

Overview

Link Logistics was founded in 2019 and owns a national portfolio of advanced logistics spaces such as warehouses and distribution centers. In 2021, Link Logistics Real Estate (“Link”) pledged to 100% renewable energy by 2024 and net zero carbon emissions by 2025 for its own operations. As of 2021 Link has installed 57 MW of solar capacity across 37 sites and is targeting 300 MW by 2025.

Link faces a common barrier of solar capacity issues related to net metering. In net-metered jurisdictions, a building owner cannot install solar capacity greater than what would be used in a year. Space types like warehouses and distribution centers that have a large footprint for rooftop solar but a lower energy use (i.e. low energy density) results in limited ability to maximize rooftop solar capacity when solar is connected behind the meter. 6695 Business Parkway was no exception to these challenges. To reconcile these limits with Link’s ESG goals, they decided to team up with a community solar program, which allows them to install a large-capacity solar system and provide revenue from the lease of the roof without being affected by the net-metering limits.



Exterior of 6695 Business Pkwy in Elkridge, MD

PROJECT HIGHLIGHTS

Link’s desired outcome for the solar installation was to enable a net operating income (NOI) increase in a timeframe that matched that of their asset hold strategy.

- ▶ **Property:** 6695 Business Pkwy, Elkridge, MD 21075
- ▶ **Goal:** Achieve NOI increase.
- ▶ **Barrier:** Navigating lease negotiations and internal asset hold strategies due to traditional solar deals that are significantly longer than Link’s typical industrial asset hold timeframe.
- ▶ **Solution:** Establish the solar project as an operating lease, where the solar developer pays roof rent and solar energy generation is pushed to the grid via a community solar program.
- ▶ **Outcome:** Project economics are proprietary, but generally Link sees ~\$1/sq. ft. annual rent, on average, for solar operating leases across the country.

Process

Link prioritizes making its solar projects scalable; the company created a standard operation procedure, or solar “kit”, for easy deployment of processes and policies at each site.

Additionally, Link connects many projects into community solar programs. A community solar program works by partnering solar installations with the parties that will be using it. The availability

of community solar varies; Link determines which jurisdictions are favorable and make financial sense. Most of Link's lease structures with tenants are [triple net leased](#), meaning warehouse operators typically have utility bills in their own name, but Link facilitates access between warehouse operators and community solar program administrators so that mutual ESG goals can be achieved.

Keys to Success

Policies

Link implemented new policies to facilitate the solar program:

- ▶ Leasing contracts workflows – updates to leasing structures needed to be adjusted to allow the roof space to be leased to the solar developer.
- ▶ Roofing strategies and policies – size of the system, roof capacity and structural integrity, lease structures, etc.
- ▶ Due diligence frameworks – education of leasing officers, bringing all team members to the table.
- ▶ Solar RFP policies – researching and prioritizing certain states and/or utilities where community solar programs are popular and make financial sense.
- ▶ Revenue tracking and forecasting policies – developed a “solar ecosystem” internally where the information can be accessed by all parties involved.

Lease Negotiations and Asset Hold Strategy

Solar deals are 15-20 years, which do not reconcile well with typical lease terms or asset strategy for industrial assets, so Link needed to make a financial case for the solar project that fit into other company procedures:

- ▶ Preliminary approval from Leasing/Asset Management teams to review tenant leases, vacancy forecasts, and fund horizon
- ▶ Approval to initiate solar bid process and perform RFPs
- ▶ Final lease negotiations and options contracts approval and execution

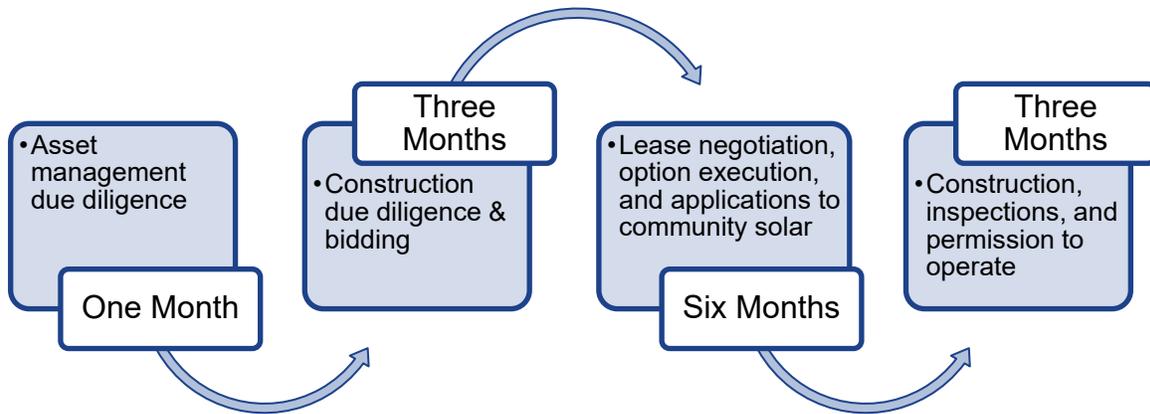
Due Diligence

- ▶ Checking and approval of roof age, structural design, and capital strategy
- ▶ If necessary, acquire tenant approval through Property Management
- ▶ Applications for community solar program with the awareness that success rates for acceptance into those programs range from 30% to 80% depending on requirements

Timeline

Link's solar process is dependent on acceptance of the project into the community solar program, which can range from 3 months to 2 years. The project at 6695 Business Parkway was accepted in 6 months and was followed by 2 months of construction and 1 month of inspections.

In general, each project takes ~1 year.



| PROJECT STAKEHOLDERS | | |
|------------------------------|------------------------------------|---------------------------|
| ▶ Construction & Procurement | ▶ Property Managers | ▶ Roof Consultants |
| ▶ Leasing & Asset Management | ▶ Municipalities Utility Companies | ▶ Roof Warranty Companies |
| ▶ ESG Team | ▶ Solar Providers | ▶ Tenants |
| ▶ Legal/General Counsel | | ▶ Structural Engineers |

Financing

Link owns their properties and acts as the landlord to tenants. Since the project was an operating lease, Link deployed no capital or financing mechanism. Due to the varying nature of solar markets across the country, lease revenues vary greatly property to property.



*This case study is part of a series from Better Buildings focused on PV Valuation.
Published October 2021 | DOE/EE-2502*