

# CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

## Policy Session Worksheet

**Presentation Date:** 11/6/18    **Approx. Start Time:** 10:30am    **Approx. Length:** 30 min

**Presentation Title:** Taxation of Solar Energy Projects

**Department:** Assessment & Taxation

**Presenters:** Tami Little, County Assessor; Lynn Longfellow, Appraisal Manager; Nathan Boderman, Assistant County Counsel

**Other Invitees:** Todd Cooper, Appraisal Supervisor; Geoff Bennett, Property Appraiser

### WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

- Familiarize the Board with recent changes to state law to allow payment of a fee in lieu of property taxes for qualifying solar energy projects.
- Decision whether to proceed with specific requests received for payment of a fee in lieu of property taxes related to certain solar energy projects.

**EXECUTIVE SUMMARY:** In 2015, the Oregon State Legislature created a program that allows a governing body of a county to enter into an agreement with the owner of a solar project to allow payment of an annual fee in lieu of property taxes. The agreement cannot exceed 20 years, and the annual payment is calculated at \$7,000 per megawatt of nameplate capacity.

**FINANCIAL IMPLICATIONS (current year and ongoing):** The fee in lieu would replace normal property tax collection. Depending on the size and scale of the solar project, the owner of a solar project may realize a net savings over the life of an agreement to pay the fee as compared to property tax amounts that would otherwise be assessed against the project. The fee in lieu helps provide stability and certainty in ongoing expenses for owners and operators of these solar energy projects.

### STRATEGIC PLAN ALIGNMENT:

- How does this item align with the County's Performance Clackamas goals?
  - Build public trust through good government.
  - Grow a vibrant economy.

**LEGAL/POLICY REQUIREMENTS:** Oregon HB 3492 (2015), which has been codified as a note after ORS 307.175.

### PUBLIC/GOVERNMENTAL PARTICIPATION:

### OPTIONS:

1. Direct staff to proceed with specific requests received for payment of a fee in lieu of property taxes related to certain solar energy projects.

2. Direct staff to prepare a policy proposal for a fee in lieu program for solar energy projects for consideration by the Board at a later date.
3. Decline to authorize a fee in lieu of property taxes for solar energy projects.


**RECOMMENDATION:**

There is no staff recommendation at this time. We are seeking guidance from the Board to develop future policy.

**ATTACHMENTS:**

- Presentation
- Payment in Lieu of Taxes Agreement

**SUBMITTED BY:**

Division Director/Head Approval  \_\_\_\_\_  
Department Director/Head Approval \_\_\_\_\_  
County Administrator Approval \_\_\_\_\_

For information on this issue or copies of attachments, please contact Nathan Boderman @ 503-655-8364



# Solar Farms

## Payment of fee In Lieu Of Tax

### PILOT Program

#### **What is the Solar Farm Payment in Lieu of Tax?**

The Oregon State Legislature created a program (ORS 307.175), that allows the governing body of a County (Board of Commissioners), to enter into an agreement with the owner of a solar project, to pay an annual fee in lieu of property taxes. If the solar project is located within a city's boundaries, then that city must also be part of the agreement.

The agreement can not exceed 20 years, and the annual payment is calculated at \$7,000 per megawatt of capacity.

#### **When is the Fee due?**

The annual property tax roll is certified during the beginning of October and tax statements are mailed by October 25 with the first payment due November 15. The payment in lieu of tax is administered with different dates. Prior to December 31<sup>st</sup>, a request for computation must be made by the Solar Company to the Assessor's Office. Then, prior to February 1, the Clackamas County Assessor's Office will compute the fee and notify the owner. The fee is then due by March 1.

#### **How will Solar Farms affect Farm and Forest Deferral Special Assessments?**

When solar panels are sited on the property, the primary use of that land is no longer Forest or Farm Land. Therefore the land employed by the solar farm will be disqualified from special assessment. The disqualification together with the change of use will require the landowner to pay a "clawback" of 5 to 10 years of back taxes, depending on the deferral program.

#### **Termination of Pilot Program**

If the pilot program payment is delinquent for more than one year, the tax will revert back to the regular assessment of the solar farm. Additionally there is a "clawback" penalty that will require payment equal to one year of the payment in lieu of tax.

# PILOT Agreement

- ORS 307.175
- PILOT agreement is optional
- Allows governing body (Assessor) to enter into an agreement exempting from property taxes a solar project
- Allows solar project to pay a fee in lieu of property taxes for up to 20 years
- Computed at \$7,000 per MW (AC) of nameplate capacity

# PILOT Agreement (Timeline)

- By December 31 prior to Tax Year
  - Taxpayer will file agreement with Assessor for computation of fee in lieu amount
  - Request not filed with Assessor by December 31 must include \$200 late fee
- By February 1 Assessor shall compute and send statement of PILOT amount due to taxpayer
- By March 1 PILOT fee must be paid to county treasurer
- By July 15 county treasurer shall distribute fee revenue to taxing district(s)

# PILOT Agreement (Non-Payment)

- Consequences of Non-Payment
  - Failure to pay PILOT fee results in removal of exemption
  - Full tax assessed for upcoming tax year
  - Exemption may be reinstated within one year of delinquency date with payment of unpaid PILOT plus interest

# PILOT Agreement (Disqualification)

- Disqualification from PILOT
  - Taxpayer failure to pay PILOT fee for more than one year during agreement results in disqualification from exemption and PILOT
  - Property is then assessed and taxed as normal
  - Property is charged penalty equal to one year of PILOT
  - Penalty fee distributed using the PILOT distribution schedule
  - Taxes assessed follow regular distribution schedule



# Conclusions

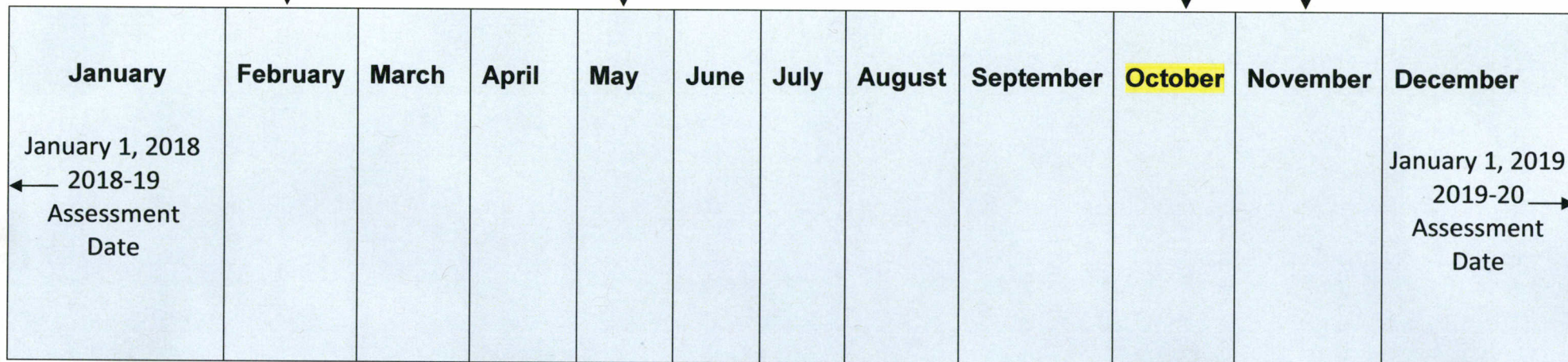
- Future of Solar Industry in Oregon
  - Effect of early 2018 tariffs on planned projects
  - Cost trends going forward
  - Pairing of solar and storage
  - Decommissioning of coal plants
- PILOT Agreement
  - Possible changes being brought by OSACA during next legislative session
    - Definition of solar project, administration, PILOT on regular property tax stmt, and clawback to address companies opting out before end of agreement
  - Possible changes to PILOT being proposed by Industry
    - PILOT agreement mandatory not optional
    - Lowering fee in lieu of amount from \$7,000/MW to possibly \$4,500/MW

February 15, 2018  
2017-18  
2<sup>nd</sup> Trimester  
Payment Due date

May 15, 2018  
2017-18  
3<sup>rd</sup> Trimester  
Payment Due date

October 25, 2018  
2018-19  
Tax Statements  
Mailed

November 15, 2018  
2018-19 Tax  
Payment Due Date



February 1<sup>st</sup>  
Assessor's Office  
Computes Pilot Fee

March 1<sup>st</sup>  
Pilot Fee Due Date

December 31<sup>st</sup>  
Request for Computation  
of Pilot Fee

## Commercial Solar Facilities In Clackamas County

### Acreage of Solar Facilities

- 2 - 7
- 8 - 20
- 21 - 80
- Clackamas County
- Incorporated City Boundary

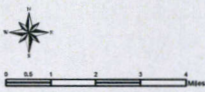
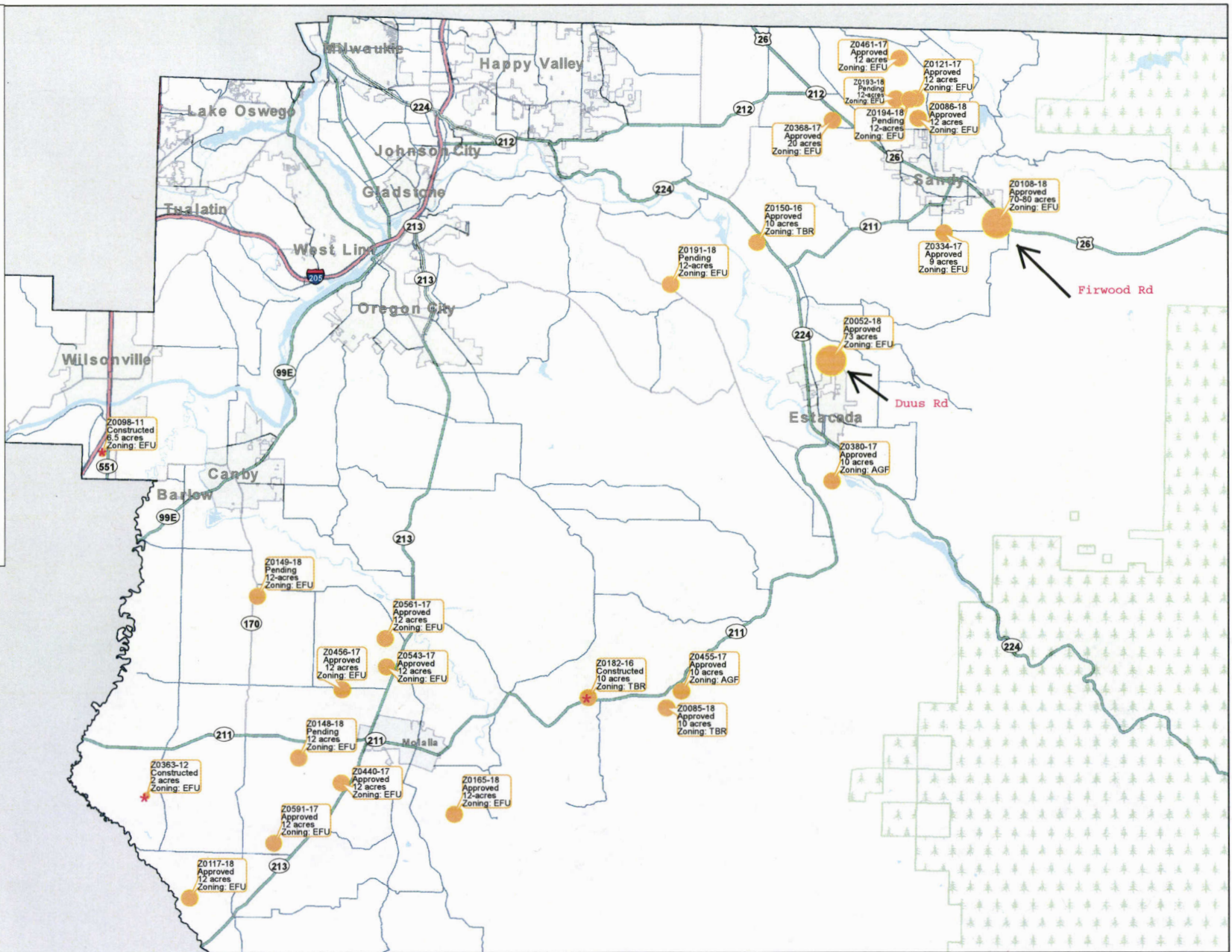
The information provided was derived from digital databases from Clackamas County's GIS. Although we strive to provide the best data we can, we sometimes use data developed by jurisdictions outside Clackamas County. Therefore, Clackamas County cannot accept any responsibility for any errors, omissions, or positional accuracy, and therefore, there are no warranties which accompany this product. Although information from Land Surveys may have been used in the creation of this product, in no way does this product represent or constitute a Land Survey. Users are strongly cautioned to verify all information before making any decisions.

Map created by Planning & Zoning Division

Date: 7/17/2018



* Constructed	3
Approved	18
Pending	5

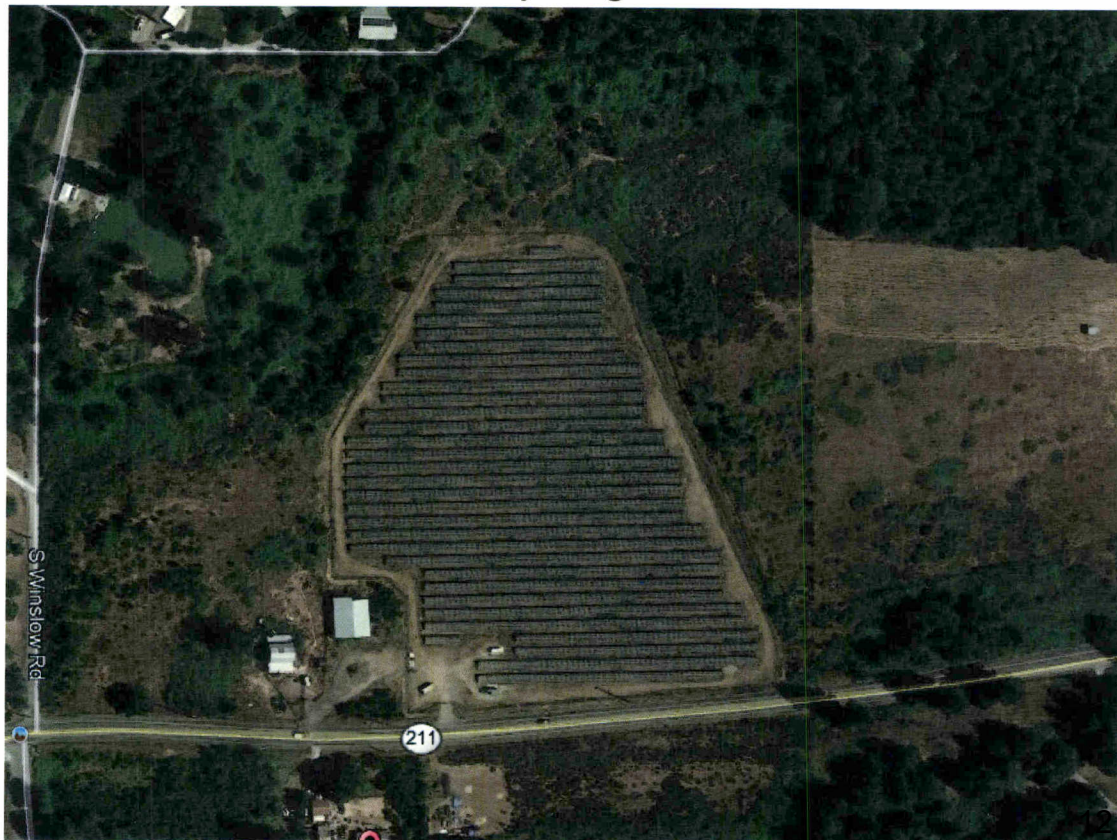


Colton Solar Project  
53E05 01300 / 01116802  
19120 S Hwy 211, Molalla Oregon

2009 PlanMap



2018 July Google Earth



**Colton Solar Farm**  
**Valued @\$2.6M**  
**34E17 00105**

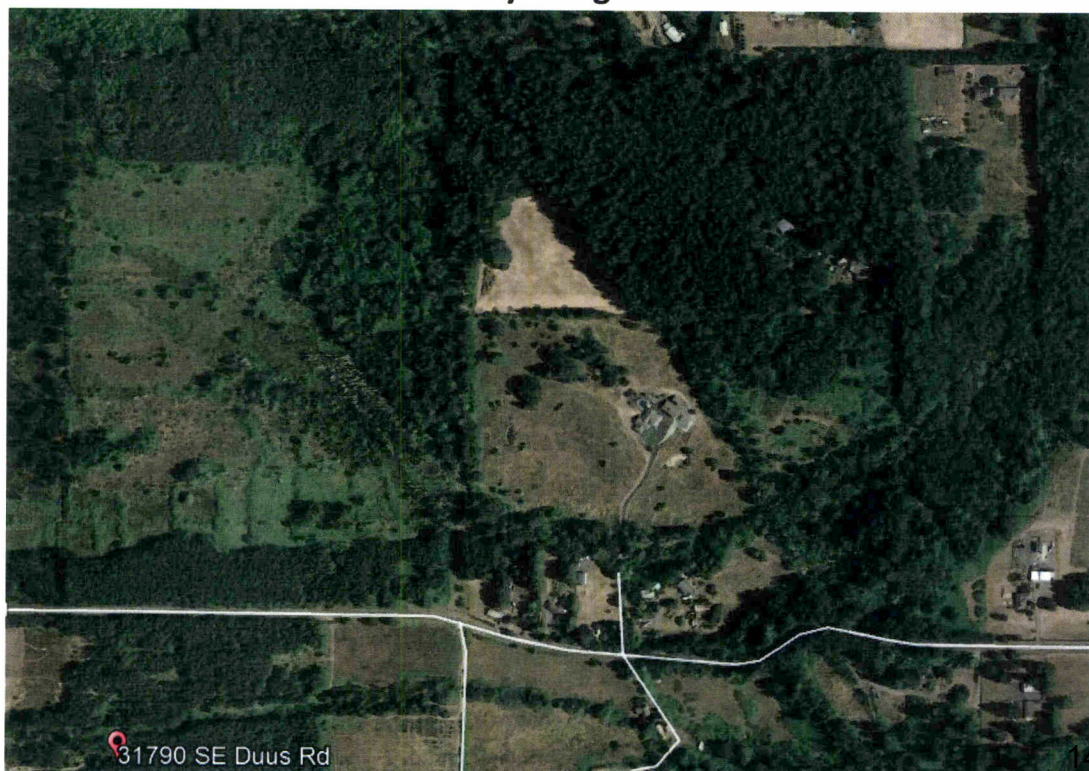
<b>Total Megawatts of Capacity</b>			<b>2.2</b>		
<b>Fee in Lieu of Tax Per Megawatt</b>			\$ 7,000		
<b>2018 Total RMV</b>			<b>\$ 2,600,000</b>		
<b>2018 Tax Rate</b>			<b>\$11.9809</b>	per thousand of Assessed	
<b>Year</b>	<b>Depreciation</b>	<b>Depreciated Value</b>	<b>Taxes</b>	<b>Pilot Fee</b>	<b>Tax Savings</b>
0	0.00%	\$ 2,600,000	\$31,150	\$ 15,400	(\$15,750)
1	2.86%	\$ 2,525,714	\$30,260	\$ 15,400	(\$14,860)
2	5.71%	\$ 2,451,429	\$29,370	\$ 15,400	(\$13,970)
3	8.57%	\$ 2,377,143	\$28,480	\$ 15,400	(\$13,080)
4	11.43%	\$ 2,302,857	\$27,590	\$ 15,400	(\$12,190)
5	14.29%	\$ 2,228,571	\$26,700	\$ 15,400	(\$11,300)
6	17.14%	\$ 2,154,286	\$25,810	\$ 15,400	(\$10,410)
7	20.00%	\$ 2,080,000	\$24,920	\$ 15,400	(\$9,520)
8	22.86%	\$ 2,005,714	\$24,030	\$ 15,400	(\$8,630)
9	25.71%	\$ 1,931,429	\$23,140	\$ 15,400	(\$7,740)
10	28.57%	\$ 1,857,143	\$22,250	\$ 15,400	(\$6,850)
11	31.43%	\$ 1,782,857	\$21,360	\$ 15,400	(\$5,960)
12	34.29%	\$ 1,708,571	\$20,470	\$ 15,400	(\$5,070)
13	37.14%	\$ 1,634,286	\$19,580	\$ 15,400	(\$4,180)
14	40.00%	\$ 1,560,000	\$18,690	\$ 15,400	(\$3,290)
15	42.86%	\$ 1,485,714	\$17,800	\$ 15,400	(\$2,400)
16	45.71%	\$ 1,411,429	\$16,910	\$ 15,400	(\$1,510)
17	48.57%	\$ 1,337,143	\$16,020	\$ 15,400	(\$620)
18	51.43%	\$ 1,262,857	\$15,130	\$ 15,400	\$270
19	54.29%	\$ 1,188,571	\$14,240	\$ 15,400	\$1,160
20	57.14%	\$ 1,114,286	\$13,350	\$ 15,400	\$2,050
		<b>Total</b>	<b>\$467,255</b>	<b>\$ 323,400</b>	<b>(\$143,855)</b>

Duus Road – Pollinator Solar Project  
34E17 00105 / 01422963  
North of 31790 SE Duus Rd, Estacada Oregon

2016 PlanMap



2018 July Google Earth



**Duus Rd - Pollinator - Solar Farm**  
**\$11.4M Reported Construction Costs**  
**34E17 00105**

<b>Total Megawatts of Capacity</b>			<b>10</b>		
<b>Fee in Lieu of Tax Per Megawatt</b>			\$ 7,000		
<b>Total Construction Cost</b>			<b>\$ 11,400,000</b>		
<b>Estimated Tax Rate</b>			<b>\$13.1567</b>	per thousand of Assessed	
<b>Year</b>	<b>Depreciation</b>	<b>Depreciated Value</b>	<b>Taxes</b>	<b>Pilot Fee</b>	<b>Tax Savings</b>
0	0.00%	\$ 11,400,000	\$149,986	\$ 70,000	(79,986)
1	2.86%	\$ 11,074,286	\$145,701	\$ 70,000	(75,701)
2	5.71%	\$ 10,748,571	\$141,416	\$ 70,000	(71,416)
3	8.57%	\$ 10,422,857	\$137,130	\$ 70,000	(67,130)
4	11.43%	\$ 10,097,143	\$132,845	\$ 70,000	(62,845)
5	14.29%	\$ 9,771,429	\$128,560	\$ 70,000	(58,560)
6	17.14%	\$ 9,445,714	\$124,274	\$ 70,000	(54,274)
7	20.00%	\$ 9,120,000	\$119,989	\$ 70,000	(49,989)
8	22.86%	\$ 8,794,286	\$115,704	\$ 70,000	(45,704)
9	25.71%	\$ 8,468,571	\$111,418	\$ 70,000	(41,418)
10	28.57%	\$ 8,142,857	\$107,133	\$ 70,000	(37,133)
11	31.43%	\$ 7,817,143	\$102,848	\$ 70,000	(32,848)
12	34.29%	\$ 7,491,429	\$98,562	\$ 70,000	(28,562)
13	37.14%	\$ 7,165,714	\$94,277	\$ 70,000	(24,277)
14	40.00%	\$ 6,840,000	\$89,992	\$ 70,000	(19,992)
15	42.86%	\$ 6,514,286	\$85,707	\$ 70,000	(15,707)
16	45.71%	\$ 6,188,571	\$81,421	\$ 70,000	(11,421)
17	48.57%	\$ 5,862,857	\$77,136	\$ 70,000	(7,136)
18	51.43%	\$ 5,537,143	\$72,851	\$ 70,000	(2,851)
19	54.29%	\$ 5,211,429	\$68,565	\$ 70,000	1,435
20	57.14%	\$ 4,885,714	\$64,280	\$ 70,000	5,720
		<b>Total</b>	<b>\$2,249,796</b>	<b>\$ 1,470,000</b>	<b>(779,796)</b>

**Duus Rd - Pollinator - Solar Farm**  
**\$15M Construction Costs**  
**34E17 00105**

<b>Total Megawatts of Capacity</b>			<b>10</b>		
<b>Fee in Lieu of Tax Per Megawatt</b>			\$ 7,000		
<b>Total Construction Cost</b>			<b>\$ 15,000,000</b>		
<b>Estimated Tax Rate</b>			<b>\$13.1567</b>		per thousand of Assessed
<b>Year</b>	<b>Depreciation</b>	<b>Depreciated Value</b>	<b>Taxes</b>	<b>Pilot Fee</b>	<b>Tax Savings</b>
0	0.00%	\$ 15,000,000	\$197,351	\$ 70,000	(127,351)
1	2.86%	\$ 14,571,429	\$191,712	\$ 70,000	(121,712)
2	5.71%	\$ 14,142,857	\$186,073	\$ 70,000	(116,073)
3	8.57%	\$ 13,714,286	\$180,435	\$ 70,000	(110,435)
4	11.43%	\$ 13,285,714	\$174,796	\$ 70,000	(104,796)
5	14.29%	\$ 12,857,143	\$169,158	\$ 70,000	(99,158)
6	17.14%	\$ 12,428,571	\$163,519	\$ 70,000	(93,519)
7	20.00%	\$ 12,000,000	\$157,880	\$ 70,000	(87,880)
8	22.86%	\$ 11,571,429	\$152,242	\$ 70,000	(82,242)
9	25.71%	\$ 11,142,857	\$146,603	\$ 70,000	(76,603)
10	28.57%	\$ 10,714,286	\$140,965	\$ 70,000	(70,965)
11	31.43%	\$ 10,285,714	\$135,326	\$ 70,000	(65,326)
12	34.29%	\$ 9,857,143	\$129,687	\$ 70,000	(59,687)
13	37.14%	\$ 9,428,571	\$124,049	\$ 70,000	(54,049)
14	40.00%	\$ 9,000,000	\$118,410	\$ 70,000	(48,410)
15	42.86%	\$ 8,571,429	\$112,772	\$ 70,000	(42,772)
16	45.71%	\$ 8,142,857	\$107,133	\$ 70,000	(37,133)
17	48.57%	\$ 7,714,286	\$101,495	\$ 70,000	(31,495)
18	51.43%	\$ 7,285,714	\$95,856	\$ 70,000	(25,856)
19	54.29%	\$ 6,857,143	\$90,217	\$ 70,000	(20,217)
20	57.14%	\$ 6,428,571	\$84,579	\$ 70,000	(14,579)
		<b>Total</b>	<b>\$2,960,258</b>	<b>\$ 1,470,000</b>	<b>(1,490,258)</b>

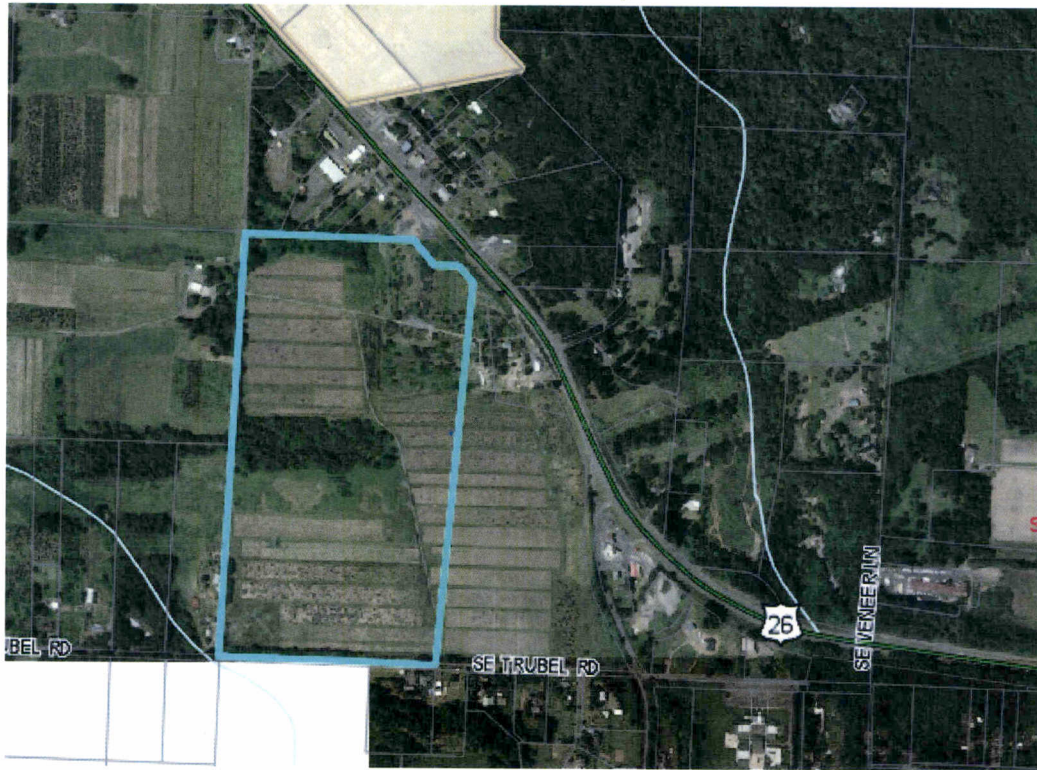


**Duus Rd - Pollinator - Solar Farm**  
**\$20M Construction Costs**  
**34E17 00105**

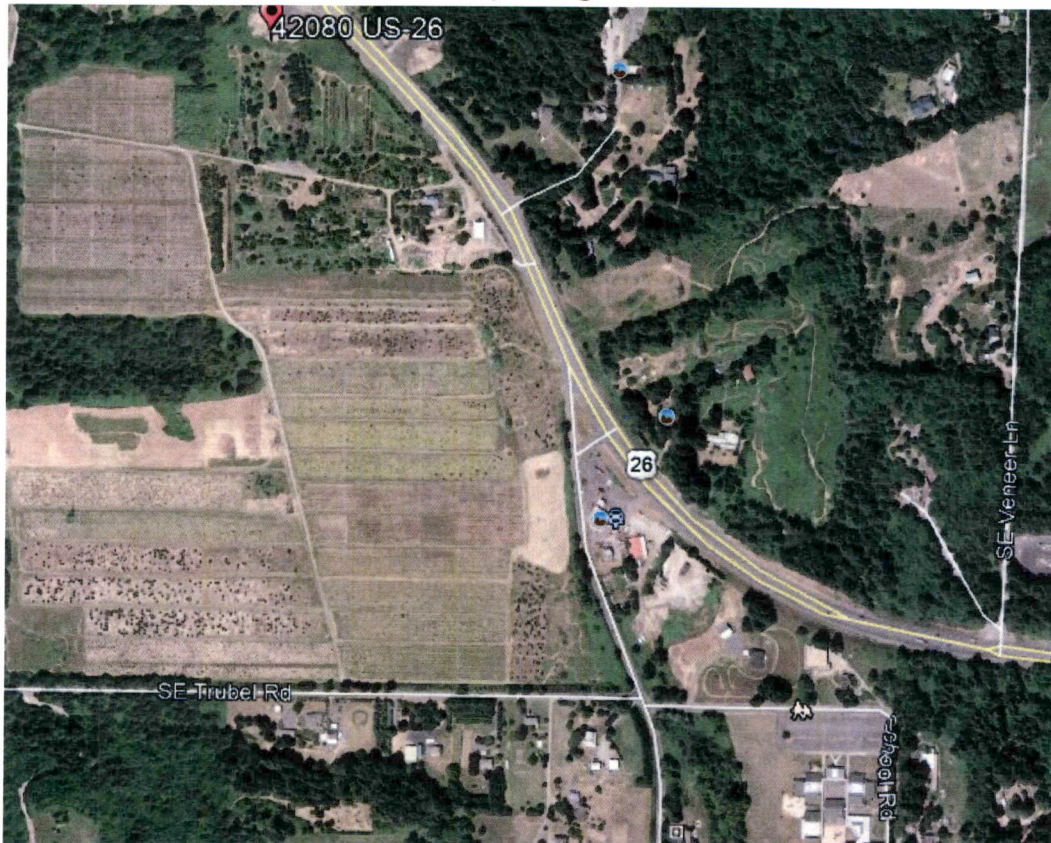
<b>Total Megawatts of Capacity</b>			<b>10</b>		
<b>Fee in Lieu of Tax Per Megawatt</b>			\$ 7,000		
<b>Total Construction Cost</b>			<b>\$ 20,000,000</b>		
<b>Estimated Tax Rate</b>			<b>\$13.1567</b>	per thousand of Assessed	
<b>Year</b>	<b>Depreciation</b>	<b>Depreciated Value</b>	<b>Taxes</b>	<b>Pilot Fee</b>	<b>Tax Savings</b>
0	0.00%	\$ 20,000,000	\$263,134	\$ 70,000	(193,134)
1	2.86%	\$ 19,428,571	\$255,616	\$ 70,000	(185,616)
2	5.71%	\$ 18,857,143	\$248,098	\$ 70,000	(178,098)
3	8.57%	\$ 18,285,714	\$240,580	\$ 70,000	(170,580)
4	11.43%	\$ 17,714,286	\$233,062	\$ 70,000	(163,062)
5	14.29%	\$ 17,142,857	\$225,543	\$ 70,000	(155,543)
6	17.14%	\$ 16,571,429	\$218,025	\$ 70,000	(148,025)
7	20.00%	\$ 16,000,000	\$210,507	\$ 70,000	(140,507)
8	22.86%	\$ 15,428,571	\$202,989	\$ 70,000	(132,989)
9	25.71%	\$ 14,857,143	\$195,471	\$ 70,000	(125,471)
10	28.57%	\$ 14,285,714	\$187,953	\$ 70,000	(117,953)
11	31.43%	\$ 13,714,286	\$180,435	\$ 70,000	(110,435)
12	34.29%	\$ 13,142,857	\$172,917	\$ 70,000	(102,917)
13	37.14%	\$ 12,571,429	\$165,399	\$ 70,000	(95,399)
14	40.00%	\$ 12,000,000	\$157,880	\$ 70,000	(87,880)
15	42.86%	\$ 11,428,571	\$150,362	\$ 70,000	(80,362)
16	45.71%	\$ 10,857,143	\$142,844	\$ 70,000	(72,844)
17	48.57%	\$ 10,285,714	\$135,326	\$ 70,000	(65,326)
18	51.43%	\$ 9,714,286	\$127,808	\$ 70,000	(57,808)
19	54.29%	\$ 9,142,857	\$120,290	\$ 70,000	(50,290)
20	57.14%	\$ 8,571,429	\$112,772	\$ 70,000	(42,772)
		<b>Total</b>	<b>\$3,947,010</b>	<b>\$ 1,470,000</b>	<b>(2,477,010)</b>

Firwood -Apiary Solar Project  
25E19 03300 / 00693404  
Southwest of 42080 SE Hwy 26, Boring Oregon

2016 PlanMap



2018 July Google Earth



**Firwood Rd - Apiary -Solar Farm**  
**\$12.35M Reported Construction Costs**  
**25E19 03300**

<b>Total Megawatts of Capacity</b>			<b>10</b>		
<b>Fee in Lieu of Tax Per Megawatt</b>			\$ 7,000		
<b>Total Construction Cost</b>			<b>\$ 12,350,000</b>		
<b>Estimated Tax Rate</b>			<b>\$13.7724</b>	per thousand of Assessed	
<b>Year</b>	<b>Depreciation</b>	<b>Depreciated Value</b>	<b>Taxes</b>	<b>Pilot Fee</b>	<b>Tax Savings</b>
0	0.00%	\$ 12,350,000	\$170,089	\$ 70,000	(100,089)
1	2.86%	\$ 11,997,143	\$165,229	\$ 70,000	(95,229)
2	5.71%	\$ 11,644,286	\$160,370	\$ 70,000	(90,370)
3	8.57%	\$ 11,291,429	\$155,510	\$ 70,000	(85,510)
4	11.43%	\$ 10,938,571	\$150,650	\$ 70,000	(80,650)
5	14.29%	\$ 10,585,714	\$145,791	\$ 70,000	(75,791)
6	17.14%	\$ 10,232,857	\$140,931	\$ 70,000	(70,931)
7	20.00%	\$ 9,880,000	\$136,071	\$ 70,000	(66,071)
8	22.86%	\$ 9,527,143	\$131,212	\$ 70,000	(61,212)
9	25.71%	\$ 9,174,286	\$126,352	\$ 70,000	(56,352)
10	28.57%	\$ 8,821,429	\$121,492	\$ 70,000	(51,492)
11	31.43%	\$ 8,468,571	\$116,633	\$ 70,000	(46,633)
12	34.29%	\$ 8,115,714	\$111,773	\$ 70,000	(41,773)
13	37.14%	\$ 7,762,857	\$106,913	\$ 70,000	(36,913)
14	40.00%	\$ 7,410,000	\$102,053	\$ 70,000	(32,053)
15	42.86%	\$ 7,057,143	\$97,194	\$ 70,000	(27,194)
16	45.71%	\$ 6,704,286	\$92,334	\$ 70,000	(22,334)
17	48.57%	\$ 6,351,429	\$87,474	\$ 70,000	(17,474)
18	51.43%	\$ 5,998,571	\$82,615	\$ 70,000	(12,615)
19	54.29%	\$ 5,645,714	\$77,755	\$ 70,000	(7,755)
20	57.14%	\$ 5,292,857	\$72,895	\$ 70,000	(2,895)
<b>Total</b>			<b>\$2,551,337</b>	<b>\$ 1,470,000</b>	<b>(1,081,337)</b>

**Firwood Rd - Apiary -Solar Farm**  
**\$15M Construction Costs**  
**25E19 03300**

<b>Total Megawatts of Capacity</b>			<b>10</b>		
<b>Fee in Lieu of Tax Per Megawatt</b>			\$ 7,000		
<b>Total Construction Cost</b>			<b>\$ 15,000,000</b>		
<b>Estimated Tax Rate</b>			<b>\$13.7724</b> per thousand of Assessed		
<b>Year</b>	<b>Depreciation</b>	<b>Depreciated Value</b>	<b>Taxes</b>	<b>Pilot Fee</b>	<b>Tax Savings</b>
0	0.00%	\$ 15,000,000	\$206,586	\$ 70,000	(136,586)
1	2.86%	\$ 14,571,429	\$200,684	\$ 70,000	(130,684)
2	5.71%	\$ 14,142,857	\$194,781	\$ 70,000	(124,781)
3	8.57%	\$ 13,714,286	\$188,879	\$ 70,000	(118,879)
4	11.43%	\$ 13,285,714	\$182,976	\$ 70,000	(112,976)
5	14.29%	\$ 12,857,143	\$177,074	\$ 70,000	(107,074)
6	17.14%	\$ 12,428,571	\$171,171	\$ 70,000	(101,171)
7	20.00%	\$ 12,000,000	\$165,269	\$ 70,000	(95,269)
8	22.86%	\$ 11,571,429	\$159,366	\$ 70,000	(89,366)
9	25.71%	\$ 11,142,857	\$153,464	\$ 70,000	(83,464)
10	28.57%	\$ 10,714,286	\$147,561	\$ 70,000	(77,561)
11	31.43%	\$ 10,285,714	\$141,659	\$ 70,000	(71,659)
12	34.29%	\$ 9,857,143	\$135,757	\$ 70,000	(65,757)
13	37.14%	\$ 9,428,571	\$129,854	\$ 70,000	(59,854)
14	40.00%	\$ 9,000,000	\$123,952	\$ 70,000	(53,952)
15	42.86%	\$ 8,571,429	\$118,049	\$ 70,000	(48,049)
16	45.71%	\$ 8,142,857	\$112,147	\$ 70,000	(42,147)
17	48.57%	\$ 7,714,286	\$106,244	\$ 70,000	(36,244)
18	51.43%	\$ 7,285,714	\$100,342	\$ 70,000	(30,342)
19	54.29%	\$ 6,857,143	\$94,439	\$ 70,000	(24,439)
20	57.14%	\$ 6,428,571	\$88,537	\$ 70,000	(18,537)
<b>Total</b>			<b>\$3,098,790</b>	<b>\$ 1,470,000</b>	<b>(1,628,790)</b>

**Firwood Rd - Apiary -Solar Farm**  
**\$20M Construction Costs**  
**25E19 03300**

<b>Total Megawatts of Capacity</b>			<b>10</b>		
<b>Fee in Lieu of Tax Per Megawatt</b>			\$ 7,000		
<b>Total Construction Cost</b>			<b>\$ 20,000,000</b>		
<b>Estimated Tax Rate</b>			<b>\$13.7724</b>	per thousand of Assessed	
<b>Year</b>	<b>Depreciation</b>	<b>Depreciated Value</b>	<b>Taxes</b>	<b>Pilot Fee</b>	<b>Tax Savings</b>
0	0.00%	\$ 20,000,000	\$275,448	\$ 70,000	(205,448)
1	2.86%	\$ 19,428,571	\$267,578	\$ 70,000	(197,578)
2	5.71%	\$ 18,857,143	\$259,708	\$ 70,000	(189,708)
3	8.57%	\$ 18,285,714	\$251,838	\$ 70,000	(181,838)
4	11.43%	\$ 17,714,286	\$243,968	\$ 70,000	(173,968)
5	14.29%	\$ 17,142,857	\$236,098	\$ 70,000	(166,098)
6	17.14%	\$ 16,571,429	\$228,228	\$ 70,000	(158,228)
7	20.00%	\$ 16,000,000	\$220,358	\$ 70,000	(150,358)
8	22.86%	\$ 15,428,571	\$212,488	\$ 70,000	(142,488)
9	25.71%	\$ 14,857,143	\$204,619	\$ 70,000	(134,619)
10	28.57%	\$ 14,285,714	\$196,749	\$ 70,000	(126,749)
11	31.43%	\$ 13,714,286	\$188,879	\$ 70,000	(118,879)
12	34.29%	\$ 13,142,857	\$181,009	\$ 70,000	(111,009)
13	37.14%	\$ 12,571,429	\$173,139	\$ 70,000	(103,139)
14	40.00%	\$ 12,000,000	\$165,269	\$ 70,000	(95,269)
15	42.86%	\$ 11,428,571	\$157,399	\$ 70,000	(87,399)
16	45.71%	\$ 10,857,143	\$149,529	\$ 70,000	(79,529)
17	48.57%	\$ 10,285,714	\$141,659	\$ 70,000	(71,659)
18	51.43%	\$ 9,714,286	\$133,789	\$ 70,000	(63,789)
19	54.29%	\$ 9,142,857	\$125,919	\$ 70,000	(55,919)
20	57.14%	\$ 8,571,429	\$118,049	\$ 70,000	(48,049)
<b>Total</b>			<b>\$4,131,720</b>	<b>\$ 1,470,000</b>	<b>(2,661,720)</b>

## PAYMENT IN LIEU OF TAXES AGREEMENT

This PAYMENT IN LIEU OF TAXES AGREEMENT (“**Agreement**”) is effective as of January 30th, 2018, by and between Chiloquin Solar LLC, an Oregon Limited Liability Company (“**Company**”) and KLAMATH COUNTY, OREGON, a municipal subdivision of the state of Oregon (“**County**”), with respect to the following facts:

A. Company is in the process of developing, and will be constructing, a solar energy generation facility that will be commonly known as Project Chiloquin near Chiloquin, Oregon and located entirely within unincorporated Klamath County (“**Project**”). Company will be the owner of, and will be in possession and control of, the Project upon its completion. It is estimated that the Project will be operational in the First Quarter of 2018.

B. The rated nameplate capacity of the Project is 9.90 megawatts alternating current (MWac).

C. Company and County mutually desire to enter into this Agreement for payment of a fee in lieu of property taxes for the Project, pursuant to Oregon House Bill 3492 (2015). This Agreement applies only to the area of the Solar Energy Generation Facility itself, not to the entire property.

D. The property has a site address of 42433 Cattle Dr. Chiloquin, OR 97624; and Assessor tax identification number of 3407-02200-00300. A legal description of the Project is attached as Exhibit A. Survey information and site diagrams are attached as Exhibit B.

NOW THEREFORE, for good and valuable consideration including the terms, conditions and covenants of this Agreement, the parties agree as follows:

1. Exemption. This Agreement shall apply to the tax year from July 1, 2018 to June 30, 2019, and each of the next tax years thereafter, through and including the tax year July 1, 2038 to June 30, 2039. Except as otherwise provided in this Agreement, the Project shall be exempt from property tax for all tax years to which this Agreement applies. The term of this Agreement shall not exceed 20 consecutive years.

2. Payment in Lieu of Taxes. The fee in lieu of taxes (“**Fee**”) shall be \$7,000 multiplied by the rated nameplate capacity of the Project measured in MWac.

3. Initial Request for Computation. No later than December 31, of the year preceding the first property tax year set out in section one, Company shall file with the County Assessor a copy of this Agreement and a request for computation of the Fee for the first tax year. The request shall include any information required by the Assessor to compute the Fee.

4. Subsequent Requests for Computation. On or before December 31, preceding each subsequent tax year to which this Agreement applies, Company shall file with the County

PILOT agreement with Chiloquin Solar LLC

Assessor a request for computation of the Fee for the upcoming tax year. If the owner of the Project, the person or entity in possession or control of the Project, and/or the nameplate capacity of the Project measured in MWac has changed since the filing of the last request for computation, the request shall include the new information.

5. Late Fee. Any request for computation filed after December 31 for the upcoming tax year shall include payment of a late fee of \$200.

6. Computation and Payment of Fee. No later than the February 1 next following the filing of each request for computation of the Fee, the County Assessor shall notify Company in writing of the amount of the Fee for the upcoming tax year. Company shall pay the Fee on the next following March 1 or thirty days after the County Assessor's notice was sent, whichever is later.

7. Failure to Pay Fee. If Company does not timely pay the Fee as required by paragraph 6, then the Project shall not be exempt from property taxes for the upcoming tax year and shall be assessed and taxed as other similar property in the County is assessed and taxed; provided, however, that if Company subsequently pays the Fee within one year after the date payment became delinquent, plus interest at the rate prescribed in ORS 311.505(2), then the Project's property tax exemption for the upcoming tax year shall be restored.

8. Termination for Failure to Pay. If Company fails to pay any Fee within one year after payment of such Fee became delinquent, then: (a) the property shall be disqualified from the exemption provided for herein and this Agreement shall terminate; (b) the Project shall be assessed and taxed as other similar property is assessed and taxed for the tax year to which the unpaid Fee applied, and thereafter; and (c) Company shall pay County, as an additional assessment against the Project, an amount equal to the unpaid Fee. Company also has the right to terminate this Agreement without any penalty by giving 90 days' written notice to the County prior to the end of the current tax year. The notice shall apply to the tax year following the year in which the notice has been given and shall have no impact on any tax year prior to the notice

9. Eligibility. Property constituting a solar project that has received an exemption under ORS 285C.350 to 285C.370 or 307.123 for any tax year is not eligible for participation in this Agreement.

10. Notices. All notices required or permitted hereunder shall be in writing and shall be given by overnight delivery certified mail, postage prepaid, addressed to each party as follows, or at such other addresses as either party may hereafter designate in writing:

To Company:

Attn: General Counsel  
 legal@heelstoneenergy.com  
 Chiloquin Solar LLC  
 191 W. Nationwide Blvd., Suite 600  
 Columbus, OH 43215

With a copy to:

Attn: General Counsel  
 Chiloquin Solar LLC  
 301 W Barbee Chapel Road, Suite 100  
 Chapel Hill, NC 27517

To County:

Klamath County Board of Commissioners  
 305 Main Street  
 Klamath Falls, OR 97601

To County Assessor:

Klamath County Assessor's Office  
 305 Main Street #119  
 Klamath Falls, OR 97601

11. **Binding Effect.** This Agreement shall be binding upon and shall inure to the benefit of each of the parties, their respective heirs, executors, administrators, legal representatives, successors and assigns.
12. **Assignment.** The Company has the right to assign, transfer or pledge its rights under this Agreement in its sole discretion.
13. **Integration.** This Agreement contains the entire agreement of the parties and supersedes all prior and contemporaneous, oral or written.
14. **Governing Law.** This Agreement shall be subject to, and governed by, the laws of the state of Oregon, and venue for any dispute hereunder shall lie in Klamath County, Oregon.
15. **Interpretation.** This Agreement implements Oregon House Bill 3492 (2015) and shall whenever possible be interpreted in a manner consistent with such law.
16. **Counterparts.** This Agreement may be executed in counterparts, and an electronic or facsimile copy of a signature shall be deemed an original for all purposes.

WHEREFORE, Company and County have executed this Agreement as of the date first set forth above.


PILOT agreement with Chiloquin Solar LLC



COMPANY:

COUNTY:

Klamath County, Oregon

By:   
Title: Vice President

By: \_\_\_\_\_  
Commissioner Chair

By: \_\_\_\_\_  
Commissioner Vice Chair

By: \_\_\_\_\_  
Commissioner

## Exhibit A

## Parcel 1:

A Parcel of land being a portion of Parcel 3 of Major Land Partition 7-85, situated in the S 1/2 of the NE1/4, and the NE1/4 of the SE1/4 of Section 22, Township 34 South, Range 07 East of the Willamette Meridian, Klamath County, Oregon, Being more particularly described as follows:

Commencing at the East 1/4 corner of said Section 22; thence North 00°09'57" West, 1325.67 feet to the North line of the S1/2 of the NE1/4; thence, along said North line, North 89°58'33" West, 353.90 feet to the westerly Right-of-Way line of the Union Pacific Rail Road and the TRUE POINT OF BEGINNING; thence continuing along said westerly Right-of-Way line, along the arc of a 1507.69 foot radius curve to the left, through a central angle of 20°05'41" (the long chord of which bears South 10°06'06" West, 526.07 feet) an arc distance of 528.78 feet to a point of spiral; thence continuing along said westerly Right-of-Way line, along a spiral to the left, the long chord of which bears South 02°58'05" East, 187.29 feet; thence continuing along said westerly Right-of-Way line, North 84°25'48" East, 25.00 feet to a point of spiral; thence, continuing along said westerly Right-of-Way line, along a spiral to the left, the long chord of which bears South 07°45'07" East, 272.90 feet; thence, continuing along said westerly Right-of-Way line, South 08°56'42" East, 687.97 feet, to the North line of Tract 1314, Pine Ridge Ranches, a duly recorded subdivision on file at the Klamath County Clerk's Office; thence along said North line of said Tract 1314, North 89° 52' 22" West, 1925.97 feet; thence, leaving said North line, North 00° 10' 59" West, 120.00 feet; thence North 89° 52' 22" West 30.00 feet; thence, North 00° 10' 59" West, 1528.99 feet, to the North line of S1/2 of the NE1/4 line; thence along said North line, South 89° 58' 33" East, 1875.15 feet to the true point of beginning.

Basis of Bearings is Grid North of the Oregon Coordinate Reference System, Bend- Klamath Falls Zone.

## Parcel 2:

Together with that certain emergency vehicle turnaround area comprised of Parcel A and Parcel B, as further outlined below:

## Parcel A

Commencing at the Northeast corner of Tract 1314, Pine Ridge Ranches, a duly recorded subdivision on file at the Klamath County Clerk's Office, said point marked with a 5/8" rebar with a yellow plastic cap stamped "True Line Surveying"; thence along the North line of said Tract 1314, North 89° 52' 22" West, 1955.97 feet to the True Point of Beginning; thence North 00° 10' 59" West, 120.00 feet; thence South 89° 52' 22" East, 30.00 feet; thence South 00° 10' 59" East, 120.00 feet; thence North 89° 52' 22" West, 30.00 feet to the true point of beginning.

## Parcel B

A Parcel of land being a portion of Parcel 3 of Major Land Partition 7-85, situated in the S1/2 of the NE1/4, and the NE1/4 of the SE1/4 of Section 22, Township 34 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

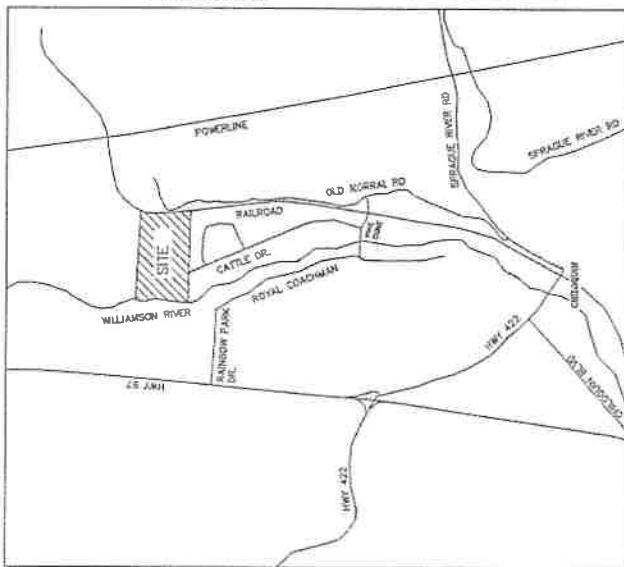
Commencing at the Northeast corner of Tract 1314, Pine Ridge Ranches, a duly recorded subdivision on file at the Klamath County Clerk's Office, said point marked with a 5/8" rebar with a yellow plastic cap stamped "True Line Surveying"; thence along the North line of said Tract 1314, North 89° 52' 22" West, 1955.97 feet to the True Point of Beginning; thence North 89° 52' 22" West, 98.31 feet; thence North 00° 07' 38" East, 30.00 feet; thence South 89° 52' 22" East 53.15 feet; thence

North 00° 10' 59" West, 65.00 feet; thence South 89° 52' 22" East 45.00 feet; thence South 00° 10' 59" East 95.00 feet to the true point of beginning.

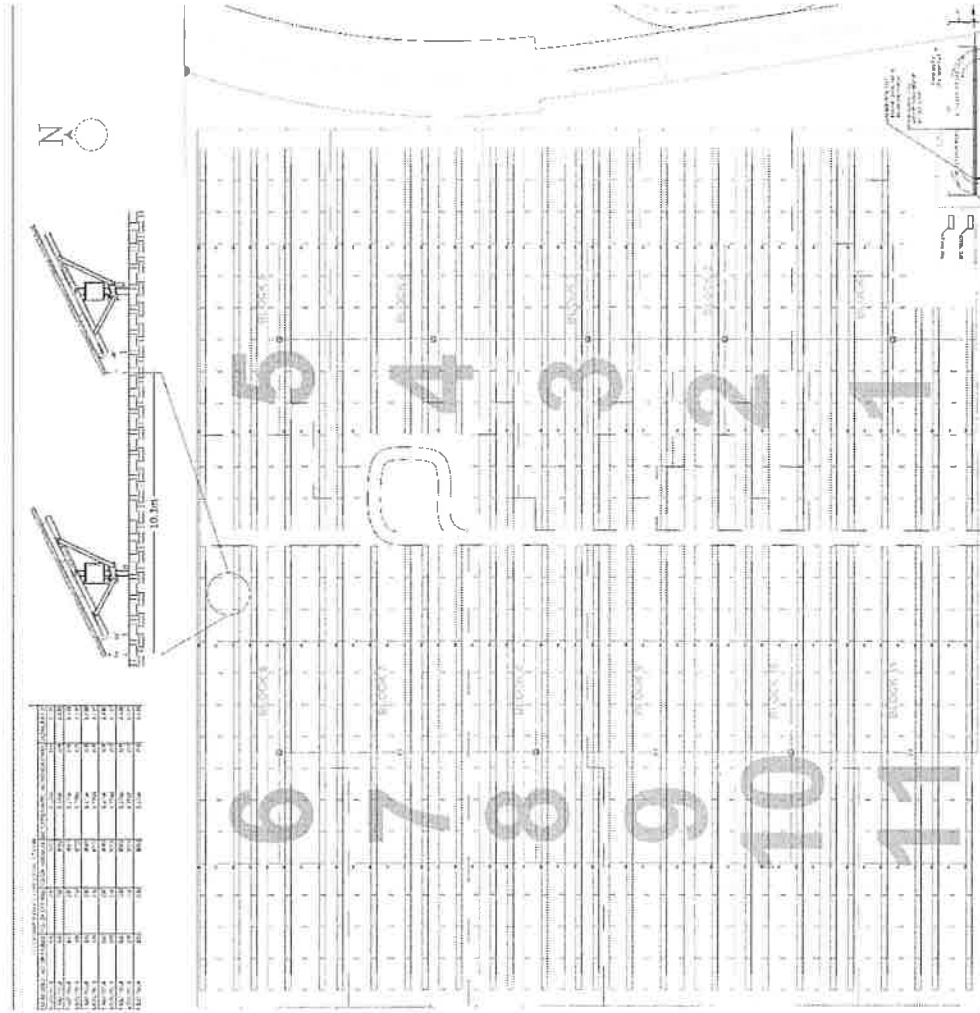
**Parcel 3:**

Together with Access Easement recorded March 2, 2017 in Instrument No. 2017-002249 and re-recorded March 14, 2017 in Instrument No. 2017-002679, Klamath County records and as further depicted as Cattle Drive on Tract 1314 Pine Ridge Ranches, according to the official plat thereof on file in the office of the County Clerk, Klamath County, Oregon.

Exhibit B



CHILOQUIN AREA VICINITY MAP  
NOT TO SCALE



PILOT agreement with Chiloquin Solar LLC