May 11, 2021

Amanda Hiller, Acting Commissioner and General Counsel
New York State Department of Taxation and Finance
Building 9 W A Harriman Campus
Albany, NY 12226

Doreen M. Harris, President & CEO
New York State Energy Research and Development Authority
17 Columbia Circle
Albany, NY 12203-6399

Re: Standard Assessment Methodology for Renewable Energy Projects

Dear Acting Commissioner Hiller and President Harris:

We are writing to you regarding the Department of Taxation and Finance's ("Department") new responsibility to publish a methodology for assessing wind and solar projects for the purpose of property taxation, in consultation with NYSERDA. On behalf of the Alliance for Clean Energy ("ACE NY") and the New York Solar Energy Industries Association ("NYSEIA"), we would like to respectfully request a meeting with you or your designees to discuss the industry's perspective regarding this initiative, and to learn more about the Department's timeline and process for meeting this obligation.

The enacted 2021-2022 New York State Revenue Budget recently amended the Real Property Tax Law (Sections 487 and 575-a) and General Municipal Law (Sections 853, 854, 858 and 859-a) will help, through the establishment of a standardized methodology for real property tax assessment, to facilitate New York's nation-leading carbon reduction goals through the timely construction of solar and wind energy projects in New York State. Consequently, these amendments will help to promote economic development through the creation of thousands of high-paying construction jobs and provide local governments with a significant, increased, and stable revenue stream while reducing risk to local governments of tax certiorari created by some of the current practices.

As you may know, the renewable energy industry enthusiastically supported these amendments and appreciates the strong support from Governor Cuomo and the Legislature. The primary electricity goals of the Climate Leadership and Community Protection Act ("CLCPA") are to achieve 70 percent renewable electricity by 2030 and six gigawatts of community distributed solar projects by 2025. Achieving both targets – as well as New York's aggressive carbon reduction goals – requires the construction of a significant amount of wind and solar energy projects.

However, the local process to negotiate property tax agreements with at least three separate jurisdictions – town/city/village, county and school district – can currently take up to two years or longer. This delay is caused, in part, because no standardized methodology or guidance for establishing what real property taxes should be assessed has previously existed, causing protracted negotiations and tremendous uncertainty for developers and assessors alike. Payment in Lieu of Taxes (PILOT)s negotiated under RPTL 487 are required to not exceed what would otherwise be payable in property taxes. Our hope is that a consensus for this calculation will finally be reached through implementation of the legislation passed in this year's State Budget.

Furthermore, permitted projects that have obtained all necessary approvals can be thwarted by oppositional jurisdictions denying PILOT agreements and insisting on unreasonable taxation. Jurisdictional attempts to tax wind and solar projects at unreasonably high levels that do not match projected project revenue sidetracks the goals of New York State as renewable projects are bid by independent power producers on the basis of fairly accepted PILOT values. In this new taxation standardization initiative, we seek to work with stakeholders to create tools that will better represent the market of these projects, increasing certainty for both host communities and renewable projects. The predictability this will establish is necessary for the development and financing of these energy projects which is otherwise at risk if subject to an unknown property tax liability based on a post-construction assessment.

As you know, the new legislation specifies that the method that is to be used for assessment is the discounted cash flow approach, which is one form of the income approach used by appraisers. The income approach, and specifically the discounted cash flow, is the most appropriate of the three approaches to value for renewable energy projects. There are important factors that should be considered when performing the discounted cash flow analysis of these projects: which cash flows are valued; the treatment of contracted and merchant cash flows; appropriate adjustments to either discount rates or cashflows; basis and congestion; and the implications of major maintenance on project life. ACE NY, NYSEIA, and their members appreciate the opportunity to work collaboratively on developing a framework for performing this valuation. This initiative will provide budgeting certainty for assessors, towns, and developers across generation types.

The legislation enacted through this year's State Budget directs the Department of Taxation and Finance to publish a standard methodology for real property tax assessment, in consultation with NYSERDA and the NYS Assessors Association, while providing municipalities with the flexibility to negotiate the PILOT agreements these projects utilize. The amendments also make it clear that renewable energy is among the types of economic development that Industrial Development Agencies have the authority to pursue and support regardless of the number of local jobs associated with the project.

The tax standardization policy will provide a framework for local communities to negotiate tax agreements with energy developers and will pave the way for related economic benefits. In March, ACE NY and NYSEIA released a new economic impact report[1] that found that implementing a

[1] Standardizing Renewable Energy Property Tax Approaches in NY State: Economic Benefits to Host Communities (March 2021 Report Released by ACE NY and NYSEIA)
https://static1.squarespace.com/static/5c34c6b685ede137995b2e5d/t/605a361cc6e4087ef35f1f50/1616524834792/SEA_Prop-Tax-Impacts-Report___FINAL_03.22.21.pdf

standardized renewable energy tax assessment model will generate economic activity that would result in 16,000 new jobs across the state, particularly in upstate regions, representing a 32% increase over economic activity without tax standardization. Moreover, New York's labor income would rise $2 billion dollars, from $6.2 billion to $8.2 billion and the gross state product would rise $5.2 billion dollars, from $16.3 billion to $21.5 billion. The report also found that with a standardized tax assessment model, New York would experience $38.2 billion in business sales compared to the $29 billion generated without the framework. The report shows that upstate regions, particularly Western New York, North Country and the Mid-Hudson Region, will realize the most significant economic benefits from a standardized tax assessment model, as these regions have the highest solar and wind capacity.

Thank you for your consideration and we look forward to meeting with you soon to further discuss your Department's establishment of a standard assessment methodology for wind and solar projects.

Sincerely,

Anne Reynolds
Executive Director
Alliance for Clean Energy NY

Shyam Mehta
Executive Director
New York Solar Energy Industries Association