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## **Interested in solar? Financial organizations are creative with solutions for funding solar projects**

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As the solar market in Massachusetts continues to grow at a rapid pace, so too has the knowledge and acceptability of the financial community about the ins and outs of solar energy installation and financing. As their knowledge grows, financial organizations are becoming increasingly creative with developing solutions for funding solar projects that meet the needs of each property owner's unique circumstances.

Let's take a look at a few ways this is manifesting itself in New England:

### Debt

Increasingly, lenders understand how the Solar Renewable Energy Certificate (SREC) market works. They know how to properly securitize debt with SREC revenue, understand that cash flow is enhanced due to lower energy costs, and take into account the enhanced value of real estate when solar is installed. This results in lenders of all sizes being able to develop solutions to keep existing customers and attract new ones, participate in added cost savings, and support the "green economy."

### Equity

Solar has also presented the opportunity for investors to participate in the growth of the green economy by making investments in solar arrays through financial structures such as Power Purchase Agreements (PPAs). Oftentimes property owners may not be able to take advantage of the tax incentives that solar offers because of their tax status. By making either roof space or land available for solar development, property owners can bring in an investor who can utilize the incentives and will pass along reduced electricity costs through the PPA.

The investor benefits in several ways:

- \* From the attractive tax incentives through tax credits;
- \* Through accelerated depreciation available to owners of solar arrays; and
- \* Through the new cash flows available from the sales of SREC and electrical power.

The result is a power consumer with access to lower cost of energy and an investor with attractive investment returns.

### Leasing Structures

Similar to the equipment leasing business, many leasing companies are providing a solution to go solar with either operating leases or capital leasing structures. In these cases, the property owner enters into a leasing structure whereby the leasing company retains ownership of the array and the property owner makes a periodic lease payment for up to 100% of the system cost. The property owner may retain the SREC revenue and the electrical savings, which in many cases can be a greater savings than the required lease payment. The property owner may put little to no cash down

while saving capital for other business investment.

The financial community has stepped up, creating smart solutions to meet the unique circumstances of property owners. In this new environment, it's becoming easier and easier to gain access to capital to fund solar projects and take advantage of a renewable energy source that will reap rewards for years to come. An experienced solar development firm can help you understand which financing solution might be best for you, as well as help you find a financing partner that's the best fit for your business.

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