

RESOLUTION NO. 27205

A RESOLUTION APPROVING CHATTANOOGA HOUSING AUTHORITY'S LOW INCOME PUBLIC HOUSING PROJECT PLAN FOR DOGWOOD MANOR APARTMENTS IN SUBSTANTIALLY THE FORM ATTACHED AND EXTENDING THE CITY-HOUSING AUTHORITY CORPORATION AGREEMENT TO INCORPORATE THE DOGWOOD MANOR PROPERTY.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE, That it hereby approves Chattanooga Housing Authority's low income public housing project plan for Dogwood Manor Apartments in substantially the form attached.

BE IT FURTHER RESOLVED, that the City Council authorizes the extension of the City-Housing Authority Corporation Agreement to incorporate the Dogwood Manor property.

ADOPTED: August 14, 2012

VLM/mms

DEVELOPMENT PROPOSAL

DOGWOOD MANOR ACQUISITION/REHAB

July 3, 2012

CHATTANOOGA HOUSING AUTHORITY
CHATTANOOGA, TENNESSEE

ELIZABETH F. MCCRIGHT
Executive Director

This document and attachments constitutes a Development Proposal submitted by the Chattanooga Housing Authority (CHA) for the acquisition and rehabilitation of the Dogwood Manor Apartments. Some background on the proposed deal is presented first, followed by the required elements of a public housing development proposal, as set out in 24 CFR 941.304.

A. Background

1. Dogwood Manor is an 18-story reinforced-concrete structure on an approximately 2.7 acre parcel at 959 Gateway Ave. in downtown Chattanooga, near several other CHA sites. It was developed by the Jaycees in 1973 along with an adjacent sister tower which remains in Jaycees ownership.
2. The building contains 136 1-BR units, equally divided into two floorplan types of 500 ft² and 725 ft². The first floor consists of common areas for the benefit of the residents, leasing office space, and maintenance and mechanical equipment areas. Two parking areas offer a total of 93 spaces, including 14 spaces meeting ADA requirements. The site is flat, and well positioned for access by the mobility handicapped.
3. The property was originally financed under a Section 236 FHA-insured mortgage. In 1999 the mortgage went into default, and in 2001 the property was purchased by HUD at foreclosure sale. HUD transferred the property to the City of Chattanooga for \$1 in 2001, conditional upon the renovation of the property utilizing a HUD Up Front Grant (24 CFR 290.27) of approximately \$2,490,000, \$500,000 of Federal Home Loan Bank Affordable Housing Program (AHP) funding, and a mortgage from AmSouth Bank (AmSouth later acquired by Regions Bank) of \$2,600,000. Affordable housing restrictions associated with the Up Front Grant are applicable until 2026, and restrictions associated with the AHP funding are applicable until 2017. The property is also the beneficiary of a Project-Based Housing Choice Voucher Program Housing Assistance Payments (HAP) contract for 116 units, entered into in February 2003 and administered by CHA. Subsequent to the 2001-2002 renovations and refinancing, the property once again proved to be over-financed relative to its restricted income potential, and the City of Chattanooga agreed to acquire the debt from Regions Bank in 2010.
4. Although the City of Chattanooga facilitates affordable housing in Chattanooga through a variety of programs, direct ownership and operation of affordable housing rental property is not a role that the City prefers to play. During the City's ownership of the property, Dogwood has been under third party management, first by Chattanooga Neighborhood Enterprise, a local affordable housing non-profit; and then starting in 2007 by CHA. The City has conducted several Request for Proposal (RFP) processes since acquiring the property, in an effort to find a suitable permanent owner. In the most recent (March 28, 2012) RFP, CHA submitted a proposal (as later amended through negotiation) to

acquire the Dogwood property for a value of \$1,700,000 (based on a recent appraisal of the Dogwood property), and other unrelated property owned by the City. Under CHA's proposal, as amended, the purchase price would be paid by the in-kind transfer of a 19.96-acre vacant former public housing site owned by CHA. The proposal was made subject to CHA Board and HUD approval of suitable acquisition and renovation proposals and funding. CHA already has basic disposition approval from the Special Applications Center for the 19.96 acre parcel, although a modification of the approval letter will have to be obtained. On June 12, 2012, the Chattanooga City Council a Resolution approving the transfer of Dogwood Manor Apartments and three parcels totaling approximately 4 acres to CHA, in exchange for the 19.96 acre parcel.

5. The HUD National List of PHA Faircloth Limits for 3/22/12 shows CHA's limit to be 3,708. Currently, CHA has 2,875 ACC units, with another 18 coming online at our Fairmount CFRC project in the next several weeks, and another 33 coming online over the next two months with the Maple Hills mixed-finance project, giving a total of 2,926 before this proposed project. The additional 136 units would leave us well below the limit.
6. CHA's proposal is to operate all 136 units under the Low-Income Public Housing (LIPH) Program, subject to CHA's Annual Contributions Contract. The site is currently targeted towards elderly residents, and CHA would seek approval for the site to be designated as elderly under the LIPH Program. The existing HAP contract would be terminated upon conversion, and the large majority of current residents would likely be qualified under the LIPH program. Those few who did not qualify (if any) would be assisted with relocation services in accordance with the Uniform Relocation Act, and could be eligible to receive portable Vouchers. Occupancy has not been a problem at the building, and most tenants have reported that they enjoy living at Dogwood.
7. In conjunction with our discussions with the City in 2011 regarding the potential purchase of Dogwood, CHA commissioned a limited capital needs assessment and cost estimate from a reputable local architectural firm. The assessment found that to assure the building will continue to remain in good condition for an additional 20 years, work totaling approximately \$5M should be undertaken during that time. Notable scope items from the report include:

Scope Item	Cost
Exterior Window Systems	\$828,000
Elevator Renovations	\$450,000
Living Unit Wall/Floor Surfaces	\$350,000
Living Unit Cabinets and Countertops	\$1,125,000
Living Unit Tubs/Showers	\$275,000
Cast Iron Sanitary Sewer System Stacks	\$375,000
Common Areas HVAC	\$882,000

CHA staff also has very recent experience with an extensive 2011 approx. \$5M modernization of a similar-sized elderly highrise at our Mary Walker site (TN004000007), which helps inform our expectations regarding the Dogwood project. CHA proposes to renovate the building from the top down in several phases/contracts over several years, using available RHF funding as it becomes available. Several floors at the top would be vacated to start the process; once the first phase was completed, residents from lower floors would be relocated into the newly-renovated units in order to vacate another lower section for the next phase of work.

8. Using HUD Office of Capital Funds annual reports for 1) Development Breakdown, 2) RHF Matrix and 3) Per Unit Dollars, CHA has made informed projections of the amount of RHF funding it can expect over the next several years. RHF Units and funding in the pipeline as of the 2011 series of reports are as follows:

Year	RHF Units (1st + 2nd Increments)	Projected RHF Funding, assuming 2011 per unit funding levels (\$)	Cumulative Funding (\$)
2012	713	1,079,700	1,079,700
2013	713	919,226	1,998,926
2014	451	597,189	2,596,114
2015	451	597,189	3,193,303
2016	451	597,189	3,790,491

The above projections do not include additional RHF units expected as a result of the 2012 mandatory conversion of our Harriet Tubman site (TN004000003; 440 units). Any funding necessary for the planned phased Dogwood renovation which is in excess of that which becomes available in RHF grants, including extra amounts not shown above which will be coming from the Tubman disposition, will be made available from CHA's regular Capital Funds allocation and/or Dogwood cash flow. Since the project will not utilize non-federal funding and all units will be placed under ACC, CHA does not believe that the project would be considered mixed-finance. As the renovation work will not progress appreciably faster than RHF funding becomes available in the normal course, CHA does not believe that Capital Leveraging will be necessary on this project.

9. In addition to this Development Proposal, several other HUD approvals will be necessary to undertake the project in the way that CHA proposes. By a letter dated 12/16/2009, HUD's Special Applications Center (SAC) issued an approval to CHA to dispose of its 19.96 acre former public housing site, which is proposed to be used as the trade for acquisition in this transaction. That approval letter identified the use of proceeds from such disposition to be the renovation of another CHA public housing site. CHA has requested that the disposition

approval letter be modified, to allow the site to be used in the manner outlined here. CHA is also prepared to request three waivers from public housing development regulations from HUD's Office of Public Housing Investment. First, the Acquisition development methodology is for properties that require "little or no repair work" (24 CFR 941.102(a)(3)), and this project would require substantial rehabilitation. Second, the basic acquisition strategy outlined here would involve the straightforward use of RHF funds with no private funds or leveraging, so a waiver may be required from if it is determined that receipt of second-increment RHF funding is contingent upon leveraging. Third, RHF funds are normally able to be utilized only for "new acquisitions"; a waiver will be requested to allow utilization of the RHF funding for five years on this property following initial acquisition.

10. While CHA seeks approval to proceed unconditionally with acquisition and development as herein outlined, CHA may, after acquisition, determine that a low-income housing tax credit application and/or Capital Funds Financing Program (CFFP) application, may be in the best interest of our public housing program and provide additional resources to serve low-income residents in Chattanooga. Should CHA determine that those methodologies would be advantageous, CHA would submit the other required mixed-finance and/or CFFP proposals at that time. The annual Tennessee Low-Income Housing Tax Credit cycle begins with applications due in March. At the time of this Proposal, the 2013 Qualified Allocation Plan has not yet been released, so the feasibility of such an application has not yet been determined.

B. Required Development Proposal Elements

The ordered (lettered "a" through "j") section headings in this section of the proposal follow the subsections of the required elements of a non-mixed-finance development proposal under 24 CFR 941.304, and for your convenience the gray-shaded text is reproduced directly from the relevant CFR subsection.

(a) The site must be adequate in size, exposure and contour to accommodate the number and type of units proposed, and adequate utilities (e.g., water, sewer, gas, and electricity), and streets must be available to service the site.

Dogwood Manor Apartments have existed since 1973, and the site is completely adequate for the 136-unit facility. Electric, sewer and water service are provided and in use at the site, and are adequate. No natural gas is used at the site. The site has no significant elevation changes, and is surrounded by other sites which have been developed for quite some time. The site has frontage on and parking lot access from both Boynton Terrace and Gateway Ave., and includes 93 parking spaces, including 14 spaces meeting ADA requirements. The number of spaces is less than what would be required under current Chattanooga code for new construction, but most new projects build 2-BR

and 3-BR units, whereas these units are all 1-BR. Staff has not seen major parking-related problems with the current tenant population, although the renovation program may consider the possibility of additional ADA spaces in the north lot. Street parking is available in addition to site parking.

(b) The site and neighborhood must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, E.O. 11063, and HUD regulations issued pursuant thereto.

CHA has been managing the site for the City of Chattanooga since 2007, and our experience suggests that there is nothing about the site or neighborhood which would not be fully consistent with these laws and regulations.

(c) (1) The site for new construction projects must not be located in:

- (i) An area of minority concentration unless (A) sufficiently comparable opportunities exist for housing for minority families in the income range to be served by the proposed project, outside areas of minority concentration, or (B) the project is necessary to meet overriding housing needs which cannot otherwise reasonably be met in that housing market area. An overriding need may not serve as the basis for determining that a site is acceptable if the only reason the need cannot otherwise reasonably be met is that discrimination on the basis of race, color, religion, creed, sex, or national origin renders sites outside areas of minority concentration unavailable; or
- (ii) A racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

(2) Notwithstanding any other provision of this paragraph (c), public housing units constructed after demolition of public housing units may be built on the original public housing site, or in the same neighborhood, if one of the following criteria is satisfied:

- (i) The number of public housing units being constructed is no more than 50 percent of the number of units in the original project;
- (ii) In the case of replacement on a currently occupied project, the number of public housing units being constructed is the minimum number needed to house current residents who want to remain at the site; or
- (iii) The public housing units being constructed constitute no more than twenty-five units.

This subsection is not applicable, as the proposed project will not involve new construction.

(d) The site must promote greater choice of housing opportunities and

avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.

The proposed site is located in Census 2010 Hamilton County, Tennessee Tract No.16, which, being in the downtown area, is predominantly non-residential in nature. Several CHA public housing sites and other assisted housing sites are located in this Census Tract however, making the percentage of low-income persons in the tract significantly higher than the average for the metro area. However, since the site is already operating as an assisted housing site, serving elderly clients who are on the whole satisfied with the building and neighborhood, CHA does not believe that the transformation of Dogwood Manor into a LIPH site would create an "undue concentration" of assisted persons.

(a) The site must be free from adverse environmental conditions, natural or manmade, such as instability, flooding, sewage back-ups, sewage hazards or mudslides, harmful air pollution, smoke or dust, excessive noise vibration, vermin, rodent or vermin infestation, or fire hazards. The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable elements predominate, unless there is active and in progress a concerted program to remedy the undesirable conditions.

The site and building are not known to be affected by any adverse environmental condition. The building structure appears to be stable, and no significant structural issues have presented themselves since the building's construction in 1973. No portion of the site lies within the 100-year or 500-year flood zones. No issues of air pollution, noise, pest infestation or fire hazard are known to affect the property to any greater degree than any other average downtown location, and Chattanooga is considered "attainment" by the EPA for all air pollutant standards with the exception of PM-2.5. The majority of both residential and non-residential structures in the neighborhood are in standard condition, and the neighborhood is not known to have excessive crime problems.

(b) The site must comply with any applicable conditions in the local plan approved by HUD.

CHA does not believe that any such conditions have been imposed, but will be happy to supply any additional information for this element.

(c) The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of similar unassisted standard housing.

A large variety of amenities are available to those living near downtown Chattanooga; since the downtown and near-downtown areas have a mixture of both assisted and non-assisted residential properties, access is essentially equivalent between assisted and non-assisted. To give a few examples of available facilities and services near the downtown

Chattanooga area, see the following:

- Social:
 - Chattanooga Senior Neighbors Community Center Downtown
 - Numerous Churches, wide variety of denominations
 - Dogwood Manor Resident's Association
- Recreational:
 - Chattanooga Waterfront, Riverwalk and Walnut St. Bridge
 - Chattanooga Parks - Renaissance and Coolidge
 - Miller Plaza
 - YMCA Downtown
 - City's Sheila Jennings Fitness Center
- Educational:
 - Chattanooga-Hamilton County Downtown Public Library
 - University of Tennessee at Chattanooga campus
 - Internet accessibility exists in each Dogwood Manor apartment (Comcast service over coaxial cable); Common area also has computer lab which can be used by residents
- Cultural
 - Hunter Art Museum
 - Bessie Smith Cultural Center
 - Chattanooga History Center (coming soon)
 - Tivoli Theater
 - Memorial Auditorium
- Commercial:
 - Wide variety of Banking, Insurance, Legal, Dining, etc.
- Health/Medical:
 - Memorial Hospital Health Clinic on Grove St
 - Erlanger Hospital and nearby medical offices
- Municipal:
 - City Hall
 - State Offices
 - Federal Offices
 - Post Office

(h) Travel time and cost via public transportation or private automobile, from the neighborhood to places of employment provide a range of jobs for low-income workers, must not be expensive. While it is important that elderly housing not be totally isolated from employment opportunities, this requirement need not be adhered to rigidly for such projects.

The site is served by the Chattanooga Area Regional Transportation Authority (CARTA), via the Golden Gateway route, providing bus service 7 days a week to the core downtown. The site is close enough to the core downtown area that many residents choose to walk. A wide variety of employment opportunities in all income ranges are

available in the core downtown area.

(i) The project may not be built on a site that has occupants unless the relocation requirements referred to in §941.207 are met.

See transformation/relocation plan above in Background section, paragraph 6. If any residents are displaced, they will be given relocation assistance and benefits as set out in the Uniform Relocation Act.

(j) The project may not be built in an area that has been identified by HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, unless the project is covered by flood insurance as required by the Flood Disaster Protection Act of 1973, and it meets any relevant HUD standards and local requirements.

No portion of the site lies within the 100-year or 500-year flood zones.