

ITEM #: 34
DATE: 02-10-26
DEPT: P&H

COUNCIL ACTION FORM

SUBJECT: DEVELOPMENT AGREEMENT OUTLINE FOR DOMANI I

BACKGROUND:

At the December 16, 2025, City Council meeting, the City Council reviewed requested development incentives for five different projects. The City Council reviewed three options for financial assistance for each project and directed staff to work with developers to define project outlines utilizing the levels of funding described as "Option 3" in the December 16 report.

The City Council specifically asked staff to go back to the individual developers and gather more detail about the proposed timing, type, and amount of development that could occur within the next three years. Once City Council had a more detailed understanding of each development proposal in relation to Option 3 incentives, the City Council could give final direction to proceed with individual development agreements.

The Domani I project is located in south Ames at Green Hills Drive and planned Cottonwood Road extension. **The current approval for the project includes a phasing plan and development agreement requiring the developer complete the Cottonwood Extension before any additional lots could be platted. The developer request is for the City to complete the Cottonwood extension and related utilities. The Option 3 incentive from December has the City completing the extension of Cottonwood Drive at an estimated cost of \$371,000.** The \$371,000 estimate was the developer's estimate in 2025 dollars and includes paving and utility extensions for Cottonwood.

Staff described the Cottonwood extension in December as a street paving project for a residential collector street that completed a missing gap in the street system. Option 3 identified City General Obligation Bonds as the funding source for the project. The funding was identified for FY 2027/28.

The developer indicated to staff in January that he desires to proceed in the spring of 2026 with platting the remaining phases of the project (23 lots) and to not wait for FY2027-28 as described in December Option 3. By platting the remaining phases this spring, development of large custom lots at the end of the Green Hills Drive extension could occur. As result, the proposed improvements are not split between the City and the developer as shown below. (See also attached Cottonwood diagram.)

Spring 2026:

1. Developer completes public improvement plans for the Cottonwood extension, Green Hills Drive, and Lunetta Drive connections. Include a mini-roundabout at intersection of Green Hills and Cottonwood, if determined feasible by the Public Works Director.
2. Developer completes Final Plat for the remaining 23 lots within the Domani I PRD,

homes are intended as ownership but no limitation on rental.

- a. 12 Custom home lots along Green Hills and Lunetta
 - b. 6 "Domani" lots along Green Hills Drive
 - c. Defer the 5 "Domani" lots along Cottonwood until construction of Cottonwood is completed
3. Amend the current Development Agreement prior to Final Plat approval to allow for extension of Green Hills Drive by the Developer prior to the completion of the Cottonwood Extension and designating the City as responsible for completing the Cottonwood extension after Green Hills Drive is extended.

FY 2026/27:

1. Developer extends Green Hills Drive south and completes the Lunetta Drive connection, including a Cottonwood mini-roundabout, if feasible, and utility stubs for the Cottonwood extension.
2. Developer completes the sidewalk along Green Hills through the intersection of Cottonwood with the extension of Green Hills, the remaining Green Hills sidewalks subject to the standard three-year timeframe of platting lots.
3. Home construction can begin on lots along Green Hills and Lunetta Drive.

FY 2027/28:

1. City utilizes developer improvement plans to prepare plans and specifications to complete Cottonwood Road paving and utilities for the two segments, one to the east of Green Hills Drive and one to the west of Green Hills Drive. Cottonwood would only be extended if Green Hills has been extended.
2. City awards contract for the paving of Cottonwood with a target year of FY 2027/28, subject to City Council authorization of use of General Obligation Bonds.
3. City completes sidewalks along the north side of Cottonwood where there are no development lots.
4. Developer completes sidewalks along the south side of Cottonwood in conjunction with the standard three-year timeframe of platting development lots.
5. Home construction can begin for lots along Cottonwood once a contract for construction of the Cottonwood extension is approved.

Under this scenario, the developer will assume responsibility for approximately 15-20% of original scope of work proposed to be completed by the City within Option 3. As staff noted with the December incentive discussion the costs of improvements completed by the City would likely be higher than those represented by Developers. **In this case, Staff believes that with the developer completing some of the work, the City's costs will be approximately \$350,000 to \$375,000, which is consistent with the original suggested cost in December.**

FUNDING:

Funding for the Cottonwood Extension and related utility work was identified as General Obligation Bonds for FY 2027/28. As City Council is aware, there are many proposals at the state legislative level related to property tax relief that would impact future City budgeting, including the use of General Obligation Bonds. In December, it was not known how the state legislature may impact local government financing and how the issue could cloud future decisions and obligations.

If Council supports the development concept outlined in this report, staff believes it would be prudent as part of approving a final amended development agreement that there is not a specific commitment of a date for construction of the Cottonwood Project with GO Bonds. It would be the goal of the City to follow through with the extension of Cottonwood in FY 2027/28 as originally planned, but that is difficult to predict at this time with pending state legislation. The developer is aware that if the City does not proceed with the Cottonwood extension as initially planned, it would leave him at risk of being unable able to sell and develop the five lots planned along Cottonwood.

ALTERNATIVES:

1. Direct staff to amend the existing development agreement prior to the next final plat approval for Domani to allow for the Developer to extend Green Hills Drive in 2026 and plat the remaining 23 lots in Domani I and for the City to assume the responsibility for the future completion of the Cottonwood Extension at a time approved by the City Council with a goal of doing the extension in FY 2027/28.
2. Direct staff to amend a development agreement for the City to complete a Cottonwood Extension no sooner than FY 2027/28 and finalize cost estimates for City and Developer related to Cottonwood extension improvements.

CITY MANAGER'S RECOMMENDED ACTION:

The development outline presented above makes obligations and timing clearer than the December discussion. The developer desires to plat large custom lots at the end of Green Hills and Lunetta as soon as possible and does not want to wait for the City to complete the Cottonwood project in FY 2027/28.

Allowing for a Green Hills extension at the developers cost would be a way to accelerate the project and meet objectives of completing the street network in this area. However, the timing of the Cottonwood extension in FY 2027/28 is complicated by the uncertainty at the State level with various property tax reform bills that will impact City budgeting, including potentially the use of GO Bonds as are planned for this project. Council can elect to move forward as desired by the developer and defer commitments on Cottonwood as described with Alternative No. 1. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1, as described above.

ATTACHMENT(S):

[Original Domani Plan](#)
[Cottonwood Diagram](#)