

**MEMORANDUM**

TO: Albemarle County Attorney

FROM: Valerie Long, Esq.

DATE: September 7, 2023

RE: Woodridge Solar Energy System SP2022-015: Economic and Other Public Benefits

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On April 5, 2023, the Albemarle County Board of Supervisors approved a special use permit requested by Woodridge Solar, LLC, an entity wholly owned by Hexagon Energy, LLC (“Hexagon”), for a 138MW solar facility to be constructed on nine (9) Tax Map parcels<sup>1</sup> comprising approximately 2,300 acres in the Scottsville Magisterial District (the “Property”) with access from Secretary’s Road (the “Project”). This Project will provide both environmental and economic public benefits. This memorandum summarizes direct tax benefits and economic benefits under the proposed siting agreement, as well as environmental benefits. Please refer to the special use permit narrative and narrative attachments for greater detail regarding the Property, the Project and various assessed impacts. For ease of reference, the Vegetation Management Plan and Economic & Fiscal Contribution Report are attached to this Memorandum.

I. Economic Benefits

A. **Tax Revenue**

1. Personal Property / Siting Agreement Payments

Hexagon provided the requisite notice to the County and has proposed a siting agreement pursuant to Virginia Code §15.2-2316.7. The siting agreement offers to the County annual payments equal to the greater of (a) the Machinery and Tools Tax assessed and payable on the value of the solar project’s equipment pursuant to Article 2, Chapters 35 and 36 of Title 58.1 of the Code of Virginia and applicable County ordinances (“M&T Taxes”) or (b) Revenue Share pursuant to Virginia Code § 58.1-2636. The County has not adopted a Revenue Share Ordinance at this time.

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<sup>1</sup> Tax Map Parcel 114-51, containing 113 acres  
Tax Map Parcel 114-55, containing 89 acres  
Tax Map Parcel 114-56, containing 14.8 acres  
Tax Map Parcel 114-58, containing 143.65 acres  
Tax Map Parcel 114-65, containing 35.48 acres  
Tax Map Parcel 114-68, containing 42 acres  
Tax Map Parcel 114-69, containing 42 acres  
Tax Map Parcel 114-70, containing 1728 acres  
Tax Map Parcel 115-10, containing 48.5 acres

Because the Project is greater than 25 MW, it will be treated as an “electric supplier” per Va. Code § 58.1-2600(A). The State Corporation Commission (SCC) assesses all property of electric suppliers and provides the assessed values to the electric supplier and to each city, county, and town (locality) in which the property is located to collect payment. Va. Code § 58.1-2600, -2628(D).

Hexagon estimates the sum of the total cost of preparing the Property, installing the solar energy generating equipment, implementing the vegetation management plan, and purchasing the solar energy generating equipment at **\$250,000,000**, as itemized in the table below:

| <b>Woodridge Solar Cost Estimate</b>           | <b>Total \$</b>      |
|------------------------------------------------|----------------------|
| <b>Modules</b>                                 | <b>\$70,000,000</b>  |
| <b>Racking, Inverter, and BOS Materials</b>    | <b>\$53,000,000</b>  |
| <b>High Voltage Project Substation</b>         | <b>\$9,500,000</b>   |
| <b>Site Preparation and Installation</b>       | <b>\$114,000,000</b> |
| <b>Vegetation Management Plan Installation</b> | <b>\$3,500,000</b>   |
| <b>Grand Total</b>                             | <b>\$250,000,000</b> |

M&T Taxes would be assessed against the improvements and equipment, which Hexagon estimates at **\$1,320,500,00**. Because the Project is under 150 MW, the equipment that would be taxed for M&T tax is subject to a scaled exemption over 15 years: for the first five (5) years, 80% of the value is exempt, for the second five (5) years, 70% of the value is exempt, and for the third five (5) years, 60% of the value is exempt. Va. Code § 58.1-3660. The remaining 20% / 30% / 40%<sup>2</sup> is taxed at a maximum rate equal to the County’s real estate tax rate, currently \$0.854/\$100.

Revenue Share allows a locality to tax a solar energy project up to \$1,400 per megawatt (AC). Revenue share may be increased on July 1, 2026 and every five (5) years thereafter by 10%. The exemption from M&T Taxes discussed in the prior paragraph for all tangible personal property classified as “certified pollution control equipment” is 100% if the locality has adopted a revenue share ordinance.

The spreadsheet attached as an exhibit to the siting agreement and as Exhibit A to this Memorandum sets out the annual payments beginning once the Project has been completed in 2024. At the beginning of the Project’s operation, the County will receive M&T tax based on the assessed value of equipment because such tax would be greater than the calculated Revenue Share (even with the applicable exemptions). Once Revenue Share would exceed the annual M&T Tax, the Project operator will supplement its payments to the County with a voluntary additional payment, which, added to the M&T tax, would equal the estimated annual Revenue Share at that time. Total estimated tax revenue pursuant to this proposal would be **\$13,040,735**.

Further, the Project is expected to generate approximately **\$987,100** in state and local tax revenue from the economic activity associated with the project’s construction.

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<sup>2</sup> The locality may classify solar generating equipment and improvements as business personal property or machinery and tools, but such classification is a moot point for a discussion of revenue because the rate is capped at the real estate tax rate, which is lower than that for either of the former categories.

## 2. Real Property Taxes

Hexagon has estimated annual real property taxes for the Property at \$73,444, totaling **\$2,570,000** for the estimated 35-year life of the Project. (This estimate assumes a per acre assessment of \$10,000 once in solar use.) Rollback taxes in the amount of **\$147,431** will also be due. Please see Exhibit B for a table of anticipated annual real estate taxes and rollback tax. By contrast, the property currently generates approximately \$3,923 per year in real estate tax revenue for the county, for a cumulative total of approximately \$137,289 over 35 years.

### B. Non-Tax Economic Contributions

In addition to direct financial benefits from tax revenue, the Project is expected to provide the following economic contributions to the County:

1. Construction Phase:
  - 249 direct, indirect, and induced jobs.
  - \$14.4 million in associated labor income.
  - \$38.8 million in economic output.
2. Operations Phase:
  - 5 direct, indirect, and induced jobs.
  - \$267,200 in associated labor income.
  - \$667,500 in economic output.

Please refer to Exhibit C, the Woodridge Solar Economic & Fiscal Contribution Report, for greater detail regarding these economic contributions.

## II. Environmental Benefits

The Project will provide environmental benefits not only by the provision of renewable energy but by significant improvements to the condition of the Property itself:

- Clean Power for over 25,000 homes and 60,000 residents
- A 100-ft natural and newly-planted vegetative buffer within a 200-ft setback around the Property
- Allowing land to rest after 80+ years of commercial timber operations; stopping further erosion, scour, and degradation of the site; restoring extreme site degradation from industrial timber operations and rejuvenating soil health through soil amendments
- Establishing pollinator-friendly meadows
- Maintaining wildlife corridors
- Complying with WPO Stream Buffer regulations after years of agricultural disturbance
- Virginia Pollinator Smart Certification
- Enabling native wildlife, plant life, and pollinators to thrive
- Potential agricultural partnerships for beekeeping and grazing of sheep

### **Vegetation Management Plan**

Restoring the land and supplementing the soil following industrial timbering and planting the seeds to foster a pollinator meadow will be costly and labor-intensive. The Project will achieve

*Virginia Pollinator Smart Certification* through use of Solar Native Plant Finder species and native grasses, adoption of an Approved Vegetation Management Plan, vegetation monitoring, mapping and controlling invasive species, and preserving forested habitats and wetlands.

Following are the primary components of the Vegetation Management Plan, attached as Exhibit D. Please see the Plan for details about plantings and techniques.

1. Amending soils to establish vegetation. Soil testing throughout the Property found that the soils are extremely to strongly acidic with high concentrations of soluble minerals and low nutrient levels. The soils will be amended with lime to raise the pH and nutrient levels, allowing for effective fertilizing and plant establishment;
2. Removing noxious weeds and invasive species from stockpiled topsoil;
3. Preserving wooded buffers in wetlands and riparian buffers and in visual screen areas while removing woody material buildup that can impair nitrogen levels needed for vegetation establishment;
4. Planting a 20' wide vegetative buffer around the Project Area and retaining existing vegetation wherever it screens the Project from outside;
5. Reducing maintenance over time through the use of Integrated Vegetation Management (IVM) and minimizing chemical pest control through the use of the Integrated Pest Management (IPM) approach;
6. Actively controlling noxious weeds and invasive plants through a variety of methods and monitoring plantings throughout the lifetime of the Project using Virginia DCR and DEQ's Pollinator-Smart Monitoring Plan;
7. Monitoring plantings;
8. Seed mixes suited for all uses on site: "Fuzz and Buzz" under and around panels; native pollinator mix in Screening Zone and Open Areas; native mix for stormwater management facilities.