

Healthy Neighborhoods

in Chattanooga's Urban Core

CNE Housing and Neighborhood Strategy 2020-2030



Prepared by czbLLC

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CNE Neighborhood Focus Area

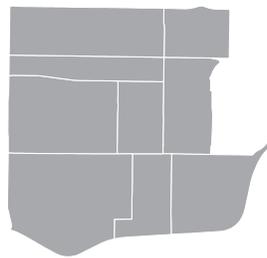
THIS REPORT is an evaluation of all of the City of Chattanooga in terms of the relative market strength of its many neighborhoods, and within that context, this report concentrates on the nine Census Block Group areas bound by Central (west), Dodds (east), E 3rd (north), and E 23rd (south) that are just east of Downtown in East Chattanooga. Parts of Orchard Knob, Highland Park, Ridgedale, and Oak Grove are labeled Opportunity Areas in this report, and this is where Chattanooga Neighborhood Enterprise is encouraged to focus its work in the next decade.



HAMILTON COUNTY



CITY OF CHATTANOOGA



CNE Focus Area

Chattanooga-Hamilton County
Regional Planning Areas 1, 3 and 4

Housing and neighborhoods in Chattanooga



The Chattanooga community has been rightly lauded for its transformation the last 40 years into a truly vibrant place with a diverse and durable economy.

It enjoys a well-deserved reputation for creativity, problem-solving acumen, determination, a commitment to making quality of life investments, creative philanthropy, and decades of public-private partnership building. Now it has the chance to be equally transformative over the next 40 years, less by continuing on its course than by intentionally developing inclusively.

The tools Chattanooga had on hand in the 1970s as Chattanooga faced existential threats, plus the ones it learned to use along the way, position the community well for the future in two notable respects. One is the ability to engage in a continuous process of trying things, assessing outcomes, and improving systems in response to experience, and the second – a necessary component of the first – is the level of risk tolerance needed to invent a paradigm rather than wait for another community to lead the way.

Chattanooga is well positioned for the future less by continuing on its course than by intentionally developing inclusively.

Using Double Loop Learning To Tackle Today's Most Pressing Problems

Though the old threat of being too orientated around heavy industry and an extraction ethos was successfully put down, new and different challenges are present today. Once more, new ways need to be invented by Chattanooga for Chattanooga in order for the city to continue to prosper.

Chattanooga has proven itself a community capable of engaging in what the systems analyst Chris Argyris called double loop learning. Owing to courageous self-examination of mid 20th century values and assumptions - evidenced by Chattanooga's 1980s rejection of the old view that a river's main value was to support dirty, heavy, extractive industry - the city now possesses the muscle memory needed to scrutinize some of today's assumptions. While many of the core assumptions in the post war years - industry, growth, outward expansion - did in fact add value, none were cost free, coming as they did with a high price in environmental impacts from pollution and economic vulnerability from one dimensional extractionism.

Chattanooga's brilliance between 1975 and 2005 was to marry these costs and see them as an intertwined problem at the systems level - thus requiring systems-level thinking - and to mobilize one public-private partnership after another until Chattanooga was pointed in a decidedly different direction. What Chattanooga managed to do remains nothing short of remarkable, especially when stood up alongside Birmingham and Knoxville and Rochester and Toledo and Erie and other cities still essentially tethered to old ways.

Systems-level thinking today is going to require that the Chattanooga community apply the same skills and energy that proved so valuable in the late 1970s, the 1980s, and the 1990s to the work of challenging today's assumptions. Right now there are four problematic fictions coursing through Chattanooga's bakeries, barber shops, coffee houses, beer gardens, salons, City Hall, and elsewhere that need attention. These four false narratives have to be addressed so the community development field can constructively work together to find a way forward on the related issues of neighborhood distress and housing affordability.

“Nothing is ever so expensive as what is offered for free”

Viet Than Nguyen from
The Sympathizer



FALSE
NARRATIVE

#1

Chattanooga
is developing
equitably.

Great gains have been made the last 40 years. But not everyone is enjoying the upside.

A large percentage of Chattanooga households are not doing well. And a large percentage of the city's neighborhoods are struggling, some severely so. The subdivisions that were new in 1970 are now 50 years old and some are on the cusp of failure.

In the late 1980s, Phil Angelides (former CHCD employee in Sacramento and former California State Treasurer) spoke of the need for communities to be intentional about aiming to achieve what is called a double bottom line.

While Chattanooga is doing an excellent job remaking the city to appeal to well-educated, higher income white households

drawn towards and able to afford today's new urbanism, it is not doing a good job buttressing the economic realities of high school-educated African Americans, nor of tackling the housing cost gaps that lower income Chattanooga residents face arising from low earning power.

Chattanooga was intentional about revitalizing downtown and its riverfront, and it succeeded. It was not intentional about achieving those gains in a larger context. And so meaningful change on that front did not materialize.

It must now do this. It must become intentional about a new set of ambitions responsive to the economic and social division in Chattanooga.

What is the empirical evidence to show Chattanooga is not developing equitably? Developments are not inclusive. What is the fix for this? Developing alternatively.

How might this be converted into policy and into action?

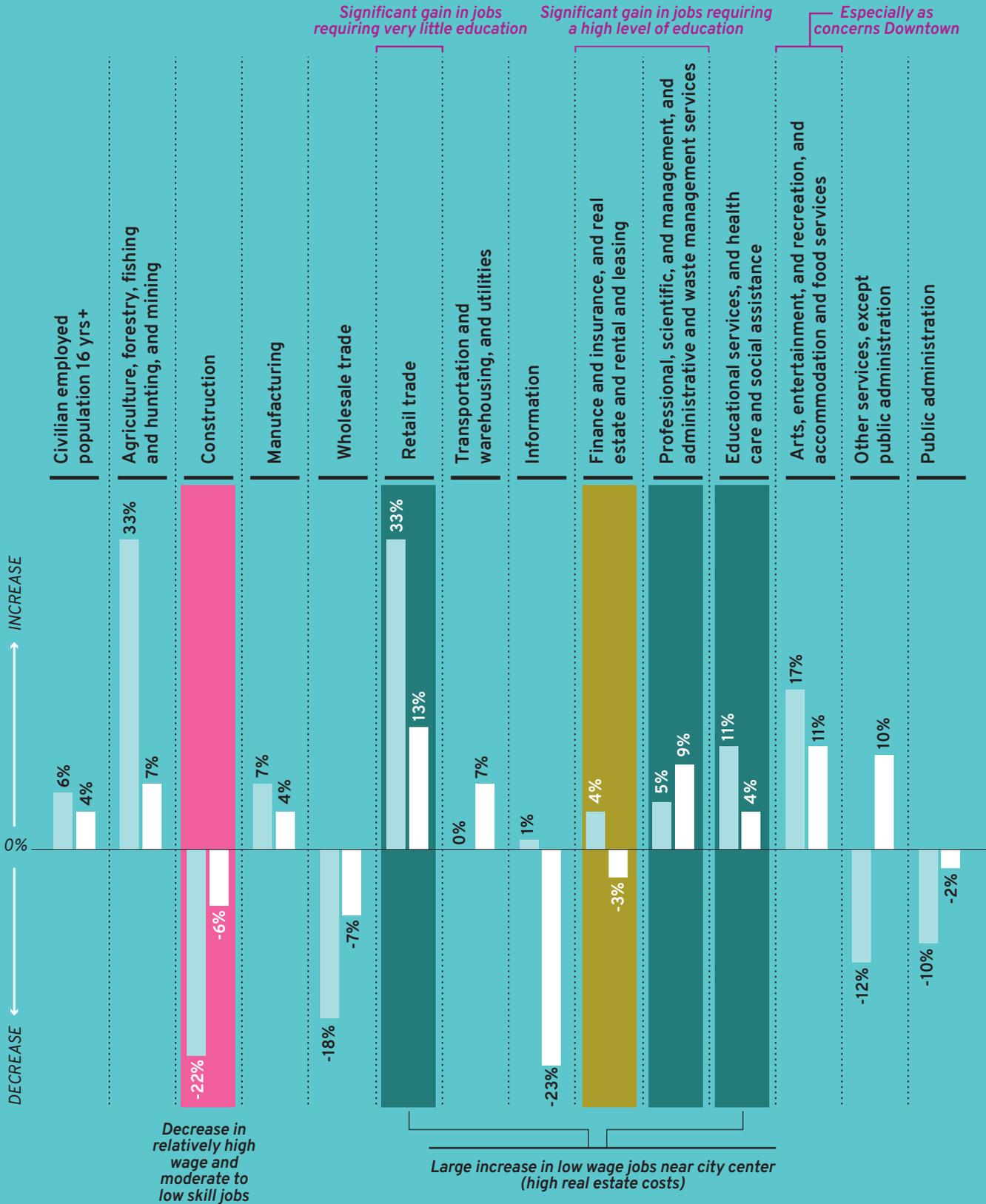
If a goal was set that 15% of the next 1,000 newly constructed residential rental units permitted in Chattanooga be explicitly affordable to households working in the city with incomes between \$25,000 and \$35,000, a reasonable production goal of 150 units can be set. Each would need about \$5,000 per year in rental subsidies, so the city and its partners would need to commit \$750,000 annually for the next 30 years, or about \$80,000 for each of the affordable units the city aspires to have inclusively developed to make this goal achievable.¹

Equitable development is not just a matter of percentages, though. Development has to be inclusive. While the McCallie HOPE VI effort deserves praise for good urban design on paper, its isolation justifies harsh criticism. Double-loop learning would have diagnosed the problem at McCallie not as physical decline of post war public housing units, but poverty and isolation and segregation. Single loop learning mistook aging structures and low incomes as housing affordability challenges, and thus the response - isolated and shiny and new instead of isolated and dull and old - is what Chattanooga has to show for it.

¹ See Data Sources and Notes.



% Change of Employment for Residents of (2010-2017)



FALSE NARRATIVE

#2

Chattanooga is experiencing an affordable housing crisis.

The truth is that just as it is not true that the city is developing equitably, nor is it accurate that development has created an affordable housing crisis.

San Francisco, with median home value to median household income ratios of 14:1 has a genuine affordability crisis. Boston, Northern Virginia, Boulder, Los Angeles, Seattle and a few other outlier markets with median ratios between 7-12 have real affordability problems stemming from high cost land or exorbitant construction costs, or both.² Less robust but still expensive markets like Austin (TX), North Carolina’s Research Triangle, Ann Arbor (MI), and Portland (OR) have considerable

housing affordability challenges to tackle. Chattanooga, with value to income ratios generally between 2.75 - 3.75:1, does not have an affordable housing crisis by any empirical definition. What Chattanooga does have is a low-wage workforce problem and a multi-generational poverty problem and a substandard housing problem all concentrated in a dozen East Chattanooga neighborhoods.

It was existentially essential the last several decades for Chattanooga to encourage exactly the kind of high quality redevelopment it did, and to impose (and fund) high expectations for architecture and urban design. Those measures stimulated the rising values the city’s tax base required for the city to survive. First things first. Have values risen? Yes. But they have not risen to the point where there’s anything approaching an affordability “crisis”. There are genuine affordability challenges and they require attention, but they stem from low-incomes, not high land costs and not high labor costs and not high materials cost.

Sampling of Housing Markets

Chattanooga is a generally healthy market in terms of value to income ratios, neither indicative of extensive withholding of purchasing power nor excessively high costs.

	2000			2017			
	Median Home Value	Median Household Income	Value - Income Ratio	Median Home Value	Median Household Income	Value - Income Ratio	Change since 2000
San Francisco	750,900	55,221	13.60	927,400	95,265	9.73	-28.41%
Boulder, CO	227,200	44,748	5.08	600,400	64,183	9.35	84.24%
Seattle WA	252,100	45,736	5.51	573,800	79,565	7.21	30.83%
Atlanta GA	144,100	34,770	4.14	238,700	51,701	4.62	11.40%
Chattanooga, TN	83,300	32,006	2.60	153,900	41,911	3.67	41.09%
Raleigh NC	152,400	46,612	3.27	225,000	61,505	3.66	11.89%
Knoxville TN	77,800	27,429	2.84	124,500	36,331	3.43	20.82%
Huntsville AL	95,600	41,047	2.33	169,900	51,926	3.27	40.49%
ZERO Housing Burden in Chattanooga	83,300	25,631	3.25	153,900	47,354	3.25	NC
Hamilton County (MINUS Chattanooga)	103,770	46,618	2.23	178,901	59,047	3.03	36.11%

* - Zero housing cost burden = < 3.25 for the purpose of illustrating comparisons.

Ratio < 3.00
generally will not yield home equity (Common in soft Rust Belt markets)

Ratio > 5.00
generally quite unaffordable (Coastal and other high-tech, high education level markets)

Goldilocks Ratio 3.25 - 4.25
both generally affordable and likely to yield appreciation of home values

² See Data Sources and Notes.

FALSE
NARRATIVE

#3

Gentrification
is bad and
rampant.

**It's not as simple as
"gentrification is bad."
And it's not true that
there's a flood of higher
income households
inundating vulnerable
neighborhoods, either.**

It is true that some households with more means are moving onto some blocks whose residents have historically been of less means, and that this dynamic is being labeled as gentrification by some.

But the arrival of households with more education and more earning power onto previously weak blocks, while in no way an unalloyed good, is not a bad thing. When a more stable family moves in and upgrades a tired home on a weak block in East Lake, or does the same in Avondale, those blocks

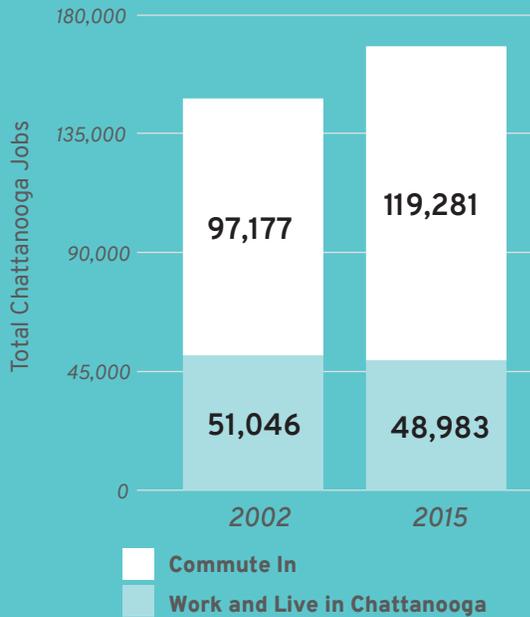
become more stable, not less. They become more likely to hold their value, not less.

The arrival of stabler households with higher incomes can eventually result in rising home values. If this occurs, the problem is not the arrival of a positive, stabilizing influence and rising values, but the lack of safeguards in place to minimize displacement, safeguards that can (and should be) financed by the increment of increased tax value and revenue. Chattanooga's sin was not in robustly redeveloping, but in plowing nearly all the incremental gain back into more improvement without applying much at all towards mitigation. Indeed the greater dilemma in Chattanooga - economic (and racial) segregation and the weak market conditions that can follow - is remedied not by fighting gentrification, but by encouraging it and then funding the safeguards that vulnerable households need.



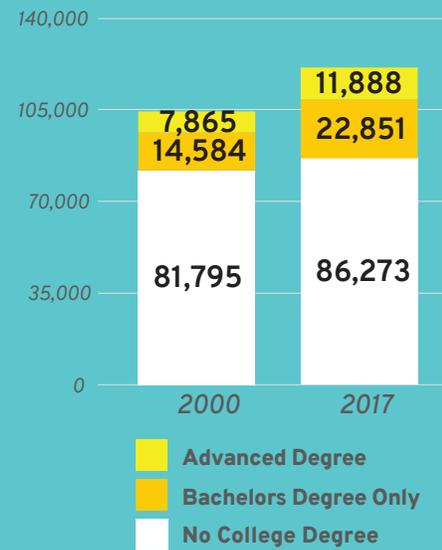
Jobs and Commuting (2002-2015)

20,000 + new workers not choosing the city as a place to call home



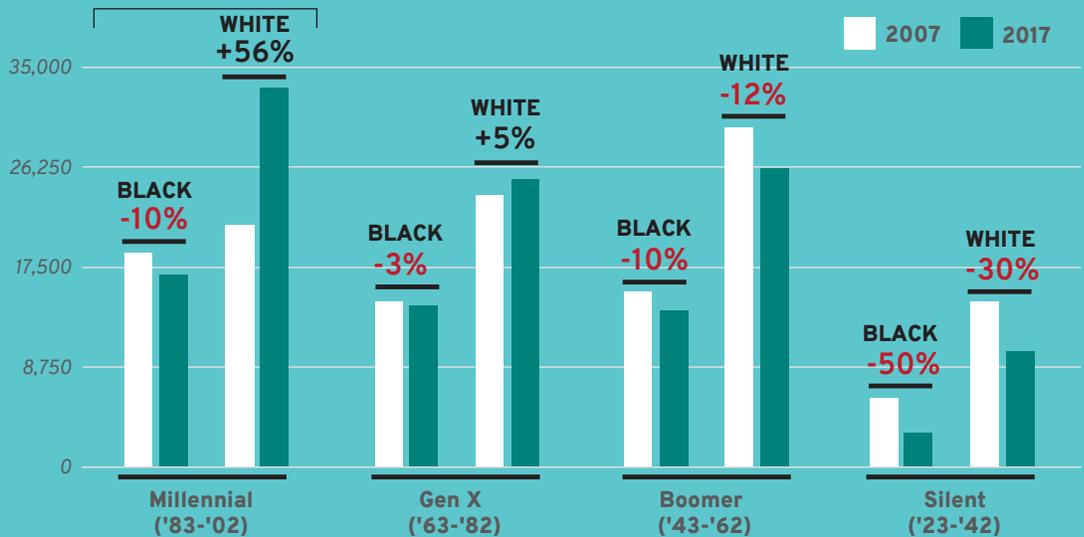
Educational Attainment for Population 25+ (2000-2017)

+12,290 new highly educated workers now living in the city



Population Change by Generation and Race (2007-2017)

Why the city feels "whiter"



**FALSE
NARRATIVE**

#4

Black households are being pushed out.

With the exception of blocks in the immediate vicinity of Historic South Main, it is simply not true that black households are being pushed out.

What is true is that for decades, a significant number of successful African American families have been choosing to leave troubled urban core neighborhoods like Avondale and Bushtown and Glass Farms, and others. They departed because they could, and sought out a higher quality of life in more suburban settings, often in the subdivisions like North Brainerd, Shawnee Park, Woodmore, and Tyner and Highway 58. In the process of choosing to live in neighborhoods they preferred, successful African Americans - just like successful Whites, have left behind vacant homes, disorder, and the truly disadvantaged. As populations in these older core East Chattanooga neighborhoods have aged and declined, disinvestment has increased, and genuine distress has rooted on quite a number of blocks.

What is true is:

While annual household income for African Americans increased from \$22,292 in 2000 to \$27,951 in 2017, it has gone from \$37,234 (2000) to \$51,157 (2017) for Whites in the same period.

The ratio of median home value to median household income for African Americans rose from 3.73 in 2000 to 5.51 in 2017, while the same ratio for Whites went from 2.23 (2000) to 3.00 (2017).

African Americans - especially in East Chattanooga with lower incomes - are under ever greater housing value-to-income stress while White households are effectively under no stress at all. This is the real problem and it is serious.³

To remedy this, the Chattanooga community will have to make it a clear goal to subsidize the gap between what's

affordable and what's not to buy a median priced home. In the case of the typical African American household in Chattanooga with an annual income of \$30,000 and home purchasing power conservatively estimated at \$97,500, this translates into a need for about \$56,000 in capital subsidies, or a monthly voucher of about \$285 (calculated for a loan of \$60,000 at 4.5% amortized over 30 years).

At a glance, it can seem that with value-to-income ratios for African American households so severe, ipso facto they are being pushed out. In some cases, yes. But this is not the complete story. The whole enchilada is rather that when any low-cost neighborhood is directly adjacent to a high value institution or corridor and on potentially high value land, development pressure will eventually inflate prices through speculative bidding and building.

To the degree that African American households lack the income that Whites have to buy into such new development, or to stay amid change, what was Black will become White. This is what happened south of Massachusetts Avenue and then south of Tremont Street in Boston as downtown pressures moved towards Shawmut and Lower Roxbury. And what has happened along Main Street in Chattanooga, and what might happen to the Martin Luther King neighborhood. It is what happened east of 14th Street in Washington, DC and what could happen at College Hill Courts (Westside), based on its location. This will *not* happen to the vast majority of traditional African American neighborhoods, because prevailing conditions are far below average and the locational realities of most African American neighborhoods mean the land is not valuable. No such transformation of Avondale or Glass Farms or Alton Park is on the horizon. The greater problem is not potential displacement but continued distress.

In sum, Chattanooga's African American population is far more suburban today than it was two decades ago. It is also older. And this trend has been unfolding alongside a white population that's increasingly more urban and younger.

Moreover, the city's African American population is not smaller. Though not always voluntarily, it has moved around.

³ See Data Sources and Notes.

In 2000 the city's African American population was 56,331. In 2017 it was 58,790, an increase of 2,102 African American households, or ten more per month the last 17 years.

Meanwhile, the city's White population has grown during the same period by 2,972 households, or about 15 per month. That's 50% more growth of the city's White population than the city's Black population. Every month for the last two decades, Chattanooga has grown (net of births and deaths and in-migration and out-migration) by 25 households - 60% White and 40% Black. The bottom line is that African Americans are increasingly suburbanizing in Chattanooga while Whites are settling into both the near Downtown urban core and in the city's suburbs.

For all these reasons, systems level work is required.

To become more economically inclusive will require that better wages be paid, or that housing is subsidized on the back end. Every \$49,010 in housing price equates to \$15,080 in required annual income, or \$7.25/hour for a full time worker. Every increment above \$49,010 is an unaffordable increase to a single, minimum wage earner household. Every dollar of rent higher than \$419/month is an increment that is unaffordable to a single, minimum wage earner household.

Chattanooga's options are to either raise incomes or gap finance housing costs on one hand, or not.

- To deal with the city's affordability challenges, they must first be described accurately - there is no crisis of housing costs, there is however a problem of low wages and poverty - and then gaps must be closed, either by better wages on the front end or housing is subsidized on the back.
- To cope with market dynamics, it is both insufficient to let the gentrification-is- rampant canard go

unchallenged, and ungenerous to fail to appreciate and fail to address the gap between how the market feels to low wage workers, and how it is felt by everyone else. At the same time, to allow neighborhoods to remain fallow as the city's de facto affordability strategy is to keep poor households (who would otherwise be able to benefit from price appreciation) poor and isolated. Owning a home in a neighborhood without price appreciation is pointless except as a rent control device or for the imputed gain. Weak market conditions have to be improved as a moral imperative so that families in neighborhoods like Oak Grove and Ridgedale can have the chance to flourish. Revitalizing inclusively will be expensive and in point of fact, no American city has ever really done it. The good news is that no American City did what Chattanooga did in the 1980s and 1990s either.

- To tackle the problem of racial inequity, inasmuch as incomes and race are strongly correlated, gap financing is a must to enable more African American households to enjoy value to income ratios in the 3-4:1 range, low enough to be within striking distance, and high enough to translate into a good quality of life and home equity over time. This will not be possible in every neighborhood. Achieving this may very well require many to move from distressed neighborhoods to better ones.

All this necessitates coordination by civic leaders willing to knit together a new kind of municipal fabric across the city. It will require rethinking tax policy and land use. New priorities will need to be established at the City in its Comprehensive Plan, and backed up in meaningful changes to the city's development code and budget priorities. The corporate and philanthropic sector will need to bridge gaps between what is profitable and what is equitable and what is needed and what politics will permit.

Given Chattanooga's history of success, the changes needed in Chattanooga today are absolutely attainable.

Reasserting Chattanooga's role as a trailblazer

Part and parcel of double loop learning, genuine adaptation is never a one-and-done proposition. It is iterative. There will be no playbook to follow. There's no Pittsburgh or St. Louis that's done it. While creative measures have rooted in other cities, Chattanooga will have to write its own script. This document is a framework to help guide the community challenge.



It is axiomatic that a one-size-fits-all approach will not work and finely grained strategies suited to neighborhood and sometimes block level challenges will be needed.



It is axiomatic that every goal requires subsidy. There is no free lunch.

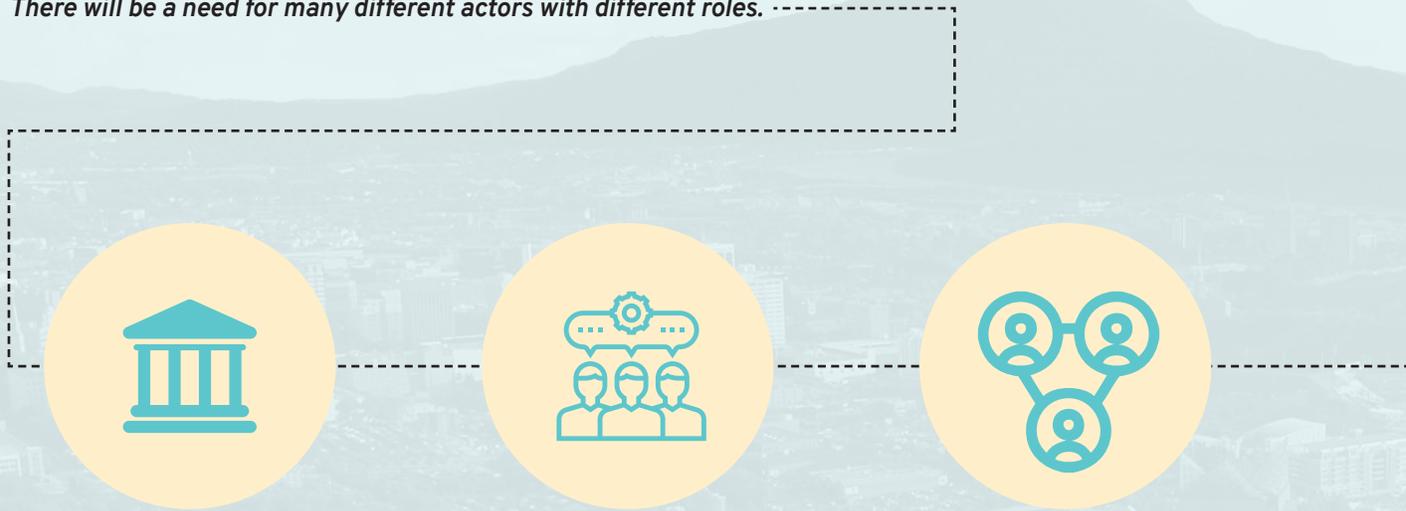
Most important of all, since there is far more work to be done than there are resources, and far more struggling households than can all be helped at once, the community must come together to talk about the tradeoffs inherent in these ambitions, and work together to prioritize which neighborhoods require what level of attention to achieve which goals.

Nor is any change all good or all bad. If the city wants to de-concentrate poverty, higher income households have to be welcome on low income blocks and lower income households have to be welcome on higher income blocks. If the city wants to close affordability gaps and the financing for that derives from the city's ad valorem, values must rise.

The ideas the Chattanooga community must consider are based on a theory of change.

The theory must undergo constant, transparent testing both in terms of outputs - are we getting what we aimed for? - and inputs - is the theory right?

There will be a need for many different actors with different roles.



CITY

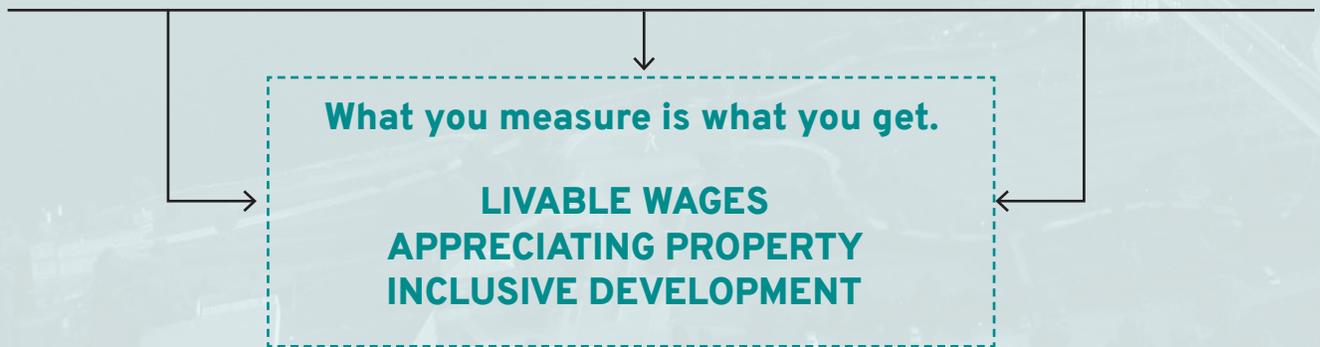
The city will need to harness its good credit rating and leverage its bonding capacity and consider capitalizing a Housing Trust Fund of not less than \$20M for a city the size of Chattanooga. Why build a great city with the capacity to generate revenue and not put that revenue to uses consistent with the city's core values? If the community values inclusion, this is what it will do.

FOUNDATIONS

Foundations will need to think more creatively and more strategically and adopt less of a deal-making, project-orientation. Quality must continue to matter - planning quality, urban design quality, and architectural quality - but as quality begets demand, anticipated residuals should start to feed into a new double bottom line. If local philanthropy values inclusion, this is what it will do.

NONPROFIT COMMUNITY ORGANIZATIONS

Nonprofit community organizations and advocates will need to re-evaluate their business models. Financing appraisal (willingness to pay) gaps will not alone drive deals able to create net assets. The work of catching up on decades of disinvestment isn't a cost-free ambition. And closing affordability (ability to pay) gaps will simply not yield products that will dependably appreciate in value. If community developers truly prioritize inclusion, this is what they will do.



To activate these aims, and the general strategy contained here which lights the path, there must be a willingness to try, to risk failure, to learn, and to make course corrections in real time until the inputs seem to be generating desired results.

Chattanooga didn't climb out of the pit in 1975 in one, single step. It tried some things that worked, tried a few things that didn't, was honest with itself, kept at it, and kept asking itself questions.

Civic leaders in the 1980s and 1990s saw and admitted to seeing that the building blocks of 1960s vibrancy - industry and sprawl - weren't actually cost-free, nor were they durable. So, one project at a time - the Walnut Street Bridge, the Waterfront Plan, the Hunter Museum - the city's economy and form changed by intentional actions taken by an intentional community.

By finding the balance between self examination and a commitment to change on one hand, and a steadfast resistance to throwing the baby out with the bathwater on the other, Chattanooga didn't stop being

a manufacturing community. Instead it transformed itself by both addition and subtraction.

Additive and subtractive thinking at the same time is the mark of a genuinely high performing community, one capable of building the bicycle while riding it, and, in actuality few American communities are up to the task.

But Chattanooga is one of them.

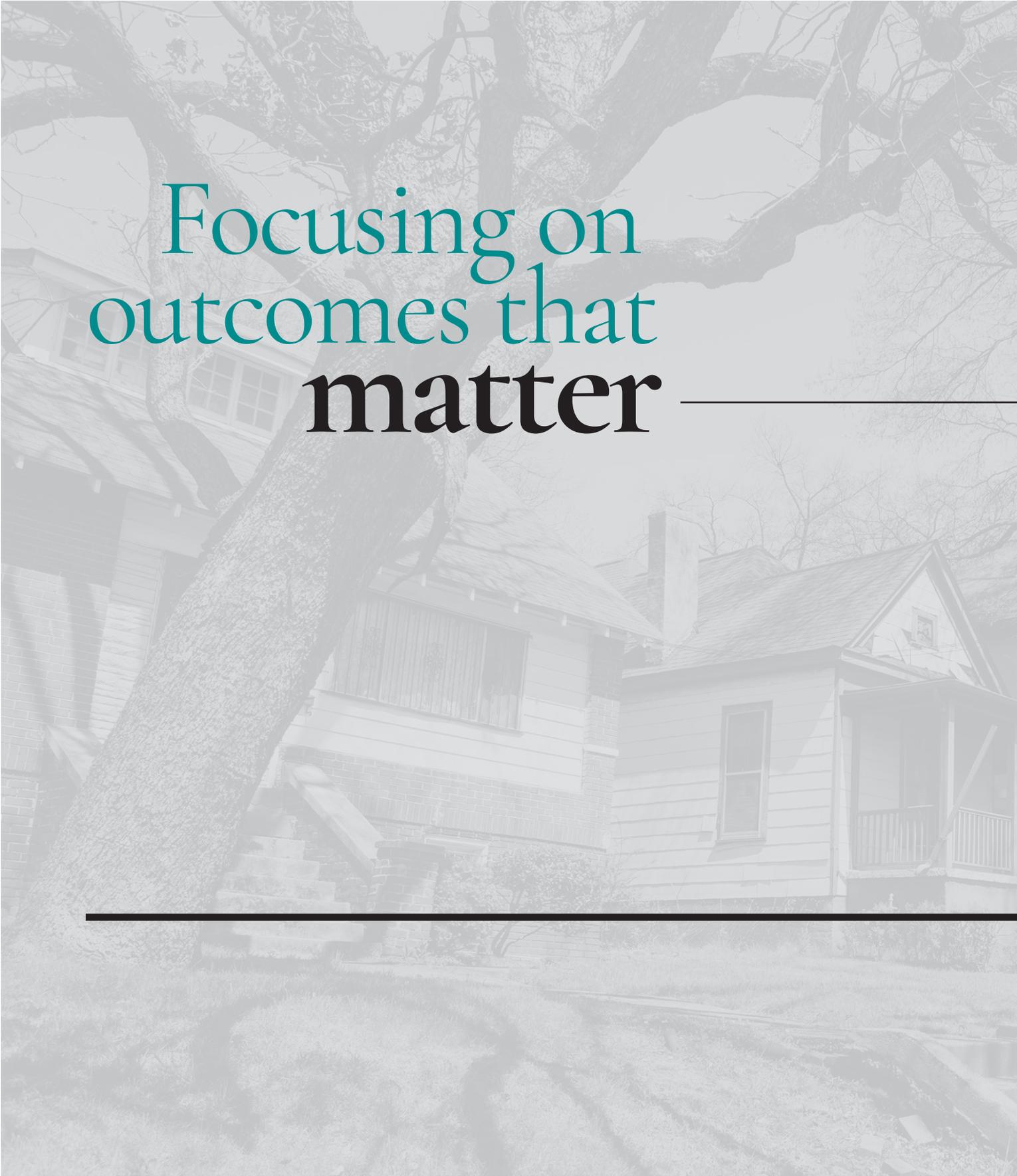
The city doubled down on place-making, investments in education and medicine, environmental stewardship, outdoor living, and technology. And it did so without divesting entirely from manufacturing. The result is the great city Chattanooga is today. Additive and subtractive problem solving is again required, but for different reasons and for a different set of problems than imposed by the exigent realities of the 1970s and 80s.

Don't throw the baby out with the bathwater.

In the 1980s it was time to rethink the basic business model of extraction economics. Now it is time to rethink the assumptions that profitability and equitability can't be symbiotically beneficial, and that all gains are zero sum.

These two underlying threads require attention today just the way a polluted Tennessee River did in 1970.





Focusing on outcomes that **matter**



Good outcomes
for working and
low-income
households



Good municipal
policy framework
on housing and
neighborhoods
worthy of a great city



Development
that continues
to build on
market strength
and thus
continues to
strengthen the
city fiscally, but
which is also
inclusive



Affordability is up, but livability is down.

Good outcomes for working and low-income households

Good outcomes for working and low-income households mean many things. It means housing security and being able to afford a good home near work. It also means having a home on a block with good neighbors who take pride in their homes and in the neighborhood at large, and a home in a neighborhood where people want to live.

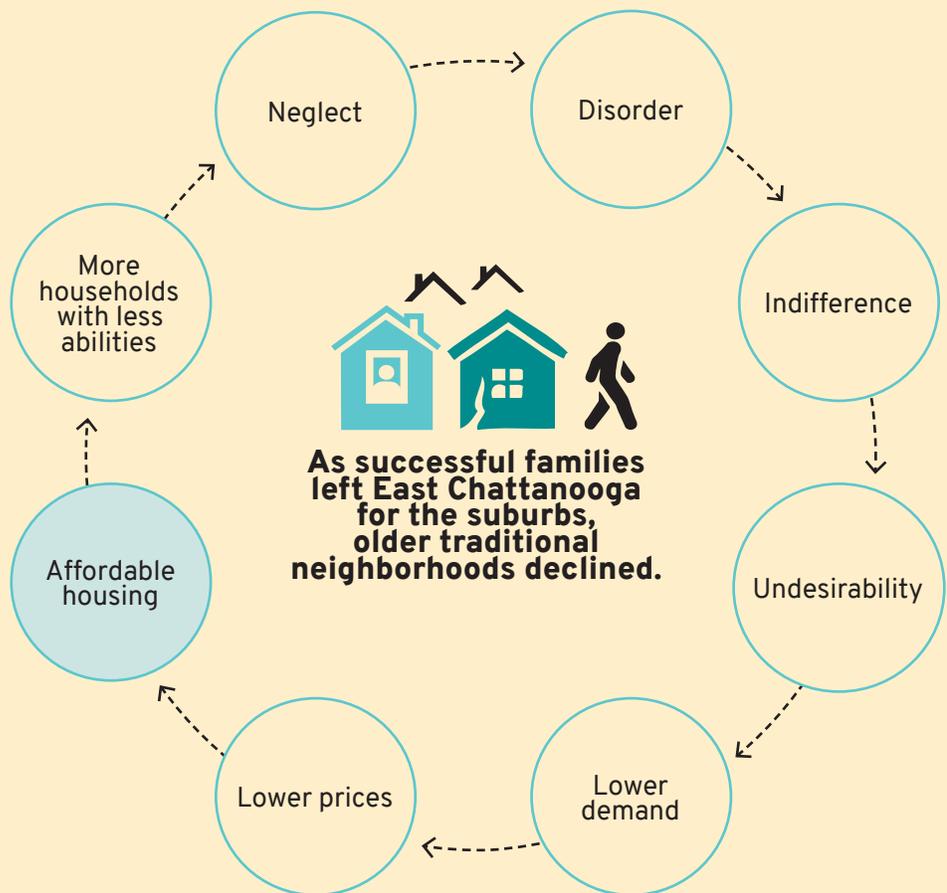
These are seemingly obvious and straightforward targets to aim for, but, while related, they are not synonymous. With safety and vibrancy and good neighborliness comes the inevitable desire on the part of many to live in such

a place. This desire, or willingness to be in a given neighborhood, for whatever reason, translates into higher levels of demand. With strong demand comes stable and rising land values and home prices. Here is the dilemma for community developers, and for Chattanooga Neighborhood Enterprise: which is the greater good to work towards? Affordability or livability? If they are co-equals, how do you make it happen, and, critically, how do you pay for it?

The least costly and most efficient path to achieving affordability is to make sure - by neglect mainly - that quality is marginal. That the homes are deprived of maintenance. That lawns aren't cared for. That trash left about is left about. The best way to get this result is to concentrate poverty, either purposefully or by apathy. Indifferences inevitably add up to powerful signals that this is not a neighborhood of choice. The only households retained or attracted are those with no other options. The rest go elsewhere.



Disorder prevails, standards are low, marketability is non-existent. Cash flow for absentee owners is good, but property values are low, and any chance at wealth creation through owner occupancy of appreciated units is also non-existent.





Good municipal policy framework on housing and neighborhoods worthy of a great city



When shabby conditions constitute both the negative consequence of indifference - declining quality of life - and the positive of affordability, the status quo means community organizations are in a “damned if we do damned if we don’t bind”. If a city or a nonprofit group, nevermind a private sector for-profit developer, buys low and speculates that their intervention can make conditions better, the inevitability of rising values leaves them open to criticisms of gentrification. If no effort to intervene is undertaken, terrible living conditions result.

If an effort is aimed at upgrading conditions and not displacing anyone, then the criticism is that the can is being kicked, that poverty is being concentrated, and the wear and tear on the new buildings for the poor will degrade precipitously and that the area will be right back where it was almost overnight.

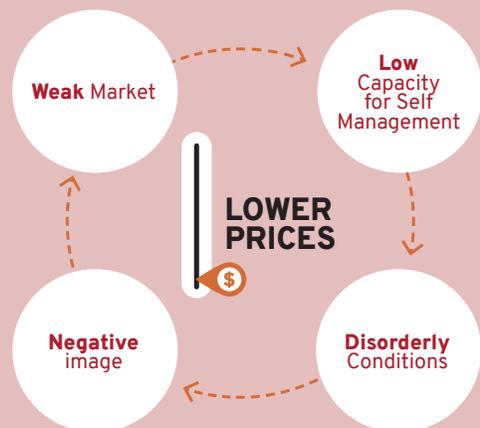
The bottom line is Chattanooga today is such that without significant subsidy, or wage appreciation for low-skill workers, and income guarantees for the elderly and disabled, the status quo is a Hobson’s Choice. Intervene and displace on one hand. Don’t intervene and don’t displace on the other.

Since break-even housing development in Chattanooga is about \$20/hour proposition before coping with land or historic rehabilitation expenses, the underlying affordability problem is not high housing costs, but low wages. And for the most part, affordability will have to come from filtering, NOT new construction which cannot pencil out absent significant subsidy.⁴

In Tennessee, where the minimum wage is \$7.25/hour, the most rent \$7.25/hour can afford and not be cost burdened is a mere \$418/month. To afford to live near East Main Street in the Historic South Main neighborhood – where so many minimum wage jobs are – would require four adults working full time at minimum wage to pool resources to afford a two bedroom apartment. Unable to make this happen, local poultry workers opt to live in nearby Oak Grove or somewhat further south off Rossville Boulevard in East Lake.

In the absence of a coherent city wide affordable housing policy, and resulting programs and strategies aimed at fair share distribution of affordable housing stocks, concentrated poverty is inevitable.

Prevailing cycle of disinvestment in too many East Chattanooga neighborhoods



⁴ See Data Sources and Notes.



Development that continues to build on market strength and thus continues to strengthen the city fiscally, but which is also inclusive



When distressed conditions (where land and housing are relatively affordable) exist near vital assets like Downtown, as was the case for decades along West Main in the Southside, unless the overall city is in real decline, it is only a matter of time before such buy low opportunities fail to attract risk capital. Creative infill development at Jefferson Heights illustrates this perfectly.

By changing conditions and improving the area's image, demand increased, prices rose, and the market composition changed. Had CNE not failed to fully leverage the financing that was provided to have a robust percentage of new development along West Main remain affordable to working and low income workers, one plausible outcome might have been less pressure on neighborhoods further east in neighborhoods like Highland Park and Ridgedale. Without an intervention via policy or intentional community development aimed at both affordability through fair share and equitability through revitalization, the relationship of stocks to flows of capital generates self-fulfilling feedback loops that are either virtuous (where demand exceeds supply) or vicious ($D < S$).

Prevailing cycle of exclusive reinvestment in too many near downtown neighborhoods



Healthy Neighborhoods are where outcomes that matter all come together

Revitalization is a process that leads to something: a neighborhood that is vital and healthy. But what is a healthy neighborhood?



A healthy neighborhood is a place where it makes sense for residents and owners to invest their time, energy and money.

The four factors that move together in a self-reinforcing cycle to determine neighborhood health are the MARKET (or who is there), its CAPACITY (or its willingness and ability to manage the neighborhood), the CONDITIONS (or the resulting visible level of care and investment), and the IMAGE (or the perception of the neighborhood held by the broader market). When demand for living in a neighborhood exceeds the supply, the cycle spins in a positive direction, keeping the neighborhood strong. But it can also move in a negative direction, further eroding an already weakened neighborhood.”



It is recommended that Chattanooga Neighborhood Enterprise spearhead real estate and resident leadership development in tandem. The goal is inclusive development that is capable of spurring demand on weak blocks and creating value that can become wealth for home owners, and ensuring a measure of affordability for low income renters.



Intentionally incorporating RESIDENT LEADERSHIP DEVELOPMENT into every CNE activity so that resident ownership of the neighborhood results, will grow and maintain pride and lead to good outcomes for working and low-income Chattanooga families.

MARKET

Who is living in the neighborhood

The **MARKET** must be strong.

Demand must exceed supply and prices must be rising.

CAPACITY

Ability and willingness to manage home and neighborhood

Resident **CAPACITY** must be high.

Residents must demonstrate they are managing the neighborhood.



IMAGE

Perception of the neighborhood by broader market

Neighborhood **IMAGE** must be positive.

Signals sent by conditions have to communicate pride and instill confidence.

CONDITIONS

Resulting level of care and investment

Housing and neighborhood physical **CONDITIONS** must be good.

Residential blocks appeal to the regional market.

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Working thoughtfully across the whole city

Chattanooga is a city comprised of dozens upon dozens of neighborhoods. They range from older, dense residential areas in the central city near downtown, to more suburban, planned unit developments further out. Some were established more than a century ago. Others are coming on line now.

All parts of the city will benefit from strategic community development, defined as inclusive development in strong areas, revitalization in the vulnerable middle, and stabilization in distressed areas.





Conditions vary widely from one neighborhood to the next. Indeed, especially in the urban core - defined in this czb report as Areas 1 (Downtown and North Chattanooga), 3 (East Chattanooga between Rt 24 and South Chickamauga Creek and the Tennessee River and Missionary Ridge), & most of 4 (South Chattanooga and Lookout Mountain) as articulated by the Chattanooga Regional Planning Agency - conditions can vary significantly from block to block, if not house to house.

In this context - where the demographics in one neighborhood are quite different from another, building stocks vary, histories diverge, and prices and rates of change are dissimilar - **the single most important planning principle to convey is a one-size-fits-all approach will not deliver**

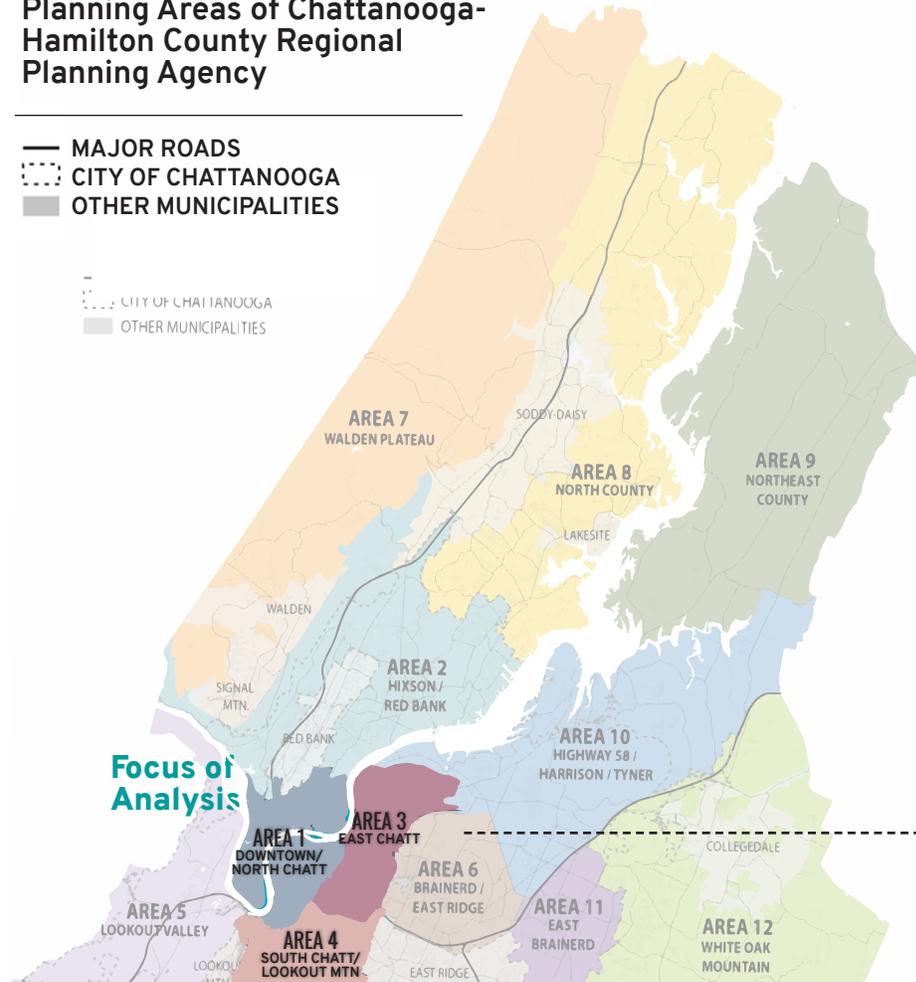
What most Chattanooga neighborhoods actually need to improve and thrive, what is needed in Orchard Knob, for example, will be different from what is needed in Avondale.

To help determine what is needed where, the exterior conditions of more than 40,000 residential properties across every planning area (except areas of 10 and 12) were evaluated and analyzed alongside seven years of sales data to generate an understanding of neighborhood market strength. Demographic and economic and other data was analyzed to develop an understanding of settlement patterns. And numerous detailed site visits to all of the neighborhoods in planning areas 1, 3 & 4 helped to further illuminate conditions and trends in the areas of Chattanooga where Chattanooga Neighborhood Enterprise (CNE) may wish to focus efforts in the coming years.

Planning Areas of Chattanooga-Hamilton County Regional Planning Agency

- MAJOR ROADS
- ▭ CITY OF CHATTANOOGA
- ▭ OTHER MUNICIPALITIES

- ▭ CITY OF CHATTANOOGA
- ▭ OTHER MUNICIPALITIES



The exterior conditions of 40,000+ residential properties across every planning area were evaluated alongside seven years of sales data to generate an understanding of neighborhood market strength.

Sizing the Canvass to Where CNE Can Be Truly Effective

Downtown values pushing development East and South

Downtown Rents \$1,300+/mo.

Income needed to be affordable for renters

\$50k/yr

As rents become unaffordable for low-income earners, renters look elsewhere.



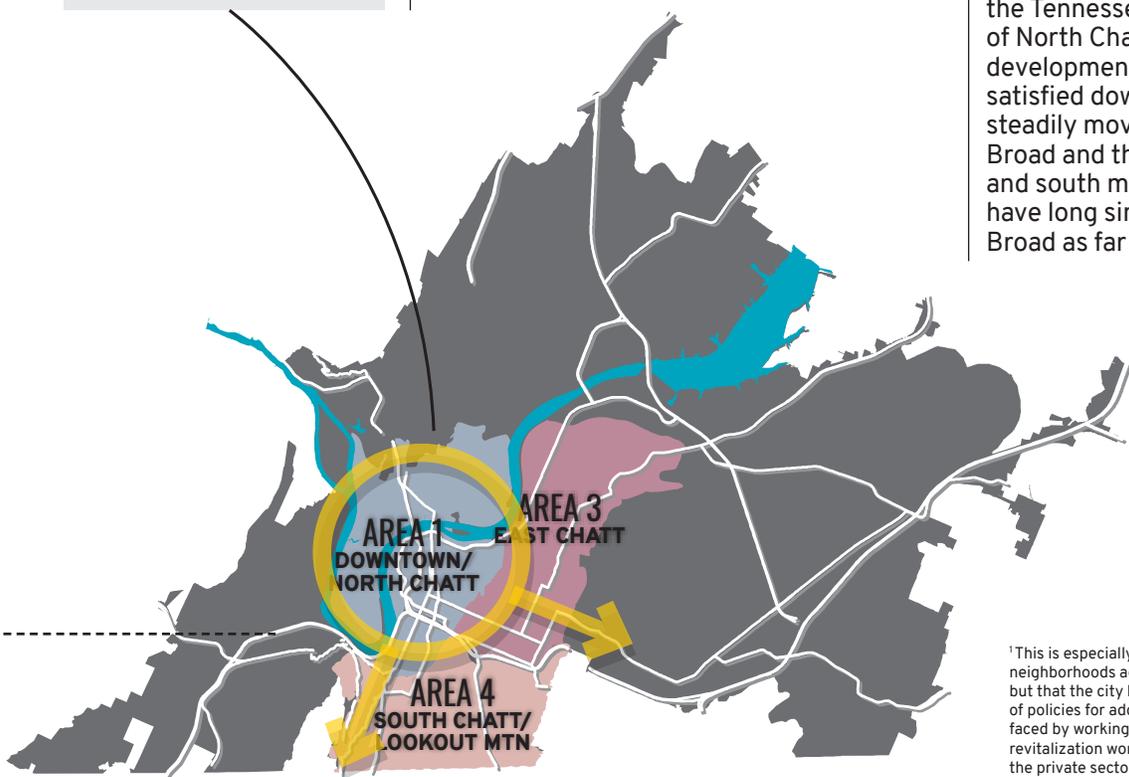
To be effective at a combination of related but different community development endeavors that are part of CNE's mission - affordable rental housing, first time buyer assistance, and wealth building opportunities, as well neighborhood stabilization and when possible revitalization aims - it is imperative that each undertaking make market sense.¹

Working and low income households live throughout Chattanooga, though not everywhere. Considerable economic segregation is present, and this single fact will affect how affordable housing work on one hand and weak market improvement work on the other, need to be understood. **Most of the city's working and low income households live in CHCRPA Planning Areas 3 (East Chattanooga), 4 (South Chattanooga, and 6 (Brainerd).** A sizable but declining number of working and low-income households live in or near Downtown and in North Chattanooga (Area 1). It is in the former where, general revitalization efforts must occur - even though zero displacement cannot be assured - and in the latter where inclusionary affordable units have to be developed, not the other way around. The main reason the number of working and low income households living near downtown

is declining is because the high costs of development push break even monthly rents over \$1,300 south of East Main between Broad and Central. This requires about \$50,000 in annual household income to make that affordable. But by the time incomes get much above \$40,000, the wisdom of renting near downtown gets evaluated alongside numerous competing alternatives, where its easily possible to get more house for the dollar in locations like Hamilton Place.

As downtown has become a major employer of workers with college degrees who command \$50,000 in salary and who (with partners) constitute households with annual incomes that can trend well above \$80,000, residential areas near downtown have simply become more expensive than many without college degrees generally can afford.

Across the parts of Chattanooga where most of the city's working and low income households live, conditions vary just as much as anywhere else. As noted, the highest land values in the city are in downtown, in Area 1, followed by parts of the North Shore, also in Area 1. The lowest values in the city are in parts of Areas 3 and 4. In general, the closer to downtown, the more expensive the real estate. With the Tennessee River and the topography of North Chattanooga being formidable, development pressures that can't be satisfied downtown owing to cost have been steadily moving south along Market and Broad and then east along West Main. East and south moving development pressures have long since reached Madison and along Broad as far south as 20th.



¹This is especially important in light of the fact that not only do neighborhoods across Chattanooga vary markedly in strength, but that the city lacks anything resembling either a coherent set of policies for addressing either the affordable housing challenges faced by working and low income households, or a way to approach revitalization work that is more than simply turning things over to the private sector.

Determining where in Chattanooga interventions make sense

While downtown's revitalization is starting to reach nearby neighborhoods, it's only barely reaching the CNE target area - either not raising quality of life for long time residents or threatening to price long-time and lower-income households out. Activity is more flip-oriented than genuinely equity based on too many blocks relatively near downtown. This means downtown strength IS having an affect and demand pressures ARE moving eastward and southerly from Main Street but sustained genuine strength in the CNE area is still a work in progress.

Based on county sales data, analysis of appraised values and ownership trends, as well as prevailing field conditions, the CNE target area overall remains somewhat weak, with variation, and a range of activities carefully calibrated to achieve inclusion and vitality will be needed.

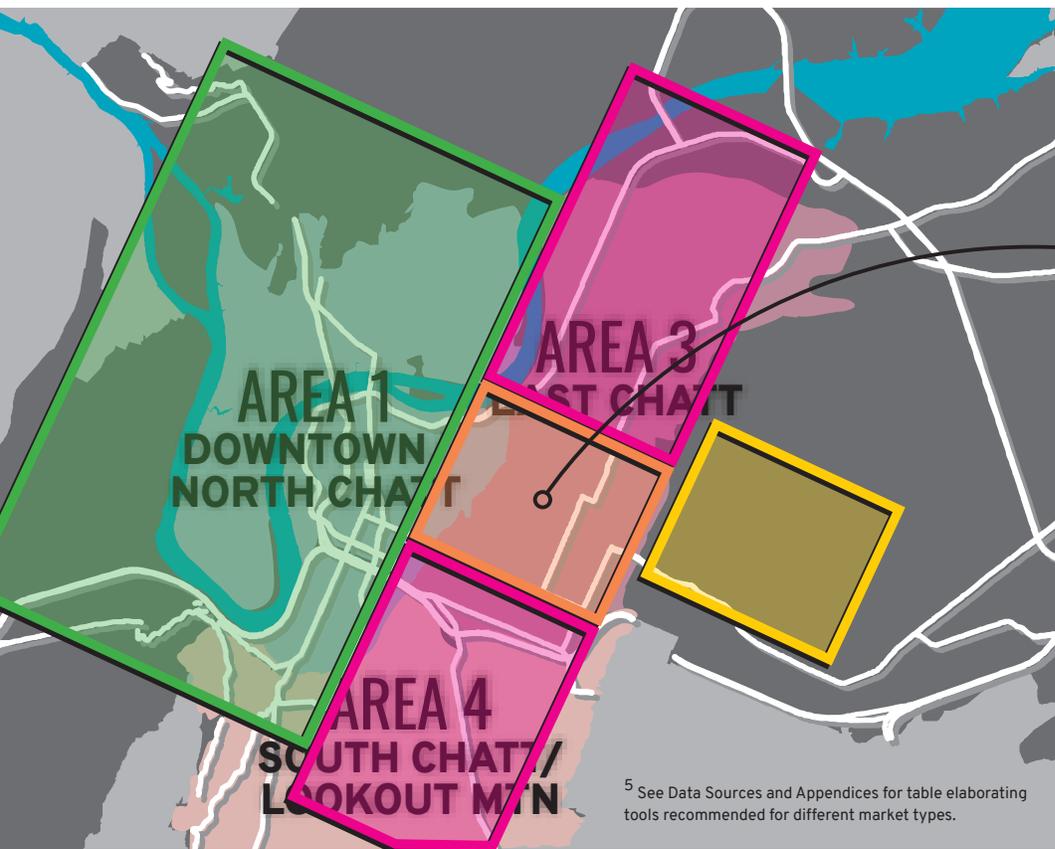


Conditions vary greatly across the city, so interventions must be appropriately differentiated



In neighborhoods that are **strong or in transition** where prices are rising, attention must be on **hedging price appreciation** so low-income and working families are not pushed out.

Unfortunately the city lacks coherent and sufficient incentives for the private market to deliver affordable housing in these higher cost submarkets.



In neighborhoods where **conditions vary widely block to block** and where **locational and other advantages could mean future vitality**, but where improvement is by no means a sure bet, attention must be given to **shoring up demand, raising standards, and developing resident leadership**, and doing so while investing where possible to include affordable housing.

Because this part of East Chattanooga is so varied, a **fine-grained response to fine-grained variation is going to be needed**. While overall conditions here - between 3rd and 23rd, Central and Dodds - are soft in relation to the MSA, some blocks are quite strong and some are abjectly distressed.

CNE will need to be very intentional about intervening to produce good outcomes for working and low income households.

In neighborhoods that are presently **distressed**, special attention must be given to **stabilizing conditions** overall while **helping residents, especially the elderly, make improvements** to their homes. This work must be balanced with a commitment to **doing no harm** and the principal harm these distressed communities are vulnerable to is an increase to existing concentrations of poverty.

Unfortunately there's insufficient attention in Chattanooga to the real work to be done in these areas, which is to right-size excess supply, address prevailing disorder and resulting low demand, and achieve a measure of stability.

In places where the housing stocks are **newer but have not been maintained** well recently, and home equity has been declining, attention must be given to **stabilization and closing the appraisal gaps** between current value and **addressing overdue upgrades**.

Unfortunately a significant portion the city's east ridge suburban residential areas are almost on borrowed time. Without strategic interventions soon, a sizable percentage of the city's housing stocks may become quite vulnerable to disinvestment.

Determine what to do where

Field Survey Overview

A “field survey of exterior conditions” is referenced in several parts of this document and is a key data component to the development of this plan. This field survey is a method of gauging the overall health of a residential property by looking for exterior visual cues for investment, disinvestment, and pride.

Properties that were given a score of “1” (Excellent) or “2” (Good) give signals that they are being well maintained by their owners and communicate clear pride to other owners/residents in the neighborhood as well as visitors. Properties that were given a score of “4” (Moderate distress) or “5” (Severe or high level of distress) give multiple indications that maintenance has been deferred and conditions are declining due to disinvestment. Properties that were given a score of “3” (Average condition) represent the average house in Chattanooga—showing signs of neither active pride nor distress.

Field Survey Scoring

<p>VERY HEALTHY</p>   <p>VERY UNHEALTHY</p>	<p>1 EXCELLENT</p> 	<p>Sells for full price as soon as it is on the market</p>	<p>Owners are totally on top of the details, and exhibit significant pride of ownership. This property adds value to surrounding properties.</p>
	<p>2 GOOD</p> 	<p>Ready to fetch top price on market with just a few improvements</p>	<p>Owners are on top of most of the details, and exhibit real pride of ownership. This property adds value to surrounding properties.</p>
	<p>3 AVERAGE</p> 	<p>Worth holding steady and upgrading</p>	<p>Owners do an adequate job of maintenance, and this is an average property. But it could easily be upgraded or just as easily fall into disrepair.</p>
	<p>4 BLIGHTING</p> 	<p>Salvageable but at significant expense and opportunity cost</p>	<p>Owners do a poor job of maintenance, and are not good neighbors. Property in this condition, unless in a revitalizing market, will degrade.</p>
	<p>5 DISTRESSED</p> 	<p>Not worth saving unless architecturally or culturally significant</p>	<p>Red flags on this property are overwhelming. Demolition is generally the only appropriate course.</p>

Average Block Strength (Block Group)

STRONGER

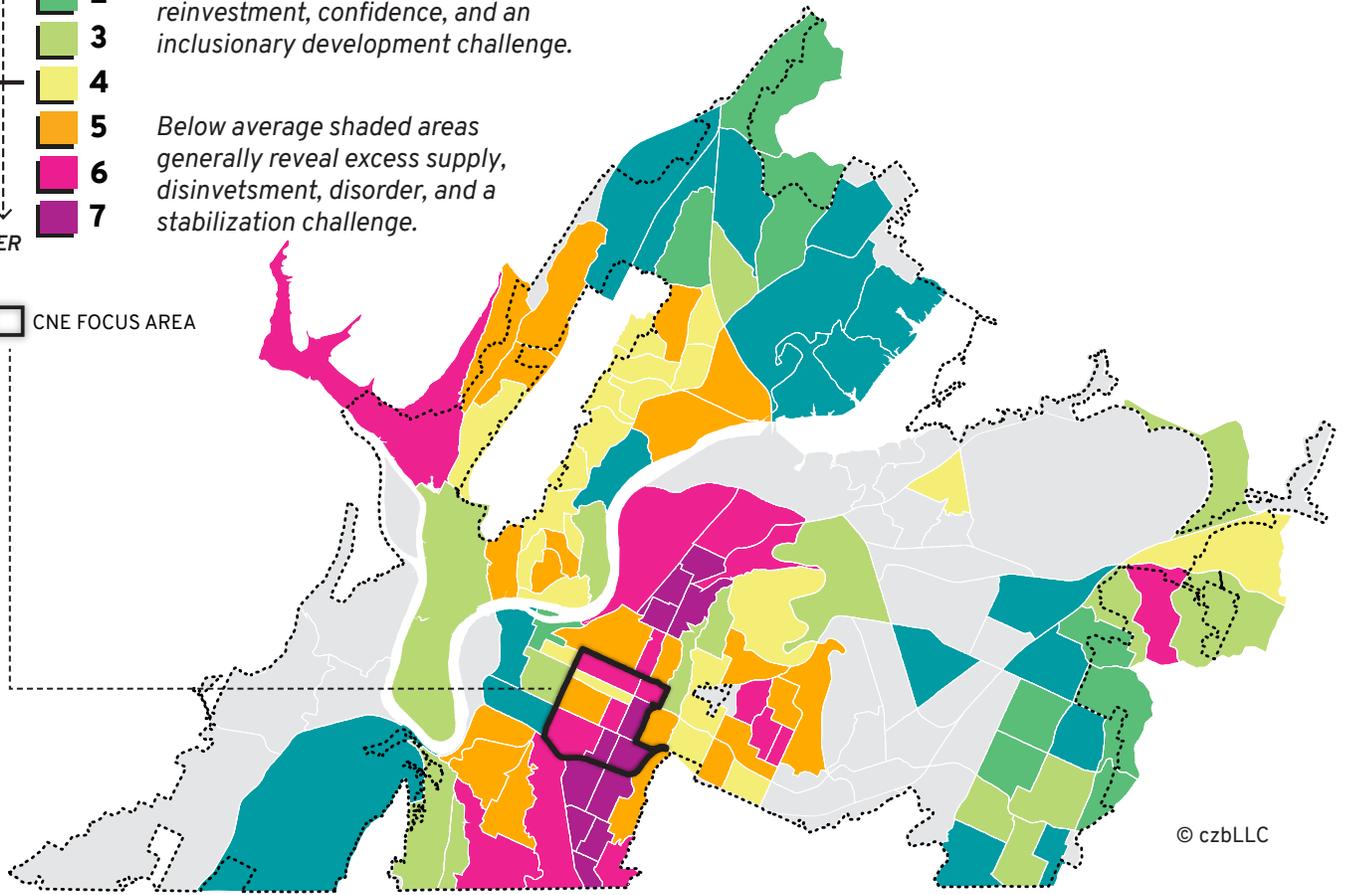


Above average shaded areas generally reveal short supply, reinvestment, confidence, and an inclusionary development challenge.

Below average shaded areas generally reveal excess supply, disinvestment, disorder, and a stabilization challenge.

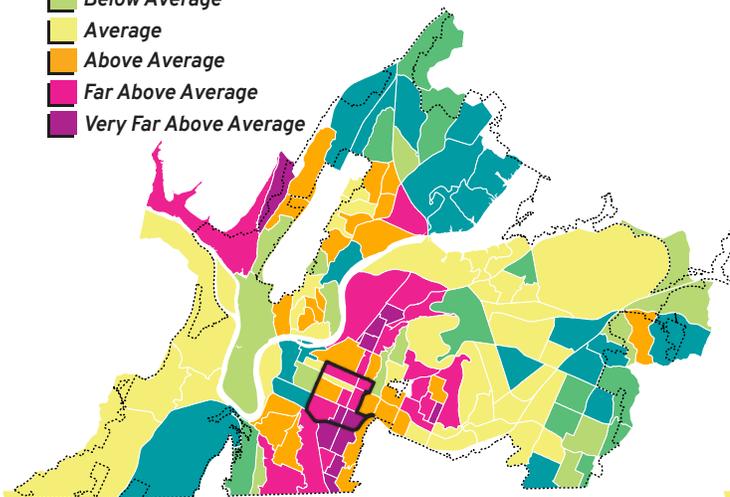
WEAKER

CNE FOCUS AREA



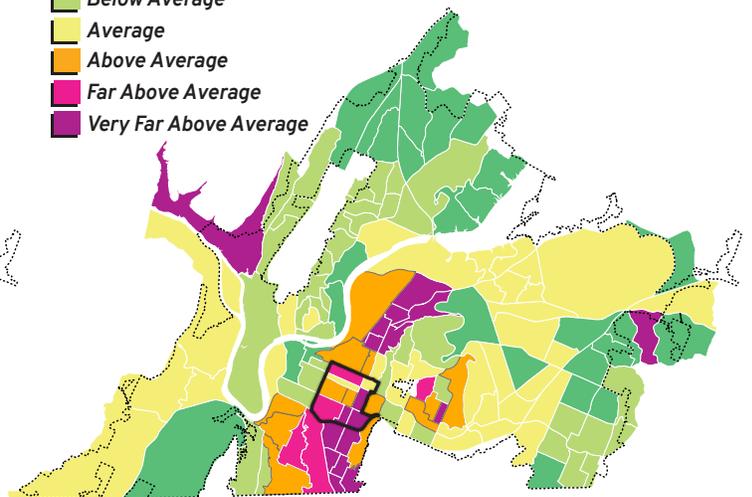
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Concentration of Homes with Field Survey Scores of 1 to 2



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Concentration of Homes with Field Survey Scores 4 to 5



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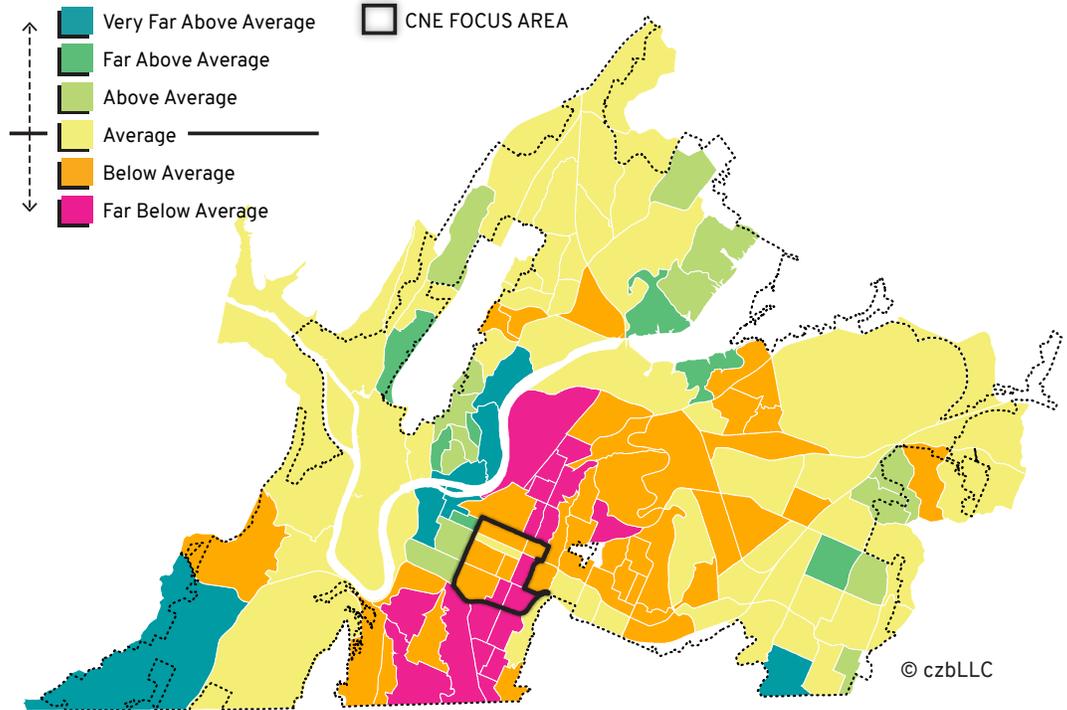
Value and price are an important indicator of demand

The value of a home is what a seller is able to obtain. The price is what a buyer is willing to pay. In other words, price is what is paid and value is what one gets.

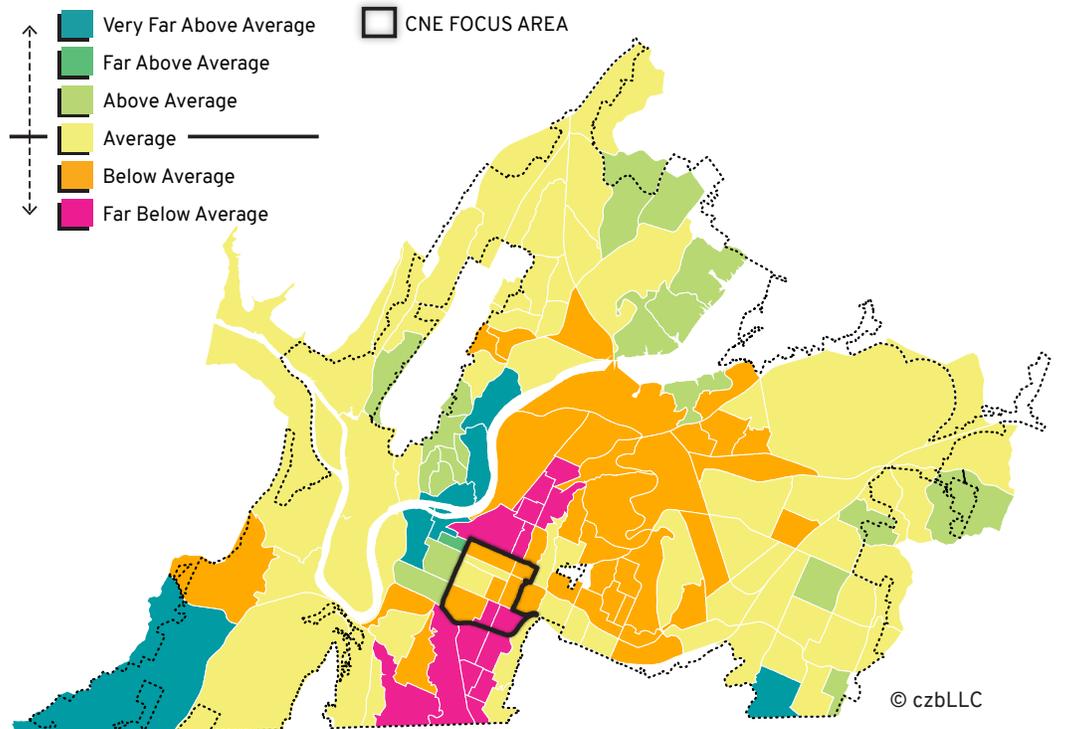
Neighborhoods where buyers anticipate obtaining great value (imputed or otherwise) will command high prices.

The greater the perceived value, the higher the demand and the higher the price.

Average Appraised Value of Single-family Homes (Block Group, 2018)



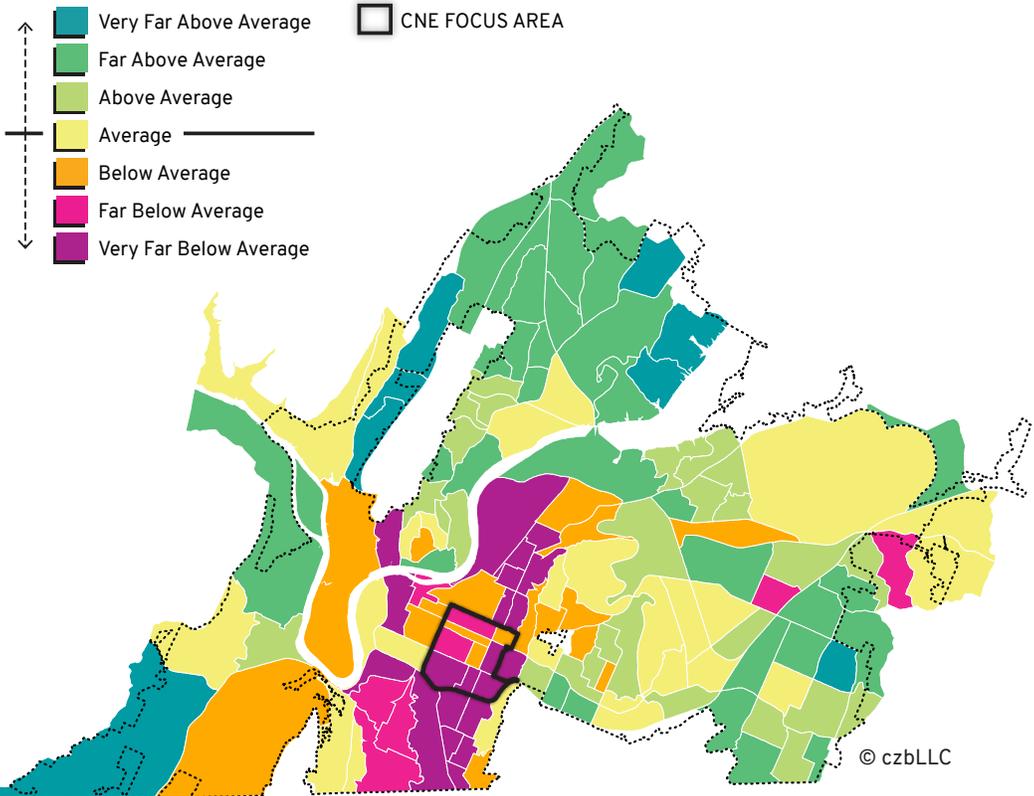
Average Sale Price of Single-family Homes (Block Group, 2015+)



Homeownership rates are an important indicator of demand and access

Strong markets (neighborhoods) can be comprised mainly of renters or mainly of home owners. Likewise, weak markets (neighborhoods) can be comprised mainly of home owners or mainly of renters. Everything depends on the residents themselves: do they mow their yards and paint their porches and keep their block tidy? In general though, when home ownership rates in neighborhoods comprised of mainly single-family homes exceed 50%, stability ensues.

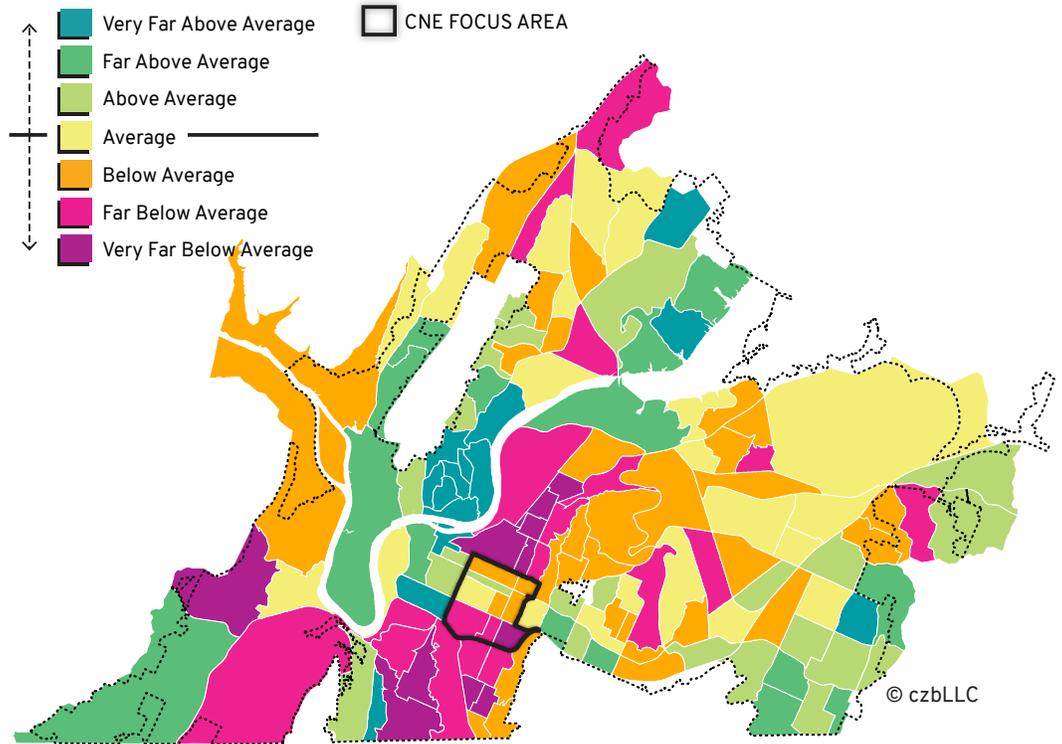
Homeownership Rate, Single-family (Block Group, 2018)



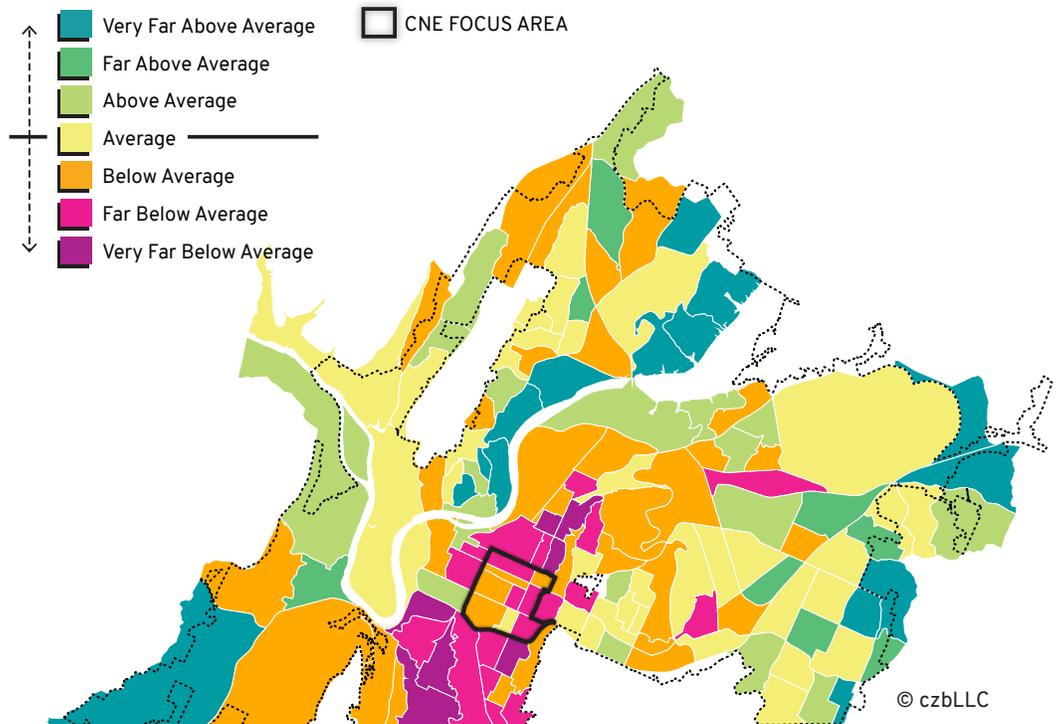
Income and Education speak to purchasing power

The more education one has, the more their work is valued in the market, and the more they will be paid. More income means more ability to rent or buy housing.

**% Bachelor's Degree or More, 2017
(Block Group, 2017)**



**Median Household Income, 2017
(Block Group)**



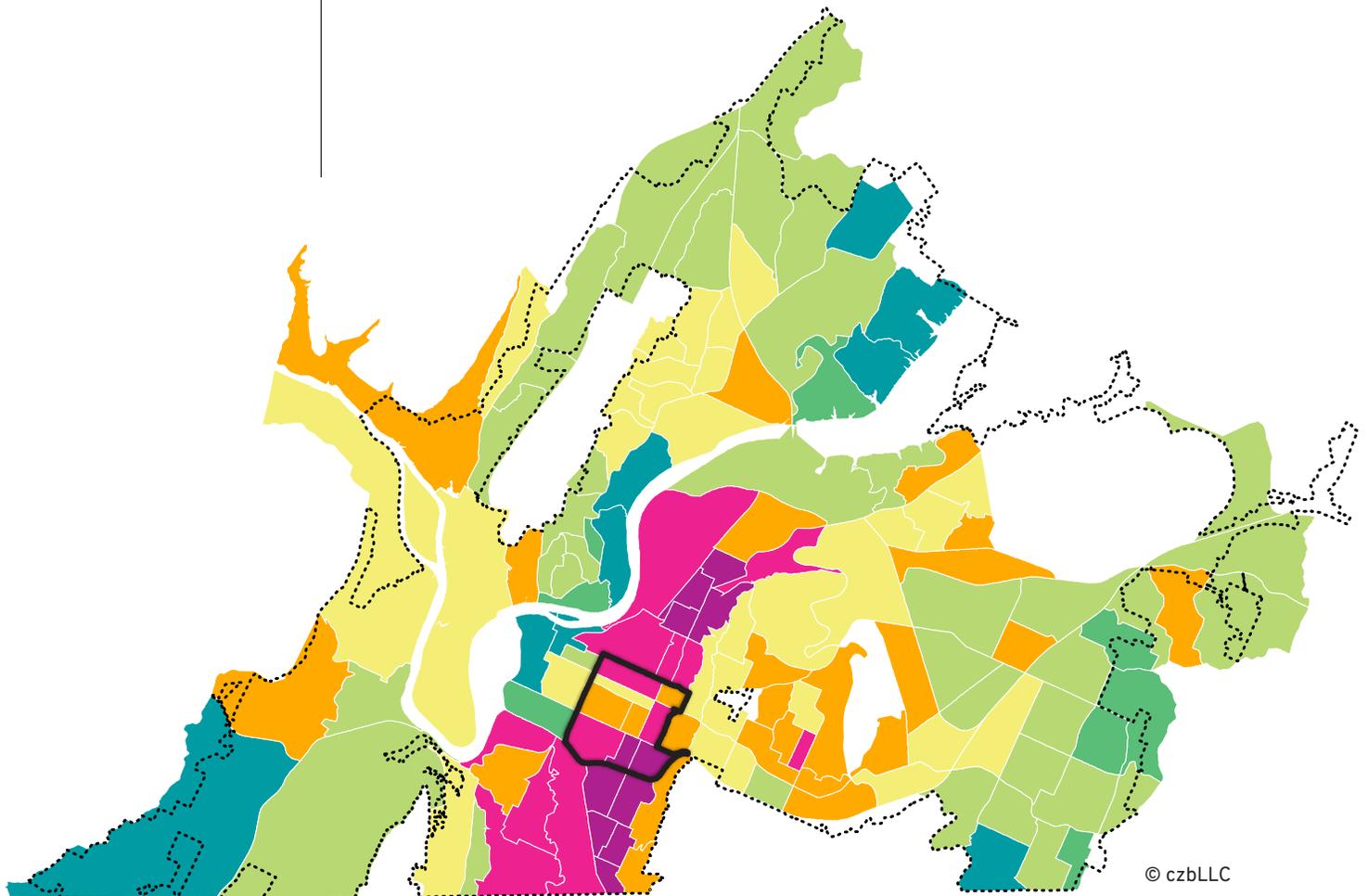
Market typologies

When all these factors are put together - conditions, prices, values, owner occupancy rates, education levels, and household income - a typology of strength emerges.

The value of this approach is that it becomes clear and unassailable that different parts of Chattanooga need different kinds of interventions.

Market Typologies (Block Group)

- Robust**
 - Very Strong**
 - Moderately Strong**
 - Average**
 - Moderately Weak**
 - Very Weak**
 - Distressed**
- CNE FOCUS AREA



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A look at the CNE Focus Area

Drilling down to evaluate conditions, prices, values and household characteristics inside the CNE Focus Area - or any area in Chattanooga of special interest - allows for a more fine-grained understanding of what's going on. At a high altitude, this information helps reduce the size of a whole city to a more manageable area in which to work. Zooming in helps clarify what to do where.

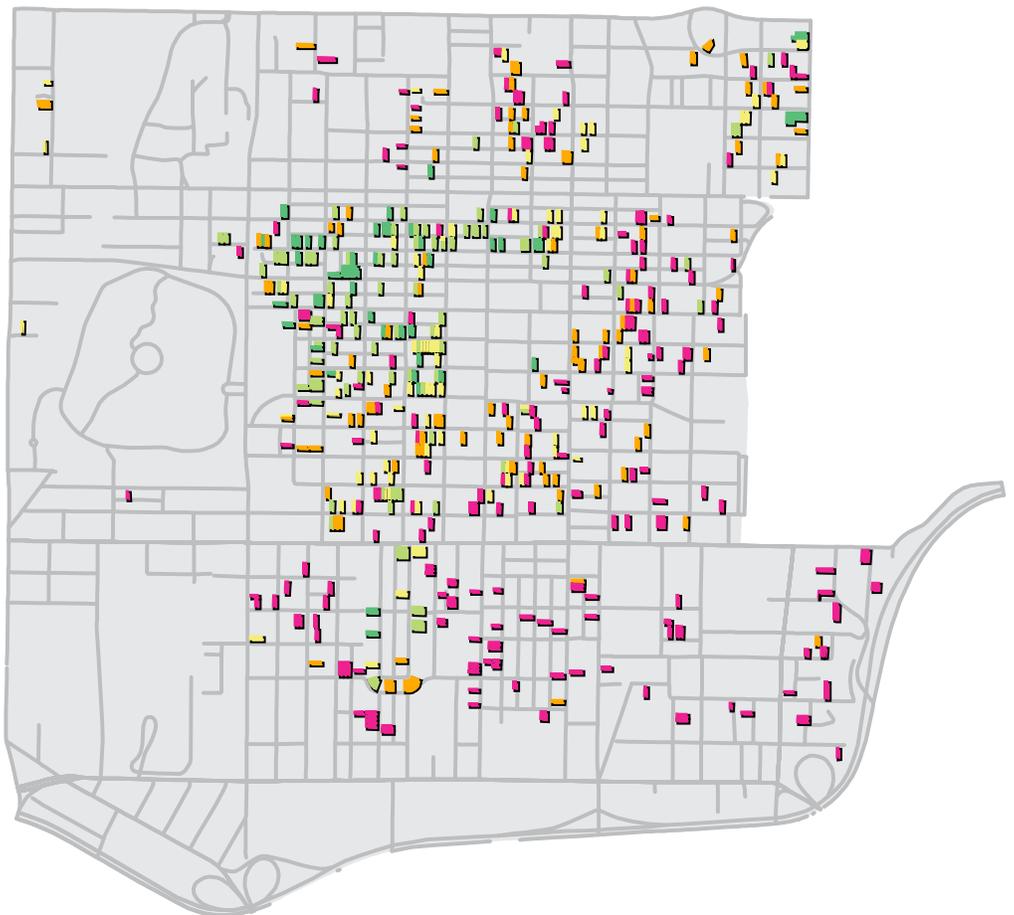
Higher prices in some areas

In general, prices have been rising across much of the CNE Focus Area. But most of the real increases have been confined to a dozen blocks around Tatum Park.

Average Sale Price, 2015+



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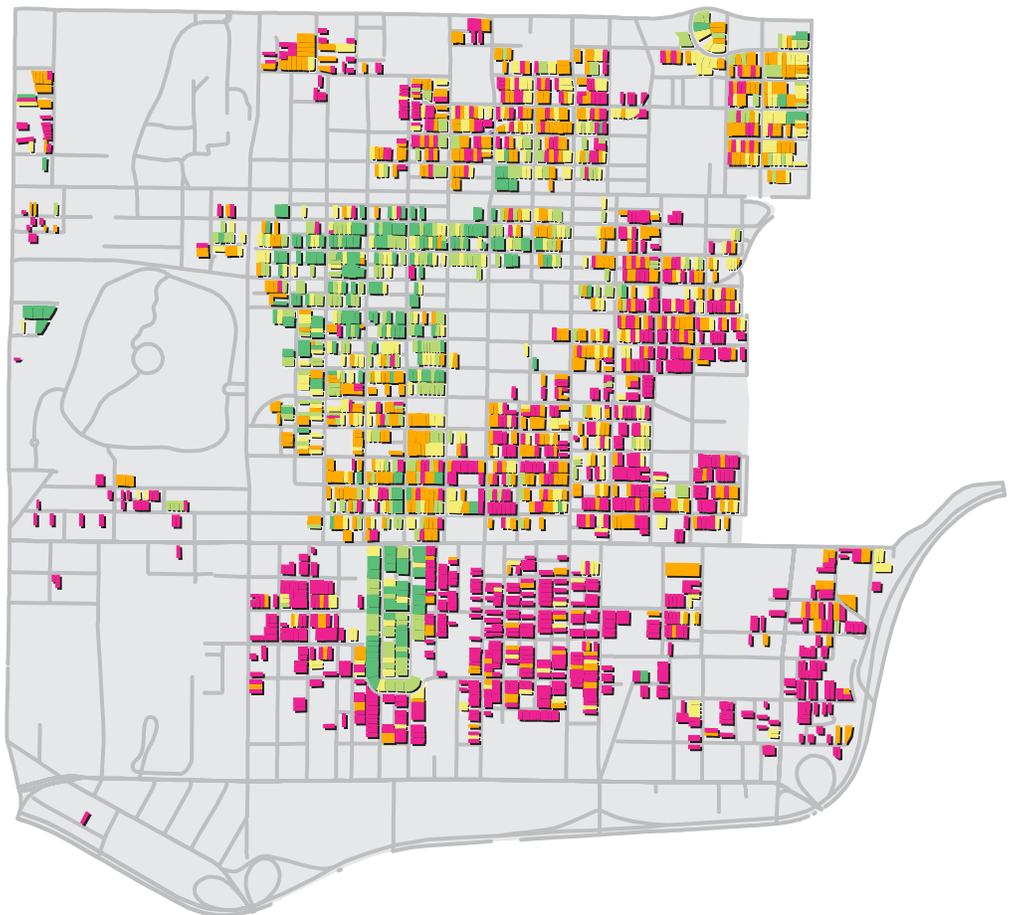
Significant value is found in some areas

The market has been steadily concluding that there's real value in most of Highland Park and in Ferger Place, potential in Orchard Knob and on some blocks in Ridgedale, uncertainty in Glenwood, and no confidence in Oak Grove

Appraised Values



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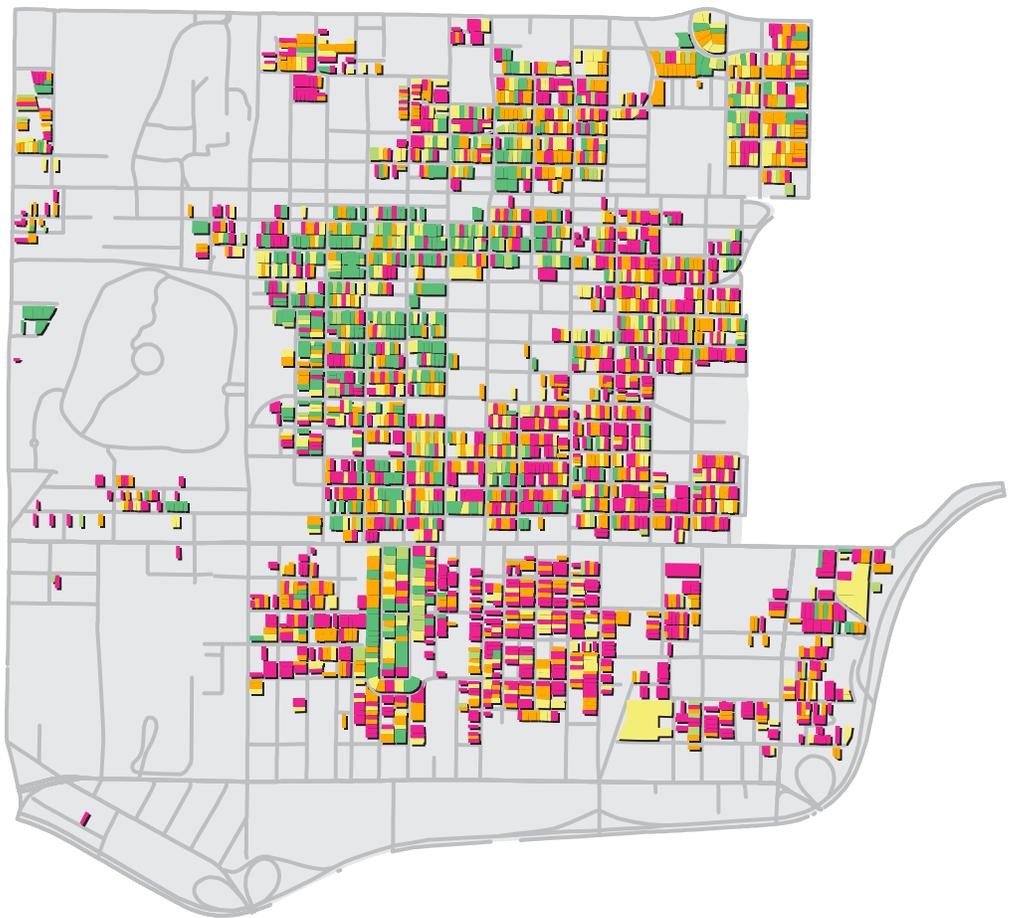
Reflecting the confidence of residents to invest their time and energy taking care of their homes, conditions vary across the CNE Focus Area and almost perfectly mirror property values.

This is a vital indication of what's working and what's not in this part of East Chattanooga, revealing with pinpoint sharpness the relationship of signals sent by residents to prospective buyers (who will establish price), who will then, if they buy, begin to grow or reduce the values, depending on their behaviors.

Field Survey Scores

-  **1 - 2**
-  **2.5**
-  **3**
-  **3.5**
-  **4 - 5**

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Market typologies

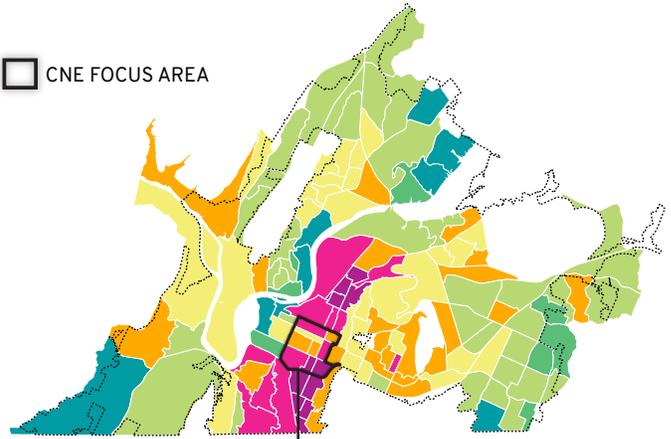
Altogether, the CNE Focus Area - in the context of the whole city - is somewhere between being Moderately Weak and Very Weak. This means that, in general, the broad market substantially prefers to live someplace else. Lower demand for the CNE Focus Area means more demand for other parts of Chattanooga.

WITHIN the CNE Focus Area, however, some blocks are doing very well, like the intersection of Vance and S Holly in Highland Park. And others are quite challenged like the intersection of S Kelly and Anderson in Ridgedale, and still others are in total distress such as S Watkins between E 19th and E 23rd.

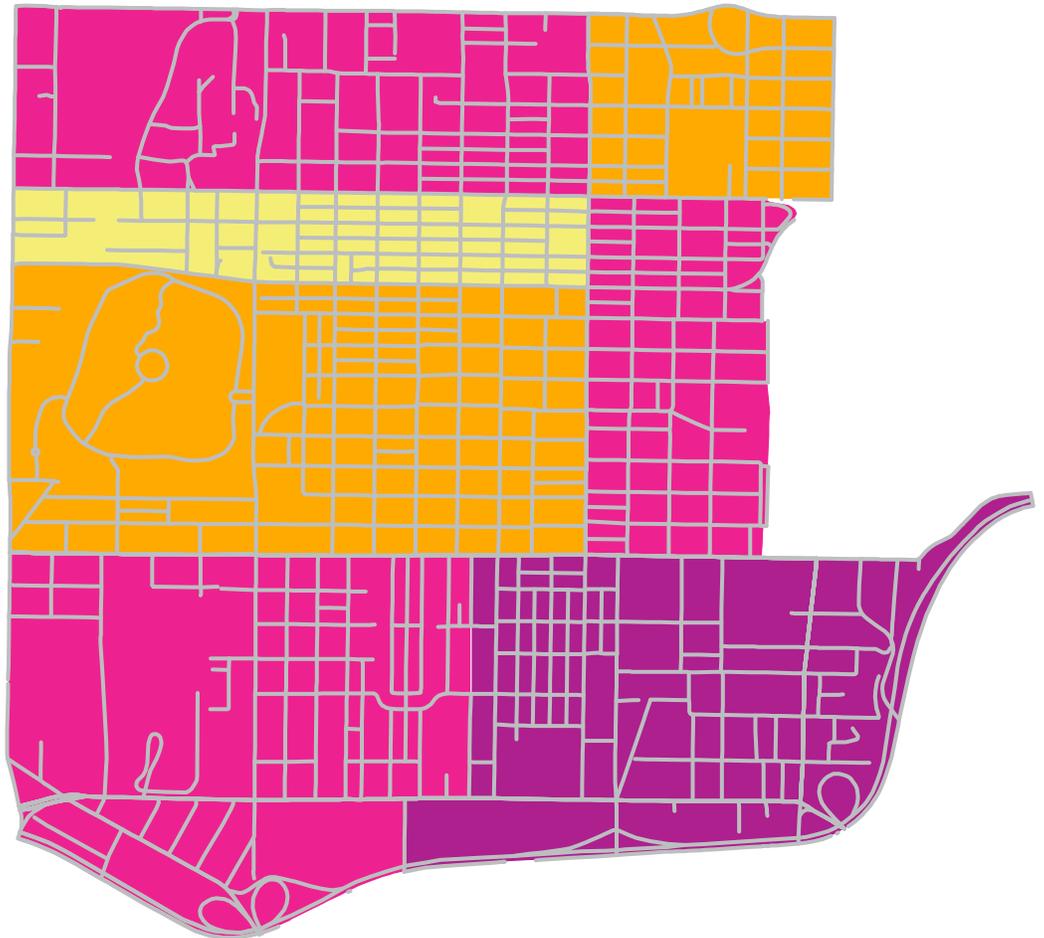
Market Typologies (Block Group)

- Robust**
- Very Strong**
- Moderately Strong**
- Average**
- Moderately Weak**
- Very Weak**
- Distressed**

CNE FOCUS AREA



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Principles to Apply and Overall Costs

Neighborhood Revitalization Principles

Addressing Inadequate Housing Opportunities and Soft Market Conditions in Chattanooga

AXIOMATICS



One size fits all approach will not work (because conditions change block by block)



Every goal requires subsidy (as the goals of inclusion and vitality are not profitably attained)



Tradeoffs are unavoidable (since there's not enough subsidy to achieve all goals)

CLEAR PRINCIPLES



1. Settle on a bound geography to work within, and focus energy and time inside it. Concentrations of resources are essential to have positive impacts in transitional neighborhoods.



2. Within a focus area, build on strength by leveraging what is already working. In both time and money, it always is less costly to enhance what is working than to fix what is not.



3. Involve residents by developing a self management capacity in the neighborhood. The degree to which a neighborhood is able to compete has as much to do with who is there behaving in what ways than do the buildings. Property conditions are simply expressions of the priorities of its residents. This is where future value resides.



4. Adopt a portfolio approach, arbitraging gains here and taking strategic losses there. Expect that some projects will perform differently than others.



5. Have patience; real estate and resident leadership development take time. Assume that interventions take time to generate impacts.



6. Remember that outputs are not outcomes; what you measure is what you get. Know what problem it is you are trying to solve. Developing a piece of real estate is not the same as community development.

Principles *in Action*



1 Bound Geography

The CNE Target Area is inside of 3rd, 23rd, Central and Dodds.

Inside this area are nine (9) census block groups that comprise parts of several neighborhoods.

The recommended areas to work in are parts of Orchard Knob, parts of Highland Park, parts of Ridgedale, and parts of Oak Grove.

2 Build on Strengths

The CNE Target Area has some pockets of marketable strengths, such as the fabric around Tatum Park. Other areas have shown signs of incipient strength such as South Kelly Street between Union and Vance. Investing in such areas will cost less in time and money to generate measurable positive impacts than will putting capital and expertise at risk on far more troubled blocks like Lyerly.

Strengths come in many forms. Sometimes strengths are present in new housing. Other times in the care an elderly resident shows in maintaining her yard or even in just putting out a pot of fresh geraniums and watering them each morning. In general, though, the greater the disorder, the greater the risk.

In general, there is significant strength to leverage on blocks with at least a 50% owner occupancy rate, so getting as many blocks as possible to this threshold is important, and it is important to grow existing strengths on blocks that already have achieved this level of owner occupancy.

3 Resident Involvement

Real estate development will produce the one outcome for which it is geared: a new or upgraded property or properties.

Sustained reinvestment by residents only occurs if the community is confident in the future. Confidence comes from seeing that others are reinvesting. **The objective is to help residents already reinvesting continue to do so.**

Mobilizing residents to get to know one another and work together in a shared effort to set and raise and maintain standards is essential for low demand blocks to begin turning in a positive direction. Leverage real estate development at one address with intensive resident leadership development among the neighbors on the block.



CNE will not be able to buy every property that is sensible to obtain. It will not be able to finance every instance where an appraisal gap would be smartly closed. It will not be able to do all the activities it wants to. Therefore it must have a operating manual - a code - to guide decision making as market circumstances change.

4 Portfolio Approach

There are two deficits that, over time, require attention in the recommended CNE Target Area.

The first is a willingness to invest deficit.

Prevailing conditions combined with a proliferation of excellent alternatives often deemed superior (newer homes, better pricing, more stable appreciation rates, better schools, etc.) are such that the size of the market of Chattanooga residents willing to live in the target area is relatively small. To address this deficit, improvements need to be made. Older homes need to be upgraded. Infrastructure has to be improved and better maintained. Trash and disorder need attention.

All this has a cost, of course, which needs to be subsidized. In order to attract a buyer to a house on a block that a desired buyer (in CNE's target market) might not otherwise choose, CNE (or another developer) may need to provide a set of incentives designed to convince an uncertain buyer that it makes sense to invest in the CNE target area.

Curing all the issues that require attention can be understood as the task of cumulative addressing the aggregate appraisal gap in an area. In other words, the difference between where a house, or a collection of homes on a block, or a whole neighborhood IS (status quo) where it needs to be to successfully compete for a fair share of the households with the ability to choose to live someplace else. This can consist of a number of gap-closing measures, from simple upgrades to homes to more extensive rehabilitation. It can range from public infrastructure improvements to compensatory mortgage write downs. It is all subsidy spent in the hope of retaining and attracting a desired target market consisting of households that will impose their standards on the block which over time will induce still more demand. Subsidy thus spent begins to close the "willingness to pay" gap that exists in weak submarkets.

Once willingness to pay gaps are closed, a property can then begin generating a return in the form of appreciation. All this takes considerable time - often many years if not decades. So subsidies have to be patient

The second is an ability to pay gap.

Just as prevailing conditions can inhibit reinvestment by strong households, nevermind outsiders taking the risk to move in, these same conditions that dampen demand also serve to dampen price appreciation. Nevertheless, no matter how slight the demand for housing in some neighborhoods, the purchasing power of workers with low wages is very limited. A full time \$10/hr worker will earn \$22,800 a year and be able to afford about a \$75,000 home. All but the most distressed parts of Chattanooga - Glass Farms, Avondale, Alton Park, East Lake, Oak Grove - are therefore out of reach.

To be able to buy a \$215,000 home in Ridgedale, for example, an income of about \$66,000 is needed. To help the \$10/hour worker afford to buy a home in Ridgedale then, either \$147,400 in capital subsidy is needed, or a home has to be built for <\$75,000. Either way, about \$150,000 stands between the \$10/hour worker and a typical and modest new home developed in Ridgedale.

In lieu of closing the affordability gap with a \$150,000 subsidy in the case here, a more modest home - in size and quality of finish and locational desirability - is an option.

Once affordability gaps are closed, they remain illiquid until extracted and passed on to a future resident. Alike willingness gap closure, affordability gap closure also takes considerable time - often many years. So subsidies have to be patient.

CNE will need to continually place two kinds of bets.

One is in the form of improvements to properties and blocks to induce stronger households to move in.

The wager is that over time values will increase and shared equity arrangements along with an increased tax base will generate returns.



The second is in the form of subsidies to households with incomes too low to afford to be in healthy neighborhoods.

The gamble is that helping families live in better conditions than their incomes would otherwise enable means children will have a greater likelihood of success.



Both bets need to be seen as the infrastructure that a healthy city has. Healthy cities have upwardly mobile populations, not poor families mired in sticky circumstances. Healthy cities have a mix of incomes across most neighborhoods, not some that incubate generational poverty.

The costs of attaining this health are considerable in amount and time, and every project will generate a different rate of return.

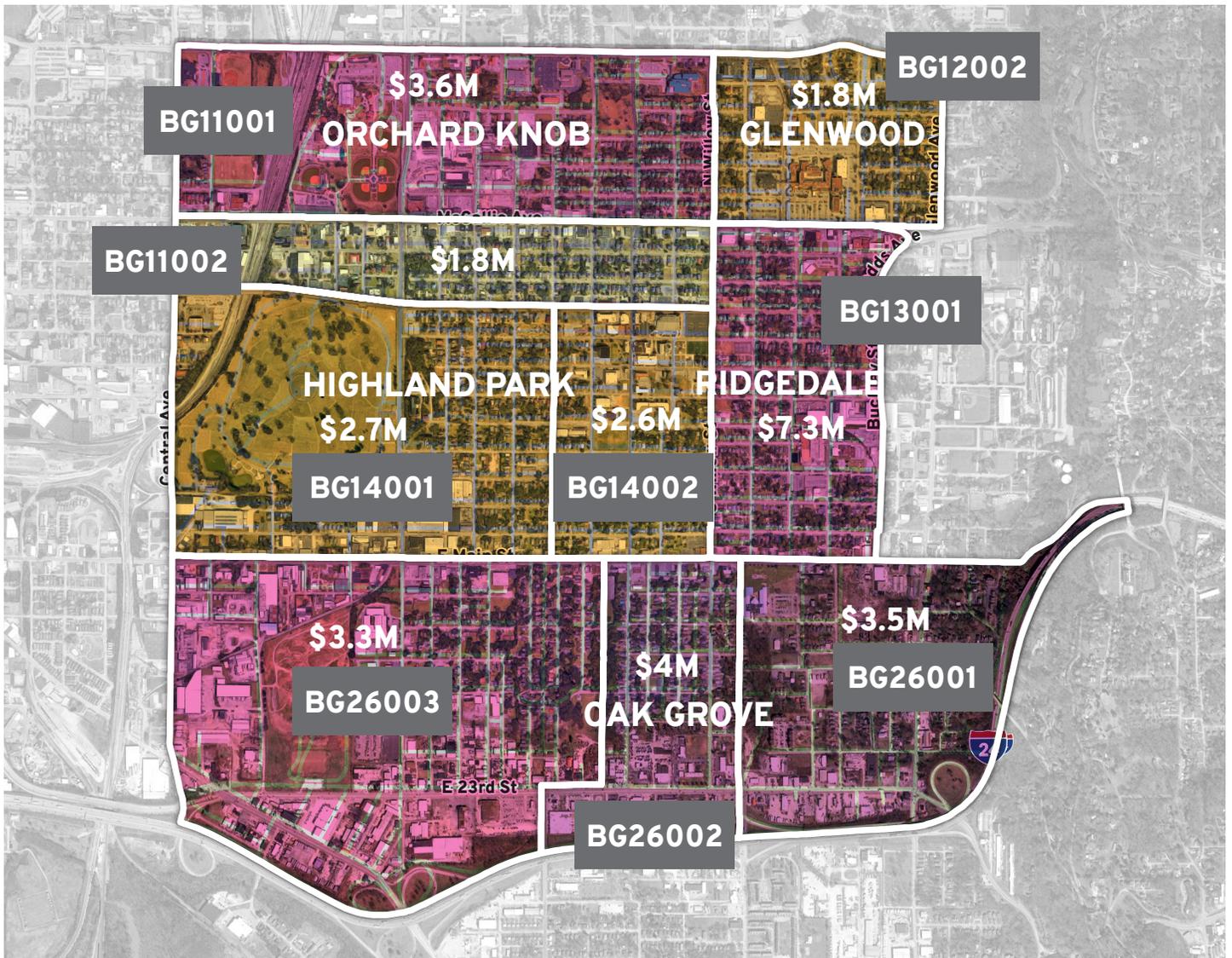
Taking Into Account All the Work That Is Required Across the City of Chattanooga and Within the CNE Focus Areas

Based on czb's general estimated costs of acquisition, demolition, partial rehabilitation, gut rehab, and new construction, and applied in the context of current conditions, czb anticipates that to first stabilize, and then fully revitalize *all* the sub-standard markets in Chattanooga would cost \$215.7M across all 136 Census Block Groups. This comes to an estimated revitalization expense of approximately \$1.875M for each Block Group.

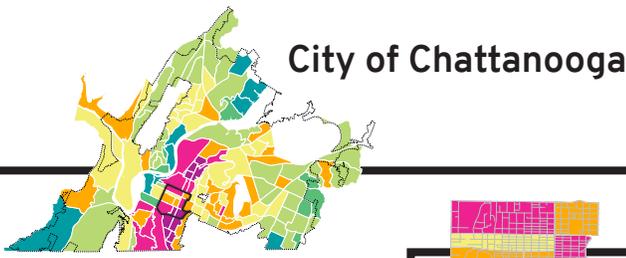
In the CNE Focus Area, the average amounts to \$3.4M to properly revitalize each of the nine (9) block groups for a total of \$30.5M. This amount does not include any provision for gap financing affordable housing; it only covers the estimated costs to catch up on deferred maintenance and necessary capital improvements for these neighborhoods to be able to compete for households with the ability to choose to live elsewhere.

Orchard Knob	BG 11001	\$3.6M
Highland Park along the Duncan Avenue Corridor	BG 11002	\$1.8M
Glenwood	BG 12002	\$1.8M
Ridgedale	BG 13001	\$7.3M
Highland Park	BG14001	\$2.7M
Highland Park/Ridgedale	BG 14002	\$2.6M
Oak Grove	BG 26001	\$3.5M
Oak Grove	BG 26002	\$4M
Oak Grove/Ferger Place/Montague Park	BG 26003	\$3.3M

These estimates move average conditions from their current baselines (3.3 average) to a marketable 2.65.

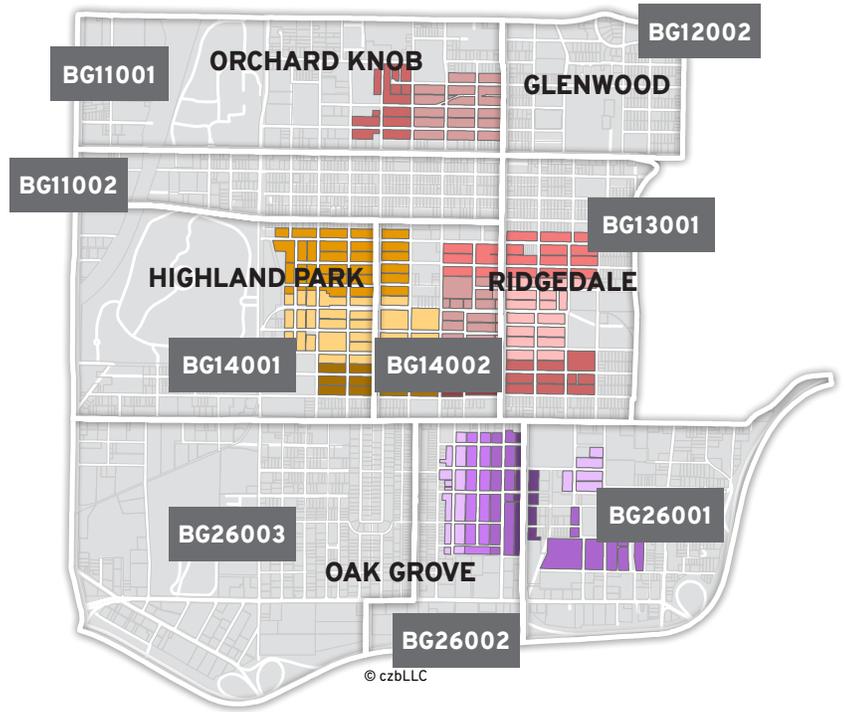


Different Conditions, Opportunities and Challenges in the CNE Focus Area



Robust	Very Strong	Moderately Strong	Average	Moderately weak	
			<p>BLOCK GROUP 11002</p> <hr/> <p>LOCATION Highland Park along Duncan Ave</p>	<p>BLOCK GROUP 14001 12002</p> <hr/> <p>LOCATION Highland Park Glenwood</p>	
<p>Where CNE should pay closest attention and rarely stray from working</p>			<p>OPPORTUNITY AREA Parts of Highland Park</p>	<p>OPPORTUNITY AREA Parts of Highland Park</p>	
			<p>PRIORITY GOAL <i>Preserving and Infilling with Affordable Housing</i></p>	<p>PRIORITY GOAL <i>Preserving and Infilling w Affordable Housing</i></p>	

It is recommended that CNE begin to think BOTH about how it will weave together all the blocks in the CNE Focus area over time into a cohesive East Chattanooga market that is healthy, AND that it think with specific clarity about areas within. Some are stable, some are strengthening, and some are distressed. Within this multi-neighborhood, nine block group CNE Focus Area czb recommends that CNE start work in the following designated Opportunity Areas.



Very Weak

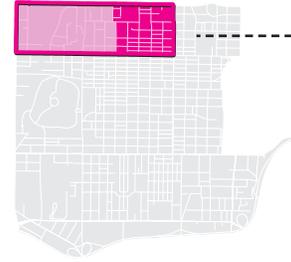
BLOCK GROUP	11001	13001	13001
LOCATION	Orchard Knob	Ridgedale	Montague Ferger Place (Oak Grove)
OPPORTUNITY AREA	Parts of Orchard Knob	Parts of Ridgedale	
PRIORITY GOAL	Strengthen Home Ownership Returns	Inclusive Revitalization	

Distressed

BLOCK GROUP	26001	26002
LOCATION	Oak Grove	Oak Grove
OPPORTUNITY AREA	Parts of Oak Grove East (Standard Coosa)	Parts of Oak Grove West
PRIORITY GOAL	Stabilization	Stabilization

Opportunity Area

Orchard Knob



Orchard Knob is an undervalued neighborhood. It is quite challenged from a marketability perspective because the homes are older and small and have been long neglected. But it is nonetheless quite stable and has considerable charm. With the right interventions Orchard Knob can become one of East Chattanooga’s most desirable small neighborhoods.

STRENGTHS AND ASSETS

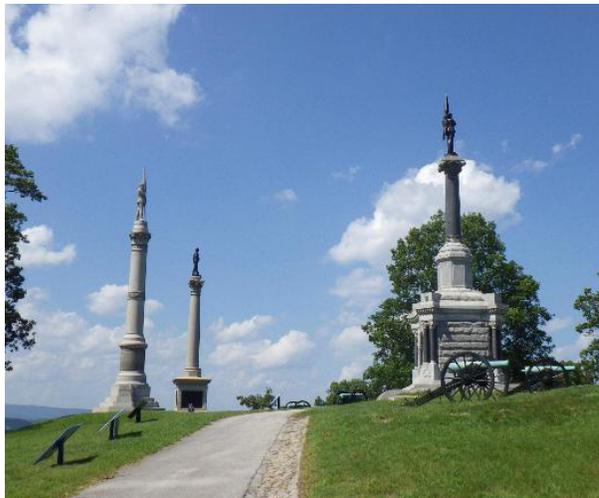
Great walkable blocks

Varied architecture on walkable blocks with excellent views, a mature tree canopy, house proud elderly neighbors, and homes with front porches.



Attractive, modestly priced starter homes

Lovely medium density residential setting on generous sized lots; 1920s and 30s wood framed cottage style bungalows.



Superb location in relation to amenities and services

Half-mile walking distance to two excellent hospitals (Parkridge and Memorial).

Proximity to University of Tennessee-Chattanooga

Excellent neighborhood for young families working at the University or at nearby hospitals.



BG11001



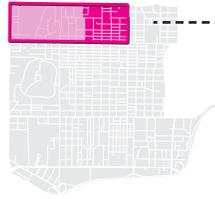
OPPORTUNITY AREA

Within Block Group 470650011001, which is bound by Central, Willow, East 3rd, and McCallie, czb recommends that CNE focus its efforts on the dozen blocks between N. Holly and N. Willow. These blocks are oriented around the Orchard Knob Reservation. N. Hickory between Vine and E. 5th, Vine between N. Hawthorne and N. Beech, and Oak between N. Holly and N. Beech are especially attractive blocks with excellent opportunities.



Interventions for this Opportunity Area

Orchard Knob Opportunity Area



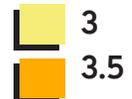
In the opportunity area inside Orchard Knob (typed as Very Weak, but which has promise and is a hidden gem but is held back by deferred maintenance of hard-to-market small homes) it will be important to help existing owner occupants catch up on deferred maintenance. It's a great starter home neighborhood for young couples. The current pricing of the best homes in the area - \$100,000 to \$125,000 - can be reset in the \$125,000 - \$150,000 range over time, so the \$40,000 - \$50,000 working moderate income household is the most appropriate future target market. The goal is rising values, rising home ownership rates, and increasing quality of life for the neighborhood's elderly. This is an opportunity area that should become stable quickly after which revitalization can take root.

OVERALL APPROACH TO THINKING ABOUT 3s in ORCHARD KNOB

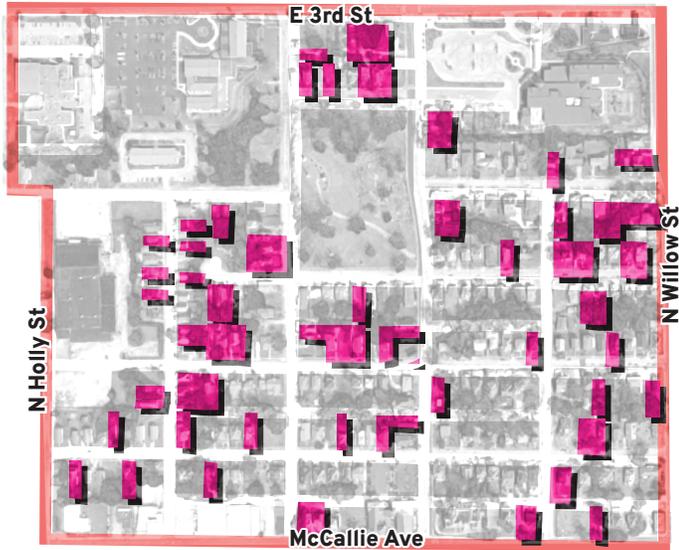


Average and slightly below average condition residential properties in Orchard Knob are almost always going to be excellent opportunities for CNE to engage with owners and negotiate upgrades. Upgrades need not be major, but instead should include weatherization assistance for seniors where it makes sense, improved front porches, landscaping, exterior painting, and modest interior improvements like addressing faulty wiring. Improvements to absentee-owned homes should be conditioned on rent stabilization. Residents of average homes in Orchard Knob are invariably excellent neighbors and many will prove to be outstanding resident leaders if given the chance to improve their homes through community block pride activities. It must be a primary objective of CNE to interrupt any decline of average properties to below average condition, a far less costly intervention than the expense of curing homes once more degraded.

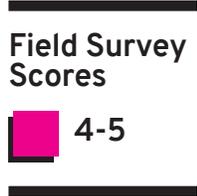
Field Survey Scores



OVERALL APPROACH TO THINKING ABOUT 4s AND 5s in ORCHARD KNOB

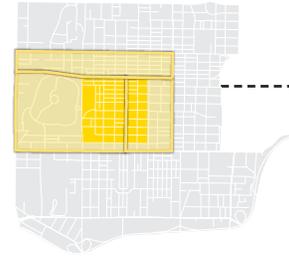


Well below average homes NOT YET TRULY BLIGHTED have already become costly problems in any neighborhood but especially in Orchard Knob which has excellent bones. Further degradation cannot be permitted. Some properties in this condition should be returned to an average condition. Others to a top of the market finish ready for sale; the former will be on weaker blocks and the latter on stronger ones like Oak and Vine. The most distressed homes should be acquired and demolished, creating excellent infill opportunities.



Opportunity Area

Highland Park



On balance Highland Park is becoming one of Chattanooga’s rising stars, a close-in, older neighborhood with attractive homes and the amenities of Tatum Park and Main Street. It has many pockets of weakness that require attention however, but these offer opportunities for preserving valuable affordable housing supplies.

STRENGTHS AND ASSETS

Tatum Park Significant neighborhood amenity.



Appealing architectural styles Lovely medium density residential setting on generous sized lots; 1920s and 30s wood framed cottage style bungalows.

Affordable mix of homes Half-mile walking distance to two excellent hospitals (Parkridge and Memorial).



Great location Convenient to the Southside and the heart of downtown, and life on Main Street.





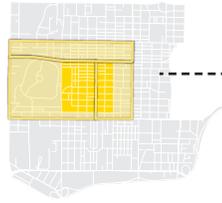
OPPORTUNITY AREA

Within Block Group 470650014001, which is bound by Holtzclaw, S Orchard Knob, Bailey, and Main, czb recommends the primary focus of CNE work is the on-going improvement of homes while constantly ensuring that affordable rental housing options continue to be present, both through preservation and, when needed, infill development. Highland Park overall has significant strength along Duncan Avenue, but also considerable weakness east of S Orchard Knob. Between strength west of Holly and real challenges east of S Beech is the real opportunity for CNE to both continue to strengthen Highland Park while ensuring that low and working income families are not priced out of the chance to live in a good neighborhood.



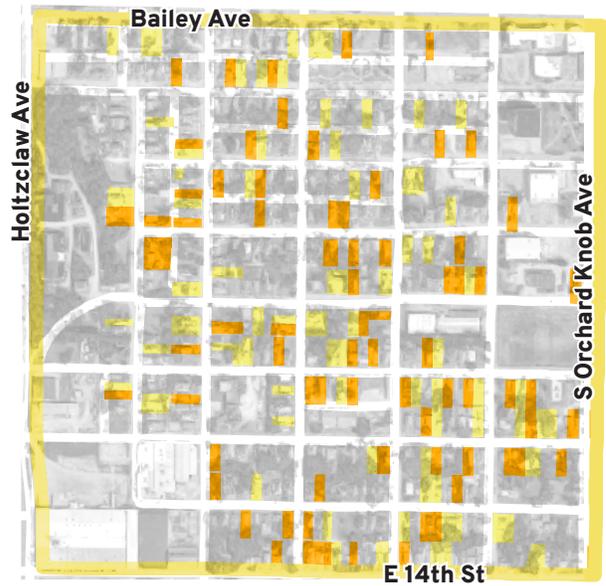
Interventions for this Opportunity Area

Highland Park Opportunity Area



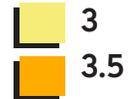
The Opportunity Area inside Highland Park is trending in the right direction. Prices are up signaling confidence by home buyers. Rents are up signaling profitability by investors. Pride is present. At the same time, Highland Park is becoming too expensive for moderate income households. The market is now routinely in the \$300,000 range for buyers and rents require incomes of \$40,000. CNE is encouraged to moderate these impacts by continually seeking opportunities to convert dilapidated structures to good rental opportunities, actions that will both add value but also apply the increment towards inclusionary goals.

OVERALL APPROACH TO THINKING ABOUT 3s in HIGHLAND PARK

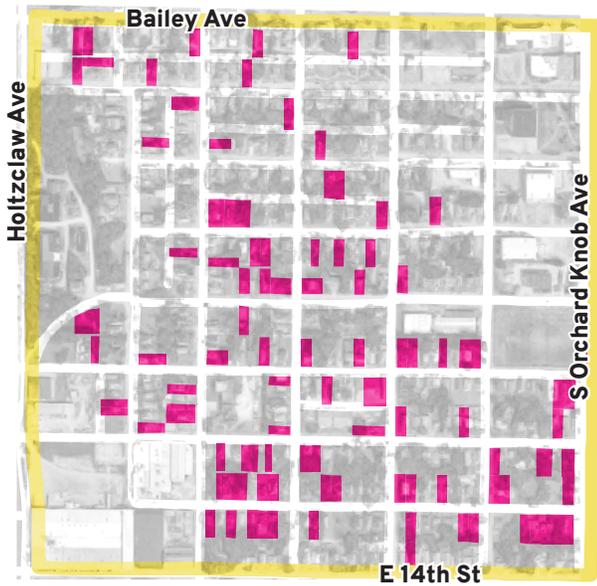


Owner occupancy rates in much of Highland Park are above 50%, an important threshold for durable stability. Maintaining average (3) properties in their condition will be important.

Field Survey Scores



OVERALL APPROACH TO THINKING ABOUT 4s AND 5s in HIGHLAND PARK



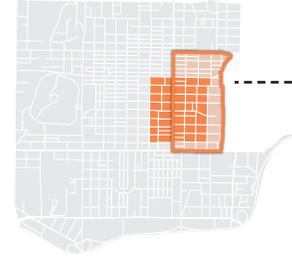
Below average properties constitute a drag on surrounding values and rarely are upgraded by private sector for-profit developers into top of the line condition until land values make that feasible. Highland Park is nearly there but not on all blocks. CNE should demolish all 5s in Highland Park, and upgrade the 4s to average quality 3s that can become CNE-owned affordable rental properties. When sufficient subsidy exists CNE should endeavor to gut rehab below average properties to top quality rentals. Across Highland Park, demolitions constitute opportunities for infill construction.

Field Survey Scores

 4-5

Opportunity Area

Ridgedale



Ridgedale is a complex neighborhood of two dozen blocks of small and often distressed housing. It has also caught the eye of the private development community seeking to capitalize on excess demand for Highland Park that is bound to spill over across South Willow in varying degrees. Here a real effort to balance – addressing weakness and avoiding the displacement of vulnerable households – will be needed.

STRENGTHS AND ASSETS

Affordable entry level neighborhood

Compared to Glenwood and Highland Park, Ridgedale offers excellent entry level home buying opportunities.

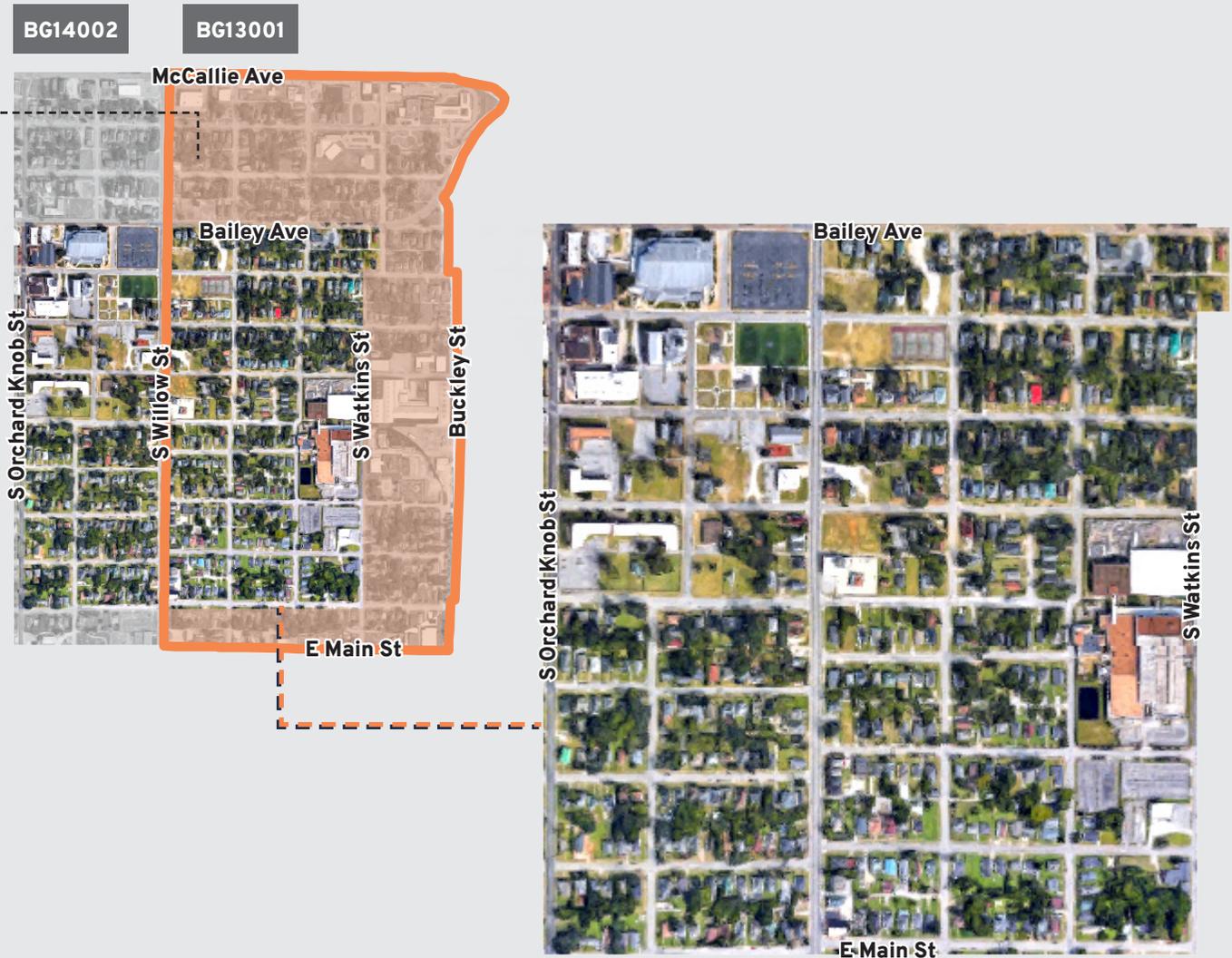
Potential for future value appreciation

Ridgedale's adjacency to Highland Park and Downtown position it well for long-term appreciation.

Great location

Young families just starting out wanting to live in a traditional home will find Ridgedale an excellent choice with very good value for the dollar over time.



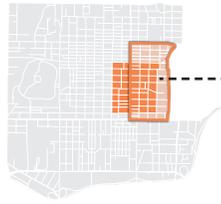


OPPORTUNITY AREA

Within Block Group 470650012001 is the Ridgedale Neighborhood's Opportunity Area which is bound by S Orchard Knob, Bailey, S. Watkins, and E Main. While significant development activity has been taking place the last three years, not all of it signifies genuine confidence in the long term future of the area, and rightly so. Conditions are generally quite poor. But spillover demand from Highland Park has led to much speculation, almost all based on short term expectations, the result of which is higher prices but not necessarily higher value. This is most evident in shabby construction quality by flippers, and a steady stream of speculative hedging. CNE is encouraged to regard this area as low value but with a potentially significant upside in the long run.

Interventions for this Opportunity Area

Ridgedale Opportunity Area



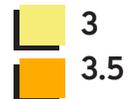
Ridgedale presents everyone with a range of challenges. Overall condition, while degraded, is not abjectly distressed, even though every block has a fair share of blighted properties. Consequently, there are good homes in the neighborhood and good redevelopment opportunities. At the same time, resident capacity to manage conditions is low except on a few blocks. What has resulted is a Heinz 57 of bottom feeder absentee landlords, speculative buildings infilling with marginal quality materials and expertise, flippers, older owners, and young families trying to get a foot in the near downtown market but priced out of Highland Park and the Historic South Side. Surgical acquisition and rehabilitation of troubled but not irretrievable homes is needed and should be married to an intention to get blocks to a 50% owner occupancy threshold.

OVERALL APPROACH TO THINKING ABOUT 3s in RIDGEDALE

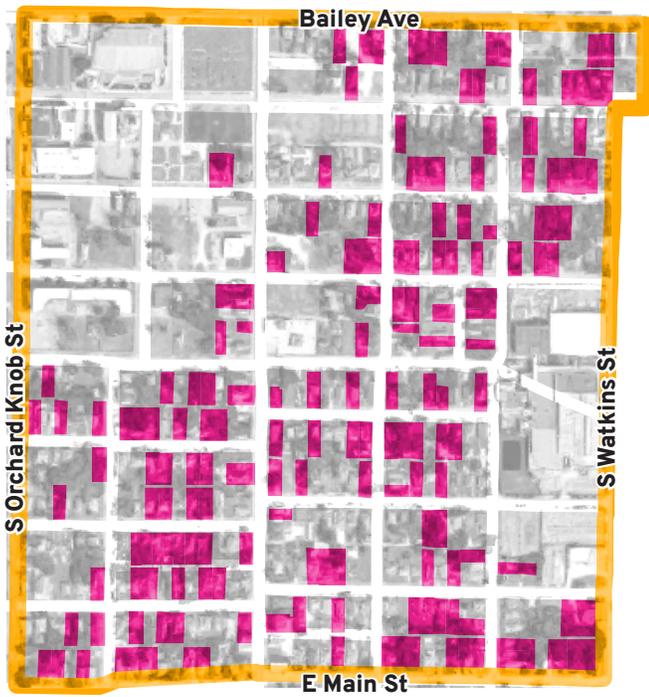


It is a first order priority in Ridgedale to keep every stable 3 in good condition and stabilize every weak 3 teetering on the edge of further decline. Ridgedale is a cipher in present condition, and many wrongly assume it is steadily and doubtlessly tipping into a strong market condition and if left alone, will become healthy. Reckless use of the word gentrification has been attached to Ridgedale. In fact owner occupancy rates are exceptionally low and distress is considerable. The best path to future vitality is to control the disposition of as many 3s and 3.5s as possible and hold them steady.

Field Survey Scores



OVERALL APPROACH TO THINKING ABOUT 4s AND 5s in RIDGEDALE



All 5s and 4.5s should be readily acquired and demolished. This will give needed breathing room to Ridgedale. Meanwhile, as 3s are being held steady, properties in “4” condition should be acquired and rehabilitated to top condition and sold to first time buyers until blocks achieve a 50% owner occupancy status. Thereafter 4 to 1 conversations can be held as affordable rentals.

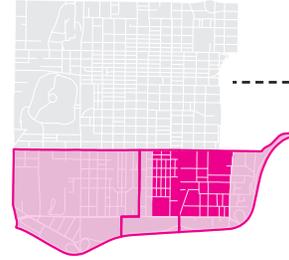
Field Survey Scores

 4-5

Opportunity Area

Oak Grove

Oak Grove is really comprised of even smaller submarkets, including the eastern most portion around the old Standard Coosa mill, Ferger Place in the middle, and the extremely distressed blocks between South Orchard Knob and South Lyerly. Few of the homes are anywhere near marketable except in Ferger Place, so overall this is one of the least expensive markets in the region and where some of the most vulnerable live.



STRENGTHS AND ASSETS

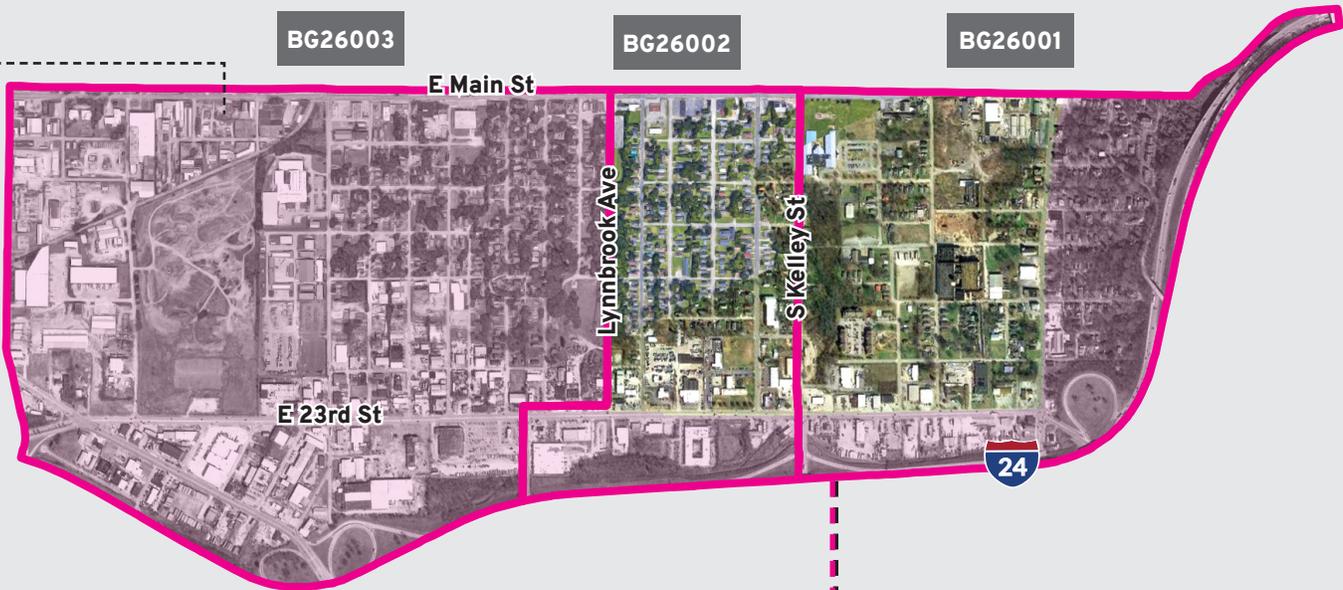
Buy low opportunity

Low acquisition costs plus patience will generate good returns over time.

Location

Significant east-bound development pressures will eventually find Oak Grove.





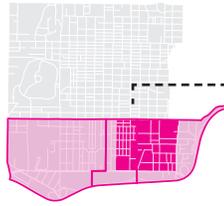
**OPPORTUNITY
AREA**

Within Block Groups 26001, 2, and 3 are the neighborhoods of Oak Grove. They span from Montague Park to Ferger Place to Standard Coosa. The Opportunity Area is bound by E Main and 23rd to the north and south and runs from E Beech to Dodds. This area is among the most distressed in Chattanooga, but it is also exquisitely located along E Main in the crosshairs of east-bound development pressures, and is between historic Ferger Place and the Standard Coosa mill which, while now an eyesore, may arguably someday become quite valuable. The chief objective here is to stabilize significantly substandard blocks, mainly by acquisition, demolition and land banking coupled with strategic upgrades to owner occupied homes.



Interventions for this Opportunity Area

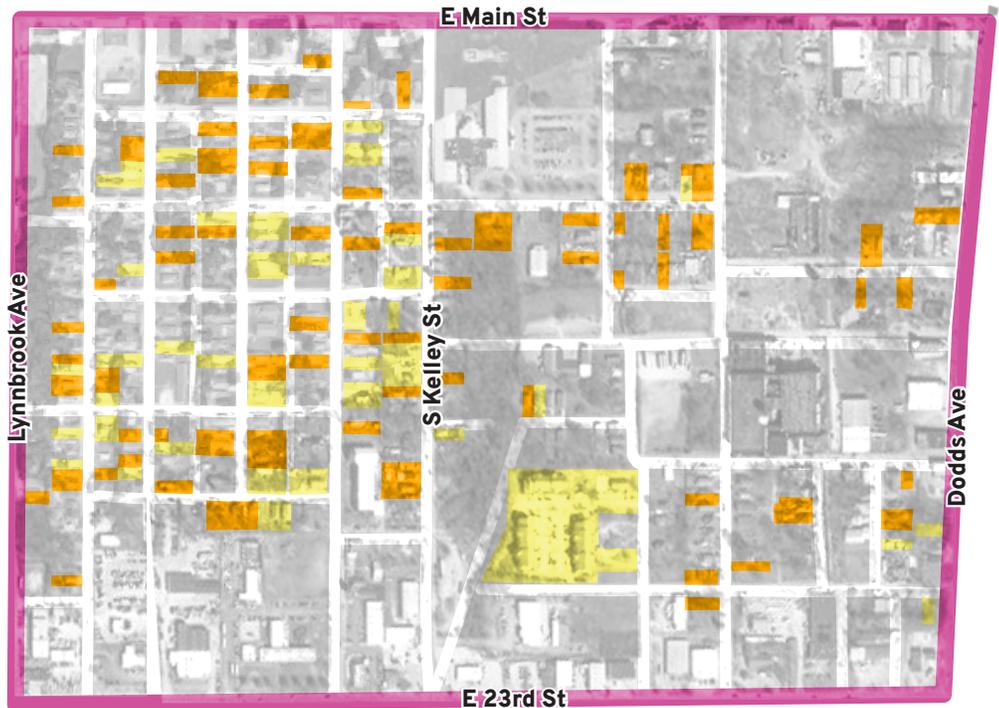
Oak Grove Opportunity Area



OVERALL APPROACH TO THINKING ABOUT 3s in OAK GROVE

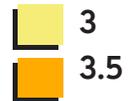
Few homes in Oak Grove are in marketable condition. Many are demolition candidates. The impact of the abandoned Standard Coosa mill is significant as it imposes a powerful blighting influence on the blocks around it. Likewise the blighted housing around the mill impose just as negative an impact, enough to make any redevelopment aspirant think hard before proceeding.

Conditions are so generally troubled between S Orchard Knob and S Watkins that there are three possible futures, none which foreclose on the others. The first is just slow continued degradation, the result of which is low rents for the city's poorest and excellent cash on cash returns for reprobate owners. The second is slow and steady measured improvements that eventually result in stabilization. The third is large scale redevelopment. None are free as all carry opportunity costs.

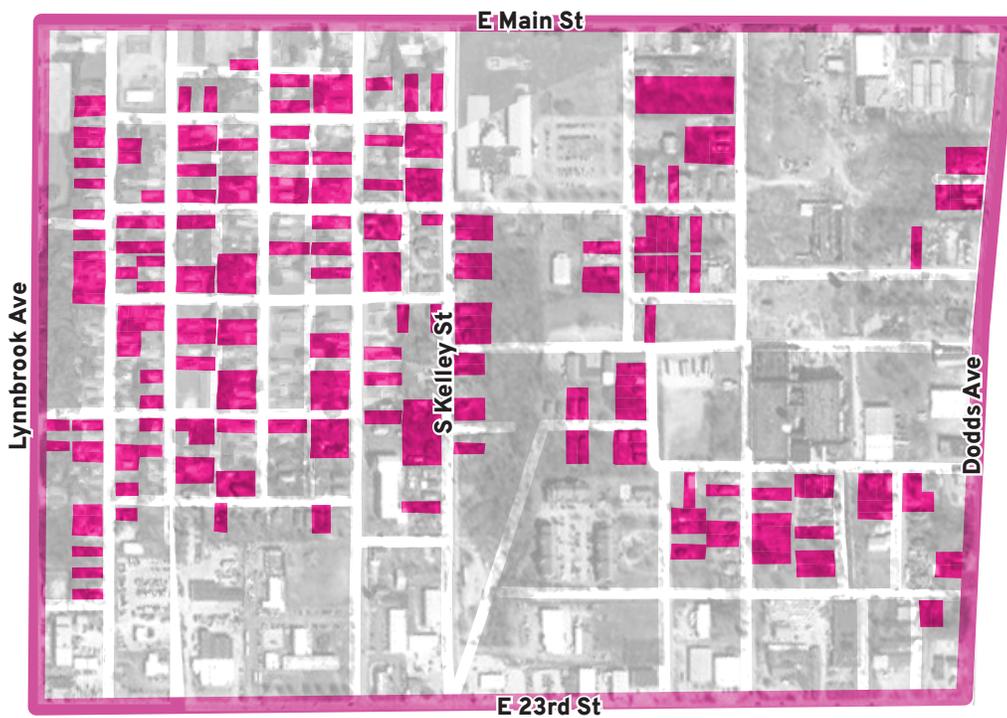


There are very few marketable homes in Oak Grove. Average quality properties should not be permitted to degrade further and assistance to owner occupants is critical.

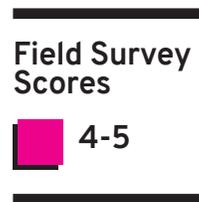
Field Survey Scores



OVERALL APPROACH TO THINKING ABOUT 4s AND 5s in OAK GROVE

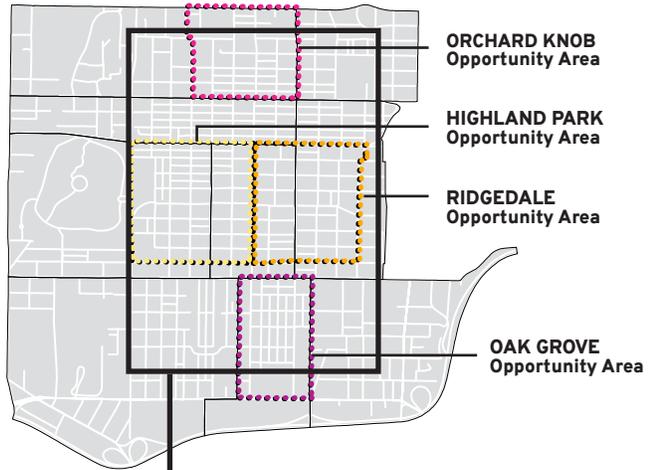


Stabilization in Oak Grove is the top priority. Acquisition, demolition, and land banking is the next step to take.



Putting it all together

4 Opportunity Areas in the CNE Focus Area

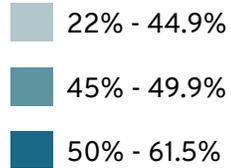


Where owner occupancy rates are lower, CNE should endeavor to

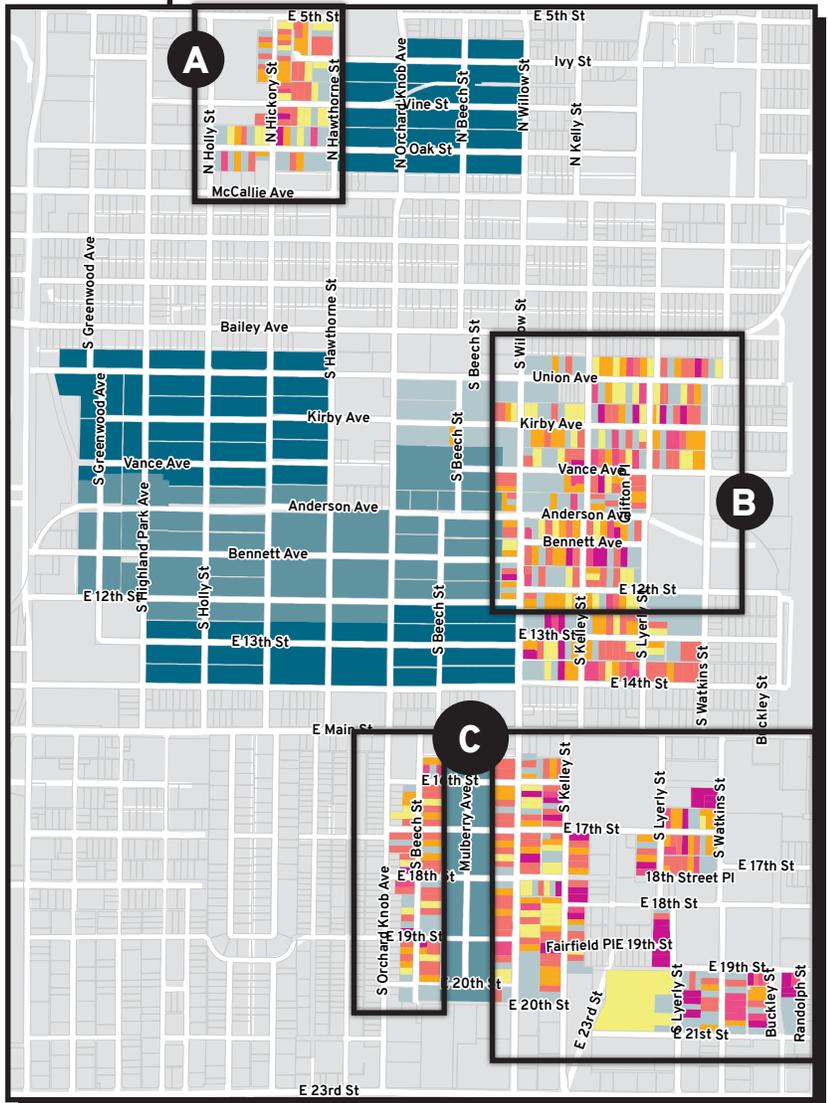
- Maintain 3s
- Demolish 5s and hold for future development opportunities, and
- Upgrade 4s to 1s to move owner occupancy rates >50%

Parcels in Low Homeownership Areas

Homeownership Rate
(Single-family Homes)



Field Survey Score



A ORCHARD KNOB Opportunity Area

CONDITIONS	1s	1.5s	2s	2.5s	3s	3.5s	4s	4.5s	5s	TOTAL
BASELINE	1%	1%	6%	10%	20%	21%	34%	4%	3%	
	1	1	4	7	14	15	24	3	2	71
	2		11		29		24	5		
GOALS	25	1	11		14	15	0	0	0	66
* 5 banked, cleared parcels	38%	2%	17%		21%	23%	0%	0%	0%	

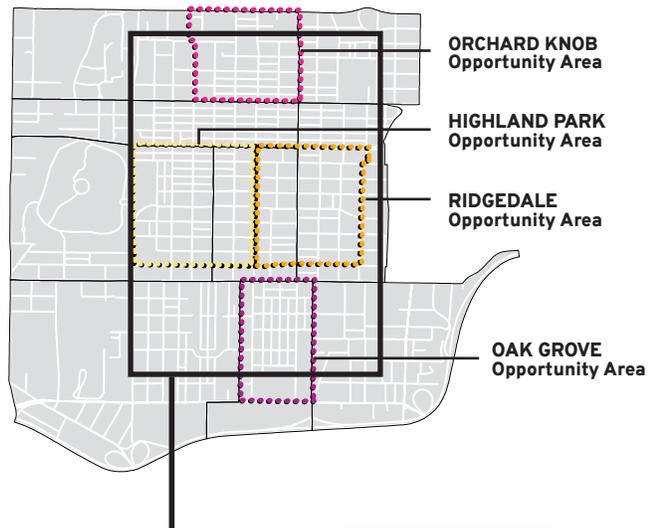
B RIDGEDALE Opportunity Area

CONDITIONS	1s	1.5s	2s	2.5s	3s	3.5s	4s	4.5s	5s	TOTAL
BASELINE	3%	0%	5%	6%	18%	24%	31%	8%	6%	
	7	0	13	15	47	64	81	20	17	264
	7		28		111		81	37		
GOALS	88	0	28		47	64	0	0	0	227
* 37 banked, cleared parcels	39%		12%		21%		0%	0%	0%	

C OAK GROVE Opportunity Area

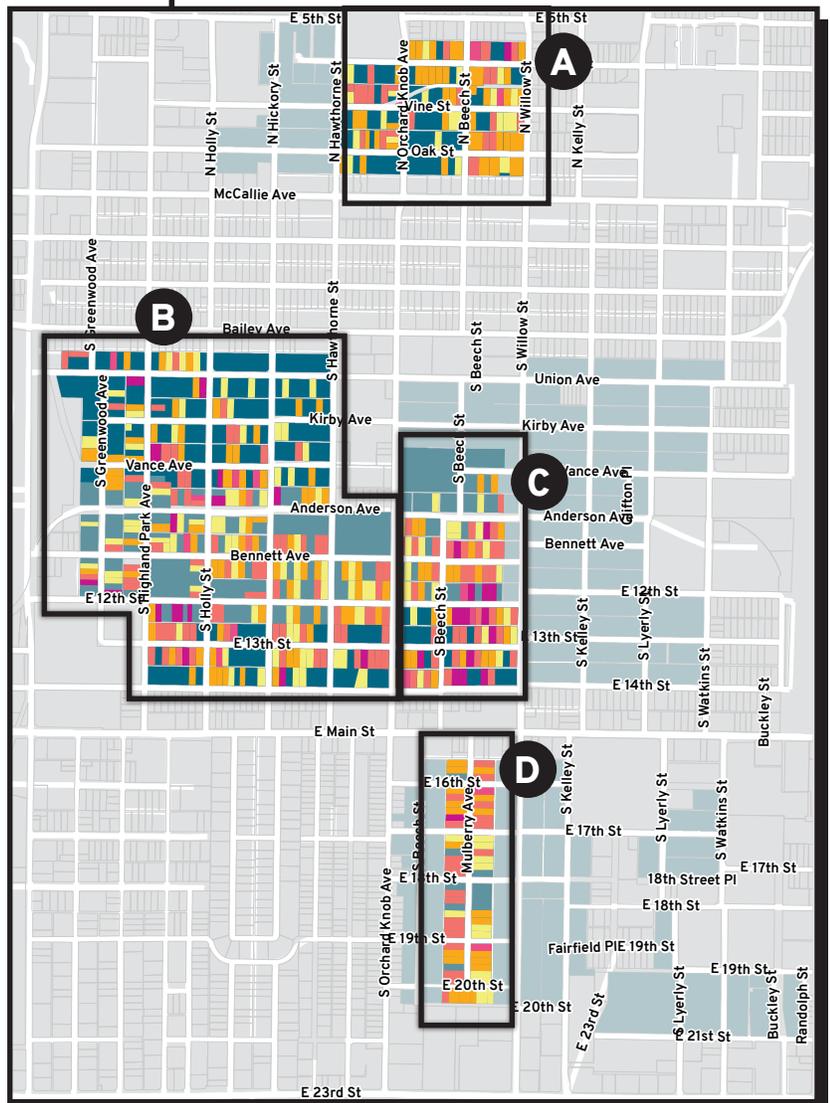
CONDITIONS	1s	1.5s	2s	2.5s	3s	3.5s	4s	4.5s	5s	TOTAL
BASELINE	0%	0%	0%	2%	13%	22%	37%	9%	16%	
	0	0	1	5	28	47	79	18	33	211
	0		6		75		79	51		
GOALS	79	0	6		28	47	0	0	0	160
* 51 banked, cleared parcels	49%		4%		18%		0%	0%	0%	

4 Opportunity Areas in the CNE Focus Area

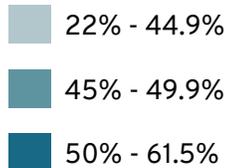


Where owner occupancy rates are **higher**, CNE should endeavor to

- Maintain 3s
- Demolish 5s and infill with new above market rate single family detached homes for sale to qualified buyers, and
- Upgrade 4s to 3s



Homeownership Rate (Single-family Homes)



Parcels in Low Homeownership Areas

Field Survey Score



A ORCHARD KNOB Opportunity Area

CONDITIONS	1s	1.5s	2s	2.5s	3s	3.5s	4s	4.5s	5s	TOTAL
BASELINE	5%	4%	10%	13%	17%	30%	18%	3%	1%	
	6	5	12	15	20	36	21	3	1	119
	11		27		56		22	4		
GOALS	10	5	27		77	0	0	0	0	119
* 5 banked, cleared parcels	8%	4%	23%		65%	0%	0%	0%	0%	

B HIGHLAND Opportunity Area

CONDITIONS	1s	1.5s	2s	2.5s	3s	3.5s	4s	4.5s	5s	TOTAL
BASELINE	15%	6%	15%	6%	18%	18%	17%	2%	4%	
	57	24	59	22	70	71	68	7	15	393
	81		81		141		68	22		
GOALS	79	24	81		209	0	0	0	0	393
* 37 banked, cleared parcels	20%		21%		53%	0%	0%	0%	0%	

C RIDGEDALE Opportunity Area

CONDITIONS	1s	1.5s	2s	2.5s	3s	3.5s	4s	4.5s	5s	TOTAL
BASELINE	4%	0%	7%	9%	19%	20%	25%	5%	9%	
	9	1	14	20	41	43	54	10	20	212
	0		6		56		79	51		
GOALS	79	0	6		77	0	0	0	0	160
* 51 banked, cleared parcels	49%		4%		65%	0%	0%	0%	0%	

D OAK GROVE Opportunity Area

CONDITIONS	1s	1.5s	2s	2.5s	3s	3.5s	4s	4.5s	5s	TOTAL
BASELINE	0%	0%	0%	2%	21%	37%	35%	4%	2%	
	0	0	0	1	11	19	18	2	1	52
	0		1		30		18	3		
GOALS	3	0	1		48	0	0	0	0	52
* 51 banked, cleared parcels	6%		2%		92%	0%	0%	0%	0%	

Data Sources and Notes

Analysis completed for this report was based on data from a variety sources. The most commonly used data were obtained from the American Community Survey (US Census) and from sales records provided by Greater Chattanooga Realtors.

Housing and Neighborhoods in Chattanooga

1. Total Development Count (units)		1,000
Inclusionary Goal	15%	150
Target Market Annual Household Income	30,000*	
Maximum Affordable Rent	833	
Projected Break Even New 850 SqFt 2BR Apartment	1,250	
Cost Gap/HH	-417	-5,000
Option #1: Annual Rental Subsidy Needed		-750,000
Blended (Debt + Equity) Projected Funds Rate		4.75%
Term		30
PV		\$79,875.16
Option #2: Capitalized Up Front		\$11,981,275

* 2 Minimum-wage jobs

2. Mortgage loan default probability increases proportional to increases in the ratio of loan amount to housing income. Each increment above an 80% loan to value ratio exacerbates loan performance problems. Of course, interest rates and loan terms affect these ratios considerably. But under 2019 market conditions, a \$35,000/year household with excellent history of handling credit can be assumed to a safe bet to repay a mortgage of about \$110,000 that's secured by a home of about \$115,000 in appraised value. Why do default rates increase when the ratio of value to income increases much above 3.25:1? When house payment obligations reach a certain proportional size, loan payments or rent begin to crowd out other necessities. As interest rates rise and the 3/4-1 constant is held steady, buying power decreases. "Filtering" is the trickling down of older - less desirable - units in the market.

3.		African American (Chattanooga, TN)		White (Chattanooga, TN)	
		2000	2017	2000	2017
	Annual Household Income	22,292	27,951	37,234	51,157
	Median Value Home	83,149	154,010	83,149	154,010
	Value to Income Ratio	3.73	5.51	2.23	3.01
	Annual HH Income Needed to Buy a Median Priced Home	25,584	47,388	25,584	47,388
	+/-	-3,292	-19,437	11,650	3,769

Focus on Outcomes that Matter

4. \$20/hr = \$41,600 annually, which equates to \$1,155/month rent (not cost burdened), the lowest rent that can likely be charged (independent of land or historic preservation expense) for a new (or newly rehabilitated) 850 SqFt two bedroom apartment in Chattanooga (czb est).

“Filtering” is the trickling down of older, less desirable, units in the market.

Appendix A

TYING MARKET CONDITIONS AND PRINCIPLES TO STRATEGY

Chattanooga - the City, community developers, and the philanthropic community - need to collaborate and put into place a set of housing policies and programs and most of all practices that can achieve specific outcomes in diverse market conditions.

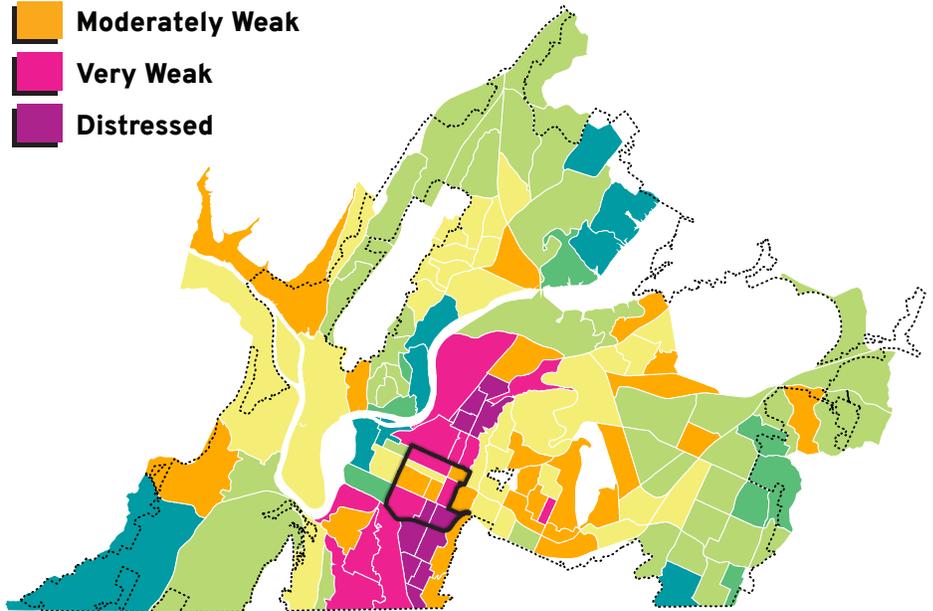
Key questions must be asked before intervening in neighborhoods:

What outcomes are being sought?

How do existing market conditions and resources limitations shape what is realistically achievable at the neighborhood and block levels?

The challenge for the City of Chattanooga and for Chattanooga Neighborhood Enterprise and for all those in the community development field in Chattanooga is to ensure that appropriate strategies are being pursued in each market - and to choose how to direct resources at levels sufficient to achieve measurable - and meaningful - results in terms of outcomes, not outputs.

It is crucial that everyone understand that in a revitalization effort, a rehabilitated house is an output, whereas higher demand is an outcome.



Determining Where in Chattanooga Interventions Make Sense

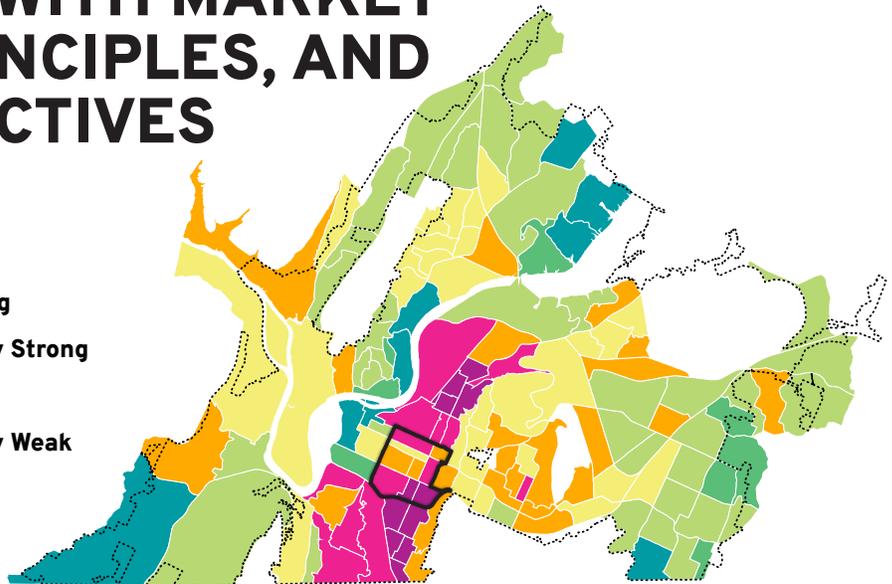
Tools recommended for different market types

Realistic Outcomes to Strive For

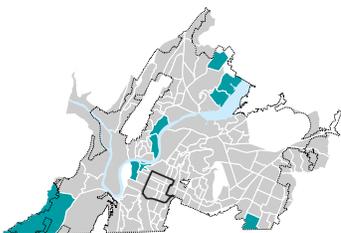


	Physical	Social	General Strategies to Achieve Key Outcomes
Robust	Healthy blocks remain healthy	Affordable housing options expand	Apply in-lieu fees
Very Strong	Healthy blocks remain healthy, nominal market weakness is addressed	Affordable housing options expand and neighborhood becomes more diverse	Incentivize mixed-income development and extract development value to generate fees payable to an affordable housing trust fund
Moderately Strong	Healthy blocks remain healthy, any blocks with distressed properties are tackled	Affordable housing options expand and neighborhood becomes more diverse	Incentivize mixed-income development and extract development value to generate fees payable to an affordable housing trust fund
Average	Number of blocks with distressed properties shrinks. Standards begin to rise	Home ownership rates rise	Intensive code enforcement and investments in resident leadership development
Moderately weak	Number of blocks with distressed properties shrinks. Standards stop falling	Home ownership rates stabilize and begin to rise as concentrations of low income households falls	Intensive code compliance assistance and investments in resident leadership development and strong enforcement of slum landlords
Very Weak	Vacant land is well managed	Concentration of low income households declines	Address disorder while slowly stabilizing most visible intersections
Distressed	Vacant land is well managed	Concentration of low income households declines	Acquisition, demolition, land banking

ALIGNING EXISTING AND NEW INTERVENTIONS WITH MARKET CONDITIONS, PRINCIPLES, AND STRATEGIC OBJECTIVES



ROBUST



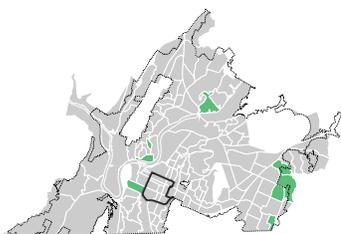
EXISTING INTERVENTIONS

Not Applicable

NEW OR EXPANDED INTERVENTIONS

- Conditional zoning variances:**
Tie up-zoning requests to development rights transfers (bank to be established) and payment of in lieu fees for off-site fulfillment of affordable housing goals
- Housing Trust Fund:**
A Trust Fund needs to be established to receive in-lieu fees.
- TDR System:**
An entitlement trading system could be used to redirect demand to less robust submarkets

VERY STRONG



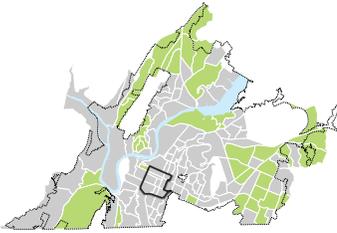
EXISTING INTERVENTIONS

- Code Compliance Assistance and Enforcement:**
Target the small number of distressed properties in order to maintain already high standards and unleash untapped housing investment capacity
- Low Income Housing Tax Credits:**
Only if at least 60% of units \leq neighborhood median rents
- HOME Program Multi-family:**
Only if at least 60% of units \leq neighborhood median rents

NEW OR EXPANDED INTERVENTIONS

- Community Land Trust:**
Seize opportunities, however rare, to control scarce land in the Highest Demand markets and lock in long-term affordability
- Incentive Zoning:**
Use towards promotion of mixed-income development; must be financed by cost offsets or subsidies
- Housing Trust Fund:**
A Trust Fund needs to be established to receive in-lieu fees, and other resources
- TDR System:**
An entitlement trading system could be used to redirect demand to less robust submarkets

MODERATELY STRONG



EXISTING INTERVENTIONS

Code Compliance Assistance and Enforcement:

Provide robust compliance assistance

Home Rehab Loans:

Target well-maintained properties on relatively stable blocks

Low Income Housing Tax Credits:

Only if no more than 30% of units \leq neighborhood median rents

Demolition:

Targeted acquisition and demolition of blighted and unsalvageable homes

HOME Program Single-family Development:

Use for scattered site infill

NEW OR EXPANDED INTERVENTIONS

Community Land Trust:

Use as long-term hedge against loss of affordability

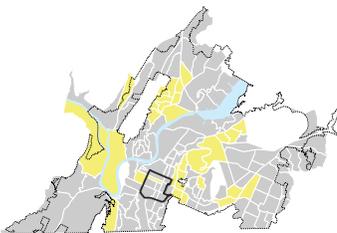
Incentive Zoning:

Use towards promotion of mixed-income development; must be financed by cost offsets or subsidies

Rental Inspections:

Use routine health and safety inspections to improve rental standards and identify lead hazards

AVERAGE



EXISTING INTERVENTIONS

Code Compliance Assistance and Enforcement:

Provide robust compliance assistance

Home Rehab Loans:

Target well-maintained properties on relatively stable blocks

Low Income Housing Tax Credits:

Only if no more than 20% of units \geq neighborhood median rents

HHF Blight Elimination

Maximize utilization rate for BEP funding from THDA

HOME Program Single-family Development:

Use for scattered site infill

NEW OR EXPANDED INTERVENTIONS

Community Land Trust:

Use as long-term hedge against loss of affordability

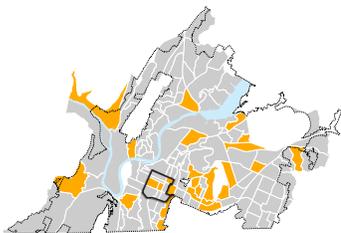
Incentive Zoning:

Use towards promotion of mixed-income development as market-rate momentum spreads out from stronger neighborhoods; must be financed by cost offsets or subsidies

Rental Inspections:

Use routine health and safety inspections to improve rental standards and identify lead hazards

MODERATELY WEAK



EXISTING INTERVENTIONS

Code Compliance Assistance and Enforcement:
Provide robust compliance assistance

Home Rehab Loans:
Target well-maintained properties on relatively stable blocks

Low Income Housing Tax Credits:
Only if 60% of units \geq neighborhood median rents

HHF Blight Elimination
Maximize utilization rate for BEP funding from THDA

HOME Program Single-family Development:
Use for scattered site infill

NEW OR EXPANDED INTERVENTIONS

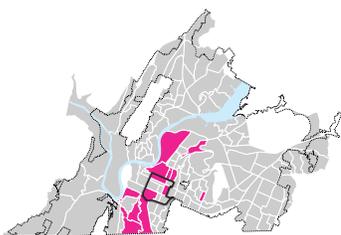
Incentive Zoning:
Use towards promotion of mixed-income development as market-rate momentum spreads out from stronger neighborhoods; must be financed by cost offsets or subsidies

Micro Mortgages to Expand Homeownership:
Help low-income renters reduce their housing cost burden through targeted homeownership assistance

Rental Inspections:
Use routine health and safety inspections to improve rental standards and identify lead hazards

Local NSP Type Program:
A significant percentage of Chattanooga's housing market is both still relatively marketable yet quite vulnerable to decline. As such, funding tailored after the 2008 Housing and Economic Recovery Act's Neighborhood Stabilization (NSP-1) program should be locally resourced and deployed as a preventative measure against future blight.

VERY WEAK



EXISTING INTERVENTIONS

Code Compliance Assistance and Enforcement:
Provide robust compliance assistance

Home Rehab Loans:
Target well-maintained properties on relatively stable blocks when inside 0.5 mile radius of critical economic asset

Low Income Housing Tax Credits:
Only if 80% of units $>$ neighborhood median rents

HHF Blight Elimination:
Maximize utilization rate for BEP funding from THDA

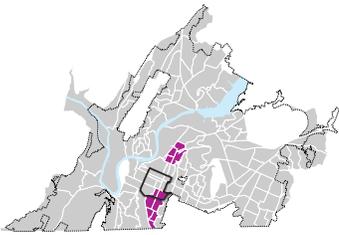
Vacant Land Management:
Focus on active and passive management of vacant land

NEW OR EXPANDED INTERVENTIONS

Rental Inspections:
Use routine health and safety inspections to improve rental standards and identify lead hazards

Partnership with Private Sector:
Explore partnerships with private owners for opportunities for large scale mixed-income redevelopment

DISTRESSED



EXISTING INTERVENTIONS

Code Compliance Assistance and Enforcement:

Deploy strong code enforcement near key assets; pair with rental inspections to establish a firm floor in city's rental market

Vacant Land Management:

Focus on active and passive management of vacant land

HHF Blight Elimination

Maximize utilization rate for BEP funding from THDA

NEW OR EXPANDED INTERVENTIONS

Partnership with Private Sector:

Explore partnerships with private owners for opportunities for large scale mixed-income redevelopment

TOOLS RECOMMENDED FOR THE CITY OF CHATTANOOGA

1. Housing Trust Fund

Whether to close affordability or appraisal gaps, czb has estimated the city faces a significant hurdle. czb's estimate of the citywide cost to close weak submarket appraisal cost gaps to be in excess of \$215M. With an estimated 24,195 households (8,222 owners and 15,973 renters) cost burdened, just assisting renters with just \$100/month is a \$19M annual subsidy, or a \$290M cost of capitalization. Conservatively therefore, a combined \$505M cost to address weak market challenges as well as housing cost burdens - far beyond anything any city of Chattanooga's size can handle within its General Fund, creating a viable Housing Trust Fund is essential. Given the magnitude of need, czb recommends that a Trust of no less than \$25M (approximately 5% of total estimated need) be resourced. Whether through a line item in the city's General Fund, a transfer tax, a mil-based levy, or a dedicated portion of a TIF, a Fund of this size is needed. Chattanooga is encouraged to look to Austin, Columbus, and Seattle for the nation's best trust fund examples to consider.

2. Community Land Trust

Land Trusts "can" be a valuable tool to address a range of challenges, most especially affordability. But Land Trusts are often misconstrued to be a magic bullet that can assuage affordability problems. While land is a driver of cost, as a percentage of total development expense, only in highly valuable (rare) urban circumstances (Charleston, SC; San Francisco, NYC) or very expensive small market situations like resort communities (Aspen, Park City, Mount Desert Island) where land scarcity owing to slopes or other impediments to expansion) will land as a percentage of development expense be such that a land trust will be effective. That noted, the ultimate value of a Land Trust is as a hedge, and in this way, a Land Trust in Chattanooga, especially in advance of the direction market strength is headed towards - south of Downtown primarily - can be a powerful tool, and is recommended. Modeling a new Land Trust on Burlington (Vermont) and applying it south of Downtown will create a hedge against rising land values the next several decades, and is recommended for consideration.

3. Development Rights Transfer (TDR) System

Since Katrina, czb has been evaluating the potential value of deploying a development rights transfers system - such as is in use in King County, Washington - to soft, transitional, or mixed markets. Severing entitlements from one location and transferring them - and their value - to another, is a potentially valuable tool Chattanooga may wish to consider. By establishing a development rights trading system, with a bank to receive and dispense credits and rights, development now aimed at high ROI areas like Historic South Main could be swapped and redirected towards, for example, Oak Grove.

Appendix B

ADDRESSING THE UNDERLYING CHALLENGE OF WEAK MARKET NEIGHBORHOODS



Weak market neighborhoods are weak because households generally prefer to live someplace else. This is the regrettable result of signals sent by residents that people don't care. When even a little care is evident - through inexpensive but powerfully meaningful gestures like a pot of flowers on the front porch, or a mailbox proudly located, or a car neatly parked in the driveway - it is contagious in a good way.

As Chattanooga Neighborhood Enterprise, or any community organization in Chattanooga, endeavors to strengthen the blocks they are focused on, developing pride and resident leaders is more impactful than any real estate subsidy.

When creative real estate development is imaginatively married to resident engagement, the results can be transformational.

Enlisting residents in the work of beautification - of their homes and the immediate streets they live on - is vitally important. Engaging a group of neighbors on a regular basis to participate in pride-oriented projects will pay more significant dividends than anything else.

When engaged in the development of any property, companion efforts to mobilize the neighbors on any of the following pride-oriented projects, or others similar in nature, are recommended.

- Common mailbox and house number installation
- Front door replacement
- Front yard work
- Holiday celebrations
- Tree trimming
- Power washing of homes
- Porch light installation

All such activities need coordination. Generally only a small amount of funding is necessary. The goal is to build a collaborative network of spirited neighborhoods all with a growing stake in the quality of life they may experience on their block. The above and other similar activities should go hand in hand with covered plate/dish suppers, hot dog cook outs or barbecues, the installation of a lemonade stand, and other celebratory efforts.

RESIDENT LEADERSHIP DEVELOPMENT CAN OCCUR IN **ANY** NEIGHBORHOOD



While some neighborhood are “ready” for the market to begin working, others need a few steps before that is realistic. Conditions may be a bit more degraded. There may be a few too many absentee landlords or vacant lots for the market to view risk as sensible and for the result to be reinvestment.

In these situations, the preliminary work of mobilizing existing residents to raise standards on their blocks is especially important.

Some blocks will be ready to go. Just a few house proud residents whose homes are well tended is enough to begin. Helping them conclude their efforts are not wasted is vital. Their pride and their continued leadership is essential. So helping them is where efforts must begin.

Strategically beautifying homes already in attractive and appealing condition may seem counterintuitive, but neighborhoods that are struggling to compete for new households are already neighborhoods that cannot afford to lose the strong neighborhoods they have. Everything must be geared not to fixing the problem home but improving the home that already looks like it might not need any help.

Every action in a neighborhood must grow neighbor to neighbor relations, raise standards, and increase pride of residency.

BEST PRACTICES

Baltimore, MD

Some of the most effective resident leadership development work in the country has been occurring in Baltimore the last 20 years under the leadership of Healthy Neighborhoods of Baltimore, Inc. Since its founding in 2004, HNI has worked in 12 Baltimore neighborhoods tying together home ownership development and resident engagement with powerful results.

Oswego, NY

At a different scale entirely from Baltimore, a city of more than 600,000 people, little Oswego, NY (pop 17,000) has move to the head of the line nationally in its ability to engage residents in transforming their blocks and neighborhoods. The Oswego Renaissance Association (ORA) has mobilized a completely atrophied community and engineered a turnaround based on resident leadership and confidence in the future.

“In a perfect world we’d all sing in tune
But this is reality so give me some room
So join the struggle while you may
The revolution is just a tee shirt away
Waiting for the great leap forwards”

Healthy Neighborhoods

in Chattanooga's Urban Core

CNE Housing and Neighborhood Strategy 2020-2030



Prepared by czbLLC