

# Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

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## Solar Installation Provides Free Power to Tenants

By Jennifer Dockery, Staff Writer, Novogradac & Company LLP

In January, residents of three affordable housing complexes in San Francisco began benefiting from a solar power system installed through California Solar Initiative's Multi-family Affordable Solar Housing (MASH) program. Plaza East Apartments and Hayes Valley North and South are part of an 11-site renewable energy project being developed by Sunwheel Energy Partners (Sunwheel), an affiliate of McCormack Baron Salazar (MBS). Residents at each property will receive 50 percent of the energy produced by the solar system free of charge. As an added benefit, Sunwheel's partner in the project, Real Goods Solar (Real Goods) hired residents to install the solar panels. To celebrate a project that reduced energy costs and provided jobs, Sunwheel, Real Goods, the city of San Francisco, funding partners and residents held a ceremonial ribbon cutting at the Plaza East Apartments on January 25.

The development created 33 new jobs during the project and "it's providing clean, free solar energy to tenants. It's a pretty good deal," said Real Goods' John Hubenthal.

St. Louis, Mo.-based Sunwheel is installing solar systems at MBS's California properties and its solar systems will produce 2.3 million kilowatt hours of energy for 1,500 families. Three hundred and ninety of those families will benefit from the installation of the solar systems in San Francisco's Western Addition and Hayes Valley neighborhoods. MBS redeveloped the properties in the early 2000s using HOPE VI grants and low-income housing tax credits.

Real Goods led the installation of rooftop solar panels at the



*Photo Courtesy: Sunwheel Energy Partners*

Real Goods Solar hired residents to install solar panels on the roofs of three affordable housing developments in San Francisco, Calif.

three sites. The 375-kilowatt systems will produce 500,000 hours of energy, which includes California's first virtual net metering system (VNM). VNM provides the tenants of multifamily buildings with a credit for the electricity produced by a single solar system, without physically connecting the system to each tenant's utility meter. This eliminates the need for multiple systems and inverters, and allows each resident to benefit directly from the energy generated by the panels.

The solar systems at Plaza East and Hayes Valley are also some of the first to benefit from several California solar energy incentive programs. GoSolarSF, a citywide solar energy incentive program, provided rebates for the solar systems at the properties. The MASH program, which funds solar installations at affordable properties, not only provided a \$4 per watt rebate for the solar photovoltaic systems installed at

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the sites but also subsidized 45 percent of the systems' installation costs.

The use of these programs allows the project owner to give tenants free power, Hubenthal said.

Additional funding for the solar systems came from new markets tax credits (NMTCs) and solar energy investment tax credits (ITCs). Sunwheel entered a power purchase agreement (PPA) through a subsidiary to qualify for the credits. The subsidiary owns the solar panels and equipment and sells the power to the housing developments, thereby making it a qualified active low-income community business for purposes of the NMTC. U.S. Bank invested in the NMTCs and exchanged the ITCs for a U.S. Department of Energy Section 1603 grant.

"It's complicated, but we think that those two programs work really well together," Sunwheel's president Jonathan Goldstein said of combining NMTC and ITC funding. "We see it as an almost ideal use of [NMTCs] because it creates jobs in these communities." The jobs provide residents of the low-income areas with training and experience in the growing field of renewable energy.

Real Goods, which often hires residents to help with its projects, hired 33 San Francisco residents, to install the solar panels. The new hires included tenants at the Plaza East and Hayes North and South properties and, for some, it was their first job. The company also hired more than 40 locals to install a solar system on an affordable housing property in Richmond, Calif.

Hubenthal said his company worked with MBS and CityBuild in hiring the residents. CityBuild is a San Francisco County Office of Economic and Workforce Development employment program that provides training and placement in construction industry jobs.

Tyrone Mullins, a 25-year-old former gang member and resident of Hayes Valley North, said he appreciated the opportunity to work on the Plaza East system. He planned to install solar panels at San Francisco's City Hall in February. "Two residents, one who is a tenant, were from opposite gangs. They wouldn't have been in the same room together," Goldstein said of the locals hired for the projects.

Involving residents in the construction helped Real Goods' bid stand out. It also improved the company's standing in the community and increased site security. When the company hired local residents, vandalism at the site stopped. The San Francisco Police Department reported lower crime rates at all three properties during the construc-

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tion period and Hubenthal credited part of the drop to the project drawing neighbors out of their units to watch the installation.

"They came to work every day... you see the same faces. I'm so proud of these young people," said Plaza East resident Mario Rogers, who watched the local residents install the panels.

In 2010, Sunwheel will add solar systems to eight more of MBS's California properties. The developer also plans to install systems at other properties throughout California and the rest of the country. ❖

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