

ORDINANCE NO. 134, 2025
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE CITY OF FORT COLLINS TO LEASE REAL
PROPERTY ADJACENT TO THE OVERLAND ELECTRIC
SUBSTATION TO PLATTE RIVER POWER AUTHORITY FOR A
BATTERY STORAGE PROJECT

A. Platte River Power Authority (“PRPA”) is an electric generation and transmission utility formed under Colorado law to supply the wholesale electric power and energy requirements of its four owner communities including the City of Fort Collins (“City”), the City of Longmont, the City of Loveland and the Town of Estes Park, Colorado.

B. PRPA desires to enter into a Site Lease Agreement (“Lease”) regarding 27,351 square feet of real property at the Overland Substation site located at 401 South Overland Trail in Fort Collins from the City for the purpose of designing, developing, constructing, owning, operating, and maintaining a battery energy storage facility at the premises. This site is ideal for placing the battery equipment and integrating it with the existing electric utility infrastructure.

C. The Lease, which will require only a nominal annual rental payment by PRPA, allows PRPA to evaluate the feasibility of the project and, pending successful analysis, proceed with the installation and operation of a 5MW/20MWh utility-side system connected to the City’s Light and Power distribution system. PRPA and the City’s Light and Power utility are collaborating on this project as part of their commitment to a non-carbon future and a reliable electric grid and energy storage plays a crucial role in achieving those goals.

D. City Code Section 23-113(b) permits the City Council to “lease any and all interests in real property owned in the name of the City if the City Council first finds that the lease is in the best interests of the City. Such leases may be approved by the City Council by resolution unless the proposed term of the lease exceeds twenty (20) years, in which event the lease must be approved by the City Council by ordinance.”

E. City Code Section 23-114 requires that “any sale, lease or other conveyance of property interests approved under 23-111(a) or (b) or § 23-113 above must be for an amount equal to or greater than the fair market value of such interest unless the City Council or City Manager, as applicable determines that such sale or lease serves a bona fide public purpose...”

F. City Code Section 23-114 establishes that: “a bona fide public purpose is established if the lease of real property for less than fair market value “(1) the use to which the property will be put promotes health, safety or general welfare and benefits a significant segment of the citizens of Fort Collins; (2) the use to which the property will be put supports one (1) or more of the City Council’s goals, adopted policies, project or plans;

(3) the financial support provided by the City through the below-market disposition of the property will be leveraged with other funding or assistance; (4) the sale or lease will not result in any direct financial benefit to any private person or entity, except to the extent such benefit is only an incidental consequence and is not substantial relative to the public purpose being served; and (5) selling or leasing the property for less than fair market rent will not interference with the current City projects, hinder workload schedules or divert resources needed for primary City functions or responsibilities.”

G. This lease serves a bona fide public purpose because it promotes the public health, safety, and welfare of the residents of Fort Collins by providing for the storage of battery power to improve reliability and maximize renewable energy generation.

H. PRPA’s use of the property at the Overland Substation site to store the battery also serves a bona fide public purpose because it supports the City Council’s renewable energy goals and will benefit electric service reliability for the Fort Collins community.

I. In addition, the financial support provided by the City through this below-market lease serves a bona fide public purpose because it leverages grants and private sector investment to fund storage project infrastructure.

J. Further, this lease serves a bona fide public purpose because the lease will not result in any direct financial benefit to the PRPA except to the extent that the financial benefit of leasing the property for less than fair market value is incidental and is not substantial relative to the public purpose of increasing reliability and resiliency while mitigating cost impacts to the community by using battery to store energy for future use by PRPA’s customers, which includes residents of the City of Fort Collins.

K. In addition, this site would not be useful or practical for much else than substation and power distribution related infrastructure expansion such as this Project. The site is not developable because of its proximity to the existing substation on the south and an irrigation canal on the north side.

L. The lease of the property by PRPA for less than fair market value also serves a bona fide public purpose because this lease will not interfere with current City projects, hinder workload schedules or divert resources needed for primary City functions or responsibilities and will further the City’s economic health and environmental health goals.

M. City Code Section 23-111(b) requires that “With respect to real property which is a part of the City’s water or utility systems, the City Council must also find that the disposition will not materially impair the viability of the particular utility system as a whole and that it will be for the benefit of the citizens of the City.” Here, lease of the property will not impair the viability of electric utility and it will actually benefit the citizens

of the City by helping to ensure the reliability and resiliency of services provided by PRPA.

N. City Code Section 23-113(c) provides that “a lease approved by the City Council...” is “presumed to include the right of the tenant to sublease all or a portion of the leased property for a definite term of five (5) years or less with the written consent, and in the sole discretion, of the City Manager or the City Manager’s designee, unless the terms of such lease further restrict, condition or prohibit subleasing.” The lease agreement with PRPA includes a sublease.

O. City Code Section 23-111(e) establishes that “The Mayor is authorized to execute all leases, deeds and other instruments of conveyance. The City Council may also authorize the City Manager to execute such instruments of conveyance.” The lease will be signed by the Mayor and will meet the requirements of City Code Section 23-112.

P. The City’s Energy Board, which advises the City Council on policy matters pertaining to the municipal electric system, reviewed this lease proposal during its March 13, 2025, meeting and expressed its support for this project.

Q. Because PRPA, which is a public entity, will own and operate the facility, the facility will be eligible for Site Plan Advisory Review (SPAR) under Article 6 of the Land Use Code. This process will allow the Planning and Zoning Commission to conduct an advisory review after PRPA submits a site development plan detailing the location, character, and extent of the improvements under the lease.

In light of the foregoing recitals, which the Council hereby makes and adopts as determinations and findings, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. The City Council finds that the Site Lease Agreement to Platte River Power Authority is in the best interests of the City.

Section 2. The City Council find that the Site Lease Agreement to Platte River Power Authority will not materially impair the viability of the electric utility system as a whole and that it will be for the benefit of the citizens of the City.

Section 3. The City Council approves the Site Lease Agreement to Platte River Power Authority for up to thirty (30) years and authorizes the sublease as described in the sublease agreement.

Section 4. The City Council approves the Site Lease Agreement for a nominal amount and finds that the lease will serve a bona fide public purpose.

Section 5. The City Council authorizes the Mayor to sign the Site Lease Agreement, on behalf of the City, substantially in a form attached as Exhibit A that is now before the City Council, and approved by the City Attorney, for the premises, to the tenant, as well as any additional documents required to be signed in the course of leasing or subleasing the premises.

Introduced, considered favorably on first reading on August 19, 2025, and approved on second reading for final passage on September 2, 2025.

Mayor

ATTEST:

City Clerk

Effective Date: September 12, 2025

Approving Attorney: Yvette Lewis-Molock

Exhibit: Exhibit A - Site Lease Agreement