



HEALTH, EDUCATIONAL, AND HOUSING FACILITY BOARD
City of Chattanooga, Tennessee
MONTHLY MEETING MINUTES
Virtual Electronic Zoom Meeting
for
October 28, 2020
12:00 p.m.

Present were Board Members: Hicks Armor (Chair), Gregg T. Gentry (Vice-Chair), Lloyd Longnion, Richard Johnson, Nicole Watson, and Amanda Jelks (Secretary). Absent was Stephanie Sinkfield.

Also present were Phillip A. Noblett (City Attorney); Donna Williams (ECD Administrator); Jay Moneyhun (Bass Berry & Sims, PLC); Berkeley Burbank and Thomas Robinson (Alco Management); Steve Barrett (Husch, Blackwell); and Mark Smith (Miller & Martin).

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

DISCUSSION CONCERNING MINUTES OF SEPTEMBER 23, 2020
IN RE: VOTE OF MR. LLOYD LONGNION ON THE
ADAMS, LLC PROJECT

Mr. Longnion asked that with regard to a point of order on the agenda, he wished to have his vote on an item from the September 23, 2020, meeting, Item 4, to be changed to reflect his reconsidered position on the item. Mr. Longnion understands from a conversation with Mr. Noblett that it is allowed since we were not able to interact in between meetings. It is appropriate to reconsider or ask for a reconsideration. Mr. Longnion asked the Chair when is the best time for him to present that motion? Mr. Longnion wishes an amendment of the wording.

On motion of Mr. Gentry, seconded by Mr. Johnson, to approve the minutes of the September 23, 2020, meeting, Mr. Longnion made a motion to amend as follows:

“After further discussion, Mr. Johnson made a motion to approve this resolution, seconded by Mr. Gentry and the resolution was approved unanimously by roll call vote 7-0.” Mr. Longnion would like to change the roll call vote to 6-1.

QUESTIONS AND DISCUSSION

Mr. Gentry asked as a point of process, was it mis-recorded or was 7-0 actually what took place? Today, Mr. Gentry wanted to make sure we are following process. Mr. Gentry asked if the minutes were accurate where the minutes are being amended.

Mr. Longnion stated that he is asking for a simple amendment of the numbers. Mr. Longnion is asking for reconsideration of the vote, which we could do, according to Mr. Noblett because of no time in between the meetings in which to talk. Mr. Longnion is asking for the simplicity of this change to 6-1, but being opposed to that, Mr. Longnion understands his question. Mr. Longnion would prefer to recall the vote, have it done over, and he will record it. The problem is we will have fewer people.

Mr. Noblett stated that Ms. Jelks has joined the meeting, and Ms. Sinkfield has now left us. There is a motion to reconsider on an issue voted on in the last meeting of this body. Mr. Longnion called Mr. Noblett after the meeting occurred saying he would like to have a reconsideration and when to bring it up. Mr. Noblett stated that it would be the next opportunity for discussion as the first item on the agenda today. Normally, a motion to reconsider would require a vote of the majority to reconsider the vote. There is no question that the minutes are correct as of that date, but Mr. Longnion would like to change his vote.

Mr. Armor asked for clarification that Mr. Noblett, as Parliamentarian, it is always his understanding on a vote to reconsider you had to have a nay vote and someone on the nay said could move to reconsider. Mr. Armor stated he may be incorrect, he is not trying to be an obstacle, just going along with Mr. Gentry, and wanted to do it the right way. Mr. Noblett stated it does not have to be a nay vote, it is someone who is on the side that was actually voted on. Mr. Longnion stated his understanding is that you have to vote in the affirmative and that is why, frankly, at the time, even though he had reservations about voting in favor, Mr. Longnion was reconsidering it at that time.

Mr. Armor said he was incorrect which is better. Mr. Longnion would move for reconsideration which we opened that vote. Mr. Noblett stated correct, he would have to have a second on that to get that as an item, and if not, then it would be on the agenda the way it is. Mr. Longnion could have this on the record for the next meeting. Mr. Armor stated that if Mr. Longnion makes a motion to reconsider, and a second, Item 4, the Adams LLC would be re-voted on.

On motion of Mr. Longnion, seconded by Mr. Gentry, (Mr. Gentry had a question), to reconsider, the floor is open for reconsideration, Mr. Longnion stated at the point he was a little concerned about the item on the agenda as stated, and the actions the Board was taking towards it. It was listed on the agenda as a discussion item with Mr. Smith regarding the Adams, LLC.

Mr. Longnion stated as a member of the Board, but also as a representative of the community, Mr. Longnion would be going to a meeting on an agenda that sponsors, says in fact we are going to have a discussion about something, and that ended up as a resolution after some discussion about whether it needed to be a resolution or simply a minutes addition recording the essence of what we are being asked to do.

Mr. Noblett explained the late delivery of the insertion of that item itself on the agenda at 11:30 a.m. as board members received notice of that item and also those two documents. Mr. Longnion contained some legal language and devised his immediate understanding, and did not have time in the meeting, nor occasion in the meeting, to be able to question that sufficiently.

Mr. Longnion tried to record that and listened to the recording, and even as we made this proposal, Mr. Longnion asked what we were voting on because his understanding was we could, in fact, affect the length of the project itself. Mr. Longnion did not want that to occur, so he made it clear that was not going to happen as a result. Mr. Longnion clarified what was going to happen, and is trying at this point to have it reconsidered now so that we all have had the opportunity, and especially him, had the chance to read the documentation and in this case read in wording the resolution which we were only read to in the meeting itself. We never had the opportunity to read the resolution that we voted on.

On behalf of honoring our bylaws and rules of procedure that we have adopted over the years, Mr. Longnion wanted to honor that by saying let us now reconsider this vote, having either read it, and have a better understanding of what we are voting on, and with that be able to cast a vote. It may, in fact, be different than the one we cast at the time.

Mr. Gentry had a question that based on our approval of this resolution has action been taken at this point? Has there been a body of individuals or an organization take action based on our approval, and do we have to potentially unwind that action? Mr. Gentry does not know if action has been taken. Mr. Gentry wanted to understand who acted on this approval.

Mr. Noblett stated that the request was made by Mr. Alfred Smith on behalf of Miller & Martin law firm representing Adams, LLC. As Mr. Noblett understood it, they were trying to get refinancing at that point in time from First Bank. First Bank would be offering that. The reason for the request for an amendment to the Deed of Trust and Cross-Collateralization and Cross-Default Agreement was involving a piece of property that was here in the last two years of a PILOT term. The payments for 2021 are in 60%, will be 80% in 2022, and 100% after 2022. That was the reason for the agreement and these documents were to allow First Bank to be able to have access to the collateral after the PILOT was complete.

Mr. Johnson had a question as well. Mr. Johnson is a little confused. Is there some information that Mr. Longnion needs to share with the Board that the Board did not have, when we initially took the vote and that after he has read it more thoroughly that he has some concerns.

Mr. Longnion stated that other than what he expressed in terms of the immediacy of reflection upon the immediacy of the information we received. We frankly got all the information about this discussion, turning into a resolution, within thirty (30) minutes of the meeting of the Board. That is his primary mindset around asking for a re-vote and that would basically change his vote from affirmative because of the way it was handled.

Mr. Longnion stated that with regard to background on this is that Adams, LLC, as most of you know, was part of the old set of PILOT projects. As we attempted to collect information about those projects and the current projects in 2016 timeframe, we had occasion to interact with Mr. Adams. He wrote a fairly confronted letter to Mr. Longnion questioning his authority to conduct any discussion about the PILOT process and all that information Mr. Longnion

questioned, why he should spend the time and effort reporting on that, and accused Mr. Longnion of asking for private information which was inaccurate. Nevertheless, with that as a backdrop, at that time, Mr. Longnion decided not to put the Adams, LLC, at that time it was the MK, LLC project, on his favorite projects list and probably chose at that time to never vote in support of anything to their advantage.

As Mr. Longnion understands the proposal and is not opposed to that going forward. Mr. Longnion simply wants his vote to be recorded in opposition to that because of the reasons he stated: (1) The immediacy in exception of our procedures and certainly hope an exception to our future practice as a board; and (2) Because of the negative opinion Mr. Longnion has of that project as a whole.

Mr. Armor thanked Mr. Longnion for his openness and candor and appreciated him having to feel to come forward to do this.

Mr. Armor asked Mr. Noblett that he assumed that the refinancing has been done or whatever, so his only concern was that if this ends up in a negative vote, then how, and he does not think it will, but in case it does, he does not know that they can undo refinancing that has already been done. Mr. Armor respects Mr. Longnion for what he is doing and why, and wants to make sure that not how the vote is going to do to ask this question before we take the vote.

Mr. Noblett stated that the other issue at this point is that Mr. Smith was here in the last meeting prepared to argue on behalf of his client has no notification of this motion for reconsideration at this time as well. That is one issue. If you took any action, it would have to be contingent upon at least allowing him and his clients to be able to speak if you did choose to rescind the action you had at the last meeting based upon a reconsideration.

Ms. Watson asked, do we push this to the next agenda for Mr. Smith to be here? Mr. Noblett stated that right now you have a motion and a second, you have no vote on the motion to reconsider. It has to be a majority vote of the body to be able to do that.

Mr. Longnion stated that Mr. Armor is correct. Action has gone forward that cannot be unstrung, so be it. The reconsideration would not only be inappropriate but incapable of occurring. Mr. Longnion said personally he would say that he does not care that the actions go forward. He hopes in fact his fellow board members will vote affirmatively on this proposal. Mr. Longnion simply wants it stated that he is not. Mr. Longnion said to go forward and good things will happen.

Mr. Armor asked if there is a way to put a note, process where we can approve the minutes, not have the motion for reconsideration and go forward, but to note the comments of Mr. Longnion in these minutes for future reference. Mr. Armor does believe it is important for the Board to always have the appropriate information in front of us and the time to review it. Whether he agrees with Mr. Longnion or not, he does agree with him, and takes responsibility that we probably should have delayed it. Many times, all of us, especially him, get in an effort to accommodate people and maybe on this one the Chair should have stood up and said, I'm sorry, we haven't had appropriate notice. Mr. Armor totally agrees with Mr. Longnion and the point he is making and is trying to find a way to note it that it pleases him and does not put us in a precarious position.

To Ms. Watson’s point, if it has not been refinanced now, Mr. Armor feels certain within thirty (30) days it would. In some ways that is almost the worst position to get into. In the event it has been done, then have to let Mr. Smith come back and talk about it. Mr. Armor is trying to find a balance of supporting Mr. Longnion’s point which, in principle, he thinks is valid without undoing the vote.

MOTION TO RECONSIDER

Mr. Noblett stated that right now there is a motion to reconsider, a second on a motion to reconsider, you have to have a vote on that, you can clearly make a request for the minutes to be amended to add a note to reflect what came out during this meeting. Mr. Longnion stated that would be sufficient for him.

There was a vote on the motion for reconsideration only, another motion to amend the minutes, and for a note to be added to the minutes. There was one vote in favor of reconsideration and five votes not reconsidering, and the motion to reconsider failed. Mr. Longnion withdrew his proposal to amend the minutes.

Mr. Gentry stated this is a documented discussion, and we will have a record of this discussion, and what Mr. Longnion’s concerns are. We want to make certain that Mr. Longnion is represented in documentation, and Mr. Gentry is under the impression, because we took minutes of the entire conversation we had regarding this, Mr. Longnion will be on record as having this concern and expressing his concern.

MINUTES APPROVAL FOR THE SEPTEMBER 23, 2020 MEETING

On motion of Mr. Gentry, seconded by Mr. Johnson, the minutes of the September 23, 2020 meeting, were approved by roll call vote 5-1.

There was no person present wishing to address the Board.

1. Mr. Armor presented the next order of business: **“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 TEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$10,500,000.00) TO PROVIDE FINANCING TO APP BATTERY PARTNERS, L.L.L.P. FOR THE ACQUISITION, REHABILITATION, AND EQUIPPING OF AN APPROXIMATELY 142-UNIT HOUSING FACILITY FOR LOW AND MODERATE-INCOME CITIZENS KNOWN AS BATTERY HEIGHTS LOCATED AT 3401 CAMPBELL STREET, CHATTANOOGA, TENNESSEE.” (HEB2020-07)**

Mr. Jay Moneyhun is an attorney with Bass, Berry & Sims. This is a development owned by Alco Properties. Mr. Berkeley Burbank, Mr. Thomas Robinson, and their attorney Mark Smith are present and who will be involved in the PILOT request forthcoming to the Board at a later time.

The purpose of this meeting is for a preliminary approval of the issuance of bonds to support this project. These are existing housing units of Battery Heights Apartments located on Campbell Street in Chattanooga. There are 144 units and will be a substantial rehab involved with under \$5 million in rehab.

Under federal tax law, the HEB is able to issue tax exempt bonds to finance rehabilitation of low income housing. In this particular transaction, the issuance of bonds for at least 50% of the project costs allows them also to qualify for federal tax credits for the project which provides a substantial source for the funding of this project. In order to apply for the tax credit allocations, Alco has to come before a potential bond issuer and get preliminary approval for the bond issue. That will enable Alco to apply to THDA the State of Tennessee bond allocation provider. In January or February, Alco will submit the bond allocation application. An additional requirement is that this board hold what is called a TEFRA hearing under federal tax law. This meeting has been noticed for the TEFRA hearing and under federal tax law at this point the HEB is also able to do that virtually and provides a toll free telephone number and composed that in the paper which will allow any comments from the public. There is no liability to the board nor the City of Chattanooga for payment of the bonds. The board and the City would only be liable for whatever the developer submits the use.

The Board asked questions. Mr. Longnion stated that somewhere in the beginning Mr. Moneyhun indicated that he was asking for a bond issuance, gave figures, and have copies. Mr. Longnion stated that Mr. Moneyhun was also going to seek a PILOT on this. Mr. Robinson stated that Alco has applied and submitted their application for a PILOT to the City of Chattanooga and it is currently under review. Mr. Longnion asked for a comparison of this project with Bayberry Apartments.

Mr. Burbank stated that Alco appreciates the Board's support on the Bayberry project in the past and hopefully, the Board remembers that it has been a great success for the City of Chattanooga. Mr. Burbank stated that he hopes that Battery Heights would have some similar success.

Mr. Robinson stated that Battery Heights is a very similar project to Bayberry. It is a low income housing community that was built in the early 70's and is in need of substantial rehab and the preparation of rental assistance that provides housing assistance for the lowest income individuals and families in Chattanooga and Hamilton County.

This project is a little bit smaller. It is 142 units as opposed to 163 units. Eighty-eight of the apartments do provide Section 8 rental assistance. In this project, Alco would extend the rental assistance contract which provides close to \$700,000 of rental assistance annually to support residents in Chattanooga. There are 54 apartment units that are currently unrestricted. As part of Alco's application to THDA, Alco would restrict those units to low income individuals and families for the next 30 years. It would be preserving and upgrading an apartment community

while further restricting units for affordable use for 30 years which would extend the affordable housing stock.

Similar to Bayberry, the project has substantial renovation which would be upgrading kitchens, bathrooms, mechanical systems, HVAC, water heaters, roofs, windows, siding. Like Bayberry, Battery Heights would have a resident services component to the property. The current owner has had a long time residence service operation at the property which is fairly rare on properties like this. Alco is excited to continue that work. The owner has employed a full-time staff member to work with various non-profits and provide staff and playgrounds for the children and families at the property and will look to continue that in the long-term. In many ways it is a very similar project to the one done and will have big impacts in its neighborhood and Chattanooga and preserve quality affordable housing for a long time.

Mr. Gentry had one question. In looking at the documents and in Section 4, entitled "Conversion of Market Units to Affordable Unit", Mr. Gentry wants to be certain he is interpreting that section correctly and explain what is taking place.

Mr. Burbank stated that this was a property that was constructed many years ago and currently, roughly half of the property has a Section 8, maybe 2/3rds, maybe 88 out of 142. Those residents currently receive rental assistance and it is restricted to low income households. The remaining units are currently available to anyone. There are no rent or income restrictions on those units. Alco's proposal is to bring it into the low income housing tax credit program and the tax exempt bonds both have affordability restrictions. When Alco comes out of the project, not only will it have had a significant renovation with all of the upgrades, the continuation of the service program, and energy efficiency upgrades, those units will then be specifically reserved for low income households. The rents will be what is allowed to be charged under the low income housing tax credit program. While they are not producing new units, those units will be new to the affordable housing stock that are restricted by the deed. This body will have a deed restriction as well as THDA on those units.

Mr. Armor stated that essentially you are taking those 54 units that could be at market rate and putting them onto the low to moderate 100%? Mr. Gentry said, if it is 54 units, are the individuals that live in those 54 units today would they be displaced or would they have to qualify as low income to live in the 54 units? Mr. Burbank stated that they are not intending to and do not plan on displacing anyone. They believe, and do not know 100%, but believe that all of those current residents are eligible. If somebody was not eligible, they would certainly honor their existing lease and at the end of their existing lease, then they would not be eligible to renew a lease under the new program. Alco's understanding, and based upon the numbers and rents, they believe everyone's current occupancy is income eligible to continue to live with them.

Mr. Noblett stated that the notice published in connection with this meeting was providing for electronic board meeting and a TEFRA notice. Mr. Longnion questioned the availability of the Zoom link. There was no other person wishing to comment and there is Executive Order No. 60 for which an electronic meeting could occur. We are waiting on when that might be extended or not. Future board meetings, unless there is an extension of that order, will have to be conducted in person. The TEFRA notice did go out and was appropriately advertised in connection with this meeting.

After further discussion, a motion was made by Ms. Watson, seconded by Ms. Jelks, and the resolution as presented for the Battery Heights location, was unanimously approved by roll call vote 6-0.

TEFRA HEARING

Mr. Moneyhun stated that the notice was published in the paper and that would give any member of the public an opportunity to dial in by phone and a link was given to join a Zoom meeting. Mr. Moneyhun stated that he also got a URL that did not work but when he went to Chattanooga.gov/Board and Commissions/HEB page, it posted the notice and a separate agenda packet. Mr. Moneyhun feels good about that there has been good notice for both the meeting and the TEFRA hearing. If the Chair would like to open it up for ten seconds in case there is someone on from the public that would make a comment or if the Board would like to conclude the meeting and hold it right after the meeting on the same platform, it accomplishes the same purpose. Mr. Noblett stated that it showed up on his page that we have 14 participants at this point in time, and if anyone from the public wishes to speak, now would be the time to talk and if you have any questions to go ahead. Mr. Noblett has a listing of everybody on the list of participants and it looks like everyone that is on the screen. Mr. Moneyhun is satisfied that meets the TEFRA requirement.

Mr. Noblett stated that the TEFRA hearing is simply held for the purpose of an opportunity of people to express their views concerning the project, the issuance of bonds or the purpose of those assets to be financed with the proceeds of the bonds. The Board has gone through the purpose of the project in connection with this at this point in time, and if anybody has any questions about how they would be used on this existing housing development and the redevelopment of the project, this would be the time to do it. This resolution is simply saying that this is going to be a preliminary bond resolution saying that it is the intent to issue bonds. It is not actually signing off or providing for the closure of the bonds at this point in time, but it is authorizing the Chairman and Vice-Chair of the Board to enter into this Letter of Intent that bonds could be issued at a later date. This is a chance for public input if anyone has a question. There was no one with a comment for the TEFRA hearing. The hearing portion was closed.

OTHER BUSINESS

Mr. Armor stated that today is the last day for electronic meetings. The City Attorney's office will keep the Board updated on the next meeting and how it will be handled whether electronically or in person.

Mr. Armor stated that he appreciates Mr. Longnion's attention to detail, and we need to be a little more cognizant. It is important that we make sure that had we had a different vote on the resolution, for more information, we would think we did not do our job the first time. Mr. Armor takes full responsibility for that and will be more diligent as well.

Ms. Williams stated that the next meeting for November falls the Wednesday before Thanksgiving and ECD does intend to have an item for the Board which would be the application for the Battery Heights development. Mr. Longnion questioned if this item will be going to the City Council first. Ms. Williams said yes, and is not scheduled yet. The City has some new requirements with regard to how things get put on the City Council agenda. It could very well be before it comes to the HEB. Mr. Longnion asked Ms. Williams to notify the Board of when it is scheduled for those of us who would want to tune it. Ms. Williams stated that she would.

Mr. Burbank stated that Alco would be happy to have individual conversations and/or phone call or presentation to answer any questions specifically related to the PILOT. Alco will be meeting with City Council members and County Commissioners and trying to make their case that this is a project that should move forward for the benefit of Chattanooga and Hamilton County and certainly those residents that live in the community now and will benefit from the affordable housing for the next 30 years. This is what they do and are happy to talk about it, and excited about low income housing, and about Chattanooga. Mr. Burbank grew up in Chattanooga. The Board will be kept informed of the way the next meeting is handled.

After further discussion, the meeting adjourned at 12:55 p.m.

Respectfully submitted,

Amanda Jelks

Amanda Jelks (Dec 16, 2020 20:32 EST)

Amanda Jelks, Secretary

APPROVED:

Hicks

Hicks Armor (Dec 16, 2020 18:44 EST)

Hicks Armor, Chair

**The electronic Zoom presentation is kept on record by the Health, Educational, and Housing Facility Board.*









10-28-2020 Minutes

Final Audit Report

2020-12-17

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