

# Rooftop Solar Rentals Generate Power and Revenue

March 1, 2010 **By Gary Kassem** contributing columnist

**A**s the solar energy movement continues to grow in both size and stature, governments, property owners and power providers are all seeking ways to access and leverage green energy resources to their best advantage. With the advent of feed-in tariffs (FITs) and amid growing demand by electric utilities for distributed solar power in North America, all three groups are now finding economically beneficial roles to play in the development of roof-mounted solar power generation.

Popular in Europe for many years, FIT as defined by the European Environmental Agency is the price per unit of electricity that a utility or supplier has to pay for renewable electricity from private generators. The government regulates the tariff rate.

With a FIT in place, private building owners rent their roof surfaces to firms that install and maintain rooftop-mounted solar power generation plants. The solar power provider installs power-generating photovoltaic arrays (PVs) on the roof surface, and then sells the power to a local utility at an established price per kilowatt-hour.

FITs allow power companies to expand their generation capacity without having to spend money on costly generation or transmission facilities. They also provide property owners with a monthly rent check for space that previously went unused.

## Rooftops generate income

To make FITs worthwhile, it is essential for power purchasers to have direct access to large-scale solar power generation installations. These large PV systems — the type that generate 500 kilowatt or more of power — typically require 70,000 to 80,000 sq. ft. of rooftop space. Many commercial, industrial and retail buildings can provide the real estate needed for these systems, and are subsequently viewed as excellent candidates for roof rental.

In a growing number of cases, third-party solar power providers step in, rent multiple roof surfaces from building owners in a designated area, install PV systems and sell the power generated to the local utility companies through pre-negotiated agreements. Building owners don't have to get involved in marketing the power generated on their roofs, and the lease agreements frequently guarantee at least 20 years of dependable rental income.

## Understanding lease agreements

Many rooftop rental agreements can look lucrative at first glance. There are, however, several important facts that building owners must be aware of before signing on the dotted line and making a multi-decade commitment. Ignoring these realities could turn a potential cash cow into a fire-breathing dragon that could do serious damage to the bottom line.

The first thing building owners need to be aware of is that most roof-mounted PV systems can easily last up to 40 years, while the commercial roofing systems they are attached to typically have life spans of between 10 and 13 years. With a 20-year roof rental in place for a PV system, it's highly likely that roof repairs — or even replacement — will be needed at some point over the course of the rental period.

While a roof lease can provide secondary monthly income from space that previously generated no income or was even classified as a liability, the attractiveness of the deal can disappear quickly if roof maintenance is not factored into the lease agreement.

Any failure in the roof surface that causes leaks can disrupt day-to-day operations, drive away customers and do serious damage to the financial stability of a business. Fixing the problems with the roof surface once a PV system is in place will also take much longer and cost much more than a typical roof repair.

If it takes days or weeks to fix a leaking roof surface, any financial benefits generated

by the roof rental can quickly be replaced with enormous losses that could potentially eliminate several years of rental income. As a result, in any rooftop lease agreement, you need to know who is going to pay if roof repairs are needed, especially if PV system removal is required.

In simple terms, if maintenance is not an integral part of the lease agreement, roof rental is not likely to be a lucrative deal in the long run.

Before you become involved in a rooftop rental agreement for a solar PV system, keep the following four facts in mind:

- Rooftop rental can provide you with extra income each month, but can also open you up to significant liabilities.
- Your building, your roofing systems and the operations conducted in your facility are your primary concerns, not the PV system.
- Maintenance and troubleshooting must be part of any comprehensive rooftop lease agreement.
- Know who is financially responsible for repairs and lost production so you don't end up holding the bag for costs and penalties.

Without a doubt, a FIT can be an excellent way to put your unused roof space to good use and to collect rent at the same time. By doing your homework and reviewing lease agreements carefully, you can benefit from green solar power generation while knowing that all your financial bases are covered.



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