TOWN COUNCIL STAFF REPORT

Title: Consider the request for an additional $7.2M in gap funding for the Kingfisher 2 affordable housing project at the Parcel

Meeting Date: November 5, 2025

Prepared by: Nolan Bobroff, Community & Economic Development Director
Rob Patterson, Town Manager

RECOMMENDATION:

Staff recommend the Town Council:

1. Commit the additional $7,200,000 to the Kingfisher 2 affordable housing project at the Parcel contingent upon execution by Pacific West Communities of an agreement giving the Town the option to amend or terminate the Disposition and Development Agreement for the Parcel prior to the disbursement of any portion of the committed funds; and
2. Direct staff to prepare and negotiate an option agreement with Pacific West Communities and bring it back to Town Council for consideration.

BACKGROUND: The Town has been working with Pacific West Companies (PWC) on the development of the second phase of the Kingfisher project consisting of 72 units. The 72 units will be rental units available to households earning between 30%-80% of the Mono County area median income (AMI), which are the same target demographics for the Sawyer (Parcel Ph 1, 81 units, Completed in summer 2024) and the Kingfisher 1 (Parcel Ph 2.1, 76 units, Under Construction).[1] PWC has submitted for State funding for the project on five separate occasions, but has not been successful in securing funding for a variety of reasons including the high cost of construction in Mammoth Lakes, the operational complexity of managing apartments in a rural resort environment, and the difficulty of competing against other statewide projects that have more favorable conditions. In the hopes of making future applications more competitive, PWC has reached out to the Town and has requested an additional $7.2M in gap funding (see Attachment 1 – Funding Request Letter), which is in addition to the $9.5M that has previously been provided/committed to the Kingfisher project (see Funding Summary below). PWC currently has an application for approximately $42M in State funding that is being considered for approval in November 2025. If awarded and if this funding request to the Town is committed, the project would begin construction in spring 2026.

[1] For a household size of 2, 30% AMI is $24,550, 50% AMI is $40,850, and 80% AMI is $65,400.

Parcel Phase 2 (The Kingfisher) Funding Summary

Kingfisher 1 (76 units)	**Kingfisher 2 (72 units)**
- Land Loan: $610,000	- Land Loan: $580,000
- DIF Loan: $262,788	- DIF Loan: $230,551
- Cash Loan: $7,816,737	
SUB-TOTAL: **$8,689,525 ($114,336/unit)**	SUB-TOTAL: **$810,551 ($11,258/unit)**

TOTAL: **$9,500,076 ($64,190/unit for 148 units)**

w/ the Additional $7.2M in Funding
TOTAL: **$16,700,076 ($112,838/unit for 148 units)**

Disposition and Development Agreement (DDA)

The Town and PWC entered into a Disposition and Development Agreement (DDA) on October 13, 2021 which commits the Town to selling the ~25-acre site (broken up into smaller development parcels) to PWC for the development of affordable housing and commits PWC to developing up to 450 residential units serving individuals and families with a range of incomes on the development parcels. The DDA calls for the majority of the units to serve households with incomes up to 80% of the AMI (400 units) with the remaining units serving households with incomes up to 200% of the AMI (50 units). The DDA may be mutually amended or terminated to allow for the development of units at higher AMIs or to proceed with a different vision for the remaining areas of the Parcel.

Infill Infrastructure Grant (IIG)

The Town and PWC were awarded $20.6M in Infill Infrastructure Grant (IIG) funding from the State to construct public infrastructure (e.g., roads, sidewalks, transit stops, utilities, water and sewer, podium and surface parking, stormwater management) within the Parcel development. As a condition of receiving the IIG funding, the units constructed within the Parcel are required to meet certain AMI and bedroom count requirements. The IIG funding is then "earned" as the development progresses by constructing units in the 25%-60% AMI range. If the developer or the Town chose to construct units at higher AMIs (above 60% AMI), then those units would earn little to no IIG funding. The IIG agreement called for 450 units (studio, 1-br, 2-br, and 3-br unit sizes) spread across the following AMI categories:

(108) units at 30% AMI	(32) units at market-rate - 80-120% AMI
(133) units at 50% AMI	(50) homeownership units at 200% AMI
(127) units at 60% AMI	

The IIG award has a disbursement deadline of June 30, 2027, and if the Town has not constructed all of the eligible IIG units prior to that deadline, the remaining funds would be disencumbered by the State. The Town and PWC may also request termination of the IIG award earlier than the disbursement deadline if a different development path is agreed to by the Town and PWC. Early termination of the IIG award would also result in the disencumbering of the remaining funds and would potentially require repayment of some portion of the IIG funds if more funds had been paid than what had been earned by the units developed.

ANALYSIS:

With the development of the proposed 72 units in the Kingfisher 2, just over half of the units (228 units) required under the DDA will have been completed and ~54% ($11M) of the IIG funds will have been drawn down. This is a significant achievement for the Town and PWC, and reflects the Town's strong commitment to producing housing for the community at the Parcel.

PWC has indicated that the requested $7.2M is needed to fill the outstanding gaps in their development budget, which does include developer fees and contractor overhead and profit. PWC has not taken a developer fee or earned any contractor profits in the initial 2 project phases, and it is unrealistic to expect a developer to continue to build projects at a loss or with no profit. The draft loan commitment letter (Attachment 2) includes three conditions for the commitment of the funds. Those conditions include (1) a successful application for low-income housing tax credits or similar funding; (2) the execution of loan documents in an agreed upon form; and (3) execution by Pacific West Communities of an agreement giving the Town the option to amend or terminate the Disposition and Development Agreement for the Parcel prior to the disbursement of any portion of the committed funds.

Staff have discussed the possibility of exiting the DDA with PWC, and PWC has indicated a willingness to end the DDA and work with the Town on a new vision for the remaining areas of the Parcel. By amending or ending the DDA, Town staff will have the opportunity to take a fresh look at the Parcel and determine what unit counts and what affordability levels will best meet the community's housing needs. The updated Housing Needs Study, together with market studies, available funding sources, and other tools will help to inform on what is built on the remaining portions of the Parcel. This desire to change direction is in no way a negative response to what PWC has accomplished on the Parcel but is instead stemming from a desire to diversify the unit and affordability mix in the community in a way that is not currently contemplated in the DDA. The current portfolio of affordable rental units within the Town is primarily restricted to households earning below 85% AMI (488 units) with very few restricted units for households over 85% AMI (22 units). This is reflected in the updated Housing Needs Study which illustrates the Town has made significant progress in addressing the needs of the lower income categories (below 80% AMI) but has not made much progress in the missing middle category. According to the draft results of the Housing Needs Model, 48% of the need (560 units) is for households in the 80%-150% AMI range ("missing middle").

The proposed Option Agreement will allow the Town to evaluate the feasibility of a new plan while still allowing the Town and PWC to proceed with the original plan envisioned in the DDA if that is determined to be the best approach. The Option Agreement has not yet been drafted or agreed to by PWC but would be required to be completed prior to the disbursement of the funds. This condition ensures that the Town will have the ability to amend or end the DDA in exchange for the provision of the $7.2M. Some terms that could be included in the Option Agreement include:

- An allowance for a window of time (2-3 years) in which to work out a new vision for the remaining phases of the Parcel before deciding whether to terminate the DDA.

- The option to terminate could be unilateral for the Town, without needing future consent from Pacific.
- The Town's ability to terminate could be contingent upon HCD allowing the Town and Pacific to amend/withdraw from the IIG agreement without penalty.
- The Town and Pacific could agree to work together in good faith on the reimagined future phases of the Parcel, without a binding commitment by either side.
- The option agreement can act as a settlement agreement to resolve all financial obligations between the Town and Pacific regarding Phases I-III.

If the recommended option is approved by the Town Council, staff would bring back the Option Agreement for consideration by the Town Council at a future meeting.

FINANCIAL CONSIDERATIONS:

If the Town Council elects to provide an additional $7.2M in funding, the potential timeline for providing the funding is below. The funding would come from the Housing Now! program with funds generated through allocations of General Fund or funds generated by Measure L.

Date	Estimated Milestone	Amount	Additional Information
November 2025	Recommendation of award of $42.2 million in tax credit financing and bond proceeds	$0	Commitment from Town Council to leverage $42.2 million in tax credits and bonds.
May 2026	Land/ construction closing	$810,551	Land and Fees, 10% of total.
May 2027	Grading Complete	$2,160,000	27% of total.
May 2028	Construction Complete	$2,880,000	36% of total.
December 2028	Permanent Loan Conversion	$2,160,000	27% of total
	TOTAL	**$ 8,010,551**	

LEGAL CONSIDERATIONS:

The Town Attorney will assist in the negotiation of the Option Agreement to ensure that the agreement adequately protects the Town. The Town Attorney will also review all agreements related to any future amendments to the DDA or IIG award.

ATTACHMENTS

Attachment 1: Pacific Companies Request for Financial Assistance Letter, dated June 10, 2025
Attachment 2: Draft Town Loan Commitment Letter
Attachment 3: PWC Slide Deck presented to the Town Council on 10/15/2025
Attachment 4: Letters of Support