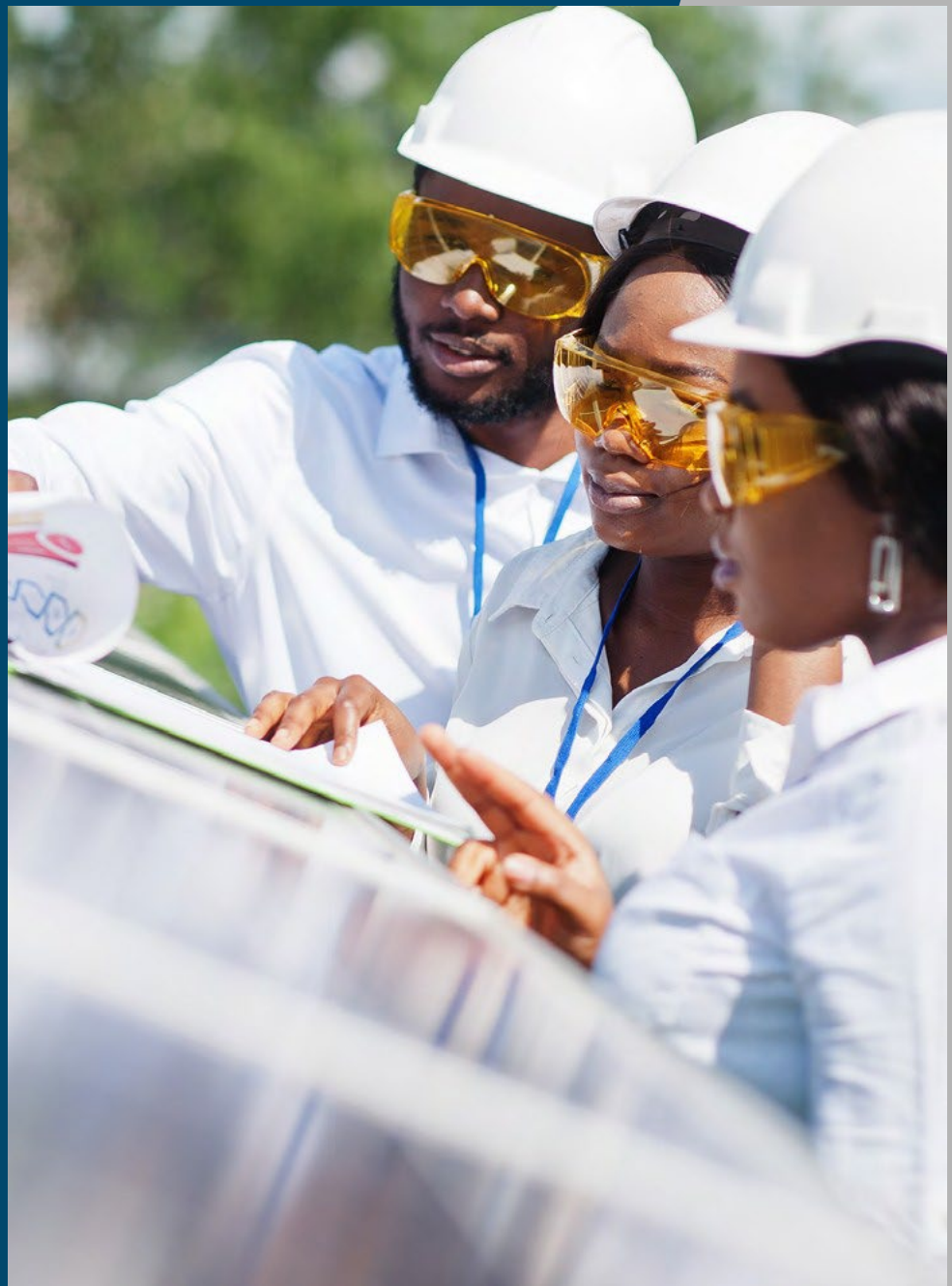


# Costs, Incentives & Financial Basics

A guidebook for property owners to help learn about solar installation expenses and available options.



Solar on Multifamily Affordable Housing



# Welcome to SOMAH

California's Solar on Multifamily Affordable Housing (SOMAH) Program makes it easier for property owners to go solar.

To help property owners, SOMAH provides complimentary whole-building Technical Assistance and Support Services (TASS) that focuses on individualized needs and makes the process as simple as possible.

This guidebook is designed to assist property owners with understanding and navigating project financing.

## Motivations for going solar

- Lower operating costs for your property
- Provide solar access to tenants
- Reduce energy costs for tenants
- Increase property value and appeal

*The nation's largest investment in clean energy for affordable housing, SOMAH was created by the California Legislature to help reduce energy bills for low-income residents.*

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# I. Program Overview

Funded through California greenhouse gas allowance auction proceeds, SOMAH has a program budget of up to \$100 million annually and an overall target to install 300 megawatts of generating capacity by 2030.

SOMAH projects may only receive incentives from the investor-owned utility (IOU) in which the project is located:

- Pacific Gas and Electric Company (PG&E)
- Southern California Edison Company (SCE)
- San Diego Gas & Electric (SDG&E)
- Liberty Utilities Company
- PacifiCorp





## II. Property Eligibility Requirements

A multifamily affordable housing property is eligible for SOMAH if it meets the following program requirements.

- At least five (5) units
- Deed-restricted with at least 10 years remaining on the property's affordability restrictions
- Separately metered units (master metered properties are not eligible)
- Existing building or undergoing retrofit
- Satisfy one of the following:
  - ◇ 80% of property residents have incomes at or below 60% of the area median income (AMI)

OR

- ◇ Property is in a defined disadvantaged community (DAC) that scores in the top 25% of census tracts statewide in the [CalEnviroScreen](#) including property that is located on tribal land and is federally recognized



## III. System Costs: Getting Started

The cost of solar PV on multifamily housing varies greatly due to the many factors involved – system size and components, roof configuration and condition, type of ownership, available incentives and other site-specific factors.

The SOMAH Technical Assistance and Support Services team can help break down what to expect generally for PV system costs, but most important is to understand the cost and contract options provided by your chosen solar contractor.

SOMAH provides capacity-based, fixed incentives dependent on how large the system is and the amount of energy split between common area and tenant loads.

You can anticipate that 55-100% of your system costs will be subsidized depending on factors of your PV system.

After your system is installed, you and your tenants can expect lower and stabilized electricity costs for common areas and tenant units.



### Cost is measured in dollars per watt

*The current average installed cost per watt for a multifamily solar PV system in California is \$2.50 -4 per watt. This means the average 170-kilowatt multifamily system will cost \$425,000- \$680,000, prior to tax credits and incentives.*

## IV. SOMAH Incentive Rates

### Incentives rates vary based on:

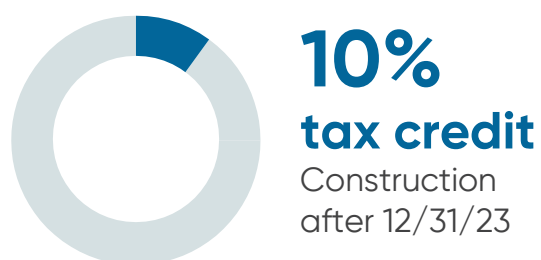
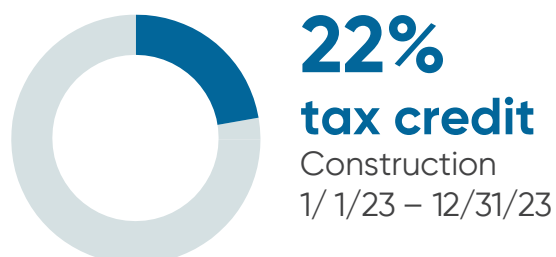
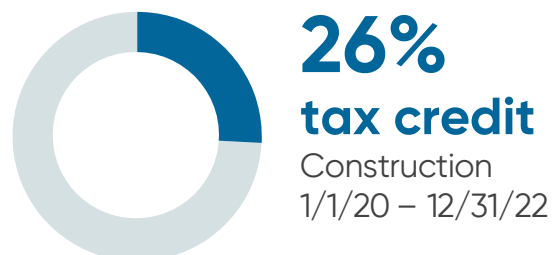
- The capacity of the installed system
- Percentage split of energy allocated between tenant and common area loads
  - ◇ A minimum of 51% must be allocated to tenants
  - ◇ Incentives are higher for the tenant allocated portion
- Other funding sources may lower incentive amounts
  - ◇ Federal Investment Tax Credit (ITC)
  - ◇ Low-Income Housing Tax Credit (LIHTC)
  - ◇ Additional ITC tax reductions are now possible through the IRA

Visit our [Incentive & Finance](#) page to view our current rates

### SOMAH incentive rate by tax credit funding and tenant/common area allocation

Tax Credits		\$ per AC Watt Incentive	
ITC	LIHTC	Tenant	Common
No	No	\$3.50	\$1.19
Yes	No	\$2.45	\$0.87
No	Yes	\$2.45	\$0.87
Yes	Yes	\$1.75	\$0.65

## V. Tax Credits (ITC + LIHTC)



SOMAH participants who are commercial businesses and purchase their PV systems may be eligible for the federal investment tax credit (ITC). While taking the credit lowers system costs, it will reduce the amount of the incentive paid by SOMAH.

The federal ITC is based on a percentage of the total solar PV system cost. It is declining over the next two years.

The Low-Income Housing Tax Credit (LIHTC) is a one-time federal tax credit for the rehabilitation of low-income affordable rental housing and can be used to offset a portion of PV system costs.

Because tax credits cannot be claimed by nonprofit organizations, it is common for them to utilize a power purchase agreement (PPA) or solar lease. This allows a third-party owner to claim the tax credits and offset a portion of the system cost for the property owner.

*\*Please speak with a tax professional for further information on how these tax credits may apply to you.*



## VI. Purchase or Lease?

The SOMAH incentive may not cover the full cost of your system, and gaps can remain in funding a project. It is important to be aware of all upfront expenses, operation and maintenance costs, costs to meet energy efficiency requirements and other charges that support installation.

You can finance the cost your project beyond the SOMAH incentive two ways. You can purchase it outright with cash or through loans, making you the system owner. Or you can obtain a lease or power purchase agreement (PPA) held by a third-party owner.

If the property owner has sufficient capital, equity or access to affordable loans, then using such resources can close the gap. However, many choose to enter a third-party ownership (TPO) agreement. Often, TPO agreements designate the system owner to receive the SOMAH incentives overtime, which lowers the property owner's monthly payments on the PV system.

### Third-Party Ownership Options

#### Solar Lease

Property owner pays a fixed monthly cost.

#### Power Purchase Agreement (PPA)

- Property owner pays per kilowatt-hour of energy produced monthly.

#### Prepaid Solar PPA/Lease

- Similar to purchasing, nonprofit property owners can get loans to pay upfront and share in tax attributes.

## VI. Purchase or Lease? (cont.)

**What are the advantages and disadvantages of purchased vs. third-party owned system?**

	Purchased	Third-Party Owned
<b>What you are buying?</b>	An asset	A service, usually with an option to purchase
<b>What is included in the purchase?</b>	Generally will not include inverter replacement, operation and maintenance or insurance, may include monitoring	Generally includes operation and maintenance, inverter replacement, insurance and monitoring
<b>What are the tax implications?</b>	Need to have the tax liability to make use of the federal investment tax credit (ITC); a home equity loan may be eligible for a tax deduction	Solar services provider has the tax liability for the 30% ITC and can make use of commercial depreciation tax benefits
<b>What are the risks?</b>	Responsible for operation and maintenance	Longevity of the solar services provider
<b>What are the financial benefits?</b>	Responsible for operation and maintenance	Little or no upfront cost, usually cash positive or neutral in first year

## VII. Progress Payment Pathway

Sometimes it's difficult for a property owner or the solar contractor to carry the cost of an installation to project completion.

The **Progress Payment Pathway** is an additional payment option that allows for a partial incentive payment at an earlier milestone as opposed to SOMAH's standard single payment upon project completion.

This two-payment structure pays 60% of the total approved incentive upon proof of installation and mechanical completion, with the remainder of the approved incentive once the system has received permission to operate by the utility and approval of the Incentive Claim Milestone for the SOMAH application.

### Progress Payment Requirements

- Have approved Proof of Project Milestone
- Be more than two months away from Incentive Claim Milestone due date
- Complete a virtual walkthrough
- Achieve mechanical completion – all solar PV equipment installed
- Can apply via [PowerClerk](#)
- Forms: Progress Payment Request & Affidavit  
Ensuring Tenant Education

## VIII. Success Story

This case study represents how installation goals may be revised in the planning stage.

### Pre-design Option 1

System size: **189.5 kW CEC AC**

Common area allocation: **28%**

Tenant area allocation: **72%**

Estimated SOMAH incentive:

**\$501,054**

Estimated net purchase cost:

**\$334,782**

- Rooftop space was inadequate to house a system capable of offsetting 100% of the total load.
- Three carport PV systems were proposed to meet the total system size.

### Pre-design Option 2

System size: **120.5 kW CEC AC**

Common area allocation: **28%**

Tenant area allocation: **72%**

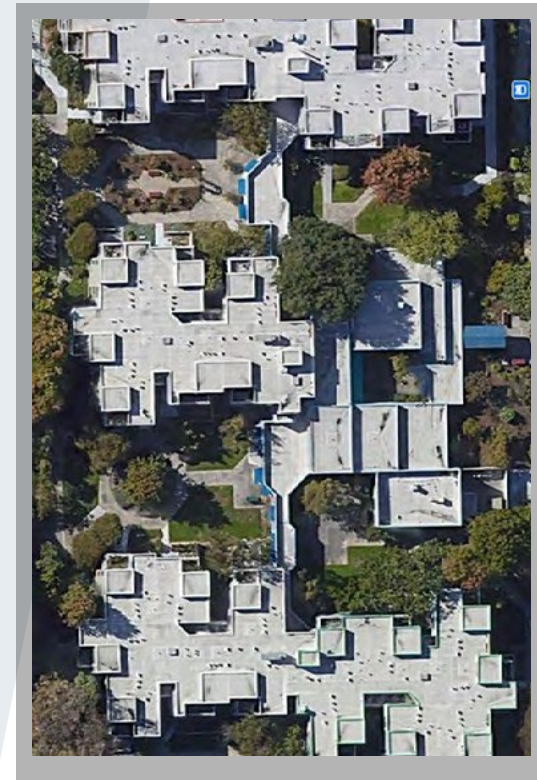
Estimated SOMAH incentive:

**\$314,746**

Estimated net purchase cost:

**\$51,567**

- To lower costs, the three carports were removed, thus resulting in a smaller system size.
- The common area and tenant allocations remained the same.



*Location: Pacific Gas and Electric (PG&E) Service Territory  
Built: 1979  
Units: 101 one-bedrooms*



## VII. Success Story (cont.)



### Pre-design Option 3 (Chosen)

System size: **132.5 kW CEC AC**

Common area allocation: **0%**

Tenant area allocation: **100%**

Estimated SOMAH incentive: **\$403,376**

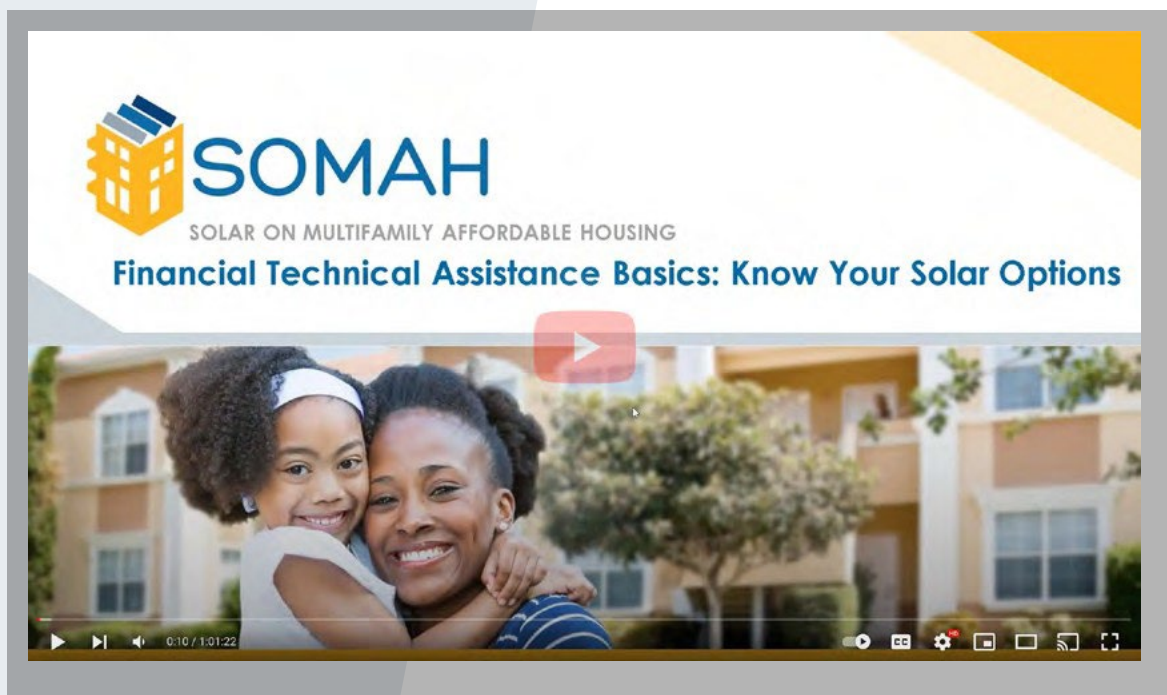
Estimated net purchase cost: **\$19,494**

- To achieve a lower net cost required the system to be resized and the allocations changed. The larger tenant allocation significantly increased the SOMAH incentive amount.
- The property owner was satisfied with a system plan capable of offsetting nearly 100% of the resident usage at an affordable price.

## IX. Additional Resources

Check out the SOMAH resources available online:

- Watch the Financial Technical Assistance Basics: [Know Your Solar Options Webinar](#).
- Find out what incentive your property may qualify for through SOMAH's [Incentive Estimator](#) tool.
- Want to get started on your application? Let us help! Breeze through the [Upfront Technical Assistance Explained](#) guidebook for help throughout the entire application process.





Solar on Multifamily Affordable Housing

Apply for a SOMAH incentive at  
[CalSOMAH.org/apply](https://CalSOMAH.org/apply)

858-244-1177 ext. 5  
[contact@CalSOMAH.org](mailto:contact@CalSOMAH.org)



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