



*Mammoth Lakes Housing, Inc.
supports workforce housing
for a viable economy and
sustainable community.*

STAFF REPORT

Subject: Receive an update regarding Valley Apartments in Bishop, CA and consider a possible partnership between the owner, Inyo Mono Advocates for Community Action (IMACA), and Mammoth Lakes Housing, Inc. (MLH) for the preservation of community housing in the region

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BACKGROUND

Inyo Mono Advocates for Community Action (IMACA) purchased a motel in Bishop and converted it to affordable housing in the 1980s. The project is known as Valley Apartments. It encompasses 19 units (2 1-bedrooms and 17 studios) with tenants with incomes ranging from 30-50% AMI, many of them on fixed incomes. The project is aging and needs substantial rehab.

Part of the conversion process involved securing a Special User Housing Rehabilitation Program (SUHRP) loan from the State Department of Housing & Community Development (HCD). These loans are typically residual receipts and paid off over a long period time. This loan has an interest rate of 3%.

The requirements of the SUHRP Loan included a long-term restriction to maintain very low-income rents (30% AMI). This restriction expired in 2008.

Due to the very low-income rents generated by the property and the ongoing costs associated with operating it (utility bills, maintenance, etc.), the property has operated at a loss over much of this time, and there was never any revenue to pay back the HOME Loan. Typically this gap in funding would be covered by an ongoing rent subsidy (such as project-based Section 8 vouchers), which have historically been very difficult to secure in our region.

The SUHRP Loan became due in 2006. Having a loan in default is jeopardizing IMACA's ability to secure other funding sources, including preschool funding and grant applications for their 70-unit project in Bishop, Silver Peaks.

HCD has communicated that they would like to repossess the asset and potentially sell it on the open market to recoup what is owed on the SUHRP Loan.

At the suggestion of MLH staff, IMACA is considering a Project Homekey application to payoff the HOME Loan, provide rehabilitation, and preserve the affordable housing. It is unclear if HCD will allow this project to apply due to the current circumstances, but IMACA is awaiting guidance from Project Homekey staff.

ANALYSIS

Preservation of affordable housing in our communities is part of a comprehensive approach that MLH has been undertaking:

- Protecting tenants from being evicted,
- Producing more homes, and
- **Preserving affordable housing from converting to market.**

In the vein of **Preserving Existing Affordable Housing**, MLH staff reached out to IMACA to ask if there was anything MLH could do to help preserve the affordable housing asset—capacity, partnership, etc.

Conversations have been ongoing and have resulted in a number of potential scenarios:

- a. Form a joint LLC to share responsibility, including asset management, and apply for Project Homekey to acquire the asset and pay off the SUHRP Loan
- b. MLH complete some due diligence and consider making an offer on the property, utilizing some combination of grants, local investment, private loan, etc. to acquire it. Perhaps negotiation regarding new loan terms may be necessary.
 - Awaiting financial information for analysis,
 - A plan to secure rehabilitation funds would be necessary in the future, and/or
 - Analysis of additional density on the site may also be beneficial.
- c. If IMACA is able to preserve the project with or without MLH support, perhaps contracting for Asset Management capacity would benefit the property and IMACA in the long-term.
- d. Other...

RECCOMENDATION

The Board should receive the update and discuss any potential staff direction regarding MLH participation in the preservation of Valley Apartments in Bishop, CA.