

ITEM #:	<u>20</u>
DATE:	<u>03-25-25</u>
DEPT:	<u>P&H</u>

COUNCIL ACTION FORM

SUBJECT: PARTNERSHIP WITH AMES REGIONAL ECONOMIC ALLIANCE TO IDENTIFY A DEVELOPER FOR SURPLUS CITY LAND AT HARRISON AND WELBECK INTERSECTION

BACKGROUND:

The City owns a property located on the west side of the intersection of Welbeck and Harrison in north Ames. The property was originally anticipated to be used as right-of-way for a street crossing of the railroad tracks, but no companion right-of-way was created on the west side of the tracks at this location.

Since the land no longer has any potential street use, the City Council requested staff explore the possibility of developing an infill housing project at the site. Supporting infill housing is consistent with economic development goals of the City for production of additional housing in support of needed expansion of workforce for current and expansion of industry and business in the City and region.

City Council reviewed potential housing opportunities for this land on May 14, 2024 (Location Map Attached). Subsequently, City Council directed staff on June 25th to proceed with issuing a Request for Proposal (RFP) for development of the site. At that time, City Council determined the site should be built with 5-12 dwelling units, attached or detached, and include a covenant for owner-occupied housing. Council did not require, but indicated a preference, for a project that could be high efficiency and all electric. Council did not indicate a housing cost or income limitation for development of housing on the site. The land would be made available to a developer for little as \$1, depending on the proposal.

Subsequently, the City received no proposals last summer for development of the site. Planning staff reached out to handful of perspective developers that received the RFP and found a variety of reasons for not submitting based upon timing and capacity of the developers to take on such a project.

Since that time, staff has been in contact with the Brenda Dryer from the Ames Area Economic Alliance to discuss opportunities to support additional housing construction within the City. **It should be noted that she has worked successfully with other communities in Story and Boone Counties to assist builders with submitting applications to the State for Workforce Housing Tax Credits to construct ownership housing.** Brenda believes that potential builders she has worked with in the past might be interested in the site for construction of ownership housing utilizing the state Tax Credit program.

WORKFORCE HOUSING TAX CREDIT PROGRAM:

The state Workforce Housing Tax Credit program is competitive grant program for builders of housing that offers certain sales tax rebates and an income tax credit of up to \$15,000 for housing in urban areas. Owner-occupied housing applications must include at least four lots.

The program has a cost cap for construction of \$310,000 to maintain consistency with its purpose of workforce housing and not luxury housing. There is no household income limit for purchasing the home. Timing for the program is important since applications are only accepted once a year and a builder must have control/option to buy of a site for the proposed housing construction.

Applications are due in June and results are typically released in August. A builder cannot incur any costs for construction until notice of award. The application must include a specific site, concept plans for the project, and a resolution of support from the local community that identifies a local match worth at least \$1,000 per house will be provided. The local match can be dedicated land, tax abatement, or other financial consideration.

MEMORANDUM OF UNDERSTANDING (MOU):

To accomplish this new housing development, the parties are proposing entering into a Memorandum of Understanding (MOU) that allows Brenda to exclusively seek out a qualified developer and builder for the site, rather to once again issue a RFP to solicit interest from those wishing to develop this site.

The intent is to follow the parameters established last year with the RFP and to have Brenda identify a single-qualified developer to acquire the site for housing construction. Additionally, the intent is for housing to be built under the Workforce Tax Credit program, which focuses on moderately priced housing and provides financial rewards to the builder for constructing such houses.

A summary of other terms includes:

- Development of 8-12 dwellings, attached or detached, under FS-RL zoning or PUD Overlay
- Owner occupied
- Average sale price targeted at \$300,000 or less
- Developer incurs cost of development of the site
- Target construction starting October 2025
- Participation in the state Workforce Housing Tax Credit program
- Consider designing homes as high efficiency all electric homes, subject to Ames Electric rebate programs
- City commits to offering land for sale at a price as low as \$1
- City commits to resolution of support for a selected development project to apply for Workforce Housing Tax Credits
- City local match will come in the form of the existing city-wide Owner-Occupied Housing Tax Abatement program

Staff believes that this new strategy is a good option to secure a developer for the site since the RFP process last year was unsuccessful.

The proposed MOU is attached for Council's review. **It should be emphasized that if a developer is identified, a formal developer agreement would be needed to proceed with the sale of the land and development of the project.**

ALTERNATIVES:

1. Approve the attached Memorandum of Understanding with the Ames Regional Economic Alliance.
2. Modify the proposed MOU.
3. Decline to approve the MOU and provide alternative direction to staff.

CITY MANAGER'S RECOMMENDED ACTION:

The RFP process in 2024 did not yield a proposal for housing development at the site located at Welbeck and Harrison. Staff found that it was difficult to attract interest in the site based upon the property size and the proposed timing of its development. Additionally, it was difficult to attract attention to the site for builders that had not worked in the community previously.

Utilizing this new strategy that allows identifying an interested developer and working through options with that one developer is a reasonable approach at this time to successfully develop this site.

In addition, requiring participation in the State Workforce Housing Tax Credit program should yield the type of workforce housing the City Council is seeking for the community. Therefore, it is the recommendation of the City Manager that the City Council approved Alternative 1.

ATTACHMENT(S):

[Harrison Welbeck Location Map.pdf](#)

[MOU Housing -City March 2025.docx](#)