TOWN COUNCIL STAFF REPORT

Title: Consider the Option Agreement with MUSD for the MUSD Parcel Housing Project

Meeting Date: August 19, 2026

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Marcus Sproll, Housing Manager

RECOMMENDATION:

Authorize the Town Manager to sign the Option Agreement with MUSD for the MUSD Parcel Housing Project and containing the deal points identified in the staff report, subject to the Town Attorney's approval and finalization of the agreement.

BACKGROUND:

The Town and Mammoth Unified School District (MUSD) have been in discussions to transfer land that each entity owns to one another for various purposes. To memorialize the negotiations and to establish broad terms for the future property transfer, the Town and MUSD executed a Letter of Intent and Offer to Negotiate Exchange of Properties on May 21, 2026, effective as of June 6, 2026, that committed both parties to working together under a non-legally binding, conceptual agreement (see Attachment 1, Exhibit B). To further this effort and to establish a legally binding commitment for the transfer, the Town and MUSD now intend to enter into an Option Agreement that further outlines and defines the terms of the future Exchange Agreement. The draft Option Agreement is attached as Attachment 1; however, it is subject to finalization and agreement by the attorneys for each party. The Option Agreement is necessary for MUSD to select a contractor to provide preconstruction services for the future housing project pursuant to the lease-leaseback construction delivery method in Education Code §17406, and enter into a site lease, facility lease, and lease-leaseback agreement that is required by the Lease-Leaseback Structure.

The desired boundaries of the land that MUSD is interested in acquiring from the Town were recently finalized during a multi-day design charette. The design charette was attended by MUSD staff, Town staff, and HMC architects, who are under contract for this work by both the Town and MUSD. The land that MUSD is interested in acquiring is an approximately 2.5-acre portion of the Town's Parcel development ("Housing Property") within Lots 9 and 10 of Tract Map 22-001 (see Attachment 2).[1] The proposed use of the Housing Property will be to develop up to 60 workforce housing units for MUSD employees, with the initial development phase containing approximately 25 units. Funding for the project is from Measure J bond revenues that the voters passed in November 2024.

[1] The previous Letter of Intent that was signed by the Town and MUSD in May 2026 identified Lots 4 and 5 of the Parcel development as the lots that MUSD were interested in; however, upon completion of the design charette, the desired project location changed to Lots 9 and 10.

The use of the units will be required to be in accordance with the Parcel Master Plan, and the residents will be required to meet the income eligibility requirements of the Parcel Master Plan, which allows for residents to earn up to 200% of area median income (AMI). The location of the Housing Property was mutually agreed to based on the ability to locate the project within existing defined boundaries of the overall Parcel site and because it preserves maximum flexibility for the development of the remainder of the Parcel site. The preliminary site plan for the Housing Property is shown below in Figure 1 within the red box.

In exchange for providing the Housing Property to MUSD for their housing project, the Town is looking to acquire a minimum 2.5-acre portion, and up to a maximum 6.5-acre portion, of the ~12-acre site located at 462 Sierra Park Road that is home to the pickleball courts ("Pickleball Property"). The exact boundaries of the site are yet to be finalized, but would include at a minimum the existing pickleball courts, parking area, and vacant land between the courts and Meridian Blvd. This would secure the long-term use of the site for pickleball, provide space for additional recreational programming on the site (e.g., tennis, sport courts, winter snow play, etc.), and allow for emergency secondary egress.

Figure 1 – Preliminary Parcel Site Plan



ANALYSIS:

The purpose of the Option Agreement is to provide MUSD with an exclusive option to acquire the Housing Property from the Town. If MUSD exercises its Option, the District and Town will enter into an Exchange Agreement which will memorialize the final terms of the property exchange and will provide for the conveyance of the Housing Property to MUSD and the conveyance of the Pickleball Property to the Town. The Exchange Agreement, and any other agreements or resolutions that are legally required for the transfer, will come to Town Council for review and approval, as required. The key points of the Option Agreement include:

- MUSD has the exclusive option to acquire the Housing Property from the Town.
- In exchange for the Housing Property, MUSD is required to convey the Pickleball Property to the Town.
- MUSD must exercise their option on or before August 1, 2027.
- An Exchange Agreement is required to set forth the terms of the property transfer and include legal description for both properties.
- An Affordable Housing Covenant is required to be recorded against the Housing Property concurrently with the property transfer/exchange and will establish the income eligibility requirements for the future residents.
- Should MUSD not develop subsequent phases within ten years of the initial phase, the Town will have the option to purchase all remaining undeveloped portions of the Housing Property.
- Town will have the first of refusal to purchase any portion of the Housing Property (developed or undeveloped) should MUSD decide to sell the property in the future.

FINANCIAL CONSIDERATIONS:

The goal of the partnership between the Town and MUSD is to transfer land at no cost to each entity that is mutually beneficial to each entity and the overall community. The cost to ultimately develop the sites with the intended uses will be the responsibility of each entity.

LEGAL CONSIDERATIONS:

The Town Attorney has been working with the MUSD legal team on the terms of the Option Agreement.

ATTACHMENTS

Attachment 1 – Draft Option Agreement
Attachment 2 – Excerpt from Parcel Final Map (Tract Map 22-001)

Attachment 1 – Draft Option Agreement