

ITEM #:	<u>1</u>
DATE:	<u>05-23-24</u>
DEPT:	<u>P&H</u>

COUNCIL ACTION FORM

SUBJECT: HOME PROGRAM LOAN DOCUMENTS FOR THE SALE OF LOT 27 TO TOWNHOMES AT CREEKSIDE, LLLP (AFFILIATED WITH THE HATCH DEVELOPMENT GROUP) IN CONJUNCTION WITH A DEVELOPMENT AGREEMENT FOR 38 LOW-INCOME HOUSING TAX CREDIT MULTI-FAMILY HOUSING DEVELOPMENT UNITS WITHIN BAKER SUBDIVISION.

BACKGROUND:

On February 28, 2023, the City Council selected the Hatch Development Group as its partner to develop low-income multi-family rental housing units on Lot 27 in Baker Subdivision (formerly 321 State Avenue). The City Council directed staff to begin preparing agreements to partner on a Low-Income Housing Tax Credit (LIHTC) application for this project.

On March 28, 2023, the City Council approved an option 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 initially committed to provide \$1.8 million of its HOME Entitlement funding (not including administration) towards the cost of construction of the multi-family units.

On July 1, 2023, Townhomes at Creekside, LLLP, was notified that its LIHTC application was awarded. The project will 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 dollars. Updated cost estimates indicate a project cost of approximately \$13 million.

Over the last ten months, staff has been working with Townhomes at Creekside, LLLP, to finalize the site plan, distribution and types of low-income units, and other city code and LIHTC award requirements. **On March 26, 2024, the First Amendment to the Development Agreement was approved by City Council and include the following changes:**

(1) Increases the amount of the City's HOME set-aside funding commitment up to a maximum of \$2.1 million (an additional \$300,000) to construct the minimum improvements;

(2) Contingent upon the availability of City HOME funds and Community Housing Development Organization (CHDO) set-aside funds, obligates the City to pay the developer 80% of the committed HOME funds by the date of the land conveyance and the remaining 20% upon completion of construction and leasing of the HOME units; and

(3) Increases the number of City HOME units from 7 to 8 three-bedroom units.

The developer received approval of the Major Site Development Plan for the project at the April 23 City

Council meeting. Staff and the developer identified other needed changes for the agreement at that time. **At the May 14 City Council meeting, the Council approved a Second Amendment to the Development Agreement that stipulated the following changes:**

- (1) removes of all references to Geothermal Wells and Systems for the benefit of Lot 27 from the prior agreements;
- (2) adds a requirement for 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.

The final step to proceed with the project and selling Lot 27 to Townhomes at Creekside, LLLP, is to approve the required City HOME loan documents for the \$2.1 million commitment to the project. In addition to the main HOME loan document, there are nine exhibits (A-I).

The main HOME document covers all the items outlined in each Exhibit that the Developer (Borrower) must comply with some major highlights stated below:

1. The construction of thirty-eight (38) units, of which eight (8) will be three-bedroom City HOME Assisted Units
2. A required 30-year Affordability Period
3. City HOME funds will be used for certain Project costs as outlined in Exhibit A-Statement of Work
4. Project costs and completion in accordance with Exhibit C-Project Budget and Exhibit D-Sources and Uses. The construction of the Project shall be completed by September 30, 2025-Completion Date
5. The loan will have an interest rate of zero percent with deferred payment for 30 years before repayment over a ten-year period according to Exhibit G-Mortgage, Exhibit H-Promissory Note, and Exhibit I-Loan Repayment Schedule (including repayment if the housing does not meet the affordability requirements within the Affordability Period
6. As outlined in the Request for Proposals (RFP), Borrower shall set aside and designate four units with at least one of each bedroom configuration for Section 8 Housing Choice Voucher participants.

However, if the Borrower does not locate or receive applications from a sufficient amount of tenants who are Section 8 Housing Choice Voucher participants to occupy such four units within sixty days of any such unit being ready for lease-up and vacant, any such units that remain vacant may be advertised and leased to other eligible applicants.

7. The Section 8 Units are in addition to the City HOME Unit requirements.

All of the attached documents have been reviewed and approved by both Townhomes of Creekside, LLLP, Midwest Housing Equity Group (MHEG Fund 58, LP), their investor lender.

It is important to understand that this action approving the HOME loan documents is still contingent upon HUD's approval for the City to release HUD funds from for the project, which

should occur on or by June 11.

ALTERNATIVES:

1. Contingent upon the City receiving its Release of Funds notification from HUD, approve the HOME Loan documents including Exhibits A-I) with Townhomes At Creekside LLLP, in conjunction with the construction of thirty-eight (38) HOME Assisted Low-Income Housing Tax Credit (LIHTC) multi-family housing units on Lot 27 in the Baker Subdivision.
2. Do not approve the HOME Loan documents.

CITY MANAGER'S RECOMMENDED ACTION:

Approval of the HOME loan document with exhibits A-I is the final step (contingent upon the Release of HUD funds) prior to loan closing to move forward with the project to accomplish City Council's goal to provide thirty-eight (38) HOME Assisted Low-Income Housing Tax Credit (LIHTC) multi-family units for households in the City of Ames on Lot 27, in the Baker Subdivision. **Staff believes all the terms, including the reservation of units for Section 8 voucher holders, is consistent with the intent of the original RFP and development agreement. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.**

ATTACHMENT(S):

[FINAL \(HOME Agmt\) 20240513.pdf](#)
[Exhibit A - Statement of Work.PDF](#)
[Exhibit B - Project Schedule.pdf](#)
[Exhibit C - Development Budget - Updated.pdf](#)
[Exhibit D - Sources and Uses.pdf](#)
[Exhibit E - Restrictive Covenants.pdf](#)
[Exhibit F - Rent Limits.PDF](#)
[Exhibit G - Mortgage.pdf](#)
[Exhibit H - Promissory Note.pdf](#)
[Exhibit I - Loan Repayment Schedule.PDF](#)