

**STAFF REPORT**  
**Lancaster Power Authority**

PA NB 1
02/12/13
MVB

Date: February 12, 2013

To: Chairman Parris and Authority Members

From: Jason Caudle, Deputy Executive Director

Subject: **Revised Ground Lease with PsomasFMG, LLC for the Construction of a Photovoltaic Solar Generation Facility**

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**Recommendation:**

Approve a revised twenty (20) year Ground Lease with PsomasFMG, LLC (PsomasFMG) for 34.41 acres of land west of the Lancaster National Soccer Center (LNSC). Authorize the Executive Director to execute all documents necessary to complete the transaction and modify the Agreement, if necessary, with concurrence of legal counsel to complete the transaction.

**Fiscal Impact:**

This Agreement does not obligate the Lancaster Power Authority (LPA) to financial outlay. PsomasFMG will continue to reimburse LPA \$400.00 an acre each year, payable in six month increments from the date of the Option to Lease Agreement. Once the proposed generation facility is constructed, PsomasFMG would pay LPA \$2,150.00 an acre (\$75,250.00 annually) or approximately \$1.5 million over the twenty (20) year term of the Ground Lease. For comparison purposes, the recent appraised value of the property is a total of \$344,000 (\$10,000/acre). This equates to a market rental rate of \$10,320 per year.

**Background:**

On October 11, 2011, the LPA approved a Master Solar Power Purchase and Sale Agreement with PsomasFMG for the construction of a 6 MW solar generation facility on thirty (35) acres of City owned land west of the LNSC.

On December 13, 2011, the LPA approved a two (2) year Option to Lease Agreement and a twenty (20) year Ground Lease with PsomasFMG to reserve approximately thirty-five (35) acres of land west of the LNSC to work cooperatively to design and construct a 6 MW photovoltaic solar generation facility.

Since that time, there have been two significant changes in the solar project driven primarily by changes in the California Renewable Energy Small Tariff (CREST) program. First, the solar system size has been reduced from 6 MW to 3 MW. Secondly, the price of the solar electricity SCE has agreed to pay has been reduced from \$0.1427/kWh to \$0.126/kWh due to changes in the SCE CREST program. Based on these significant changes to the project, and the recent property appraisal, staff is proposing that the lease payment be reduced to \$2,150 per acre annually, from the original proposal of \$8,465 annually. This rate is reflective of current conditions and still provides the LPA with a reasonable and justifiable rate of return on this proposed partnership with PsomasFMG.

CJL:pjp

**Attachments:**

Amendment No. 2

Location Map