

ITEM #: 45  
DATE: 05-14-24  
DEPT: P&H

**COUNCIL ACTION FORM**

**SUBJECT: SECOND AMENDMENT TO DEVELOPMENT AGREEMENT WITH  
TOWNHOMES AT CREEKSIDE, LLLP FOR LOT 27 IN BAKER  
SUBDIVISION**

**BACKGROUND:**

On February 28, 2023, the City Council selected 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 prepare agreements to partner on a Low-Income Housing Tax Credit (LIHTC) application for this project. On March 28, 2023, the 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 constructing 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. Updated cost estimates indicate a project cost of approximately \$13 million.

Over the last ten months, staff has worked with Townhomes at Creekside, LLLP, to finalize the project design, number of low-income bedroom unit distributions, and other City code and LIHTC award requirements. **At the April 23 City Council meeting, the Electric Department reported that on April 17, only one bid was received for the installation of the geothermal system on Lot 27, in the amount of \$1,999,120 (inclusive of sales tax). This amount exceeded the engineer's estimate of \$595,017 and Electric's budget of \$594,254 for the project. Therefore, the recommendation to reject all bids was approved. Due to the bid rejection, the use of a geothermal system within the project is no longer feasible in relation to achieving the City's primary goal of developing affordable housing.** Staff has worked with Townhomes Creekside, LLLP, to create a Second Amendment to the Option Agreement to address changes related to the geothermal system.

**A summary of the Second Amendment (attached) is as follows: (1) removes all references to Geothermal Wells and Systems for the benefit of Lot 27 from the prior agreements, (2) requires the installation of Energy Star Cold Climate-rated air-source heat pumps to serve the units at Developer expense, and (3) extends the start-of-construction deadline to 7/31/24.**

**It is important to understand that this action is still contingent upon the City's approval to release funds from HUD for the project.**

**ALTERNATIVES:**

1. Approve the Second Amendment to the Development Agreement with Townhomes At Creekside, LLLP, in conjunction with the construction of 38 Low-Income Housing Tax Credit (LIHTC) multi-family housing units on Lot 27 in the Baker Subdivision.
2. Do not approve a Second Amendment to the Development Agreement.
3. Provide further direction to City staff before taking action on the proposed amendment.

**CITY MANAGER'S RECOMMENDED ACTION:**

The adjustments proposed in this second amendment to the Development Agreement with Townhomes At Creekside, LLLP are crucial to the success of this needed affordable housing. **Although installing a geothermal system was unsuccessful, the alternative to install Energy Star Cold Climate-rated air-source heat pumps is the next best viable option that still advances the City's sustainability goals.** The developer proposed this as the alternative for the site, and have successfully used air-source heat pumps with other projects. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.

**ATTACHMENT(S):**

[20240507110542.pdf](#)