8 Steps to Creating a Public Development Agency

The Path to Invest Chattanooga

INVEST CHATTANOOGA

Hanneke van Deursen
Director of Housing Finance, City of Chattanooga
General Project Manager, Invest Chattanooga

Where We Started

- Mayor Kelly set aside an unprecedented $33 million for affordable housing in the FY 2023 budget, which included **$20 million for a revolving loan fund**.
- We studied current practices and they fell short of the Mayor's vision
- We went back to the drawing board to figure out how to **maximize the impact** of the City's capital
- Atlanta had just launched **AUD**
- We engaged CPE to help us structure our **Housing Production Fund** and establish **Invest Chattanooga**

How Invest Chattanooga could take a project from

Fully Market Rate

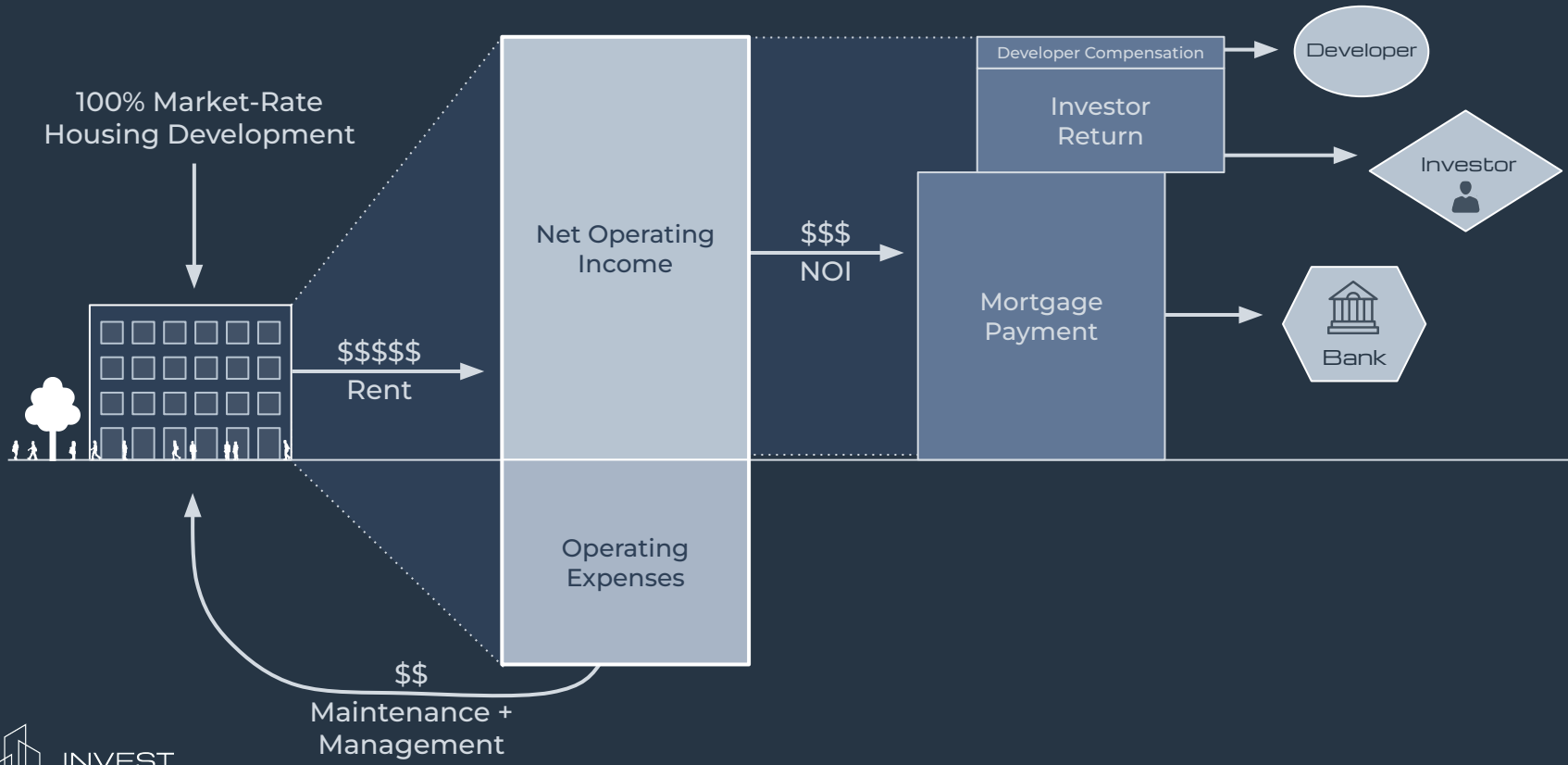
to

Mixed-Income



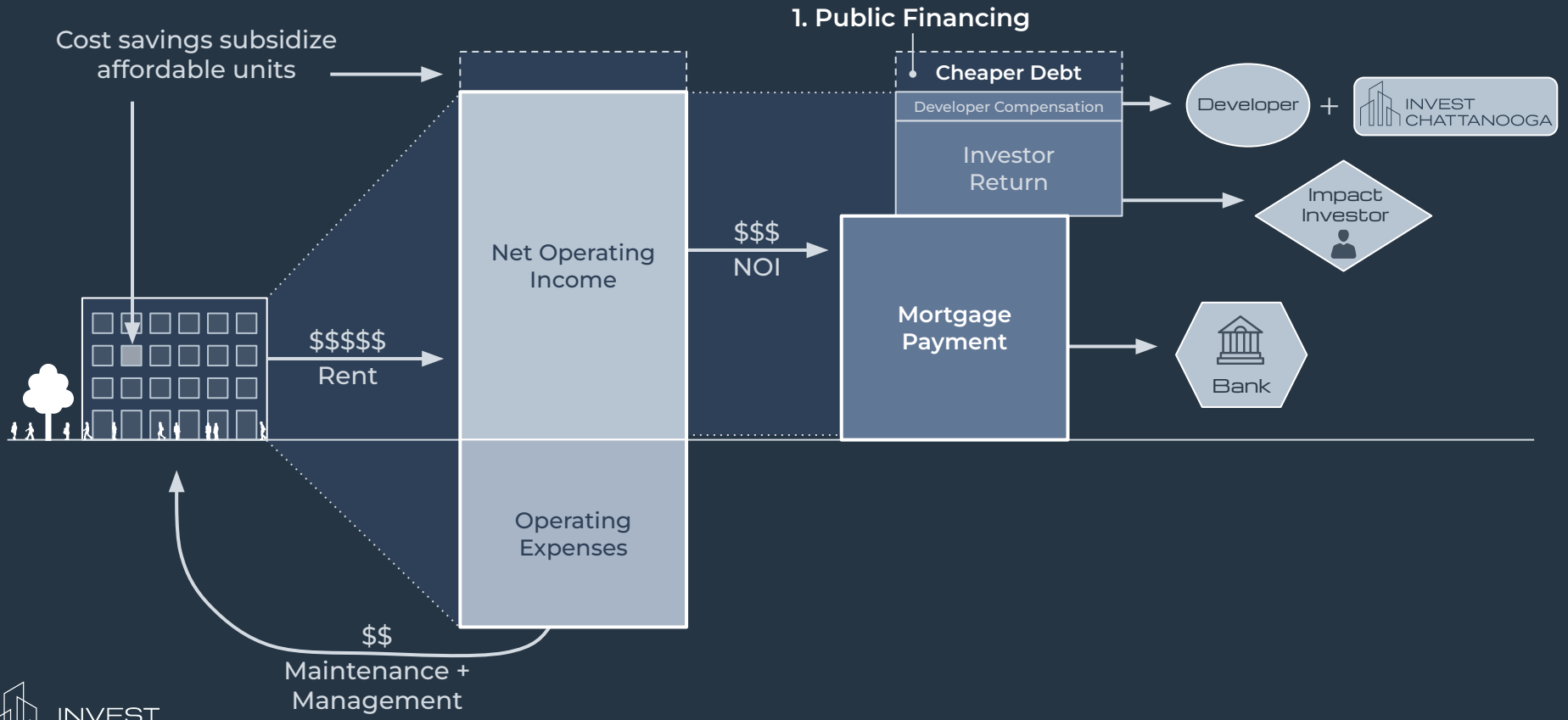
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From Market Rate to Mixed-Income



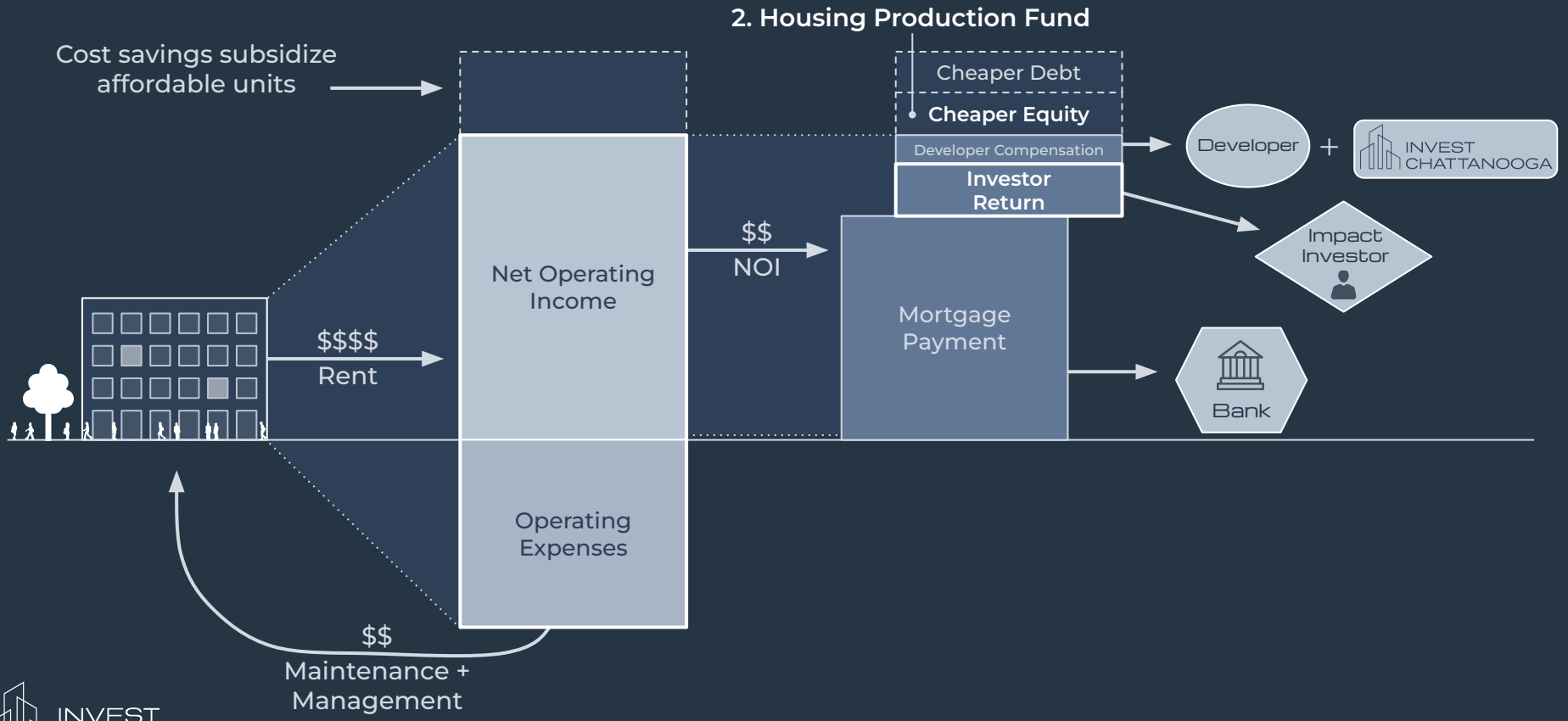
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From Market Rate to Mixed-Income



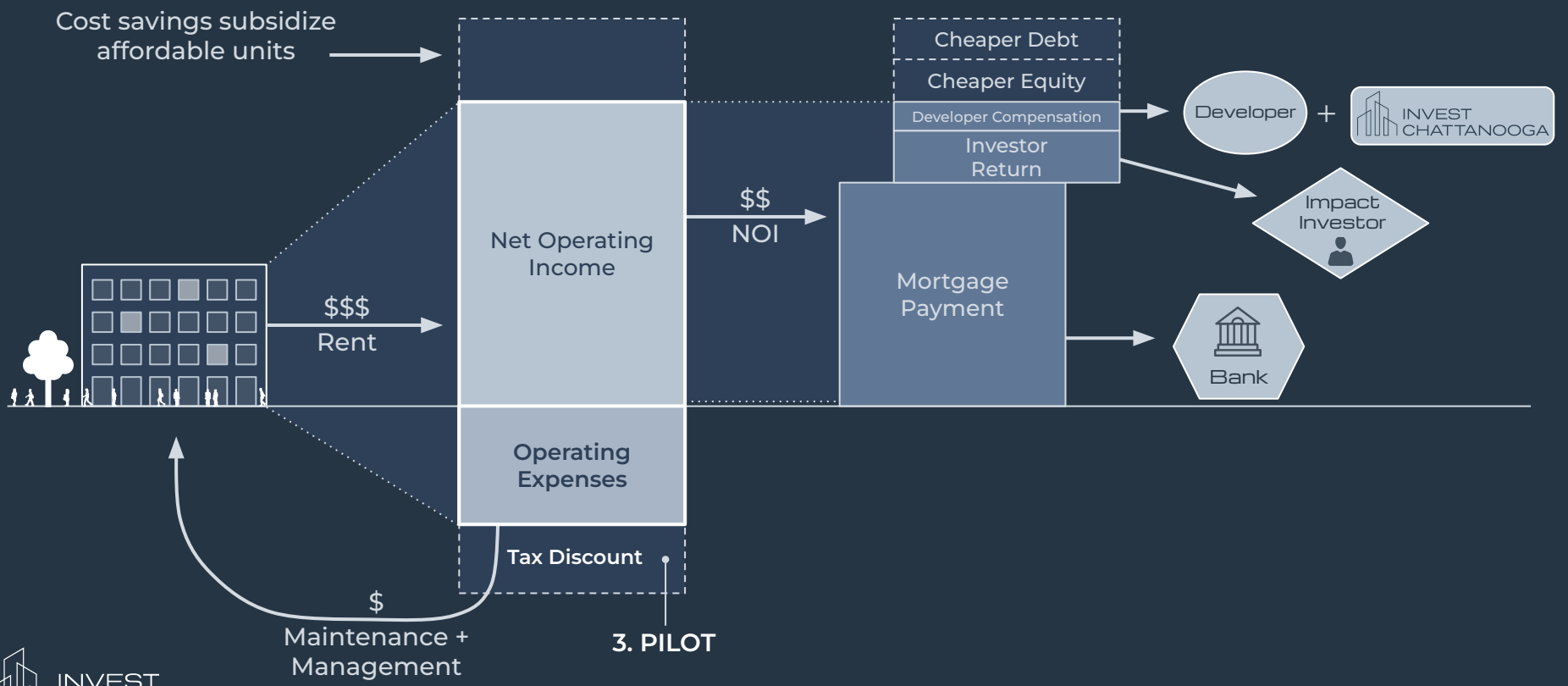
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From Market Rate to Mixed-Income



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From Market Rate to Mixed-Income



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Why This Approach Worked for Us

- **Permanent Affordability**
- **An Evergreen Housing Fund**
  - The City's one-time ARPA-era investment had no recurring revenue source.
  - To ensure lasting impact, the fund had to be evergreen, not just gap financing.
- **Strengthening Chattanooga's Housing Ecosystem**
  - With few nonprofit housing developers, no public redevelopment authority, and state pre-emption on inclusionary zoning, Chattanooga's ecosystem is limited.
  - Leverages the development capacity of our private sector.
  - Invest Chattanooga builds long-term public capacity to catalyze mixed–income housing.
- **Local Control**
  - Not reliant on Federal Funds (more important now than ever)
- **A Platform for Local Philanthropy**
  - Chattanooga's strong philanthropic network is expanding beyond traditional grantmaking to impact investing, moving capital from Wall Street to Main Street.

How We Launched Invest Chattanooga

Step 1: Identify the Parent Organization

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Step 1: Identify the Parent Organization

RIVER CITY COMPANY
WORKING TO KEEP DOWNTOWN WORKING

Chattanooga Housing Authority

THE CITY OF CHATTANOOGA TENNESSEE

Industrial Development Board

Health, Educational and Housing Facility Board

CHATTANOOGA LAND BANK AUTHORITY

	City	IDB	Land Bank	HEB	CHA	River City
Legal Authority						
Bonding	No	Yes	No	Yes	Yes	No
Lending	Yes	Yes	Yes	Yes	Yes	No
Priority Bid - Land Ownership	No	No	No	No	No	No
PILOT	Yes by council approval	Yes by council approval	Yes by council approval	Yes by council approval	Yes CHA and project level by council	No
Multifamily Acquisition	No	No	Not yet	Yes	No	No
Multifamily Ownership	No	No	Not yet	Yes	Yes	Yes
Programmatic Experience						
Staff Capacity	Yes	No	No	No	Yes	No
HUD Funds	Yes	No	No	No	Yes	No
Land Stewardship	Yes	Yes	Yes	Yes	Yes	Yes
Commercial Development	Yes	Yes	No	Yes	No	Yes
Capacity/Urban Planning	Yes	No	No	No	Yes	Yes
PILOTs	Yes	Yes	Yes	Yes	Yes	No

How We Launched Invest Chattanooga

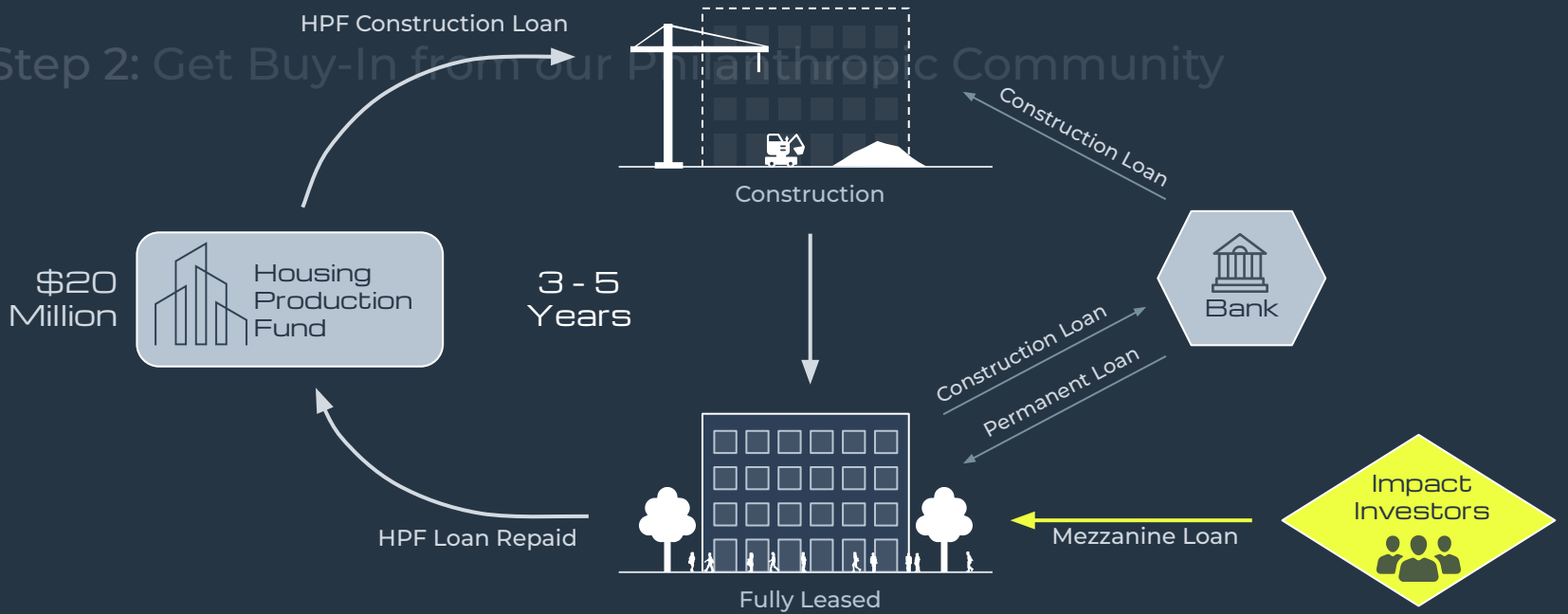
Step 1: Identify the Parent Organization

Step 2: Get Buy-In from our Philanthropic Community

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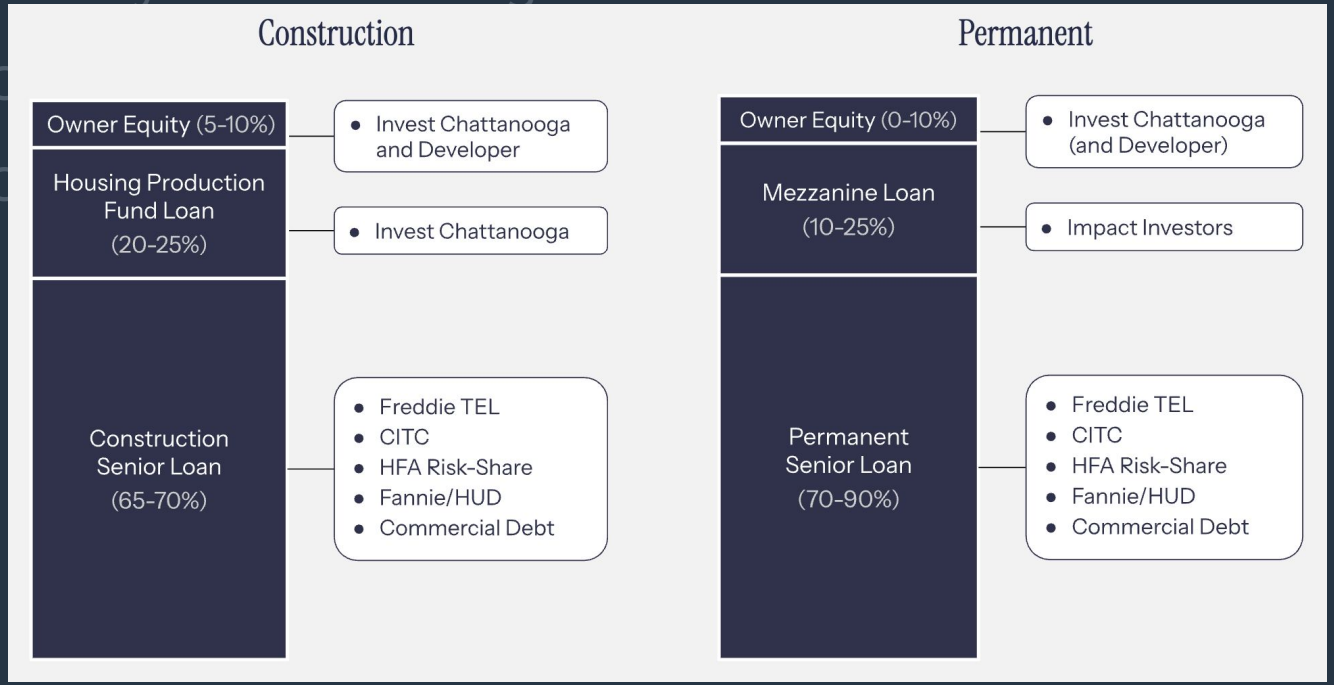
Step 3: Create a Menu of Financing Options

How We Launched Invest Chattanooga

Step 1: Identify the Parent Organization

Step 2: C

Step 3: C



How We Launched Invest Chattanooga

Step 1: Identify the Parent Organization

Step 2: Get Buy-In from our Philanthropic Community

Step 3: Create a Menu of Financing Options

Step 4: Establish the Subsidiary

How We Launched Invest Chattanooga

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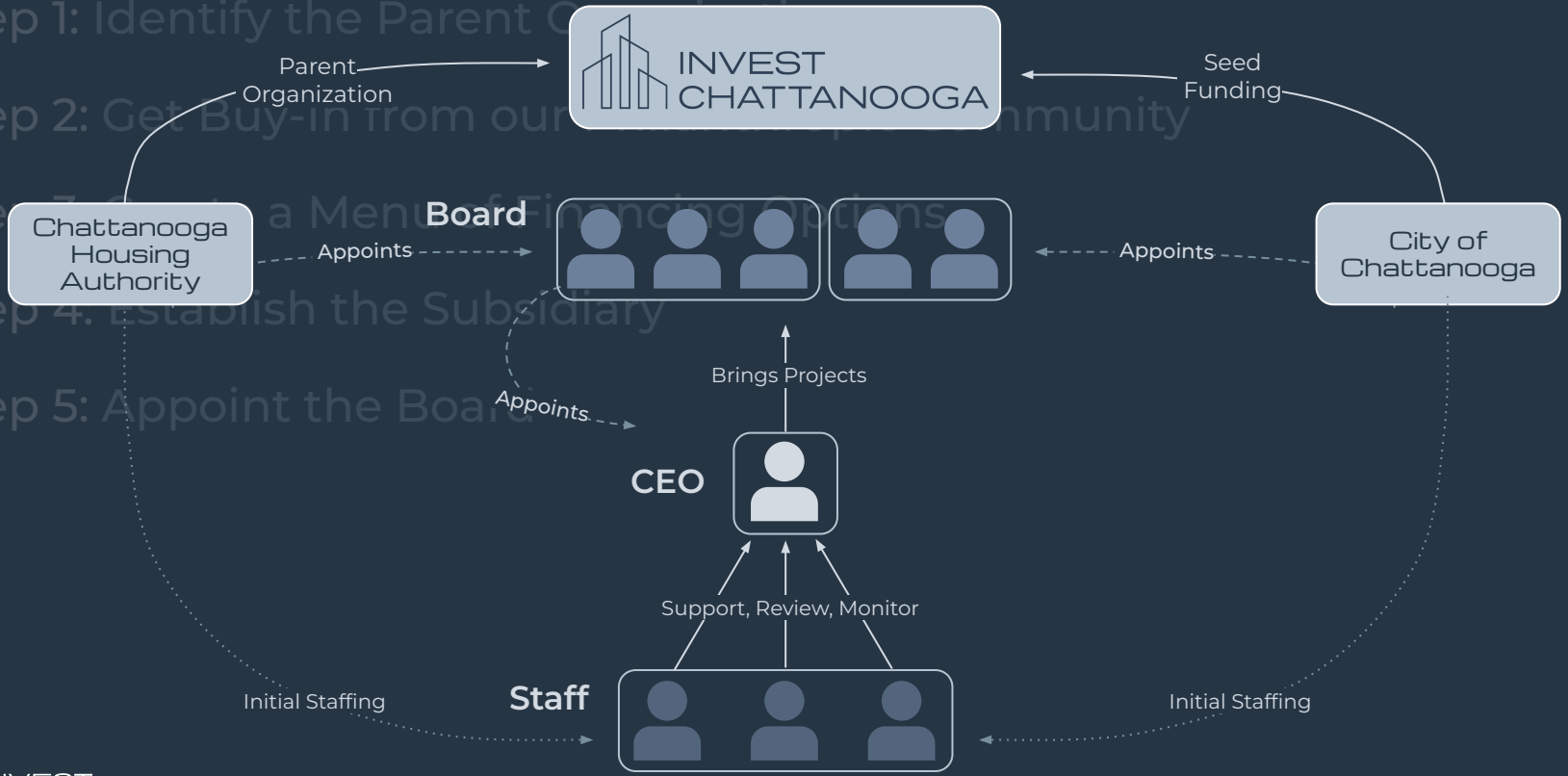
Step 2: Get Buy-In from our Philanthropic Community

Step 3: Create a Menu of Financing Options

Step 4: Establish the Subsidiary

Step 5: Appoint the Board

How We Launched Invest Chattanooga



How We Launched Invest Chattanooga

Step 1: Identify the Parent Organization

Step 2: Get Buy-In from our Philanthropic Community

Step 3: Create a Menu of Financing Options

Step 4: Establish the Subsidiary

Step 5: Appoint the Board

Step 6: Transfer the Housing Production Fund

How We Launched Invest Chattanooga

Contact:
mayorpress@chattanooga.gov

FOR IMMEDIATE RELEASE

'Invest Chattanooga' to Catalyze Affordable Housing Development with $20 Million Housing Production Fund

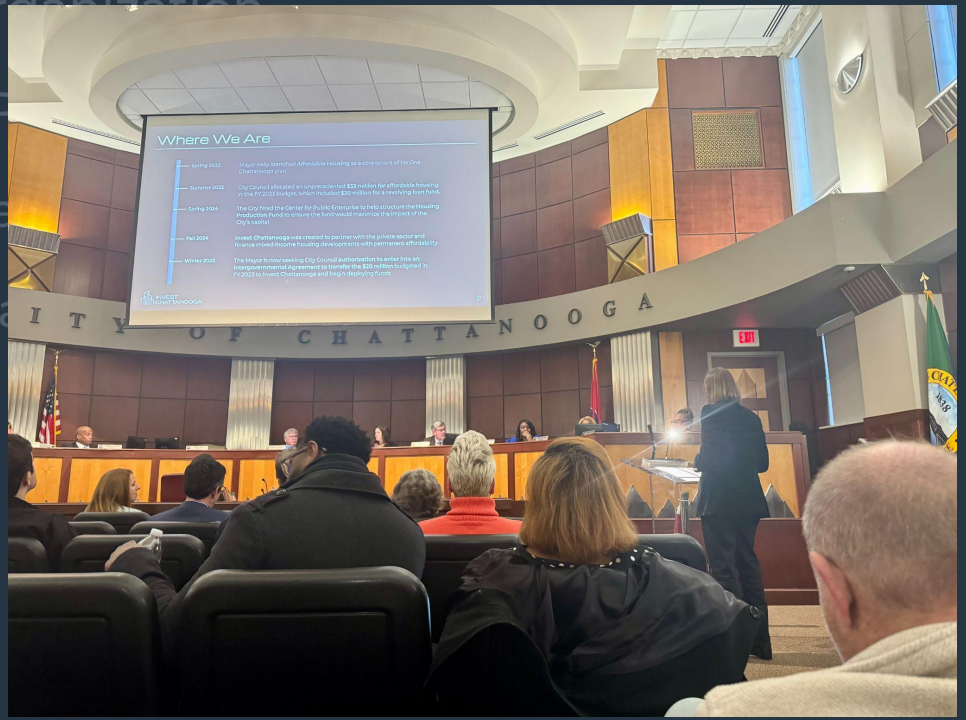
If approved by City Council, Invest Chattanooga will use the fund to offer low-interest construction loans on shovel-ready projects that guarantee affordable housing units

Chattanooga, Tenn. (December 5, 2024) - Today the City of Chattanooga announced its plan to launch Invest Chattanooga, a new public enterprise created to fund housing developments with a mix of market-rate and dedicated affordable units. If approved by City Council, Invest Chattanooga will administer the $20 million Housing Production Fund City Council created in 2022.

Invest Chattanooga will offer loans to cover up to 25% of a project's construction costs at a low interest rate, replacing the need for expensive private equity. The high returns required by most equity investors can be the difference between a housing development being built or sitting untouched for years. In exchange for this favorable financing, 30% of units at the selected development must be dedicated affordable units.

"The national housing crisis is the biggest issue facing Chattanoogans today, and we have to use every resource and option available to us to make housing more affordable," said Chattanooga Mayor Tim Kelly. "Our team has done a great job identifying and addressing the gaps in how housing development is financed, allowing us to use a one-time investment to make positive change for decades to come. We are one of only a handful of communities who have successfully stood up a fund of this nature and are proud to be leading the country in affordable housing solutions."

After projects are built, Invest Chattanooga's loan will be replaced with capital from impact investment partners, so Invest Chattanooga's proceeds can be reinvested in new projects. This



How We Launched Invest Chattanooga

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Step 6: Transfer the Housing Production Fund

Step 7: Find a CEO

How We Launched Invest Chattanooga

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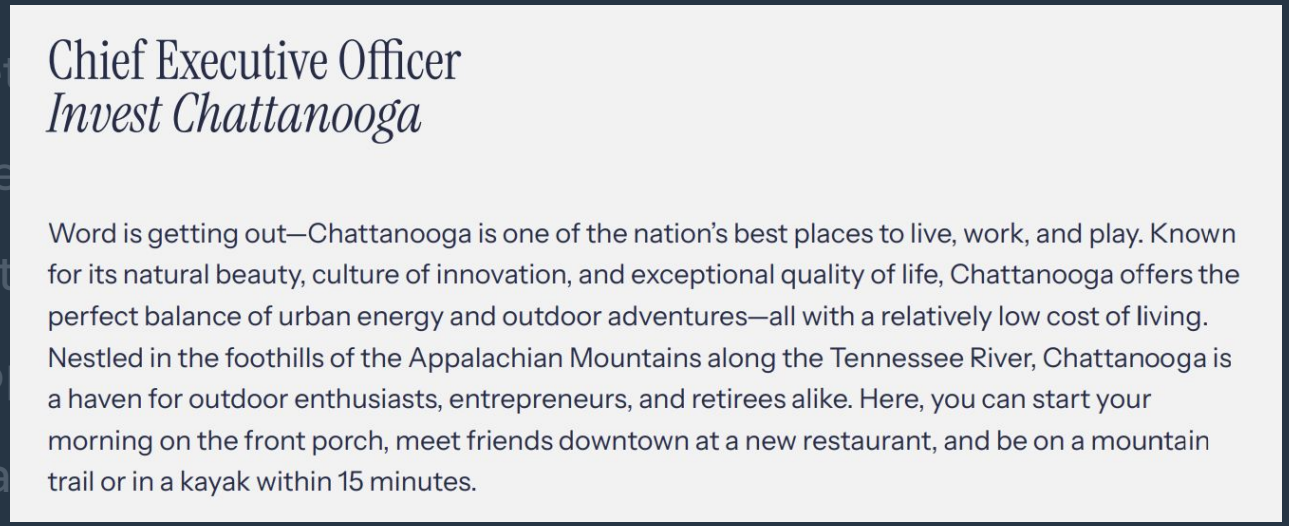
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We're Hiring!

investchattanooga.org

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Step 8: Find Deals

How We Launched Invest Chattanooga



INVEST CHATTANOOGA

RFI Development Partners January 2025

Request for Information
Development Partners

Invest Chattanooga is soliciting information from private-sector development partners interested in developing mixed-income real estate projects to meet the city's affordable housing goals. Developers with shovel-ready multifamily projects (20+ units) that have stalled because of escalating financing costs, are especially encouraged to respond.

Please note that this Request for Information (RFI) is for informational purposes only, and no contract will be awarded as a result. A firm or organization's response to the RFI—or lack thereof—will have no impact on the evaluation of responses to any subsequent Request for Qualifications (RFQ), Request for Proposals (RFP) or Invitation to Bid (ITB) released. Responses will be used solely for information and planning purposes. All responses will be public record. Do not submit confidential information in your response.

Section 1: RFI Overview

1.1 Background

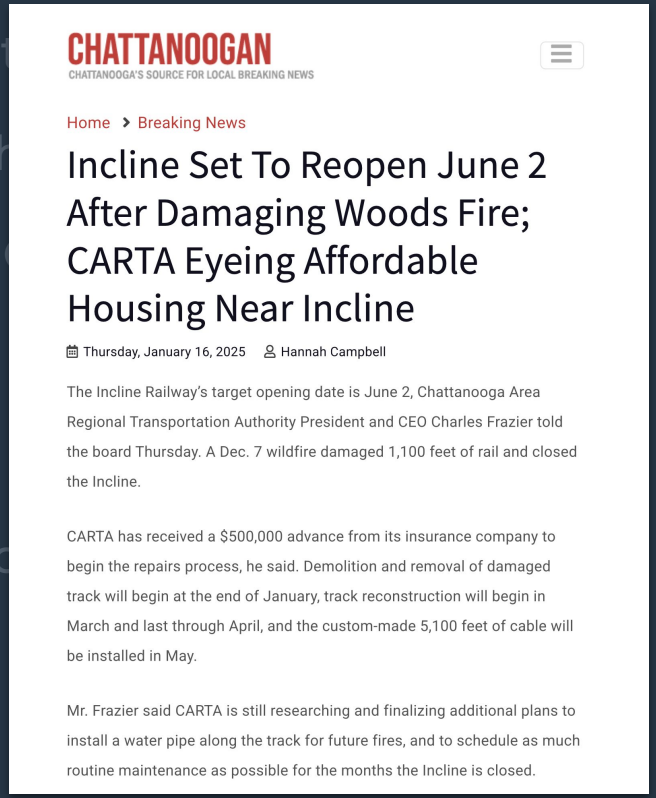
The City of Chattanooga has created a new public enterprise, Invest Chattanooga, to implement a new model of mixed-income housing development throughout the city.

Invest Chattanooga is looking for private sector development partners with shovel-ready projects that are stalled because of escalating financing costs. By partnering with Invest Chattanooga, access to new financing sources should get shovels in the ground and enable a percentage of units to be affordable at a below-market rate. The partnership would be structured as a joint venture in which Invest Chattanooga retains a majority interest (>50%) in projects both during construction and after stabilization.

Fee, profit sharing, and decision making will be negotiated between Invest Chattanooga and any development partner and will be commensurate with ownership interest, activities, and contributions of the parties involved. Net project cash flow will go to the development entity and be divided between Invest Chattanooga and the selected development partner based on negotiated partnership terms and ownership stake. Should the development partner wish to exit the deal upon completion, a guaranteed exit can be negotiated. Invest Chattanooga will hold its ownership interest long-term.

As a public enterprise, Invest Chattanooga brings a series of unique public development tools and financing sources to the partnership. In exchange, Invest Chattanooga is seeking to create permanently affordable rental and homeownership units in mixed-income developments that do not rely on federal subsidies or programs.

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Incline Set To Reopen June 2 After Damaging Woods Fire; CARTA Eyeing Affordable Housing Near Incline

Thursday, January 16, 2025 Hannah Campbell

The Incline Railway's target opening date is June 2, Chattanooga Area Regional Transportation Authority President and CEO Charles Frazier told the board Thursday. A Dec. 7 wildfire damaged 1,100 feet of rail and closed the Incline.

CARTA has received a $500,000 advance from its insurance company to begin the repairs process, he said. Demolition and removal of damaged track will begin at the end of January, track reconstruction will begin in March and last through April, and the custom-made 5,100 feet of cable will be installed in May.

Mr. Frazier said CARTA is still researching and finalizing additional plans to install a water pipe along the track for future fires, and to schedule as much routine maintenance as possible for the months the Incline is closed.

Thank you!

Questions?

INVEST CHATTANOOGA

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