

COUNTY COUNCIL OF CECIL COUNTY, MARYLAND
LEGISLATIVE SESSION DAY 2017-24

RESOLUTION NO. 59-2017

Title of Resolution: Agreement – Payment in lieu of Taxes (PILOT) – Unison Energy

Synopsis: A Resolution to approve the execution by the County Executive of an Agreement for Payments in Lieu of Taxes, PILOT, with Unison Energy.

Introduced by: Council President on behalf of the County Executive

Introduced and ordered posted on: December 19, 2017

Scheduled for consideration on: January 2, 2018

By: _____
Council Manager

Notice and title of Resolution having been posted by _____ at the County Administration Building, 200 Chesapeake Blvd., Elkton and consideration by the Council having been scheduled on _____.

By: _____
Council Manager

Explanation: CAPITAL LETTERS INDICATE LANGUAGE ADDED TO EXISTING DOCUMENT
~~Strike through~~ indicates language deleted from existing document
Underlining indicates language added to document by amendment.
~~Double Strike through~~ indicates language stricken from document by amendment

Agreement – Payment in lieu of Taxes (PILOT) – Unison Energy

1 **WHEREAS**, Unison Energy (“Unison”) will design, purchase, install, own, operate and maintain a
2 2000kW Combined Heat and Power (“CHP”), tri-generation system at Union Hospital of Cecil County, Inc.
3 (the “Hospital”), which uses natural gas for the production of electricity, steam, hot water and chilled water
4 for the benefit of the Hospital at 106 Bow Street, Elkton, Maryland, 21921, (said work improvements
5 hereinafter collectively referred to as the “Project”); and

6 **WHEREAS**, in order to facilitate the qualifications for federal energy tax incentives and the
7 operation of the Project, Unison has requested that Cecil County, Maryland (the “County”) enter into a
8 Payment in Lieu of Taxes Agreement (the “PILOT Agreement”) with Unison, pursuant to which the Project
9 will be exempt from County personal property taxes in consideration of agreement to pay a negotiated
10 amount each tax year to the County in lieu of County personal property taxes; and

11 **WHEREAS**, Section 7-514(c) of the Tax-Property Article of the Annotated Code of Maryland (the
12 “Code”) provides, among other things, that a governing body of a county may enter into an agreement with
13 the owner of a facility for the generation of electricity for a negotiated payment by the owner in lieu of
14 taxes on the facility; and

15 **WHEREAS**, Unison is an owner of a facility for the generation of electricity on behalf of the Hospital
16 within the meaning of Section 7-514(c) of the Code; and

17 **WHEREAS**, pursuant to the PILOT Agreement, Unison, its successors or assigns, will pay in year one
18 of the term to the County in lieu of County personal property taxes, the amount of \$4,000.00 per year,
19 beginning July 1, 2018; and said payment shall continue until the ownership of the personal property
20 transfers to the Hospital, but not later than June 30, 2038, as provided in the attached Appendix A: PILOT
21 Agreement; and

22 **WHEREAS**, the County has determined that it should enter into a PILOT Agreement on the terms set
23 forth herein in order to facilitate the maintenance and operation of the Project and hereby make the
24 resources of a fully functioning community hospital in times of power failure available to citizens of the
25 County; and to continue to partner to share resources with the Hospital in the event of significant power
26 failure in Cecil County.

27 **NOW THEREFORE, BE IT HEREBY RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY,**
28 **MARYLAND**, that the County Executive is hereby authorized and empowered to execute and deliver the
29 PILOT Agreement, which is attached hereto and incorporated by reference herein, on behalf of the County.

30 **AND, BE IT FURTHER RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY, MARYLAND,** that the
31 County Executive, prior to the execute and delivery of the PILOT Agreement, may make such changes or
32 modifications to the PILOT Agreement as he deems appropriate in order to accomplish the purpose of the
33 transaction authorized by this Resolution, provided that such changes or modifications shall be within the
34 scope of the transaction authorized by this Resolution, and the execution of the PILOT Agreement by the
35 County Executive shall be conclusive evidence of the approval by the County Executive of all changes or
36 modifications to the PILOT Agreement and the PILOT Agreement shall thereupon become binding upon the
37 County in accordance with its terms.

38 **AND, BE IT FURTHER RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY, MARYLAND,** that this
39 Resolution shall take effect on the date of its passage.

INTRODUCED: December 19, 2017

ADOPTED: _____

President of the Council

ATTEST:

Council Manager

PERSONAL PROPERTY PAYMENT IN LIEU OF TAX AGREEMENT

This Payment in Lieu of Tax Agreement (herein "PILOT" or "Agreement"), made and entered into as of this _____ day of _____, 2017, by and between Cecil County, Maryland, a body corporate and politic of the State of Maryland (herein "County"), and Unison Energy (herein "Company") for the benefit of Union Hospital of Cecil County, Inc. (herein "Hospital"), a not for profit hospital system.

WITNESSETH:

ARTICLE I
RECITATION OF FACTS

Section 1. As a means of setting forth the matters of this PILOT which have resulted in the making and entering into of this Agreement, the following statements of fact are herewith recited:

1.1. A local government is authorized and empowered by the provisions of *Section 7-513(c), Subtitle 5, Title 7 of the Maryland Annotated Property Tax Code* to enter into an agreement with the owner of a facility for the generation of electricity that locates in the County for a negotiated payment by the owner in lieu of taxes on the facility. An agreement for a negotiated payment in lieu of taxes under this section shall provide that, for the term specified in the agreement: the owner shall pay to the county a specified amount each year in lieu of the payment of County real estate and personal property tax; and all or a specified part of the real and personal property at the facility shall be exempt from County property tax for the term of the agreement.

1.2. The Company desires to design, purchase, install, own, operate and maintain a 1,200kW Combined Heat and Power ("CHP"), co-generation system (the "System") at the Hospital which uses natural gas for the production of electricity ("Energy"), steam and hot water for the benefit of the Hospital at 106 Bow Street, Elkton, Cecil County, Maryland 21921. The Hospital desires and has agreed to purchase from the Company all of the Energy produced from the System for use at the hospital. Except for downtime required for scheduled maintenance, the System may continuously run to provide additional backup Energy, steam, hot water and chilled water during electrical utility outages and emergencies, thus allowing the Hospital to continue to care for patients at all times.

1.3. As a result of installing the System, all hospital services would be maintained by the Hospital during an emergency for the citizens of Cecil County, inclusive of:

1.3.1. Full Kitchen and Nutrition Services allowing full meal services to patients and staff

1.3.2. Full Central Sterile Processing allowing all surgical activity to continue

1.3.3. Full Materials Management Functions allowing continual supply replenishment during emergency status

1.3.4. All Site Lighting would be operable allowing County Resources to stage on illuminated parking lots

1.3.5. All Security camera systems and surveillance operations would continue

1.3.6. All Diagnostic activities will continue to be available

1.3.7. Cooling capacity for hospital buildings maintainable at normal levels

1.4. The Hospital owns the real property and the facility at which the System owned by the Company will be installed and operated. The Hospital will maintain the facility and pay all utilities and other charges associated with the facility.

1.5. As a result of this project, there will also be improvements to the real estate. The Company will install within the Facility, or on the real property in or adjacent to the Facility, the foundation, pipes, wires and other appurtenances (collectively, the "Interface Facilities") necessary for the connection of the System to the Hospital's pre-existing electrical, steam, water and other systems. The Interface Facilities may run in, under, over, across, and through the real property to the Facility. Because the not for profit Hospital will maintain ownership of the real property and the facility, the Hospital will be exempt from real property tax on the improvements made to the real property under *Section 7-202(b) Subtitle 2, Title 7 of the Maryland Annotated Property Tax Code*.

Section 2. The Company and Hospital have executed an Energy Services Agreement (ESA) which provides an opportunity for Federal tax incentives (Accelerated Depreciation) on the System, which the investment would not otherwise qualify for under a lease agreement. The Federal incentives encourage clean energy and CHP technology, a clean energy technology. The emissions of a CHP system are significantly less than the combined emissions of generating the power and steam/hot water separately.

Section 3. Personal property owned by a not for profit hospital or leased by a not for profit hospital for more than one year is exempt from personal property tax under Section 7-202(b) Subtitle 2, Title 7 of the Maryland Annotated Property Tax Code. However, under the terms of the ESA, the System is not owned or leased by the Hospital, thus the exemption does not apply.

Section 4. The Company is the owner of the System and the System, by virtue of the ESA, will not be deemed to be leased to the Hospital and will therefore be taxable to the Company. The Hospital will be required to pay the Company's taxes as a pass through from the Company in the form of increased kWh rate for Energy paid by the Hospital to the Company. The Company will file the Maryland Personal Property return with the Maryland State Department of Assessments and Taxation (SDAT) which will generate an assessment each year in Cecil County and the Town of Elkton. Any personal property tax billed to the Company by the County will be reimbursed to the Company by the Hospital in the form of an increase to the price per kWh for Energy paid by the Hospital according to the terms of the ESA.

Therefore, the Hospital will incur the expense of personal property tax that it otherwise would be exempt from due to the structure of the ESA which was structured as a services agreement instead of a lease agreement to qualify for Federal tax incentives, which provides the means for the Company to design, purchase, install and operate the System and the means for the Hospital to afford purchasing Energy from the System. The Hospital will not be able to implement the System without such Federal tax incentives and without the assistance of the Company.

Section 6. The timeline associated with the ESA is to have the System operational by December 31, 2018. The System will be taxable by the State on or about July 1, 2019. The initial personal property tax return will be due April 15, 2019. The initial personal property assessment will be issued and transmitted to the County and Town of Elkton sometime after April 15 2019 for the levy period July 1, 2019 through June 30, 2020. The Company will, within fifteen (15) days of final payment under this Agreement, provide written

notice to the County that the PILOT is completed, together with the Company's tax valuation of the System.

ARTICLE II
UNDERTAKINGS OF THE PARTIES

Section 2. That for in consideration of the mutual agreements, covenants and undertakings herein above and hereinafter set out, the parties do hereby agree as follows:

2.1. The County shall accept a payment of \$4,000 per year in lieu of personal property tax payable when the tax bill would normally be issued starting with the tax year July 1, 2018. The balance of personal property taxes that would be due to the County shall be exempt. This payment shall only be used for public health or public safety programs, projects or equipment in the County.

2.2. In an effort to enhance the County's emergency services, the Hospital shall make available to the County at the request of the County Executive or the Director of Emergency Services, the following:

2.2.1. If the County Emergency Operations Center ("EOC") fails, or in the event of a significant power failure in the County, the Hospital would offer the Computer Education Room as a serviceable County EOC, an adjunct EOC, or incident command center which includes multiple computer stations with phone capability.

2.2.2. If the County Executive Offices or Legislative Offices need to be relocated, the Hospital would offer the Chesapeake Conference Center at as long as the Hospital is not in a disaster surge mode.

2.2.3. If the County is in need of lighted areas for the staging of County resources, the Hospital will make available its lighted parking lots for the staging of such resources.

2.3. This Agreement shall extend for a twenty year term, effective beginning in the County's first fiscal tax year in which the System becomes taxable, which is expected to be the tax year beginning July 1, 2018. This Payment in Lieu of Tax agreement shall expire when the ownership of the personal property transfers to the Hospital at which time it will become exempt from personal property tax, but not later than the tax year ending June 30, 2038.

2.4. This Agreement is cancellable by the County if the ESA is terminated permanently by either Party, if the Company fails to maintain registration to do business in the State of Maryland or has its company charter revoked, or if the Company is in material default of its PILOT agreement with the Town of Elkton.

2.5. This Agreement may be enforced in any court of competent jurisdiction and all remedies which may be available to the parties at law or in equity shall be available, including, but not limited to, specific performance.

ARTICLE III
GENERAL PROVISIONS

Section 3.1. This Agreement may be executed in counterparts, each of which shall be deemed an

original, but all or which, taken together, shall constitute one and the same instrument.

Section 3.2. This Agreement contains the entire agreement between the parties respecting the subject matter of this Agreement.

Section 3.3. The provisions of the Agreement shall be construed as to their fair meaning, and not for or against any party based upon any attribution to such party as the source of the language in question.

Section 3.4. This Agreement shall be governed by the laws of the State of Maryland.

Section 3.5. If any term, covenant, condition or provision of this Agreement, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this Agreement, or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

Section 3.6. The waiver by one party of the performance of any covenant or condition under this Agreement shall not invalidate this Agreement nor shall it be considered a waiver by it of any other covenant or condition under this Agreement. The waiver by either or both parties of the time for performing any act under this Agreement shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at later time.

Section 3.7. This Agreement may be amended at any time by the written agreement of all of the parties hereto. All Amendments, changes, revisions and discharges of this Agreement, in whole or in part, from time to time, shall be binding upon the parties despite any lack of legal consideration, so long as the same shall be in writing and executed by all of the parties hereto.

Section 3.8. This Agreement is intended to benefit only the parties hereto and their successors and assigns and no other person or entity has or shall acquire any intended third party beneficiary rights hereunder.

Section 3.9. Time shall be of the essence as to all dates and times of performance, whether contained herein or in any amendment herein.

Section 3.10. Each party hereby agrees that it shall, upon request of the other, execute and deliver such further documents (in form and substance reasonably acceptable to the party to be charged) and do such other acts and things as are reasonably necessary and appropriate to effectuate the terms and conditions of this Agreement, without cost to the other party, including (without limitation) the execution and delivery of such documents.

Section 3.11. Each individual executing this Agreement on behalf of a party represents and warrants to the other parties that he/she has the authority to execute this Agreement and to the bind such party to the terms hereof.

Section 3.12. This Agreement is conditioned upon the approval of the Harford County Council and shall have no force and effect if not so approved.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Payment in Lieu of Tax Agreement on the respective dates indicated below.

CECIL COUNTY, MARYLAND:

By: _____
Alan J. McCarthy, County Executive
Cecil County, Maryland

ATTEST:

By: _____
Name: _____
Title: _____

Unison Energy:

By: _____
Name: _____
Title: _____

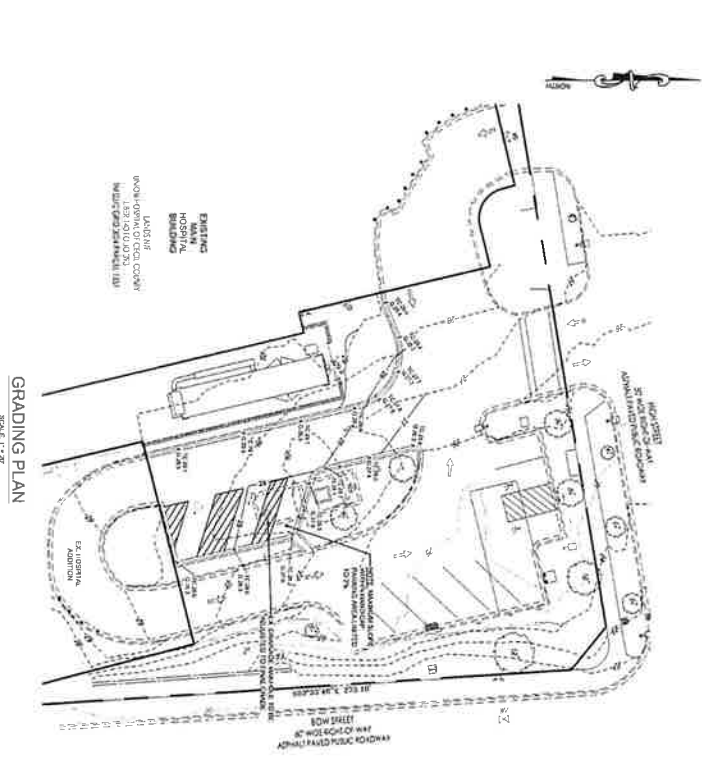
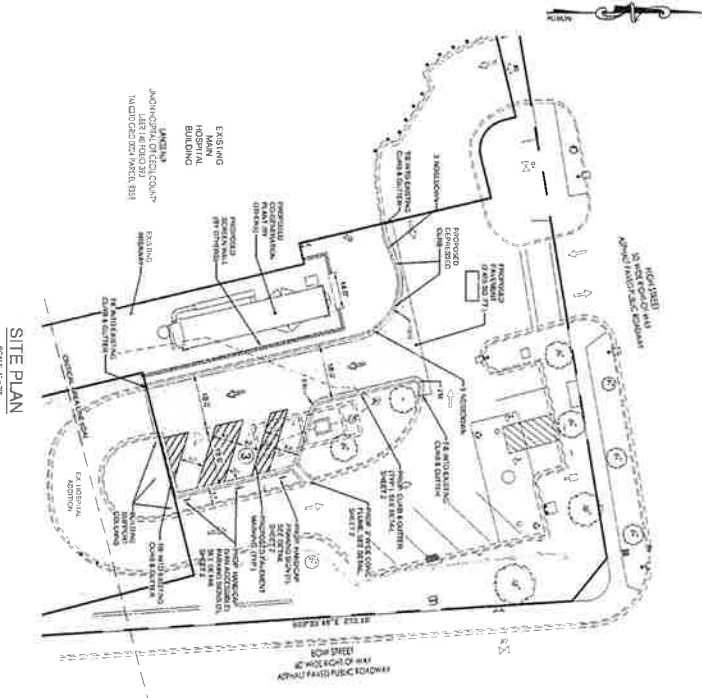
ATTEST:

By: _____
Name: _____
Title: _____

CO-GENERATION PLANT SCREEN WALL
UNION HOSPITAL, ELKTON, MARYLAND

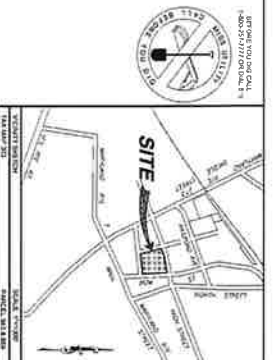


3D VIEW - 5
JUNE 29, 2017



NOTES AND ZONING DATA

1. TAX MAP 310
2. PARCEL 1351
3. TOTAL LOT AREA = 3.81 ACRES
4. EXISTING USE = HOSPITAL
5. PROPOSED USE = HOSPITAL
6. EXISTING ZONING = AH-100
7. PROPOSED ZONING = AH-100
8. EXISTING SETBACKS: FRONT = 10 FT, SIDE = 10 FT, REAR = 10 FT
9. PROPOSED SETBACKS: FRONT = 10 FT, SIDE = 10 FT, REAR = 10 FT
10. EXISTING DRIVEWAY WIDTH = 14.0 FT
11. PROPOSED DRIVEWAY WIDTH = 14.0 FT
12. EXISTING DRIVEWAY CENTERLINE TO PROPERTY LINE = 10.0 FT
13. PROPOSED DRIVEWAY CENTERLINE TO PROPERTY LINE = 10.0 FT
14. EXISTING DRIVEWAY CENTERLINE TO PROPERTY LINE = 10.0 FT
15. PROPOSED DRIVEWAY CENTERLINE TO PROPERTY LINE = 10.0 FT



Owner	Union Hospital of Cecil County 106 Bow Street Elkton, MD 21821 John Mark Myers
Engineer	David Ronald J. E. Sullivan, PE 106 Bow Street Elkton, MD 21821 John Mark Myers

GRAPHIC SCALE
SCALE 1" = 20'
SCALE 1" = 20'

PARKING LOT CONTRACTOR
BID SET
9/25/17

<p>SITE PLAN, GRADING PLAN & SITE NOTES PARKING LOT MODIFICATIONS FOR CO-GENERATION PLANT 106 BOW STREET UNION HOSPITAL OF CECIL COUNTY TOWN OF ELKTON THIRD ELECT ON DISTRICT, CECIL COUNTY, MARYLAND</p>		<p>McCRONE ENGINEERS • SURVEYORS • PLANNERS ANNAPOLIS • CENTREVILLE • ELKTON • SALISBURY • DELAWARE</p> <p>200 PENNSYLVANIA AVENUE CENTREVILLE, MARYLAND 20747 (301) 751-1100 www.mccrone.com</p>	<p>REVISIONS</p> <table border="1"> <thead> <tr> <th>REV #</th> <th>DATE</th> <th>DESCRIPTION</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	REV #	DATE	DESCRIPTION				<p>STATE OF MARYLAND REGISTERED PROFESSIONAL ENGINEER No. 15197 David Ronald J. E. Sullivan, PE 9/25/17</p> <p>SEA: _____ DATE: _____</p>
REV #	DATE	DESCRIPTION								