Memorandum

DATE: September 9th, 2026

TO: Governing Body
Interim City Manager Brian Moya
City Attorney Marcos Martinez

FROM: **Jenn Lopez, Project Moxie (consultant for Bella Luz)**

VIA: Andrea Phillips, Deputy City Manager AKP

RE: Update on Bella Luz Project and Request for Action on Forbearance Agreement

ITEM AND ISSUE:

This agenda item provides an update on the Bella Luz (former Lamplighter Inn) project and requests Governing Body approval for the Interim City Manager to negotiate and execute a forbearance agreement between Santa Fe County, the City of Santa Fe, and Bella Luz Apartments LLP (Bella Luz). The agreement will allow a new developer to join the project's ownership structure and pursue a 9% Low-Income Housing Tax Credit (LIHTC) allocation to finance the redevelopment of the former motel into affordable housing. The forbearance agreement will allow these changes to move forward while preserving and maintaining compliance with the City of Santa Fe's existing financial investment in the project. The agreement is noticed as a discussion topic for possible Executive Session.

BACKGROUND AND SUMMARY:

This project began in the fall of 2021 through a collaborative partnership between local governments, the Life Link, New Mexico Coalition to End Homelessness, Anchorum, JL Gray Development and Project Moxie. The goal of this project is to convert an existing motel on Cerrillos Road into a 59-unit apartment community; of which 58 units will be affordable to local households earning less than 80% AMI. In March 2026, the Bella Luz project's financial closing progress was halted when the New Mexico Department of Finance and Administration (DFA) declared that a previously awarded $4.2 million grant was unavailable. This loss of funds, combined with the complexities of coordinating multiple state, federal, and local funding streams, made the original financing structure infeasible to execute within required timelines.

To preserve the significant investment of time, capital, and coordination already dedicated to the project, the team led by Project Moxie and JL Gray, evaluated transitioning Bella Luz to a 9% Low-Income Housing Tax Credit (LIHTC) development.

The evaluation concluded that a 9% LIHTC path is a viable strategy for preserving the project based on the following items:

- **Competitive Positioning:** Based on the 2027 Qualified Allocation Plan (QAP), the project is anticipated to be competitive due to its location, adaptive reuse of the existing structure, and commitment to a 50-year affordability period.
- **Financial Underwriting:** Preliminary pro forma models indicate financial feasibility, though the model is directional and requires refinement by the new development partner.
- **Local Government Commitment:** Maximizing application points and financial viability is contingent upon local government participation. Specifically, structuring the City and County's current investment in the land and building as a grant contribution is essential.
- **Funding Gap:** The current underwriting shows an estimated funding gap of approximately 1-2 million. The team identified potential sources to close this gap, including the National Housing Trust Fund, the New Mexico Housing Trust Fund, the Ventana Fund, and local developer assistance programs.
- In early July of this year the team identified a new development partner interested in taking this project over, TWG Development, a national LIHTC development company with current experience in Santa Fe via the Nueva Acequia Project with Santa Fe County.

FOREBEARANCE AGREEMENT

Because the project did not close as anticipated this spring, both the City and County issued notices of non-compliance letters requesting project records and a plan to address the project's failure to meet its funding commitments. To resolve these compliance issues and allow the project to move forward under a new funding structure, the parties have developed a Forbearance Agreement. The agreement establishes a path for curing the existing defaults, including transitioning control of the Bella Luz affordable housing project to TWG Development.

The agreement establishes a "forbearance period" during which the City and County of Santa Fe agree not to exercise enforcement remedies for Bella Luz's failure to receive funding by 2028. Key aspects of the agreement include the following:

- **Replacement of Leadership:** TWG Development, LLC will be admitted as the new General Partner and Developer, replacing JLG Properties and JL Gray Company.

- **Defined Timeline:** The forbearance period lasts through the 2027 LIHTC application cycle, extending to the 2028 cycle if the 2027 application is unsuccessful.
- **Operational Requirements:** Bella Luz must continue to cover all holding costs (taxes, insurance, utilities, maintenance) and maintain necessary insurance during the forbearance period.

The agreement reserves the right to enforce all original agreements and remedies if the conditions of this forbearance are not met.

ACTION REQUESTED:

Delegate authority to the City Attorney and Interim City Manager to negotiate and execute documents in order to replace the General Partner and Developer.

ATTACHMENTS:

- Exhibit A – Draft Forbearance Agreement
- Presentation slides