

ITEM #:	<u>35</u>
DATE:	<u>05-12-26</u>
DEPT:	<u>ELEC</u>

COUNCIL ACTION FORM

SUBJECT: REVOCABLE LEASE OPTION FOR AIRPORT SOLAR DEVELOPMENT

BACKGROUND:

At the April 21, 2026, City Council Workshop a presentation was made regarding a potential solar farm at the Ames Municipal Airport. The project would require that the City lease portions of the Airport property to Ames Greenfield Development, LLC (a subsidiary of Recall Strategies) for the evaluation, installation, and operation of the solar project. The developer envisions the installation of up to 24.9 MW(ac) of solar panels on an area of approximately 165 acres. The panels would be divided into several separate zones on portions of the properties that are currently farmed by a tenant who contracts with the City. The City Council directed that staff proceed with negotiating a revocable lease option agreement.

This agreement is critical if the project is to move forward and qualify for federal tax credits. To secure the 30% Investment Tax Credit from the Federal government, a project must achieve "safe harbor" status by July 4, 2026. If the developer fails to secure the lease and make the necessary financial investments prior to this date, then the credit expires and the project would see a 30% increase in cost.

This agreement would only provide the developer the right to construct and operate the project if certain conditions are met. Most significant is the condition that the parties enter into a Notice to Proceed Amendment, which will contain the terms for the power purchase including the capacity of the project, the energy pricing, and the specific areas where the panels will be installed within the lease area. These details cannot be known until further engineering and negotiations occur this fall. If the parties cannot agree to this amendment by the negotiated deadline the option agreement would expire, the project would not be constructed, and the City would have no financial obligation to the developer. The City would be under no obligation to agree to the amendment if it finds any term of it objectionable (e.g., pricing, size, impacts to other Airport users, etc.)

The developer and City staff have worked diligently over the past several weeks to prepare a lease option agreement that achieves the developer's goals of securing financing and obtaining the federal tax credits and the staff's goals of creating a cost-effective energy project while protecting the Airport and its tenants and users. However, there remain a handful of technical details to that need to be addressed before the documents can be finalized and presented for approval.

Staff is therefore requesting that the hearing for this agreement be continued to May 19, 2026. The developer has indicated that this is the latest possible date that the agreement could be approved and leave enough time to complete the safe harbor work prior to the expiration of the tax credits. City staff believes this one-week extension

provides sufficient time to complete and review the lease option details.

ALTERNATIVES:

1. Continue the hearing for this revocable lease option agreement to May 19, 2026.
2. Take no action, and do not proceed with the potential solar development project.

CITY MANAGER'S RECOMMENDED ACTION:

The next step in determining if a solar farm can be developed at the Ames Municipal Airport is to enter into a Revocable Lease Option Agreement. If the parties are unable to finalize a mutually acceptable agreement, the solar project will not be pursued. However, even if this agreement is approved, the City and the solar developer still must arrive at a mutually agreeable Notice to Proceed Amendment (i.e., the Power Purchase Agreement) or the lease option will lapse.

Assuming a Revocable Lease Option Agreement is approved on May 19, City staff and the developer then will work over the next several months to finalize the proposed arrangement of solar panels on the property, the cost of the energy, and the other terms for the Notice to Proceed Amendment. It is important to keep emphasizing that the City is under no obligation to agree to the future amendment and proceed with the proposed solar farm if the terms are unacceptable to the City.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative 1, as described above.