



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
October 17, 2022
12:30 p.m.**

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

Also present were Kathryn McDonald (Assistant City Attorney); Sandra Gober (Community Development); and Brent Goldberg (Chief Financial Officer).

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



ELECTION OF BOARD OFFICERS

**Hicks Armor, Chair
Gregg Gentry, Vice-Chair
Richard Johnson, Secretary**

After further discussion, a motion was made by Mr. Johnson, seconded by Ms. Smith, that all officers be re-elected to keep in continuity, and the motion carried. A reminder will be made next year for any new officers who would like to rotate.



MINUTES APPROVAL FOR THE JUNE 27, 2022, MEETING

On motion of Mr. Gentry, seconded by Ms. LeBoeuf, the minutes of the June 27, 2022, meeting were unanimously approved as submitted.



PUBLIC COMMENTS

There was no one from the public wishing to comment.



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

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR TO EXECUTE AN AMENDMENT TO FUNDING LOAN AGREEMENT RELATING TO THE TWENTY MILLION DOLLAR (\$20,000,000.00) MULTIFAMILY MORTGAGE REVENUE NOTE FOR PATTEN TOWERS APARTMENT PROJECT SERIES 2019 WITH CITIBANK, N.A., AS FUNDING LENDER. **(HEB2022-08)**

Ms. McDonald stated this is an amendment to the Funding Loan Agreement between Citibank and the HEB. Pursuant to the terms of that certain Funding Loan Agreement dated June 1, 2019, the Governmental Lender issued its promissory note in the maximum principal amount of \$20 million. The proceeds of the Governmental Lender are used to fund a loan with the total principal amount of \$20 million for Patten Affordable Towers, LP, a Tennessee Limited Liability Partnership pursuant to that certain Borrower Loan Agreement dated of June 1, 2019, by and between the Governmental Lender and the Borrower for the purposes described therein. The Funding Lender is now holder of the Governmental Lender Note and is funding the Lender under the original Funding Loan Agreement. The Funding Lender and Governmental Lender have agreed to make certain changes to the original Funding Loan Agreement.

On the second page, it states an amendment to Article 1, Section 1.1 the definition of approved Transferee in its entirety and replacing it with the following:

“Approved Transferee” means (1) a “qualified institutional buyer” (“QIB”) as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the “Securities Act”), that is (2) a financial institution or commercial bank having the capital and surplus of \$5 billion or more, an affiliate of the Funding Lender, (3) a trust or custodial agreement established by the Funding Lender or one of its affiliates or any state or local government or agency or entity which is a political subdivision of a federal, state, or local governmental entity (a “Governmental Entity”), in each case (i) the beneficial interests in which will be owned only by QIBs or “the beneficial interests in which will be rated in the “BBB” category or higher without regard to modifier or (4) the equivalent investment grade category) by at least one nationally recognized rating agency or a governmental entity.

Mr. Gentry asked if the City wants to repackage and reposition the loan so that they can have more access to invest and open their portfolio? Ms. McDonald stated it is redefining certain terms of the agreement. Mr. Armor asked is it the recommendation based on the City Attorney's Office's review that it is appropriate for the Board to approve. Ms. McDonald stated she believes so.

Ms. Gober stated that this is restructuring and refinancing and that is really typical with the projects. There is nothing out of the ordinary. Mr. Gentry asked if there is a downside. Mr. Armor gave his opinion. It would not have gotten this far if a \$20 million – the project has been done. When it is refinanced or repackaged and going by the word transferring, is that it is going to be repackaged or moved and assume that how it is being moved and to whom has been vetted by someone more familiar with the details than the Board is. That is an assumption.

Mr. Armor asked if there was a timeliness on this item. Mr. Armor's gut says we are okay. The Board reviewed the documents more closely. After further discussion, Mr. Gentry stated that he thinks everyone generally understands what needs to be done. Mr. Gentry made a motion that the Board approves what has been submitted before the Board today contingent on Mr. Armor speaking with Mr. Noblett to confirm it is as if we believe we are understanding the transaction correctly, and if Mr. Armor confirms with Mr. Noblett, then the approval stands. If it is something different than what he thinks the Board are all understanding, then it would not move forward. seconded Mr. Johnson.

After further discussion, Ms. Everhart stated that the only other thing she would want confirmed with Mr. Noblett is how it will impact the people who are getting affordable housing. It says that it will reduce costs and would like a confirmation. The Board would want the impact on the rates of the persons affected in Patten Towers from a financial standpoint. Mr. Gentry stated if it was going to increase the rates for Patten residents, then the Board would not likely approve.

ADOPTED WITH CONTINGENCY - October 17, 2022

A RESOLUTION AUTHORIZING THE APPROVAL TO
UTILIZE THE AMENDED APPLICATION GUIDELINES AS
COMPLETE FOR THE AFFORDABLE HOUSING FUND (AHF).
(HEB2022-09)

There was a motion for discussion by Ms. LeBouef, seconded by Ms. Everhart, wherein Ms. LeBouef had some questions because she really liked seeing the guidelines when it last came before the Board. There was a question of how does this all link back to the Mayor's vision under One Chattanooga and thus the affordable housing goals. Ms. LeBouef liked seeing that and the activities were related. Ms. LeBouef had some questions following that. Ms. LeBouef did not see any language on clawbacks for instance if somebody does not adhere to the years of the affordability allocated under certain conditions, assuming it is a loan grant, but was not sure what those were.

Ms. Gober stated the HUD restrictive covenant on the property is if the developer or owner does not adhere to the requirements, then the funding has to be repaid. If the purpose is to use these funds to acquire property, we also put the restrictive covenant in place. A few years ago, we utilized the affordable housing fund allocated to Habitat for them to purchase 15 vacant lots and at closing they placed a restrictive covenant on the properties to ensure that when they were ready to construct on the property that the house was constructed and sold to a low-income family. That is part of the operational part of the program is the requirement and the manner in which we ensure that the entity does adhere to what they are required to do.

Ms. LeBouef asked what determines the affordability terms per amount? We were not restricting the amount to pull from the Affordable Housing Fund and then the breakdown was up to \$15,000 to \$40,000 and above \$40,000. Those seemed pretty covenant restriction terms for very low amounts of money actually required to pull off an affordable housing project. What determines those amounts with those years? Is that a bigger institution than this Board determining that?

Ms. Gober stated it is following the HOME Program, the federally funded HOME grant. Much of this is built upon the federal requirements. It is not as restrictive as federal guidelines for restrictions but a good bit we sort of follow some of the guidelines used in the Affordable Housing Fund assisted with federal dollars.

Mr. Armor stated that he is trying to piggyback on her question. When looking at the targeted households, it is between 80% and 120% of the AMI. Ms. Gober stated that was one of the major changes under the previous guidelines for rental property the household income was 60% and one of the changes was to raise that to 80%. For homeownership it was 80% and new guidelines raised it to 120%. Ms. Gober stated it broadens the number of families that can be assisted. The median income that we use as guidelines for the City of Chattanooga – the challenge is that it is the area median income and does include the SMA and also included would be our affluent Lookout Mountain and some of the other counties and being able to increase that up to 80% does assist workforce families to be able to be assisted under the program.

Mr. Armor stated because of the income of certain areas affecting it by going to 80% makes it broader. Ms. Gober stated yes.

Ms. LeBouef asked how is the rubric in the e-bound scoring intended to be brought to the Board? There was a sketched-out rubric, but the rubric did not align with the criteria that had been put in the overview.

Ms. Gober stated she did not know how we wanted to get into this which is why she did the guidelines and the outlines. The guidelines, based on that, is how we will score and evaluate the project. That scoring and rubric will change or could change based on adjustments to the program if we are reviewing a project. It looks like maybe we need to go back and score certain items higher or lower. Ms. Gober did not know if we needed to put that much detail into this overall project information. We have scoring mechanisms and criteria for everything we do and do go back occasionally and make sure we are scoring on the proper points.

Ms. LeBouef stated that would be helpful for the Board if looking at the use of funds which now are not limited and can be significant for such a desperate and high need in our community, and how are we able to distinguish what is going to have the highest impact, greatest alignment with the Mayor's vision. Having a rubric that the Board can access is clearly broken down so we are responsible to that larger question would be super helpful. Those criteria developed are so accurate and perfectly needed, and this would help this body to see that. Mr. Armor thinks it is essential to know what the goals are and how they achieve it, would give the Board a great comfort factor.

Ms. Everhart stated that when the Board last looked at how they do affordable housing and had to have a certain number that were under affordable housing for five years and there were percentages. Ms. Everhart needs clarification. Is this the same thing the Board is looking at now? Mr. Armor thinks that his define of rubric to cast the net wider, the Board is struggling with what it was, what it is, and how – if you tell me we are going from two to four. Ms. Everhart stated the Board needs similarities and differences.

Mr. Armor questioned whether this item come at another time, the Board needs to understand – the Board is struggling with what the current guidelines are, what they are going to which pertains to the measurement. The Board is very committed to low or moderate housing, the financing of it, and the Board is struggling with their responsibility to do that without understanding exactly what they are trying to tell us. Mr. Armor feels a lot more comfortable if the Board knew what the changes were and how they are applicable. There is nothing wrong with changes to the measurement, but the Board needs to understand as the body approving it, what it is, and now what they are going to, and what the objectives are by what they are trying to achieve.

The Board would like an explanation of exactly what they are talking about. What changes they are making, what is the objective of those changes, and how is it going to benefit the people in the program or the organizations that are going to be providing the housing structures. Ms. LeBouef wants to understand if the Board gets brought something, and Organization A gets a 70, and Organization B gets a 50, what does that mean? How does that actually inform who is being served, how this was being assessed. Ms. LeBoeuf needs to know when they get a score, what that is being assessed against and how it is serving this One Chattanooga Vision, their objectives in providing affordable housing, is it a 70 because 20 units were provided, or is it a 70 because it met 30% AMI?

Mr. Armor stated they used to have a set AMI, a set number – “x” to give it. If the minimum was 60% or 80%, if we went to 100%, then it made it tougher on the developer, but it gave more affordable housing units which was the objective. Mr. Armor stated that knowing the Administration, Mr. Armor is convinced that they want to make it more accessible and affordable, but if you ask how they are doing that or what this measurement is, he cannot explain it. Speaking for Mr. Armor as one of six today, Mr. Armor would like to have a clearer idea of what it was we are going to, and why we are doing it. Mr. Armor does not think they are trying to back up. Mr. Armor is not sure if they are communicating to the Board exactly the effect of this and what the change is so the Board understands what they are doing.

Ms. Everhart stated as always, she is going to be concerned about the impacted person. It is helpful not to diminish anything. The Board just does not know. The Board would like to see it. Mr. Armor stated it is a one in ten that they are trying to diminish it, but given that, we are a public board. Mr. Armor would like to be more knowledgeable before he casts his vote, and he is only speaking for one person.

Mr. Armor stated for a procedural perspective, we have a motion and second on the floor to approve the resolution. We either need to by Robert's Rules of Order amend it or vote it down, and then instruct him to do something or make another motion. We have to deal with the motion and second on the floor to approve the resolution which would amend the guidelines or not amend it. We can amend it and vote on the amendment. We can make an amendment to delay the discussion. The Board could table it. They could table it to the next meeting provided they bring back the documentation.

Mr. Gentry recommended that we could see if it moves forward with a vote, and if it dies, it dies. Just call for a vote. The yes moves this forward, and no says, we are not moving it forward. The motion unanimously failed.

Ms. Everhart made a motion that the Board bring this item back at the next board meeting once more documentation is provided to the Board with details on how communities are impacted. Also, with details of what the changes that are being made. Mr. Armor stated if the Board could look at the proposed changes and what the effect of those changes are, we will have two pieces: (1) what are the changes to the guidelines; and (2) the effect of those changes on the populations, the rubric.

Mr. Gentry asked when this comes forth, Mr. Gentry would appreciate clarity and simplicity, a redline version of before or after the objective, and the objective would also have the explanation if 70% or 60%. Very straightforward and a lot of clarity, so they can understand. Ms. Smith seconded the motion, and the motion carried.

MOTION FAILED/REVIEW NEXT MEETING

There being no further business, the meeting adjourned at 1:10 p.m.

Respectfully submitted,



Richard A. Johnson, Secretary

APPROVED:



Gregg T. Gentry, Vice-Chair