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**PLANNING AND NATURAL  
RESOURCES DEPARTMENT**

Planning  
Community Development  
Administrative Operations

December 8, 2020

Board of Supervisors  
Kern County Administrative Center  
1115 Truxtun Avenue  
Bakersfield, CA 93301

**Response to Board Referral of Oct 6, 2020 for Report on Large Scale Commercial Solar  
Historic Property Tax Revenue and Legislative Exclusion**  
(Fiscal Impact: None) ALL S.D.'s

On October 6, 2020, your Board directed the Kern County Planning and Natural Resources Department, in coordination with the County Administrative Office and Assessor, to provide a report on the amount of property tax revenue the county has lost due to the California State Legislature's Active Solar Energy System Exclusion provided to large-scale commercial solar projects. To date, the unincorporated county has 36 such facilities encompassing over 36,000 acres.

The California Franchise Tax Board's website<sup>1</sup> outlines that the property tax incentive for the installation of an active solar energy system is in the form of a new construction exclusion. It is not an exemption. The installation of a qualifying solar energy system will not result in either an increase or a decrease in the assessment of the existing property. The site states: "*Generally, when something of value is physically added to real property, the addition is assessed at current market value and this value is added to the existing base year value of the real property. When an active solar energy system is installed, it is not assessed, meaning that the existing assessment will not increase.*"

The value of the underlying land and some improvements such as operations and maintenance buildings and battery storage are assessed, but the solar panels and majority of equipment are not. Effective June 20, 2014, the sunset date for the active solar energy system new construction exclusion was extended through the 2023-24 fiscal year. The statute is now scheduled to sunset on January 1, 2025. While the solar exclusion was originally intended to ensure that solar panels on residential property would not trigger a reassessment, investors in large scale commercial solar farms lobbied to receive this benefit, meaning that billions of dollars in commercial property has escaped property tax assessment and payment over the last six years.

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<sup>1</sup> <https://www.boe.ca.gov/proptaxes/active-solar-energy-system.htm#Description>

The Kern County Assessor has provided the current assessed value on commercial scale solar projects, which includes the value of the land, operation and maintenance buildings, and the few components that are assessable. Battery storage projects will be assessed, but are all in planning stages and therefore not available for assessment estimates at this time. Though most solar is excluded by law, the Assessor's Office does track value on commercial solar projects and has provided its estimate of value as if the projects were subject to full assessment. The estimate of potential revenue is outlined below.

Assessable Solar Value Under Current Exclusion	\$444,475,000 (A)
General Government Tax Levy (1%)	\$4,445,000
<b>Estimated County General Fund Revenue (34%)<sup>2</sup></b>	<b>\$1,511,000</b>
Estimated Current Market Value of Excluded Solar	\$5,860,000,000 (B)
Sum of Assessable and Excluded Solar (A+B)	\$6,304,000,000
<b>Estimated Annual Lost Revenue to County General Fund</b>	<b>\$19,924,000</b>
(\$5,860,000,000 x .01 x .34)	

Using the Assessor's estimated values from prior years, the loss of revenue to the County General Fund over the last 10 years is approximately \$103 million.

While providing construction jobs, one-time sales tax, and a nominal sum of \$750,000 to \$1 million a year for fire, sheriff and county wide protection (EMS / Coroner) through the CEQA process, the loss of tax revenue annually for the last 10 years is significant. The current solar exclusion benefits the buyers of green power and the policies of California State government to the detriment of communities that site commercial solar projects, like Kern County. Your Board supported these projects based on the provision of job creation during the last recession and an expectation that the exclusion would sunset in 2014. The State's extension of the property tax exclusion, an acceleration of siting these projects to meet the State's aggressive carbon neutral goals, even as other locations turn against them, and the increasing size in land mass for these solar projects, in juxtaposition to Sacramento's incessant attacks on our oil and gas industry supports a review of policies regarding these discretionary zoning projects within our jurisdiction.

While staff continues to engage legislative partners to ensure the solar tax exclusion sunsets and is not renewed beyond 2024, the solar industry is working to safeguard their protected status by requesting new offsets to tax liabilities. Tax offsets would continue to provide lower electricity rates for Southern and Northern California communities, who insist on green energy, but at the expense of local essential services – schools, libraries, parks, fire and law enforcement – services that make Kern communities safe and quality places to live and work.

Commercial scale solar projects and battery storage capacity are considered an important

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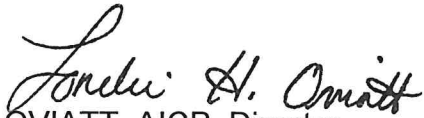
<sup>2</sup> Based on CAO's survey of Tax Rate Area (TRA) data

priority by the Governor and California Legislature. Yet no consideration or attention is being given to the disproportionate and detrimental economic impacts these policies are having on rural counties like Kern. Staff will continue to participate in discussions with industry partners to find a viable path forward and work diligently to make our voices and concerns on this matter heard in Sacramento. Your Board will be considering projects on industry requested accelerated schedules that total over 27,000 acres with potential benefits of 4,600 MW of electricity and over 6,500 MW hours of battery storage. For context, note that the California Public Utilities Commission (CPUC) has set a target of 1,345 MW hours of battery storage by 2020 which they have not achieved yet.

Staff believes the renewable energy goals of California cannot be achieved without Kern County projects. However, the fiscal benefits Kern does not receive from commercial scale solar, unlike other businesses, needs to be resolved now and cannot wait for an uncertain resolution by the legislature on the tax exclusion which is set to expire at the end of 2024. Until a solution is found, solar projects will continue to be exempt from tax assessment. Staff recommends your Board receive and file this report and direct staff to continue working on solutions and remedies to the fiscal inequities posed by large-scale commercial solar projects.

Therefore, **IT IS RECOMMENDED** that your Board receive and file and direct staff of Planning and Natural Resources, and CAO to continue working on remedies.

Sincerely,



LORELEI H OVIATT, AICP, Director  
Kern County Planning and Natural Resources Department

LHO:alp

cc: The Honorable Gavin Newsom, Governor of the State of California  
The Honorable Shannon Grove, California State Senate  
The Honorable Melissa Hurtado, California State Senate  
The Honorable Vince Fong, California State Assembly  
The Honorable Rudy Salas, California State Assembly  
The Honorable Tom Lackey, California State Assembly  
Kern County Administrative Office  
Kern County Counsel  
Kern County Assessor-Recorder  
Shaw Yoder Antwih Schmelzer & Lange