



June 3, 2015

**THE ASSOCIATION OF OREGON COUNTIES
&
THE COMMUNITY RENEWABLE ENERGY
ASSOCIATION SUPPORT HOUSE BILL
3492-A4**

The Association of Oregon Counties (AOC) and the Community Renewable Energy Association (CREA) support of HB 3492-A4.

The proposal before you today has been carefully crafted with AOC's involvement so that assessors in the various counties with solar energy development projects can administer the assessment and taxation process when the developer of the project works with the county and elects to pay a fee in lieu of taxes. The development would not be centrally assessed, but instead be assessed locally.

To date, we have few solar energy development projects in Oregon. This bill is an attempt to simplify and provide taxation certainty – a key element for siting and financing of renewable energy development for the parts of the state that are prime territory for such development. Currently, the owners of

projects that are in place and those being developed work with the counties to establish an agreement for a rural renewable energy district (RRED) zone abatement (similar to an enterprise zone abatement) that may run 3-5 years before the project is fully assessed at its depreciated value.

Under HB 3492-A4, a project would begin operation and be placed on the tax rolls immediately upon completion, under an agreement with the county to pay a \$7,000/MW fee in lieu of taxes for up to 20 years. No other abatement would be allowed if the fee in lieu of tax alternative is chosen. The bill establishes that the fee is to be distributed by the same formula as under regular property taxation. The bill also establishes protection against possible lapses in an agreement by a developer.

Both AOC and CREA have been highly supportive of community-scale renewable energy projects because they are of a size that can be owned, established, and operated locally, providing a higher level of economic impact to the communities in which they are operated. Solar energy projects related to this proposal are by their very nature community-scale in size – 10MW or less.

It is anticipated that this bill may lead to an estimated 6-8 new projects with 6-7 MW per project in the state. Each MW needs at least 7 acres; at \$7000 per MW, Payment in Lieu of Taxes = \$1,000 per acre. The counties most likely to see developer interest are Malheur, Harney, Jefferson, Wasco, Morrow, Umatilla, Lake and Klamath, where low-value farmland is specially assessed at a rate of approximately \$2 per acre.

Passage of this bill has the potential to increase county revenues between \$252,000 and \$392,000 per year.

It is estimated that over a 20 year period Counties would receive approximately the same “property tax related” revenues regardless of whether solar development occurred in a RRED Zone or in a county with payment of a fee in lieu of taxes. In the RRED Zone, developers pay 0% of property taxes during the first 5 years of operation, a time when the value of the property is highest, then at a depreciated rate over the next 15 years. With HB 3492A, developers will pay approximately 66% of the value every year for 20 years, providing certainty to both the developer and the taxing districts.

Perhaps in the future, other kinds of renewable energy resources could be “taxed” in a similar way, but further analysis would be necessary to establish the level of fee, size of project, length of time, etc. This proposal is a good step in 2015 toward creating more solar renewable energy in Oregon and a great opportunity for economic development in rural areas of this state.

Please contact Mary Stern at mstern@ocweb.org for more information about AOC, CREA, or this issue.

