

**Request of Eagle Market Place
To the Buncombe County Commissioners**

August 2, 2016

Background

Eagle Market Place is a partnership of Mountain Housing Opportunities, Inc. (MHO) and Eagle Market Streets Development Corporation (EMSDC), with membership by private investors through the federal Low Income Housing Tax Credit Program of the North Carolina Housing Finance Agency (NCHFA). Housing tax credits were awarded to Eagle Market Place in 2012 for 62 affordable apartments. Buncombe County initially approved \$300,000 in loan funds and then in 2012 an additional \$2 million loan, with the requirement that the \$2 million loan not be released until completion of construction.

Construction began in 2014. In October 2014, a crack in one area of the second floor concrete slab caused construction to be halted. Extensive analysis by new consulting engineers in winter-spring 2015 determined that the first and second story concrete slabs had been designed and built with inadequate steel reinforcement to contain the stresses of “post tension” steel cables in the slabs. The new consulting engineers recommended that both the first and second story concrete slabs be completely removed, redesigned and rebuilt, at an estimated cost of more than \$4.5 million dollars. The two faulty concrete slabs were completely removed in winter-spring 2015-16.

Following the engineering analysis completed in spring 2015, Eagle Market Place received insurance settlements from the errors and omissions policies of responsible parties, including the original project engineer and the architect. These insurance settlements cover more than \$1.5 million of the increased projected costs. However, an additional \$3 million private loan is required to move forward with the construction project.

Mountain Housing Opportunities and EMSDC have worked closely with the general contractor, the new structural engineer, and the architect to redesign the construction project, and we are ready to move forward with construction in the coming weeks. A new, private \$3 million long-term loan to Eagle Market Place has been approved, with a letter of commitment received by MHO at the end of July 2016.

Our central approach to resolve this construction problem is to solve it with private financing – that is, not to ask Buncombe County or other public funders to provide additional funds. We are not asking Buncombe County to provide additional funds to Eagle Market Place.

However, to have cash flow to repay the approved \$3 million long-term private loan, we are asking Buncombe County to allow a change in the affordable rent structure of Eagle Market Place, as shown below and in the attached rent structure detail. This is the same request for revised rent structure which the City of Asheville approved in November 2015 as MHO was beginning its loan application process for the new private loan.

Buncombe County’s approval of a revised rent structure for Eagle Market Place is the last significant item needed for us to move ahead with construction.

Request

Eagle Market Place will continue to include 62 apartments, a majority of which (32-38 apartments) will be affordable at the rents originally intended, that is, affordable to households with incomes below 60% of the Area Median Income (AMI).

To repay the new private loan, Eagle Market Place requests that 24-30 of the 62 apartments be allowed to charge rents which are considered Workforce Apartments, that is, rents affordable to households at 100-120% of Area Median Income. All other funders and lenders have approved this new rent structure.

We ask also that County Attorneys and the County Manager be authorized to amend loan agreements between Buncombe County and Eagle Market Place to allow for the requested change in rent structure and the new construction schedule, and any other necessary details consistent with the County Commissioners' approval. If we receive Buncombe County approval in early August, we expect to begin construction in approximately one month, to complete construction before the end of 2017, and to request funding of the County's \$2 million loan commitment before June 30, 2018, as the last funds into the project.

Points of Consideration

The Eagle Market Place request to Buncombe County is the way to move forward without asking for additional County funds into the project.

It is necessary that Eagle Market Place move forward with construction now. Costs of materials and subcontracts continue to increase due to the strengthening construction economy.

Eagle Market Place's financial structure includes new private debt of more than \$3 million to Eagle Market Place (EMP) and its partners. There is no windfall or special benefit to EMP partners; this request is necessary to move ahead. The new rent structure is necessary to pay new monthly debt service payments after the building is leased.

The new rent structure will provide a healthy and sustainable mix of deeply affordable and workforce rents, with a majority of 62 apartments affordable to low-income residents (households with incomes below 60% of Area Median Income), and the remaining units affordable to workforce residents at 100-120% of Area Median Income. Eagle Market Place will have 8-19 units renting for less than \$400 per month and an additional 14-16 units renting for less than \$600 per month. See separate page, "Planned Rent Structure at Eagle Market Place."

MHO's deeply affordable rents are affordable to low-income elderly and disabled individuals, restaurant and hotel workers, retail shop workers, bank tellers, laundry workers, and starting firefighters – including those in households with only one earner or income in the household. MHO's Workforce rents are affordable to the same people if there are two earners or incomes in the home, and also to one-earner households with an experienced police officer or teacher, a registered nurse or experienced LPN, dental hygienist, bookkeeping clerk, or fire inspector, and many other jobs. Workforce Rents are middle-income rents, affordable at or near the median (middle) household income of our community.

The location of Eagle Market Place provides additional cost savings to residents in the form of reduced transportation costs. At MHO's Glen Rock Apartments on Depot Street, the average resident household saves 1,000 commuter miles per year compared to their former commute from their previous home to work (saving 60,000 miles of worker commutes per year in the 60-apartment building).

Eagle Market Place will pay property taxes, as is customary for our tax credit rental properties following construction and leasing.

Eagle Market Place will accept formerly homeless veterans in partnership with the Asheville Housing Authority Veterans Voucher program, and **will accept Housing Choice Vouchers** (Section 8 Vouchers) from the Asheville Housing Authority.

Eagle Market Place is a way to return diversity and inclusion to an area changed dramatically by Urban Redevelopment years ago. **Other private developments moving forward on Eagle and South Market Streets are unlikely to meet the goals of diversity and inclusion for this part of downtown.**

Eagle Market Place has many benefits including affordable housing, as outlined in a city loan agreement:

- *“renovation of historic properties within the South Pack Square”*
- *“provide affordable housing in an area that has been identified as having insufficient affordable housing to meet current and anticipated demand”*
- *“provide for a hub for the creation and expansion of minority enterprises”*
- *“eliminate slum and blight in the center of downtown while promoting tourism to a newly renovated historic African American business district... promotes job creation”*
- *“continued revitalization of the Central Business District of the City in the form of increasing the property tax base....”*

Over \$4 million of the cost of Eagle Market Place comes from pre-existing conditions and requirements of the location, including site and soil conditions and required preservation and protection of five surrounding historic buildings (three on-site, two adjacent). Over 200 steel and concrete micro-piles, drilled and poured 50-65 feet into the soil, are properly built and comprise a significant portion of construction and cost on the site today.

The partnership of Eagle Market Street Development Corporation and Mountain Housing Opportunities is a rare and important example of collaboration between groups devoted to affordable housing and community and economic development.

At EMP three historic buildings are preserved, and 62 historic African American businesses are honored by naming each apartment after one of the businesses.

All lenders will require satisfactory insurance and inspections for release of funds.

All funders and sources of financing, including the North Carolina Housing Finance Agency (NCHFA -- EMP's principal funder through the Federal Low-Income Housing Tax Credits - LIHTC) have approved our mix of Workforce and LIHTC rents.

The structural engineer for the project redesign, SKA Consulting Engineers, is one of the premier structural engineers in NC and the Southeastern USA.

Partners making concessions:

- General Contractor \$300,00 reduction in fees
- MHO has covered all interim costs for insurance, interest, structural engineering investigation and redesign, and legal (over \$400,000 total for these costs).
- As we have redesigned, EMP partners have retained the number of residential units promised, 62 apartments, in addition to the full amount of commercial space originally promised.
- MHO's average construction costs per unit for two other apartment properties (total 103 apartments), which we built while Eagle Market Place has been on hold – Mars Hill Commons-\$140,000; Villas at Fallen Spruce-\$128,000.
- **MHO completed 112 new homes in year 2015 – more than in any previous year -- and will continue our work to meet the affordable housing needs of Buncombe County. MHO continues to lease and manage over 600 affordable apartments in our community, saving MHO's average renter household \$345 per month compared to median community rents.**

Conclusion

Eagle Market Place partners MHO and Eagle Market Streets Development Corporation remain committed to Eagle Market Place. We appreciate the continued support of Buncombe County, the City of Asheville and the community, and we ask that you provide the authorization needed to see the project through to completion.