

ITEM #: 48
DATE: 05-14-24
DEPT: P&H

COUNCIL ACTION FORM

SUBJECT: GEOTHERMAL OPERATIONS AGREEMENT WITH HABITAT FOR HUMANITY FOR BAKER SUBDIVISION LOTS 1-8

BACKGROUND:

As part of the development of Baker Subdivision, the City has pursued the installation of geothermal wells to promote enhanced sustainability in conjunction with the primary goal of providing affordable housing. Installation by the City of geothermal wells facilitate the use of heat pumps for heating and cooling within the connected homes. The City has already installed the necessary wells to serve the single-family homes in the subdivision.

In April, City Council approved on first reading an ordinance amending Chapter 28 of the Ames Municipal Code (AMC) to address the operation of the geothermal wells by Electric Services. The ordinance establishes rates and outlines who owns each portion of each system (the City or the homeowner).

On March 26, the City Council approved a Geothermal Easement Agreement with Hatch Development for the Creekside Townhomes project and Habitat for Humanity of Central Iowa for the location of geothermal wells within the Baker Subdivision. The March easement agreement was the final piece of the permitting requirements for the 52 wells that Ames Electric installed to serve the 26 single-family home lots within the Baker Subdivision.

At that time, Habitat's Board had concerns about the operation of the geothermal wells and had requested that subsequent to the easement approval, a separate agreement relating to Lots 1-8 be approved. The agreement would address the operation of the geothermal wells owned by the City and the private geothermal systems connected to the wells.

The proposed agreement (attached) mirrors the language of the ordinance with the addition of one unique requirement for testing of the operation of wells for Lot 8 as the first system installed in the Baker Subdivision.

In summary, the attached agreement identifies responsibilities for the City as follows:

- Test the operations of the geothermal well and system for Lot 8 prior to the sale of the home to a buyer. **(Staff believes by demonstrating that the first system operates satisfactory, no other testing is needed because the well depths serving the single-family lots in the subdivision are identical.)**
- Maintain the wells for a minimum period of 50 years
- Assume costs related to an abandonment or replacement of wells within the 50-year period.

The agreement also includes property owner responsibilities summarized as:

- The geothermal system outside of the easement area is the responsibility of the property owner for construction, operation, and maintenance.
- The home shall be connected to and utilize geothermal for a minimum of 10 years.

During the geothermal well permitting process that led to the March Easement Agreement, the Habitat board also made a request to staff for reimbursement of their direct legal costs related to the easement agreement review. The easement agreement request was not part of the original purchase agreement for the lots and, therefore, Habitat incurred unanticipated attorney fee costs. **Ames Electric has agreed to reimburse direct out of pocket expenses for attorney fees from January to March 2024 related to the preparing and reviewing the March agreement, up to \$4,000.**

ALTERNATIVES:

1. Approve the attached Geothermal Operations Agreement for Lots 1-8 with Habitat for Humanity of Central Iowa. (*Habitat to return signed agreement by the 14th*)
2. Direct staff to modify the agreement and return with an updated version signed by Habitat for Humanity of Central Iowa.
3. Decline to adopt the agreement.

CITY MANAGER'S RECOMMENDED ACTION:

Although City Council has begun the adoption process of an ordinance to regulate the geothermal wells installed by Ames Electric within the Baker Subdivision, Habitat has requested that obligations related to their purchased lots be memorialized with a separate agreement to protect them from the City Council changing the ordinance in the future. The proposed terms are consistent with the expectations of the draft ordinance that is on this agenda for second reading. Ames Electric Services is fully committed to verifying performance of the wells and supports testing the two wells and overall system for the home on Lot 8, which contains the first system installed in the subdivision.

Ultimately, with approval of the ordinance amending Chapter 28, future agreements regarding the operation of the wells will not be needed. Therefore, it is the recommendation of the City Manager that City Council approve Alternative 1.

ATTACHMENT(S):

[Habitat Agreement \(re wells serving Lots 1-8\).pdf](#)