



**MEMORANDUM**

**TO:** City Council

**FROM:** Kathleen Dooley, City Attorney  
Mike Craig, Zoning Administrator  
John Schafer, Building Official  
Lois Jacob, Commissioner of the Revenue

**DATE:** April 18, 2017 (for the April 25 meeting)

**RE:** Solar energy tax exemption

**ISSUE:**

Shall the City Council adopt an ordinance exempting solar energy equipment from real estate taxation, and if so, what form shall the ordinance take?

**RECOMMENDATION:**

Approve the ordinance.

**BACKGROUND:**

On August 8, 2016, the Clean and Green Commission recommended the adoption of a property tax exemption and credit program for solar energy equipment located on residential and commercial property. The memo from Robert Courtenage, Chair of the Clean and Green Commission dated August 9, 2016 summarizes the Commission's reasoning. As a result of that recommendation, the City Attorney, Commissioner of Revenue, Building Official, and Zoning Administrator then finalized an ordinance to adopt, and a process to implement the proposed program. The ordinance and process were presented to the Clean and Green Commission at their January 9, 2017 meeting after which they formally recommended that the City Council adopt the program. A summary of the proposed program is as follows.

*Fredericksburg's experience with certified solar energy equipment:*

Fredericksburg's Building Code Official reports that 13 building permits have been issued for the installation of solar energy equipment since the beginning of 2015. These installations are governed by the National Electric Code, a component of the Virginia Uniform Statewide Building Code. The installations are inspected for conformance with this code, which can be quite technical. Essentially, the installation of this equipment results in an additional source of electrical power for the building. Improper installation can result in a risk of fire. Thus, the office inspects these projects carefully for code compliance. The installations constitute a permanent improvement to the property. The building permit application lists the cost of the project (purchase and installation of the equipment.)

## **ITEM #8F**

The Commissioner of Revenue reports that the installation of this equipment has not impacted the assessed value of the real estate. In other words, the completion of a building project typically triggers a reassessment of the real estate, and an increase in the assessment, which is based on the new fair market value of the property. However, in today's real estate market, the installation of solar energy equipment does not result in an increase in the fair market value of the property, and therefore, does not result in an increase in the assessed value of the property (or a higher tax burden.)

The Commissioner of Revenue handles all real estate tax exemptions currently, such as the tax exemption for rehabilitated historic residential or commercial structures. The Commissioner assesses the full value of the property, and then applies the appropriate exemption. The final tax due is then communicated to the Treasurer for collection.

### *Proposed solar energy tax exemption:*

In the case of the proposed solar energy tax exemption, the process would be as follows:

- Building Code Official certifies to the Commissioner of Revenue that certified solar energy equipment has been installed in conformance with the Virginia Uniform Statewide Building Code. The Building Code Official would also communicate the cost of the purchase and installation of the equipment.
- The Commissioner of Revenue may update the assessment of the real estate, based upon the completed project. However, at this time, the installation of solar energy equipment, alone, does not result in an assessment update.
- The Commissioner of Revenue would perform the following calculation:  
$$(\text{Total assessed value} \times \text{tax rate}) - (\text{value of solar energy equipment} \times \text{tax rate}) = \text{tax due}$$
- The Commissioner of Revenue would record all of this data on the land book for that tax year, and report the final tax due to the Treasurer for collection.
- The tax exemption would be applied for five consecutive years.

### *Legal authority:*

Code of Virginia §58.1-3661 is the statutory authority for this tax exemption.

### **FISCAL IMPACT:**

If all 14 property owners who installed solar energy equipment in 2015 and 2016 applied for this tax exemption, then the fiscal impact on FY18 would be \$1,180.40. The average tax credit received by citizens who have installed solar equipment over the last two years would be \$84.31. A table containing the background information on the fiscal impact is attached to this memo as Exhibit A.

ENC: Exhibit A – Solar Panel Exemption, Fiscal Impact  
Proposed Ordinance  
August 9, 2016 Memo – Clean and Green Commission

EXHIBIT A – SOLAR PANEL EXEMPTION, FISCAL IMPACT

<b><u>SOLAR PERMITS ISSUED 2015</u></b>				
<b>Permit #</b>	<b>Address</b>	<b>Cost</b>	<b>Description of Work</b>	
1	740-2015	X	\$1,000.00	Roof Reinforcement
	740-2015	X	\$4,000.00	Install Solar Energy System
2	968-2015	X	\$8,900.00	Install 32 Solar Panels
	1023-2015	X	\$13,112.00	Roof Reinforcement
3	1023-2015	X	\$1,000.00	Install 16 Solar Panels
	1024-2015	X	\$1,000.00	Install 13 Solar Panels
5	1025-2015	X	\$1,000.00	Install 14 Solar Panels
6	1022-2015	X	\$1,000.00	Install 14 Solar Panels
7	1066-2015	X	\$1,000.00	Install 14 Solar Panels
8	1067-2015	X	\$12,296.00	Roof Reinforcement
	1067-2015	X	\$1,000.00	Install 14 Solar Panels
9	1068-2015	X	\$9,100.00	Roof Reinforcement
	1068-2015	X	\$1,000.00	Install 11 Solar Panels
<b><u>SOLAR PERMITS ISSUED 2016</u></b>				
<b>Permit #</b>	<b>Address</b>	<b>Cost</b>	<b>Description of Work</b>	
10	726-2016	X	\$1,200.00	Truss Reinforcement
	726-2016	X	\$27,534.00	Install 36 Solar Panels
11	783-2016	X	\$1,000.00	Roof Reinforcement
	783-2016	X	\$15,860.00	Install 21 Solar Panels
12	922-2016	X	\$16,260.00	Install 20 Solar Panels
13	1050-2016	X	\$15,288.00	Install 21 (208 Watt) Solar Panels
14	975-2015	X	\$15,000.00	Install 21 Thin Film Solar Modles
<b>Total Cost</b>		<b>\$147,550.00</b>		
<b>Tax Rate</b>		<b>\$0.80 / \$100*</b>	* as advertised	
<b>Tax Impact</b>		<b>\$1,180.40</b>		
<b>Avg Tax Credit</b>		<b>\$84.31</b>		



**MOTION:**

April 25, 2017  
Regular Meeting  
Ordinance No. 17-09

**SECOND:**

**RE: Exempting Certified Solar Energy Equipment, Facilities, And Devices From Local Taxation For A Period Of Five Years**

**ACTION: APPROVED: Ayes: 0; Nays: 0**

It is hereby ordained by the Fredericksburg City Council that Chapter 70 of the City Code is amended as follows:

SEC. I. City Code Amendment.

The Fredericksburg City Code, Chapter 70, is amended to add a new section 70-107, as follows:

*Sec. 70-107. Tax exemption for certified solar energy equipment, facilities, and devices.*

*A. Definitions. The following words, terms and phrases, as used in this section, shall have the following meanings:*

*Certified solar energy equipment, facilities or devices means any property, including real or personal property, equipment, facilities or devices, certified by the Fredericksburg building code official to be designed and used primarily for the purpose of collecting, generating, transferring, or storing thermal or electric energy.*

*Equipment means certified solar energy equipment, facilities, or devices.*

*B. Certified solar energy equipment, facilities and devices are hereby declared to be a separate class of property and shall constitute a classification for local taxation separate from other classifications of real or personal property.*

*C. Owners of real estate to which is attached certified solar energy equipment, facilities or devices, are hereby granted an exemption from taxation subject to the limitations and conditions prescribed in this section and by state law. This exemption shall be permitted for a term of five tax years.*

*D. The criteria for qualification for the tax exemption are as follows:*

- 1. The title to the property for which exemption is claimed is held, or partially held, by the person claiming the exemption.*
- 2. The building code official determines that the equipment performs at least one of the functions of collecting, generating, transferring, or storing thermal or electric energy.*
- 3. The building code official determines that the equipment has been installed in conformity with the Virginia Uniform Statewide Building Code.*

4. *The building code official determines that the equipment conforms to the requirements established by the regulations of the Virginia Department of Housing and Community Development.*
- E. *Any person claiming an exemption under this section must file an application with the building code official on forms provided for that purpose. The application must be accompanied by a complete set of plans and specifications of the solar energy equipment, facilities or devices for which exemption is claimed. The application must include a sworn statement or statements of contractors or suppliers attesting to the cost of the purchase and installation of the equipment for which exemption is sought.*
- F. *Upon receipt of an application, the building code official shall determine if the equipment qualifies for the tax exemption. An applicant aggrieved by the decision of the building code official may appeal it to the local board of building code appeals.*
- G. *If, after examination of the equipment, the building code official determines that the equipment qualifies for the tax exemption, he shall approve and certify the application, and shall forthwith transmit the application to the Commissioner of Revenue.*
- H. *Upon receipt of an approved and certified application, the Commissioner of Revenue shall determine the value of the equipment as provided in Code of Virginia §58.1-3661(D) and (E). She shall record the total real estate tax, the value of the solar energy tax exemption, and the final amount due in the land book, and report the final amount due to the Treasurer for collection.*
- I. *The exemption shall be effective beginning in the next succeeding tax year.*

SEC. II. Effective Date.

This amendment to the City Code shall be effective immediately.

**Votes:**

**Ayes:**

**Nays:**

**Absent from Vote:**

**Absent from Meeting:**

Approved as to form:

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Kathleen Dooley, City Attorney

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***Clerk's Certificate***

*I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 17-09 duly adopted at a meeting of the City Council meeting held May 9, 2017 at which a quorum was present and voted.*

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***Tonya B. Lacey, CMC***  
***Clerk of Council***



## CLEAN & GREEN COMMISSION



### MEMORANDUM

**TO:** Timothy Baroody, City Manager  
Mark Whitley, Assistant City Manager  
Brenda Wood, City Treasurer  
Chuck Johnston, Director, Community Planning and Building  
Lois Jacob, City Commissioner of Revenue  
Kathleen Dooley, City Attorney

**CC:** Councilor Kerry Devine

**FROM:** Robert Courtnage, Chair, Clean and Green Commission *RTC*

**DATE:** August 9, 2016

**SUBJECT:** Solar Equipment Property Tax Exemption and Rebate Program

At the August 8, 2016, Clean and Green Commission monthly meeting, the Commission agreed to recommend to City staff the adoption of a property tax exemption and credit program for solar energy equipment located on residential and commercial property. Under this proposed program, City residents and businesses who currently own or subsequently purchase solar energy equipment over the next 5 years, starting in fiscal year (FY) 2017 and running through FY 2022, would not have property taxes levied on their solar energy equipment. It is proposed that the tax exemption for solar energy equipment installed or already in place from FY 2017 through FY 2022 would run for 5 years with the opportunity for extension, by City Council resolution, through the usable life of the system. To further incentivize the installation of solar energy equipment in the City, we also propose that property tax rebates for solar energy equipment be provided over the same periods. While an excellent incentive to invest in solar energy equipment, the program would provide no net loss of revenue from the tax exemption and would result in negligible revenue loss for the tax credit, based on initial metrics provided by Community Planning and Building Department staff.

There are currently 10 homes in the City of Fredericksburg with rooftop solar energy equipment that was mostly, if not all, acquired through the 2015 Fredericksburg Solarize program; a partnership between the Virginia Local Energy Alliance Program (LEAP) and the Fredericksburg area Climate, Environment and Readiness (CLEAR) plan group. The proposed incentive program would help focus additional attention on the advantages of solar energy (e.g., increasingly cost effective, environmentally friendly, energy self-reliant, etc.) and further encourage city residents to invest in solar energy equipment.

During the 2015 Solarize campaign, research was done to see how other localities support Solarize efforts. That research led to the discovery of several tax exemption and rebate programs adopted by municipalities throughout Virginia. Specifically, Albemarle, Alexandria, Charlottesville, Chesterfield, Dinwiddie, Fairfax County, Falls Church, Hampton, Hanover, Henrico, Isle of Wight, King and Queen, Loudoun, Lynchburg, Prince William, Pulaski, Roanoke, Spotsylvania, and Winchester have all adopted solar energy equipment tax exemptions.

These programs were based on the following provision in the state code:

**Code of VA § 58.1-3661** allows any county, city, or town to exempt or partially exempt solar energy equipment from local property taxes. Eligible technologies include passive solar space heat, active solar water heat, active solar space heat, solar thermal electricity, and photovoltaics. Certified solar energy items are defined as any "property, including real and personal property, equipment, facilities, and devices which use solar energy that would otherwise require a conventional source of energy."

Currently, 13 out of the 18 municipalities exempt 100% of the value of the solar equipment installed from various applicable local taxes (calculated by assessing the value of the solar equipment, multiplying that value by the tax rate, and subtracting that number from the total amount of tax due). And, 11 out of the 20 municipalities offer the exemption for a period of five years. Two Cities, Charlottesville and Winchester, also offer a credit or rebate (100% of the value of the system multiplied by the tax rate) for five years.

Solar energy is clean and carbon-emission free. Investing in the use of solar energy helps to combat climate change and directly aligns with both the City's 2015 Comprehensive Plan (Part II) and the CLEAR Plan for Virginia's George Washington Region.

The Clean and Green Commission looks forward to working with City staff to develop a resolution for City Council to amend City Code in order to provide both a property tax exemption and credit for solar energy equipment. We would like to arrange a meeting in the near future to discuss this proposed ordinance further.

Please feel free to contact me at 202-277-8272 or at [rcourtnage@yahoo.com](mailto:rcourtnage@yahoo.com).

Attachment

Draft of City Ordinance for Solar Energy Equipment Tax Exemptions and Credits