



# Renewable Energy Outleasing Task Group Update

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JUNE 11<sup>TH</sup>, 2020

# REO Task Group Mission Statement

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To explore third-party, onsite, renewable power generation on Federal building rooftops, parking lots, parking garages, and other parcels through an “outleasing” mechanism, with a focus on solar power and energy storage. In this P3 model (public-private partnership), the Federal government would contribute an underutilized asset, to create emissions-free electricity, enhancing potential resiliency as well as rental revenues, without taking on the associated capital costs.

# REO Task Group Team

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## **Task Group Members or Designees**

Projjal Dutta, New York MTA, Co-Chair

Chris Castro, City of Orlando, Co-Chair

David Kaneda, Integral

Tracy Niro, Rachel Shepherd, DOE FEMP

Victor Olgyay, RMI

Brendan Owens, USGBC

John Park, VA

David Steinau, Steve Bruno, DOE OAM

## **GSA Attendees**

Ken Sandler (DFO),

Kinga Porst Hydras, GSA OFHPB

Brian Tye, Chad Seitz, GSA PBS

## **Other Attendees**

Chandra Shah, Emma Elgqvist, NREL

Jeremy Malnar, USPS

Krista Stehn, Army

# Current Business Models Used by Federal Agencies to Facilitate Renewable Energy

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- ❑ Power Purchase Agreement (PPA)
- ❑ Appropriations/purchase, i.e. capital expenditure model; along with PPA, currently most commonly used federal renewables development approaches
- ❑ Energy Savings Performance Contract (ESPC) or Utility Energy Savings Contract (UESC)
- ❑ Enhanced use leasing and similar programs at other agencies (e.g. NASA)

# GSA Definition of 'Outleasing'

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GSA leases available vacant space in certain properties at market rates for private businesses as well as state and local governments.

These properties can include retail shops, food service facilities, office space, warehouse space, and parking lots.

GSA operates the program in a businesslike manner to enhance customer satisfaction and retention, and to maximize asset income and provide value to the Federal Buildings Fund and taxpayers.

<https://www.gsa.gov/real-estate/gsa-properties/outleasing>

# Renewable Energy Outleasing (REO) Definition

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Under an outleasing arrangement, a federal agency would lease all or a portion of a vacant facility asset (e.g. rooftop, parking lot, etc) to a private businesses to:

- (1) facilitate on-site renewable energy development;
- (2) maximize asset income; and
- (3) provide value to the Federal Buildings Fund and taxpayers.

Federal agencies become landlord to non-federal entities. In outleasing, lessee assumes operations, maintenance, and repair costs of the property.

# Screening Criteria for REO

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- Available land or roof
  - Roofs: sufficient area, good condition with sufficient remaining life
- Agency has a long-term authority (EUL or other) that can be used.
- Site can receive payment or in-kind consideration
- Energy off-taker available:
  - Interested utility or competitive electricity supplier
  - Liquid wholesale market with high electricity rates
  - Community solar
- Interested utility customers / Utility solar RFP
- Valuable solar renewable energy credits (SRECs) and/or other incentives
- Project champion
- Legal, contracting and management support
- Advantageous electric rates
- State regulatory structure
- State's with Renewable Portfolio Standards (RPS)
- States with Feed-In Tariffs

# Benefits & Challenges to REO

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## BENEFITS

- Lease proceeds/revenues
- In-kind consideration where allowed by statute
- Increased real property utilization
- Contingency power use
- O&M and downtime “risk” borne by private party
- Roof surface protection
- Reduction of indoor cooling loads

## CHALLENGES

- Little or no incentives for agencies without authority to retain lease proceeds or accept services in-kind
- Outleasing authorities do not prioritize renewable energy over other uses
- Private sector participation dependent on proper market factors (e.g. REC price, PPA enabled, etc.)
- Federal “Reduce the Footprint” policy prioritizing unneeded property disposal over outleasing.



# Current Outleasing Example

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- **Outleasing rooftop space on federally owned building already happens for private telecommunication equipment**
- GSA has successfully partnered with telecommunication companies by outleasing rooftop space and land based antenna sites to support 88 antenna installations nationwide.
- GSA outleased antenna inventory produces revenues close to *\$6 million annually* thus accounting for more than 26% of GSA's total outleasing revenue.



# Federal Case Studies

- NASA Kennedy Space Center (KSC) hosts a Florida Power & Light (FPL) 10 MW PV system, the Space Coast Next Generation Solar Energy Center
- Used an Enhanced Use Lease (EUL) authority codified in 42 USC 2459j.
- NASA received a 990 KW DC PV system on NASA's side of the utility service meter as in-kind consideration based on the appraised value of the land leased to FPL
- The 990 KW system is NASA-owned and FPL-maintained.
- Both PV systems were operating by first quarter 2010.



# Federal Case Studies



The panels avoid an estimated 18.8 million pounds of carbon dioxide emissions annually — the equivalent of 2,000 cars — and generate energy equal to powering 2,420 typical American homes annually.

- In 2017, US Postal Service (USPS) installed a 11-MW AC system, consisting of nearly 35,000 solar panels, at the Los Angeles, CA, Processing and Distribution Center.
- Completed through Los Angeles Department of Water and Power (LADWP) Feed-in-Tariff (FiT) program.
- Through this FiT program, the solar system owner/operator sells the power generated by the system to LADWP through a predetermined pricing structure (PPA) and the owner/operator in turn provides lease payments to USPS.
- As part of the contract, 1 MW of the system was installed as a Net Energy Metering (NEM) system from which USPS utilizes the energy generated.
- This project provides significant revenue through lease payments as well as significant energy savings from the 1 MW NEM system.

# Non-Federal Case Studies



- On Earth Day, April 22<sup>nd</sup>, 2019, the MTA launched a program to generate clean, solar electricity as well & garner a previously untapped source of revenue: the leasing of roofs, and suburban parking lots, to private parties interested in generating solar power.
- ProLogis, one of the largest logistics companies globally, has installed solar on its warehouse roofs.

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# Recommendations

# Recommendations

The GBAC REO TG recommends that GSA work with DOE and its other federal partners to launch a program to evaluate, support, facilitate and implement the use of renewable energy outleasing, including to:

- Conduct a comprehensive review of federal agency outleasing authorities to identify where this approach is feasible.
- Conduct a comprehensive review of the GSA's owned portfolio to determine which assets are conducive to solar outleasing based on the criteria identified in this letter.
- Research the costs, benefits and logistics of integrating federal renewable outleases into GSA's outleasing program, learning from the experience of state and local governments, as appropriate.
- Develop resources to support renewable energy outleasing, including standardized processes and documentation for identifying underutilized assets and soliciting competitive proposals for renewable outleasing.
- Test the renewable energy outleasing concept with a pilot project for an asset or assets conducive to solar outleasing.

# Examples of Potential Candidate GSA Buildings



- GSA's Historic Buildings, often located in or close to downtowns, where there may be a power paucity, with newer roofs, offer excellent candidates for piloting the REO program.

## Examples:

- 100 Otis Street, Asheville, NC
- 235 N. Washington Ave, Scranton, PA
- 517 E. Wisconsin Ave, Milwaukee, WI

# Thank you.

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QUESTIONS & ANSWERS