

ITEM #:	<u>40</u>
DATE:	<u>04-28-26</u>
DEPT:	<u>P&H</u>

COUNCIL ACTION FORM

SUBJECT: PROPOSALS TO PURCHASE SINGLE-FAMILY MARKET-RATE LOTS IN BAKER SUBDIVISION

BACKGROUND:

The Baker Subdivision was a project initiated by the City to create a mix of market rate and affordable housing. The subdivision includes 26 lots for single-family home development, of which 14 lots are for affordable (Low and Moderate Income or LMI) housing and 12 lots are for market rate housing. To date, the development of the southern portion of the subdivision has been completed, with 8 of the 14 LMI lots being sold to Habitat for Humanity along Wilmoth Ave. The City is now ready to proceed with with additional construction for the 18 remaining lots on the north portion of the subdivision. Of the remaining 18 lots, 6 are LMI, and 12 are market-rate.

At the February 24, 2026, City Council meeting, City Council approved a Request for Proposals (RFP) to sell up to 6 of the 12 market-rate lots in 2026. Additionally lots are planned to be sold in 2027 to manage program income to the CDBG program. The following nine lots were identified to make available, from which the successful developer(s) would select six to develop: 9, 13, 14, 16, 17, 21, 22, 23, and 26.

The RFP was designed to evaluate the general character of a proposed house for each lot, quantity and timing of the lot purchase(s) prior to October 1, and the "value" or offered purchase price per lot. Construction on the purchased lots will be by private parties, not the City. The RFP process would allow for an individual or a builder to make a proposal to buy a lot(s), subject to meeting the minimum requirements of the RFP. City Council would ultimately select the proposal(s) that best meet the interests of the City for the construction of market-rate housing that is consistent with the character of the area and meeting the financial interests of the City for the sale of the lots as program income for the CDBG program. The full RFP is attached.

RESPONSES RECEIVED:

On March 9, 2026, staff issued the RFP. On March 31, 2026, the City received two proposals (See attached summaries):

1. Genesis Homes
2. Keystone Equity Group

Staff created a proposal review committee that consisted of members from Planning, Housing, Public Works, and Inspections. Each member reviewed and scored the proposals individually and then met to compare notes and scores. From there, the team interviewed each developer with follow-up questions before finalizing scoring.

The RFP was designed to evaluate proposals on a lot-by-lot basis to allow for consideration of

smaller bidders and larger bidders. In this case, both proposals bid on 6 lots, of which there were overlapping bids on three of the lots. **However, both proposals indicated they are for the purchase of no fewer than six lots and neither indicated an interest in being awarded less than six lots.** Because of this, the proposals can be considered as a package and not six individual lot proposals.

The evaluation scored proposals seeking to buy more than one lot and for the completing the purchase by October 1. The Genesis proposal is to close on three lots by July 1 and the second set of lots no later than October 1. Keystone Equities proposed to close on all six lots by October 1. Keystone plans to apply for state Workforce Housing Tax Credits in June and plan to await a notice of award before proceeding. **However, the Keystone offer is not contingent on state approval of tax credits.**

Additionally, staff evaluated the proposed "value" of the proposed purchase price compared to the minimum price indicated in the RFP. The RFP set minimum lot sales prices that staff had proposed based upon a distribution of development costs on a square footage basis. **The Genesis proposal did not propose to purchase the lots for the minimum price stated in the RFP and instead offered a lump sum bid of \$300,000 for the six lots. According to the minimum prices established for the specific lots chosen by Genesis, staff calculates that Genesis' total minimum offer should have been \$368,377.** Genesis chose to bid on some of the smaller and larger lots.

The proposal could be determined to be non-responsive because of this, but staff instead rated the offer with lower points relative to the minimum prices. Follow up with Genesis indicated that they looked at the lots as a group and not individually and believed that regardless of lot size, the house cost would be the similar and their offer of \$50,000 per lot was similar to their experiences in other areas. Although a higher price could be paid for the lots with assumed higher sales prices for the homes, they did not adjust the proposal to consider higher sales prices.

The Keystone proposal met or exceeded the minimum sales prices per lot. Keystone focused on the smaller lots with lower pricing compared to Genesis. **The Keystone proposal is \$330,825 for six lots, which is a premium of \$3,423 compared to the minimum lot prices.**

SCORES:

Each developer included example house elevations. Both developers showed plans for complete buildout of the basement with additional rooms, however, both indicated the basement would be unfinished unless the buyer asked for the upgrade during construction. All of the designs appear to meet all minimum covenant requirements for size and configuration.

The Keystone proposal include a mix of one and two-story homes, two floor plans with three different exterior elevations. The evaluation team scored the combined housing design and lot scores at an total of 971 out of 1320 points. Individual lot and buildings scores ranged from 152 to 171 points. Pricing was evaluated separately.

During follow up, staff requested additional options for the single-story home option, especially for the "modern" design. The two story options included more of the design details identified in the RFP than the single story homes. The single story homes have a recess entry that did not score highly during the review. The builder supplied an enhanced higher cost farmhouse style

option with a full porch as a potential substitute the one story modern design, which was scored higher than the original design. This enhanced home design for Lot 26 is assumed by the scoring team to be part of the proposal.

The Genesis proposal also included a mix of one and two story homes. The overall home designs scored well, with one two-story option, Eastham, having lower scores due to it including a minimal number of the design features listed in the RFP, including a very prominent garage design with a set back entrance. As noted earlier, Genesis likely could substitute other designs if desired. The evaluation team scored the combined housing design and lot scores at an total of 1044 out of 1320 points. Individual lot and buildings scores ranged from 149 to 192 points.

Following the inclusion of the scoring for cost, the Keystone proposal was scored cumulatively by the team at 1452 compared to 1436 for Genesis. The differential in overall scores is mostly because of the lower purchase price offer of Genesis compared to Keystone.

ALTERNATIVES:

1. Adopt a resolution to approve the proposal for the sale of six (6) market-rate lots available within the Baker Subdivision to Keystone Equity Group and set a date of hearing for purchase agreements on May 26 and any other agreements needed related to staff approval of house design for each lot prior to construction. The purchase agreement shall require an earnest deposit of 5% of the lot purchase price.

(Note if City Council selects this Alternative, Keystone requests a letter of support for the project as required for the Workforce Housing Tax Credit program to be approved on May 26 as well, however the proposal is not contingent on tax credits)

2. Adopt a resolution to approve the proposal for the sale of six (6) market-rate lots available within the Baker Subdivision to Genesis Homes and set a date of hearing for purchase agreements on May 26 and any other agreements needed related to staff approval of house design for each lot prior to construction. The purchase agreement shall require an earnest deposit of 5% of the lot purchase price.
3. Direct staff to negotiate further with one or both developers regarding the combination of lots to be sold or other features of the proposal and return on May 12th.
4. Reject all proposals and direct staff to modify the RFP scoring criteria and other parameters to immediately solicit for new proposals, potentially allowing for the sale of all 12 remaining lots with staggered closings into the spring of 2027.

CITY MANAGER'S RECOMMENDED ACTION:

The evaluation team found the proposals to be competitive overall with differences in the details provided with each proposal. Each builder's proposal has home designs that included many features identified within the RFP and some building elevations that could be modified if desired. Staff believes that for either developer, that final selection of house design and elevations should be subject to staff review to confirm consistency with the proposal. Based upon the combined evaluation of design and cost, the Keystone proposal was scored cumulatively by the team at 1452 compared to 1436 for Genesis.

The RFP process was designed to generate proposals that ultimately allowed for Council to determine the best balance of home design and financial benefit to the City. Staff believes the proposed home designs from each proposer are ultimately acceptable. Although there are differences in the timing of closing, both proposals meet the requirements in the RFP. The RFP did intend to establish a competitive market price by identifying minimum lots sale prices.

If the City Council finds Keystone's combination of the higher sales price and housing types fit the needs of the City as described in the RFP, then it is the recommendation of the City Manager that the City Council approve Alternative #1 and proceed with an agreement with Keystone Equity Group.

If the City Council believes Genesis' proposed housing types better fit the needs of the City as described in the RFP, then it is the recommendation of the City Manager that the City Council approve Alternative No. 2 and proceed with an agreement with Genesis Homes.

ATTACHMENT(S):

[Genesis Homes Proposal Summary](#)

[Keystone Equity Group Proposal Summary](#)

[RFP 2026-089 Sale of Market Rate Lots-Baker Subdivision](#)