



Solar as a tenant: Leasing rooftops for revenue and clean energy - by Shaun Keegan

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New York State's growing community solar program creates a new revenue opportunity for owners of large commercial and industrial rooftops – especially rooftops 30,000 s/f or larger – who have clean energy goals to meet and rely on progressive policies to aid the development of more onsite solar.

Community Solar: Converging with Market Pressures

In the community solar model, the building that hosts the solar panels on its rooftop does not directly use the energy they generate. Instead, the energy is distributed to nearby households and local businesses at a discount, and the site host collects lease payments from the solar developer who owns and operates the installation. Unlike ground-mounted solar farms that sprawl across greenspaces, rooftop community solar projects offer a unique advantage by preserving open space and generating clean energy closest to where it is consumed – across suburban and urban landscapes.

The expansion of community solar in New York State comes at an opportune time for commercial real estate owners here.

Hosting community solar projects as a landlord can help soften financial risks facing the CRE market right now. The latest Cushman & Wakefield Industrial Marketbeat report finds national vacancy rates rising above five percent for the first time in three years and forecasts that it could exceed six percent by the end of 2024.

Now for the good news: the rise in vacancy rates is being met by the rise of rooftop community solar in New York State.

Financial Upsides for CRE Owners

Rooftop community solar projects present a win-win scenario for commercial real estate owners.

The innovative financial model eliminates the need for upfront capital investment, while offering property owners an additional and long-term revenue stream. Solar developers handle installation, operation, and maintenance, providing a hassle-free solution that meets both business and sustainability goals. What's more, the long-term lease revenues increase Net Operating Income (NOI) and property values, enabling properties to be sold for a premium.

New York's sustained momentum in community solar should give confidence to commercial building owners. In addition, the large program size for community solar in the state greatly increases the chances of a successful application when owner's work with qualified solar companies.

Benefits Beyond the Balance Sheet

In addition to the financial benefits, hosting a community solar project can help strengthen relationships with community leaders and members near the host building. Nearby residents – who may not have been able to benefit from solar in the past because they live in apartment buildings,

don't have a suitable roof, or don't own their home – can now save on their energy bills every month. And local elected officials often appreciate the opportunity to bring cost-savings and environmental benefits to their constituents.

Community solar creates benefits for tenants and employees. Many tenants look for landlords who are proactively reducing environmental impacts and cutting greenhouse gas emissions. And both employees of the property, owner, and tenant alike, often can save on their energy bills through subscribing to the community solar array that's overhead.

Hosting projects is also an intuitive fit with Environmental, Social, and Governance (ESG) goals. In addition to reducing greenhouse gas emissions locally, participating in community solar can also facilitate additional workforce development opportunities, such as solar installation training, equipping nearby residents with the know-how to join the clean energy workforce of the future.

Leasing rooftops for community solar is a win-win-win: a win for revenue, for the community and even for investors.

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