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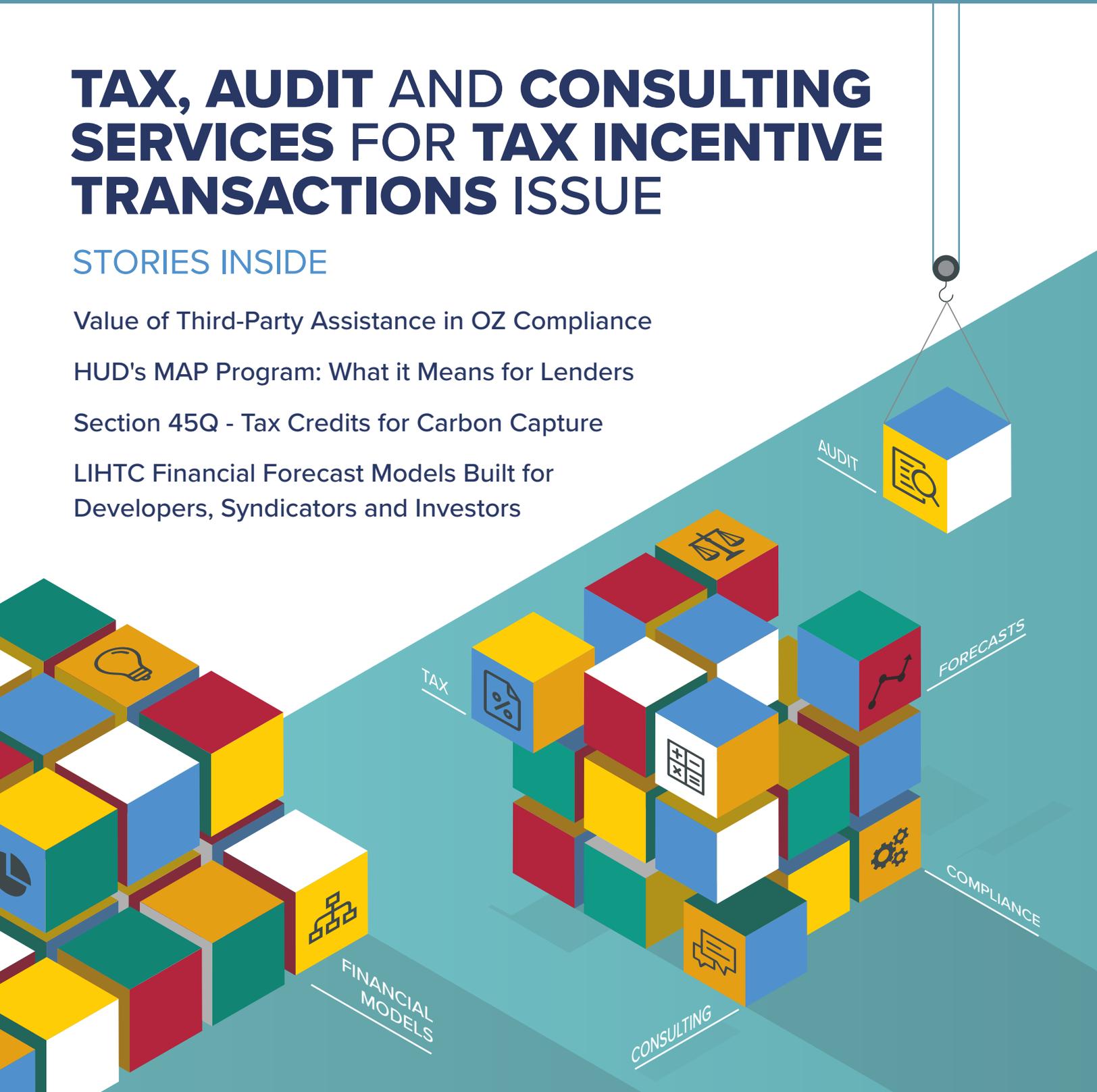
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Community Solar in D.C. Provides Benefits to Property Owners, LIHTC Residents

BRAD STANHOPE, SENIOR EDITOR, NOVOGRADAC

Community solar continues to grow—and among the people who benefit are residents of affordable housing properties where community solar has become popular.

It's a logical pairing: Otherwise-empty rooftops are leased, then reroofed and covered in solar panels. In turn, the residents of these affordable housing properties save up to 50% on their utility bills.

Community solar has big potential.

"I think there's a fairly large portion of affordable housing that could be supported by community solar development that helps both parties," said Karl Unterlechner, CEO of SaveSolar, a Washington, D.C.-based solar developer.

SaveSolar recently finalized a partnership with Leyline Renewable Capital to develop and retain ownership of approximately 17 commercial rooftop solar projects in Washington, D.C., totaling 10.3 megawatts. The companies say that is the equivalent to offsetting the carbon emissions of burning more than 8,000 pounds of coal.

What works in the nation's capital could work elsewhere.

"A lot of affordable housing customers not only have projects in D.C., but much larger portfolios in other states, such as California or New York," Unterlechner said. "The Washington, D.C., regulatory environment drives community solar economics in this unique sector between residential and utility scale. The greater the incentive in other markets, the easier it is to provide a full turnkey [community solar] solution to affordable multifamily housing developers."

Leyline is a specialty lender that focuses on renewable energy projects, providing capital during the development and construction phases. Erik Lensch, Leyline's CEO, said this transaction is a good fit for what his company does.

"[SaveSolar is] moving into an independent power producer (IPP) model, where they own projects long-term," said Lensch. "We provide construction equity to facilitate that."

How Community Solar Works

Community solar is typically done in rural areas, however in Washington, D.C, there is little space for solar assets. Solar panels are installed on rooftops—often on office buildings or warehouses—and the power they generate is sent to the utility as credits, which are subsequently provided as energy to residents, at a discount.

SaveSolar works with building owners to lease the rooftop space, paying for design, engineering, permitting, procurement and development costs. It then works with both low-income and ordinary residents to subscribe to the power. Those involved consider it an everybody-wins situation.

"We're definitely breaking new ground with our work in the District," Unterlechner said. "Community solar has exploded in Illinois, Massachusetts and New York, and the northeastern United States has some of the most advanced solar legislation. [Leaders] in

D.C. are more aggressive. They're pushing for 100% renewable by 2032."

Lensch said the first step in community solar is getting building owners to recognize their benefits.

"Our pitch was always, 'you have this unused space that you can't use for anything else. Why not generate income through a long-term lease?'" Lensch said. "Building owners worry about the integrity of the roof, how to make repairs, who will repair it."

It's a reasonable concern, so community solar operators often look for specifics: Newer roofs.

Lensch said SaveSolar and other operators have developed technologies to identify when new roofs are being built, allowing them to approach the owner, who knows the roof is good for 20 to 30 years, and negotiate a lease to install solar panels.

Partnering to Help Affordable Housing

The beneficiaries of community solar in the affordable housing space are low-income residents, who save on their utility bills. That requires buy-in from owners of the affordable housing properties—which isn't simple, because property managers are paying utility bills only for community spaces. It sometimes seems as if solar doesn't generate enough savings to merit a change and sometimes, it's complicated—particularly in areas that require residents to enroll.

"When we go to an affordable housing building, we have meetings directly with residents," Unterlechner said. "We have kiosks, hold events, try to get the property management to make some offerings. The best way to get to customers is face-to-face. That's how you get the best take-up of your project."

There are different structures that depend on how the affordable housing property manages utilities. Often the property owner makes the decision for the entire development.

"We provide energy to individual meters," Unterlechner said. "If the property has a meter, it is a

fairly straightforward financial benefit. Depending on the financing structure and covenants associated with the property, we may need to get involved in utility-based allowances. There are different approaches to how we structure things to make sure the benefits are shared evenly if they are taking utility allowances."

Ultimately, though, solar on the rooftop of another building helps reduce energy bills for residents who need the savings.

Bright Future

Participants in the SaveSolar D.C. transaction say community solar is growing and will continue to do so.

"It's definitely happening more and more," Unterlechner said. "Developers value [community solar] because of their financial benefit, but also because communities and residents benefit. If you save energy, it makes a financial difference, as we've seen in the past 12 months when everybody stayed home."

Work remains for broad acceptance of community solar legislation. Unterlechner cited California as a state lacking a community solar framework, although it has myriad solar options.

"We are really hoping that places like California and other big states embrace the framework to make it easier to realize the benefits," Unterlechner said. "The preference for developers is to not make the big capital outlay, while getting immediate benefits and taking care of their residents."

That can happen in Washington, D.C.

Multiple Incentives

SaveSolar will use the federal renewable energy investment tax credit (ITC) to provide equity for the transaction in Washington, D.C., but that's just one tax incentive involved.

"From our standpoint, [the ITC] was less critical than the solar renewable energy credits (SRECs) in the D.C. market," said Lensch. "There's more demand for SRECs than there is supply. There's not a lot of

available land [for community solar], not a lot of warehouses.”

Companies that generate solar energy in the nation’s capital receive a SREC for each megawatt-hour of clean energy their panels produce. They can receive \$500 per credit through the end of 2023. That is when a gradual phasedown starts, with the credit price declining until it drops to \$100 per MWH for 2042 and thereafter.

Developers also benefit from Solar for All, a D.C. program that aims to bring the benefits of solar energy to 100,000 low- to moderate-income families. The D.C. Department of Energy and Environment partners with organizations to install solar in single-family homes or to develop community solar projects.

Lensch said the federal ITCs are still crucial.

“They’re extremely important,” he said. “These projects would probably still pencil out because of the high SREC prices in D.C., but they would be much more challenging. Tax credits provide liquidity for developers. The developer wouldn’t be able to own their projects without the credits. They would have to flip the projects. That liquidity is important.”

Motivation

Ultimately, the success of community solar comes down to participants choosing to take part.

“Every building owner has different motives,” Unterlechner said. “For some affordable housing developers, the financial benefit is the main driver, but the financial benefit always comes with resident benefits because of the way it’s structured. It’s not a case of choosing financial or environmental benefits, but getting both.”

Lensch pointed out that community solar becomes easier to sell as more people participate.

“One of the questions for anything new is always why the guy down the road isn’t doing it,” Lensch said. “[Before something becomes popular,] people aren’t doing it because other people aren’t doing it. Nobody wants to be the first. Then it becomes, ‘Why aren’t I doing it if other people are doing it?’ [Community solar has] gotten pretty robust in places like D.C., Maryland and northern Virginia.”

For consumers, the deciding factor is generally the savings. It’s often the case for building owners, too.

“I think the average consumer, especially the low-income consumer, is focused on the bottom line,” Lensch said. “They think it’s good that it’s renewable energy, but more likely, they’re focused on priorities other than the climate and green energy. However, for owners of a low-income building, it’s my sense that this is probably more interesting because it makes the federal government happy in regard to green energy.” ❖

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