

**Office of the County Auditor**  
**Auditor's Analysis - REVISED**

**Council Resolution No. 142-2021**

Introduced: September 8, 2021

Auditors: Owen Clark and Michael A. Martin

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Fiscal Impact:

Assuming personal property taxes would be assessed without the passage of this legislation, our Office estimates the fiscal impact of this legislation is a property tax abatement of approximately \$219,000 over the 20-year term of this agreement. Details regarding this analysis are outlined in the table below.

<b>Total Tax Abatement</b>	
<b>Years</b>	<b>Personal Property Taxes</b>
1 - 10	\$ 165,767
11 - 20	53,390
<b>Total</b>	<b>\$ 219,157</b>

Our Office calculated this estimate using the Maryland State Department of Assessments & Taxation's (SDAT) assessment of the solar facility, provided to us by the solar developer for the tax year beginning July 1, 2019. Our Office has assumed the assets have a 30-year useful life and will depreciate annually by a conservatively stated 3.5 percent over the term of this agreement.

Per the Administration, the financial structure of this agreement and project were developed prior to knowledge that SDAT would assess personal property taxes on the solar equipment.

**Our Office would like to note that although a payment in lieu of taxes (PILOT) agreement for personal property taxes has not been executed, the Director of the Department of Finance (Finance) has confirmed Finance has not been billing the solar facility for personal property taxes since the inception of the project. Our Office estimates this may have resulted in a total reduction of approximately \$178,000 in County personal property tax revenues since 2014. At this time, it is unclear if the County will seek to collect personal property taxes from prior years that were never collected.**

**NOTE:** Since this PILOT is associated with an already operational solar facility, the Administration has noted that an Amendment to this agreement will be filed which clarifies that the personal property tax abatements will only be provided prospectively.

Purpose:

This legislation would allow for Terrapin Branch Solar, LLC (facility owner), and 2800 Nixon's Farm Lane, LLC (landowner), to enter into a PILOT agreement with the County for the generation of electricity on property owned by 2800 Nixon's Farm Lane, LLC. This is an Aggregate Net Metering project, which is typically used to off-set solar energy to non-profits, governments, or agricultural facilities.

The terms of the PILOT agreement are as follows:

- Years 1 - 10:
  - The facility owner will be exempt from paying 100 percent of the County's personal property taxes on the condition the facility owner pay the County \$1 per year in lieu of exempted taxes.
  
- Years 11 - 20:
  - The facility owner will be exempt from paying 50 percent of the County's personal property taxes on the condition the facility owner pay the County \$1 per year in lieu of exempted taxes.

Other Comments:

Pertaining to the abatement of this parcel's real property taxes, a PILOT agreement (via Council Resolution 90-2014) was authorized on July 25, 2014. However, the CR90-2014 agreement was never executed and a revised PILOT agreement was later passed via CR11-2018, which was executed. During the period of time prior to the passage of CR11-2018, Finance continued to operate as if CR90-2014 was signed and in force. As such, \$104,000 of real property tax revenue was abated without an executed agreement.

*Our Office has an open inquiry with the solar developer of this project to confirm which customers are served by this solar project and where they are located. To the extent that these customers are located outside of Howard County, there may be County tax abatements that are benefiting non-County entities.*