

# Solar Financing for Affordable Housing Providers

## Overview of Solar Power Purchase Agreements (PPA)

In a Power Purchase Agreement (PPA), a **third party owns the solar system** installed on the building's rooftop, while the building pays a discounted rate for the electricity consumed each month for 20-25 years.

For buildings that have limited reserves, entering into a PPA with a third party is a viable method of financing solar because there is zero upfront cost. Similar to renting versus buying, the building reaps less savings in the long run with a PPA, compared to a cash purchase. While ownership generally provides the greatest long-term financial savings - especially if the building and residents can benefit from tax incentives - a PPA is a good option if the building wants to **benefit from solar without the upfront cost or the responsibility for insurance or maintenance**. At the end of the PPA term, the building owner can either buy the system for close to \$0, or have the third party remove the system and restore the roof to its original state.

The table below outlines key differences in ownership, costs, and benefits between a cash purchase and a PPA. **Note that the building must get consent from HPD prior to entering a PPA or roof lease with a third party.**

Figure 1	Cash Purchase: Building Owned	PPA: Third Party Owned
Ownership	Building owns the system	Third party owns the system
Upfront Cost	Upfront investment cost	Zero upfront cost
Incentives	Building Owner receives NY-Sun prepayment rebate	Third party receives NY-Sun prepayment rebate
	Building Owner receives property tax abatement <sup>1</sup>	Building Owner receives property tax abatement <sup>1</sup>
	Emissions reduction can facilitate LL97 compliance	Emissions reductions can facilitate LL97 compliance
	Building Owner receives Federal solar tax credit	Third party receives Federal solar tax credit
	Owner-occupants receive 25% NY State solar tax credit	Owner-occupants receive 25% NY State solar tax credit on annual PPA payments for 15 years.
Savings	100% of annual electricity savings received by building	10-40% of annual electricity saving received by building
Maintenance	Building is responsible for maintenance	Third party is responsible for maintenance

<sup>1</sup> If the building receives a pre-existing 100% property tax abatement, the Solar Property Tax Abatement cannot apply.