

Solar Energy Finance

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Types of Entities

1. Residential
2. Commercial
3. Investor Owned

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Financing Options

1. Loans
2. Leases
3. Equity (Special purpose entities)
4. PACE

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Loans

1. Construction Period loan
2. Term loan (End loan)
3. Michigan Saves
4. Risks to Financial Institution

Why Use Commercial Lease?

- Conserves Cash on Hand
 - Increases average investable funds for potential higher investment yield
- Fund more Essential Projects
 - Accelerate projects which are limited by balance sheet
 - Accelerate environmentally & energy favorable projects
- Payments Spread over time
 - Monthly payments matches benefits derived over time

Why Use Municipal Lease?

- Conserves Cash on Hand
 - Increases average investable funds for potential higher investment yield
- Address backlog of projects
 - For those projects carried over on basis of funding availability
- Fund more *Essential Use* Projects
 - Accelerate community/public goodwill projects
 - Accelerate environmentally & energy favorable projects
- Payments Spread over time
 - Monthly payments matches benefits derived over time, at rates that approach bond rates – now around 3.5%

Benefits

Municipal Lease vs Traditional Bond

- Customized payment plans to fit the organization's requirements
- Fixed-monthly payments, low tax-exempt interest rate
- 100% financing available, conserving cash
- Payment terms do not exceed useful life of project
- No costly bond fees
- Less documentation required
 - Quick and rapid approval process; typically 3 days
- Rapid acquisition of *essential*-use equipment
- Generally not classified as Debt, therefore
 - No voter referendum required, more timely financing
 - Not subject to legal debt limitations
- Does not commit municipality to long term fixed payments despite economic downturns, Non-appropriation clause

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Special Purpose Entities

1. Equity Stack
 1. Loan (personal guarantee)
 2. Tax Equity
 3. Common Equity

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PACE – Property Assessed Clean Energy

1. Michigan Act – PA270 December 14, 2010
2. Authorizes creation of Energy Districts
3. Assessments are senior to mortgages
4. Funding Options
 1. Municipal
 2. “Mini-bond”

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PACE – Property Assessed Clean Energy

- Benefits to Property Owner
 - Lien follows the property
 - Potentially Off balance sheet
 - Competitive Rates, Terms

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PACE – Property Assessed Clean Energy

- City Administered Programs
 - Ann Arbor
 - Boulder, CO

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PACE – Property Assessed Clean Energy

- Targeted Consultative Programs
 - Lean & Green, MI
 - Others