

Office of the County Auditor
Auditor's Analysis – REVISED November 1, 2021

Council Resolution No. 140-2021

Introduced: September 8, 2021
Auditors: Owen Clark and Michael A. Martin

Fiscal Impact:

Our Office was able to estimate that the fiscal impact of this legislation is a property tax abatement of approximately \$548,000 over the 20-year term of the agreement. Details regarding this analysis are outlined in the table below. **See note regarding real property taxes below.**

Total Tax Abatement			
Years	Real Property Taxes (1)	Personal Property Taxes (2)	Total
1 - 10	\$ 24,541	\$ 391,000	\$ 415,541
11 - 20	13,125	119,000	132,125
	\$ 37,666	\$ 510,000	\$ 547,666

(1) Source: SDAT real property tax assessments and an assumed 2 percent appreciation every three years.
(2) Source: Project Pro-Forma

NOTE: The State of Maryland's Department of Assessments and Taxation (SDAT) has indicated that real property used by a solar farm will be assessed as commercial property and an existing agricultural use will be removed according to real property procedures. Also, the solar developer has indicated that the project will absorb any tax increase that results from an increased real property tax assessment due to the solar facility's presence on the parcel.

Purpose:

This legislation would allow for SunEast Friendship Solar LLC (facility owner) and MHGH&S, LLC (landowner), to enter into a payment in lieu of taxes (PILOT) agreement with the County for the generation of electricity on property owned by MHGH&S, LLC. The facility associated with this legislation is planned to be a Community Solar program that allows utility customers to receive a credit on their electric bill by subscribing to an off-site solar project.

The terms of the PILOT agreement are as follows:

- Years 1 - 10:
 - The landowner will be exempt from paying 50 percent of the County's real property taxes on the condition the landowner pay the County \$1 per year in lieu of exempted taxes.
 - 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 landowner will be exempt from paying 25 percent of the County's real property taxes on the condition the landowner pay the County \$1 per year in lieu of exempted taxes.
 - 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.

NOTE: Because this is one of two projects on the same property (the other project's PILOT being requested in Council Resolution 141-2021), the landowner will receive a 100 percent abatement of real property taxes years 1-10, and 50 percent abatement in years 11-20.

Other Comments:

SunEast Friendship Solar LLC is building one of two solar arrays at this property. The other solar array is covered under CR141-2021. Each solar array is planned to be 15 acres, occupying a total of 30 acres on the existing 83-acre parcel. As noted above, the landowner will have all of their real property taxes abated for the term of these agreements if CR140-2021 and CR141-2021 were to pass.

The solar developer has indicated that this PILOT agreement is included in the project's financial projections and the rate of return required by their investor. Our Office reviewed these financial projections and noted that the project anticipates positive net cash flows with and without this PILOT agreement.

Unlike the Housing PILOTs, which provide affordable housing to residents of the County, this community solar project is planned to also provide solar power to residents in surrounding Counties that are served by Baltimore Gas and Electric Company. Therefore, County tax abatements will be benefiting non-County residents.

We also determined that of the surrounding Counties, only Anne Arundel has a Solar PILOT. However, the solar facility in that case participates in a power purchase agreement that provides power exclusively to Anne Arundel County's Board Of Education, the City of Annapolis, and the Anne Arundel County government.

Existing tax incentives for the development and operation of solar facilities include:

- A 50 percent reduction of the assessed value of machinery or equipment used to generate electricity for sale that is subject to County property tax, § 7-237(b) of the Maryland Tax-Property Article, and
- A Federal Business Energy Investment Tax Credit that is currently equivalent to 26 percent of the tax basis of a solar project.