

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TENNESSEE**

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	Civil Action No. 1:23-cv-258
)	
v.)	
)	
CITY OF CHATTANOOGA, TENNESSEE,)	
)	
Defendant.)	

COMPLAINT

The United States of America alleges as follows:

I. INTRODUCTION

1. The United States brings this action for declaratory and injunctive relief, monetary damages, and civil penalties, against the City of Chattanooga, Tennessee (the “City”), under the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended (“FHA”), 42 U.S.C. §§ 3601-3631, and Title II of the Americans with Disabilities Act of 1990, as amended (“ADA”), 42 U.S.C. §§ 12131-12134, and Title II’s implementing regulation, 28 C.F.R. Part 35. The complaint alleges that the City discriminated on the basis of disability¹ by refusing to allow four people with disabilities to reside together in a single-family home in the City, under the same terms and conditions as residents without disabilities. Through its action and implementation of its zoning ordinance, the City has engaged in a discriminatory housing practice and denied rights granted by the FHA and the ADA, and such denial raises an issue of general public importance.

¹ Although the FHA uses the term “handicap” instead of “disability,” the words have the same legal meaning. *See Bragdon v. Abbott*, 524 U.S. 624, 631 (1998).

II. JURISDICTION AND VENUE

2. This Court has jurisdiction over this action and may grant the relief sought herein under 28 U.S.C. §§ 1331 and 1345; 42 U.S.C. § 3614(a); 42 U.S.C. § 3614(b); 42 U.S.C. §§ 12133 and 12134; and 28 U.S.C. §§ 2201 and 2202.

3. Venue is proper under 28 U.S.C. § 1391, because the events or omissions giving rise to the claims alleged herein occurred in the Eastern District of Tennessee and because the Defendant and the property at issue in this action are located there.

III. DEFENDANT

4. Defendant City of Chattanooga, located in Hamilton County, Tennessee, is a unit of local government organized under the laws of the State of Tennessee. The City of Chattanooga is a “public entity” within the meaning of 42 U.S.C. § 12131(1) and 28 C.F.R. § 35.104 and is therefore subject to Title II of the ADA and its implementing regulation.

5. The City is governed by a mayor and a nine-member City Council (the “Council”).

6. The City’s nine-member Board of Zoning Appeals (“Zoning Board”) is responsible for the approval of applications for special use permits and variances and has the power to make special exceptions to the City’s zoning regulations. Zoning Board members are appointed by the City Council.

IV. QUALITY LIFESTYLE SERVICE, INC.

7. Quality Lifestyle Service, Inc. (“Quality Lifestyle”) is a Tennessee 501(c)(3) non-profit corporation that provides property management services for housing that supports persons with disabilities.

8. Quality Lifestyle's non-profit corporate information is publicly available on the Tennessee Secretary of State's website.

9. Quality Lifestyle's principal place of business is in Chattanooga, Hamilton County, Tennessee.

10. Ursula Edwards ("Ms. Edwards") is the Chief Executive Officer and owner of Quality Lifestyle.

11. Quality Lifestyle has operated group homes for persons with disabilities in Chattanooga since its incorporation as a non-profit in 2001. Quality Lifestyle currently operates three supervised group homes in Hamilton County.

V. FACTUAL ALLEGATIONS

12. As described below, this case concerns Quality Lifestyle's effort to provide housing to four unrelated persons with mental illness who would have lived together at 1104 South Greenwood Avenue, a four-bedroom home in an R-1 zoning district in the City ("subject property"). Under Tennessee law and the City's zoning ordinance, this use was permitted by right in an R-1 district.

13. In or about January 2020, the Hamilton County Sheriff's office ("County Sheriff") founded the County's Frequent User System Engagement housing initiative ("Housing Initiative" or "Initiative").

14. The Housing Initiative is a collaboration among the County Sheriff, Blue Cross Blue Shield of Tennessee, Inc., the AIM Center (a mental health support organization), and the Mental Health Cooperative of Chattanooga ("Mental Health Cooperative").

15. The Housing Initiative provides transitional housing to members of the Chattanooga and Hamilton County communities who have mental health disabilities. It is

designed to offer stability to people who, because of homelessness and mental illness, become caught in a cycle of costly and avoidable incarcerations, hospitalizations, and crisis system care.

16. During relevant times, the Mental Health Cooperative was under contract with the County Sheriff to provide Housing Initiative residents with support through an Assertive Community Treatment team.

17. The Assertive Community Treatment team assesses prospective Housing Initiative residents to ensure that they are able to live independently and safely in a congregate setting. The Assertive Community Treatment team helps the residents access mental health services and medications, acquire employment, obtain disability benefits if they qualify, and procure permanent housing through partnerships with private and federally-funded housing providers.

18. During relevant times, Quality Lifestyle was under contract with the Mental Health Cooperative to provide leasing coordination, management, and oversight of transitional housing operated through the Initiative. Under the contract, Quality Lifestyle agreed, among other services, to locate, select, and lease homes at which the Initiative participants would provide housing to persons with disabilities in the City.

19. Ms. Edwards and Quality Lifestyle are associated with the residents for purposes of the ADA and the FHA.

20. On January 23, 2020, the AIM Center's Regional Housing Facilitator contacted the Director of the City's Land Development Office and advised him that the Housing Initiative participants were looking for a home in the City to establish a "transition home" and sought confirmation that the Housing Initiative could operate such a home in the City's R-1 zoning district.

21. On January 24, 2020, the Land Development Office Director responded that “the general answer would be yes” if the proposed housing satisfied Tennessee law. The Land Development Office Director stated that if the proposed housing did not satisfy state law “at the very least” the participants would need a special permit from the Zoning Board.

22. However, the Housing Initiative residents had a right to live at the subject property without seeking a special permit under Tennessee law, which defines single-family residences to include up to eight unrelated persons with disabilities. T.C.A. § 13-24-102.

23. The residents who would have lived at the subject property are people with disabilities under T.C.A. § 13-24-101.

24. The Housing Initiative residents would have been “qualified individuals with disabilities” within the meaning of the ADA, 42 U.S.C. §§ 12102 and 12131(2) and 28 C.F.R. § 35.104.

25. The Housing Initiative residents constituted a family as defined by the Chattanooga Code of Ordinances (“Zoning Ordinance”), and therefore were permitted to occupy a dwelling in any R-1 zoning district in the City as of right without seeking a special permit. Zoning Ordinance § 38-2.

26. The proposed residence at the subject property was a “dwelling” within the meaning of 42 U.S.C. § 3602(b), and the prospective Housing Initiative residents were persons with disabilities within the meaning of 42 U.S.C. § 3602(h).

27. On August 28, 2020, a Code Enforcement Officer in the City’s Land Development Office advised the AIM Center’s Housing Facilitator that Quality Lifestyle would need a special exception permit from Zoning Board before providing housing to the Initiative residents because the proposed home would be located in an R-1 residential district. The Code

Enforcement Officer provided a link to the permit application and noted that the application had to be received by September 3, 2020 in order to be included in the October 7, 2020 Zoning Board meeting.

28. Following the Code Enforcement Officer's instructions, on September 1, 2020, Quality Lifestyle applied for a special exception permit from the Zoning Board. The application sought permission to operate a transitional group home for four persons with disabilities at the subject property.

29. The application identified the prospective Housing Initiative residents as persons with mental illnesses, described the Initiative, and stated that Assertive Community Treatment services would be made available to residents by the Mental Health Cooperative.

30. On September 11, 2020, Quality Lifestyle entered into a lease to rent the subject property with the intention of using the home to provide housing to Initiative residents. The owner had recently renovated the subject property using, in part, funds provided by the City to expand the City's supply of affordable housing.

31. On November 4, 2020, the Zoning Board held a hearing to consider the application.

32. During the hearing, Ms. Edwards explained the structure, purpose, and screening process of the Housing Initiative. Numerous witnesses testified in support of Quality Lifestyle's application, including the Director of the County's Housing Initiative, a representative of Blue Cross Blue Shield, and the City's Americans with Disabilities Act Coordinator.

33. Quality Lifestyle submitted a letter from the owner of the subject property in support of Quality Lifestyle's application, which stated that he wanted to help "the most needed

and the most people” that he could by utilizing the subject property as housing for the Initiative residents.

34. During the hearing, Zoning Board members and a city attorney raised questions about, among other things, Quality Lifestyle’s non-profit status.

35. In response, Ms. Edwards advised the Zoning Board under oath that Quality Lifestyle is a non-profit organization.

36. Zoning Board members expressed concern that the Initiative residents would not be supervised during the daytime.

37. At the hearing, Zoning Board members and neighbors who opposed Quality Lifestyle’s application expressed concerns about the safety of the families and children who would live near the proposed home at the subject property.

38. Speakers who opposed Quality Lifestyle’s application, commented during the hearing that “there are families around here,” that the lack of supervision “just doesn’t give you a good feeling about [the Housing Initiative],” and that they did not know if neighborhood “kids will be safe.”

39. At the conclusion of the hearing, the Zoning Board voted to deny Quality Lifestyle’s special use permit application, by a vote of 5-0, with one member abstaining.

40. As a result of the City’s denial of Quality Lifestyle’s application, Ms. Edwards and the Housing Initiative participants were unable to provide housing to persons with disabilities at the subject property.

41. Ms. Edwards and Quality Lifestyle have aided or encouraged persons in the exercise or enjoyment of rights granted or protected by the FHA and the ADA.

42. Resources and time that the owner of the subject property, the County, Quality Lifestyle, and the other participants supporting the Housing Initiative expended were wasted because of the City's decision to deny permission to operate the home at the subject property.

43. The owner of the subject property subsequently rented it to a low-income family that needed housing.

44. Ms. Edwards' September 1, 2020 application to the Zoning Board for a special permit on behalf of Quality Lifestyle to use the subject property and her testimony at the November 4, 2020 hearing constituted a request for a reasonable accommodation under the FHA and for a reasonable modification under the ADA.

45. In support of Quality Lifestyle's request for reasonable accommodation and reasonable modification, Ms. Edwards presented detailed information describing the nature of her request and the necessity of the housing for the prospective Initiative residents.

46. On January 27, 2021, Ms. Edwards notified the City's Community Development Manager that Quality Lifestyle intended to provide housing for the prospective Initiative residents at a property Quality Lifestyle owns at 2009 Daisy Street, in Chattanooga. The Daisy Street property is also within an R-1 zoning district.

47. On January 28, 2021, the Community Development Manager wrote to Ms. Edwards approving of Quality Lifestyle's plan to provide housing through the Initiative at the Daisy Street property.

48. The Housing Initiative authorized the first resident to reside at the Daisy Street property in March 2021.

49. On November 24, 2020, Ms. Edwards filed a timely complaint with the United States Department of Housing and Urban Development ("HUD") under 42 U.S.C. § 3610(a)

against the City, alleging discrimination in housing on the basis of disability.

50. In accordance with the requirements of 42 U.S.C. § 3610(a) and (b), the Secretary of HUD determined that the complaints involve the legality of state or local zoning or other land use laws or ordinances. Accordingly, under 42 U.S.C. § 3610(g), on August 3, 2021, the Secretary referred these matters to the Attorney General for appropriate action under 42 U.S.C. § 3614(b)(1).

51. The United States has attempted informal resolution of this matter and has exercised good-faith concerted efforts to seek the City of Chattanooga's voluntary compliance with the ADA, but the City refuses to come into compliance with the law.

VI. CLAIMS

Count I: Violations of the Fair Housing Act

52. The allegations listed above are incorporated herein by reference.

53. Defendant City of Chattanooga's actions described above constitute:

- a. discrimination in the sale or rental, or otherwise making unavailable or denying, a dwelling because of disability, in violation of the FHA, 42 U.S.C. § 3604(f)(1);
- b. discrimination in the terms, conditions, or privileges of sale or rental of a dwelling, or in the provision of services or facilities in connection with such dwelling because of disability, in violation of the FHA, 42 U.S.C. § 3604(f)(2); and
- c. a refusal to make reasonable accommodations in rules, policies, practices, or services when such accommodations may be necessary to afford a person an equal opportunity to use and enjoy a dwelling, in violation of the FHA, 42 U.S.C. § 3604(f)(3)(B).

54. Defendant City of Chattanooga acted intentionally, willfully, and in disregard for the rights of others.

55. Defendant City of Chattanooga's actions described above constitute a denial of rights protected by the Fair Housing Act to a group of persons, which denial raises an issue of general public importance, in violation of 42 U.S.C. § 3614(a), and a discriminatory housing practice involving the legality of a state or local zoning or other land use law or ordinance, in violation of 42 U.S.C. § 3614(b).

56. Ms. Edwards, Quality Lifestyle, the prospective Housing Initiative residents, and other persons who may have been harmed by City's discriminatory conduct are "aggrieved persons" under the FHA. 42 U.S.C. §§ 3602(i).

Count II: Violations of the Americans with Disabilities Act

57. The allegations listed above are incorporated herein by reference.

58. All conditions precedent to the filing of this Complaint have occurred or been performed. *See* 28 C.F.R. Part 35, Subpart F.

59. Defendant City of Chattanooga's actions described above constitute discrimination in violation of Title II of the ADA, 42 U.S.C. §§ 12131-12134, and its implementing regulation, 28 C.F.R. Part 35, by discriminating on the basis of disability, including by:

a. denying qualified individuals with disabilities, including the individuals identified herein, an equal opportunity to participate in or benefit from its services, programs, or activities, in violation of 28 C.F.R. § 35.130(a)-(b);

b. failing to make reasonable modifications in policies, practices, or procedures necessary to avoid discrimination on the basis of disability, in violation of 28 C.F.R. § 35.130(b)(7); and

c. utilizing methods of administration that have the effect of subjecting qualified individuals with disabilities to discrimination on the basis of disability, in violation of 28 C.F.R. § 35.130(b)(3).

60. Defendant City of Chattanooga acted intentionally, willfully, and in disregard for the rights of others.

61. Ms. Edwards, Quality Lifestyle, the prospective Housing Initiative residents, and other persons who may have been harmed by the City's discriminatory conduct are "aggrieved persons" under the ADA. 42 U.S.C. § 12203(c).

VII. REQUEST FOR RELIEF

WHEREFORE, the United States prays that the Court enter an ORDER:

a. Declaring that the Defendant's actions violate the Fair Housing Act and the Americans with Disabilities Act;

b. Enjoining the Defendant, its officers, employees, agents, successors and all other persons in active concert or participation with it, from enforcing sections of the City's Code of Ordinances in a manner that discriminates because of disability in violation of the Fair Housing Act or the Americans with Disabilities Act;

c. Enjoining the Defendant, its officers, employees, agents, successors and all other persons in active concert or participation with it, from enforcing the City's Code of Ordinances in a manner that denies the Initiative participants' and Quality Lifestyle's right to operate a home for persons with disabilities as a matter of right in the in the R-1 zoning district of the City in accordance with the Zoning Ordinance, the Fair Housing Act, and the Americans with Disabilities Act;

d. Enjoining the Defendant to modify its Zoning Ordinance or the policies and practices by which the Zoning Board implements the Zoning Ordinance by granting reasonable accommodations under the Fair Housing Act and reasonable modifications under the Americans with Disabilities Act;

e. Ordering the Defendant to take all affirmative steps to ensure its compliance with the Fair Housing Act and Americans with Disabilities Act, including steps necessary to prevent the recurrence of any discriminatory conduct in the future and to eliminate, to the extent practicable, the effects of its unlawful housing practices as described herein;

f. Ordering the Defendant to take all affirmative steps to restore, as nearly as practicable, the victims of the Defendant's unlawful practices to the position they would have been in but for the Defendant's discriminatory conduct;

g. Awarding monetary damages, pursuant to the FHA, 42 U.S.C. § 3614(d)(1)(B), and the ADA, 42 U.S.C. §§ 12131 *et seq.*, and its implementing regulation, 28 C.F.R. Part 35 to all aggrieved persons; and

h. Assessing a civil penalty against the Defendant in an amount authorized by 42 U.S.C. § 3614(d)(1)(C) to vindicate the public interest.

The United States further prays for such additional relief as the interests of justice may require.

Dated: November 6, 2023

Respectfully submitted,

FRANCIS M. HAMILTON III
United States Attorney

By: /s/ Ben D. Cunningham
Assistant United States Attorney
United States Attorney's Office
Eastern District of Tennessee
800 Market Street, Ste. 211
Knoxville, Tennessee 37902
Phone: (865) 225-1662
E-mail: Ben.Cunningham@usdoj.gov

MERRICK B. GARLAND
Attorney General

KRISTEN CLARKE
Assistant Attorney General
Civil Rights Division

/s/ Lori K. Wagner
CARRIE PAGNUCCO
Chief, Housing and Civil
Enforcement Section
MICHAEL S. MAURER
Deputy Chief
LORI K. WAGNER, Trial Attorney
Housing and Civil Enforcement Section
Civil Rights Division
United States Department of Justice
950 Pennsylvania Ave., N.W.
Washington, D.C. 20530
Phone: (202) 305-3107
Fax: (202) 514-1116
E-mail: Lori.Wagner@usdoj.gov