



Vintage Oaks, Citrus Heights, California
Photo courtesy of Jennifer Mata, Beutler Corporation

Turning Rays into Dollars

Solar Conversion at California Property to Help Shape Portfolio Strategy

In Citrus Heights, Calif., a city near Sacramento, affordable housing developer USA Properties Fund, Inc. has completed the conversion of a low-income housing tax credit (LIHTC) property to renewable solar power, in a step expected to help the company shape a future solar strategy for its entire portfolio.

The solar photovoltaic (PV) system, featuring rooftop solar panels, was installed at Vintage Oaks, a 241-unit seniors LIHTC community developed and managed by USA Properties Fund, based in nearby Roseville.

The company estimates that the property will consume 86% less electricity from the local utility grid than before because of the power produced by the half-megawatt solar PV system, which was installed by Beutler Corporation.

"We are pleased with the performance, benefits, and savings being generated through solar, and we are considering converting other communities we build and manage," said Geoff Brown, President and CEO of USA Properties Fund. "We are excited by the prospects and hope solar power becomes a key part of our future."

Conversion to solar power at Vintage Oaks began in January and was completed in the summer. The project is the largest solar panel installation at an apartment complex in the Sacramento region. USA Properties

Fund worked with the local utility, the Sacramento Municipal Utility District, on the conversion.

USA Properties Fund originally developed Vintage Oaks 15 years ago. It installed the solar system in conjunction with an acquisition/rehabilitation of the property involving a new partnership and the use of 4% housing credits. As a result, federal housing and investment tax credits were claimed for a portion of the costs of the solar system. Tax credit equity and other incentives helped to fund a large part of this.

Common Areas, Apartments Powered

The conversion is a new step for USA Properties Fund. Previously it had solar panels installed at four other apartment communities, but these systems generate power only for the project's common areas. At Vintage Oaks, the solar system is providing electricity for both the common areas and residents' apartments.

USA Properties Fund underwrote the tax credit deal conservatively, including the costs of the solar system in the pro forma, not factoring in any assumed energy cost savings, and structuring the rents with a standard utility allowance for the tenants, who pay their own utility bills.

Tenants will receive a big break in their electric costs

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through a credit on their monthly electric bill that will vary in size according to the time of year. During peak months, when the solar panels generate substantial excess power that is fed back into the grid, the credit amount will be larger. At other times, such as winter, the credit will be smaller.

"The tenant is receiving a significant savings of their utility bill," says Brown. "It's not a big amount, probably in the neighborhood of 20, 30 dollars a month. But right now to the tenants 20, 30 dollars a month is a lot of money."



Geoff Brown

An Experiment in Progress

Vintage Oaks is a learning experience for USA Properties Fund, with the results expected to help the company shape a broader strategy for the installation of solar equipment at its other residential communities. USA Properties Fund manages more than 70 LIHTC

properties throughout California and Nevada.

In addition to information on actual installation and maintenance costs for the solar system, the company will be collecting data on actual energy cost savings at Vintage Oaks going forward to develop an accurate cost-benefit picture.

"Right now we're really in the R&D stage of collecting the data to understand what we're doing," says Brown. "But it's safe to say that we're going to save significant money" at Vintage Oaks.

"We believe the future of housing in general is going to have more solar," he adds. Brown concedes that solar installations currently can't pay for themselves based just on the economics, but rather still depend heavily on government subsidies. However, he believes that the financial equation will improve down the road with further technological advances in solar, such as an easy and environmentally-friendly way to store generated solar power.

"Clearly our strategy is we would like to do more solar," says Brown. "Hopefully we can do more of it because the technology will lend itself to doing it and not always having to rely on government subsidies." **TCA**



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