

ITEM #:	<u>2</u>
DATE:	<u>05-19-26</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. Staff has done so and is now presenting the attached lease for approval.**

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 (NTP) 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 during the next year.

If the parties do not agree to the NTP Amendment by June 30, 2027, the option agreement expires, the project will not be constructed, and the City will have no financial obligation to the developer. The City is under no obligation to agree to the amendment if it finds any of its terms objectionable (e.g., pricing, size, impacts to other Airport users, etc.). If the NTP Amendment is ultimately agreed to, the NTP Amendment deadline of June 30, 2027 provides sufficient time to provide notice to cancel the tenant farmer's lease agreement prior to incurring any costs for the following growing season.

KEY LEASE PROVISIONS:

The lease is structured to include an initial term of 25 years. As is the case with the City's existing solar Power Purchase Agreement, at the conclusion of the lease term the parties could agree to an extension for a further five years. Alternatively, the City would have the right to purchase the system at that time (at a price to be negotiated in the NTP Amendment, or the developer may remove the system from the premises.

The City is the only entity authorized by the agreement to benefit from the construction of the solar project. The developer is not permitted to sell the energy to any other entity. Once negotiated in the NTP Amendment, the developer will receive payment for the energy at an agreed-upon rate for each kWh of energy produced by the system.

The agreement makes clear that the Airport is regulated by the Federal Aviation Administration (FAA), and that nothing in the agreement may require the City to violate any federal regulation, directive, or law that currently exists or may exist in the future. In addition, the developer must secure all the necessary permits and approvals from the FAA or other governmental entities in order to install or operate the system, and must comply with all applicable safety directives when constructing, operating, and maintaining the system on the Airport property.

The lease contains several provisions that would allow for it to be terminated by either party. If the developer is unable to obtain FAA approval for the some or all of the project's construction, it may terminate the agreement, or may continue to reapply for FAA approval. If the developer remains unsuccessful in obtaining FAA approval after June 30, 2032, the City has the right to terminate the agreement. City staff believes this is an important limitation to ensure that if the project cannot be developed in a timely fashion, the land can be returned to agricultural production to ensure a steady income for the Airport.

At the May 12, 2026 City Council meeting, the City Council directed that the leased areas are not to include any property designated for future development according to the Airport Master Plan. Staff has communicated this to the developer, and the lease areas have been modified to eliminate solar installations that would conflict with such Airport development. **The resulting lease contains 15 separate areas totaling 149.74 acres. These general lease areas are subject to further approval of the specific arrangement of solar equipment within them, and therefore further refinement is possible prior to the execution of the NTP Amendment. Two maps are attached to demonstrate the lease areas. The second overlays the lease areas on the Airport Master Plan.**

It is important to note that this acreage is likely insufficient to support the buildout of the full 24.9 MW(ac) of capacity. The developer has cautioned staff that a smaller project spread over multiple sites is likely to result in an increase to the price-per-kWh for the energy ultimately generated. However, these details will need to be calculated and negotiated prior to the approval of the Notice to Proceed Amendment. Again, the City Council is not obligated to agree to that amendment if it is not satisfied with the ultimate purchase price of the energy, or any other provisions proposed in the NTP.

As of the time of this writing, the developer had filed its business registration application in order to do business in Iowa, but had not received approval from the Iowa Secretary of State's Office. There is typically only a processing time of a few days necessary to receive such approval. Therefore, staff is requesting that the Council's approval of the lease option agreement is made contingent upon Ames Greenfield Dev Co., LLC receiving proof of registration and authorization to do business in the State of Iowa.

ALTERNATIVES:

1. Approve the attached revocable lease option agreement with Ames Greenfield Dev Co., LLC, contingent upon Ames Greenfield Dev Co., LLC receiving proof of registration and authorization to do business in the State of Iowa.
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. An agreement has been negotiated and is satisfactory to City staff.

It should be emphasized, however, that entering into this agreement does not obligate the City to any costs nor compel the City to enter into a power purchase agreement. If the City and the solar developer do not arrive at a mutually agreeable Notice to Proceed Amendment (i.e., the Power Purchase Agreement), the lease option will lapse and the project will not proceed to fruition.

Due to the expiration of the federal production tax credits if the project has not achieved safe harbor status by July 3, it is not possible to delay the approval of this agreement any later. If the safe harbor deadline is not met, the costs of the project will be greater and the cost of the energy produced will be substantially higher.

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

ATTACHMENT(S):

[Solar Lease Areas.pdf](#)

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

[Recall Strategies - Solar Lease and Easement Agreement FOR APPROVAL BY COUNCIL.pdf](#)