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| ITEM #: | <u>27</u> |
| DATE: | <u>04-28-26</u> |
| DEPT: | <u>ELEC</u> |

COUNCIL ACTION FORM

SUBJECT: SETTING DATE OF PUBLIC HEARING ON 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. This agreement would provide the developer the right to complete the project if certain conditions are met.

This agreement is critical to complete relatively soon 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 goes away and the project would see a 30% increase in cost. Coming to agreeable terms prior to the looming safe harbor deadline will prove to be a challenge.

City staff and the developer have had preliminary discussions about provisions for a lease. Entering into a revocable lease agreement will not obligate the City to move ahead with this solar project. This agreement will make it clear that if for any reason the City decides not to sign a Power Purchase Agreement, the land lease will be terminated with no financial obligation on the part of the City. However, arriving at an agreeable lease in a timely fashion will be a substantial undertaking by staff.

Recall has indicated that May 12, 2026, is the latest feasible date to enter into the agreement in order to complete the due diligence and begin physical work of a significant nature as necessary to demonstrate that it has met the Safe Harbor deadline of July 4, 2026. A lease of City property for a duration such as the one contemplated here requires that a hearing be held. **Therefore, this action is to set May 12, 2026, as the date of hearing and approval of this lease agreement. Council had directed staff at the workshop to devote the resources needed to attempt to accomplish the development of the lease agreement.**

It is not likely that the lease will be negotiated to staff's satisfaction until shortly prior to the May 12 meeting where approval is requested. Therefore, the Council will have little opportunity to review the agreement's terms prior to being asked to approve it.

ALTERNATIVES:

1. Set May 12 as the date of Public Hearing on a Revocable Lease Option with Ames Greenfield Development, LLC on portions of Airport property.
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 enter into a Revocable Lease Option. When developed, a date for a public hearing must be established to take action on the lease option. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative 1, as described above.