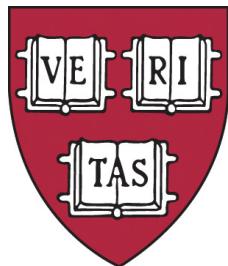




JCHS Joint Center for Housing Studies of Harvard University

Profiles in Preservation

Battery Park Apartments in Asheville, North Carolina



A Case Study in the Preservation of Affordable Housing
by Alexander von Hoffman

June 2014

The research for this series of case studies was conducted with the support of
the John D. and Catherine T. MacArthur Foundation.

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Preface

The following case study is one of a series of five investigations of projects conducted by nonprofit organizations to preserve affordable rental housing in the United States. These profiles were undertaken to illuminate the characteristics of subsidized housing and the process by which they are preserved — that is to say, refinanced and renovated.

The five subjects of the case studies were selected to represent a variety of geographic locations, communities, and real estate markets; a range of types of tenants: e.g., family, elderly, and formerly homeless; and different types and sizes of nonprofit owner organizations.

Each case explores the history of the particular property and its locale; the history of the organization that owned the property and how it came to own and preserve the property; the methods and challenges of renovating and refinancing the property; and the overall results of the preservation effort. The five profiles in preservation are part of a larger research project supported by the John D. and Catherine T. MacArthur Foundation, whose support the Joint Center for Housing Studies gratefully acknowledges.

Introduction

In 2007 a national nonprofit housing organization, National Church Residences, completed its restoration of Battery Park Apartments, a thirteen-story apartment building with 122 units for low-income elderly people. Remarkably, this building, which served the social welfare function of sheltering an aging population, was the most prominent building in Asheville. Formerly a grand hotel and the city's most iconic building, Battery Park Apartments loomed over the downtown.

This case study of Battery Park Apartments reveals several different aspects of the nature of affordable housing development. It shows that in the context of such a visible setting, the history of the building and its continuation as affordable housing are entwined with the history of Asheville and its central business district. Faced with choices about preserving not only subsidized housing but also a major part of the downtown, Asheville's citizens chose to support the needy and keep its historic buildings.

The case further reveals that for National Church Residences, the acquisition of Battery Park Apartments was a learning experience that helped launch its expansion into preservation of existing affordable housing.

Finally, the case illuminates the nature of the elderly low-income residents of Battery Park Apartments who had come in their golden years to live in Ashville – and to a certain extent the nature of those who dwell in low-income elderly housing elsewhere.

Locale and Site: Downtown Asheville and the New Battery Park Hotel

For much of its history, Asheville, North Carolina has grown and prospered primarily as a resort of one sort or another. In the late nineteenth century, Asheville's mountain air and cool summer weather attracted tubercular patients along with a few tourists who delighted in its climate. One of those visitors, Franklin Coxe, a well-to-do banker and real estate investor whose family had acquired and inherited large amounts of land in western North Carolina, believed the construction of the Western North Carolina Railroad created an opportunity to promote the growth of Asheville. In 1886 Coxe built a luxury hotel on the site of the former Confederate battery and later helped bring the railroad to the town, which touched off a local real estate boom. Between 1880 and 1900, the number of Asheville residents jumped from 2,600 to 14,700. Over the next two decades the population doubled to 28,500.

In 1920, many years after Coxe died in 1903, Edwin W. Grove, a self-made man who had made a fortune in pharmaceuticals, purchased the property. Grove and his son-in-law Fred Seely believed that Asheville's growth as a city depended on tourist hotels and sites – rather than tuberculosis sanatoriums – and embarked upon an extensive city-building campaign. In 1913, they developed a fantastic hotel, the Grove Park Inn, out of enormous boulders on the side of a mountain overlooking Asheville.

Grove focused most of his attention on developing Asheville's downtown. In 1922, he tore down the ruins of the original Battery Park hotel, which had conveniently burned just before redevelopment of the site began, and excavated some seventy feet of a nearby hill which had previously held winding paths and terraces of trees, flowers,

and lawns. He used the dirt from Battery Park hill to fill a nearby ravine and turn it into building lots, in the process apparently demolishing the modest homes of African Americans and boarding houses, which were probably owned by widows and other single women.¹

On the apex of what was now a gently sloping hill, Grove commissioned a new Battery Park Hotel. He hired William Lee Stoddart, one of the nation's "most prolific early twentieth-century hotel architects," to design the structure. The Battery Park Hotel was completed in 1924, a fourteen-story red brick structure with terra cotta trim designed in a functional but eclectic hotel style "accented with notes of Neo-Classical elegance and Spanish romanticism."² The hotel was impressive by the standards of the growing little city. Two-story arched windows and doors opened onto an airy lobby, luxuriously outfitted with deep chaises longues, love seats, and pilaster chairs; above, there was a balcony for the mezzanine floor with an orchestra stand, a large lounge, and a spacious dining hall. The Battery Park Hotel contained 220 bedrooms, each with private bath and outside windows. The hotel's special amenity was its top floor, which boasted a roof garden, dining room seating 150 people, and lounge, which opened onto a gallery that commanded views of the mountains in all directions. The hotel would become an icon for the city, dominating its small skyline. Asheville's native son, the

¹ Mary Bennett Greene, "The Transformation of the Battery Park Landscape in Asheville, North Carolina: 1900-1930" (M.S. thesis, University of North Carolina at Greensboro, 2008), 14, 59; National Park Service, National Register of Historic Places Inventory – Nomination Form, Battery Park Hotel, Form NC 770009900, Item 8-1.

² National Park Service, National Register of Historic Places Inventory – Nomination Form, Battery Park Hotel, , Item 8-1 (quotation describing Stoddart), Item 8-2, Item 7-0 (quotation about architectural style).

writer Thomas Wolfe, was not impressed, however, and condemned the design as unoriginal.³

The hotel was the tallest and most visible component of the development of downtown Asheville during the 1920s. Across the street from the new Battery Park Hotel, Edwin Grove developed the Arcade, which combined a corridor of stores with offices above and, an innovation at the time, an underground parking lot. Grove lobbied the federal government to build a new post office building, even donating the land for it. At the same time, Grove developed the eight-story Flat Iron Building, the Bon Marché Department Store, and the George Washington Vanderbilt Hotel (which in time also would become a home to low-income elderly people and was eventually purchased by NCR). During the 1920s, other developers helped fill in Asheville's growing downtown district with numerous other office buildings and stores, including the colorful Art Nouveau S&W Cafeteria Building of 1929.⁴

Asheville's boom ended abruptly with the onset of the Depression. The area's largest bank failed, and collapsing real estate values forced the city into default. A long stagnant period lasted until the 1960s, when the growth of the North Carolina banking industry reached Asheville and spurred the construction of a new modernist-style bank office building.

³ Ibid., Item 8-1, 8-2.

⁴ National Park Service, "National Register of Historic Places Travel Itinerary: Asheville, N.C., Architecture" (2004), <http://www.nps.gov/nr/travel/asheville/text.htm#architecture>.

A New Use for the Battery Park Hotel

At first, the Battery Park Hotel survived. In 1950 Grove's daughter, who had inherited the property, renovated the building, the last such renovation it would have for decades. In 1955 Maurice Puckett, the owner of the Vanderbilt Hotel, purchased the Battery Park Hotel from the Grove family trustee for approximately \$900,000. The hotel remained busy, hosting the casts and crews of a number of Hollywood movies that were filmed in the area. In the 1960s, however, Asheville's downtown and its signature landmark hotel declined. The development in 1958 of the Westgate Shopping Center a mile away and in 1971 of the much larger Asheville Mall three miles out of town diverted the region's shoppers to the outskirts.⁵

The Battery Park Hotel began to have difficulty attracting guests. In December 1971, Puckett put the property up for auction. Jack Bryant of Brevard, North Carolina, purchased the hotel, for a mere \$262,000, far below even the *nominal* cost of building it in 1924, which was \$600,000. Bryant attempted to remodel the hotel, which was now less than half occupied, but found the undertaking too expensive. On October 31, 1972, Bryant closed the hotel and three years later sold it to another resident of Brevard. In August 1977 the building was placed on the National Register of Historic Places, even as it stood vacant and boarded up. The building began to deteriorate, a process hastened by vandals.⁶

⁵ National Park Service, National Register of Historic Places Inventory – Nomination Form, Battery Park Hotel, Item 8-3.

⁶ Ibid.

In the fall of 1977, word spread that a developer intended to acquire the Battery Park Hotel and convert it to subsidized elderly housing. In November, a local real estate broker proposed to the city council that the city purchase the hotel for \$325,000 to prevent it from becoming elderly housing. The council members, however, were unimpressed, and none were willing even to second the motion. Either because they were unwilling to put the city in the real estate business or because they approved the proposed new use of the Battery Park Hotel, the councilors in effect declared their support for the idea of housing low-income elderly in the city's most prominent landmark.⁷

The next year, Billy P. Shadrick of Lexington, North Carolina, in the Greensboro-High Point area, formed a syndicate that purchased the building for \$300,000. The syndicate then reportedly spent \$2 million converting the hotel rooms into apartments for the elderly. In December 1980, with the help of Section 8 rent subsidies (called Housing Assistance Payments or HAP), the old hotel reopened as Battery Park Apartments, a residence for low-income senior citizens.⁸

Asheville Rejects Downtown Demolition

The reconstitution of the hotel came at a turning point for Asheville's downtown. After the city paid off its last Depression-era bond in 1976, its citizens faced a choice about the future of the business district. After numerous downtown businesses closed

⁷ *Asheville Citizen-Times*, November 17, 1977, cited in Barbara Gravelle, "A History of the Battery Park Hotel," typescript, 5.

⁸ Tim Reid, "After 17 Years, Battery Park Has Vacancies," *Asheville Citizen-Times*, June 16, 1999, D.8.

or moved away, local leaders created the Asheville Revitalization Commission to revive the downtown. During the long years of municipal debt, the city government could not afford to replace its streets, water lines, and sidewalks, but neither could it afford to tear down its old office buildings.⁹

The question became whether to demolish the city's historic buildings or preserve and recycle them for new uses. In the late 1970s, private parties pursued both alternatives; a landscape architect bought and renovated several buildings in the Lexington Park area to create spaces for small businesses and open-air markets. The Akzona Corporation, a holding company for a synthetic textile firm and other companies, had bought and demolished several old commercial buildings and replaced them with a high-rise office building designed by renowned modernist architect I.M. Pei.

In 1979 a Philadelphia real estate company posed the choice of policy in stark terms, proposing to destroy eleven blocks and eighty-five buildings in Asheville's small downtown and build a 700,000 square-foot shopping mall, office tower, and hotel. Reversing its own policy of preservation, the Asheville Revitalization Commission and other city leaders endorsed the wholesale destruction. Downtown small businesses and local preservationists, however, organized opponents and conducted an energetic campaign to defeat the redevelopment project. On November 3, 1981, Asheville held a

⁹ The following account is based on an excellent short history of the events related to the proposed urban redevelopment of downtown Asheville: Molly Sager, "The Mall That Almost Ate Asheville: The Fight between City Hall and *Save Downtown Asheville Inc.* over the Strouse, Greenberg & Company Downtown Commercial Complex" (senior thesis, Department of History, University of North Carolina at Asheville, 2012).

referendum on a \$40 million bond to help finance the development. Asheville's citizens rejected the giant commercial complex by a two-to-one margin.¹⁰

With the resounding defeat of the proposal for a downtown commercial complex, Asheville's government and civic leaders again embraced the idea of preserving the downtown as a place to visit, shop, recreate, and live. Renovation and reuse of the business district's historic buildings became a chief priority. The preservation of the Battery Park Hotel for residences fit nicely into the prevailing vision for downtown. And in a city of an increasingly liberal persuasion, providing affordable homes for low-income elderly in the face of rising housing costs seemed the right thing to do.¹¹

National Church Residences Embraces Preservation of Affordable Housing

A Presbyterian minister, the Reverend John R. Glenn, and representatives of four Presbyterian churches in Ohio founded a nonprofit organization, National Church Residences (NCR), in 1961 to provide housing and social services to older people of moderate incomes. They began by developing a modestly priced retirement community in Waverly, Ohio. In the 1970s the organization expanded its work to include government-subsidized housing for low-income elderly. At that time, NCR built new housing with the help of Section 202 (of the National Housing Act), a program started in 1959 to allow the federal government to issue low-interest, long-term loans to nonprofit organizations to develop homes for elderly families and individuals.

¹⁰ The real estate developer was Strouse, Greenberg & Company. Sager, "The Mall That Almost Ate Asheville."

¹¹ Leslie Anderson, Anita Brown-Graham, and Jennifer Lobenhofer, "Public Leadership of Asheville's Downtown Revitalization," *Popular Government* (Spring-Summer 2006): 4-15.

Section 202 was originally conceived as a program to serve moderate-income individuals, but in time it evolved into a low-income housing program. The first step in this direction occurred when the Housing and Community Development Act of 1974 allowed owners of Section 202 elderly housing projects to use project-based Section 8 rental supplements to rent to low-income tenants. Under the Section 8 program, the tenant paid 25 percent (later raised to 30 percent) of the tenant's income, and the federal government paid the rest of the market-rate rent. The government committed to make these Section 8 rental payments through what were called Housing Assistance Payments (HAP) contracts, which initially lasted twenty years. In 1981 a new law required that Section 8 projects primarily house very low-income households (households with incomes equal to or less than 50 percent of the metropolitan area's median income). Since NCR specialized in Section 202 housing – it eventually became the largest owner of Section 202 properties in the country – and made extensive use of Section 8 rental assistance, it was able to provide homes to great numbers of low-income seniors across the United States.¹²

In the late 1990s, NCR's board of directors took stock of the organization's work and recommended that it increase its efforts to house the nation's low-income elderly. Michelle Norris and other NCR officers were aware of the losses to the subsidized housing stock arising from the expiration of the original subsidies and financing. Because they had developed a lot of new housing, they were aware of the time and

¹² Michelle Norris, telephone interview with author, Columbus, Ohio, June 21, 2013; Libby Perl, *Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents* (Washington: Congressional Research Service, 2010), 3-5, 14-15.

costs involved in new construction. They concluded that an effective and relatively quick way to expand their development of elderly housing would be to preserve existing subsidized stock.¹³

To launch the organization's affordable housing preservation strategy, NCR officers chose two housing projects, one in Pacifica, California, and the other in Manhattan, Kansas, whose status as subsidized elderly housing was in jeopardy. In Pacifica, the owners of the 100-unit property wished to cease their participation in the Section 8 subsidy program and begin to charge market rents. The city officials responded by seizing the building under the power of eminent domain and selling it to NCR. The property in Manhattan, Kansas contained forty-seven units with Section 8 subsidies, but the owner was considering whether or not to renew the twenty-year contract with HUD which was about to expire. With the help of local officials, NCR, which since 1989 had operated a 35-unit affordable senior housing project in town, purchased the property.¹⁴

After purchasing and preserving these elderly housing projects, NCR expanded their commitment to housing preservation. In 2001 NCR hired Joseph Williams, the director of real estate operations for a nonprofit organization in Columbus, Ohio established to revitalize the neighborhood surrounding Ohio State University, to be director of

¹³ By then, NCR owned and/or managed about 185 low-income senior and family communities in twenty states and Puerto Rico, and five health care facilities in Ohio. National Church Residences (NCR), "National Church Residences Says 'No Way' to Seniors' Evictions, Joins City of Pacifica, California," press release, September 1, 2000; Norris, interview; Michelle Norris, "Preserving Affordable Housing: National Church Residences Finds Best Ways to Approach Rehab Projects," *Affordable Housing Finance* (April-May 2013), <http://www.housingfinance.com/preservation-of-affordability/preserving-affordable-housing.aspx>.

¹⁴ NCR had fourteen additional properties in development. National Church Residences (NCR), "National Church Residences Says 'No Way' to Seniors' Evictions," press release, September 1, 2000; NCR, "National Church Residences Purchases Kansas Affordable Senior Housing Community," press release, January 12, 2001.

acquisitions. It was a new position for NCR that would focus on preserving affordable housing.¹⁵

It was a propitious time to enter the field of affordable housing preservation. Prodded by affordable housing advocates, many state housing finance officials had come to recognize the advantages of preserving affordable housing. When they distributed their state's allocations of low-income housing tax credits, they had begun to favor affordable housing preservation projects. At the same time, owners of subsidized low-income properties that had been built or rehabilitated in the 1970s and '80s had to decide whether to continue to maintain their properties as low-income housing. The wear and tear of usage and time had taken its toll on the buildings, many of which needed another renovation. In addition, the Section 8 contracts on many of these housing developments had reached their time limit, requiring the owners to renew or drop the subsidy for low-income tenants.¹⁶

Indeed, some long-time owners of affordable housing concluded that they were ready to sell. After twenty or more years, they had grown tired of running the properties, which required more attention the longer they owned them. Furthermore, the rules of the game had changed. The owners of many of the potential properties originally had financed their properties with a HUD-insured rehabilitation loan [Section 221 (d) (4)], which was relatively simple, and then acquired a Section-8 project-based

¹⁵ Joseph P. Williams, telephone interview with author, Columbus, Ohio, May 7, 2013.

¹⁶ C. Theodore Koebel and Cara L. Bailey, "State Policies to Preserve Federally Assisted Low-Income Housing," *Housing Policy Debate* 3:4 (1992), 995-1016; Michael Bodaken, telephone interview with author, Washington, D.C., March 9, 2011;
http://www.nhtinc.org/state_and_local_preservation_resources.php.

subsidy. Since then, the low-income housing tax credit had become the major tool for financing affordable housing. The housing tax credit came with its own set of performance and reporting requirements. On top of the requirements, affordable housing developers commonly needed to identify and obtain additional financing for their projects. As the owners too had aged along with their properties, many found the prospect of learning an entirely new set of application and reporting practices to be daunting.¹⁷

Private real estate brokers who specialized in selling market-rate multifamily buildings transactions took note of these trends. They realized that they could make commissions selling subsidized housing projects to new owners who could renew Section 8 subsidies for low-income renters. To find likely candidates for affordable housing preservation, Williams put the word out among his contacts in the real estate industry that NCR wanted to acquire such low-income housing. NCR's management operations were geared to providing social services to the elderly, so Williams restricted his search to properties that housed low-income senior citizens.¹⁸

Asheville Rebounds

By this time, Asheville had rebounded from its low point in the 1970s. Between 1980 and 2000, Asheville's population increased by almost 15,000 to reach 69,000, and it has continued to grow in the 2000s. As the only urban place near the Blue Ridge

¹⁷ Williams, interview.

¹⁸ Williams, interview.

Mountains, the town had become popular among visitors in search of scenic beauty and also traditional handicrafts. The setting and intact historic downtown attracted new residents, including both older retirees and younger New Age spiritual seekers, artists of all kinds, and assorted bohemians. Politically the town became a left-wing bastion in otherwise conservative rural North Carolina, the kind of place where Dennis Kucinich, the ardent progressive congressman of Cleveland, Ohio, led the vote in the Democratic presidential primary election. A sign of the sophistication and easy living in Asheville is that for a relatively small city, it boasts a surprising number of independent bookstores, including four highly touted new and used book shops.¹⁹

In Asheville's downtown during the 1990s, property owners recycled old buildings into modern dwellings, and the number of downtown residents grew by 28 percent. New activity downtown boosted downtown real estate values. Taxable property in the central business district soared from \$104 million in 1991 to \$350 million in 2000. In the first years of the new millennium a variety of publications placed Asheville in the top ten lists of great American places, and the city redoubled its downtown revitalization efforts – pushing the restoration and reopening of the Grove Arcade, for example. By 2003, the *Asheville Citizen-Times* reported, developers had renovated more than one hundred downtown buildings into residences, and “condominiums, once a laughable downtown

¹⁹ Between 2000 and 2010, Asheville's population grew by 21 percent to 83,393. Gayatri Erlandson, “Welcome to Asheville!” Living NewStories of Collaboration, May 4, 2008, <http://livingnewstories.com/welcome-asheville> (viewed June 20, 2013). One website states, “Asheville is a booklover's dream with a big variety of books offered at some great independent bookstores (and some big chain stores).” www.romanticasheville.com/book_stores.htm. See also the description from a Brooklyn publishing house: Claire Kelley, “Bookstore Hopping in Asheville, North Carolina,” March 5, 2013, <http://www.mhpbooks.com/bookstore-hopping-in-asheville-north-carolina/>.

concept, command[ed] prices topping half a million dollars." People in Asheville worried that moderately priced housing was disappearing.²⁰

In June 1999 Asheville's boom spurred rumors that the owners of the Battery Park Apartments wanted to sell the building and turn it into condominiums. Recent emergency repairs to stop water leaking on the roof and front terrace and the impending expiration of the HUD's rental subsidy contract in three years made the rumors seem plausible. Billy Shadrick, the active general partner in Battery Park Associates, adamantly denied the rumor about the sale, but he admitted that the facility now had seven vacancies when for years there had been none.²¹

The Sale of Battery Park Apartments

Nonetheless the rumors soon proved true. About two years later Shadrick concluded that the increase in costs of operating the building and the failure of the federal government to raise reimbursements for low-income rents meant that his partnership could no longer "make the numbers work."²² Around this time the management of the building was in turmoil from staff turnover, and the maintenance was slipping, as the broken heating system made the building cold in the winter and

²⁰ A Blue Ridge Parkway Visitor Center and the Southern Highland Guild's Folk Art Center were located a few miles out of town. By 2010 Asheville's CBD taxable value soared higher to \$665 million. Clarke Morrison, "Housing Prices Soar; City Center's Growth Has Outpaced Residential Services," *Asheville Citizen-Times*, January 27, 2003, A.1; Erlandson, "Welcome to Asheville!"; Joseph Minicozzi, "The Value of Urban Density: Making the Case for Downtowns and BIDs: Demonstrating Value through Metrics," PowerPoint presentation, October 24, 2011; John Boyle, "From Ghost Town To Boomtown: Downtown Faces Challenges To Sustaining Recovery," *Asheville Citizen-Times*, January 26, 2003.

²¹ Reid, "After 17 Years, Battery Park Has Vacancies."

²² Mark Barrett, "Future in Limbo: Fight for Control over Battery Park Apartments in Court," *Asheville Citizen-Times*, March 9, 2003.

water began leaking in some of the apartments. In early 2002 Sue Hazelwood, a real estate broker based in Lexington, North Carolina, contacted Joe Williams to inquire whether NCR would be interested in purchasing Battery Park Apartments.²³

On April 1 Williams responded with a letter of intent to purchase the property for \$4.7 million, contingent on getting a firm commitment from HUD for a Section 221 (d) (3) mortgage and a 2 percent commission to Hazelwood's brokerage company. He offered to pay a deposit of \$10,000 as refundable "earnest money." After sixty days to complete the due diligence process, Williams said NCR would post an additional \$10,000 and make the total deposit of \$20,000 non-refundable. During the sixty-day period, NCR would conduct several studies of the costs of renovating, repairing, and running Battery Park Apartments. At the same time, Williams explained, NCR would talk with the City of Asheville to find a mutually satisfactory plan for a proposed parking garage adjacent to Battery Park. Completion of the due diligence process and obtaining the approvals of the purchase from HUD took a little longer than anticipated, but on October 14, 2002, Battery Park Associates and NCR signed a purchase contract to transfer ownership of the former hotel, pending the final decree from HUD within thirty to sixty days of approval.²⁴

This timetable, however, would be delayed. A group of owners, including a general partner of Battery Park Associates, organized a limited liability company with other

²³ Turkessa Baten, interview with author, Asheville, North Carolina, June 15, 2012; Joseph Williams to Sue Hazelwood, Letter of Intent for Purchase, Battery Park – Asheville, NC, April 1, 2002.

²⁴ NCR proposed to conduct a Rent Comparable Study, Phase I Environmental Study, base-level survey, extensive Architectural and Engineer Assessments, and complete Construction Rehab Analysis. Williams to Hazelwood, April 1, 2002.

parties and on October 23, 2002 tendered a contract to purchase the property. They then insisted that their contract, not NCR's, be accepted. Even though the rival group offered slightly more money (a net of \$1.8 million as opposed to \$1.7 million), Billy Shadrick and a majority of other owners felt that the NCR price was fair and that its contract was valid. Shadrick also feared that the dissenting partners wanted to turn the building into luxury condos, which seemed plausible given the recent conversions of several historic buildings for just this use. Despite the assertion by the rival buyers' lawyer that they currently had no plan to remove Battery Park from the Section 8 program, the building's residents and many others around town were convinced otherwise. Battery Park resident Helen Budden supported the sale to NCR, declaring, "Asheville needs another condominium like they need another wart on their nose."²⁵

It took until November 24, 2003 to settle the dispute. On that day a court-appointed referee found in favor of the sale of Battery Park Apartments to NCR. The decision rested on two major points. The first was that the NCR purchase contract was a valid enforceable contract, sealed with NCR's payment of earnest money, entered into before the other owner group tendered an offer. The second was that HUD had already given NCR preliminary approval, with its final decree forthcoming. The court referee emphasized that the sale of Battery Park Apartments was in the best interest of the

²⁵ Several residents interviewed for this case referred to the threat that Battery Park Apartments would be converted to condos and expressed their relief and gratitude that NCR had preserved the building as elderly housing. Barrett, "Future in Limbo"; David G. Gray, *Report and Decision of the Referee*, State of North Carolina, General Court of Justice, Superior Court Division, November 24, 2003.

owners. On March 12, 2004 NCR announced that it had purchased Battery Park Apartments for \$4.8 million (or \$39,300 per unit).²⁶

Many in the town agreed with the decision. The fear that rising costs of renting and buying homes in Asheville would prevent people of modest means from living in the city had become a local issue. In March 2003 the *Asheville Citizen-Times* held a public forum on ways to tackle the problem of a lack of affordable housing, and among the panelists was the president of the Asheville Board of Realtors. Judy Chaet, acting executive director of the Affordable Housing Coalition of Asheville, wanted to see more affordable housing downtown, and threw her group's weight behind the NCR purchase. In an opinion piece for the *Citizen-Times*, Charlotte Caplan, community development director for the City of Asheville, applauded NCR's acquisition of Battery Park Apartments as a way of meeting the city's goal of preserving and increasing the supply of housing affordable to people of all income levels.

One might think that city officials would like to have seen the city's iconic building used for the kind of "highest and best use" that would net the greatest tax revenues. In liberal Asheville, however, this was not the case. Some city officials, such as Caplan, favored affordable housing, while others wished the owners would resolve the dispute so they could negotiate with the owner for the use of a small part of the property as a

²⁶ Gray, *Report and Decision of the Referee*; NCR, "National Church Residences Acquires North Carolina Affordable Senior Housing Community," press release, March 12, 2004.

parking deck. In general, then, the people and leaders of Asheville believed it was in the town's interest to maintain the Battery Park building for low-income seniors.²⁷

Financing the Preservation of Battery Park Apartments

As a developer of affordable elderly housing for many years, NCR was both sophisticated and, by the standards of nonprofit housing organizations, quite large. Yet the financing of the purchase and the renovation of Battery Park was complicated and unlike most of NCR's previous projects. To carry it off, the organization received support from a variety of agencies.

The National Affordable Housing Trust (NAHT) was invaluable to the deal. In 1986 a former HUD official, William Kelly, and the executive directors of NCR, Retirement Housing Foundation, and a couple of other large housing nonprofits formed NAHT as a nonprofit syndicator of their organizations' properties. NAHT, however, did more than just syndicate for its member organizations. In the acquisition of Battery Park, NCR's experts helped prepare the closing pro-forma, which is in essence the plan for financing the entire deal. NAHT not only syndicated tax credits for NCR, but also helped arrange a bridge loan of \$4.7 million at 5 percent interest, with which NCR purchased Battery Park. The bridge loan funds came from a line of bridge financing NAHT had secured from the American Communities Fund, a vehicle of Fannie Mae to provide loans and

²⁷ Morrison, "Housing Prices Soar"; Mark Barrett, "Citizen-Times Forum to Focus on Affordable Housing in Area," *Asheville Citizen-Times*, March 3, 2003; Williams, interview; Mark Barrett, "Opinion Backs Battery Park Building Sale," *Asheville Citizen-Times*, December 20, 2003; Charlotte Caplan, "National Church Residences Saves Affordable Senior Housing," *Asheville Citizen-Times*, June 1, 2004; Mark Barrett, "Battery Park Will Remain a Home for Senior Citizens," *Asheville Citizen-Times*, Jan 23, 2004; Sherman Fearing, telephone interview with author, Asheville, North Carolina, May 10, 2013.

equity to housing developments in underserved neighborhoods. Strictly speaking, downtown Asheville was an overpriced neighborhood, but NAHT was allowed to make such loans to its members.²⁸

The state government of North Carolina, or more specifically, the North Carolina Housing Finance Agency, provided key components of the permanent financing for NCR's purchase. For the Battery Park Apartments project, the agency issued \$6.6 million in tax-exempt bonds and allocated \$3 million in federal low-income housing tax credits. The latter would eventually materialize in the form of limited-partner equity. In addition, Charlotte Caplan, in her capacity as director of community development for the City of Asheville, allocated \$225,000 in loans from the city's share of the federal HOME program. Before she could do so, a four-county regional housing consortium that administered the HOME funds had to approve, although since Asheville was the largest and lead member, this was not a problem. NCR obtained a first mortgage of \$6,850,000 with mortgage insurance through the FHA Section 221 (d) (4) program. This particular type of mortgage insurance was direct to loans for multifamily buildings and did not carry a subsidy. Joe Williams recalls that the regional office of HUD in Greensboro, North Carolina, was very helpful to NCR in the application process.²⁹

Battery Park Apartments was an unusual property for NCR, in that it was a historic structure listed on the National Register for Historic Places. As a result, NCR sought

²⁸ William C. Kelly, Jr., telephone interview with author, Washington, D.C., April 6, 2012; William C. Kelly, Jr., "Nonprofits Pay Market Prices to Preserve Affordability," *Affordable Housing Finance* (July 2004); http://www.philadelphafed.org/community-development/publications/cascade/60/04_americancommunities-fund.cfm.

²⁹ NCR, Battery Park Apartments Closing Pro Forma, July 8, 2004; Fearing, interview; Williams, interview.

financing for its Battery Park project through historic preservation tax credits, one set from the federal government and another from the North Carolina state government. Qualifying for federal historic preservation tax credits involves documenting the history of the property, including its architecture. To be sure that NCR submitted acceptable applications for historic preservation tax credits, understood what changes were allowed in rehabilitating a historic structure, and had someone who could talk with officials at the National Park Service, Williams hired Sybil Bowers, a historic preservation consultant in Asheville. NCR also looked to Bowers for help with the state historic preservation tax credits application as well.³⁰

Last but not least, NCR contracted with HUD for project-based Section 8 subsidies. Although this contract did not pay for the renovation, it allowed the organization to keep the building affordable to “very low-income” residents, defined as less than 50 percent of the median family income. These tenants would pay no more than 30 percent of their income in rent, with the federal government paying the remainder of the agreed upon market value.

The large number of sources required to finance affordable housing makes it a highly complex undertaking. Some owners of subsidized low-income housing decide to sell their properties to avoid the complicated requirements. NCR’s financing of the purchase and renovation of Battery Park involved several different government programs administered by different government agencies. Beyond the applications, each government funding program requires its own unique set of compliance forms, which

³⁰ Williams, interview.

must be filed on time and at regular intervals in order to retain the grant. Complicating matters further, the acquisition of a subsidized housing property such as Battery Park necessitates the formation of a unique legal entity. This is usually comprised of a general partner or partners, who take responsibility for the project, and numerous limited partners, who provide equity in return for earnings or tax benefits. For these reasons, it takes people who are well versed in residential real estate finance, property management, and government programs to pull off housing preservation deals successfully. With their long history of elderly housing development, NCR officials felt they could tackle a housing preservation project such as Battery Park.

Learning from Experience

Once the financing sources were put in place, NCR could proceed with the renovation of Asheville's historic hotel, which it completed in 2007. The organization's redevelopment entailed renovating the structure according to the architectural preservation guidelines. The pillars of the front porch were crumbling, requiring extensive reconstruction using materials and methods required by the architectural guidelines.

NCR also had to take into account the needs of the elderly residents of the building. NCR and its construction company, Wallick Construction, endeavored tried to disturb the tenants as little as possible by moving them to furnished hospitality units while their apartments were being remodeled. Because the tenants were nervous about the intentions of their new landlord, NCR held discussion meetings with residents to allay

their fears and sent an informational flyer to reassure them that they were not going to be permanently relocated.³¹

The bulk of the burden of tenant relations during NCR's renovation fell on the building's manager, Jan Chapin. Several residents made a point of praising her work. They particularly appreciated her personable approach, which they contrasted with that of previous managers who seldom interacted with the residents. A staff member at the time felt similarly, recalling that Chapin asked, "What can I do to help the residents?" According to the residents, Chapin eased the stress of relocation during the renovation by providing residents help with moving and placing people in apartments to their liking or away from annoying neighbors. When the heating system broke, residents were impressed that Chapin bought them space heaters to tide them over. NCR's manager also enhanced the amenities of the building. One resident noted that Chapin opened the roof-top entertainment room, which previously had been available only for parties, for use by residents on any day they wished. Chapin, she recalled, told the residents "it's for you."³²

Despite NCR's expertise in development, this was the first time the company had renovated an old building, and company officials learned from the experience. Prior to NCR's purchase, the building had been plagued by water leaks on the roof and in some of the residential units. NCR therefore entered the cost of repairs of the roof and plumbing in its renovation budget. Within a few years, however, the problems recurred,

³¹ Battery Park Rehabilitation Plan: Keeping Residents in Place, n.d. (c. 2005).

³² Baten, interview; Zaundra Soesbee, interview with author, Asheville, N.C., June 15, 2012; Roger Smith, interview with author, Asheville, N.C., June 15, 2012; Barbara Gravelle, interview with author, Asheville, N.C., June 15, 2012; Barbara Turner, interview with author, Asheville, N.C., June 15, 2012.

and the company officers felt compelled to replace the roof and the entire plumbing stack. The lesson, according to NCR's senior vice president for development, was that it would have been less expensive in the long run to assess and finance complete repairs to begin with. When NCR purchased another historic hotel in Asheville soon thereafter, its officers made sure to budget at the outset for long-term solutions to any physical problems in the building.³³

The Services Are Essential in Elderly Housing

Residents of elderly housing may be completely independent or they may be frail, ill, or disabled. Recognizing the fact that many senior citizens need help of various sorts, the federal government since the 1970s has encouraged the owners of government-subsidized elderly housing to cooperate with providers of an array of services. In 1990, the government provided funding for eligible service coordinators in housing funded through the Section 202 program. Since then, Congress has made funds available more broadly to elderly housing subsidized under various HUD programs. The services include not only making medical appointments and managing medication, but also more mundane services, from haircuts to social activities.³⁴

After acquiring Battery Park Apartments, NCR took over the service coordination, which had been run by the local affiliate of the Council on Aging from Buncombe County. The property manager, Jan Chapin, preferred to hire her own service

³³ Michelle Norris, telephone interview with author, Columbus, Ohio, June 8, 2012; Norris, "Preserving Affordable Housing."

³⁴ Libby Perl, *Section 202*, 6, 15-17.

coordinator, but after her departure in 2006, NCR turned again to the Buncombe County Council on Aging. For the last few years, the Council on Aging service coordinator at Battery Park Apartments has been Cyndy Wallhausser.³⁵

The job of the service coordinator consists of solving or at least helping to mitigate problems faced by tenants, usually by connecting individuals to the appropriate service. The services are many and diverse: arranging payments for prescribed medicines; obtaining food through the local Meals on Wheels association; housekeeping if the need arises and the tenant agrees; and legal services to help with any issue from threatened eviction to writing a living will.

A good service coordinator will observe the residents and try to troubleshoot for any facing particular problems, large or small. For example, Zaundra Soesbee, a resident of Battery Park since 2004, was extremely appreciative of Wallhausser for helping her to find free medical care when she lost her health insurance – no small matter, since she had been diagnosed with diabetes. A less crucial but still important task for a service coordinator is arranging transportation: Battery Park resident Vivian Nova gratefully recalled Wallhausser’s help in providing an itinerary for a long-distance journey Nova planned to make. Service coordinators also assist in activities to make life more pleasant for the residents. In the case of Battery Park, for example, the service

³⁵ Wendy Marsh, telephone interview with author, Asheville, N.C., June 15, 2012; Cyndy Wallhausser, interview with author, Asheville, N.C., June 15, 2012.

coordinator has helped assist residents with one of their proud accomplishments, a community garden on one of the rooftop galleries.³⁶

Living in Battery Park Apartments

Battery Park Apartments has attracted a clientele with distinct demographic characteristics. As a retirement center, Asheville has a relatively old population, but unsurprisingly the residents of the elderly housing project are older. In 2010 about 30 percent of Asheville residents had reached the age of fifty-five years and a little less than 20 percent are sixty-two or older. In contrast, 90 percent of Battery Park residents are over fifty-five, and 77 percent of the residents are 62 or older. Battery Park's residents are overwhelmingly female. Whereas women make up about 53 percent of the Asheville's residents, they comprise 72 percent of the occupants of Battery Park. Whether this is because women live longer than men, many older women are poor, elderly poor women are attracted to living in downtown Asheville, or some combination of factors is hard to say, without further research. The proportion of whites in Battery Park – 87 percent – is slightly higher than that of Asheville, which in 2010 was 80 percent. African Americans made up 10 percent of the population of Battery Park residents, compared to 13 percent in the town. Discovering the reason for such a variation and whether it is significant would require further research, in this case with

³⁶ Wallhausser, interview; Marsh, interview; Baten, interview; Aging Plan Committee, Buncombe County Aging Coordinating Consortium, Buncombe County Aging Plan Update, 2005; Vivian Novia, interview with author, Asheville, N.C., June 15, 2012.

an eye to analyzing the clientele of other elderly housing developments in the Asheville region.³⁷

As we have seen in other case studies conducted for this project, the populations of subsidized housing projects reflect the local populations, especially of the lower income groups. In the three decades since the Battery Park Hotel was converted to elderly housing, Asheville and its surrounding area have become increasingly popular as a place to retire. Likewise, if the seven individuals interviewed for this report are representative, many residents of Battery Park Apartments came to Asheville to retire. Several of the residents interviewed are Asheville natives. A few lived in the Asheville area their whole lives, but most spent much of their working life in other often far away locales. These individuals returned after they reached retirement age, usually because of family ties. Other Battery Park residents grew up elsewhere and either worked in the area or came to Asheville for one reason or another. Although the residents who were interested in speaking with an out-of-town scholar hardly make a representative sample, it was striking that several of the interviewed residents had college degrees and had worked white-collar jobs such as building inspector, addictions counselor, bookkeeper, personnel and plant safety manager, and teacher. Most, however, had not been able to hold on to their jobs, and some were free spirits – one is a published poet and another is working on a biography of Truman Capote – who for one reason or another uprooted themselves at different points in their lives. Whether they were

³⁷ NCR, “Battery Park Senior Apartments Characteristics of All Household Members,” 2014; and U.S. Census, Asheville population data, 2010.

unable to accumulate significant savings from their working years or lost their savings because of expensive misfortunes, the Battery Park residents had all entered retirement age with very little income.

Indeed, the people who live in Battery Park Apartments have very little money. All the residents earn 50 percent of the area median income (AMI) or less, which the government defines as “very low income.” At least half and sometimes as much as two-thirds of the residents earn less than 30 percent of the AMI, defined as “extremely low income.” In 2012 many Battery Park households earned only between \$6,000 and \$11,000.³⁸

It is easy to see why the residents might enjoy living in Battery Park Apartments. Besides the well run facilities, their apartments and especially the rooftop room and terraces offer the kinds of spectacular views that are usually only available to the owners of million-dollar condominiums. Asheville is a genteel and comfortable city, nestled in picturesque hills, which is an important reason it continues to attract migrants of all stripes. People of any age would find living downtown in such an interesting place interesting and even exciting. For elderly people who either never drove or for whom it is now difficult to drive, the location of Battery Park Apartments is convenient. At the foot of the building, accessible by inside entrances, are a beauty salon and a Cuban restaurant. Across the street are the shops in the Grove Arcade, and nearby Asheville’s downtown contains a wide variety of stores and eating places.

³⁸ NCR, “Battery Park Extremely Low Income Report, 2012;” “Battery Park Extremely Low Income Report, 2013.”

Residents are within walking distance of churches. The only drawback, which is the result of a recent trend, is the lack of grocery stores in downtown Asheville.³⁹

As people age and have experiences, they form opinions; not surprisingly, the elderly residents of Battery Park have opinions about those around them. Residents were critical, sometimes harshly, of their fellow residents for breaking the rules about recycling, guests, or parking in unauthorized places. According to some residents, some of their neighbors formed cliques, which at times undermined participation in the resident association. Sometimes the desire for social life caused some residents to intrude on the personal lives of their neighbors, annoying and sometimes angering the object of their attentions.⁴⁰

Although no doubt some residents paid little attention to the management of Battery Park, others watched the building's administration with an eagle eye and judged what they saw. These residents assessed the competency and kindness of the building managers, worried about too frequent turnover, and otherwise took note of administrative changes, including of course the decisions pertaining to NCR's renovation. Residents particularly appreciated the work of the building manager, Jan Chapin, and after her departure they have been favorably impressed with the recently arrived manager, Tom Crooke. Both in interviews and newsletters, the residents

³⁹ Carole Terrell, "Apartments Great for Seniors: Battery Park Boasts Views, Activities," *Asheville Citizen-Times*, May 16, 2008; Clara Byrd, interview with author, Asheville, N.C., June 15, 2012; Judy Cavallo, interview with author, Asheville, N.C., June 15, 2012.

⁴⁰ Byrd, interview; Smith, interview.

expressed appreciation of the members of the maintenance crew, with whom perhaps they had the most dealings.⁴¹

Like many inhabitants of low-income subsidized housing, some expressed anxiety about the officials who they feel hold power over them. Building managers loom large in the consciousness of these residents: one resident could recite the names of the many managers – too many in the opinion of the resident – who had served during the last ten years. The main reason is the requirement that tenants be recertified annually as eligible tenants, which gives the management far more power to evict them than a private landlord would have. Similarly, low-income tenants are subject to rules – regarding long-term guests, for example – and therefore possible conflict with the manager that they would likely not experience in unregulated market housing.

Thanks to some unusually energetic residents and the encouragement of the management, Battery Park Apartments has lively community activities and groups. Judy Cavallo and Barbara Gravelle have been instrumental in publishing a monthly newspaper, the *Battery Park Post*, which informs residents of building about events (including residents' birthdays), honors current and recently deceased residents, and offers entertaining features for its readers' amusement. The building resident association, which had been moribund was revived about 2007, the year NCR's renovation was completed. Since then the association has organized birthday celebrations, twice-a-month Saturday morning breakfasts, and excursions into the city.

⁴¹ Clay Thomas, interview with author, Asheville, N.C., June 15, 2012.

The residents of Battery Park Apartments can also attend weekly music and Bible study groups, a computer lab, the library, and a craft room.⁴²

Interestingly, Battery Park residents did not confine their activities to their building. In 2005, residents turned out in force to oppose the development of a city-owned parking garage that would have surrounded two sides of the Battery Park Apartments building, startling city council members who thought they had secured general agreement to the proposal. Citing health, safety, and security fears, the residents circulated a petition against the garage proposal and even devised an alternative plan. Even though the parking deck proposal was in its final stages, the opposition of the Battery Park residents and other Asheville citizens who felt it would be a detriment to the downtown stalled the project. By 2008 the recession had hit and the plan was postponed indefinitely. In the United States, people do not generally expect this kind of community engagement from low-income renters, let alone residents of subsidized housing. The residents' activism reflected their sense of their rights as citizens and their strong desire to protect their way of life at Battery Park. Their action disproved a widely held notion that only homeowners will get involved in civic affairs.⁴³

⁴² Gravelle, interview; *Battery Park Post*, miscellaneous issues, 2009-2012 (the author is grateful to Barbara Gravelle for making these available); Terrell, "Apartments Great for Seniors."

⁴³ Jill Ingram, "Battery Park Apartments Residents Tell Council They Don't Want Parking Deck," *Asheville Citizen-Times*, August 31, 2005; Clarke Morrison, "Parking Deck Plan Put On Hold," *Asheville Citizen-Times*, December 22, 2008.

Conclusion: Preserving Elderly Housing Downtown

An unusual but perhaps not unique set of circumstances helped bring about the conversion of Asheville's most prominent building, a downtown hotel, into housing for elderly low-income people. The town's fortunes sagged enough that by 1980 a developer felt government subsidized housing was the only way to make the building viable. Even then, there was little clamor to use the iconic Battery Park Hotel for the kind of "highest and best use" that would net the greatest tax revenues.

Twenty years later the city's real estate market began to rebound, but few, if any, called for capitalizing on the boom. Both citizens and officials worried that low-income people would not be able to afford Asheville's escalating housing costs. Moreover, they emphatically rejected a plan to demolish a major portion of the downtown for redevelopment in favor of restoring and recycling the city's old commercial buildings. Thus, in this politically liberal town, many supported the idea of preserving the highly visible Battery Park building for low-income elderly people, and were glad when NCR proposed to renovate the building.

Furthermore, the preservation of Battery Park Apartments reinforced the idea that low-income elderly people should live in Asheville. During the renovation of Battery Park Apartments, the owners of the Vanderbilt Apartments, another former grand hotel, approached representatives of NCR to propose a sale of the property they no longer wanted to own. NCR officials agreed and went on to renovate this nine-story 123-unit building, incorporating the lessons they had learned at Battery Park. Indeed, the case of Battery Park Apartments is important because it inaugurated NCR's

affordable housing preservation strategy. Hence it influenced the policy of one of the largest nonprofit housing organizations in the United States.

The case also shows that affordable housing can be developed in the most conspicuous of locales. In fact, large and small communities in the United States have approved the development of affordable housing in prominent downtown locales. In New York City, Common Ground, an organization dedicated to ending homelessness, has developed supportive housing residences in the midst of bustling midtown Manhattan. As in Asheville, the group has converted grand old hotels, including its flagship 1991 development in Times Square, which its officials claim helped revitalize the Times Square district. In the much smaller city of Chippewa Falls, Wisconsin, Common Bond recently rehabilitated the Hotel Northern, a 1919 building that in 1981 – like the Battery Park Apartments – had been converted to elderly housing subsidized with a project-based Section 8 contract. As in New York and Asheville, people feel that the renovation of the Northern Apartments contributed to the renewal of the downtown area (Chippewa Falls' Bridge Street Historic District). Thus, in settings like these, people perceive affordable housing as positive not only because it provides social welfare benefits to the needy, but also because it helped revive the central district for the use of the general public.⁴⁴

The case also illuminates the nature of low-income elderly housing. As in Scranton, the elderly residents of Battery Park reflected the general Asheville population,

⁴⁴ Common Ground, "Our Buildings," <http://www.commonground.org/our-buildings/the-times-square/#.Ugf036yCCSo>; Common Bond Communities, "Northern Apartments: Rehabilitation," <http://www.commonbond.org/northernapartments.aspx>.

particularly the available pool of older low-income people. Asheville has become a magnet for retired people, and Battery Park Apartments has become a retirement community, albeit for the low end of the economic spectrum.

The case shows that although they were poor, the low-income elderly who had come to live in Asheville were by no means a passive or beaten down population. Indeed, if some were frail from age, by and large they were a feisty lot who participated in the affairs of their building and their neighborhood. It is also clear that whatever missteps they may have made along the way, NCR's managers created a residential environment that allowed the residents to flourish. In this regard, the service coordinator, recently provided by the Council of Aging of Buncombe County, contributes to the gestalt of the building in too many ways to enumerate.

Finally, it is worth considering another characteristic of seniors, the sort of people who inhabited Battery Park Apartments: their positive public image. Perhaps a major reason that many in Asheville could accept the idea of low-income people living downtown was that the low-income people in question were elderly, a group with whom many sympathize and whom few fear. All things being equal, low-income family housing is unpopular, and for whatever reasons, family public housing projects in Asheville have been located in neighborhoods outside the downtown. Furthermore, the inhabitants of Battery Park were largely white. Although it is far beyond the scope of this study, it would be illuminating to investigate and compare the locations and characteristics of low-income elderly and family housing developments in Asheville and other locales.