

ITEM #: 28
DATE: 03-26-24
DEPT: P&H

COUNCIL ACTION FORM

SUBJECT: AMENDMENT TO OPTION AGREEMENT FOR SALE OF LOT 27 TO TOWNHOMES AT CREEKSIDE, LLLP

BACKGROUND:

On February 28, 2023, City Council selected the Hatch Development Group as its partner to develop low-income multi-family rental housing on Lot 27 in Baker Subdivision (formerly 321 State Avenue). The City Council directed staff to begin preparing agreements to partner on a Low-Income Housing Tax Credit (LIHTC) application for this project.

On March 28, 2023, City Council approved the option agreement for the sale of Lot 27 to Townhomes at Creekside, LLLP (affiliated with the Hatch Development Group), in conjunction with a development agreement for a low-income housing tax credit (LIHTC) application for multi-family housing development within the Baker Subdivision. **Within that agreement, the City committed to provide \$1.8 million of its HOME Entitlement funding (not including administration), towards the cost of construction of the multi-family units.**

On July 1, 2023, Townhomes at Creekside, LLLP was notified that its LIHTC application was awarded. The application is to construct 38 multi-family units on Lot 27 in the Baker Subdivision. The LIHTC award was for approximately \$9,539,896; other financial commitments included \$500,000 of State of Iowa HOME funds, \$1.8 million of City of Ames HOME Funds and \$697,000 from Townhomes at Creekside, LLLP, for a total of approximately \$12.5 million dollars. Updated cost estimates indicate a project cost of approximately \$13 million.

Over the last eight months, staff has been working with Townhomes at Creekside, LLLP to finalize the site plan, geothermal design, number of low-income bedroom unit distributions and other city code and LIHTC award requirements. **The final review has resulted in requests to amend the agreement.**

Attached for City Council's review and approval is an Amendment to the Option Agreement for the sale of Lot 27 to Townhomes at Creekside, LLLP. Major highlights of the Amendment include the following:

- Contingent upon City HOME funds and Community Housing Development Organization (CHDO) set aside funds, the City will make 80% of the HOME funds available by the date of the land conveyance and the remaining 20% upon completion of construction and leasing of the HOME units.
- Increase the amount of the City HOME set aside funding commitment up to a maximum of \$2.1 million (**an additional \$300,000**) for the construction of the minimum improvements.
- Increase the number of City HOME units from 7 to 8 three-bedroom units.
- Within 300 days the Developer will prepare and submit at its cost the final Construction Plans (including Major Site Development Plan in compliance with the City Codes Chapter 29, Chapter

5A and Chapter 5B.

- Change in construction start date from March 31, 2024 to June 30, 2024.
- Change in construction completion date from June 30, 2025 to September 30, 2025.
- Addition of a new Section (5.03) that states at the City's cost, the City will be responsible for the bidding and installing the geothermal wells and associated systems equipment. The developer will then connect the actual systems to the City's well system at the developer's cost. The City will be responsible for the maintenance and repair and replacement for 30 years. **After 30 years, the City relinquishes ownership of the wells and piping to the Developer, and the Developer will solely be responsible after that point for maintenance, repair, and replacement.**

Approval of this Amendment to the Option Agreement, is the final step in proceeding with the development of Lot 27, in the Baker Subdivision to construct 38 low-income LIHTC units that will address the City Council goals to create additional affordable housing.

Separate, but related items on the agenda include the Major Site Development Plan for project approval and approval of Plans and Specifications for Electric Services to bid the geothermal system. With the proposed development agreement changes and approval of the other items, the developer will execute its option to purchase the site by March 31 as originally agreed upon in the Development Agreement.

ALTERNATIVES:

1. Approve the Amendment to the option agreement for the sale of lot 27 to Townhomes at Creekside, LLLP (affiliated with the Hatch Development Group), in conjunction with a development agreement for a low-income housing tax credit (LIHTC) application for multi-family housing development within the Baker Subdivision (formerly 321 State Avenue).
2. Approve the Amendment to the option agreement for the sale of lot 27 to Townhomes at Creekside, LLLP (affiliated with the Hatch Development Group), in conjunction with a development agreement for a Low-Income Housing Tax Credit (LIHTC) application for multi-family housing development within Baker Subdivision (formerly 321 State Avenue) **with modifications.**
3. Do not approve the Amendment to the option agreement and provide further direction to City staff.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed adjustments to the project timelines reflect time needed to finalize the plans and coordinate the geothermal system design. The request for \$300,000 is addressed by the applicant in its letter asking for additional financial support because of cost increases. The additional \$300,000 was not previously available within the City's regular HOME Funds. However, staff was recently made aware of a HUD waiver to reallocate unspent CHDO funds to regular funding, which allows for the City to commit additional funding to the project without altering other planned programs.

The City Council's approval of the Amendment to the option agreement and development agreement will allow time for Townhomes at Creekside, LLLP to proceed with the construction of 38 multi-family LIHTC townhomes connected to the City's geothermal system on Lot 27, in the Baker Subdivision,

thereby providing additional affordable for low-income families in the community.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.

ATTACHMENT(S):

[Amendment Development Agreement.pdf](#)

[Townhomes at Creekside - Letter to Mayor and Council 3.18.2024.pdf](#)