAL OPERATING EXPENSES net of Property Taxes						\$	92,076	\$ 2,877	\$ 7,673
Property Tax	PILOT	Market	Assess	Rate					
	0.3	\$ 4,299,000	0.4	4.4873%	\$	23,149	\$ 723	\$ 1,929	
TOTAL ANNUAL OPERATING EXPENSES						\$	115,225	\$ 3,601	\$ 9,602
Annual Replacement Reserve Contribution	PUPA		250		\$	8,000	\$ 250	\$ 667	
TOTAL OPERATING AND RESERVE EXPENSES						\$	123,225	\$ 3,851	\$ 10,269

PILOT / Property Tax Calculation							
Current Base Taxes	2023 Mkt Value	\$	50,000	0.4	4.4873%	\$	897.46
Projected PILOT School Taxes	2025 Mkt Value	\$	4,299,000	0.4	1.0116%	\$	17,395.47
Total PILOT Calculation	23.71%					\$	18,292.93

CONSTRUCTION FINANCING						
Construction Loan Fee				0.50%	\$	19,000
Construction Interest	Amount	Interest Rate	Term (mos)	Est Interest		
	\$ 3,642,105	5.75%	24	\$ 209,421		
Bridge of HOME Funds	\$ 630,000	5.75%	20	\$ 60,375		
Total Estimated Construction Interest				\$	288,796	

PERMANENT FINANCING		
Scenario:	Brightbridge	
Amount	\$ 3,642,105	
Interest Rate	5.75%	
Term	13 (24 months i/o into 13 years perm)	
Amortization	35	
Annual PMT	(\$241,909)	
DSCR	1.20	
May require Refi or additional debt at end of PILOT year 11 or extension of PILOT		
With no extension of PILOT		
Balloon at Year	11	
Balloon at Period	120	
Monthly PMT	(\$20,159)	
Balloon / Refi Amount	\$3,204,399	
Interest Rate	6.25%	
Term	40	
Amortization	40	
Annual PMT	(\$218,312)	
DSCR	1.22	

CASHFLOW

Project Name: Bailey Park Apartments
 Project Address: 2003 Bailey Ave, Chattanooga, TN 37404
 Scenario: 32 units / 7 HOME / 8 Voucher / 17 80%
 Revision Date: 10/30/2023
 Financing Scenario: BB 5.75 35 yr am / 8 CHA Vchr/ 6 HOME / 10 Yr Pilot / Refi year 11 / 5% mgmnt fee

Cash Flow Assumptions

Rental Rate Annual Increase 2.0%
 Expenses Annual Increase 3.0%
 Management Fee % of EGI 0.0% zero if mgmt fee trends with expenses
 Vacancy Rate 5.0%
 Other Income 3.0%

Stabilized

BEFORE TAX CASH FLOW

YEARS:	1	2	3	4	5	6	7	8	9	10
Total Potential Rent Income (PI)	\$ 422,766	\$ 431,221	\$ 439,846	\$ 448,643	\$ 457,616	\$ 466,768	\$ 476,103	\$ 485,625	\$ 495,338	\$ 505,245
ADD: Other Income	3.0% \$ 12,683	\$ 12,937	\$ 13,195	\$ 13,459	\$ 13,728	\$ 14,003	\$ 14,283	\$ 14,569	\$ 14,860	\$ 15,157
Gross Potential Income (GPI)	\$ 435,449	\$ 444,158	\$ 453,041	\$ 462,102	\$ 471,344	\$ 480,771	\$ 490,386	\$ 500,194	\$ 510,198	\$ 520,402
Less: Vacancy Allowance	5.0% \$ (21,138)	\$ (21,561)	\$ (21,992)	\$ (22,432)	\$ (22,881)	\$ (23,338)	\$ (23,805)	\$ (24,281)	\$ (24,767)	\$ (25,262)
Effective Gross Income (EGI)	\$ 414,311	\$ 422,597	\$ 431,049	\$ 439,670	\$ 448,463	\$ 457,432	\$ 466,581	\$ 475,913	\$ 485,431	\$ 495,140
Less: Operating Expenses net of Prop Tax	\$ (100,076)	\$ (103,078)	\$ (106,170)	\$ (109,355)	\$ (112,636)	\$ (116,015)	\$ (119,495)	\$ (123,080)	\$ (126,773)	\$ (130,576)
Less: Property Taxes	\$ (23,149)	\$ (23,844)	\$ (24,559)	\$ (25,296)	\$ (26,054)	\$ (26,836)	\$ (27,641)	\$ (28,470)	\$ (29,325)	\$ (30,204)
Net Operating Income (NOI)	\$ 291,086	\$ 295,676	\$ 300,320	\$ 305,019	\$ 309,773	\$ 314,581	\$ 319,444	\$ 324,362	\$ 329,334	\$ 334,359
1st Mortgage	\$ (241,909)	\$ (241,909)	\$ (241,909)	\$ (241,909)	\$ (241,909)	\$ (241,909)	\$ (241,909)	\$ (241,909)	\$ (241,909)	\$ (241,909)
2nd Mortgage										
Cash Flow	\$ 49,177	\$ 53,767	\$ 58,411	\$ 63,110	\$ 67,864	\$ 72,672	\$ 77,536	\$ 82,453	\$ 87,425	\$ 92,451
DSCR 1st Loan	\$ 1.20	\$ 1.22	\$ 1.24	\$ 1.26	\$ 1.28	\$ 1.30	\$ 1.32	\$ 1.34	\$ 1.36	\$ 1.38
DSCR 2nd Loan										

BEFORE TAX CASH FLOW

YEARS:	11	12	13	14	15	16	17	18	19	20
Total Potential Rent Income (PI)	\$ 515,349	\$ 525,656	\$ 536,170	\$ 546,893	\$ 557,831	\$ 568,987	\$ 580,367	\$ 591,974	\$ 603,814	\$ 615,890
ADD: Other Income	\$ 15,460	\$ 15,770	\$ 16,085	\$ 16,407	\$ 16,735	\$ 17,070	\$ 17,411	\$ 17,759	\$ 18,114	\$ 18,477
Gross Potential Income (GPI)	\$ 530,810	\$ 541,426	\$ 552,255	\$ 563,300	\$ 574,566	\$ 586,057	\$ 597,778	\$ 609,734	\$ 621,928	\$ 634,367
Less: Vacancy Allowance	\$ (25,767)	\$ (26,283)	\$ (26,808)	\$ (27,345)	\$ (27,892)	\$ (28,449)	\$ (29,018)	\$ (29,599)	\$ (30,191)	\$ (30,795)
Effective Gross Income (EGI)	\$ 505,042	\$ 515,143	\$ 525,446	\$ 535,955	\$ 546,674	\$ 557,608	\$ 568,760	\$ 580,135	\$ 591,738	\$ 603,572
Less: Operating Expenses net of Prop Tax	\$ (134,493)	\$ (138,528)	\$ (142,684)	\$ (146,964)	\$ (151,373)	\$ (155,914)	\$ (160,592)	\$ (165,410)	\$ (170,372)	\$ (175,483)
Less: Property Taxes	\$ (103,701)	\$ (106,812)	\$ (110,017)	\$ (113,317)	\$ (116,717)	\$ (120,218)	\$ (123,825)	\$ (127,540)	\$ (131,366)	\$ (135,307)
Net Operating Income (NOI)	\$ 266,848	\$ 269,803	\$ 272,745	\$ 275,673	\$ 278,584	\$ 281,475	\$ 284,343	\$ 287,186	\$ 290,000	\$ 292,783
1st Mortgage	\$ (218,312)	\$ (218,312)	\$ (218,312)	\$ (218,312)	\$ (218,312)	\$ (218,312)	\$ (218,312)	\$ (218,312)	\$ (218,312)	\$ (218,312)
2nd Mortgage										
Cash Flow	\$ 48,536	\$ 51,491	\$ 54,434	\$ 57,362	\$ 60,272	\$ 63,163	\$ 66,031	\$ 68,874	\$ 71,688	\$ 74,471
DSCR 1st Loan	\$ 1.22	\$ 1.24	\$ 1.25	\$ 1.26	\$ 1.28	\$ 1.29	\$ 1.30	\$ 1.32	\$ 1.33	\$ 1.34
DSCR 2nd Loan										

RESOLUTION

A RESOLUTION AUTHORIZING THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, TO TAKE TITLE TO CERTAIN REAL AND PERSONAL PROPERTY, TO EXECUTE A LEASE AGREEMENT TO LEASE SUCH PROPERTY TO THE CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. (THE “COMPANY”) FOR THE PROJECT LOCATED AT 2003 BAILEY AVENUE AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES WITH THE COMPANY.

WHEREAS, Chattanooga Neighborhood Enterprise, Inc. (the “Company”), is considering new, mixed-use, income-restricted, and market rate construction of thirty-two (32) one bedroom and two bedroom residential units on property located at 2003 Bailey Avenue, Chattanooga, TN 37404, Hamilton County (the “Project”); and

WHEREAS, the Company has requested that The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the “Board”), agree to take title to the real and personal property comprising the Project (the “Leased Property”) and lease the Leased Property to the Company; and

WHEREAS, the Company has provided information in a written application (the “Application”) filed with the Board concerning the tenants whom the Company expects to occupy the Project; and

WHEREAS, the Company has requested that the Board agree to enter into an agreement with the Company whereby the Company will make payments in lieu of ad valorem taxes; and

WHEREAS, the City Council of the City of Chattanooga and the Hamilton County Board of Commissioners have delegated to the Board the right to receive payments in lieu of ad valorem property taxes in accordance with Tenn. Code Ann. Section 48-101-312; and

HEB2024-03

WHEREAS, the ownership of the Leased Property and the leasing thereof to the Company are within the powers of the Board as described in Tenn. Code Ann. Section 48-101-308, and the provision for payments in lieu of ad valorem property taxes on the Leased Property is within the powers of the Board as described in Tenn. Code Ann. Section 48-101-312; and

WHEREAS, the form of an Agreement for Payments In Lieu of Ad Valorem Taxes and the form of a Lease Agreement have been presented to the Board for approval in connection with this Project;

NOW, THEREFORE, BE IT RESOLVED by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, as follows:

Section 1. The Board hereby finds that the Project constitutes “Housing” as that term is defined in Tenn. Code Ann. Section 48-101-301, in that the Project will be a multi-family housing facility to be occupied by persons of low and/or moderate income, and /or elderly, and/or handicapped persons, based upon the information supplied by the Company in the Application.

Section 2. The Board agrees to accept title to the Leased Property and to lease the Leased Property to the Company. The form, terms and provisions of the Lease Agreement attached hereto as Exhibit “A” (the “Lease Agreement”) are hereby approved, and all of the terms, provisions and conditions of the Lease Agreement are hereby incorporated herein. The Chairman or Vice Chairman of the Board is hereby authorized, empowered and directed to execute, acknowledge and deliver the Lease Agreement in the name and on behalf of the Board, and the Secretary or Assistant Secretary of the Board is hereby authorized and directed to attest the same. The Lease Agreement is to be in substantially the form now before this meeting and

HEB2024-03

hereby approved, or with such changes therein as shall be approved by the officials of the Board executing the same.

Section 3. The Board agrees to enter into the Agreement for Payments in Lieu of Ad Valorem Taxes, attached hereto as Exhibit “B” (the “PILOT Agreement”), with the Company and the form, terms and provisions are hereby approved, and all of the terms, provisions and conditions of the PILOT Agreement are hereby incorporated herein. The Chairman or Vice Chairman of the Board is hereby authorized, empowered and directed to execute, acknowledge and deliver the PILOT Agreement in the name and on behalf of the Board, and the Secretary or Assistant Secretary of the Board is hereby authorized and directed to attest the same. The PILOT Agreement is to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officials of the Board executing the same.

Section 4. The Chairman, or Vice Chairman, and Secretary, or Assistant Secretary, of the Board shall be, and they are hereby further authorized and directed for and on behalf of the Board, to take any and all such action as may be required by the Board to carry out, give effect to and consummate the transactions contemplated by the Lease Agreement and the PILOT Agreement authorized pursuant to this resolution and to execute all papers, documents, certificates and other instruments that may be required for the carrying out of the authority conferred by this resolution or to evidence said authority.

Approved this 22nd day of January, 2024.

THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE

By: _____
Hicks Armor, *Chair*

ATTEST:

Richard Johnson, *Secretary*

HEB2024-03

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT is made and entered into as of the ____ day of _____, 2023, by and among THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE (the “Board”); CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC., a Tennessee non-profit corporation (the “Company”); the CITY OF CHATTANOOGA, TENNESSEE (the “City”); and HAMILTON COUNTY, TENNESSEE (the “County”) and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by WILLIAM F. HULLANDER and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE (“Trustee”), and by MARTY HAYNES and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY (“Assessor”).

W I T N E S S E T H:

WHEREAS, the Company is contemplating the construction of thirty-two (32) one bedroom and two bedroom residential units located at 2003 Bailey Avenue in Chattanooga, Hamilton County, Tennessee, (the “Project”), and has requested the Board’s assistance in the financing of the Project; and

WHEREAS, substantial public welfare benefits to the City and County will be derived from the Project; and

WHEREAS, the Board has agreed to take title to certain real and personal property that constitutes the Project, as described in Exhibit “A” attached hereto (the “Property”), which Property is to be owned by the Board and leased to the Company; and

WHEREAS, because the Property is to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, §48-101-301, et seq.,

all such property will be exempt from ad valorem property taxes (“property taxes”) normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, §48-101-312; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the “In Lieu Payments”), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through their duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions; and

WHEREAS, the Board wishes to designate the County Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Trustee and the City Treasurer, as applicable, as its agent to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of

Tennessee as though the Property were subject to property taxes. According to Chapter 0600-10 of the Rules of the Tennessee State Board of Equalization, following construction of the Property, such appraisal shall consist of the residential use component (the “Residential Project Value”) which will be based on the Assessor’s valuation of the Project’s operating income. The Assessor shall give the Trustee, the City Treasurer, the Board, and the Company written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Company all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes.

The Board hereby designates the Trustee as its agent to compute the amounts of the In Lieu Payments. On or about October 1 of each year during the term of this agreement, the Trustee shall compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Trustee shall send the Board and the Company a bill for appropriate amounts of In Lieu Payments (the “Tax Bill”).

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, the Company shall pay to the Trustee the amounts indicated on the Tax Bill to be paid to the County and the Company shall pay to the City Treasurer the amounts on the Tax Bill to be paid to the City in accordance with the amount set forth below in Section 4. The In Lieu Payments shall be made by the Company in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Company.

(a) Payments for Unimproved Project. For each of the years 2025 through 2044 (the “Tax Abatement Period”), the Company shall make In Lieu Payments with respect to the Property in an amount equal to one hundred percent (100%) of all City and County annual ad valorem property taxes levied in the base year of 2023 (the “Base Year”) on the value of the Project (the “Unimproved Project Value”). The intent is for the City and County to continue receiving throughout the term of this Agreement all taxes assessed as to the Unimproved Project Value exclusive of the improvements made in connection with the construction of the Project, which improvements are subject to the payment in lieu of tax obligations set forth in subsection (b), immediately below.

(b) Payments for Residential Project.

(i) School Tax on Construction. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the then constructed Property, the Company shall make In Lieu Payments in the amount required to satisfy the Hamilton County Schools portion of the property taxes that would be due on the improvements to the Property if it were subject to taxation (the “School Portion”) based upon the increase in the Residential Project Value over the Unimproved Project Value (the “Residential Value”). The parties acknowledge and agree that the School Portion currently equates to 24.80% of the amount of the total City and County taxes that would have been payable on the improvements

to the Property if it were subject to property taxes. The parties further acknowledge that the percentage of the School's Portion will vary as City and County tax rates change.

(ii) General Fund Tax on Construction. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the newly constructed Property, the Company shall also make In Lieu Payments in the amounts set forth below under paragraph (iii) based upon the City and County general fund property taxes that would be due on the Residential Project Value (defined above) of the Property if it were subject to taxation.

(iii) In Lieu Payments and Phase In Period. After the construction of the Project is completed and the Assessor of Property has determined the Residential Project Value and reassessed the newly constructed Property, additional In Lieu Payments on the Residential Project Value will be as follows:

Tax Year	City General Fund Portion ⁽¹⁾	County General Fund Portion ⁽¹⁾	County School Fund Portion ⁽¹⁾
	Residential Project Value	Residential Project Value	Residential Project Value
2025 – 2044	0%	0%	100%

(1) – The above percentages refer to the percent of the amount of taxes that would have been payable on the value if it were subject to property taxes.

As noted above, during such years 2025 to 2044, the Company shall continue to pay an In Lieu Payment based upon the Unimproved Project Value and shall continue to pay the School Portion attributable to the Hamilton County Schools. For any periods before or after the Tax Abatement Period that the Property is owned by the Board, the Company shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to one hundred

percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

5. Penalties and Late Charges; Affordability Requirement. The Company shall make the In Lieu Payments for each year before March 1 of the following year. All In Lieu Payments to the City and County shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any In Lieu Payment when due, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount, for each month that each payment has been unpaid. Such one and one-half percent (1-1/2%) per month late charge amount shall accumulate each month and be payable so long as there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees, and if the Company should fail to pay all amounts and late charges due as provided hereinabove for more than two (2) years, the City or the County may, as to their respective In Lieu Payments, terminate the benefits of this Agreement and thereafter require the Company to pay one hundred percent (100%) of the amount of taxes that would have been payable on the Property for so long as such payment default continues as determined by the Mayor of the City and the Mayor of the County. In the event of a disagreement between the parties concerning whether or not the Company has cured a default, a representative of the Company may request that the City and County, as applicable, each meet to determine whether such default has been cured, and the Company and the City or the County, as the case may

be, shall meet promptly thereafter attempt in good faith to resolve such dispute. The Company may, in addition, file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

(c) The Company covenants as follows:

(i) The Project will be completed within twenty-four (24) months following the date of this Agreement, and the Project will be constructed in substantial compliance with the project description set forth in the PILOT Application that the Company submitted to the City as determined by the Land Development Office of the City and in consultation with the County.

(ii) After completion of the Project and during the Tax Abatement Period, fifty percent (50%) of the dwelling units in the Project will be set aside for occupancy by households whose income is not greater than eighty percent (80%) of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development (the "Affordability Requirement").

(iii) After completion of the Project and during the Tax Abatement Period, the Project shall be maintained in habitable condition and in compliance with all applicable City and County ordinances and codes.

(d)

(i) If the Company should fail to meet the Affordability Requirement under Section 5(c)(ii) above with respect to the Project and such failure continues for a period of more than one hundred eighty (180) days following receipt by the Company of written notice from the City or the County specifying such failure in reasonable detail (an "Affordability Event of

Default"), the City and the County may then require the Company to pay an additional In Lieu Payment based upon the difference between (i) the In Lieu Payments on the Property owed pursuant to Section 4 during the period of the continuance of such Affordability Event of Default and (ii) the full taxes that would have been payable on the Property if it were subject to property taxes multiplied by a fraction (expressed as a percentage), the denominator of which is the number of dwelling units at the Project subject to the Affordability Requirement and the numerator of which is the number of dwelling units times fifty percent (50%) that are not occupied by or available for occupancy by households whose income is not greater than eighty percent (80%) of the area median income as annually defined in the most recent guidelines published by the Department of Housing and Urban Development. The County and the City shall look solely to the Company for any repayment obligations.

(ii) In no event shall the Company be required to pay more in In Lieu Payments than the Company would have paid in property taxes, if the Property were subject to property taxes.

6. Disbursements by the Treasurer and Trustee. All sums received by the Treasurer pursuant to Section 4 for the benefit of the City general fund shall be disbursed to the general funds of the City in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All sums received by the Trustee pursuant to Section 4 for the benefit of the County general fund shall be disbursed to the general fund of the County in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All such sums received by the Treasurer shall be placed into an account for the use and benefit of the City. All such sums received by the Trustee shall be divided into an account

for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All sums received by the Trustee pursuant to Section 4 for the benefit of the County school system shall be disbursed to the County and thereafter deposited into an account for the educational use and benefit of the County schools. The parties acknowledge and agree that all disbursements to the City and County pursuant to this Agreement are in furtherance of the Board's purposes as set forth in Tennessee Code Annotated § 48-101-302.

7. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property by the Assessor and the computation by the Trustee of the amount of the In Lieu Payment. If the Company contests any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. Likewise, if the Company contests any such computation, it shall present evidence to the Trustee in favor of its position. If the In Lieu Payments being contested shall be or become due and payable, the Company shall make such payments under protest. The Company and the Assessor or the Trustee, as the case may be, shall negotiate in good faith to resolve any disputes as to appraisal, assessment or computation. If the Company and the Assessor or the Trustee are unable to resolve a dispute, then the Company may file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation, be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

8. Annual Report. The Company will provide the City, the County and the Board, on or before February 15 of each calendar year during this Agreement following the date the Project is placed in service, a certification of the Company as to the Company's compliance with the covenants set forth in Section 5(c). An independent audit of these certifications may occur if requested by the City or County during any calendar year of this Agreement.

9. Lien on Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

10. Term. This Agreement shall become effective on the date that the Board attains title to the Property and shall continue for so long as the Board holds title to any of the Property or the Company has made all payments required hereunder, whichever shall later occur.

11. Leasehold Taxation. If the leasehold interest of the Company should be subject to ad valorem taxation, then any amounts assessed as taxes thereon shall be credited against any In Lieu Payments due hereunder. The Company agrees to cooperate fully with the Assessor in supplying information for completion of leasehold taxation questionnaires with respect to the Property.

12. Stormwater Fees. In addition to other requirements under this Agreement, the Company shall be responsible for all stormwater fees assessed by the City of Chattanooga against the Real Property.

13. Notices, etc. All notices and other communications provided for hereunder shall be written (including facsimile transmission), and mailed or sent via facsimile transmission or delivered, if to the City or the Board, c/o Mr. Phillip A. Noblett, Suite 200, 100 E. 11th Street, Chattanooga, Tennessee 37402; if to the County, c/o Mr. Rheubin M. Taylor, County Attorney,

Hamilton County Government, Room 204, County Courthouse, Chattanooga, Tennessee 37402-1956; if to the Company, c/o Ms. Martina Guilfoil, Chattanooga Neighborhood Enterprise, Inc., 1500 Chestnut Street, Suite 102, Chattanooga, Tennessee 37408; if to the Trustee, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; and if to the Assessor, at his address at Hamilton County Courthouse, Chattanooga, Tennessee 37402; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications, when sent by U.S. certified mail, return receipt requested, shall be effective three days after sending, or when sent by overnight courier or personal delivery, shall be effective upon delivery, or when sent by facsimile transmission, confirmed electronically, shall be effective when sent, in each case addressed as aforesaid.

14. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

15. Assignment.

(a) Except in the event of the conveyance of the Property as a result of a foreclosure or deed in lieu of foreclosure or except as otherwise provided in this Section, the Company may only assign this Agreement, or any part hereof, with the prior consent of the Mayor of the City, the Mayor of the County, and the Board. The Mayor of the City, the Mayor of the County and/or the Board shall not withhold such consent upon the occurrence of all of the following conditions: (i) there is no default under this Agreement at the time of the assignment, (ii) all requirements of the Company under this Agreement have been satisfied as of the date of the

assignment, and (iii) any assignee agrees to provide proof of sufficient assets to fund the business plan for the Project and agrees to be bound by the terms of this Agreement from and after the date of assignment (the “Consent Requirements”). If the Company provides the Mayor of the City, the Mayor of the County and the Board (x) a certificate of an officer of the Company certifying that the requirements of (i) and (ii) have been satisfied and (y) proof of sufficient assets to fund the business plan for the Project and a copy of an assignment and assumption agreement pursuant to which the assignee agrees to be bound by the terms of this Agreement, the Mayor of the City, the Mayor of the County and the Board shall each have the option, upon at least seven (7) days’ prior notice to the Company, to meet with a representative of the Company within forty-five (45) days of receipt of the Company’s certificate for purposes of determining whether the Company has satisfied the Consent Requirements. Unless the Mayor of the City, the Mayor of the County and the Board meet with the Company and all state in writing within such forty-five (45) day period that the Company has not satisfied the Consent Requirements, the Company may assign this Agreement in accordance with the terms and conditions described in the Company’s certificate without any further action of the Mayor of the City, the Mayor of the County and/or the Board. In the event that the Mayor of the City, the Mayor of the County and the Board timely state in writing that the Company has not satisfied the Consent Requirements, the Company and the assignee may, upon the Company’s request, appear before the City Council of the City, the Board of Commissioners of the County and the Board to request approval of such assignment pursuant to the terms of this Section, which consents shall not be unreasonably withheld. Upon satisfaction of the requirements of this Section, the assignment shall relieve the Company from liability for any of its obligations hereunder as of the effective date of the assignment.

(b) Notwithstanding the provisions of subsection (a), above, and notwithstanding any other provision in this Agreement or the Lease to the contrary, the Company may make a collateral assignment of all or any portion of its interests in this Agreement, the Lease and the Project for the benefit of one or more banks or other lenders that, from time to time, provide financing to the Company. Nothing in this Agreement or the Lease shall in any way restrict any sale or transfer of the leasehold interest and other interests of the Company in the Project pursuant to a judicial or non-judicial foreclosure sale as a result of the exercise of any one or more lender's rights under the applicable loan documents. The City, the County and the Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the City, County or Board, in consummating any financing for the Company that involves a pledge or assignment of the Company's interests in this Agreement, the Lease or the Project. Without limitation of the foregoing, the Mayor of the City, the Mayor of the County, and the Chairman of the Board, or any of their respective designees, are authorized, upon the Company's request, to enter into or consent to such documents as are necessary to consummate such financing as well as additional consents to assignment, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the City, County and Board beyond the Board's interest in the Project

16. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

17. No Liability of Board, City and County Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, official, director or officer, as such, of the Board, the City or the County,

whether past, present or future, either directly or through the Board, the City or the County. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

19. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

20. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

ATTEST:

By: _____
Secretary

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

By: _____
Chairman

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.

By: _____
Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

WILLIAM F. HULLANDER

By: _____
Hamilton County Trustee

MARTY HAYNES

By: _____
Hamilton County Assessor of Property

EXHIBIT "A"
TO AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES

REAL PROPERTY

All that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, described as follows, to wit:

Being Lot Fifteen (15), Block Thirty-One (31) on the Plat of Montagues Highland Park Addition #2, as recorded in Plat Book 125, Page 54 in the Register's Office for Hamilton County, Tennessee, to which Plat reference is hereby made for a more complete description of the property.

Containing in Area, 0.558 Acres, more or less.

PERSONAL PROPERTY

All personal property used by the Company in connection with its housing facility located on the real property described above.

This Instrument Prepared By:
Phillip A. Noblett, City Attorney
100 E. 11th Street, Suite 200
Chattanooga, TN 37402

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered as of this ___ day of _____, 2023, by and between **THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE** (the “Board”), a public corporation duly created and existing under the laws of the State of Tennessee, and **CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.** (the “Company”), a Tennessee limited liability limited partnership.

WITNESSETH:

In consideration of the respective covenants and agreements hereinafter contained, the Board and the Company agree as follows:

ARTICLE I. **DEFINITIONS**

Section 1.01 Definitions. The following terms when used in this Agreement, unless the context shall clearly indicate another or different meaning or intent, shall be construed as follows:

“Act” means Chapter 333 of the Public Acts of 1969, as codified in Tennessee Code Annotated Sections 48-101-301 et seq., as heretofore amended and as hereafter amended from time to time.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Company or the Board under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

“Agreement” means this Lease Agreement as it now exists and as it may hereafter be amended.

“Board” means The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, a public corporation duly created and existing under the Act, and its successors and assigns.

“City” means the City of Chattanooga, Tennessee.

“County” means Hamilton County, Tennessee.

The terms “default” and “event of default” mean any occurrence or event specified in Section 10.01 hereof.

The term “pending” with respect to any proceedings commenced by an Act of Bankruptcy means that such proceedings have not been dismissed, or are subject to further appeal.

“PILOT Agreement” means the Agreement for Payments in Lieu of Ad Valorem Taxes entered into by and among the Board, the Company, the City and the County.

“Project” means the multi-family rental housing project located on the Property.

“Property” means the real and personal property described in **Exhibit “A”** attached hereto, together with additions thereto, replacements thereof and substitutions therefor.

ARTICLE II. **CERTIFICATIONS**

Section 2.01 Certifications by Board. The Board makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Board is a public corporation of the State of Tennessee, duly organized and existing under the provisions of the Act. The Act authorizes the Board to acquire real and personal property constituting a “Project” under the Act.

(b) The Board has found and does hereby declare that the Project constitutes “multi-family housing facilities” qualifying as a “Project” under the Act and that the acquisition of the Project and the leasing of the same to the Company will be in furtherance of the public purposes for which the Board was created.

(c) The Board has been induced to enter into this undertaking by the promise of the Company to operate a housing facility in the State of Tennessee.

(d) There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Board threatened, against or affecting the Board in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by this Agreement or which, in any way, would materially and adversely affect the validity or enforceability of this Agreement or any agreement or instrument to which the Board is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

Section 2.02 Certifications by Company. The Company makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Company is a Tennessee non-profit corporation duly formed under the laws of the State of Tennessee, is in good standing under Tennessee law, has full power and authority to enter into this Agreement and to perform all obligations contained herein and therein, and has, by proper action, been duly authorized to execute and deliver this Agreement and, when executed and delivered by the parties thereto, this Agreement will constitute the valid and binding obligation of the Company enforceable in accordance with its terms.

(b) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein by the Company, nor the fulfillment of or compliance with the terms and conditions of this Agreement, does or will conflict with or result in a breach of the terms, conditions or provisions of any restriction or internal governing document of the Company or any agreement or instrument to which the Company is now a party or by which it is bound, or any existing law, rule, regulation, judgment, order or decree to which it is subject, or constitutes a default under any of the foregoing or, except as contemplated hereby, results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

(c) There are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company in any court or before any governmental authority, arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Company, or the ability of the Company to perform its obligations under this Agreement. The Company is not in default with respect to an order of any court, governmental authority, arbitration board or tribunal.

(d) No event has occurred and no condition exists with respect to the Company that would constitute an “event of default” under this Agreement, or which, with the lapse of time or with the giving of notice, or both, would become such an “event of default.”

ARTICLE III. **LEASING CLAUSES; WARRANTY OF TITLE**

Section 3.01 Lease of Property. The Board hereby leases to the Company, and the Company hereby leases from the Board, the Property, for the consideration set forth in Section 5.03 hereof and in accordance with the provisions of this Agreement.

Section 3.02 Title. The Board will obtain upon the acquisition thereof good and marketable title to the Property, free from all encumbrances except for (a) encumbrances of record as of the date of this Agreement, (b) (i) a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing and (ii) an Absolute Assignment of Leases, Rents and Income, each executed by the Company in favor of BrightBridge, Inc. to secure financing for the Project provided by BrightBridge, Inc., pursuant to an Assignment of Deed of Trust and Other Recorded Instruments, and (c) a Deed of Trust and Security Agreement executed by the Company in favor of the City of Chattanooga, Tennessee to secure credit extended in connection with HOME Funds being provided for the Project. The Board acknowledges that the security documents referenced in subsections (b) and (c) of the prior sentence will be recorded prior to the deed from the Company conveying the Property to the Board and that the Board will take title to the Property subject to such security documents. The deed to the Board will be made expressly subject to such security documents and the Board's title to the Property will be subject to all rights and remedies available to the holders of such security documents. In addition, the Board acknowledges and agrees that the PILOT Agreement and this Lease may be collaterally assigned to BrightBridge, Inc. as additional security, but that neither BrightBridge, Inc. nor its assigns shall be deemed to assume any obligations or obtain any rights of the Company under the PILOT Agreement or the Lease unless they elect to do so.

Section 3.03 Quiet Enjoyment. The Board covenants and agrees that it will warrant and defend the Company in the quiet enjoyment and peaceable possession of the Property, free from all claims of all persons whatsoever, throughout the Lease Term, so long as the Company shall perform the covenants, conditions and agreements to be performed by it hereunder, or so long as the period for remedying any default in such performance shall not have expired. If the Board shall at any time be called upon to defend the title to said property as aforesaid, it shall not be required to incur any costs or expenses in connection therewith unless indemnified to its satisfaction against all such costs and expenses.

ARTICLE IV.
ACQUISITION, CONSTRUCTION AND INSTALLATION OF PROPERTY

Section 4.01 Agreement to Acquire, Construct and Install Project. The Company agrees that:

- (a) It will cause title in and to the Property to be vested in the Board.
- (b) It will acquire, construct and install the Project in the name of and on behalf of the Board.
- (c) It will complete the acquisition, construction and equipping of the Project as promptly as practicable.

ARTICLE V.
EFFECTIVE DATE; DURATION OF LEASE TERM; CONSIDERATION

Section 5.01 Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created hereunder shall then begin, and, subject to the other provisions of this Agreement, shall expire at midnight, December 31, 2031.

Section 5.02 Delivery and Acceptance of Possession. The Board agrees to deliver to the Company sole and exclusive possession of the Project, and the Company agrees to accept possession of the Project upon such delivery.

Section 5.03 Consideration for Lease. In consideration of the lease granted hereunder the Company agrees to:

- (a) Acquire, construct and install the Project as described in Section 4.01 hereof;
- (b) Operate the Project as a multi-family housing facility for its own benefit and for the benefit of the citizens of the County and the City; and
- (c) Make the payments required of it under the PILOT Agreement.

ARTICLE VI.
MAINTENANCE: MODIFICATION: TAXES AND INSURANCE

Section 6.01 Maintenance and Modification of Property by Company. The Company agrees that throughout the term of this Agreement it will, at its own expense, keep the Property (i) in as reasonably safe condition as its operations shall permit, and (ii) in good repair and in good operating condition, normal wear and tear and obsolescence excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 6.02 Removal of Personal Property Included in Project. The Board shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary personal property constituting a part of the Project. In any instance where the Company in its sole discretion determines that any items of such personal property have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may remove such items of personal property and (on behalf of the Board) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Board therefor.

Section 6.03 Taxes, Other Governmental Charges and Utility Charges. The Board and the Company acknowledge that under present law the Project will be exempt from taxation in the State of Tennessee. The Company will pay, as the same become lawfully due and payable, (i) all taxes and governmental charges of any kind whatsoever upon or with respect to the Project and (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project.

The Company may, at its own expense and in its own name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom. The Board will cooperate fully with the Company in any such contest.

Section 6.04 Maintenance of Insurance. Throughout the term of this Agreement, the Company shall keep the Property continuously insured against such risks as are customarily insured against with respect to property similar to the Property by businesses of like size and type (other than business interruption insurance), paying as the same become due all premiums in respect thereto.

Section 6.05 Indemnification of Board. The Company shall and hereby agrees to indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Property during the term of this Agreement, and against and from all claims arising during the term of this Agreement, from:

- (a) any condition of the Property caused by the Company;
- (b) any breach or default on the part of the Company in the performance of any its obligations under this Agreement; and

(c) any act of negligence of the Company or of any agents, contractors, servants, employees or licensees of the Company or of any assignee or sublessee of the Company.

The Company shall indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all costs and expenses incurred in or in connection with any action or proceeding brought thereon, and, upon notice from the Board, the Company shall defend the Board and any such officer, director, agent, servant or employee or any of them in any such action or proceeding.

Section 6.06 Board Expenses. In addition to other payments required to be made by the Company hereunder, the Company shall pay any reasonable expenses not specifically mentioned herein which are incurred by the Board in connection with the Property or this Agreement.

Section 6.07 Depreciation and Investment Credit. The Board covenants and agrees that depreciation expenses and investment tax credit, if any, with respect to the Project shall be made available to the Company, and the Board will fully cooperate with the Company in any effort by the Company to avail itself of any such depreciation expenses or investment tax credit, but the Board shall have no responsibility or liability for failure of the Company to receive any such expenses or credits.

ARTICLE VII.

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01 Damage and Destruction. If during the term hereof the Property is damaged by fire or other casualty, the Board shall cause the proceeds received by it from insurance to be paid to the Company for application in one or both of the following ways, as shall be determined by the Company:

- (a) Repair, rebuilding or restoration of the property damaged.
- (b) Reimbursement to the Company for loss in value of its interest in the Property.

Section 7.02 Condemnation of Property. If title in and to, or the temporary use of, the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Board shall cause the proceeds received by it from any award made in such eminent domain proceeding to be paid to the Company for application in one or more of the following ways, as shall be determined by the Company:

- (a) Restoration of the Property to substantially the same condition as existed prior to the exercise of said power of eminent domain.
- (b) Acquisition, by construction or otherwise, of other property having substantially the same use and utility as the property taken in such proceedings (which property will be deemed a part of the Property available for use by the Company under this Agreement).

(c) Reimbursement to the Company for loss in value of its interest in the Property.

The Board shall cooperate fully with the Company in the handling and conduct of any prospective or pending eminent domain proceeding with respect to the Property or any part thereof and shall, to the extent it may lawfully do so, permit the Company to litigate in any such proceeding in the name and on behalf of the Board. In no event will the Board voluntarily settle, or consent to the settlement of, any prospective or pending eminent domain proceeding with respect to the Property or any part thereof without the written consent of the Company.

ARTICLE VIII.
SPECIAL COVENANTS

Section 8.01 No Warranty of Condition or Suitability by Board. The Board makes no warranty, either express or implied, as to the condition of the Property or that it will be suitable for the purposes or needs of the Company. The Company releases the Board from, agrees that the Board shall not be liable for, and agrees to hold the Board and its officers, directors, agents, servants and employees harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Property or the use thereof. The members of the Board of Directors of the Board shall incur no liability either individually or collectively by reason of the obligations undertaken by the Board hereunder.

Section 8.02 Identification of Personal Property Included in Project. The Company will at all times maintain in its permanent records a complete list of the personal property constituting a part of the Project, which will specifically identify each item of such personal property as being property of the Board.

ARTICLE IX.
ASSIGNMENT, SUBLEASING, DEVELOPMENT AND SELLING

Section 9.01 Assignment. This Agreement may be only assigned, as a whole or in part, by the Company without the prior written consent of the Board if:

(a) The Company is permitted to assign the PILOT Agreement in accordance with its terms as set forth in Paragraph 15 of the PILOT Agreement;

(b) The assignee shall assume all obligations of the Company hereunder to the extent of the interest assigned and shall provide documentation and information to the Board, as required under Paragraph 15 of the PILOT Agreement; and

(c) The Company and/or assignee shall, within thirty (30) days after the execution and delivery thereof, furnish or cause to be furnished to the Board a true and complete copy of each such assignment and assumption of obligation, as the case may be.

Upon satisfaction of the requirements of this Section, the assignment shall relieve the Company from further liability for any of its obligations hereunder as of the effective date of the assignment.

Section 9.02 Subleasing. The Company may sublease all or a portion of the Property without the prior written consent of the Board; provided that any such sublease shall not relieve the Company from its obligations under this Agreement or the PILOT Agreement, and such obligations shall remain in full force and effect.

Section 9.03 Financing Approvals and Consents. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in consummating any financing related to the Project, the Property or other improvements on the Property. Without limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, enter into or consent to such documents as are necessary to consummate such financing including, without limitation, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.04 Cooperation. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in connection with development approvals and requirements and related activities for the Project and the development of the Property. Without limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, execute zoning, rezoning and variance applications and any subdivision plats, easements or other documents as may be required or useful in connection with the Project or the development of the Property, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.05 Restrictions on Sale of Property by Board. The Board agrees that, except for transactions effected in accordance with Section 11.03 hereof and except as requested by the Company, it will not sell, assign, mortgage, transfer or convey the Property during the Lease Term or create or suffer to be created any debt, lien or charge on the rents, revenues or receipts arising out of or in connection with its ownership of the Property, and it will not take any other action which may reasonably be construed as tending to cause or induce the levy or assessment of ad valorem taxes; provided, that if the laws of the State of Tennessee at the time shall permit, nothing contained in this Section shall prevent the consolidation of the Board with, or merger into, or transfer of the Property as an entirety to, any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning, leasing and selling of the Property; provided that such consolidation, merger or transfer shall be authorized by the governing body of the State of Tennessee.

ARTICLE X.

EVENTS OF DEFAULT AND REMEDIES

Section 10.01 Events of Default Defined. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Board or the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to one party by the other, unless the one giving notice shall agree in writing to an extension of such time prior to its expiration. If a failure under this Section 10.01(a) is such that it can be corrected but not within the applicable period, it shall not constitute an event of default if appropriate corrective action is instituted within the applicable period and diligently pursued until the default is corrected.

(b) A voluntary Act of Bankruptcy or an Act of Bankruptcy which, if resulting from the filing or commencement of involuntary proceedings against the Company or the Board, is not dismissed or discharged within sixty (60) days of the filing or commencement thereof.

The foregoing provisions of subsection (a) of this Section are subject to the following limitations: if by reasons of force majeure, the Board or the Company is unable in whole or in part to carry out the agreements on its part herein referred to, the failure to perform such agreements due to such inability shall not constitute an event of default nor shall it become an event of default upon appropriate notification or the passage of this stated period of time. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; act of public enemies; orders of any kind of the government of the United States of America or of the State of Tennessee or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires, hurricanes, tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Board or the Company. The Board and the Company agree, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board or the Company, as the case may be and the Board and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Board or the Company, unfavorable to it.

Section 10.02 Remedies on Default. Whenever any event of default referred to in Section 10.01 hereof shall have occurred and be subsisting, the Board or the Company, as the case may be, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant under this Agreement including, without limitation, termination of this Agreement.

ARTICLE XI.

OPTIONS IN FAVOR OF COMPANY

Section 11.01 Options to Terminate. The Company shall have the following options to cancel or terminate the term of this Agreement:

(a) At any time, the Company may terminate the Lease Term by giving written notice to the Board of such termination.

(b) At any time, the Company may terminate this Agreement as to a part of the Property by giving written notice to the Board of such termination, and such termination shall forthwith become effective as to that part of the Property.

Section 11.02 Option to Purchase Property. Upon termination or expiration of the Lease Term or termination of this Agreement as to a part of the Property, the Company shall have, and is hereby granted, the option to purchase the Property or that part of the Property as to which the Agreement has been terminated, as the case may be, for the purchase price, in each case, of One Dollar (\$1.00). This option may be exercised whether or not the Company is in default hereunder.

Section 11.03 Conveyance on Exercise of Option. Upon exercise of the option granted above, the Board will, upon receipt of the purchase price, deliver to the Company documents conveying to the Company title to the Property or part of the Property, as the case shall be, by appropriate deeds and bills of sale, subject only to:

(a) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Board;

(b) those liens and encumbrances created by or with the consent of the Company; and

(c) those liens and encumbrances resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Agreement.

ARTICLE XII. **MISCELLANEOUS**

Section 12.01 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class United States mail, postage prepaid, or sent by telegram addressed as follows:

Board:	The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee c/o Phillip A. Noblett, Deputy City Attorney Suite 200, 100 E. 11 th Street Chattanooga, TN 37402
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Company:	Chattanooga Neighborhood Enterprise, Inc. c/o Ms. Martina Guilfoil 1500 Chestnut Street, Suite 102 Chattanooga, TN 37408
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Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent.

Section 12.02 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Company, the Board, and their respective successors and assigns.

Section 12.03 Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.04 Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.05 Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope, extent or intent of any provision or Section hereof.

Section 12.06 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Tennessee.

[Signature Page Follows]

IN WITNESS WHEREOF, the Board and the Company have caused this Agreement to be duly executed in their respective corporate names, all as of the date first above written.

ATTEST:

By: _____
Secretary

THE HEALTH, EDUCATIONAL AND
HOUSING FACILITY BOARD OF THE CITY
OF CHATTANOOGA, TENNESSEE

By: _____
Chairman

CHATTANOOGA NEIGHBORHOOD
ENTERPRISE, INC.

By: _____

Title: _____

STATE OF TENNESSEE
COUNTY OF HAMILTON

Personally appeared before me, _____, Notary Public, _____ and _____, with whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purposes therein contained, and who further acknowledged that they are the Chairman and Secretary of the Maker, THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, and are authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2023.

Notary Public
My Commission Expires: _____

STATE OF TENNESSEE
COUNTY OF SHELBY

Personally appeared before me, _____, Notary Public, _____, with whom I am personally acquainted, and who acknowledged that (s)he executed the within instrument for the purposes therein contained, and who further acknowledged that (s)he is the _____ of the Maker, CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC., a Tennessee non-profit corporation, and is authorized by the Maker to execute this instrument on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2023.

Notary Public
My Commission Expires: _____

EXHIBIT "A"
TO LEASE

REAL PROPERTY

All that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, described as follows, to wit:

Being Lot Fifteen (15), Block Thirty-One (31) on the Plat of Montagues Highland Park Addition #2, as recorded in Plat Book 125, Page 54 in the Register's Office for Hamilton County, Tennessee, to which Plat reference is hereby made for a more complete description of the property.

Containing in Area, 0.558 Acres, more or less.

PERSONAL PROPERTY

All personal property used by the Company in connection with its housing facility located on the real property described above.

AMENDED BY-LAWS
OF THE
HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD
OF THE CITY OF CHATTANOOGA, TENNESSEE

A corporation organized and existing under the
laws of the State of Tennessee.

Article I - Offices

The principal office of the corporation in the State of Tennessee shall be located at 100 East 11th Street, Suite 200, Chattanooga, Hamilton County, Tennessee 37402. The corporation may have such other offices in the City of Chattanooga, Tennessee, as the Board of Directors may designate or as the business of the corporation may require from time to time.

Article II - Board Meetings

Section 1. Annual Meeting. The Board shall hold annual meetings at its principal office or at such other offices in the City of Chattanooga, Hamilton County, Tennessee, as the Board of Directors may designate, on the fourth Wednesday of May at the hour of 12:00 p.m. if not a legal holiday, but if a legal holiday, then on the business day next following.

Section 2. Special Meetings. Special meetings of the Board may be held at any time, and the place and hour shall be fixed in the notice. Such meetings may be called by the Chair or at the written request of any three (3) members of the Board. The meetings may be held for any purpose or purposes, unless otherwise prescribed by statute. Calls for or notices of special meetings shall specify the object of such meeting, and only objects so specified shall be considered.

Section 3. Place of Meeting. The Board may designate any place within Chattanooga, Tennessee, as a place of meeting for any annual meeting or for any special meeting called by the Board. If no designation is made, the place of meeting shall be the registered office of the corporation, designated in Article I herein

Section 4. Notice of Meeting. Written or printed notice stating the place, date, and hour of the meeting, and in case of a special meeting the purpose or purposes for which the meeting is called, shall be delivered not less than seven (7) days nor more than thirty (30) days before the meeting, either personally or by mail, by or at the direction of the Chair or the Secretary, or the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Board member at his or her address, with postage thereon prepaid.

Section 5. Voting. Only members of the Board shall be entitled to vote at the regular and special meetings of the Board. At all meetings, each Board member shall be entitled to one (1) vote.

Section 6. Quorum. A majority of the members of the Board shall be necessary for quorum. When a quorum is present, a majority of those present in person shall decide any question before the meeting.

Section 7. Proxies. The Chair shall specifically direct in connection with each meeting whether proxies will be accepted for the purpose of a quorum and of voting upon matters to come before the Board, and his or her direction shall be controlling. Notice of each meeting shall specify whether or not proxies will be acceptable.

Section 8. Meetings Public. All meetings of the Board shall be open to the public as provided by Tennessee Code Annotated, Section 8-44-101 et. seq.

Section 9. Proceedings in Board Meetings:

1. The Board Members, except the Chair, shall address the Chair from his/her appropriate seat, and no Board Member shall be recognized by the Chair unless he/she be in his/her proper place. Board Members shall have a regularly assigned seat in the Board Chamber.
2. Every motion, resolution, or ordinance, must be moved by a Board Member and seconded by another Board Member. The fact that any Board Member moves adoption of a resolution or motion shall not prevent the Board Member from casting a negative vote on said resolution or ordinance. Upon failure of a second, the Chair shall declare the motion failed for lack of a second and the motion shall not be considered further.
3. All motions shall be subject to debate except the following motions:
 - a) To adjourn
 - b) To Lay on the Table (except that all persons who have sought recognition shall be heard)
 - c) To Defer (except that all persons who have sought recognition shall be heard)

- d) For the Previous Question provided, however, the proponent of any measure sought to be tabled shall have the right to be heard after the motion To Table is made and before said motion is put to vote. Also, all Members of Board who have sought recognition prior to motions To Table or To Defer shall be recognized before said motion is voted upon.
4. When any question or motion is under debate in the Board, the following motions only shall be in order and may be entertained by the Chair:
- a) To Adjourn
 - b) To Lay on the Table
 - c) To Postpone to a Day Certain
 - d) To the Previous Question
 - e) To Commit
 - f) To Amend
 - g) To Postpone Indefinitely

Each of said motions shall take precedent in the order set out herein.

It shall take four (4) "yes" or four (4) "no" votes to adopt or defeat any action. Less than four (4) votes do not constitute any action at all by the Board.

5. A roll call vote shall be taken by the Chair on all resolutions involving approval of Payment in lieu of taxes Resolutions, Resolutions for the issuance of bonds or upon demand of any Member of the Board, even immediately after the vote. Any Resolution may be postponed by affirmative action of Board from week to week or to a day certain by majority vote. After the Chair has put a question, or after there has been a roll call vote of the Board, the Chair shall not entertain a motion until a decision of the Board has been declared by the Chair.
6. Any Board Member may appeal to the Board from any ruling of the Chair, and a majority vote of the Board Members present shall decide the appeal.
7. No one other than a Board Member may address the Board, except with the permission of the Chair, provided that the Chair's ruling may be appealed to Board in the same manner as any other ruling.
8. In case of any disturbance or disorderly conduct in the Board Chamber, the Chair shall have the power to order same to be cleared, or have persons removed.
9. The Board may change the order of business upon majority vote of those present.
10. In the case of public hearings which debate the passage of any Resolution or Motion, the Chair may set time limitations in advance of the hearings; provided, however, that equal time be afforded to those who support such proposals and

those who are in opposition. In the case of group opposition or group support, the Chair may limit the number of spokespersons.

11. In the case of hearings to consider Resolutions on Payments in lieu of Taxes or Resolutions involving Bond Issuances by the Board, the following procedures shall be followed:
 - a) The case shall be presented by a member of the staff of the Office of Economic and Community Development.
 - b) The applicant shall be granted a maximum of nine (9) minutes for oral presentation plus two (2) minutes for rebuttal.
 - c) Spokespersons for the opposition shall be granted equal time.
 - d) Discussion between Board Members shall not be interrupted by either the applicants or the opponents, nor by any other members of the public present in the Board Chamber. The Chair shall strictly enforce these rules.
12. Persons seeking to speak during the section reserved for Recognition of Persons Wishing to Address the Board on Non-Agenda Matters shall seek recognition at the conclusion of the regular business on the agenda, and the Chair will recognize those persons in the proper order of raising their hands. Recognition of any persons who failed to raise their hands will be discouraged, but final decision shall rest with the Chair.
13. If any question shall arise which is not provided for in these Rules, the same shall be governed by Roberts Rules of Order, which is hereby adopted, except as to matters otherwise governed by Charter, state law, or ordinance.

Section 10. Other Meetings of the Board:

1. The Board shall meet in regular meetings monthly when business is required at 12:00 noon every fourth (4th) Wednesday in the Board Chamber. The Board shall only be required to hold special meetings for items of extreme emergency which have been approved by the Chair and one other member. All costs of notifications for any special meetings shall be borne by the applicant who requires such special meeting to occur.
2. No rule(s) of the Board's Rules of Procedure may be changed without receiving an affirmative constitutional majority. A constitutional majority is defined to be a majority of the number of Members to which the Board is entitled, currently four (4).

Notice of a proposed rule of procedure change must be communicated in writing, to each Board Member at least seven (7) days prior to consideration by the Board. Said notice shall state the general nature of the proposed rule and the date on which the sponsor intends to present the proposal to the Board.

These rules may be amended at any time by a majority vote of the Board.

Section 11. Recognition of Members of the Public on Non-Agenda Matters:

The following procedural rules relative to recognizing members of the public who wish to address the Board on a matter not on the regular meeting agenda shall apply:

- 1) Each speaker wishing to address the Board shall be recognized only at the microphone provided for that purpose.
- 2) The speaker may address the Board only upon matters within the legislative and quasi-judicial authority of the Board.
- 3) Each speaker shall limit his or her remarks to three (3) minutes, unless permission for additional time is provided.
- 4) The speaker shall not be permitted to use any vulgar or obscene language.
- 5) The use of the floor by persons addressing the Board shall not be used to personally attack or personally denigrate others.
- 6) The Chair is prohibited from recognizing any person, neighborhood association or organization to speak to the City Board during the “non-agenda matters” portion of the agenda more than twice in any thirty (30) day period. Clerk will inform Chair prior to each regular meeting of the names of persons that fall in this category.
- 7) Persons, associations or organizations will be allowed to address the Board only once per day. Such a presentation can be made during the agenda session, committee meetings or regular session of City Board.

Article III - Responsibilities of the Board

Section 1. General Powers. The business and affairs of the corporation shall be managed by the members of the Board.

Section 2. Number, Tenure, and Qualifications. The number of Board members of the corporation shall be not less than seven (7) as set forth in Tennessee Code Annotated, Section 48-101-307. Board members shall serve for staggered terms of six (6) years each as appointed by the governing body of the City of Chattanooga, as provided by Tennessee Code Annotated, Section 48-101-307.

Section 3. Vacancies. Any vacancy occurring in the Board may be filled only by the governing body of the City of Chattanooga. Nominees for any vacancy on the Board shall be made in the same manner as provided by the Charter of the corporation and Tennessee Code Annotated, Section 48-101-307 for selection of the first Board. A Board member elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 4. Compensation. As provided by Tennessee Code Annotated, Section 48-101-307, all members of the Board shall serve without compensation.

Section 5. Organization of Board:

1. There shall be the following standing committees of the whole Board to be appointed annually by the Chair:
 - a) is there a need for committee, if not delete.
2. Any proposal or resolution may, upon motion, be referred by the Board to an appropriate committee for consideration and recommendation. The committee may, if it desires, hold public hearings hereon. In such hearings, all speakers shall be limited to five (5) minutes except by special permission of the Chair. Equal time shall be afforded for the proponents and opponents of any ordinance or resolution under consideration.
3. The agenda of the Board shall be prepared under the direction of Office of City Attorney, with administrative items to be submitted no later than 4:30 p.m. on THURSDAY, no later than twenty (20) days preceding the Board meeting, to the Office of the City Attorney.

Any matter which has appeared on the agenda and has been acted upon by either a majority vote for approval or rejection may be brought before the Board for reconsideration upon proper motion of a Board Member and seconding motion by another Board Member.

The only requirements for this action are:

- a) The Member making the motion for reconsideration must have voted on the prevailing side of the initial vote.
 - b) Such motion for reconsideration must be made prior to closing of the meeting in which the vote was cast.
 - c) No matter, having been duly considered and rejected at one meeting, may be placed on the agenda by either a Member of the Board or the administration for further consideration until SIX (6) MONTHS following original consideration of the matter unless a majority of the Board votes to place the matter on the agenda.
4. All proposed resolutions, motions, and other matters submitted by Board Members shall be submitted in writing to the Office of the (8) City Attorney by 4:30 p.m. on THURSDAY, no later than twenty (20) days preceding the Board meeting except that the Chair, Vice-Chair or any two (2) Board Members may waive such notice of a resolution only in cases of extreme emergencies. Only

items involving extreme emergencies may be added to the agenda by the Office of the City Attorney after the Thursday, 4:30 p.m. deadline; no later than twenty (20) days preceding the Board meeting provided, also, that if two (2) or more Members of the Board may voice their objections thereto and said items shall be added to the next regular agenda.

5. All proposals, recommendations and communications submitted by Department of Economic and Community Development shall be in the Office of the City Attorney by 4:30 p.m. THURSDAY, no later than twenty (20) days preceding the Board meeting preceding the Board meeting.
6. All other communications required by law to be presented to the Board shall be placed on the agenda.
7. The City Attorney's staff shall send to the Board Office and mail to all Board Members a copy of the agenda before 5:00 p.m. FRIDAY preceding each Board meeting. A copy of any resolutions or motions on the agenda for consideration shall be sent to the Board Chair and emailed to each member, along with the agenda.
8. The City Attorney's staff, unless otherwise instructed by the Board, shall make such agenda available to the public and to the press by e-mailing time each FRIDAY preceding each Board meeting.

Section 6. Code of Ethics:

1. Members of the Board are expected to be prompt in their attendance of official meetings. All meetings shall be conducted in an orderly manner and according to the Rules of Procedure as adopted by this Board.
2. Conduct of individual Members during meetings of the Board is expected to reflect a total sense of respect for the office held by those assembled to conduct business. Members shall be courteous to one another, to any member of the administrative staff, as well as persons who may address the Board. A Member may not speak until recognized by the Chair and shall not be recognized the second time on the same subject until all Members who wish to speak have had an opportunity to do so. Any disorderly conduct shall be noted by the Chair, and the offending Member shall forfeit the privilege of the floor for the remainder of the meeting, except for the purpose of casting his vote.

Article IV - Officers

Section 1. Officers - Number. The officers of the corporation shall be three (3): one (1) Chair, one (1) Vice Chair, and one (1) Secretary-Treasurer.

Section 2. Election and Term of Office. The officers of the corporation to be elected by the Board shall be elected annually by the Board. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his or her death or until he or she shall resign or shall have been removed in the manner hereafter provided.

Section 3. Removal. Any officer elected by the Board may be removed by the Board whenever in its judgment the best interests of the corporation would be served thereby.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the Board for the unexpired portion of that term.

Section 5. Chair. The Chair shall be the principal executive officer of the corporation and, subject to the control of the Board, shall in general supervise and control all of the business affairs of the corporation. The Chair shall decide questions of order, subject to appeal of the Board by any Member, and shall put each question. The Chair shall have a vote on all matters. He or she shall, when present, preside at all meetings of the Board. He or she may sign, with the Vice Chair or Secretary-Treasurer of the corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and the execution thereof shall be expressly delegated by the Board or by these By-Laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties as may be prescribed by the Board from time to time. The Chair shall appoint all committees, unless otherwise directed by the Board, and shall have other powers granted to him/her hereunder. The Chair shall fix the order of business for any regular or special meeting of the Board. In the event the Chair of the Board becomes incapacitated or unavailable, the Vice Chair shall serve as Chair of the Board. In the event both are unavailable, the Board may elect a chair pro tem. The Chair shall have the authorization to set forth the rules and procedures for use of the Board building meeting space at the City Council meeting rooms.

Section 6. Vice Chair. In the absence of the Chair, or in the event of his or her death or inability or refusal to act, the Vice Chair shall perform the duties of the Chair, and so acting, shall have all the powers of and be subject to all the restrictions on the Chair. The Vice Chair shall also perform such other duties as from time to time may be assigned by the Chair of the Board.

Section 7. Secretary-Treasurer. The Secretary-Treasurer shall keep the minutes of the meetings of the Board in one or more books provided for that purpose; shall see that all notices are duly given in accordance with the provisions of these By-Laws as required by law; shall be custodian of the corporate records and accounts of the corporation; shall keep a register of the address of each Board member which shall be furnished to the Secretary-Treasurer by such Board member; shall in general perform all duties incident to the office of Secretary-Treasurer and such other duties as from time to time may be assigned by the Chair or by the Board.

**Article V - Contracts, Bonds, Loans,
Mortgages, Leases, Checks, and Deposits**

Section 1. Contracts. The Board may authorize any officer or officers, agent or agents, to enter into any contract, including but not limited to mortgages and leases, or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loan shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in the name of the corporation unless authority is specifically given by a resolution of the Board. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents, of the corporation and in such manner as shall from time to time be determined by resolution of the Board.

Section 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board may select.

Article VI – Seal

This corporation shall have no seal.

Article VII - Fiscal Year

The fiscal year of the corporation shall begin on the first day of July and end on the thirtieth (30th) day of June in each year effective June 30, 2013.

Article VIII - Dividends--Excess Earnings

The Board may not pay dividends. Excess earnings, if any, shall be disposed of as provided by Tennessee Code Annotated, Section 48-101-314.

Article IX - Waiver of Notice

Whenever any notice is required to be given to any member of the Board of the corporation under the provisions of these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Article X - State Enabling Statutes Controlling

The provisions of Chapter 101, Title 48 of the Tennessee Code, relating to Health and Educational Facilities Corporations, Tennessee Code Annotated, Section 48-101-301, et seq.,

and the provisions of the Charter of Incorporation shall in all cases be controlling, and in any matter not specifically covered herein, or should any provision herein be in conflict, then the provisions of said statutes and the Charter shall control.

Article XI - Amendments

These By-Laws may be altered, amended, or repealed and any new By-Laws may be adopted by the Board after one hundred twenty (120) days' notice in writing to the governing body of the City of Chattanooga, all trustees for the holders of any bonds of the corporation then outstanding, and all purchasers and lessees of the corporation's projects, and after approval at two (2) meetings of the Board held not less than fifteen (15) days apart after the expiration of said one hundred twenty (120) day period.

2003 Bailey Avenue: PILOT Presentation

November 28, 2023



CHATTANOOGA
NEIGHBORHOOD
ENTERPRISE

A CITY FOR ALL OF US



Project Overview

- 0.558 acres of land (4 x 50-foot lots consolidated)
- Three buildings (two 10-plexes and a 12-plex)
- 32 total units (20 one-bed units and 12 two bed units)
- 25 off street parking spaces, 9 on street, 1 accessible, and 4 bike spaces (39 total)



Proposed Rents and Unit Mix

Rents & Unit Mix	BRs	Units	CHA Vchr	Rents	80% Units	Rents	HOME High	Rents	HOME Low	Rents
	1	20	4	\$ 858	11	\$ 1,195	4	\$ 858	1	\$ 685
	2	12	4	\$ 989	6	\$ 1,434	2	\$ 989	0	\$ 818
Totals:		32	8		17		6		1	

RENT RESTRICTION SUMMARY			SQUARE FOOT SUMMARY		
	#	%		#	%
CHA Vchr	8	25%	CHA Vchr	5030	26%
80% Units	17	53%	80% Units	10489	54%
HOME High	6	19%	HOME High	3516	18%
HOME Low	1	3%	HOME Low	503	3%
Total @ 80% or less	24	75%	Total @ 80% or less	19538	100%
Total Units	32	100%	Total Res Sqft	19538	100%

According to Zumper.com as of 11/13/23, average Chattanooga downtown submarket rents are \$1439 for a one bed and \$2100 for a two bed

Proposed Project Budget

USES - Development Budget		
Acquisition & Related Costs		\$ 228,000
Building, Site, Off Site		\$ 4,299,000
Soft & Financing		\$ 1,373,105
Total Development Uses		\$ 5,900,105
SOURCES - Development Financing		
Construction Loan		\$ 3,642,105
HOME Funds		\$ 630,000
Land		\$ 228,000
CNE Cash + Outside Equity Contributions		\$ 1,400,000
Total Development Sources		\$ 5,900,105



Summary

- The request is to commit at least 50% of the units to households at 80% or less Area Median Income in exchange for the PILOT.
- The projected initial *annual* cost savings of the PILOT to the project will be \$53,000.
- The only way to replace this money without the PILOT is to raise rents.
- Without the PILOT, CNE cannot build this project and hold these rent levels.

