Solar / Storage Financing Mechanisms Comparison

	Primary Advantage	Considerations	Comments
Bank Loan	･Low interest ･Provides access to all tax benefits ･Own the system	･Credi-basedt underwriting ･Short term ･Diminshes credit pool available ･Unlikely to provide cashflow positive alternative to utility costs ･Sits on liability side of balance sheet	Easy if available, but precious credit is better used for strategic and operational purposes than for capital improvements
Operating Lease	･Lessor (financier) owns the system and claims the tax benefits ･Lessee (borrower) pays maintenance ･Lease payments considered a rental/operating expense and thus are tax deductible	･Credit-based underwriting ･Short term and difficult to cash flow ･Not ideal for long-term assets because lease term must be <75% of economic life of equipment	Operating leases are gnerally a good option for operator to avoid equipment obsolescence. For high cost equipment with a long life, the market seems to favor capital leases or PACE.
Capital Lease	･Leasing company owns the system ･Lessee (borrower) gets all tax benefits and has maintenance responsibility ･Lease is carried on balance sheet as both asset and liability ･Lessor has purchase option to buy the equipment at term-end for low/no cost	･Credit-based underwriting ･May not cash flow because of the term ･Not pre-payable in most cases ･Requires a UCC-1 lien against equipment benefits ･Provides access to all tax benefits	Handy financing tool because it can be used to fund all of a project or a portion of it. Cannot be used with any other form of financing that requires a UCC-1 lien against the property, such as tax equity for a deposit PAA.
Power Purchase Agreement	･Should provide immediate cash flow positive position over avoided utility costs ･Off book financing ･Third party owned and operated can be seen as advantage	･Credit-based underwriting ･Acts like another utility, with annual increases in costs, and comes with a very long contract obligation ･Has no positive impact on balance sheet ･Requires a UCC-1 lien against equipment ･Provides access to all tax benefits	It's a long time to have a contract with a company you don't know; and, company is in charge of operating equipment on your roof. System owner can change multiple times over the course of the contract. Choose provider carefully, not just focusing on price.
PACE	･All tax benefits accrue to the buyer, allowing immediate cash flow positive position over avoided utility costs, in most cases ･Own the system from day one ･Has no limit on credit pool, and may increase it ･Very long term, fixed interest rate financing, carried by the property, automatically transfers to new property owner ･Non-recourse financing, meaning the owner of the property is not responsible for paying off the funding should something go wrong	･Has upfront points costs, that are capitalized ･Can only be used for eligible improvement ･Levelizes the cost of energy so it is flat (does not go up) over the entire term of the loan	Taps an entirely new source of capital that augments available cash and credit, and that is designed specifically for infrastructure improvements. Because of its variety of funding terms and the unprecedented term of fixed rates, this instrument often makes it possible to get a significant cash flow over utility avoided cost
PACE Backed PPA	･Provides pre-payable long term financing with an installation discount ･Provides equivalent of partial tax benefits to organizations that have access to them because of status or fiscal reasons ･Offers a roadmap to ownership for less than cash	･Unknown price of eventual purchase option, per "Fair Market Value" ･Has some of the advantages of PACE and PPA	Valuable new capital improvement mechanism for any closely-held or non-profit corporation

*Note: this table is provided **for indication only** by Cleanfi.com, which is **not an accounting firm**. Please do your own research and seek the opinion of a true professional.*

For information about financing a project using any of the above methods, contact Philippe Hartley, Managing Director ph@cleanfi.com - 323.646.8191. 6/2023