

PILOT agreements benefit communities and create long-term partnerships between developers and local governments

Ohio's utility-scale solar farms will make substantial and long-term annual payments directly to the communities where they are located under the state's Payment in Lieu of Taxes (PILOT) program. These are multi-year agreements with fixed annual payments based on the size of the project. The first utility-scale solar farm in Brown County is expected to generate \$63 million in payments to the local community over the life of the project.

Solar farms currently underway in Ohio are expected over the next 40 years to generate \$2.7 billion in PILOT program money benefiting local communities and their school systems. Health systems, emergency services, libraries and other critical community services also benefit. PILOT funds are especially helpful to economically challenged communities.

These funds result in more local revenue than the taxes that they replace.

Solar farms using PILOT agreements must also employ at least 80% Ohio residents.

The Marion Star – “In addition, the project will be a boon for local governments. The developer will pay Marion County governments a total of at least \$700,000 annually for the next 30 years – \$21 million total. Of this, roughly half would go to the Ridgedale Local Schools. An infusion of this kind of revenue – with basically no additional costs for the district – is a massive win. For rural districts facing difficult budget challenges and fairly flat farm tax income, the addition of renewable energy payments provides a long-term, although not permanent, revenue stream.” – **MARCH 7, 2021**

(Excerpt from an editorial regarding a Marion County, Ohio solar farm)



Here are some frequently asked questions about PILOT programs.

What is Ohio's Payment in Lieu of Taxes (PILOT) program

Instead of paying real and personal property taxes to the state, the solar farm pays a Payment in Lieu of Taxes (PILOT) directly to the county. The owner of a solar farm that is certified by the Ohio Development Services Agency as a qualified energy project ("QEP") will make annual PILOT payments to the county treasurer.

Why would the local community want to enter into the PILOT?

PILOT projects ensure a stable and reliable revenue as opposed to a standard tax which will likely go down over time due to depreciation schedules, reassessments or tax appeals. PILOT agreements also require a workforce of at least 80% Ohioans, repairs to local infrastructure affected, training to local emergency services and creation of a program with a local university or apprenticeship program for education and training.

How is the PILOT payment allocated?

Once the solar farm is operational, annual payments of \$7,000 - \$9,000 per megawatt ("MW") are made directly to the county. The county treasurer allocates the payment based on the current millage rates from the local taxing entities.

Does the county lose out on tax revenue as a result of a solar project obtaining a PILOT?

No. The PILOT revenue represents an average increase of 15-20 times the local tax revenue when compared to the current agricultural use(s).

Does the PILOT offer additional funds over and above \$7,000 per MW per year?

Yes. The county commissioners can negotiate an additional service payment of up to \$2,000 per MW per year payment to the county. The county treasurer then deposits this additional payment in to the county's general fund.

Do you have examples showing the magnitude of the PILOT payments on a local level?

A solar farm currently proposed in Lima, Ohio, is estimated to generate approximately \$2.7 Million (300 MW x \$9,000) annually and approximately \$94.5 Million throughout the life of the project. The owners of this land have been paying approximately \$200,000 annually in Current Agricultural Use Value, known as "CAUV", on those particular parcels of land.

A solar farm currently proposed near Camden, Ohio, is estimated to generate approximately \$720,000 annually (80 MW x \$9,000) and approximately \$28.8 million throughout the life of the project (up to 40 years). Owners of the acreage to be occupied by the facility paid approximately \$31,000 in taxes for the 2020 tax year.

Is there any gap in revenue between the current tax revenue from the project parcels and new tax revenue from the project?

No. Based on rules enforced by the Ohio Development Services Agency, there can be no gap in revenue between the current tax revenue and the project PILOT payments. Additionally, per statute, the "tangible personal property tax exemption granted to a qualified energy project is effective as of the tax year immediately following the calendar year in which the property is placed into service, as identified on the certificate of verification. In accordance with division (G) of section 5727.75 of the Revised Code, the requirement to make a payment in lieu of taxes begins with the tax year in which the exemption is effective."

Does the PILOT pay for degraded and/or damaged roads?

Yes, but not directly from the PILOT revenue. PILOT agreements require that a Road Use Maintenance Agreement ("RUMA") between the project developers and the county is executed. The RUMA includes a performance bond that obligates the developer to repair damage to bridges, culverts and roads if affected by construction of the project.

Does the solar farm and the solar energy benefit the local community?

The energy that is produced goes to local utilities or others that purchase the power. The amount of solar power that stays in the community depends on regional and local usage. Solar farms benefit residents and communities in many ways:

- Thousands of good paying jobs related to solar farm construction (80% of construction crews must be Ohioans) or in the manufacturing industry in Ohio
- Stable revenues for farmers that are usually 3-5 times greater than the income earned from traditional crops
- Cleaner, healthier air
- Preservation of agricultural land for future generations of farmers