

Commissioners Surprise with Eagle Market News

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Back when Mountain Housing Opportunities (MHO) partnered with Eagle Market Street developers, the irresistible force behind Asheville's affordable housing scene had met the proverbial immovable object. So, when it was announced the partnership was going to request another loan modification, it appeared more troubles were underfoot.

Instead, MHO and Eagle Market Place (EMP), an entity created for financial transactions, announced they were dividing the property into two condominiums, one commercial and one residential. That much had been anticipated. The loan modification agreement proposed dividing the \$2 million EMP owed the county into a \$1.5 million and a \$0.5 million lien on the residential and commercial condominiums, respectively.

Next, EMP wanted to borrow \$1.7 million from Carolina Small Business to pay off \$1.76 million owed to Neighborworks Capital Corporation. As part of the deal, Carolina Small Business wanted to be the primary lienholder, so the commissioners had to approve subordination of the county's lien. Again, not much changed because the county had said from the start it would be OK as a fourth-lienholder. Lastly, with little fanfare, EMP wanted the county to release the commercial condominium from a separate \$300,000 lien.

In response to an inquiry from Commissioner Joe Belcher, the developers said the residential construction is complete. Chair Brownie Newman and Commissioner Al Whitesides had toured the buildings, and Whitesides said the developers did a good job reconstructing the ambience of his childhood memories. Commissioner Ellen Frost said this called for a celebration.

Where was the great announcement? Nothing was cropping up on the newsfeed, so The Tribune took a walk downtown and found the shell of the building was indeed complete. It looked just like the watercolor renderings with the old-school red brick on the first three floors and a nonconforming gray and glassy 21st-century upper. HVAC contractors were at work, one of whom assured us some residential units were still available, should we be interested. Rents for affordable units are supposed to start at \$200.

Local government's engagement in "The Block" goes back at least to 1993, when the city approved a revitalization plan for the once high-crime district. Controversies began in 1995, after the city was asked to purchase real estate for the project. Some members of council outright refused to sign a letter commending leadership for fine work, as part of an application for federal funding. Then, in 2003, when the project only proposed 47 units of affordable housing and commercial space with a price tag of \$6.6 million, the Eagle Market Streets Development Corporation and the city were served a restraining order right before council was scheduled to approve the site plans. The complainants were neighboring investors, who cited short-circuited public input, viewshed obstruction, and lack of conformity with approved plans.

After years of going nowhere, Eagle Market partnered with MHO. By this time, the project was promising 62 units of affordable housing in an \$11.1 million mixed-use development. But not long after a sky crane went up, it became necessary to replace concrete slabs on the first and second floors, setting the project back a couple years and \$4 million.

In addition to the \$2.3 million loan from the county, the project is funded with \$4.7 million from the City of Asheville and \$7 million from the North Carolina Housing Finance Agency. It is also receiving Section 8 Low-Income Housing Tax Credits, additional federal funds having been forfeited twice in the early stages of the project.

In 2015, unable to get financing to finish the project, MHO asked council to pay half its \$2.9 million loan as soon the project was 50% complete, drop the interest rate on Affordable Housing Trust funds loaned from 2% to 0, and allow the project to proceed with only 24-30 of the units priced as affordable. Only Vice Mayor Gwen Wisler objected, noting the city started out subsidizing the project at a rate of \$83,000/unit. Whereas the city's typical subsidy for an affordable residential unit was \$20,000, the changes would raise Eagle Market's per-unit subsidy to \$135,000-\$170,000.

Scholars from the Cato Institute, Brookings Institute, and Heritage Foundation have written recently about how government housing subsidies lower rent well for a very select few while not addressing the root causes of insufficient affordable housing. Chris Edwards and Vanessa Brown Calder at the Cato Institute found subsidized housing was being built for as much as luxury-rate units because government involvement introduced more bureaucracy. Building on prime real estate not only comes with higher land-acquisition costs, but higher developer fees and more demanding zoning requirements. Since builders can't collect funds from controlled rents over time, they collect up-front or go elsewhere, where they can afford to build. The Heritage Foundation found housing subsidies were creating a cottage industry for lawyers and accountants, where "value was captured" by investors and middlemen, not renters.