

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

**Council Resolution No. 109-2022**

Introduced: July 5, 2022  
Auditor: Michael A. Martin

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Fiscal Impact:

The estimated fiscal impact of this legislation being passed would be foregone personal property tax revenues of \$3.4 million over the 30-year term of the PILOT (payment in lieu of taxes) Agreement.

According to the Director of the Office of Community Sustainability's (the Director's) fiscal testimony, the true fiscal impact is zero for two reasons. Firstly, the Director indicated that without the Power Purchase Agreement (PPA) and related PILOT agreements, the projects will not be built. Similar to previously approved PILOT Agreements, this legislation states (starting on page 2, line 5) that the solar facilities demonstrated to the County that this PILOT is necessary to make the solar project economically feasible.

However, our Office is unable to substantiate that the solar facilities demonstrated this to the County. In response to a request for the pro-forma financial statements for the solar facilities, the Director informed our Office that the financial viability of the proposed solar project was irrelevant, and that the Administration would not object if a Councilmember was interested in removing the applicable clause from the legislation.

Additionally, the Administration's testimony states if the project is built without a PILOT for personal property taxes, that the terms of the PPA will require the County to pay an amount equal to the amount of the taxes in its Renewable Energy Charge.

However, based on our review of the County's Solar PPA (approved via Council Bill 10-2020), its terms only allow the power provider to add real property taxes, rather than personal property taxes, to the County's Renewable Energy Charge on an actual, pro rata basis if they are not abated via a PILOT. Therefore, we believe that these terms of the PPA do not apply to this legislation. Per inquiry from our Office on this matter, the Office of Law has indicated this language was improperly drafted in the PPA.

The \$3.4 million noted above was derived from using the Administration's estimated Year 1 personal property tax revenue abatement from the solar facilities, as provided in their testimony, to estimate the total abatement of personal property tax over the 30-year term of this agreement. A breakdown of these estimates is shown in **Attachment A**.

Purpose:

This legislation approves the terms and conditions of a PILOT Agreement between the County and 17 affiliates (solar facilities) of KDC Solar Maryland, LLC (KDC). These solar facilities will be operational on County property as well as two private properties (Clear View Farm, LLC, and Triple Creek Farm, LLC). In lieu of paying personal property taxes on these solar facilities, KDC will pay the County ten dollars each year over a 30-year period.

The County has a renewable energy PPA with KDC that is intended to provide renewable energy from solar facilities that will offset County energy costs.

Other Comments:

As noted above, there is an existing PPA between the County and KDC Solar Maryland, LLC, that authorizes the County to purchase up to 50 million kWh of renewable energy each year at a price of \$0.07391 per kWh over a 25-year period with the option for a 5-year extension.

The Director has indicated County savings will be recognized from the PPA of \$1.6 million over the course of the PILOT Agreement. These savings, provided by the Administration, are from discounted energy rates of \$1.2 million provided to the County through the PPA and Renewable Energy Credits to the County from KDC totaling \$375,000.

The Director also indicated an incentive provided by the PPA is a \$382,000 grant from KDC that will be issued to the County in order to purchase electric vehicle charging stations. Our Office would like to note that the amount of this award should not be considered part of this legislation's fiscal impact, as the Director has indicated the award is expected to be received in FY 2023 regardless of this legislation's approval.

Additional details provided by the Administration regarding the sites noted in this legislation can be found on **Attachment B**.

Council Resolution 110-2022 and Council Resolution 111-2022 are related pieces of legislation that establish the PILOT Agreements for real property on Clear View Farm, LLC, and Triple Creek Farm, LLC, respectively.

The KDC subsidiaries that will be operating on County-owned properties have entered into license agreements with the County. Each roof-top solar project has a 20-year license agreement, coinciding with the roof's useful life, while the ground-mount and solar canopies over the parking projects have license agreements equal to the duration of the PPA, or 25 years.

**Attachment A – Estimated Foregone Personal Property Tax Revenue**

<b>PILOT Year</b>	<b>Estimated Equipment Value*</b>	<b>County Personal Property Tax</b>
Year 1	10,284,151	260,703
Year 2	9,872,785	250,275
Year 3	9,461,419	239,847
Year 4	9,050,053	229,419
Year 5	8,638,687	218,991
Year 6	8,227,321	208,563
Year 7	7,815,955	198,134
Year 8	7,404,589	187,706
Year 9	6,993,223	177,278
Year 10	6,581,857	166,850
Year 11	6,170,491	156,422
Year 12	5,759,125	145,994
Year 13	5,347,759	135,566
Year 14	4,936,392	125,138
Year 15	4,525,026	114,709
Year 16	4,113,660	104,281
Year 17	3,702,294	93,853
Year 18	3,290,928	83,425
Year 19	2,879,562	72,997
Year 20	2,468,196	62,569
Year 21	2,056,830	52,141
Year 22	1,645,464	41,713
Year 23	1,234,098	31,284
Year 24	822,732	20,856
Year 25	411,366	10,428
<b>Total Foregone Revenue</b>		<b>3,389,142</b>

\*Annual depreciation of \$411,366 when assuming the aggregate of the equipment values in the Administration’s testimony will depreciate evenly over a 25-year useful life. *Our Office requested and was not provided with supporting documentation for the equipment values noted above.*

## Attachment B – Solar Facility Site Details

### County-Owned Sites

Site	Address	Type	Capacity (MW DC)	Anticipated Commercial Operational Date	Estimated kWh Generation (Year 1)
Circuit Court House	9250 Judicial Way Ellicott City, MD 21043	Rooftop	0.328	July 2022	430,000
		Ground	0.452	July 2022	598,000
Waterloo Fire Station	7645 Port Capital Drive Jessup, MD 21075	Rooftop	0.085	September 2022	105,749
Scaggsville Public Safety Complex	11226 Scaggsville Road Laurel, MD 20723	Rooftop	0.202	September 2022	249,078
Detention Center	7301 Waterloo Road Jessup, MD 20794	Rooftop	0.208	September 2022	253,404
East Columbia Library	6600 Cradlerock Way Columbia, MD 21045	Rooftop	0.274	November 2022	367,129
		Carport	1.01	August 2023	1,257,000
East Columbia 50+ Center	6600 Cradlerock Way Columbia, MD 21045	Rooftop	0.0576	May 2023	75,780
Ulman (Gateway) Building	6751 Columbia Gateway Dr Columbia, MD 21045	Rooftop	0.062	November 2022	80,088
		Carport	0.858	December 2022	1,177,784
Elkridge Branch Library	6540 Washington Blvd. Elkridge, MD 21075	Rooftop	0.105	September 2023	182,700
Harriet Tubman Building	8045 Harriet Tubman Lane Columbia, MD 21045	Rooftop	0.082	September 2023	99,876

### Privately-Owned Sites

Site	Address	Type	Capacity (MW DC)	Anticipated Commercial Operational Date	Estimated kWh Generation (Year 1)
TC Little Patuxent WWTP- Triple Creek I	12855 Frederick Road West Friendship, MD 21794	Ground Mount	2.883	August 2022	13,516,845
TC Blandair Park – Triple Creek II		Ground Mount	2.963	August 2022	
TC George Howard – Triple Creek III		Ground Mount	2.746	August 2022	
CV Ascend One – Clear View I	13370 Route 144 West Friendship, MD 21794	Ground Mount	2.986	March 2023	18,638,600
CV Central MD Regional Transit – Clear View II		Ground Mount	2.368	March 2023	
CV O'Donnell Property – Clear View III		Ground Mount	2.368	March 2023	
CV Animal Control – Clear View III		Ground Mount	2.414	March 2023	
CV Cedar Lane Park – Clear View V		Ground Mount	2.357	March 2023	