

FEBRUARY 23-26, 2011



Renewable Energy Services



USING SOLAR ENERGY IN LOW INCOME CREDIT TRANSACTIONS

PRESENTED TO:

NH&RA Annual Meeting 2011

www.reznickgroup.com

- Example 1:
Combining Solar Credits With Low Income Credits in Tax Exempt Bond Transactions
- Example 2:
Combining Solar Credits With Low Income Credits in a 9% Transaction
- Investor Issues
- Other Observations

Impact on a Tax Exempt Bond Transaction

Incremental Cost	\$ 100,000
Solar Credit Rate	30%
Calculated Credit	\$ <u>30,000</u>
Incremental Cost	\$ 100,000
Basis Reduction	<u><15,000></u>
Added Basis	\$ 85,000
Credit Rate x 10 Years	33.2%
Incremental Low Income Credits	\$ 28,220
Incremental Credit in 130% Project	\$ 36,686

Impact on Tax Exempt Bond Transaction - Notes

- Assumes all costs funded from good sources (not public utility rebate grants)
- Generally no unit cost limitations
- Will savings be underwritten in bond?

Impact on a 9% Credit Transaction

Incremental Cost	\$ 100,000
Solar Credit Rate	30%
Calculated Credit	\$ <u>70,000</u>
Incremental Cost	\$ 100,000
Basis Reduction	<u>15,000</u>
Added Basis	\$ 85,000
Credit Rate x 10 years	90%
Incremental Low Income Credits	\$ <u>76,500</u>
Incremental Credit in 130% Project	\$ <u>99,450</u>
Incremental Credit Where Project is Over Cost Limits on State Per Project Limit	\$ <u>0</u>

Investor Issues

- I. Impact on First Year Credit to Loss Ratios

- II. Depreciation
 - a) Five Years
 - b) Bonus (100% in 2011 completion/ 50% in 2012 completion)
 - c) Capital Account Issues

- III. Pricing vs. 1603 Refund

Other Observations

- I. Treasury Limitations on Cost Based on Utility Reimbursement Contracts
- II. Avoid Being Commercial Application-Size of Installation
- III. Impact of Utility Savings
 - a) Section 8:
 - i. Tenant pays utilities
 - ii. Tenant doesn't
 - b) Impact on Rents (non-Section 8)
- IV. Cost of Solar Dropping Fast

Contact Information

John Mackey, CPA
Reznick Group PC
260 Franklin Street, Suite 710
Boston, MA 02110
(617) 648-1401
John.Mackey@reznickgroup.com