



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

STAFF REPORT

Subject: Innsbruck Lodge Project Update

Presented by: Patricia Robertson, Executive Director

BACKGROUND

The Town of Mammoth Lakes previously committed \$1,000,000 towards Innsbruck Lodge, for which the project received a 1:1 match from the State. On February 15, 2023, the Town also committed an additional \$400,000 under the conditions that it be the last source of funds used.

Mon County also committed \$550,000 for which a 1:1 match from the State was received.

MLH contributed a capital investment of \$141,131. Other investments by MLH include: staff time, project management consultant, and operating/holding costs (utilities, snow removal, etc.).

In February, MLH approved the form of the Grant Agreement. This will be considered by Mono County on April 4, 2023 and subsequently by the Town.

CONSTRUCTION BUDGET

In February, after value-engineering some of the design, the construction budget came in at \$2,364,928. The Board of Directors authorized the construction contract in that amount.

After the building plan-check revisions, the cost went up roughly \$150,000. This creates an additional funding gap.

Staff is working with the contractor and the architects to get the cost down; however, we need to execute the GC contract in order for them to order the electrical equipment and get started as soon as possible.

COORDINATED ENTRY SYSTEM AND LEASE UP

Coordinated Entry (CES) is the federal system through which homeless individuals and families access resources. A “Continuum of Care” (COC) is the administrative entity of CES. Our COC is regional and covers the tri-county area. IMACA was historically the administrator for the COC,

and this has been temporarily moved over to Inyo County. MLH is a participating partner, and our staff have access to enter clients into the Coordinated Entry system.

When applying for Homekey, MLH proposed leasing Innsbruck units to households experiencing homelessness that could afford a mix of rents, ranging from 30% to 60% to 80% AMI. This was disclosed in our application and discussed with HCD staff given the atypical approach which is unique to the realities of homelessness in a rural community like the Town of Mammoth Lakes.

HCD appears to be requiring that MLH lease up the property utilizing the Coordinated Entry System (“CES”) for homelessness, based on clients with the “highest need,” but not on income level. Clients are ranked by the CES based on various factors including if there are children in the household, chronic homelessness, rental history, medical and legal history, safety, etc.

HCD is requiring this without providing any operating subsidy to help cover the gap between the potential low revenue generated and the actual costs to operate the project. Typically, a project serving extremely low-income households or homeless populations cannot afford to operate without subsidizing the low rents through sources such as higher income units within the project (e.g. market rate units), a larger portfolio of projects, or other sources such as project-based Section 8 vouchers or an Operating Reserve. An Operating Reserve is often capitalized at the beginning of the project through grant funds, though it can be created through other grant sources later as well. The Innsbruck Lodge did not obtain any Operating Reserve funds from Project Homekey because it did not have occupancy within 8 months.

If one applies the “highest need” standard without consideration of the ability to pay our originally modeled rents, the financial feasibility of the project is undermined if not jeopardized. This is a similar situation to the Valley Apartments where the population served is disabled seniors with very-low incomes. The very-low rents charged to these households do not support the actual costs of running the facility, which has no substantial or ongoing source of operating subsidy. You can see how this could affect an asset’s financial situation in Scenario 2, below. In this scenario we are showing a reduction in 80% AMI units from 11 to 7; those 4 units have now been rented to households earning 50% AMI.

PROJECT OPERATING BUDGET

Scenario 1 – Proposed in Application

AMI level	30%	50%	60%	80%	Manager – no rent
# Units	2	0	2	11	1

Annual Revenue	\$177,720
Vacancy	\$8,901
Reserves	\$16,000
Expenses	
Amin + Staff	\$72,543
Utilities	\$21,298
Operating + Maintenance	\$26,233
Taxes + Insurance	\$13,100
Supportive Services	\$5,008
NET INCOME	\$14,637

Scenario 2 – Trial with less 80% units

AMI level	30%	50%	60%	80%	Manager – no rent
# Units	2	4	2	7	1

Annual Revenue	\$157,800
Vacancy	\$7,905
Reserves	\$16,000
Expenses	
Amin + Staff	\$72,543
Utilities	\$21,298
Operating + Maintenance	\$26,233
Taxes + Insurance	\$13,100
Supportive Services	\$5,008
NET INCOME	-4,287

Scenario 3 – Conservative based on lowest rents

AMI level	30%	50%	60%	80%	Manager – no rent
# Units	15				1

Annual Revenue	\$75,240
Vacancy	\$3,777
Reserves	\$16,000
Expenses	
Amin + Staff	\$72,543
Utilities	\$21,298
Operating + Maintenance	\$26,233
Taxes + Insurance	\$13,100
Supportive Services	\$5,008
NET INCOME	-82,719

*Assumptions

- Vacancy 5%
- Staff salaries + Property management fee to 3rd party
- No operating subsidies

Based on conservative Scenario 3, in which the project generates the least amount of revenue (15 units at 30% AMI), an annual Operating Subsidy of approximately \$100,000 would be a sufficient amount to capitalize at project start. I would recommend capitalizing a reserve for at least 3-5 years to get the project off the ground.

SOURCES OF OPERATING SUBSIDIES

1. Project-based Section 8 Vouchers
 These vouchers pay the difference between the low-income rent and Fair Market Rent to the owner/operator through the Federal government. There are currently no project-based vouchers in the tri-county region. We are currently working on a strategy to procure these resources from Stanislaus County Housing Authority.
2. Grants
 Grant programs such as HOME and CDBG may have Operating Subsidies as eligible uses. Other grant sources through the Continuum of Care and county social services departments may also allow operating subsidies.
3. Local Appropriations
 Jurisdictions may set aside a funding stream for Operating Subsidies from sources such as tax revenue, a housing trust fund, grant program income, or other sources. Los Angeles County, San Francisco, D.C., and Chicago all have a program like a Local Rent Supplement Program.

4. Housing Choice Vouchers

These vouchers are household specific and travel with the tenant. By accepting tenants with vouchers this will help cover any financial gap; however, this is not a reliable source to plan long-term financial feasibility.

5. Donations

Private donations could fund an Operating Subsidy for an affordable housing project, or a transitional/emergency shelter.

The preferred option would, as an alternative to securing a source of operating subsidy or in the absence thereof, MLH could take the position that the “highest need” standard is applied but it is supplemented with an “ability to pay” requirement, amongst other traditional resident screening criteria. In this manner the CES would refer “high acuity” households that meet the income requirements and have an ability to pay the affordable rents originally modeled. As noted above, this would be required for financial feasibility.

NEXT STEPS

1. Draw Request submitted to the State (3/29)
Mono County approve Grant Agreement (4/4)
2. Town Council approve Grant Agreement (TBD)
3. Draw funds from jurisdictions to Innsbruck Lodge bank account.
4. Execute Contract with GC
5. Pull building permit and pay required fees including DIF
6. Start rehab
7. Continue to pursue sources of Operating Subsidy

RECOMMENDATION

Staff recommends that the Board discuss the status of the project and provide staff direction as appropriate.