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**COMMUNITY  
HOUSING**

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## **STAFF REPORT**

**Subject:** The Board of Directors will consider adoption of Resolution 24-03 authorizing the submission of a Portfolio Reinvestment Program grant application for the maximum amount not to exceed \$6,000,000

**Presented by:** Patricia Robertson, Executive Director  
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## **BACKGROUND**

On March 7, 2022, the Board of Directors authorized the acquisition of Valley Apartments in Bishop, California through Resolution 22-08. This acquisition was in response to IMACA's closing of housing programs and the desire of Eastern Sierra Community Housing (ESCH) to preserve this affordable housing asset.

IMACA acquired the hotel which is now the Valley Apartments in the 1980s. There is currently an outstanding loan with HCD. The project comprises 19 studio and one-bedroom apartments. The project currently houses those who are elderly or disabled.

A purchase agreement was entered into in May 2022 and has been extended twice, currently set to expire in May 2024. In December 2022, the MLH Board authorized staff to apply for the Portfolio Reinvestment Program (PRP) through the State Department of Housing and Community Development (HCD) for up to \$5 million for the acquisition, rehabilitation, operating subsidy, and other eligible costs associated with the project.

In December/January of 2023, MLH worked with a financial consultant to submit the Portfolio Reinvestment Program application. During the application process, it was discovered that the operating costs of the project exceed the revenue generated by the low-income rents required by PRP, and therefore, the project needs either 1) higher income limits and associated higher rents, 2) a permanent source of operating subsidy, such as Section 8/Housing Choice Vouchers, or 3) another creative solution.

MLH was not awarded in the first round of PRP. Since that time, staff has been working with Stanislaus County Housing Authority, HCD, IMACA and others to work towards a preservation solution. There is currently a second (and final) round of PRP. The deadline to submit the grant application for small-project set-aside is due on April 29, 2024; however, HCD staff have advised us to submit our application on the first day that the online portal opens which is March 28, 2024. The program is expected to be severely

over-subscribed, and there may not be funding available for this program again in the near future.

### **GRANT PROGRAM OVERVIEW**

The project is eligible for up to \$250,000 per unit for a maximum award of \$4,750,000, including the rehab loan and any operating subsidies awarded.

#### **Funding Set-Asides**

- \$10 million for small projects, defined as 20 units or less.
- \$25 million residential hotels, as defined in the MHP Guidelines Section 7301 (PDF).
- A \$25 million set aside for Projects that have been foreclosed on by the Department or by another public lender.

#### **Assistance Type/Terms**

1. Permanent loans for rehabilitation
  - Maximum award amount: \$25 million.
  - Loans will have a 30 - 55-year term;
  - 3 percent simple interest on unpaid principal balance, deferred.
  - Payments in the amount of 0.42 percent are due annually.
  - The unpaid balance of is due and payable at the end of the loan term.
2. Forgivable loans for capitalized operating subsidy reserves (COSR)
  - Maximum award amount: 25% of PRP Rehabilitation Loan amount.
  - Short-term COSR assistance period: construction close through 12/31/28.
  - Forgiveness predicated on compliance with PRP COSR and PRP Rehabilitation requirements.
  - Forgivable COSR loans must be paired with PRP Rehabilitation loans.
  - COSR awards are not available on a standalone basis.

### **CURRENT STATUS**

Escrow is currently open with Inyo-Mono Title and MLH has a deposit of \$10,000. IMACA has limited capacity to continue to subsidize the apartment project on an ongoing basis.

According to the Physical Needs Assessment procured in 2023, the project needs \$1,563,900 in critical repairs. Necessary repairs for Years 1-5 were estimated to be an additional \$1,062,700. **The project needs a minimum capital investment of \$2,626,600 in the next five years to maintain health and safety standards.**

### **RECOMMENDATION**

The Board should receive the update and consider adoption of Resolution 24-03 authorizing Mammoth Lakes Housing to submit a Portfolio Reinvestment Program grant through the CA State Department of Housing & Community Development in an amount not to exceed \$6,000,000. Provide other staff direction as necessary.

### **ATTACHMENTS**

1. Resolution 24-03