Sulphur Creek Solar, LLC

Cost-Benefit Analysis

Prepared by:

MRB group

Prepared for:
Ontario County IDA

Date:
June 7, 2021

Executive Summary

The Ontario County Industrial Development Agency (the "Agency") received an application for financial assistance from Sulphur Creek Solar, LLC (the "Applicant") related to a proposed project located at State Route 96 in the Town of Phelps (the "Site"). The proposed project includes the development of approximately 3.1 acres of vacant land into a 5-megawatt community distributed-generation solar facility (the "Project"). The Agency requested a cost-benefit analysis from MRB Group to enumerate the economic and fiscal benefits and costs of the Project on the County and the Region,[1] as part of the Agency's deliberations.

MRB Group assessed the economic and fiscal impacts of the Project expected in the construction phase of the solar development. The economic impacts considered in this analysis include direct and indirect changes to jobs, wages, and sales. The fiscal impacts of the Project include new tax revenue as well as the presumed costs of the financial assistance being considered by the Agency.

Summary of Economic Impacts

	Direct	Indirect	Total
Construction Jobs	13	9	21
Construction Wages	$1,068,383	$485,122	$1,553,505

Using estimates provided by the Applicant of locally-sourced labor and materials to be used in the construction phase of the Project, we were able to assess the one-time economic impact. We estimate that the construction phase of the Project will produce 13 direct, on-site construction jobs and 9 indirect jobs. Therefore, in total, the construction phase of the Project will create 21 jobs generating $1.6 million in wages in the Region.

Once constructed, the new solar facility will be serviced by contractors for snow removal, landscaping, and periodic maintenance but there will be no employees of the Applicant on-site during the operation phase. As such, economic impacts are assessed during the one-time construction phase impacts only.

[1] The IDA defines to regions in its policies: a 6-county area including Ontario, Monroe, Livingston, Wayne, Seneca, and Yates Counties and 9-county labor region of Ontario, Monroe, Livingston, Wayne, Seneca, Yates, Steuben, Schuyler, and Chemung Counties. For ease of reference, we refer to both as simply the "Region."

The Applicant has requested a PILOT agreement from the Agency of $5,000 per MW with a 2% annual escalation for a 15-year term. In terms of fiscal benefits, the Project will increase tax revenues for the State, County, Town, and Phelps-Clifton Springs Central School District. The one-time sales tax benefits associated with the construction of the project are estimated to be $16,700. Under the terms of the requested PILOT, property tax revenue will increase by $260,726 over 15 years. Therefore, the total fiscal benefits of the Project will be $277,427 to all jurisdictions.

Summary of Fiscal Benefits

	State	County	Town	School	Total
Sales Tax, One-Time	$13,982	$2,719			$16,700
Increase in Property Tax, Total*		$53,850	$21,180	$185,696	$260,726
Total Fiscal Benefits	**$13,982**	**$56,568**	**$21,180**	**$185,696**	**$277,427**

*Difference between property taxes without project and PILOT payments with project over term of PILOT.

As shown in the table below, the exemptions include $369,880 in foregone sales tax revenue and $5.0 million in foregone property tax revenue. The value of the property tax abatement shows the difference between the hypothetical "full-value" tax revenue and the revenue to be collected under the requested PILOT. However, the Applicant has noted that without a PILOT abatement, the Project will not move forward. Therefore, this value is theoretical, rather than a true cost to the taxing jurisdictions.

Summary of Exemptions

	State	County	Town	School	Total
Cost of Sales Tax Exemption, One-Time	$197,269	$172,611			$369,880
Value of Property Tax Abatement, Total*		$1,040,782	$409,363	$3,589,039	$5,039,183

*Difference between hypothetical full-value taxes and PILOT payments over term of PILOT.

In accordance with recent changes to GML Section 859-a(5), the contribution of the project to the State's Renewable energy goals was evaluated. According to the Applicant, the Project will result in the following impacts: the Project will produce approximately 9,389 MWh of energy per year, offsetting carbon emissions by 6,598 metric tons, and contributing 0.10% towards the 6 GW solar goal set by the NYS CLCPA. Other environmental impacts are described in the body of the report.

Contents

Executive Summary 2

Introduction 5

Environmental Consideration 6

Economic Impact Analysis 7

- Methodology 7
- Construction Phase 8

Fiscal Impact Analysis 9

- Assumptions 9
- Property Tax Revenue 10
- Property Tax Revenue – County 11
- Property Tax Revenue – Town 12
- Property Tax Revenue – School 13

Introduction

The Ontario County Industrial Development Agency (the "Agency") received an application for financial assistance from Sulphur Creek Solar, LLC (the "Applicant") related to a proposed project located at State Route 96 in the Town of Phelps (the "Site"). The proposed project includes the development of approximately 3.1 acres of vacant land into a 5-megawatt community distributed-generation solar facility (the "Project"). The Agency requested a cost-benefit analysis from MRB Group to enumerate the economic and fiscal benefits and costs of the Project on the County and the Region,[2] as part of the Agency's deliberations.

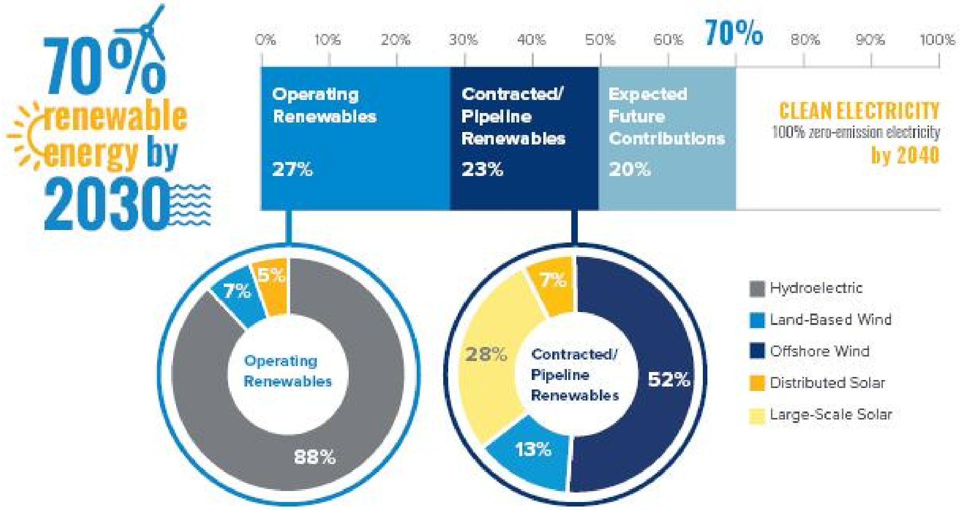
MRB Group assessed the economic and fiscal impacts of the Project expected in the construction phase of the solar development. The economic impacts considered in this analysis include direct and indirect changes to jobs, wages, and sales. The fiscal impacts of the Project include new tax revenue as well as the presumed costs of the financial assistance being considered by the Agency.

[2] The IDA defines to regions in its policies: a 6-county area including Ontario, Monroe, Livingston, Wayne, Seneca, and Yates Counties and 9-county labor region of Ontario, Monroe, Livingston, Wayne, Seneca, Yates, Steuben, Schuyler, and Chemung Counties. For ease of reference, we refer to both as simply the "Region."

Environmental Consideration

In accordance with the new requirements of Section 859-a(5) of General Municipal Law, the contribution of the project to the State's Renewable energy goals was evaluated.

According to the Applicant, the Project will result in the following impacts:



Source: NYSERDA.ny.gov

- The Project will add 6.545 MW of community generation to meet the governors 6 GW renewable goals, as dictated by the NYS Clean Energy Standard.
- The Project will produce approximately 9,389 MWh of energy per year – enough power injected into the local grid to power approximately 654 homes.
- Carbon offset by power generated is approximately 6,598 Metric Tons – or the equivalent of 7 million lbs. of burned coal.
- The Project will help utility companies meet their requirement of 70% of energy sales from renewable sources by 2030 as dictated by the April 8, 2020 amendment to the NYS Energy Plan and the NYS Climate Leadership and Community Protection Act.
- Once installed, this Project will represent a 16% increase in Ontario County's 39.1 MW of installed solar capacity (per NYSERDA Data from March 2021).
- The Project represents approximately 0.10% of the 6 GW solar goal set by the NYS CLCPA.

Economic Impact Analysis

The Project would have economic impacts on the Region in a number of ways. This includes one-time impacts to jobs, earnings, and sales during the construction phase of the Project, which we estimate for the entire Region.

Methodology

One-time, construction-phase impacts have "direct" and "indirect" components. For the construction phase:

- Direct jobs, wages, and sales are those that occur on-site related to labor and materials used in the construction of the Project.
- Indirect jobs, wages, and sales are those caused by the direct impacts, and result from business-to-business purchases (e.g. a contractor buying a piece of equipment from a dealer) and from employees spending a portion of their wages locally.

To estimate the direct and indirect impacts, MRB Group employed the Emsi[3] economic modeling system. We used data from the Applicant, from the Agency, and from publicly-available and proprietary data sources as inputs to the Emsi modeling system. Where needed, we adjusted the Emsi model to best match the Project specifics. We then reported the results of the modeling.

[3] Emsi, formerly "Economic Modeling Systems, Intl.," uses data from the US Bureau of Labor Statistics, the US Bureau of Economic Analysis, the US Census, and other data sources to model out economic impacts.

Construction Phase

The Applicant provided estimates of the total cost of construction of the Project, which is $10.1 million. The Agency's Uniform Tax Exemption Policy's (UTEP) requires that 80% of materials be sourced from a 6-county region (Ontario, Monroe, Livingston, Wayne, Seneca, and Yates) and that 80% of labor will be sourced from a 9- county region (Ontario, Monroe, Livingston, Wayne, Seneca, Yates, Steuben, Schuyler, and Chemung).

In discussions with the Applicant, the Applicant noted that some of the materials used in the Project cannot be sourced locally.[4] The Applicant provided the dollar value of materials and labor that could be sourced locally, which we report in the table to the right. For the purposes of our analysis, we have therefore assumed 80% of just these labor and materials figures will be sourced within the Region. Therefore, in total, the construction phase of the Project will result in $2.6 million of in-Region construction spending.

Construction Spending in Region

	$ Total	% Region	$ Region
Materials	$1,011,000	80%	$808,800
Labor	$2,187,000	80%	$1,749,600
Total	$3,198,000	80%	$2,558,400

Source: Applicant, MRB

In-region construction spending of $2.6 million (direct "sales" in the table) was used as an input into the Emsi economic modeling system. According to the model, this level of spending will result in the creation of 13 direct jobs and direct earnings of approximately $1.1 million. Indirect impacts resulting from direct spending were also modeled, with 9 new jobs, $485,122 in new earnings, and $1,328,806 in new sales. Therefore, the total, one-time, construction-phase impacts of the Project would be 21 jobs, $1.6 million in wages, and $3.8 million in sales.

Economic Impact of Construction Phase, One-Time

	Direct	Indirect	Total
Jobs	13	9	21
Earnings	$1,068,383	$485,122	$1,553,505
Sales	$2,558,400	$1,328,806	$3,887,206

Source: Emsi, MRB

[4] The Agency's UTEP allows for the Applicant to request a waiver for materials and labor that cannot be sourced locally. In the interests of clarity, we note that no such waiver has been granted.

Fiscal Impact Analysis

The Project would also have fiscal impacts in terms of new tax revenues and the cost of tax exemptions, described below.

Assumptions

To assess the fiscal impacts of the Project, the following assumptions were made:

- The current full market value of the property is $318,300 and the current taxable value (TV) is $296,019.
- The future assessed value (AV) of the project is the total Project cost of $10,148,556 multiplied by the current equalization rate of 93%.
- An annual escalation factor of 2% was applied to the current tax rates of the County, Town, and School District.
- Yearly PILOT payment distributions were calculated using the portion of each taxing jurisdiction's tax rate relative to total tax rate paid.

Future Assessed Value

Line	Value
Full Market Value	$318,300
Current TV	$296,019
Construction Cost	$10,148,556
Equalization Rate	93%
Future AV	$9,438,157

Estimated Tax Rates - 2% Escalation

Year	Escalation Factor	County Tax Rate	Town General Fund Tax Rate	School Tax Rate
Current	1.0000	$6.787959	$2.669856	$23.4076
1	1.0200	$6.923718	$2.723253	$23.8758
2	1.0404	$7.062193	$2.777718	$24.3533
3	1.0612	$7.203436	$2.833273	$24.8404
4	1.0824	$7.347505	$2.889938	$25.3372
5	1.1041	$7.494455	$2.947737	$25.8439
6	1.1262	$7.644344	$3.006691	$26.3608
7	1.1487	$7.797231	$3.066825	$26.8880
8	1.1717	$7.953176	$3.128162	$27.4258
9	1.1951	$8.112239	$3.190725	$27.9743
10	1.2190	$8.274484	$3.254540	$28.5338
11	1.2434	$8.439974	$3.319630	$29.1045
12	1.2682	$8.608773	$3.386023	$29.6866
13	1.2936	$8.780949	$3.453743	$30.2803
14	1.3195	$8.956568	$3.522818	$30.8859
15	1.3459	$9.135699	$3.593275	$31.5036

Property Tax Revenue

The Applicant has requested a 15-year PILOT that would allow for the payment of $5,000 per megawatt per year, escalated at 2% per year. The 5-megawatt facility proposed would therefore pay a total of $25,000 in PILOT payments in the first year. Assuming an escalation factor of 2% per year, over the life of the 15-year agreement, PILOT payments would total approximately $432,335.

Property Tax Revenue – County

The estimated tax revenue for Ontario County under the proposed PILOT is $89,294 over the 15-year term. Compared to anticipated property tax revenue generated if the Project does not move forward, this represents an increase of $53,850.

Property Tax or PILOT Revenue - County

Year	Tax Rate	Current Taxable Value	Taxes w/o Project	Future Taxable Value	Taxes w/o PILOT	PILOT Payment w/ Project	Increase in Revenue
1	6.9237	$296,019	$2,050	$9,438,157	$65,347	$5,163	$3,114
2	7.0622	$296,019	$2,091	$9,438,157	$66,654	$5,267	$3,176
3	7.2034	$296,019	$2,132	$9,438,157	$67,987	$5,372	$3,240
4	7.3475	$296,019	$2,175	$9,438,157	$69,347	$5,479	$3,304
5	7.4945	$296,019	$2,219	$9,438,157	$70,734	$5,589	$3,371
6	7.6443	$296,019	$2,263	$9,438,157	$72,149	$5,701	$3,438
7	7.7972	$296,019	$2,308	$9,438,157	$73,591	$5,815	$3,507
8	7.9532	$296,019	$2,354	$9,438,157	$75,063	$5,931	$3,577
9	8.1122	$296,019	$2,401	$9,438,157	$76,565	$6,050	$3,648
10	8.2745	$296,019	$2,449	$9,438,157	$78,096	$6,171	$3,721
11	8.44	$296,019	$2,498	$9,438,157	$79,658	$6,294	$3,796
12	8.6088	$296,019	$2,548	$9,438,157	$81,251	$6,420	$3,872
13	8.7809	$296,019	$2,599	$9,438,157	$82,876	$6,548	$3,949
14	8.9566	$296,019	$2,651	$9,438,157	$84,533	$6,679	$4,028
15	9.1357	$296,019	$2,704	$9,438,157	$86,224	$6,813	$4,109
TOTAL			**$35,444**		**$1,130,075**	**$89,294**	**$53,850**

Property Tax Revenue – Town

The estimated tax revenue for the Town under the proposed PILOT is $35,121 over the 15-year term. Compared to anticipated revenue generated if the Project does not move forward, this represents an increase of $21,180.

Property Tax or PILOT Revenue - Town General Fund

Year	Tax Rate	Current Taxable Value	Taxes w/o Project	Future Taxable Value	Taxes w/o PILOT	PILOT Payment w/ Project	Increase in Revenue
1	2.72325	$296,019	$806	$9,438,157	$25,702	$2,031	$1,225
2	2.77772	$296,019	$822	$9,438,157	$26,217	$2,072	$1,249
3	2.83327	$296,019	$839	$9,438,157	$26,741	$2,113	$1,274
4	2.88994	$296,019	$855	$9,438,157	$27,276	$2,155	$1,300
5	2.94774	$296,019	$873	$9,438,157	$27,821	$2,198	$1,326
6	3.00669	$296,019	$890	$9,438,157	$28,378	$2,242	$1,352
7	3.06683	$296,019	$908	$9,438,157	$28,945	$2,287	$1,379
8	3.12816	$296,019	$926	$9,438,157	$29,524	$2,333	$1,407
9	3.19073	$296,019	$945	$9,438,157	$30,115	$2,380	$1,435
10	3.25454	$296,019	$963	$9,438,157	$30,717	$2,427	$1,464
11	3.31963	$296,019	$983	$9,438,157	$31,331	$2,476	$1,493
12	3.38602	$296,019	$1,002	$9,438,157	$31,958	$2,525	$1,523
13	3.45374	$296,019	$1,022	$9,438,157	$32,597	$2,576	$1,553
14	3.52282	$296,019	$1,043	$9,438,157	$33,249	$2,627	$1,584
15	3.59327	$296,019	$1,064	$9,438,157	$33,914	$2,680	$1,616
TOTAL			$13,941		$444,484	$35,121	$21,180

Property Tax Revenue – School

The estimated tax revenue for the Phelps-Clifton Springs Central School District under the proposed PILOT is $307,921 over the 15-year term. Compared to anticipated revenue generated if the Project does not move forward, this represents an increase of $185,696.

Property Tax or PILOT Revenue - School District

Year	Tax Rate	Current Taxable Value	Taxes w/o Project	Future Taxable Value	Taxes w/o PILOT	PILOT Payment w/ Project	Increase in Revenue
1	23.87580	$296,019	$7,068	$9,438,157	$225,344	$17,806	$10,738
2	24.35331	$296,019	$7,209	$9,438,157	$229,850	$18,162	$10,953
3	24.84038	$296,019	$7,353	$9,438,157	$234,447	$18,525	$11,172
4	25.33719	$296,019	$7,500	$9,438,157	$239,136	$18,896	$11,395
5	25.84393	$296,019	$7,650	$9,438,157	$243,919	$19,273	$11,623
6	26.36081	$296,019	$7,803	$9,438,157	$248,797	$19,659	$11,856
7	26.88803	$296,019	$7,959	$9,438,157	$253,773	$20,052	$12,093
8	27.42579	$296,019	$8,119	$9,438,157	$258,849	$20,453	$12,335
9	27.97430	$296,019	$8,281	$9,438,157	$264,026	$20,862	$12,581
10	28.53379	$296,019	$8,447	$9,438,157	$269,306	$21,279	$12,833
11	29.10446	$296,019	$8,615	$9,438,157	$274,693	$21,705	$13,090
12	29.68655	$296,019	$8,788	$9,438,157	$280,186	$22,139	$13,351
13	30.28028	$296,019	$8,964	$9,438,157	$285,790	$22,582	$13,618
14	30.88589	$296,019	$9,143	$9,438,157	$291,506	$23,034	$13,891
15	31.50361	$296,019	$9,326	$9,438,157	$297,336	$23,494	$14,169
TOTAL			$122,225		$3,896,960	$307,921	$185,696

Sales Tax Revenue, Construction Phase

As our economic impact analysis states, we anticipate approximately $1.5 million in total new earnings during the construction phase of the project. We assume 90% of this newly generated construction phase spending will be spent in New York State, and at least 20% will be spent in Ontario County. From there, we conservatively estimate that 25% of that spending amount will be subject to sales tax. Applying the County's sales tax rate of 3.5% and the State's sales tax rate of 4.0%, we conclude that the construction phase earnings will lead to approximately $2,719 in sales tax revenue for the County, and approximately $13,982 for the State.

County Sales Tax Revenue

Line	Value
Total New Earnings	$1,553,505
% Spent in County	20%
$ Spent in County	$310,701
% Taxable	25%
$ Taxable	$77,675
County Sales Tax Rate	3.50%
$ County Sales Tax Revenue	$2,719

Source: Applicant, MRB

State Sales Tax Revenue

Line	Value
Total New Earnings	$1,553,505
% Spent in State	90%
$ Spent in State	$1,398,155
% Taxable	25%
$ Taxable	$349,539
State Sales Tax Rate	4.00%
$ State Sales Tax Revenue	$13,982

Source: Applicant, MRB