

ITEM #: 26
DATE: 02-24-26
DEPT: P&H

COUNCIL ACTION FORM

SUBJECT: RESOLUTION APPROVING A REQUEST FOR PROPOSALS (RFP) FOR THE SALE OF SINGLE-FAMILY MARKET-RATE LOTS LOCATED IN THE BAKER SUBDIVISION.

BACKGROUND:

The City Council's affordable housing goals are to increase the supply of housing stock in the community. The designation of a census tract in West Ames as a Neighborhood Revitalization Strategy Area (NRSA) has provided a unique opportunity to utilize our Community Development Block Grant (CDBG) funds to create a mixed-income housing development known as the Baker Subdivision.

Twenty-six lots were created for single-family home development, and under the NRSA, 51% (14 lots) are required to be specifically for low and moderate-income households. However, the remaining 12 lots (49%) can be for market-rate housing. To date, the development of the southern portion of the subdivision has been completed, with eight of the 14 LMI lots being sold to Habitat for Humanity and the completion of 38 Low Income Housing Tax Credit (LIHTC) units on lot 27.

The City is now ready to proceed with the completion of the 18 remaining lots on the north portion of the subdivision. Of the remaining 18 lots, 6 are LMI, and 12 are market-rate.

City staff has prepared a Request for Proposals (RFP) to sell up to 6 of the 12 market-rate lots in 2026. However, only the following lots are available to select to purchase: 9, 13, 14, 16, 17, 21, 22, 23, and 26. Lots 18, 19 & 20 have some geothermal well location concerns that need to be resolved before these lots can be sold.

The RFP is designed to solicit offers for the purchase of lots with minimum submittal requirements and scoring criteria to evaluate proposals. 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.

The market-rate lots are identified within the covenants that were approved by the City Council for the development, see attached exhibit. The market rate lots are subject to certain minimum standards of the covenants, regardless of the RFP process, which include:

- House Size: 1-story minimum of 1200 sq. ft./ multi-story minimum of 1250 sq. ft.
- Basement: Required with all homes and must have an egress window. It may be unfinished.

- **Builder Experience:** Construction of a home must be done by an experienced builder who has completed at least three homes within three of the past seven years.
- **Owner Occupied:** The home must be the primary residence of the owner and cannot be rented out.
- **Geothermal:** All homes must be connected to and utilize the geothermal system for heating and cooling.
- **Construction Timing:** House construction must begin within 6 months of closing on the purchase of a lot. Additionally, a home must be completed within 12 months of starting construction.

Timing lot sales is important for two reasons. **The City has to balance the timing of receiving payment for the lots with federal requirements for spending program income in relation to the annual timeliness test in the spring of each year.** Staff believes that if six lots are sold and the revenue from the sales of the lots occurs between July 1st and October 1st, it would allow the City to account for this revenue with the funding of an infrastructure project in a low-income census tract neighborhood before the date of the timeliness test in May 2027. Otherwise, staff believes that revenue from lots sales should not occur until after July of 2027 to again allow for time to expend the funds and meet the timeliness test.

Additionally, it is possible that a builder may propose to buy multiple lots from the City with the goal of seeking state Workforce Housing Tax Credits (WHTC). To be eligible for this program, a builder would need to have a purchase agreement for at least four lots in order to apply by the June deadline. However, notice of award of the grants does not typically occur until August or September, and the purchase window extending to October 1st would allow a builder to proceed. Starting construction in October is still feasible in relation to the weather as well.

Minimum submittal requirements of the RFP include:

1. Identify the type of home design and style intended to be built on the lot.
2. Builder readiness in the form of identifying either a contractor or development entity that meets the minimum experience requirement of the covenants,
3. Proof of financing or pre-qualification of a loan to verify financial viability to complete the lot purchase and build a home within 12 months,
4. Identify which market rate lot(s) they desire to purchase, and
5. Date of closing with any contingencies, such as WHTC.
6. House design concept, include a limitation that if purchasing three or more lots that at least two house plans must be provided. Additionally, no lot may have an identical house design on an abutting lot.

Evaluation of the proposal involves three scoring categories weighted primarily according to:

1) House design compatibility with the neighborhood (50 points)

The RFP identifies a variety of design elements that support aesthetic compatibility, including an enclosed garage, traditional pitched roofs, covered entries, use of varied materials on gabled faces, decorative bands and eave extensions, fenestration, facade relief, and garage to front door relationship. The intent is to identify an overall cohesive design quality without specifying a specific style.

2) Quantity of lots purchased (30 points)

A proposal is awarded 4 points per lot plus 1 point for closing in 2026.

3) Price of the lot (20 points).

Points are awarded on a per lot basis, not as a package for multiple lots. The highest price in relation to the minimum lot price will be awarded the most points.

Purchase price is an important consideration related to compliance with CDBG requirements. As an RFP, the proposal process will create a market price offer for the lots. Staff has included a minimum sales price based upon the City investment of CDBG funds in acquisition and development of the site.

Staff estimated total CDBG costs of \$2.134 million for acquisition, Tripp Street extension, and subdivision related improvements. Staff has estimated that 65% of the expenditures (\$1.387 million) benefited the creation of the 26 single family lots and 35% for the creation of the Creekside Townhomes affordable housing apartment site, park site, and other neighborhood improvements.

These CDBG costs average out to approximately \$53,335 on a per lot basis. Actual lots sizes vary so a range of value per lots is more representative of the total. **Staff recommends establishing a minimum price of \$50,000 with a higher cost for larger lots. The RFP includes a list of minimum lot prices.**

As an FYI, staff has had relatively recent appraisals of lots in the subdivision from 2023 and 2025 that identified a range of values between \$61,000 and \$75,500, but there are very few lot sales to use as comparables, which creates some uncertainty in the actual value. **Council could elect to set higher minimum sales prices in the RFP using these appraisals even though staff has set a somewhat lower minimum cost within the draft RFP.**

If City Council approves the RFP, staff will issue the RFP by March 1st and allow for 30 days to receive proposals. Staff has tentatively identified April 14th for review and approval of proposals by City Council. Once a proposal(s) is selected, a notice of a public hearing and approval of an option or purchase agreement will be required by the City Council.

ALTERNATIVES:

1. Approve the attached RFP for the sale of six (6) market-rate lots available within the Baker Subdivision.
2. Direct staff to modify the RFP and then to proceed with the RFP for the sale of six (6) market-rate lots within the Baker Subdivision.

3. Take no action and request additional information or changes.

CITY MANAGER'S RECOMMENDED ACTION:

Staff believes the RFP process is the best method available to address the priorities of selling market-rate lots and having a variety of housing types in the subdivision. **It should be emphasized that the RFP is only for to sale six (6) of the twelve market rate lots in this first phase, it does not involve the City in the construction process of actual homes.**

Staff believes the proposed timing and minimum sales prices allow for appropriate planning and funding of other projects with the program income to meet the annual timeliness test. Staff will return to Council with a separate discussion on how to complete housing construction on the remaining affordable lots once this process for market rate lots is complete. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1.

ATTACHMENT(S):

[Recorded Restrictive Covenants Baker Subdivision-Attachment A.pdf](#)

[Draft Request for Proposals for SFH Construction Market Rate Lots-Baker Subdivision 2026.pdf](#)