

Alternative Energy Sources as Economic Development

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Wind farms are a relatively new form of economic development with unique financial considerations for both private and public investors. For private land owners, lease terms and liability protection are important factors to consider. For public entities, other aspects rise to the top of the priority list.

Every project is unique. When deciding whether to pursue wind farms in your community, your top priorities should be protecting county infrastructure (both now and in the future), creating economic development agreements to create “win-win” scenarios, and ensuring open communication -- both internally as well as to the public.

Due to property tax caps, growing your tax base is extremely important because it can reduce circuit breaker revenue losses to governmental units. In mostly rural White County, Indiana, where wind turbines are blossoming along I-65, the investment has almost doubled the county's Total Assessed Valuation.

If you are considering wind turbines for your area, the tax abatement, tax base and tax rate implications will be essential elements. Investment in wind farm technology is primarily considered to be personal property. It is therefore necessary to work closely with company representatives and the Department of Local Government Finance (DLGF) in Indiana or the Michigan Economic Development Corporation in Michigan for appropriate treatment. In Michigan, there are significant tax breaks associated with wind farms. These projects are subject to Industrial Facility Tax, but may be partially exempt from some taxing authorities such as school districts.

Infrastructure protection is an important consideration. The construction of wind turbines requires extensive use of county road and bridge infrastructure. A road use agreement is critical to protect county infrastructure and define liability and traffic flow during construction. Key components of a road use agreement include a detailed map of roads, bridges and intersections to be used for construction and a process to determine existing conditions and identify county-regulated drains that may be affected.

The county will need to reach an economic development agreement with the wind farm developer. Wind farms may take significant acreage and therefore reduce or eliminate opportunities for other economic development to occur within the project area. The county will want to be compensated for this to generate funds to promote, encourage and create other types of economic development in other areas of the county. The amount and timing of these payments needs to be negotiated and defined. Payments should not be considered payments in lieu of taxes or any type of “property tax;” they should be treated as miscellaneous revenue or for a specific use. Your agreement may allocate these payments to schools, libraries, towns, fire departments or other units.

Although the wind turbines in White County, Indiana, are occupying some land that is no longer available for potential development, that county prefers to view it as a positive way to preserve farm land, since each turbine requires just about a half acre of land.

Have a decommissioning plan in place prior to construction to protect the county and its constituents. The plan should include provisions and details for removal of towers, footings and access roads and returning the area to as near the same condition as possible if the wind generation project is terminated. Financial assurances need to be covered, and you should establish a schedule to review the decommissioning plan periodically.

If you have questions or need help structuring alternative energy economic development projects for your area, please contact us at footnotes@umbaugh.com.