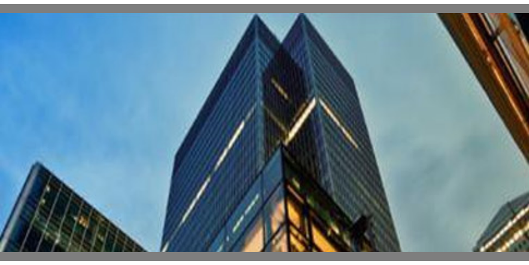
Securitized Products Special Topics

Critical Minerals: Government Expands Land Leases Beyond Data Centers



Growing Use of Federal EUL Program Opens Up Unique Investment Opportunities

The Enhanced Use Lease (EUL) Federal program is emerging as an important catalyst for digital infrastructure buildouts, domestic supply chains, and critical minerals. The program could also facilitate unique investment opportunities. EUL allows Defense Agencies and military departments to lease non-excess, underutilized land to private-sector partners. The U.S. Army and Air Force, as well as the Department of Energy, increasingly have used EUL to initiate data center construction on government lands.[1] The Army is now turning to lease land for critical mineral processing facilities. The Army struck last month deals with four companies to build facilities for processing (1) Graphite, (2) Lithium, (3) Boron, (4) Dysprosium and (5) Terbium.

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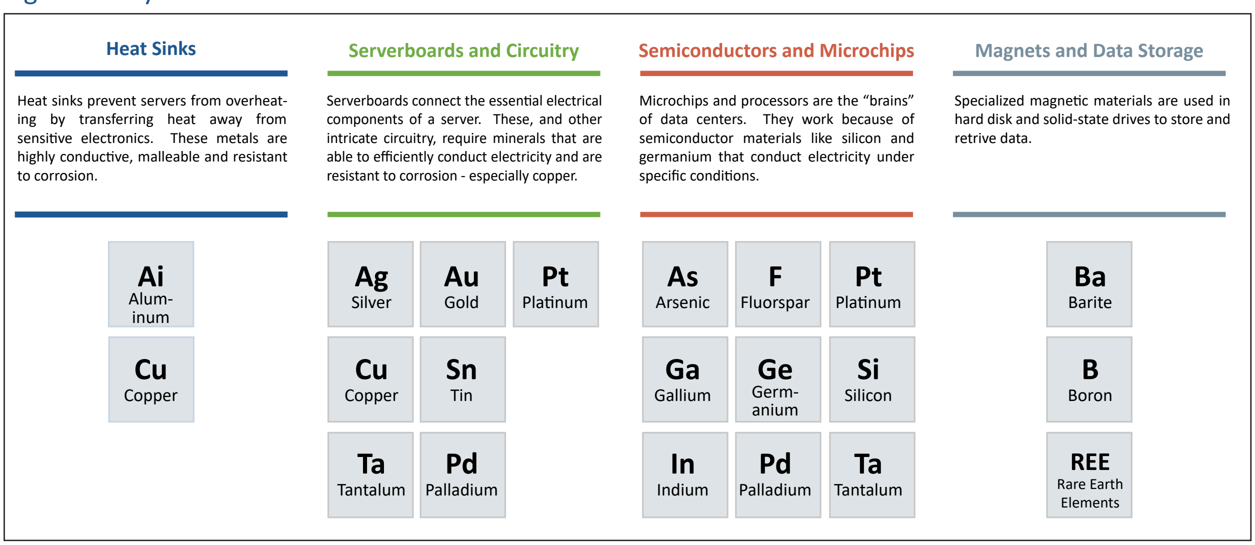
The construction on military bases should support the data center ecosystem, which uses large amounts of mineral resources, including critical minerals. Boron is one example. It is one of the materials magnets and data storage equipment use (Figure 1). In turn, data centers use lithium ion batteries for power supply. To be sure, much of the public discussion around bottlenecks for data centers has been around power availability, and to some extent equipment backlogs.[2] Still, critical mineral shortages play an important role in data center cost structures and development timelines, according to conversations with market participants.

Figure 1. Key Minerals in Data Centers



Source: US Department of the Interior, US Geological Survey, and Academy Securities

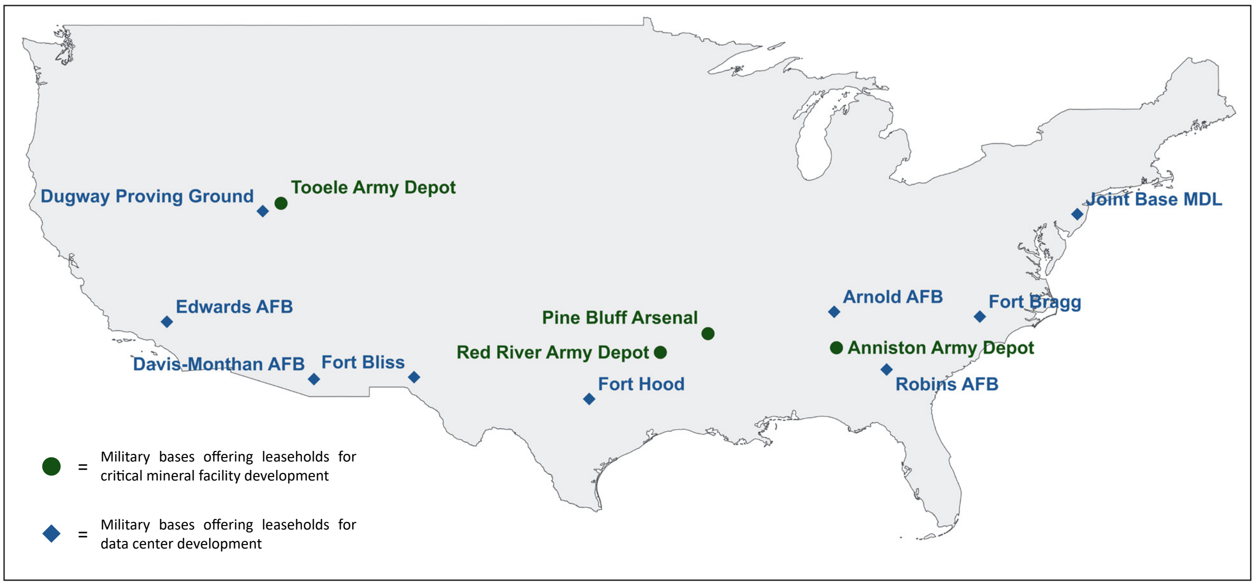
1 "Military Data Centers: Gear Up for a Wave of Properties on Government Land," Securitized Products Special Topics, Academy Securities, May 13, 2026

2 "Data Center Campuses: Phased Buildouts to Scatter Investor Exposures," Securitized Products Special Topics, Academy Securities, April 20, 2026

Construction on Military Bases Mitigates NIMBY Backlash

The lands the government proposes for development introduce unique locations. For the critical mineral facilities, the Army offered land at (1) Anniston Army Depot in Alabama, (2) Pine Bluff Arsenal in Arkansas, (3) Red River Army Depot in Texas, and (4) Tooele Army Depot in Utah (Figure 2). Some of the locations are close to military bases that are poised to see data center development as well. For example, Tooele Army Depot, which will see a boron processing facility, is not too far from Dugway Proving Ground. The Army selected CyrusOne to develop an AI hyperscale data center at Dugway. Aside from diversifying development geographies, the construction on military bases could face less community resistance and NIMBY issues. Mines and processing plants usually get pushback from nearby communities, like data centers.

Figure 2. Government Critical Mineral Processing Facilities and Data Center Construction Proposals



Source: SAM.gov, deal documents, and Academy Securities

EUL Nuances Impact Project Valuations and Capital Markets Funding

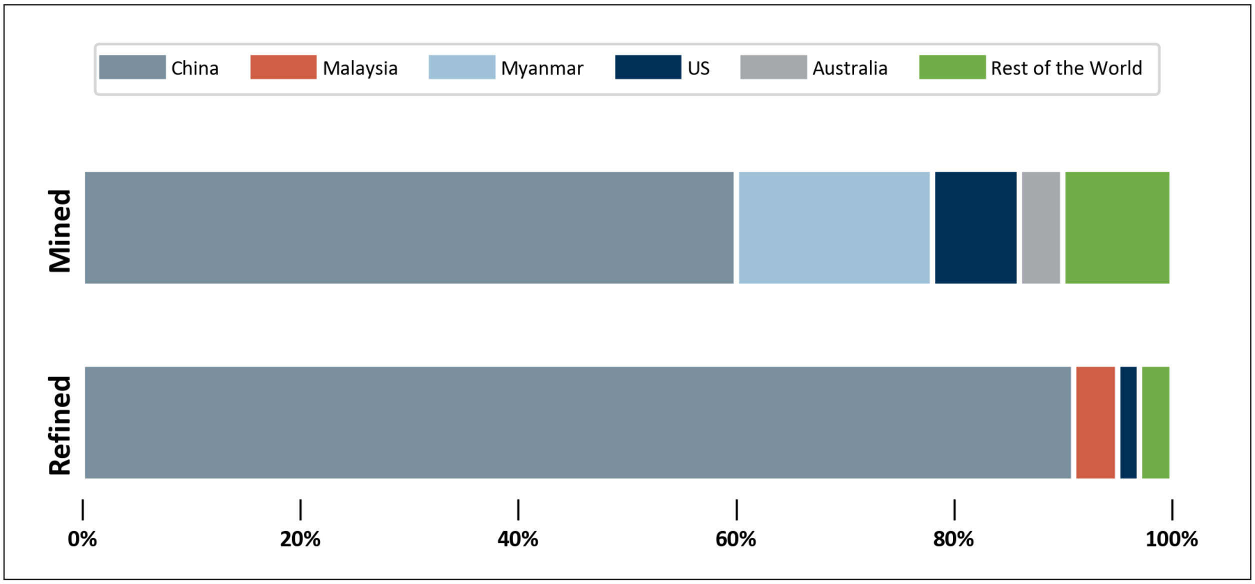
The growing inclination of the government to leverage the EUL program, across a broadening range of uses, should pique investor interest. Data center developers and critical mineral firms clearly are responding to the government "request for proposals" or "request for lease proposals" (RFP/RFLP) that solicit the long-term leasehold agreements. Investors can track the government RFPs on SAM.com. As the projects get underway, we will not be surprised to see the developers looking for capital markets funding. The RFPs state that the private sector lessees bear all costs to finance, design, build, operate, secure, and decommission the facilities. The Army noted the mineral facility developments are slated to begin as early as 2027. The initial operating capability target is by, or ahead, of 2028.

The nuances of the leases the government negotiates with the developers will impact project valuations. The Army has shown preference for in-kind consideration (IKC) leases. A full IKC rent would make the transaction a cash neutral lease. Across the critical mineral facility leases, the lessees would directly fund and execute infrastructure improvements on the military bases, instead of cash lease payments.

Broad U.S. Push to Secure Domestic Critical Mineral Production

The government EUL use for mineral facilities ties into a broader focus on strengthening national defense and securing domestic supply chains. Geopolitical tensions over critical minerals are palpable. This is a topic that Academy's Macro Strategy and Geopolitical Intelligence Group (GIG) covered extensively in recent months. The U.S. has been making some progress on this front, according to Academy's Peter Tchir. There is a lot going on behind the scenes in D.C. (and in the Department of War) that is smoothing the path to more domestic processing, refining, and smelting (as well as extraction). It takes time. Regulatory hurdles remain. At the state level, some states embrace the jobs and taxes that come with these industries. China is dominating rare earth supply, including dysprosium and terbium, the focus of the planned development in Tooele Army Depot.

Figure 3. Rare Earths Supply



Source: BloombergNEF, International Energy Agency,, and Academy Securities

An accelerating pace of critical mineral-related developments and projects may facilitate exposures to the space to real estate and securitization investors. For example, USA Rare Earth announced last month it has selected Cherokee County in South Carolina for development of a new facility that will produce neodymium-iron-boron (NdFeB) permanent magnets and refined rare earth metals.

Separately, the Department of War announced last month a strategic partnership with Phoenix Tailings, which will develop a rare earth midstream processing facility called Freedom Facility. Midstream processing is the most constrained segment of the rare earth value chain, according to press releases. Interestingly, the market saw the first publicly issued midstream oil ABS in June. The emergence of midstream ABS transactions, distinct from upstream deals, more closely ties O&G ABS exposures to infrastructure and data center buildouts, as we discussed in research report.[3]

3 "Oil & Gas ABS: Midstream Deals Tap Into Infra and Data Center Buildout," Securitized Products Special Topics, Academy Securities, June 25, 2026

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Data Centers Capex: Mixed Estimates on a Key Cashflow Driver

ARDs: Missing Anticipated Repayment Not Unusual, May Warrant Workout

BBnB: Check Your Booked-But-not-Billed Data Center Exposure

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OC Triggers: Subtle Thresholds Come to the Fore As Collateral Stress Builds Up

Self Storage: Aspects to Watch as Performance Decelerates

Transitional Multifamily: Collateral Migration Away from CRE CLO Offers Different Deal Profile

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Investor Non-QM: Rental Exposure with Some Structural Twists

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NYC Multifamily: Rent Increases to Support Cashflows Amid Regulatory Restrictions

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