



TOWN OF UPTON, MASSACHUSETTS

BOARD OF SELECTMEN

June 1, 2016

MEMO TO: Board of Selectmen
FROM: Blythe C. Robinson
Town Manager
RE: Request for Approval – Nexamp PILOT Agreement – Solar Array

State law allows communities to enter into agreements to obtain a payment in lieu of taxes (PILOT) agreement under G.L. c 59, §38H(b). Nexamp, a Massachusetts-headquartered solar company intends to build a 2.6 Megawatt DC solar array on land owned by Harvey Trask at the intersection of Route 140 and Chestnut Street in Upton. They have proposed the attached PILOT agreement in lieu of the Town taxing the equipment used in the solar array. The agreement has been reviewed and approved by Town Counsel, and the Board of Assessor's concurs with the terms. Thus I recommend that the Board vote to execute the agreement at their next meeting. Below I would like to outline the terms and steps in the process that led up to this recommendation.

Towns have been entering into PILOT agreements for projects such as this, largely because the State Department of Revenue and the Appellate Tax Board have not acted favorably to allow Towns to tax the equipment as personal property. As you will see from the attached bullet list produced by the Board of Assessors, our ability to fully tax the equipment is limited, and calculations show that the projected revenue from what the solar array produces is likely to be higher over the 20 years of the project.

Nexamp first proposed that for the 2.6 megawatt project they pay the Town \$12,000 per megawatt, and escalate those payments by 2.0% over each of the 20 years. Based on research of other towns and Upton's history of increasing taxes by 2.5% we countered their proposal and have recommended an agreement with a payment of \$12,500/megawatt and the escalator increasing to 2.5% in the years 11-20. That will result in a 20-year payment to the Town of \$801,890 rather than the \$758,078 first proposed. It is important to note that these figures are predicated on the array generating those megawatts during all 20 years. If there are variations in the amount of equipment (solar panels, inverters, etc.) this number may increase or decrease.

BOARD OF SELECTMEN
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There were four approvals that needed to be addressed before this agreement could be finalized, and all have been completed:

1. State law requires that Town Meeting vote to allow the Town to enter into a PILOT agreement. A warrant article approving the Selectmen to enter into an agreement was passed by the voters at the November 17, 2015 Special Town Meeting.
2. The Town's Conservation Commission and Planning Board needed to both approve the project. Those boards completed that process in December, 2015.
3. The State of Massachusetts needed to pass legislation to increase the cap on solar array projects such as this to create capacity for the project to be built with the various incentive programs in place that make them financially attractive. That occurred earlier this year.
4. The land for the project has for many years been categorized as Chapter 61A and subject to reduced tax status. As you know the Board voted at a recent meeting to pass on the opportunity to purchase the land, and to allow the owner to convert it out of Chapter 61A so that it may be utilized for this solar array. The owner has repaid the taxes owed on this land so the project may go forward.

I look forward to reviewing this agreement and any questions you have at our meeting on Tuesday, June 7th.

Cc: Board of Assessors