



Sunnyside Solar Farm Lease Amendment

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July 26, 2023



Original Lease Overview

- The City of Houston and Sunnyside Energy LLC previously entered into a surface lease dated effective January 25, 2021, pursuant to Ordinance No. 2021-40, passed and adopted by the City Council of the City on January 13, 2021.
- The leased property is located generally at the site of a former municipal landfill near 3100 Belfort Street. Under the Original Lease, the City granted Tenant a 30-year lease covering a called 240 acres of land for the development, construction and operation of a solar farm and the solar project, including all equipment, structures and improvements installed by Tenant on the leased property, would belong solely to the Tenant.
- The Original Lease is being amended and restated primarily to effect change in project ownership (i.e., City will hold title to Project Facilities), and make corresponding revisions. The amended lease also contains various other changes, and those considered most salient will be discussed today.



Lease Amendment Changes

- **Leased Premises will exclude ~6 acres.** The Original Lease included only a general depiction (aerial map) of the leased property and called for the Tenant to obtain a survey and legal description. The amended lease incorporates a recent survey and legal description for 249.56 acres and excludes a ~6-acre tract included in the Original Lease situated north of Bellfort Street.
- **Title to Project Facilities.** City will hold title to Project Facilities, which will consist of the 3 components described below, together with all related improvements, equipment, structures, buildings, fixtures and appurtenances. This follows the business models that have been very successful for our sports stadiums.
- **Project Phases.**
 - 2 MW, Community Solar Component; target date for Commercial Operation is Dec. 15, 2023.
 - 50 MW, Utility-Scale Solar Component; target date for Commercial Operation is May 31, 2024.
 - 150 MW, Battery Component.

Lease Amendment Changes (Continue)



- **Rent.** In the Original Lease, rent was \$1 per year for the entire lease term. Under the amended lease, Tenant is obligated to pay Development Rent and Operations Rent as described below.
 - Development Rent (paid during Development & Construction Period)
 - \$20,000 per year, starts when amended lease is executed.
 - Operations Rent (paid during Operations Period)
 - Part A: \$200,000 per year, starts when Utility-Scale Solar Component achieves Commercial Operation and increases every 5 years based on inflation for land component.
 - Part B: \$200,000 per year, starts when Battery Component achieves Commercial Operation.
 - Tenant agrees to increase Operations Rent by \$200,000 as incentive for new lease agreement when extended for 15 years.

Lease Amendment Changes (Continue)



- **Target dates for Commercial Operation.** The target date for Commercial Operation of the Community Solar Component is December 15, 2023. The Utility-Scale Solar Component must achieve Commercial Operation by May 31, 2024. Extensions for cause are permissible.
- **Performance Security.** Three Business Days after City issues building permit, Tenant must provide the City with a performance bond or letter of credit in the amount of \$10M to secure Tenant's timely construction and installation of Project Facilities and cause Commercial Operation.
- **Community Benefits.** Tenant committed to provide certain community benefits under the Original Lease. Under the amended lease, Tenant must still meet workforce training and local hiring requirements.

Lease Amendment Changes (Continue)



- **City payment for unamortized capital improvement costs.**
 - Pursuant to the City's Charter, the Lease Term is capped at 30 years. Upon lease expiration, Tenant expects to enter into a new 15-year lease agreement with the City, which must be approved by future City Council action.
 - If future City Council fails to approve the new lease, the City must pay Tenant \$26,666,667.00 for unamortized capital improvement costs.
 - Any proposed adjustments to this amount must be made in accordance with the process set forth in a separate memorandum to be executed concurrently with the amended lease.
- **MWSBE.** Tenant is required to comply with the City's MWSBE program and applicable OBO Policies and Procedures. Tenant must also make good faith efforts to award subcontracts or supply agreements consistent with goals set by OBO.

Lease Amendment Changes (Continue)



- **Maintenance and Repairs.** Tenant assumes the full and sole responsibility, cost and expense for the condition, operation, utilities, security, repair, replacement, maintenance and management of the Project Facilities and Leased Premises during the Term.
- **Communication Plan.** Tenant must get City's consent before issuing any announcement, statement, press release, or other publicity or marketing materials relating to the City, the Lease or the Leased Premises.
- **Annual Report.** The parties will establish a format for an annual report relating to the solar project's environmental performance and achievement towards the City's Climate Action Plan and Sunnyside Complete Communities Action Plan goals, and include information such as energy output, CO₂e emissions avoided, solar farm workforce demographics, and rate comparison for community solar array.



Milestones

- Application to ERCOT. On February 10, 2021, Tenant prepared and submitted to ERCOT an application to interconnect the Project Facilities with ERCOT's electricity facilities pursuant to Applicable Law.
- TCEQ Authorization. On April 18, 2022, Tenant obtained TCEQ authorization to disturb the final cover of the Landfill.
- Clearing the Land. Within ninety (90) days following the Effective Date, Tenant shall begin pre-construction clearing of the Land.
- Power Purchase Agreements. Within ninety (90) days following the Effective Date, Tenant shall obtain contracts necessary for the sale of the solar energy and electrical output resulting from the Project Facilities.
- Regulatory Approval; Other Permits. Within ninety (90) days following the Effective Date, Tenant shall obtain any and all other Permits from TCEQ and any other Governmental Authority (except for the Landlord) necessary for the installation, operation and maintenance of the Project Facilities.



Milestones (Continue)

- Financing. Within ninety (90) days following the Effective Date, Tenant shall secure suitable and acceptable financing for the development and construction of the Project Facilities.
- Commencement of Construction. Within one hundred twenty (120) days following the Effective Date, Tenant shall commence construction of the Project Facilities, as evidenced by the notice to proceed. After commencing construction, Tenant must use all reasonable commercial efforts to continue construction activities at all times, and complete construction activities in a timely fashion.

Questions?



Thank you!