

# TIPS FOR WORKING WITH SOLAR PANELS



The solar industry is thriving across California. So much so, that in May 2018, California regulators approved a plan to mandate solar panels on all new home construction beginning in 2020.

One way builders and homeowners install solar systems is through a lease or power purchase agreement (PPA) (i.e., a “solar agreement”) with a third-party solar provider. When the homeowner decides to enter into a contract with a solar energy producing company, there is a notice recorded against the title to the real property on which electricity is generated. This notice is named “Notice of an Independent Solar Energy Producer Contract.” This is to establish that an independent solar energy company has entered into a contract for the use or sale of electricity produced by a solar energy system, to an entity or person, for the use in a residence. A Financing Statement is also recorded to show that financing is provided for either the lease of the solar system.

Another type of energy contract is through the HERO program (Home Energy Renovation Opportunity) under the PACE program (Property Assessed Clean Energy). Unlike the Notice of an Independent Solar Energy Producer Contract, the HERO program is a partnership with a public agency to finance for energy-efficient, water-efficient and renewable energy products to home and business owners and not just for a solar system. Eligibility for HERO program is largely based on the property and not income or credit score. When the homeowner is eligible for

HERO financing, the repayment is included on the property tax bills.

Homeowners who do not want to commit to owning solar panels take advantage of these leases. These leases are recorded at the County Recorder’s office, and reported on the Preliminary Title Report. However, complications can arise when one chooses to sell the home.

## Here Are Some Matters That May Arise For Both The Seller And Buyer:

- The buyer will need permission from the leasing solar company to take over the lease and may not qualify.
- Some solar companies charge a penalty for breaching the lease
- With HERO financing, the remaining debt must be paid in full when selling the property.
- The homeowner(s) may cringe at the thought of paying a high price to pay off the lease contract
- Elements of the solar lease (length, payments, maintenance) may be off-putting to potential buyers thus, prolonging the sale of the property

## Tips For Selling A Property With A Solar Lease

Solar agreements can create complications during the sale of a property. Every situation varies from the next, but the following tips will help guide you through the process.

**1. Start early.** Disclosure of a property’s solar agreement must be discussed in the beginning of the selling process. Doing so determines the rights of the transfer of ownership and should be disclosed to potential buyers. It may also have an effect on the marketability of the property.

**2. Request a copy of the solar lease agreement.** If a homeowner does not have a copy, they should request it from their solar company.

**3. Seek advice.** It’s imperative that buyers and sellers fully comprehend the terms of their solar agreement, including its transfer rights and requirements at the time of the sale of the home. The solar company will be able to assist with the transfer process; however it’s wise to consult with an attorney as well.

**4. Cover all your bases.** When selling a home bound to a solar agreement, California Title Company has the expertise and experience you need. We can alert you to potential title problems, such as an unrecorded solar easement and other possible title issues that need to be addressed prior to closing.

**5. Keep lines of communication open.** Early in the process, provide your closing team with as much information as possible about the transaction. Remember, there is no such thing as “too much” information. The more information they have, the better they will be able to streamline the closing process.

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