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## **By Kathleen Doyle and Jon Klavens - Solar PV can yield over 22% return**

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There are a variety of organizations that can benefit by leveraging the various federal and state incentives for solar energy development. Yours may be one of them if any of the following is true:

- \* Your operation pays high electricity rates.
- \* Your demand charges (premiums for electricity paid by your operation based upon your highest monthly peak usage) are high.
- \* You have a resource (vacant roof space or available/undevelopable land) you are not leveraging.
- \* You want to have more predictable energy costs going forward.
- \* You would like to offer your tenants clean, renewable power at a discount to what they are paying now.
- \* You face a tax liability this year.

Perhaps you know of an organization that has made the leap and, like most busy managers, your next thought was: "I wish I had the time/money/expertise to make solar work for me, but ...." Well, here is a snapshot of what is motivating the many busy executives who are investing in solar.

The federal government will send you a grant (in lieu of a tax credit) equal to 30% of every dollar you invest in a qualified facility. If you install a system that costs \$2 million, you will get \$600,000 from the feds 60 days after you submit your grant request. It's like getting a 30% discount on your purchase. This program requires commencement of construction (or payment of at least 5% of certain project costs) by the end of 2011 and placement in service by the end of 2016. Even if you miss this year's deadline, you can still get a 30% tax credit for a system placed in service by the end of 2016. Special federal tax depreciation deductions can sweeten the deal further.

These federal tax benefits can be powerful enough to sway traditional real estate tax strategies. In order to defer capital gains taxes on the sale of a property, an owner might typically plow the sale proceeds into purchase of a replacement property. Now an owner of multiple buildings might instead offset tax liabilities by putting a solar system on another building in its portfolio.

You can also benefit from a range of state incentives. For example, Mass. has one of the most progressive energy policies in the nation with incentives that mean real money. If the system qualifies as a "net metering facility" and you generate more electricity than you can use, you can receive valuable "net metering credits" to offset your utility costs or to sell to other utility customers. In addition to the value of the power you use and excess power you send to the grid, you can also generate and sell a "Solar Renewable Energy Certificate" (SREC) for each megawatt-hour of electricity you produce. Mass. regulations have created a market for SRECs with prices ranging from \$285/MWh to \$550/MWh and the state has policies designed to ensure that solar generators get at least the lower end of that range.

These incentives have brought leveraged returns on a solar PV installation above the 23% mark for

most projects. If you are thinking about the viability of a project at your site, the preliminary assessment can be completed within 3-5 weeks and you could be on your way to generating clean, renewable power together with investment returns that are more attractive than most other options out there.

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