

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

Monday, February 20, 2023 @ 12:30 PM

1. Call to Order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Approval of the Minutes for the January 23, 2023, meeting.
4. Recognition of Persons Wishing to Address the Board and Procedures.
5. TEFRA HEARING:

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE RELATING TO THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS FOR AN AMOUNT NOT EXCEEDING TWENTY MILLION DOLLARS (\$20,000,000.00) TO PROVIDE FINANCING TO DGA SHALLOWFORD LP FOR THE ACQUISITION, CONSTRUCTION, AND EQUIPPING OF AN APPROXIMATELY 96-UNIT HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 6402 SHALLOWFORD ROAD, CHATTANOOGA, TENNESSEE. **(HEB2023-03)**

6. TEFRA HEARING:

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE RELATING TO THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS FOR AN AMOUNT NOT EXCEEDING TWELVE MILLION DOLLARS (\$12,000,000.00) TO PROVIDE FINANCING TO ESPERO CHATTANOOGA, LP FOR THE ACQUISITION, CONSTRUCTION, AND EQUIPPING OF AN APPROXIMATELY 60-UNIT HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 1815 E. MAIN STREET, CHATTANOOGA, TENNESSEE. **(HEB2023-04)**

7. Adjournment.



HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD
City of Chattanooga, Tennessee
MONTHLY MEETING MINUTES
John P. Franklin City Council Building
J.B. Collins Conference Room
1000 Lindsay Street
Chattanooga, TN 37402
for
January 23, 2023
12:35 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 Phillip A. Noblett (Counsel to the Board); Tony Sammons and Sandra Gober (Community Development); Russ Miller (Bass Berry & Sims); Hayden Oakley (Truist); and Jermaine Freeman (Economic Development).

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 DECEMBER 12, 2022, MEETING

On motion of Mr. Gentry, seconded by Ms. Everhart, the minutes of the December 12, 2022, meeting were unanimously approved as submitted.



PUBLIC COMMENTS

There was no one from the public wishing to comment.



On motion of Mr. Johnson, seconded by Ms. Smith,

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE AUTHORIZING AMENDMENT TO ITS REVENUE REFUNDING BONDS (THE BAYLOR SCHOOL PROJECT) SERIES 2017A AND RELATED DOCUMENTS TO PROVIDE FOR THE SUBSTITUTION OF THE LONDON INTER-BANK OFFERED RATE (LIBOR) WITH THE SECURED OVERNIGHT FINANCING RATE (SOFR).
(HEB2023-01)

Mr. Noblett stated this is the same request for both of these issues. Mr. Russ Miller explained the difference between LIBOR and SOFR which is the new requirement for the banking industry.

Mr. Miller was bond counsel on both of these deals. Truist is the holder of both of these bonds. There is no other public debt or bank involved. These bonds are both variable rate and bear interest as most variable rate bonds do based on index. The index is LIBOR. The entity that publishes the LIBOR rate daily or monthly whichever rate you are in announced a little while back that they are going to stop publishing that rate as of June of this year. This just does not relate to bonds. It relates to loans widely. This is the most commonly used index by banks.

The banks and borrowers are scrambling to figure out what our view index is going to be once this LIBOR stops being published. The federal reserves formed a committee to help banks figure out what best new index would be. The IRS has published regulations specifically on tax exempt bonds but on all debt also as to how these indexes shall be substituted once we substitute them. The bottom line is that most of the banking industry has circled around SOFR (Secured Overnight Financing Rate) as the replacement for LIBOR. All that we are doing here with these two bond deals, one is for Baylor and one is for Southern Adventist, both of which are LIBOR based loans. They currently bear interest at a percentage of LIBOR. LIBOR is a taxable rate which is 79% of LIBOR or 80% of LIBOR which is something like that which gets it to a tax exempt equal index and both of them are plus or credit spread which is based on the term of the loan and the borrower's credit.

What we are doing is substituting out the LIBOR with SOFR, and the bank will adjust the credit spread and/or the tax exempt factor to get both of these institutions with the same rate that they currently have just for the new index. That really is all they are asking. Both of these have interest rate swaps related to them and swap the variable rate bond to a fixed rate via interest rate swap. This Board is not a party to the swaps and do not have to prove anything with regard to the swaps. They will be amending those swaps at the same time to stay in line with each other.

Mr. Gentry asked if this is taking place across the nation? Mr. Miller stated yes, widely across the nation tax exempt bonds and taxable facilities. Mr. Miller has been at several boards explaining the same thing because most deals that have variable rates they bear based on LIBOR. There are not as many as LIBOR deals now as there were five years ago because rates have been so low that people have refinanced into a fixed rate. That has saved a lot of having to do more than we would have five years ago because everything was LIBOR based.

Mr. Johnson asked if we are trying to be proactive in staying in compliance with the regulations? Mr. Armor stated we had to because LIBOR is not being used anymore and had to find a mechanism to come up with a rate. Most of these deals have some sort of fall back that does not line up very well with what either party was expecting at the beginning. This is an amendment to put everybody where the deal is supposed to be with LIBOR.

Mr. Armor stated in the past on LIBOR rate, how often, the rate changed probably daily, is so, if you had one on LIBOR, how often would that change? Mr. Miller stated these deals were both 30-day LIBOR and were based on a reset monthly and when they first started talking about SOFR, it was not a term. They did not have a 30-day SOFR term. They were daily SOFR. Since then, they are equivalent to a 30-day SOFR rate which does not lay exactly on top of LIBOR but it is within a few basis points. To the extent they are off a little bit.

Mr. Armor stated in the past when they were LIBOR, the rate they were paying could fluctuate monthly? Mr. Miller stated it could and did. LIBOR went from zero to four. The swap piece was that they had the option of switching to any point in time from a variable to fix so when the interest rates dropped down, that is why everybody took the option of a swap and did that.

Mr. Miller stated the swaps were entered into when they first did the deal and essentially fixed the rate at that time. Baylor and Southern Adventist have been paying a fixed rate based on that swap from the very beginning, and they are still paying a fixed rate. We need to adjust both the swap rate and the underlying bond rate. Mr. Armor stated if somebody went into a loan arrangement based on a LIBOR, would the loan have had a potential swap rate in it at some time or level?

There are different derivative instruments. It could be an interest rate swap where you swap fixed for variable or you could have an interest rate cap where it could not go above a certain rate floor or some sort of trigger where the rate goes to "x" then the borrower has an option to convert it to a fixed. These were essentially fixed via swap from the beginning. There really was not any trigger along the way that hit anything, they were sort of fixed in the beginning.

After further discussion, Mr. Noblett asked if there were any other alternative interest rate indexes other than LIBOR and SOFR? Mr. Miller stated yes, a rate called SIFMA which is a tax exempt rate, so you would not apply a factor to that, it would not be 80% of SIFMA it is just SIFMA. It is not nearly as widely used as SOFR. It may not be as quite as accurate based on the market because it is not as widely used. Bloomberg has its own separate index called BSBY, not nearly widely used as SOFR. SOFR is the rate that has been recommended by the ARRC which is the committee that the federal reserve appointed helps everyone figure this out. That is what has been most adopted most widely. SOFR is Truist's primary rate and 99%+ it would be very

rare that we use a rate outside of that. There is also the Prime lending rate which are used for smaller deals. Anything where LIBOR was used, you do not often see that converting back to Prime. LIBOR and SOFR are very close to each other. Prime is probably three percent higher than LIBOR. It would be much harder to get those to work.

Mr. Noblett stated these were bonds that were first issued back in 2013, how long will it continue? Mr. Miller stated the Southern Adventist bonds are 2013 and 2017A. The Baylor are 2017A. Mr. Miller does not know what the amortization schedule was on Baylor, probably 20. The City of Chattanooga's debt is probably always 20 or 30 years. Bank deals have a little more fluctuation. Some could be as short as five years if there are pledges to pay it off quickly. If they are treating it as long term debt it could be more like 20 years.

Mr. Gentry asked, if this will generate more expense for Baylor and Southern Adventist over the course until the bonds mature? Is it anticipated that this will cost them more because you are using a different index? The only hard expense is the legal cost for making the amendment. The bank does not charge anything. They are not making anything with regards to a fee or amendment. As far as whether it will cost some more, no one really knows. We will not change the SOFR until the LIBOR ends. On June 30th when that ends, it will flip, but then LIBOR will no longer be published so there will be no comparison point. That is where the ARRC committee federal reserve, we followed their guidance exactly. This is the spread difference based on their calculation of what they feel that will make both parties hold. The intent is not for one party to favor. It is truly to be a technical change because we are forced to make the change. The intent is to make it whole. Not for them to gain any advantage. All the parties involved are making sure that this guidance is very standard and no one is favoring.

Mr. Miller stated the IRS regulations that came out about tax exempt bonds say that we do not have to treat it as a new deal if we are staying within a very small parameter of approximating the same rate. If we ended up with a different rate than we originally had, we would have to treat this as a reissuance for tax purposes which we would have to do this as a refinancing and opposed to just a short amendment. As the tax lawyers, we have an incentive to make this a small spread.

Mr. Noblett stated that Truist is listed as successor to SunTrust. Initially, when the bonds were issued it was all the SunTrust Bank, but Truist is the successor in interest to them and SunTrust is no longer in business. The current holder of the debt is actually Truist. SunTrust and BB&T Bank merged legally in December 2019 to create Truist. Truist is the lender from this point forward.

The motion carried.

ADOPTED-January 23, 2023

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

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE AUTHORIZING AMENDMENT TO ITS REVENUE REFUNDING AND IMPROVEMENT BONDS (SOUTHERN ADVENTIST UNIVERSITY PROJECT) SERIES 2013 AND RELATED DOCUMENTS TO PROVIDE FOR THE SUBSTITUTION OF THE LONDON INTER-BANK OFFERED RATE (LIBOR) WITH THE SECURED OVERNIGHT FINANCING RATE (SOFR).
(HEB2023-02)

The motion carried.

ADOPTED-January 23, 2023

OTHER BUSINESS

Ms. LeBouef announced that she is resigning from the Board. Much appreciation was given to Ms. LeBouef for serving on the Board.

After further discussion and there being no further business, Mr. Johnson made a motion to adjourn the meeting, seconded by Ms. Everhart, and the meeting adjourned at 1:00 p.m.

Respectfully submitted,

Richard A. Johnson, Secretary

APPROVED:

Hicks Armor, Chair

NOTICE OF A PUBLIC MEETING AND PUBLIC HEARINGS OF THE HEALTH,
EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF
CHATTANOOGA, TENNESSEE RELATIVE TO REVENUE BOND ISSUES

NOTICE IS HEREBY GIVEN that The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the “Board”) will hold a public meeting and public hearings on February 20, 2023 at 12:30 p.m. in the JB Collins Conference Room of the City Council Building located at 1000 Lindsay Street in Chattanooga, Tennessee to consider and act upon all business which may properly come before the Board, said business to include, but not necessarily be limited to:

1. The issuance of the Board's exempt facility revenue bonds in the total principal amount not to exceed \$20,000,000 (the “Shallowford Bonds”), the proceeds of which, if issued, would be loaned to DGA Shallowford LP for the purposes of financing the acquisition and construction of an approximately 96 unit housing facility for low and moderate-income citizens (the “Shallowford Project”) located at 6402 Shallowford Road in Chattanooga, Tennessee. The expected initial principal user of the Shallowford Project is expected to be DGA Shallowford LP.
2. The issuance of the Board's exempt facility revenue bonds in the total principal amount not to exceed \$12,000,000 (the “Espero Bonds” and together with the Shallowford Bonds the “Bonds”), the proceeds of which, if issued, would be loaned to Espero Chattanooga, LP for the purposes of financing the acquisition and construction of an approximately 60 unit housing facility for low and moderate-income citizens (the “Espero Project”) located at 1815 E. Main Street in Chattanooga, Tennessee. The expected initial principal user of the Espero Project is expected to be Espero Chattanooga, LP.

THE BONDS, IF ISSUED, WOULD NOT REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF THE BOARD, THE CITY OF CHATTANOOGA, THE STATE OF TENNESSEE, OR ANY POLITICAL SUBDIVISION THEREOF.

The public hearings referenced above will be held pursuant to the requirements of Section 147(f) of the U.S. Internal Revenue Code of 1986, as amended. Any person interested in the issuance of the Bonds or the location or purpose of the assets to be financed or refinanced with the proceeds of the Bonds is invited to attend the public hearing (which may be continued or adjourned to a later date), and they will be given an opportunity to express their views both orally and in written form concerning the proposed issuance of the Bonds and the financing and refinancing of the projects with the proceeds thereof. For further information, contact Phillip A. Noblett, Esq., City of Chattanooga Attorneys’ Office, 100 East 11th Street, Suite 200, Chattanooga, Tennessee 37402, (423) 643-8250.

PRELIMINARY BOND RESOLUTION

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE RELATING TO THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS FOR AN AMOUNT NOT EXCEEDING TWENTY MILLION DOLLARS (\$20,000,000.00) TO PROVIDE FINANCING TO DGA SHALLOWFORD LP FOR THE ACQUISITION, CONSTRUCTION, AND EQUIPPING OF AN APPROXIMATELY 96-UNIT HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 6402 SHALLOWFORD ROAD, CHATTANOOGA, TENNESSEE.

WHEREAS, DGA Shallowford LP or an affiliate thereof (the "Applicant"), is considering the acquisition, construction and equipping of an approximately 96-unit housing facility for low and moderate-income citizens to be located at 6402 Shallowford Road, Chattanooga, Tennessee, and wishes to have The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Board") indicate its willingness to issue revenue bonds to provide financing for such purposes; and

WHEREAS, the acquisition, construction and equipping of such facilities will constitute a "project" within the meaning of T.C.A. § 48-101-301; and

WHEREAS, a letter of intent has been presented to the Board under the terms of which the Board agrees, subject to the provisions of such letter, to issue its revenue bonds in an amount not exceeding \$20,000,000 to provide financing for such project.

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

1. The Board hereby finds that the financing of such above-described project will improve the quality and availability of housing in the City of Chattanooga, Tennessee, and will contribute to the general welfare of the citizens of the City.
2. The Chairman or the Vice Chairman of the Board is hereby authorized to execute a letter of intent with the Applicant in substantially the form thereof as presented to this meeting or with such changes therein as shall be approved by the Chairman or the Vice Chairman. The officers of the Board are hereby authorized to take such further action as is necessary to carry out the intent and purposes of the letter of intent as executed.
3. The Chairman or the Vice Chairman of the Board is hereby authorized to conduct such public hearings on behalf of the Board as the Applicant may request with respect to the project.

HEB2023-03

I hereby certify that the foregoing resolution of The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee was duly and lawfully adopted by its Board of Directors on February 20, 2023, at a duly called meeting at which a quorum was acting throughout, and I furthermore certify that such resolution has not been amended or modified in any respect.

Executed as of this 20th day of February, 2023.

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

By: _____
Name: Hicks Armor
Title: Chair

ATTEST:

Richard Johnson, *Secretary*

HEB2023-03

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

Hicks Armor, Chair
Greg T. Gentry, Vice-Chair
Richard Johnson, Secretary
Johnika Everhart, Member
Andrea L. Smith, Member

Phillip A. Noblett, Counsel

February 20, 2023

DGA Shallowford LP
Chattanooga, Tennessee

Ladies and Gentlemen:

The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Board") has been informed that DGA Shallowford LP or an affiliate thereof (the "Applicant"), is considering the acquisition, construction and equipping of an approximate 96-unit housing facility for low and moderate-income citizens to be located at 6402 Shallowford Road, Chattanooga, Tennessee. The above-described acquisition, construction and equipping with regard to such facility constitutes a "project" within the meaning of T.C.A. § 48-101-301.

After investigation of the nature of the proposed project, the Board has determined that the financing of the project will improve the quality and availability of housing in the City of Chattanooga, Tennessee, and will contribute to the general welfare of the citizens of the City. Therefore, it is the belief of the Board that in assisting the financing of the project, the Board will be acting in furtherance of the public purposes for which it was created.

Accordingly, in order to assist the Applicant in the financing of the project and in order to carry out the purposes for which the Board was created, the Board hereby makes the following proposals:

1. The Board will issue, and sell to a purchaser to be designated by the Applicant prior to issuance, revenue bonds (the "Bonds") in the principal amount not to exceed \$20,000,000 to provide financing for the project. The Bonds shall be limited obligations of the Board payable solely out of the revenues and receipts derived from the project including loan payments from the Applicant obtained in connection with the financing of the project. In no event shall the Bonds be general obligations of the Board, its directors, or the City of Chattanooga, Tennessee.

2. The terms of the Bonds (maturity schedule, interest rate, denominations, redemption provisions, etc.) will be determined by agreement among the Board and the Applicant, subject to compliance with all applicable state and federal requirements, and all bylaws and policies of the Board.

100 E. 11th Street, Suite 200 – Chattanooga, TN 37402
(423) 643-8250 - Facsimile (423) 643-8255

3. Prior to delivery of the Bonds, the Board and the Applicant will enter into a loan agreement pursuant to which the proceeds from the sale of the Bonds will be used for the purposes hereinabove indicated and the Applicant will be obligated to make payments sufficient to cover all debt service requirements on the Bonds.

4. The Board will enter into a trust indenture with a trustee to be nominated by the Applicant and subject to the approval of the Board and/or a purchase contract with the purchaser of the Bonds. Such indenture and/or purchase contract will assign the loan agreement and all collateral therefor and all revenues received thereunder for the benefit of the bondholders. The terms and provisions of such indenture and/or purchase contract shall be agreed upon by the Board, the Applicant and the purchaser of the Bonds.

5. The Board hereby authorizes the Applicant to commence the acquisition, construction and equipping of the project as soon as practicable so that the inhabitants of the State of Tennessee might benefit from the project without delay. The Applicant may advance any interim funds required and be reimbursed from the proceeds of the Bonds, to the extent allowed by applicable law.

6. Upon the issuance, sale and delivery of the Bonds, the provisions of this proposal and the agreement resulting from its acceptance by the Applicant shall have no further effect and, in the event of any inconsistencies between the terms of this proposal and the terms of any loan agreement and/or indenture or purchase contract the provisions of such latter documents shall control.

7. If for any reason the Bonds have not been sold within eighteen (18) months from the date hereof, the provisions of this proposal and the agreement resulting from the acceptance by the Applicant shall, at the option of either party to be evidenced in writing, be canceled and neither party shall have any rights against the other and no third party shall have any rights against either party except:

- (a) The Applicant will pay the Board for all expenses incurred by the Board in connection with the financing of the project;
- (b) The Applicant will pay the out-of-pocket expenses for attorneys for the Board incurred in connection with the project and will pay attorneys for the Board reasonable fees for legal services related to the project; and
- (c) The Applicant will indemnify and hold the Board harmless against any liability which may be incurred by the Board with respect to the project.

8. The Board agrees to cooperate with the Applicant in executing, along with the Applicant, a Multi-Family Tax-Exempt Bond Authority Application (the "Application") to be prepared by the Applicant and submitted to the Tennessee Housing Development Agency ("THDA") with respect to the Project. The Applicant acknowledges that all information provided in the Application, other than the name and address of the Board, is to be provided by the Applicant and not by the Board and that the Board has no responsibility as to the accuracy of such information other than as to the name and address of the Board. The Applicant agrees to indemnify and hold harmless the Board and its directors, officers, employees and agents from any claims, liabilities, costs or expenses that may arise as a result of the inaccuracy of any information contained in the Application (other than the name and address of the Board) or the submission of the Application.

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DGA Shallowford LP
Chattanooga, Tennessee
Page 4
February 20, 2023

If the foregoing proposal is satisfactory to you, you may indicate by signing the following acceptance and returning a copy to the Board. This proposal and your acceptance will then constitute an agreement in principal with respect to the matters herein contained.

Yours very truly,

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

By: _____
Name: Hicks Armor
Title: Chair

ATTEST:

Richard Johnson, *Secretary*

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

BY

DGA SHALLOWFORD LP

The terms and conditions contained in the foregoing proposal by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee are hereby accepted by DGA Shallowford LP as of the date first written above.

DGA Shallowford LP

By: _____,
a _____,
its general partner

By: _____
Title: _____
Its: _____

PRELIMINARY BOND RESOLUTION

A RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE RELATING TO THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS FOR AN AMOUNT NOT EXCEEDING TWELVE MILLION DOLLARS (\$12,000,000.00) TO PROVIDE FINANCING TO ESPERO CHATTANOOGA, LP FOR THE ACQUISITION, CONSTRUCTION, AND EQUIPPING OF AN APPROXIMATELY 60-UNIT HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS TO BE LOCATED AT 1815 E. MAIN STREET, CHATTANOOGA, TENNESSEE.

WHEREAS, Espero Chattanooga, LP or an affiliate thereof (the "Applicant"), is considering the acquisition, construction and equipping of an approximately 60-unit housing facility for low and moderate-income citizens to be located at 1815 E. Main Street, Chattanooga, Tennessee, and wishes to have The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Board") indicate its willingness to issue revenue bonds to provide financing for such purposes; and

WHEREAS, the acquisition, construction and equipping of such facilities will constitute a "project" within the meaning of T.C.A. § 48-101-301; and

WHEREAS, a letter of intent has been presented to the Board under the terms of which the Board agrees, subject to the provisions of such letter, to issue its revenue bonds in an amount not exceeding \$12,000,000 to provide financing for such project.

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

1. The Board hereby finds that the financing of such above-described project will improve the quality and availability of housing in the City of Chattanooga, Tennessee, and will contribute to the general welfare of the citizens of the City.

2. The Chairman or the Vice Chairman of the Board is hereby authorized to execute a letter of intent with the Applicant in substantially the form thereof as presented to this meeting or with such changes therein as shall be approved by the Chairman or the Vice Chairman. The officers of the Board are hereby authorized to take such further action as is necessary to carry out the intent and purposes of the letter of intent as executed.

3. The Chairman or the Vice Chairman of the Board is hereby authorized to conduct such public hearings on behalf of the Board as the Applicant may request with respect to the project.

I hereby certify that the foregoing resolution of The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee was duly and lawfully adopted by its Board of Directors on February 20, 2023, at a duly called meeting at which a quorum was acting throughout, and I furthermore certify that such resolution has not been amended or modified in any respect.

Executed as of this 20th day of February, 2023.

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

By: _____
Name: Hicks Armor
Title: Chair

ATTEST:

Richard Johnson, *Secretary*

HEB2023-04

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

Hicks Armor, Chair
Greg T. Gentry, Vice-Chair
Richard Johnson, Secretary
Johnika Everhart, Member
Andrea L. Smith, Member

Phillip A. Noblett, Counsel

February 20, 2023

Espero Chattanooga, LP
Chattanooga, Tennessee

Ladies and Gentlemen:

The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee (the "Board") has been informed that Espero Chattanooga, LP or an affiliate thereof (the "Applicant"), is considering the acquisition, construction and equipping of an approximate 60-unit housing facility for low and moderate-income citizens to be located at 1815 E. Main Street, Chattanooga, Tennessee. The above-described acquisition, construction and equipping with regard to such facility constitutes a "project" within the meaning of T.C.A. § 48-101-301.

After investigation of the nature of the proposed project, the Board has determined that the financing of the project will improve the quality and availability of housing in the City of Chattanooga, Tennessee, and will contribute to the general welfare of the citizens of the City. Therefore, it is the belief of the Board that in assisting the financing of the project, the Board will be acting in furtherance of the public purposes for which it was created.

Accordingly, in order to assist the Applicant in the financing of the project and in order to carry out the purposes for which the Board was created, the Board hereby makes the following proposals:

1. The Board will issue, and sell to a purchaser to be designated by the Applicant prior to issuance, revenue bonds (the "Bonds") in the principal amount not to exceed \$12,000,000 to provide financing for the project. The Bonds shall be limited obligations of the Board payable solely out of the revenues and receipts derived from the project including loan payments from the Applicant obtained in connection with the financing of the project. In no event shall the Bonds be general obligations of the Board, its directors, or the City of Chattanooga, Tennessee.

2. The terms of the Bonds (maturity schedule, interest rate, denominations, redemption provisions, etc.) will be determined by agreement among the Board and the Applicant, subject to compliance with all applicable state and federal requirements, and all bylaws and policies of the Board.

3. Prior to delivery of the Bonds, the Board and the Applicant will enter into a loan agreement pursuant to which the proceeds from the sale of the Bonds will be used for the purposes hereinabove indicated and the Applicant will be obligated to make payments sufficient to cover all debt service requirements on the Bonds.

4. The Board will enter into a trust indenture with a trustee to be nominated by the Applicant and subject to the approval of the Board and/or a purchase contract with the purchaser of the Bonds. Such indenture and/or purchase contract will assign the loan agreement and all collateral therefor and all revenues received thereunder for the benefit of the bondholders. The terms and provisions of such indenture and/or purchase contract shall be agreed upon by the Board, the Applicant and the purchaser of the Bonds.

5. The Board hereby authorizes the Applicant to commence the acquisition, construction and equipping of the project as soon as practicable so that the inhabitants of the State of Tennessee might benefit from the project without delay. The Applicant may advance any interim funds required and be reimbursed from the proceeds of the Bonds, to the extent allowed by applicable law.

6. Upon the issuance, sale and delivery of the Bonds, the provisions of this proposal and the agreement resulting from its acceptance by the Applicant shall have no further effect and, in the event of any inconsistencies between the terms of this proposal and the terms of any loan agreement and/or indenture or purchase contract the provisions of such latter documents shall control.

7. If for any reason the Bonds have not been sold within eighteen (18) months from the date hereof, the provisions of this proposal and the agreement resulting from the acceptance by the Applicant shall, at the option of either party to be evidenced in writing, be canceled and neither party shall have any rights against the other and no third party shall have any rights against either party except:

- (a) The Applicant will pay the Board for all expenses incurred by the Board in connection with the financing of the project;
- (b) The Applicant will pay the out-of-pocket expenses for attorneys for the Board incurred in connection with the project and will pay attorneys for the Board reasonable fees for legal services related to the project; and
- (c) The Applicant will indemnify and hold the Board harmless against any liability which may be incurred by the Board with respect to the project.

8. The Board agrees to cooperate with the Applicant in executing, along with the Applicant, a Multi-Family Tax-Exempt Bond Authority Application (the "Application") to be prepared by the Applicant and submitted to the Tennessee Housing Development Agency ("THDA") with respect to the Project. The Applicant acknowledges that all information provided in the Application, other than the name and address of the Board, is to be provided by the Applicant and not by the Board and that the Board has no responsibility as to the accuracy of such information other than as to the name and address of the Board. The Applicant agrees to indemnify and hold harmless the Board and its directors, officers, employees and agents from any claims, liabilities, costs or expenses that may arise as a result of the inaccuracy of any information contained in the Application (other than the name and address of the Board) or the submission of the Application.

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Espero Chattanooga, LP
Chattanooga, Tennessee
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February 20, 2023

If the foregoing proposal is satisfactory to you, you may indicate by signing the following acceptance and returning a copy to the Board. This proposal and your acceptance will then constitute an agreement in principal with respect to the matters herein contained.

Yours very truly,

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

By: _____
Name: Hicks Armor
Title: Chair

ATTEST:

Richard Johnson, *Secretary*

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

BY

ESPERO CHATTANOOGA, LP

The terms and conditions contained in the foregoing proposal by The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee are hereby accepted by Espero Chattanooga, LP as of the date first written above.

Espero Chattanooga, LP

By: Espero GP Corporation,
a Tennessee nonprofit corporation,
its general partner

By: _____

Title: _____

Its: _____