



**HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD  
City of Chattanooga, Tennessee  
MONTHLY MEETING MINUTES**

**John P. Franklin City Council Building  
Council Assembly Room  
1000 Lindsay Street  
Chattanooga, TN 37402**

**for  
May 16, 2022  
12:30 p.m.**

Present were Board Members: Hicks Armor (Chair), Gregg T. Gentry (Vice-Chair), Richard Johnson (Secretary), Charles D. Paty, Alexa LeBoeuf, Johnika Everhart, and Andrea L. Smith.

Also present were Phillip Noblett (Counsel to the Board); Sandra Gober and Tony Sammons (Community Development); and Jake Toner (CNE).

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



**MINUTES APROVAL FOR THE APRIL 18, 2022, MEETING**

On motion of Mr. Gentry, seconded by Mr. Paty, the minutes of the April 18, 2022, meeting were unanimously approved as submitted.



**PUBLIC COMMENTS**

There was no one from the public wishing to comment.



## RESOLUTIONS

**A RESOLUTION RECOGNIZING THE PASSING OF BOARD MEMBER, DR. JOHN SCHAEERER, FOR HIS SERVICE TO THE HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD SINCE JANUARY 26, 2021. (HEB-2022-04)**

Dr. Schaerer was a long-time educator, community volunteer, and great family person, and will be missed. The Board observed a moment of silence on his behalf. May he rest in peace.



On motion of Mr. Paty, seconded by Mr. Johnson, for the resolution on the table, and then

On motion of Mr. Gentry, seconded by Ms. Everhart, Mr. Johnson, and Mr. Paty as amended,

**A RESOLUTION ALLOCATING FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) FROM THE AFFORDABLE HOUSING FUND TO CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. (CNE) AS LEVERAGE IN THE PRODUCTION OF A 24-UNIT APARTMENT BUILDING APPROVING FIVE (5) INCOME-RESTRICTED UNITS AVAILABLE TO HOUSEHOLDS WITH INCOMES THAT ARE AT, OR BELOW, SIXTY (60%) PERCENT OF THE AREA MEDIAN INCOME (AMI), AS DEFINED BY U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD), AND THAT THE CITY HAS RECOMMENDED FIVE (5) ADDITIONAL RENTAL UNITS TO BE MADE AVAILABLE TO HOUSEHOLDS WITH INCOMES THAT ARE AT, OR BELOW EIGHTY (80%) PERCENT AMI, AND CNE HAS IN GOOD FAITH AGREED TO DO SO. THE PROPERTY IS LOCATED AT 621 E. MARTIN LUTHER KING BLVD., CHATTANOOGA, TN 37403. (HEB-2022-05)**

Ms. Sandra Gober is the Manager of the City's Housing and Community Investment Division which is part of the City's Department of Economic Development. Their division has been managing the federal funds as well as city funds that are available for the preservation production of affordable housing which also includes the Chattanooga Affordable Housing Fund. Ms. Gober included a synopsis of the Affordable Housing Fund and the purpose and guidelines relative to the fund.

The synopsis outlines funding appropriations and current balance if this project is recommended for funding and anticipate the City would allocate \$1 million in the upcoming fiscal year. If this project is funded, there would be a balance of \$2.8 million. Mr. Freeman can answer any questions about upcoming funding and sustainability of this fund.

With regard to this project, it is for the production of ten affordable units out of 24 units on M.L. King. The Housing and Community Investment Staff vetted the application received. The underwriting on the project ensures that it meets all the requirements relative to the eligibility. The proposed project that they will deliver is five units at 60% or below and five units at 80% and below totaling ten units.

There are challenges under the fund for rental housing. We established the requirements for the rental units to be at 60% or below, but in light of the escalating housing costs, construction, renovation, or costs just to develop, the affordable fund project to be sustainable and to cash flow really needed to allow some of the units to be at the 80% and below. All of the projects are affordable, and Mr. Jake Toner will provide the details.

The process is that the ECD team will follow the guidelines and also look at the feasibility of the level of funding that the entity is requesting. Based upon ECD's analysis in scoring, the City staff is recommending that the project funded at the \$500,000 with five units at 60% and five at 80%. The City does ensure the long-term affordability of the project. They put restrictive covenants in place, and the project will be affordable for 20 years.

Mr. Toner gave a presentation. The introductory sheet is the standard CNE overview to create economic diversity, safe neighborhoods filled with financially, powered citizens with housing for all. It is an overview of the M.L. King corridor next to the railroad crossing, on the left side and last parcel before the trussell and just to the south of the university dorms. It is about a half-acre of land, and the property will be accessed from behind. The building will have street access and parking behind which meets all form-based code requirements. A couple of variances were done. The building is fully permitted.

The building is an open-ended stairwell behind two pods somewhat facing the street, and there is an open-air stairwell behind this pod and an atrium in between the other pods. They are 24 units, all one bedroom and four studios. There is an average across all units of 500 square feet, and the studios are low 400s.

They did have a couple of zoning variances and got those a long time ago before. They have a permit and financing in hand. This is the last step before everything is signed. They need to finalize the 20-year restriction and needs to be reviewed by CNE. Everything is negotiated. With regard to parking, you never know what the tenant mix is. They always try to get one parking space per unit and normally end up less than that. Mr. Toner does not foresee this being a problem. Street parking is available there. There are no two bed units here. This will be the least problematic of any development in terms of parking strengths. The rents are based upon a HUD AMI. The rents are calculated based upon the AMI for one, two, or three people.

Ms. LeBoeuf stated that Ms. Gober mentioned the percentage of units that were desired to be kept affordable changed. The proposal stated 11 units at less than 60% AMI and 13 units. That was the original proposal. Administratively that is difficult because the cap on one project is half

a million dollars. The five and five is not adjusted and has been adjusted to meet -- the two to meet the half a million-dollar max cap per building. They are five and five restricted. Only 10 will be restricted. The balance will hold at 80% rent. They just will not be restricted for 20 years. They always strive to include those into the construction program but cannot guarantee that one way or another. They hire a general contractor based upon several criteria. The general contractor is RLP Construction. The contract is not signed yet.

Mr. Armor asked what the total cost of this project is. The scoring sheet shows a \$3 million development cost. It would equate to about 16% of the total investment. Mr. Armor asked of the \$3 million, the \$500,000, is coming out of that.

The Affordable Housing Fund is a forgivable loan. If the entity does not adhere to the requirements, they have to pay the money back to the City. At the end of 20 years, it is forgiven if the same compliance is followed in managing the federal programs which every two to three years, they do an inspection. Every year they ask for the income and occupancy status on the project. Same process as the PILOT. They go out and pull the rent rolls for compliance and report it to the board. This is a forgivable loan in 20 years if maintain five units at the 60% and five units at 80%. The Certificate of Occupancy triggers the forgivable loan.

Mr. Paty has an observation. In the application, the summary stated that the project calls for \$3.361 million. They were asking initially for \$1.1 from us but that apparently is now \$500,000. Where is the additional money coming from for the project? They are about \$500,000 short. Mr. Toner stated CNE cash foundations.

Mr. Noblett stated the current resolution says the applicant seeking funds for rental projects must develop a rehab of the projects of affordable dependents with household incomes at or below 60% of the AMI. In this case, we have half of them at 60% and half at 80%. The recommendation is because the economy has changed on housing, needs to be reviewed, and provided to this Board as a new resolution. Ms. Gober stated that they will be in the process of preparing that shortly.

Resolution No. 2021-02 was adopted and because of COVID issues were having difficulty in being able to get the 60% numbers to work all the way around. The authority under the resolution is dealing with 60% for rental units and 80% for owner occupied. All of these would be rental units.

Mr. Paty asked if the Board could amend it verbally and have it included in the final draft of the resolution, so they do not have to delay this for them. Mr. Noblett stated the resolution is saying \$500,000 would be appropriate to be utilized. You can say at the 60% and 80%. You need to change the resolution authority at some point in time. They are trying to get ahead on the front end with the recognition that it would be changed at the next meeting.

Ms. Everhart stated that the Board's approval would be based upon contingency. Ms. LeBoeuf asked changed to what? Mr. Noblett stated five at 60% and five at 80%. Ms. Everhart would like the current AMI. Ms. Everhart is always concerned about pushing people out because they cannot afford. That is always going to be her concern. Ms. Everhart would like to see what the numbers look like to make sure it is affordable. We are in a pandemic and there are people who live in poverty, and she wants them to have access to equal and affordable housing as well.

Mr. Armor wants to keep the AMI handy. Ms. Gober stated the tool that they use to ensure that the units remain affordable starts out at the affordable level based upon the AMI, and the only increase is the slight 3% or 2% increase each year so that it goes over the 20-year period maintain the affordability.

Mr. Johnson stated he is hearing a lot about pricing and labor shortages really impacting the final price of this. Do they have a contingency or set contracts that the prices quoted will be honored? Mr. Toner stated they have a fixed price contract. They have not executed that yet. In the budget he also carries contingency money. In this budget, there is approximately 7% contingency money which is about \$200,000 about 7%. On new construction to date, usually his contingency is in his soft costs where he misses something or has an extra survey rather than the contractor running off. They are on construction on five other projects, and everyone seems to be holding their numbers. The major jump in cost was when they started planning for this project several years ago. Then COVID hit and all the supply chain issues hit, and then all labor issues hit, the major jump in cost happened between his original budgets and when the contractor numbers came in. CNE had to go back to the foundations to fill the gap. Hopefully there will not be a big run up in labor, materials, and costs. There are some supply chain issues but most of the big issues seem to have been ironed out. Lumber stabilized and problem with appliances. They are working with the suppliers and contractors.

Mr. Paty asked if First Volunteer has extended their commitment at 4%? Mr. Toner stated yes. Before they came to this meeting, he sat down and e-mailed the preliminary dates before he put them in public domain and talked to both the contractor and the bank. He is spinning plates until this is in order. These dates are aggressive, and he thinks we can hit them. If they do not, they will not be far behind.

Ms. LeBoeuf is excited to see a development like this seeing how many people are facing eviction and how much need we have in our urban core for affordable houses. Mr. Armor stated it is continued support for updating M.L. King.

Mr. Gentry wanted to know how to handle the conflict. Mr. Noblett stated he thinks you would need to amend the resolution with the understanding that Resolution No. 2021-02 will be amended at the next meeting. This resolution provides for five units at 60% and five at 80%. The prior resolution only provided for units under 60%. This resolution can be amended with the understanding it will be done at the next meeting based upon the recommendation. Mr. Armor asked if we were passing this one with the understanding that we are going to amend it at the next meeting. It is basically a contingent approval. If it is not done at the next meeting, then it would be null and void.

Mr. Toner does not understand the process. Mr. Armor stated this one has five units at 60% and five units at 80%. Our previous resolution requires the Board to only approve at 60%. The Board can approve this resolution but are approving it contingent that at the next meeting they are going to go back and revise it to ten at 60%.

Mr. Noblett stated that at this time the Board can bring up that Resolution No. 2021-02 should be amended to allow for units at 80% of the AMI. Mr. Armor asked if the Board could amend the one in front of the Board and let it be ten at 60% versus five at 80% and five at 60%.



Ms. Gober stated because they need five at 80% and five at 60%. Mr. Armor asked how in thirty days. Mr. Noblett stated they would want the Board to change it to 80% instead of 60%.

Mr. Noblett stated the guidelines currently, just the rental projects, they have to develop rehab projects that are affordable to tenants at or below 60% of the AMI. That is the current requirement. If you amend that to 80%, then that would qualify. Mr. Noblett thinks that is what they are asking the Board to do at the next meeting. Mr. Armor stated that is different.

Mr. Gentry stated this project does not financially work. If you do not do the five and five. It will not work ten at 60%, which is correct. Mr. Armor stated that is a different situation.

Mr. Noblett stated the size of the project is one thing if it is over \$40,000, they can qualify for the 20-year time period. In this case, that is the issue as to getting the length of time out for 20 years, but these are all residential rental units as opposed to purchasing units. If you have purchasing units, you can get up to 80% of the AMI on that end but that is all that is in the current resolution.

Mr. Armor requested a committee on the whole and have discussion on the 60% and 80% and come back to this motion. Mr. Noblett stated that would probably be a good thing to do.

Mr. Armor stated the Board can go into a committee session and discuss whether the Board wants to raise the AMI from 60% to 80% and then depending on whether the Board decides to change that, the Board can come back into this meeting and this motion to approve or deny the motion. The two subjects that are being talked about are the fact that right now the Board is saying all projects are supposed to be at 60% of AMI. They are wanting it to go 80% to make this one work. Mr. Armor thinks that this group has to decide if you go up to 80% and wait 30 days, and he did not realize what they were doing. The Board will decide if they want to change our own internal guidelines from 60% to 80% because it can affect the project. What Mr. Armor is proposing is to do a committee of the whole and go into a committee session to discuss that among themselves, and then depending upon what the outcome of that session is, the Board knows what they are going to do on this one project.

Mr. Johnson asked if in this committee session will the Board be discussing -- can they have this one time? Ms. Everhart said the Board can go on without her. Mr. Armor does not see how they can educate both on this resolution because you have to basically deny it.

Mr. Noblett stated that Ms. Gober can tell her reasons for why the 80% works. That would be the education the Board would need to hear. Mr. Johnson stated he thinks the Board could make exceptions for this particular project. Mr. Armor stated some may disagree. Mr. Johnson also stated based upon CNE's reputation.

The Board will give five minutes for committee of the whole.

The discussion is that this body had previously set a standard benchmark that all the units would be at 60% of the AMI to make them affordable. Mr. Noblett stated the Board adopted a resolution on January 27, 2021, and authorized the Administrator of the Department of Economic and Community Development to amend the guidelines and to allow up to \$500,000 to be utilized for rent, mortgage, and utility assistance for low to moderate income folks impacted by COVID-19. That was the reason for doing that. The target beneficiaries of that group were households

with incomes at or below 60% of AMI, and the Board is allowing requests up to the maximum of \$500,000 annually, which is occurring in this case, and it could be for for-profit or non-profit groups to be able to do that. It is for renovated small scale and large-scale apartment developments for rent that would be projects or newly constructed or renovated mixed use developments which this would comply with. The problem area of the resolution adopted is that it says applicant seeking funds for rental projects must develop rehab projects that are affordable to tenants with household incomes at or below 60% of the AMI as defined by HUD adjusted for family size. If it is a sales unit, then it could be at or below 80%. That is the requirement right now. There is no question that the provisions would allow them to have up to 20 years and could up to the \$500,000 process. Anybody that wanted to get this type of benefit had to apply to the Department of Economic and Community Development and have a review process that comes before the HEB before it can be administered. Right now, the only problem in the resolution is that the provisions state that if it is a rental unit, it has to be at or below 60%. You have to have an amendment if you think it is justified.

Mr. Armor stated that when you take it to 80% that means the rent is going to be higher. You may be disqualifying somebody who cannot afford it. He thinks the reason for the rental is because they thought that people who could buy, might could pay more than the people who could rent.

Mr. Gentry asked that in the resolution or some of the documents, does a percent of these units have to be at 60%? Mr. Noblett stated it does not. Normally, whenever the Board is dealing with a PILOT aspect, you are looking at that a little differently for a bond unit. Mr. Gentry asked if they presented this at five units at 60%, would it meet the criteria. Mr. Noblett stated yes.

Mr. Armor stated they have asked for ten units and had they only asked for five, it would have passed. The five at 60% and five at 80% minimizes the rent restrictions for ten of the units where they only asked for that on five, then the other 19 would have been at a higher rate.

Mr. Johnson wanted to make some quick points. (a) The City recommended it and becomes compliant with what the City's submissions are. (b) CNE has a great reputation and have indicated that without these five units at 80%, they would not be able to do the project. Mr. Johnson recommends that they make an exception. These projects are too far and few in between. The Board knows there are some projects that are giving a lot of push back on things. Mr. Johnson thinks this is a great example of really what the Board needs to be doing. By 2024, COVID will be even less, but if not, hopefully the economy will be better and certainly wages will increase as well.

Ms. LeBoeuf asked to formalize that can they just say keep it at 60% in their documents, except in special situations where the ECD staff recommends that there need to be exceptions of the approval of this body which will help make the exception and still give the Board the freedom moving forward to ascertain on a project-by-project basis whether that flexibility should occur or not. That was Ms. LeBoeuf's motion. Mr. Paty seconded.

Ms. LeBoeuf's proposal was to formalize what the Board is discussing, keep it at 60%, and say except in special circumstances where the ECD staff believe that this number needs to be adjusted, flexible, and upon review by this Board. Mr. Armor stated it gives this Board the time.

Ms. LeBoeuf stated it buys the Board time, keeps the 60%, and allows the Board to decide when the ECD staff recommends that they can.

Ms. Everhart stated that the only other thing which was done before was to take time because we are making a five-minute decision without realizing what the implication is and changing the whole resolution that was signed in 2021. Ms. Everhart is okay either way but maybe taking the seven days to think this through because this could set a precedent for the future and do an emergency meeting to do an approval with an update. Ms. LeBoeuf stated that she would be worried if it was a renovation project. This is completely new units that did not exist before. If there was an existing unit and there was possible displacement or changing the affordability landscape, these are units that did not exist before which makes this a special case and exception.

Mr. Johnson stated CNE came before the Board another time and pulled out. Ms. LeBoeuf stated the new building makes it safer. Mr. Armor stated the point Mr. Gentry made was the key. They could have asked for five and could have approved it. This gives more apartments at a reduced rate. Mr. Gentry asked could it be approved with five and the City has recommended another five and accepted that in good faith, the City has recommended that an organization has stepped up and have the additional five and in good faith.

Ms. LeBoeuf would want an annual report with both the 80% and 60%. Mr. Armor stated that if the Board changes the request to five units it gives them more money and keeps us pure on the 60%. Good faith is a language you can use. Mr. Armor stated you can change the resolution to the number of five versus changing the resolution that says 60%. Mr. Armor has concerns on changing the resolution because it sets a precedent. The 60% on rental is imperative in support of what she is saying, keep rental units cost effective and affordable. That way people know what it is. If we start changing it, they are going to do 80% because it is easier to do.

Ms. LeBoeuf believes that is completely fair as long as the annual report feeds into the forgivable loan still has the full unit income. Mr. Armor stated it does do that. They have to follow the guidelines for that unit.

The Board is now back into the meeting.

After further discussion, Mr. Gentry made a motion that the resolution be amended and approve five units at 60% at AMI which is approximately 20% of the units, we do not have a percent requirement, and the City has recommended an additional five units at 80%, the organization in good faith has said yes, they will also make that commitment, and recommending five at 60% with the good faith from the organization doing additional five at 80%, Mr. Armor stated that five at 80% are not required of the developer, it is recommended, seconded by Ms. Everhart, Mr. Armor said he thinks we can do it, and seconded again by Mr. Johnson.

Mr. Noblett then stated the caption now reads "A resolution allocating \$500,000 from the Affordable Housing Fund to Chattanooga Neighborhood Enterprise, Inc. (CNE) as leverage in the production of the 24-unit apartment building that will approve five (5) income restricted units available to households with incomes that are at or below 60% as defined by the Department of Housing and Urban Development and that the City has recommended five (5) to be made available to households with incomes that are at or below 80%. The property is located at 621 M.L. King Blvd." Mr. Noblett stated the City is recommending not approving. Mr. Gentry asked if we could



put the City recommended and CNE in good faith has agreed. Mr. Paty seconded the motion. There is a motion and a second to amend the resolution, and the Board will vote on the amendment, and then the resolution. The amendment changes it to five. The amendment to the resolution was unanimously approved. The original resolution reads five with good faith. The resolution was hereby adopted.

**ADOPTED-May 16, 2022**

**OTHER BUSINESS**

Ms. Gober stated that at the next board meeting, there will be an update on the PILOT program. One of the recommendations is an announcement that the City is making available \$1 million in affordable housing. This Affordable Housing Program as well as other funding is going to be part of the initiative. One of the things they were coming before the Board to do is to make recommended adjustments to the requirements to make it easier so that it does say project-by-project.


There being no further business, a motion was made by Mr. Johnson to adjourn the meeting, seconded by Ms. Everhart, and the meeting adjourned at 1:30 p.m.

Respectfully submitted,



*Richard A. Johnson, Secretary*

APPROVED:



Gregg T. Gentry, Vice-Chair