

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

**Council Resolution No. 33-2023**

Introduced: February 6, 2023

Auditor: Lori Buchman and Michael Martin

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Fiscal Impact:

Based on our review of the proposed legislation and the financial projections provided by the facility owner, the fiscal impact of this legislation would be dependent upon the percentage of energy generated to subscribers located within Howard County. If the energy utilized within Howard County is less than 50 percent, the fiscal impact of this legislation would be a property tax abatement of approximately of \$337,200 over the 20-year term of this agreement. If the energy utilized is over 50 percent, the fiscal impact would be approximately \$488,500, as shown in **Attachment A**.

As noted in **Attachment A**, SDAT has indicated that the assessed value of land developed for use as a solar facility will be estimated at \$20,000 per acre. To review this assumption, we compared the 2022 assessment of 13300 Frederick Road, which was recently developed as a solar facility and found the assessment increased by approximately \$18,133 per acre, which is generally consistent with SDAT's estimate.

If the solar projects are completed, the property would be assessed fire tax on both personal and real property. Based on the information in the financial projections and SDAT, the estimated amount of additional fire tax that would be generated is \$148,300. Of this amount, \$133,300 is attributable to the personal property fire tax and \$15,000 is real property fire tax. This revenue would be recognized in the Fire Fund.

The facility owner's financial projections assume that less than 50 percent of the energy generated would be utilized by customers that reside within Howard County. We noted that the facility is projected to generate positive cash flow either with or without the Payment in Lieu of Taxes (PILOT) agreement.

**NOTE:** The amount of tax abatement noted above differs from the Administration's testimony, prepared by the Director of the Office of Community Sustainability (OCS) because the facility owner revised the project's financial projections. OCS has indicated that a revision to their testimony is being prepared.

Purpose:

This legislation would allow for Chaberton Solar Lime Kiln LLC (facility owner), and Jo-Ann Middleton, Katherine Robinson and Janet Srock (landowners), to enter into a 20-year PILOT agreement with the County for the construction and operation of an approximately 15-acre commercial ground-mount solar collector facility located at 11959 Lime Kiln Road. This is a community solar project which allows for individual customers within the Baltimore Gas and Electric Company service territory to purchase the energy generated from this project.

**The terms of the PILOT are as follows:**

If less than 50 percent of the energy generated is subscribed to customers located in Howard County:

Years	Personal Property Taxes	Real Property Taxes
1 - 10	75 percent	37.5 percent
11 - 20	25 percent	12.5 percent

If more than 50 percent of the energy generated is subscribed to customers located in Howard County:

Years	Personal Property Taxes	Real Property Taxes
1 - 10	100 percent	50 percent
11 - 20	50 percent	25 percent

The facility owner is required to make a Payment in Lieu of Taxes to the County in the amount of one dollar in each scenario presented above.

The PILOT would be in effect until the earlier to occur of:

- The expiration of the agreement
- The date the landowners cease to be the fee simple owners of the property
- The date the facility owner ceases operation of the project

Other Comments:

Chaberton Solar is seeking to execute PILOT agreements with the County for two additional solar facilities (via CR35-2023 and CR36-2023). In addition, they will be the facility owners of two solar projects that have prior-approved County PILOT agreements (CR140-2021 and CR141-2021). These approved projects are anticipated to become commercially operational at the end of February 2023. See **Attachment B** for a comprehensive list of Community Solar or Aggregate Net Metering solar projects with proposed or approved PILOT agreements to date.

The facility owner is responsible for taxes assessed on the personal property and the landowner is responsible for taxes assessed on the real property. Per the anticipated lease agreement between the facility owner and the landowners, any increase in real property taxes as a result of the solar project will be paid by the facility owner.

Per the facility owner, it is currently unknown what percentage of the subscribers will reside in Howard County.

Per the OCS the State sets aside community solar program capacity for low to moderate income consumers, therefore OCS has not factored customer affordability into the decision to offer a PILOT.

The Planning and Zoning Director (DPZ) verified that the site development plan associated with this project has been submitted and is pending revisions. The outstanding items are primarily related to forest conservation and landscape plans.

Per the facility owner, they will decommission the property and return it to its original state at the end of the project and a surety bond will be held by the County to ensure this happens.

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
- A Federal Business Energy Investment Tax Credit that is currently equivalent to 30 percent of the tax basis of a solar project

Our Office has reviewed PILOT agreement terms associated with other solar projects in Maryland. We noted that a common requirement in these agreements was for PILOT payments to be made by the facility owner at a specified amount per megawatt (MW) of energy produced each year. For example, several PILOT agreements in Washington County require facility owners to make a \$6,000 or \$6,500 payment per MW of energy produced each year in lieu of their assessed Real and Personal Property taxes.

**Attachment A**  
**Potential Abatement Scenarios**

**Assuming the energy utilized in Howard County is less than 50 percent**

<b>Years</b>	<b>Personal Property Taxes (1)</b>	<b>Real Property Taxes (2)</b>	<b>Total Taxes</b>
1 – 10	\$ 267,250	\$ 11,684	\$ 278,934
11 – 20	54,149	4,158	\$ 58,307
<b>Total</b>	<b>\$ 321,399</b>	<b>\$ 15,842</b>	<b>\$ 337,241</b>

**Assuming the energy utilized in Howard County is greater than 50 percent**

<b>Years</b>	<b>Personal Property Taxes (1)</b>	<b>Real Property Taxes (2)</b>	<b>Total Taxes</b>
1 - 10	\$ 356,334	\$ 15,579	\$ 371,913
11 - 20	108,298	8,316	\$ 116,613
<b>Total</b>	<b>\$ 464,631</b>	<b>\$ 23,894</b>	<b>\$ 488,526</b>

(1)Source: Auditor estimates using assessment inputs from the project’s financial projections.

(2)Source: The State of Maryland’s Department of Assessments and Taxation (SDAT) indicated that real property where solar arrays are developed, and no agricultural use is maintained, will be assessed at a rate of \$20,000 per acre. These estimates are based on \$20,000 per acre, with 2 percent appreciation every three years.

**Attachment B**  
**List of County Solar Projects**  
**With Proposed or Approved PILOT Agreements**

<b>Property Tax Abatements Estimated</b>							
<b>Scenario #1: More than 50% of energy sold in County</b>							
Facility Owner	Project Name	Project Type	Project Status	Real Property Tax Abatement		Personal Property Tax Abatement	
				Year 1 - 10 (50% Abatement)	Year 11- 20 (25% Abatement)	Year 1 - 10 (100% Abatement)	Year 11- 20 (50% Abatement)
Chaberton (CR140-2021)	Friendship	Community Solar	Operational by Feb 2023	59,109	31,550	390,900	118,802
Chaberton (CR141-2021)	Friendship	Aggregate Net Metering	Operational by Feb 2023	59,109	31,550	319,825	97,202
Chaberton (CR33-2023)	Lime Kiln	Community Solar	Pending legislation	15,579	8,316	356,334	108,298
Chaberton (CR35-2023)	Catherine CS	Community Solar	Pending legislation	8,309	4,435	392,219	119,204
Chaberton (CR36-2023)	Catherine ANEM	Aggregate Net Metering	Pending legislation	8,309	4,435	78,104	23,738
Community Power(CR143-2021)	Ten Oaks	Aggregate Net Metering	In development	21,187	11,309	348,239	112,160
Community Power (CR34-2023)	Roxbury	Community Solar	Pending legislation	6,231	3,326	333,993	97,621
Power52 (CR11-2018)	Nixon's Farm	Aggregate Net Metering	Operational	11,276	93,179	N/A	N/A
Power52 (CR142-2021)	Nixon's Farm	Aggregate Net Metering	Operational (PILOT not executed)	N/A	N/A	165,767	53,390
<b>TOTAL</b>				<b>189,109</b>	<b>188,100</b>	<b>2,385,381</b>	<b>730,415</b>
<b>Scenario #2: Less than 50% of energy sold in County</b>							
Facility Owner	Project Name	Project Type	Project Status	Real Property Tax Abatement		Personal Property Tax Abatement	
				Year 1 - 10 (37.5% Abatement)	Year 11- 20 (12.5% Abatement)	Year 1 - 10 (75% Abatement)	Year 11- 20 (25% Abatement)
Chaberton (CR140-2021)	Friendship	Community Solar	Operational by Feb 2023	44,332	15,775	293,175	59,401
Chaberton (CR141-2021)	Friendship	Aggregate Net Metering	Operational by Feb 2023	44,332	15,775	239,869	48,601
Chaberton (CR33-2023)	Lime Kiln	Community Solar	Pending legislation	11,684	4,158	267,250	54,149
Chaberton (CR35-2023)	Catherine CS	Community Solar	Pending legislation	6,231	2,217	294,164	59,602
Chaberton (CR36-2023)	Catherine ANEM	Aggregate Net Metering	Pending legislation	6,231	2,217	58,578	11,869
Community Power(CR143-2021)	Ten Oaks	Aggregate Net Metering	In development	15,890	5,655	261,179	56,080
Community Power (CR34-2023)	Roxbury	Community Solar	Pending legislation	4,674	1,663	250,495	48,811
<b>TOTAL</b>				<b>133,374</b>	<b>47,460</b>	<b>1,664,710</b>	<b>338,513</b>

<b>Property Tax Abatements Granted</b>								
Facility Owner	Project Name	Project Type	Project Status	Real Property Tax Abatement			Personal Property Tax Abatement	
				Year 1 - 7 (100% Abatement)	Year 8- 14 (30% Abatement)	Years 15 - 50 (20% Abatement)	Year 1 - 10 (100% Abatement)	Year 11- 20 (50% Abatement)
Power52 (CR11-2018)	Nixon's Farm	Aggregate Net Metering	Operational	221,526	23,075	-	N/A	N/A

1 If less than 50% of energy sold is in the County, the PILOT agreement calls for a real property abatement of 75% in years 1 - 10 and 25% in years 11 - 20; if more than 50% YR 1 - 10 is 100% and YR 11 - 20 is 50%  
2 PILOT agreement does not contain a provision for percentage of subscribers located in Howard County  
3 PILOT agreement allows for 30% abatement in years 8 - 14 and 20% abatement in years 15 - 20, PILOT is currently in the 9th year  
4 \$11,276 represents the payment for Year 10