TTEM #: 39
DATE: 04-23-24
DEPT: ELEC

## **COUNCIL ACTION FORM**

SUBJECT: BAKER SUBDIVISION MULTI-FAMILY HOUSING GEOTHERMAL INSTALLATION

## **BACKGROUND:**

On March 26, 2024, City Council approved preliminary plans and specifications for Baker Subdivision Multi-Family Housing Geothermal Installation. The Baker Subdivision is a unique opportunity for the City to support a geothermal pilot program, since the City is the developer of this subdivision. Geothermal systems are expected to have beneficial reductions in electric peak loads and related greenhouse gas emissions compared to conventional heating and cooling systems. **The system as intended to serve as a demonstration of the performance of geothermal heat pumps and introduce more local contractors and residents to the technology.** This could encourage further adoption of geothermal heat pumps, which would further reduce summer peak loads and community greenhouse gas emissions. For those reasons, customer-owned geothermal systems have been supported with rebates for many years. The unique aspect of the Baker Subdivision project is the City installation and management of the system.

Bid documents were sent to eight contractors. The bid was also advertised on the Current Bid Opportunities section of the Purchasing webpage and a Legal Notice was published on the websites of a contractor plan room service with statewide circulation.

On April 17, 2024, one bid was received from Koester Construction Company, Inc., of Grimes, IA, in the amount of \$1,999,120 (inclusive of sales tax). The engineer's estimate for the geothermal well installation at the multi-family lot is \$595,017. The FY 2023/24 budget includes \$594,254. for this project. Staff evaluated the bid and determined that the cost is too high to justify moving ahead as proposed.

## **ALTERNATIVES:**

- 1. Accept the report of bids and reject the bid.
- 2. Accept the report of bids and award a contract to the bidder and direct staff to identify an additional \$1,404,866 to complete the project.

## **CITY MANAGER'S RECOMMENDED ACTION:**

Attempt was being made to combine two goals of the City Council; 1) provide additional low & moderate income housing and 2) reduce carbon emissions. Unfortunately, the cost for the work as currently bid is not feasible within the existing budget. In order to reduce the cost related to the installation of a geothermal system, a new redesigned project would be required. However, the time it would take to redesign and rebid a new project would place in jeopardy the LIHTC funding for our development partner because of delays in initiating construction. In order to assure accomplishment of the first Council goal for this project, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as stated above and reject the sole bid.

Rather than redesign the project, the developer is proposing the elimination of the use of geothermal and utilizing other methods to achieve high efficiency apartment heating and cooling. This change will require the City Council to approve an amendment to the developer agreement to remove the geothermal requirement. This request will be on the May 14 agenda.

However, should the Council desire to move ahead with the geothermal system regardless of the cost, then Alternative #2 should be approved. The additional funding could come from the Electric Fund balance.