



COLORADO REAL ESTATE JOURNAL

THE COMMUNICATION CHANNEL OF THE COMMERCIAL REAL ESTATE COMMUNITY

NOVEMBER 20-DECEMBER 3, 2019

Property Management

How to remove your utility expenses this budget season

Budget season is back, and that means juggling many competing interests when putting together your 2020 budget proposals. If you're a commercial property owner, one thing your budget always includes is an estimate for utility expenses. Like death and taxes, utility expenses are a given, right? But what if you could remove this expense and replace it with an asset?

On-site solar energy for your commercial property offers that opportunity. Solar reduces utility expenses, gleans significant tax benefits and allows businesses to differentiate themselves in this competitive market. All of this adds up to an attractive return on your investment when you install solar on your property.

■ **Assessing capital energy improvements.** When assessing project priorities, you'll likely be looking at some improvements that need to be addressed even though they don't offer much, if any, of a return – roofing projects, for example. Then you'll have optional projects that hold the potential for significant returns on your investment.



Eliot Abel
Director of
commercial project
development,
Namasté Solar

Capital energy improvements like solar energy present some of the greatest opportunities to improve the real and perceived market value of your property.

Specifically, on-site solar energy not only reduces operating expenses, but also can offer an attractive internal rate of return while realizing additional revenue streams that translate into increased property value. Even property owners of triple-net lease space where tenants pay the electric bills can capture solar energy's generous economic benefits. Known as "energy-aligned" or "green leases," pass-through clauses help property investors recoup their investment while also offering energy savings to tenants. The city and county of Denver's Smart Leasing Program and area Green Lease Leaders provide excellent starting places for resources and

examples for aligned pass-through structures.

Additionally, owners of solar capital improvements benefit greatly from the Federal Investment Tax Credit and 100% bonus depreciation without needing to occupy the facility on which the solar asset is installed. These amount to nearly 50% of the upfront investment. On top of that, Xcel Energy pays out an incentive monthly over 20 years, based on system production. Owners can expect to realize double-digit IRR and single-digit break-even on a three-decade asset for sizable commercial properties, all in addition to increased net operating income and property value.

■ **Budgeting for your custom solar project.** This is your opportunity to earmark a project budget or, at a minimum, feasibility funds so your company is well positioned next year to explore solar for your business in earnest. Talk to a local solar expert to get started. They'll be able to provide basic budgetary numbers within a few days based on the size of your roof, utility usage and project goals. Upon further

design and consultation, you'll receive an indicative proposal customized to your property. Working with a turnkey developer with experience in the commercial real estate vertical means your unique investment parameters and outcomes are modeled into the project economics, ensuring that the cost and return on investment estimates in the indicative proposal are reliable numbers to include in your budget.

In addition, there is a serious opportunity cost if you wait to pursue solar. The sooner you capture operating expense savings, the sooner you have that increased cash flow to work with, and a 2020 install ensures you capitalize on the federal solar tax credit and utility incentives. The decrease in the tax credit alone could mean a \$20,000 difference in price for a 250-kilowatt commercial solar panel system.

Whether you ultimately choose to do a cash purchase or finance the project, budgeting for solar helps to inform your goals and define your desired outcomes for deploying clean, renewable energy for your business.

If capital is reserved for your business's core competencies, it may be desirable to explore Commercial Property Assessed Clean Energy financing. This program allows up to 100% nonrecourse financing with long-term, fixed interest rates. An experienced solar company can be a partner in helping you understand this opportunity and what C-PACE means for your project.

■ **Letting budget inform priority.** Start the conversation around your capital energy improvement dollars this budget season to inform next year's priority projects. Corporate adopters that are procuring clean energy resources are not only capitalizing on the various tax benefits and incentives, but also they are differentiating themselves from their competition. With talks of a looming recession, these businesses are well positioned to control their energy costs and market their sustainability.

Don't accept rising energy costs and utility expenses as a given. Start the conversation with a local solar expert today so you can gain the benefits of solar in 2020. ▲