

ITEM #: 38

DEPT: CMO

Staff Report

**IMPORTANT UPDATE REGARDING PROPOSED SOLAR PROJECT AT AMES
MUNICIPAL AIRPORT**

May 26, 2026

BACKGROUND:

At a workshop on April 21, the City Council discussed the potential for a solar energy development on property owned by the City at the James Herman Banning Ames Municipal Airport. Subsequently, on May 12, the City Council clarified its intent to avoid pursuing installation of solar equipment on property designated for future development at the Airport. In accordance with this direction, City staff worked with the solar developer to describe 15 separate areas totaling 149.74 acres, which were then incorporated into a lease option agreement with the developer approved by the City Council on May 19.

While the elimination of future developable Airport property from the lease sought to protect the future development of the Airport as a top priority, this direction is having an unintended impact on the economic feasibility of the solar project. **The developer received preliminary engineering information on May 20 indicating that, after excluding the area designated in the Airport Master Plan for future development, the amount of buildable acreage available for the proposed solar project has been reduced to approximately 80 acres. The capacity of the solar generation would therefore reduce from the original goal of 24.9 MW to between 15-18 MW.**

The 80 remaining buildable acres present less-than-optimal economics for a solar project. Several of the areas are small and would not be able to support many panels in a single area. Others require long cable runs to connect to inverters or to the electric grid, increasing costs. **At best within the current lease boundaries, the developer estimates a price-per-MWh in the mid-\$90s, a substantial increase from the originally projected pricing in the mid- to upper \$70s per MWh. As a reminder for comparison purposes, the City's 2.2 MW community solar project commissioned in 2020 is priced at \$59 per MWh.**

The explanation for this anticipated cost change is that the original pricing projections assumed a larger solar-developable area would be made available on the west side of the Airport. That area, now excluded from the lease, accounts for approximately 10 MW of highly efficient buildable area, which would lower the average cost of the project. With the Council's instruction on May 12 to exclude future Airport development areas, this large, solar-efficient area has been excluded from the lease.

At the time of the May 12 report, it was emphasized that the approval of a revocable lease by the City Council would allow the developer to meet the "safe harbor" deadline,

thereby qualifying the project for federal tax credits. However, the agreement is written so the lease of City Airport property will terminate should either party decide not to enter into a subsequent NTP Amendment (Power Purchase Agreement), which will reflect the final details of the transaction.

If the developer was to proceed with the "safe harbor" work, it would need to expend approximately \$300,000 within the next several days to perform that work, with another \$250,000 to \$400,000 in expenses anticipated before the end of the calendar year to develop the project.

Realizing that the anticipated cost of energy from the current lease area configuration is well above the market rate for other solar projects, the developer is now expressing hesitation about proceeding to commit to further development expenditures necessary to achieve "safe harbor" status. The developer has told City staff that the rate at which the power would be produced under the current footprint is not economical, and that the developer is in the business of providing economical power.

The best path to accomplish a solar project that is economically priced is to commit the City's 53-acre property on the west side of the Airport to the solar project. This property is currently leased to John Deere for a spray testing operation based out of John Deere's ISU Research Park facility.

Approximately two-thirds of the area leased to John Deere is designated in the Airport Master Plan for future T-hangar and commercial hangar developments, while the remaining one-third is designated for future non-aeronautical land use. The solar developer has indicated that if the 53-acre property is included in the solar lease, it would be possible to shorten the Purchase Power Agreement (PPA) duration from 25 years to 20 to allow for the land to be "locked up" for less time, or to provide for early removal of portions of the solar project for a predetermined cost to the City if a hangar or non-aeronautical development project comes to fruition prior to the end of the PPA.

The City entered into the lease with John Deere in 2019. Its initial term is for 10 years. John Deere has the option to extend the lease for up to five additional five-year extension terms. The City may cancel the lease with 360 days' notice if the lease must be terminated to accommodate a development on Airport property.

City staff has not had discussion with John Deere about the prospect of canceling the lease of the impacts it would have on the company. Therefore, it is unknown at this time whether it would be possible to accommodate John Deere's needs in another portion of Airport property.

OPTIONS:

1. The City Council could decide to return a portion of the acreage removed from consideration for the solar the project in order to improve project economics and, if necessary, attempt to identify alternative property in the area suitable to the displaced user.

The most attractive area for the solar facility would be the current land that is leased to John Deere for its sprayer testing. The current lease with the company has a

cancellation clause, but it is unknown if this option would be supported by John Deere.

2. If equipment or materials that the developer is contemplating to purchase in order to meet the "Safe Harbor" expenditure requirement can be used by Electric Services for some other project, the City could commit to buy that item from the developer should City ultimately decide not to sign the NTP Agreement.
3. While not binding, the City Council could indicate to the developer that an anticipated cost in excess of \$95 per MWh will not prevent the City from continuing consideration of the project.

The developer has indicated to staff that it does not support pursuing the project if the costs are uneconomical to this degree.

4. Discontinue further consideration of the project.

STAFF COMMENTS:

This project requires a difficult balance between the City Council's goals related to sustainable electrical energy, future development of the Airport, the interests of existing Airport tenants, and the costs for the benefits of the project. It is clear that the solar project becomes uneconomical without additional cost-effective property on which to install solar. The developer does not expect the City to accept the energy pricing that would result from the current proposed lease area.

The developer has identified the John Deere lease area on Airport property as the best option to include in the solar lease in order to deliver a cost-effective solar project. This, however, results in impacts to John Deere that may be difficult to completely mitigate. Additionally, development of solar in this area is not consistent with the long-term uses reflected in the Airport Master Plan.

Unfortunately, there is little time remaining to appropriately consult with John Deere about this situation. The solar developer has indicated that it must make a decision to pursue "safe harbor" financial obligations by Thursday, May 28, 2026.

It should be emphasized that even if this lease area issue is resolved, there remain other interconnection challenges that must later be overcome to make this project viable. Additionally, the NTP Amendment, including the energy pricing, must still be negotiated to the Council's satisfaction.

ATTACHMENT(S):

[EMAIL From Recall Strategies.pdf](#)

[Solar Lease Areas with Airport Master Plan.pdf](#)

[MAP7.pdf](#)