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Report Sees Solar Revenue for Landlords

By *Bob Howard*



Harris

SAN FRANCISCO—Institutional owners of US commercial real estate could generate substantial electrical power and revenue from solar panels, according to a locally based solar services provider's assessment of rooftop square footage on commercial buildings. The report by locally based Recurrent Energy says that REITs and other institutional landlords control enough rooftop real estate in the US to generate 15,000 megawatts of solar power and to cut the carbon emissions of those properties by as much as 50%.

Arno Harris, CEO of Recurrent Energy, cites EPA statistics showing that electricity usage is the single largest source of carbon emissions for commercial buildings. "By tapping the solar potential of empty rooftops, owners of large commercial real estate portfolios, such as REITs, have a unique opportunity to quickly and effectively reduce their greenhouse gas emissions," Harris says.

Recurrent Energy's research shows that landlords own approximately 8.5 billion sf of commercial rooftops nationwide. Of this figure, about 5.5 billion sf is considered suitable for photovoltaic installations because the roofs are flat and free of shading.

Of the 5.5 billion sf that is suitable for solar, roughly two billion sf is located in states that currently have favorable incentives for solar electric generation or will have such incentives in place by 2010. The potential of up to 15,000 megawatts of solar electric generation compares to a total of less than 750 megawatts currently installed throughout the US in both off-grid and grid-connected installations, Recurrent says.

Recurrent cites remarks by Craig Cornelius, program manager for the US Department of Energy's solar energy technologies program, regarding the potential of commercial buildings: "Organizations that own a substantial portfolio of commercial buildings have a critical role to play in reducing US greenhouse gas emissions."

According to Recurrent's Harris, the challenge in "solarizing" institutional real estate rooftops in the past has been in "coming up with a model that provides compelling incentives to both the landlord and the tenant." Many of these buildings are covered by triple net leases that don't provide an incentive for either landlord or tenant when it comes to greening a building by installing solar, Harris explains.

However, Harris says that a power purchase agreement structure that provides solar benefits for both tenants and landlords is the solution. Such deals solve "the triple net lease barrier" and make it viable for landlords to open up their rooftops to solar, he says.

Recurrent Energy leases rooftop space on which it builds, owns, and operates solar installations. The firm then sells solar-generated electricity to the tenants via a power purchase agreement, typically at or below current utility rates.

Harris says that tenants receive the benefit of clean energy at competitive pricing, while landlords receive a new income stream from the rooftop lease. He adds that installation of solar energy can help buildings qualify for LEED certification as well as the Energy Star program administered by the EPA.