

ITEM #: 47  
DATE: 05-14-24  
DEPT: P&H

**COUNCIL ACTION FORM**

**SUBJECT: RESOLUTION APPROVING AMENDMENT TO PURCHASE AGREEMENT WITH HABITAT FOR HUMANITY OF CENTRAL IOWA IN CONJUNCTION WITH THE SALE OF LOTS 6, 7, AND 8 IN THE BAKER SUBDIVISION.**

**BACKGROUND:**

In 2015, as part of the City's Community Development Block Grant (CDBG) Program, the City acquired a 10+ acre site located at 321 State Avenue (formerly the site of the Old Ames Middle School). The site was purchased to develop a subdivision that will support the affordable housing goals of the City as a mixed-income development, with a minimum of 51% of the homes affordable to low- and moderate-income households. The subdivision would consist of 27 buildable lots, 26 single-family lots, and one (1) lot for low-income multi-family units.

Habitat for Humanity of Central Iowa (Habitat) approached the City in 2023 with an interest in acquiring lots for development of single-family housing. Ultimately the City agreed on three separate occasions in 2023 to the purchase of a combined total of eight lots (Lot 1- Lot 8). All eight of these lots are located along Wilmoth Avenue, south of Tripp Street. Habitat has not typically acquired a large number of lots at one time to build its single-family homes. Having a total of eight lots as one project created benefits of efficiency for constructing more than one house at a time, and created an opportunity to efficiently utilize a \$1.5 million state grant for construction of affordable housing.

**In order to support the goal to provide affordable housing to low and moderate-income households at 80% or below the Ames median income, the City reduced the lot sale value from the appraised value of \$60,000 to \$50,000. This sales price was agreed upon for all eight lots, which was a total of an \$80,000 incentive for the construction of affordable housing.** Each of the purchase agreements also included timeframes for construction. The Baker Subdivision covenants also applied to the lots, including the use of geothermal. Habitat began construction of the first three homes on lots 6,7 and 8 in 2023 and will complete these homes consistent with original requirements. The first home (Lot 8) is anticipated to be sold to a qualified homebuyer at the end of May.

**The City received a request (see attachment) from the Director of the Habitat for Humanity of Central Iowa requesting additional financial assistance related to additional construction costs. Habitat has asked for a one-time benefit of a total of \$13,500 of additional assistance related to the first three lots developed out of the total eight-lot project.** The letter also notes that Habitat anticipates taking advantage of Ames Electric's net-zero home construction rebates of \$3,000 per home. The requested additional funding helps defray costs related to the geothermal systems.

**Staff reviewed the request for assistance and notes that the additional assistance is comparable to the percentage (approximately 17%) of additional funding recently allocated to the Hatch Development team for the Creekside Apartments. However, the City is using all of the available HOME funds for the Creekside project, while there are no HOME funds utilized for the Habitat project. A lot sale price reduction for Habitat would be reflected as a decrease in program income to the City's CDBG program.**

**By providing additional up-front assistance for the first three lots as a one-time sale price reduction, it will assist Habitat with its construction of homes on the remaining lots that are part of the project. No future requests for assistance are expected for the remaining lots.**

Attached for City Council review and approval is an amendment to the agreement for the sale of lots 6, 7 and 8 that reduces the sales prices of these lots from \$50,000 to \$45,500 each.

**ALTERNATIVES:**

1. Approve the request from Habitat for Humanity of Central Iowa to amend the purchase agreements for lots 6, 7 and 8 in the Baker Subdivision from \$50,000 to \$45,500 each.
2. Do not approve the request.
3. Refer this item to staff for further information.

**CITY MANAGER'S RECOMMENDED ACTION:**

The provision of affordable housing opportunities for low and moderate-income households in the community continues to be a priority and goal of the City's CDBG/HOME Consolidated Plan and the partnership with Habitat for Humanity of Central Iowa is important in addressing that goal. The reduced sale price is a reduction in program income to the CDBG program and is not a direct expense to the CDBG program. The reduction in projected program income from Lot 6, 7, and 8 will not materially impact the upcoming Annual Action Plan budget for 2024-2025.

The amount of this additional incentive for the eight lots is comparable to the additional incentive offered to the Creekside project in recognition of the unexpected project cost increases. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1 as described above.

**ATTACHMENT(S):**

[HFHCI Letter for Additional Support 5.14.24.pdf](#)