

ITEM #:	<u>41</u>
DATE:	<u>04-23-24</u>
DEPT:	<u>ELEC</u>

## **COUNCIL ACTION FORM**

### **SUBJECT:**

### **RESOLUTION AMENDING RESTRICTIVE COVENANTS FOR BAKER SUBDIVISION**

### **BACKGROUND:**

The Baker Subdivision, located at 321 State Ave, was developed by the City to create a mixed-income housing subdivision that will address affordable housing needs of low- and- moderate income households and market rate housing through the development of a variety of housing types.

As a one-time experiment to test the impact of geothermal heating and cooling, Electric Services installed geothermal wells on all 26 single-family lots to provide an efficient heating and cooling system with lower initial costs to homes in the subdivision. These wells will be connected to the home they serve during the home's construction.

Geothermal heating and cooling is an energy-efficient and cost-effective method of conditioning a home. Electric Services will own and operate the wells, for a monthly fixed cost charged to users to support the initial and ongoing costs of building and maintaining the geothermal wells.

In December 2021, Council authorized restrictive covenants for the neighborhood. The restrictive covenants require that "homes must utilize and connect to the geothermal system installed within the reserved public utility easements located in the rear yards of each Lot."

The amended language sets an end date to the obligation of homeowners "to utilize and connect to the geothermal systems" in 2034.

After that date, homeowners who replace their home's heating and cooling system may continue to utilize the geothermal wells that serve their home or choose another heating and cooling system. Electric Services will continue to provide geothermal service to the 26 single-family lots even after homeowners are no longer obligated to utilize the systems. Electric Services will provide geothermal for at least 50 years, or when a homeowner opts out.

**Setting the ability for homeowners to choose another heating and cooling system after 2034 still ensures that the first homes built in the Baker Subdivision will connect and utilize the geothermal wells installed in the subdivision. After a home is connected to the geothermal wells, it is likely that subsequent homeowners in the future will continue to use the geothermal wells.**

Currently, upfront replacement costs of a geothermal system (not counting the wells) is very similar to the upfront costs of an alternative heating system. However, that cost differential may change in the future. Future homeowners may want greater flexibility in choosing a replacement system, especially if future installation costs for air-source heat pumps drops dramatically and the efficiency gap between air-source heat pumps and geothermal continues to narrow.

**ALTERNATIVES:**

1. Approve the attached modified restrictive covenants and regulations for single-family homes in the Baker Subdivision (321 State Avenue).
2. Do not approve the proposed restrictive covenants and regulations and refer back to staff for additional information.

**CITY MANAGER'S RECOMMENDED ACTION:**

The amendment to the restrictive covenants will ensure that all new homes in the Baker Subdivision will connect initially to the city's geothermal wells when homes are constructed and allow for future homeowners to choose another heating and cooling system after a period of ten years. Further, this amendment offers peace of mind to the property owners that the wells will be maintained for at least 50 years. Therefore, it is the recommendation of the City Manager that the City Council approved Alternative #1.

**ATTACHMENT(S):**

[Amendment to Restrictive Covenants \(Baker Subdivision\).pdf](#)