

# Mammoth Lakes Town Council

## Agenda Action Sheet

**Title:** Conduct a public hearing to consider an amendment to the State CDBG grant for the Access Apartments project and an amendment to the Subrecipient Agreement with Mammoth Lakes Housing to administer the grant.

**Council Meeting Date:** 7/3/2024

**Prepared by:** Nolan Bobroff, Community and Economic Development Director

**Recommended Motion:** Conduct the public hearing, receive public comment and input, and approve the resolution authorizing the amendments to the CDBG grant for the Access Apartments project and approve the amendments to the Subrecipient Agreement with Mammoth Lakes Housing to administer the grant.

**Summary:** The Town was awarded a \$3,000,701 CDBG grant in April 2022 for the MLH Access Apartments project located at 238 Sierra Manor Road.<sup>1</sup> Aside from the CDBG funding, MLH had secured a \$4.2M HOME grant, a \$2.2M commitment from the Town, a \$600K commitment from Mono County, and various other funding commitments. The total budget for the project is approximately \$10.7M. This project was originally envisioned as an 11-unit project (1-br units) with the units being affordable to households earning between 30% - 80% of the Area Median Income (AMI) but was later reconfigured to be a 13-unit project (studio and 1-br units) with the units being affordable to households earning between 30% - 120% of the AMI.

Staff and MLH have been working with the State to close the CDBG and HOME financing loans for the project and through those conversations with the State, the State has proposed to shift the source of funding so that all State funding will come solely from the CDBG program through the Town, rather than through the separate CDBG and HOME grants. This will increase the Town's CDBG award to approximately \$7.2M, of which \$7.1M will be new funding and \$93K will be CDBG Program Income.<sup>2</sup> This shift of funding sources does not change the overall budget of the project or require any additional funding from the Town. The benefit of this shift is that there will only be one set of program requirements to comply with and this will allow for a higher number of the units to be restricted at the Moderate-Income (120%) AMI level, which will help the Town satisfy our State RHNA goals. This is significant since the Town has struggled to satisfy the Moderate Income (120% AMI) RHNA target due to funding source restrictions. The proposed AMI breakdown for the units will be (7) units restricted to 80% AMI and (6) units restricted to 120% AMI.

### **Summary of Proposed Amendments**

The amendments being proposed to the Town's CDBG grant include:

- Increase in CDBG funding from \$3,000,701 to approximately \$7,200,000, of which \$92,832 is CDBG Program Income.
- Change in the unit count from 11 to 13 units
- Change in the beneficiaries to allow for a higher number of 120% AMI units (*50% of the units are required to be provided to households below 80% AMI*)
- An extension for the expenditure deadline from December 6, 2025 to September 30, 2026

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<sup>1</sup> The project and grant are associated with Mammoth Lakes Housing (MLH), and not Eastern Sierra Community Housing (ESCH), since the name change occurred after all of the agreements for the project were executed.

<sup>2</sup> CDBG Program Income are CDBG funds that are held locally by a jurisdiction that originate from the repayment of a CDBG loan. The funds can only be used for future CDBG projects and programs.

### **Proposed Amendments to the Subrecipient Agreement**

In addition to the proposed grant amendments, the changes in the funding require amendments to the Subrecipient Agreement that the Town has with MLH to administer the grant. In the original agreement, the CDBG project funds were to be loaned to MLH and the Town and MLH were eligible to receive compensation for the general administration of the grant. The project funds were to be repaid over a 55-year period, but only in years where there was sufficient cash flow after all other expenses were paid (i.e., residual receipts). These repayment terms are typical in affordable housing projects and result in little to no payments being made over the life of the loan. This is especially true with smaller projects, such as this project, since there are fewer units paying rent. To streamline the future oversight of the project, it is being proposed that the CDBG funds will be granted to MLH for the project, rather than loaned to them. There will still be a regulatory agreement and covenant in place to ensure the units remain as affordable units for a 55-year term. The other amendments to the agreement include shifting all remaining general administration funds to the project and changing the unit count and beneficiaries throughout the agreement. The shift in the general administration funds was agreed to by MLH in exchange for the Town committing additional funding to the project in December 2023.

### **Purpose of the CDBG Public Hearing**

This public hearing is intended to provide an opportunity for the Town Council and the public to discuss the proposed amendments to the CDBG grant for the project.

#### Attachments

1. CDBG Resolution
2. First Amendment to the Subrecipient Agreement
3. Subrecipient Agreement