

BEST PRACTICES

- Tax equity financing
- Used New Markets Tax Credits (NMTC)
- State incentives (virtual net metering policy and SREC II)
- Investment Tax Credits (ITC)



Project Name:

ONSET SHARED SOLAR PROJECT

Effective use of various tax incentives produces benefits for multi-family housing

Size:

2.782 MW_{DC}

Location:

2421 Cranberry Highway, Wareham, MA 02571

of LMI customers:

56

Project Website:

<https://bluehubcapital.org/clean-energy> (Scroll down to "All current and historic solar projects"; open Onset)

Overview

[BlueHub Capital](#) (BHC - formerly Boston Community Capital) is a non-profit community development financial institution. BHC has an energy arm ([BlueHub Energy](#) - BHE) that focuses on solar developments for low-income communities. The Onset Shared Solar Project is one of BHE's off-site shared solar facilities, located in Onset, a historic waterfront community in the town of Wareham, Massachusetts. In addition to providing savings to affordable housing developments through community solar, BHE wanted to offer community solar savings without contracts to low-income residents, reducing their electricity by half and providing a portion of the bill credits to the residents.

Working with [Borrego Solar](#) (who designed and installed the solar system), BHE built two adjacent ground-mounted solar arrays on land leased from the Onset Water District. The project was energized in 2016. BHE earns net metering credits for electricity generated, and sells those credits to 24 affordable housing developments at a 20% discount. For the residents of two of the developments, Cranberry Manor and Depot Crossing in East Wareham, BHE provides net metering credits without requiring any contract or payment directly to the tenants. Up to 56 households could be served in these two developments; 28 households are currently signed up. The program provides roughly \$500 in annual net metering credits to each household as bill credits on the subscriber's monthly Eversource bill, cutting their annual electricity cost approximately in





half. BHE administers the program in collaboration with Eversource.

BHE used a partnership flip structure to finance the Onset Shared Solar Project. BHE created a special purpose entity (SPE) to develop and own the solar installation during the seven year tax compliance period. BHE then sold a non-controlling interest in the SPE to a tax investor. In return for purchasing that interest in the SPE, the investor receives the 30% Investment Tax Credit (ITC) and accelerated depreciation. BHE also used New Markets Tax Credits, which the investor purchased, to cover the remaining capital cost, lowering the “sponsor equity” that they would otherwise have had to raise or contribute and allowing greater savings for their affordable housing customers. BHC then arranged debt financing to pay for much of the balance of the capital costs, which was repaid from the cash flow generated by the solar.

At the end of the tax compliance period, all of the ownership of the SPE transfers to BHE as the sponsor, which then allows BHE to buy out the tax equity investor’s remaining interest at a nominal cost.

Key partners for the Onset Shared Solar Project are:

- [Eastern Bank](#) provided tax equity and debt financing;
- Borrego Solar designed and installed the solar system and provides operation and management services;
- Affordable housing owners who agreed to be offtakers;
- [Housing Solutions for Southeastern Massachusetts](#) enrolled residents for direct shared solar participation at two of their developments;
- Onset Water District receives lease payments to support its operating budget;
- Town of Wareham receives property tax payments on previously untaxed property.

Innovative Approaches

- **Pilot program allows net metering credits to reach LMI customers.** Virtual Net Metering (VNM), as designed in Massachusetts, allows solar developers to sell net metering credits to customers and sign contracts, as a way to generate revenue and cover solar project debt and operation costs. This results in very few shared solar projects that directly serve LMI residents in Massachusetts. To overcome this barrier, BHE piloted a program that allowed a small portion of net metering credits to be allocated to low-income residents at no cost.
- **Used New Markets Tax Credits (NMTC).** Congress authorizes the amount of credit, which the U.S. Department of the Treasury allocates to qualified applicants. BHC, corporate-wide, has received \$543 million in New Markets Tax Credits from this program, which provides incentives for investment in low-income communities. The Treasury competitively allocates tax credit authority to intermediaries who then select investment projects. Investors receive a tax credit against their federal income tax. The additional equity raised from the NMTCs not only allow for greater savings for the oftakers and the ability to provide no-cost credits to the residents, but also ensure that the oftaker pricing and savings can be maintained well beyond the end of the tax compliance period.

Lessons Learned

- BHE is advocating for changes in the SMART program that would improve the VNM mechanism to allow no-cost allocation solar models to scale and serve a wider range of LMI households.
- Outreach is most effective using a trusted intermediary. A property manager working for Housing Solutions for Southeastern Massachusetts personally conveyed information about the shared solar opportunity while interviewing residents for rent recertification. Having this trusted messenger share the opportunity resulted in more residents enrolling.



This case study is a part of the LIFT Toolkit initiative. To explore more case studies and best practices visit LIFT.Groundswell.org
research@groundswell.org