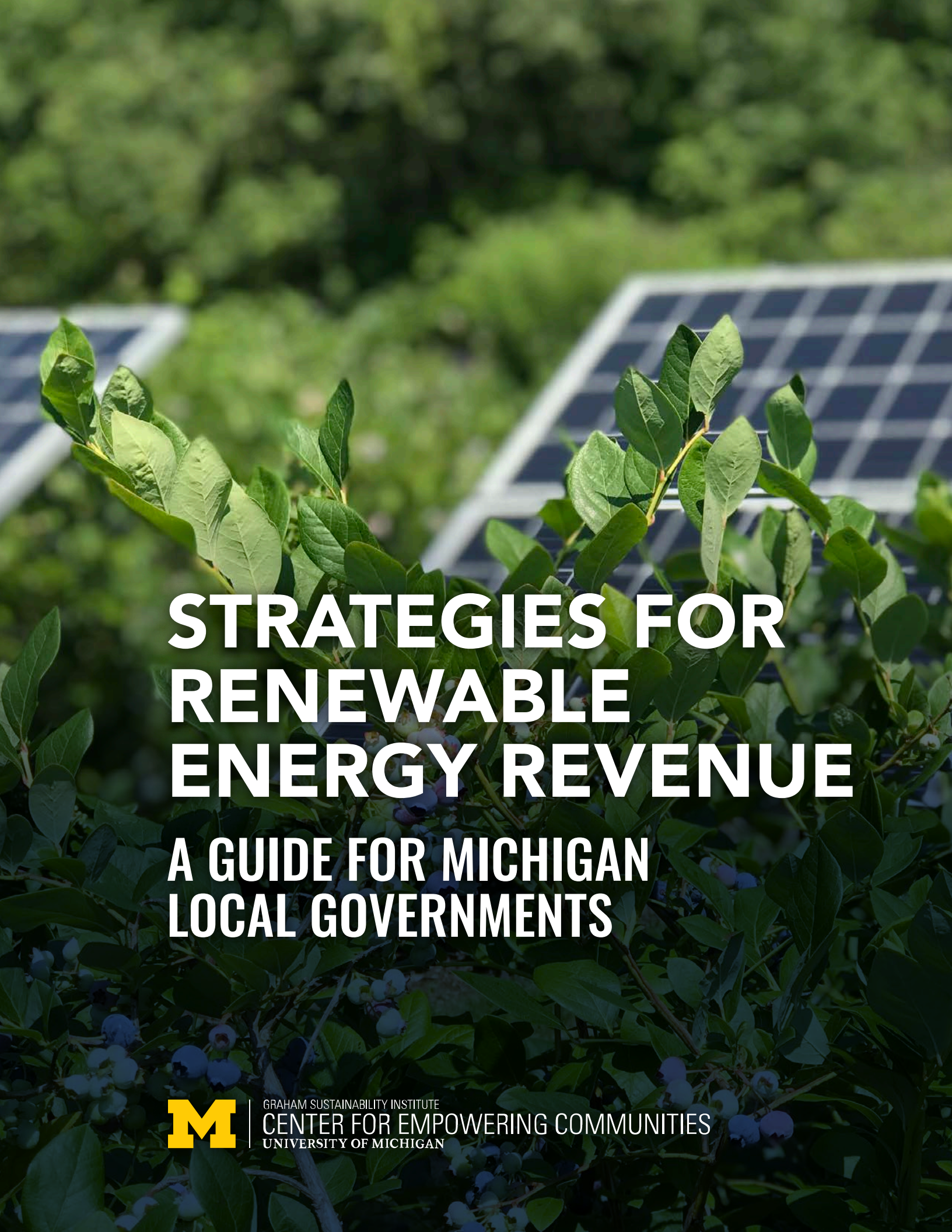

STRATEGIES FOR RENEWABLE ENERGY REVENUE

A GUIDE FOR MICHIGAN LOCAL GOVERNMENTS

GRAHAM SUSTAINABILITY INSTITUTE
CENTER FOR EMPOWERING COMMUNITIES
UNIVERSITY OF MICHIGAN

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Find this document and more about the project online at graham.umich.edu/project/renewable-energy-revenue.

Cover image: *Solar panels surrounded by blueberry bushes. Photo by Mary Reilly.*

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EGLE
MICHIGAN DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY

RENEWABLE ENERGY ACADEMY

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BACKGROUND & PURPOSE

As renewable energy development expands across Michigan, large projects have provided host communities with increased municipal tax revenue, job opportunities, and other benefits.

Strategies for Renewable Energy Revenue: A Guide for Michigan Local Governments is designed to help local governments strategically harness the benefits to their communities through a range of strategies and tools.

Our research[1] and that of others[2] suggest that while not the *only* motivation for communities who host large-scale renewable energy projects, communitywide economic benefits provided by renewable energy infrastructure are a key reason communities have historically chosen to host these projects. For rural communities in particular, even relatively modest revenue streams can make a significant difference, such as funding a new fire truck, upgrading a township hall, or maintaining critical local roads.

This guide outlines three of the primary revenue streams that Michigan local governments hosting renewable energy infrastructure may be able to access: tax-based revenue, one-time payments, and lease or easement payments. For each of these revenue streams, this guide offers strategies for the wise use of funds and tools and resources to facilitate decision-making.

Strategies for Renewable Energy Revenue primarily addresses large-scale renewables, including:

- solar energy systems 50 megawatts (MW) or larger
- wind energy systems 100 MW or larger
- battery energy storage systems (BESS) 50 MW or more with a discharge capacity of 200 megawatt-hours (MWh) or more

While elements of the guide may apply to smaller projects or other technologies, key funding streams and regulatory frameworks are specific to these large-scale thresholds defined in Public Act 233 of 2023 (PA 233).[3] This guide is relevant both for projects approved by the Michigan Public Service Commission (MPSC) and for projects sited locally through a compatible renewable energy ordinance (CREO) or a workable incompatible ordinance.[4]

Strategies for Renewable Energy Revenue was developed by the Center for EmPowering Communities at the University of Michigan's Graham Sustainability Institute. The guide was further reviewed by experts from local government, energy-related non-profits, the renewable energy and energy storage industry, utilities, legal experts, and academia.

1 Mills, S. (2018). Wind Energy and Rural Community Sustainability. In Handbook of Sustainability and Social Science Research. World Sustainability Series. https://doi.org/10.1007/978-3-319-67122-2_12

2 Rand, J., et al. (2024). Perceptions of Large-Scale Solar Neighbors: Results from a National Survey. https://graham.umich.edu/product/perceptions-large-scale-solar-neighbors

3 Public Act 233 of 2023 is Michigan's new renewable energy siting law, which provides developers the opportunity to bypass local zoning and obtain land use approval from the Michigan Public Service Commission for large-scale projects. Access the act at https://www.legislature.mi.gov/documents/2023-2024/publicact/pdf/2023-PA-0233.pdf.

4 Learn more about permitting pathways under PA 233 at graham.umich.edu/project/MI-energy-siting.

TAX-BASED REVENUE

In Michigan, the State Tax Commission (STC) provides statewide guidance on property tax assessments, including how components of renewable energy projects are taxed and the methodologies for calculating the taxable value over the life of the project.[5,6]

In short, there are three types of ad valorem property taxes relevant for renewable energy and energy storage: industrial personal property, utility personal property, and real property taxes. The specific tax treatment for individual components varies by technology. This tax revenue is distributed among the energy project's taxing units according to millage rates.

- **Industrial personal property (IPP):** IPP tax applies to the majority of project components in wind, solar, and BESS projects. IPP includes wind turbines, solar panels, batteries, attached fixtures, and electrical equipment. IPP is taxed at the local IPP rate, which includes all local millages (county, township, and school district debt or sinking funds) but is exempt from the 18 mill school operating millage and the 6 mill state education tax.[7]
- **Utility personal property (UPP):** UPP tax applies to the remaining equipment, such as electrical substations and transmission lines.[8] UPP is taxed at the local UPP rate, which includes all local millages (county, township, and school district), as well as the school district operating millage and the state education tax.[9]
- **Real property:** Land under and surrounding wind turbines is typically classified as *agricultural real property*, which pays homestead rates and is exempt from school district operating millages. By contrast, land beneath solar or BESS projects is typically classified—or reclassified—as *industrial real property* (even if the zoning district designation remains agricultural), which is taxed at non-homestead rates that include school district operating millages.

The University of Michigan Center for EmPowering Communities has compiled a comprehensive explainer on current wind and solar taxation.[10] Readers seeking more detail are encouraged to consult the full resource. Because these policies may change, it is always advisable to consult an assessor for the latest STC guidance.

5 Michigan Department of Treasury Property Tax Division, Utility Valuation Section. (2021). Ad Hoc Solar Committee Final Report to the State Tax Commission. https://www.michigan.gov/-/media/Project/Websites/treasury/STC/Solar_Committee_Final_Report.pdf

6 Access the tax tables in Form 4565: Wind Energy System Report, Form 5762: Solar Energy System Report, and Form 632 L-4175: Personal Property Tax Statement (Use Section E for BESS), using the Tax Form Search at https://treas-secure.state.mi.us/TaxFormSearch.

7 Michigan Department of Treasury. (2025). Personal Property Tax Credits. https://www.michigan.gov/taxes/business-taxes/mbt/details/personal-property-tax-credits

8 Michigan Department of Treasury. (2024). 2025 Cable Television and Utility Personal Property Report (Form 3589). https://www.michigan.gov/taxes/-/media/Project/Websites/taxes/Forms/Property-Tax/3589_2025. pdf

9 Michigan Department of Treasury. (2025). Personal Property Tax Credits. https://www.michigan.gov/taxes/business-taxes/mbt/details/personal-property-tax-credits

10 Find the policy brief explainer at https://graham.umich.edu/project/renewable-energy-tax-impacts.

COMMENTARY: The amount of tax revenue generated from a renewable energy project—and how it is distributed among taxing units—is largely determined by local millage rates. The distribution varies across the state: For townships, the share can be as little as 3% and as much as 20%, with an average of 11%. Counties receive around 27%, school districts 55%, and other units 7% on average.[11] Note that this distribution applies to all land uses subject to industrial personal property (IPP) taxes, not exclusively to renewable energy projects. The University of Michigan Center for EmPowering Communities provides wind and solar tax calculators to provide location-specific information for estimating tax impacts.[12]

Solar PILT: The Solar Energy Facilities Taxation Act[13] allows communities the option to accept payments in lieu of taxes (PILT) as an alternative to the standard ad valorem IPP tax for large-scale solar projects. Under a PILT agreement, qualified solar facilities pay a fixed rate of $7,000 per MW annually for 20 years during operations. Projects located on brownfields,[14] state-owned land, or in federally recognized Opportunity Zones[15] pay a reduced rate of $2,000 per MW.

After this 20-year period, properties return to the ad valorem IPP tax roll.[16] Sometimes a PILT may produce meaningfully more revenue than the ad valorem IPP treatment and sometimes less; this distinction is a function of local millage rates (see Strategy 4 on Page 9 for more pros and cons of the solar PILT).

Entering a solar PILT agreement requires consent from both the local government and the developer. Otherwise, the project remains subject to standard ad valorem taxes. Like ad valorem taxes, PILT revenue is shared proportionally among the taxing jurisdictions based on each jurisdiction's millage rate.

By design, PILT provides predictable revenue, shielding both local governments and developers from fluctuations caused by depreciation schedules or changes to property tax tables. Notably, the fixed rate cannot be adjusted for inflation or other factors, and PILT is available only for solar projects, not for wind or BESS projects.

COMMENTARY: For renewable energy projects on tax-exempt land (e.g., land held by tribal, federal, state, or local government or by a non-profit entity), the tax assessor should be consulted to determine whether any portion of the project is taxable. An energy project owned by a for-profit entity on a tax-exempt parcel could be subject to property taxation, but this is best determined by the assessor.

11 These figures are based on 2024 millage rates, with cities excluded. Township shares of 3% and 20% represent the 10th and 90th percentiles, respectively.

12 Access the tax impact calculators at https://graham.umich.edu/project/renewable-energy-tax-impacts.

13 Michigan Legislature. (2023). Public Act 108 of 2023. https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-Act-108-of-2023

14 Michigan Department of Environment, Great Lakes, and Energy (EGLE). Brownfield Redevelopment. https://www.michigan.gov/egle/about/organization/remediation-and-redevelopment/brownfields

15 U.S. Department of Housing and Urban Development. Opportunity Zones. https://www.hud.gov/opportunity-zones

16 The Michigan Department of Treasury has FAQs, memos, and more on PA 108 at https://www.michigan.gov/taxes/property/exemptions/solar-energy-facility-exemption.

Strategies for Municipal Tax Revenue

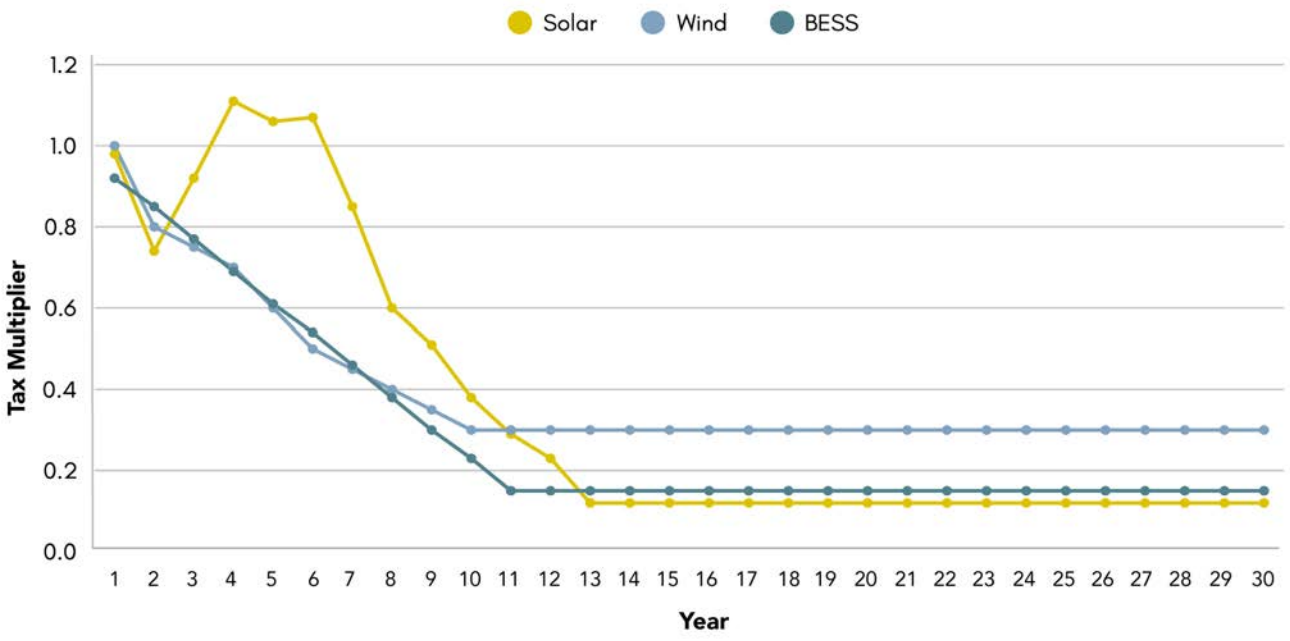
When considering tax-based revenue, municipalities can employ a variety of strategies to support community goals. These strategies may include leveraging renewable energy projects to increase municipal tax revenue or, where permitted, exempting energy infrastructure from taxation to promote other objectives, such as revitalizing brownfield properties. The following strategies include examples from communities across Michigan, along with the tools and resources to help municipalities implement them effectively.

Strategy #1: Lower millage rates in light of growing tax base

In some communities, there may be little interest in growing local tax *revenues*. Instead, by growing the tax *base* through energy development, municipalities may wish to lower tax rates for all taxpayers. This approach is common in some parts of the country, including Texas and Indiana.

In Michigan, however, implementation is more challenging because multipliers for personal property decline over time as equipment depreciates. As shown in Figure 1, in the first year, local governments tax wind, solar, and BESS projects at 100%, 98%, and 92%, respectively, of the value of the equipment. By Year 10, the multipliers are 30%, 38%, and 23%.[17]

Figure 1. Solar, Wind, and BESS IPP Multipliers Over Time (as of 2025)



17 These figures change periodically. The State Tax Commission must periodically update the depreciation schedule to reflect cost changes and inflationary pressure.

Reductions in millage rates apply to all taxpayers, including energy producers. Jurisdictions considering this strategy can analyze how taxable value declines over time and how those declines may affect budgets and municipal services. While millage rates could likely be reduced in the first year of a new energy project when revenue is high, declining multipliers in later years may create budget shortfalls, requiring millage increases just to maintain revenue levels.

Communities with solar projects may also consider approving a PILT, locking in $7,000 per MW for 20 years but then reducing millage rates to lower taxes for all taxpayers. However, any decision to lower millage rates under a PILT should be based on careful analysis of long-term budget impacts and, ideally, coordinated among all taxing jurisdictions.

Because PILT revenue is distributed according to each taxing unit's proportional millage rate—just like traditional property taxes—any reduction in millage rates lowers the share that jurisdiction receives from the PILT. For this reason, unless all taxing districts work together (e.g., county, township, school districts, and special districts), lowering millage rates in a PILT arrangement could lead to a decline in overall PILT revenue for the local government. The reduced rate would affect utility personal property (UPP) and real property taxes associated with the solar project as well.

Strategy #2: Increase revenue through millages and special assessments

By contrast, some communities have leveraged the large increase in taxable value that renewable energy projects bring to raise additional revenue, particularly for school districts or other special districts. Although new or increased millages apply to all property within a tax district—and may seem unpopular at first since they slightly increase taxes for all—the substantial taxable value of a new energy project ensures that the energy project bears the bulk of the increased tax burden.

This approach has most notably been used in Michigan for school millages. While developers pay school taxes on UPP and IPP, those revenues are sent to the state and may not generate visible local benefits. However, if a school district has a debt or sinking fund, the tax revenues collected for these funds stay local. This revenue may be used for the purchase of real estate for school buildings, construction or repair of school buildings, school security improvements, or technology upgrades.[18] School districts without a debt or sinking fund might consider establishing one when a renewable energy project is proposed.

COMMENTARY: The addition of 27 wind turbines in Gratiot County in the early 2010s nearly doubled the county's tax base. Voters of the Gratiot-Isabella Regional Education Service District then approved a 1.0 mill bond issue in 2013 for vocational technical education[19] and established a sinking fund, which together contributed millions of dollars to local facilities.[20]

18 Michigan Legislature. (1976). The Revised School Code, MCL 380.1212(1)(a). https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-380-1212

19 Isabella County. (2013). Isabella County Apportionment Report October 2013. https://www.isabellacounty.org/wp-content/uploads/2018/12/ApportionmentReport2013.pdf

20 Montcalm Wind. Powering Better Schools. https://www.montcalmwind.com/powering_better_schools

Another option is to establish a special assessment district, which can raise funds for police, fire, and emergency services through the Police and Fire Protection Act (Public Act 33 of 1951), or for specific public infrastructure improvements through the Public Improvements Act (Public Act 188 of 1954). The legislative body—such as a township board—may establish and levy assessments on properties that directly benefit from the services or improvements as provided by law. Under PA 33 of 1951, the revenue must be used for police and fire protection services that benefit the assessed properties,[21] while PA 188 of 1954 allows for funding specific public improvements—such as road or park improvements[22]—within the designated district. Careful boundary design is essential, as only properties receiving a direct and substantial benefit may be included in a district. Municipalities should consult with their attorneys to help navigate such assessments and their implications.

Strategy #3: Use tax abatements or incentives to attract projects

Property tax incentives, where authorized, have been used by local governments for a variety of land uses to advance multiple objectives. While these incentives mean forgoing increases in municipal revenue, tax abatements can be used to attract employers, revitalize underutilized properties, or encourage land uses deemed desirable by the local government.

In Michigan, "eligible distressed communities" may provide up to a 100% abatement for new personal property placed in a district. The local government also has the discretion to determine the number of years to grant the abatement. Applications are submitted and reviewed locally before final approval by the State Treasurer.[23] Following the passage of the solar PILT in 2023, this incentive is not permitted for solar projects after 2023 but remains applicable to wind and BESS development.[24]

Tax increment financing (TIF) is another incentive mechanism, typically used to offset costs associated with redeveloping brownfield properties.[25] When a brownfield redevelopment generates new tax revenue, these taxes are returned to the developer to reimburse eligible costs. Though this strategy has not been widely utilized in Michigan as of 2025, many of the expenses for renewable energy projects qualify for TIF, and TIF could be used to incentivize renewables on previously disturbed properties.[26]

Brownfield sites are increasingly considered for battery energy storage systems (BESS) due to their modest footprints compared to wind or solar projects. Projects[27] such as the planned Trenton Channel Energy Center and the Slocum BESS (both in the City of Trenton, Wayne County) demonstrate how BESS projects can repurpose brownfields and retired power plant sites, generating new economic value for local communities.

21 Michigan Legislature. (1951). Public Act 33 of 1951, MCL 41.8. https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-41-722

22 Michigan Legislature. (1954). Public Act 188 of 1954, MCL 41.722. https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-41-722

23 Michigan Department of Treasury. New Personal Property Exemption. https://www.michigan.gov/taxes/property/exemptions/new-personal-property/new-personal-property-exemption

24 Michigan Department of Treasury. (2023). Frequently Asked Questions: Solar Energy Facilities Taxation Act (2023 PA 108). https://www.michigan.gov/taxes/property/exemptions/solar-energy-facility-exemption

25 Michigan Department of Environment, Great Lakes, and Energy (EGLE). Act 381 Tax Increment Financing. https://www.michigan.gov/egle/about/organization/remediation-and-redevelopment/brownfields/act-381-tax-increment-financing

26 Learn more about brownfield redevelopment for energy at Beswick, C., et al. (2025). Developing Solutions for Brownfield Renewable Energy in Michigan. https://taubmancollege.umich.edu/student-work/developing-solutions-for-brownfield-renewable-energy-in-michigan/

27 DTE Energy. Energy Storage: Aligning Renewable Energy and Electricity Demand. https://www.dteenergy.com/us/en/business/community-and-news/renewable-energy/energy-storage.html

COMMENTARY: The City of East Lansing granted a new personal property tax exemption in 2017 to incentivize a solar carport development on the Michigan State University campus, now one of the largest solar carports in the country. The array spans five major commuter parking lots and covers 5,000 parking spaces. Its purpose is to advance sustainability and renewable energy goals, rather than to maximize municipal revenue.[28]

Michigan State University Solar Carport, located in East Lansing. Photo by Michigan State University.

Strategy #4: For solar projects, decide whether to use a PILT

The solar PILT was designed to simplify projecting tax revenue and calculating tax bills by providing consistent revenue for local governments and a predictable tax bill for solar developers. Because Michigan's solar PILT has a fixed dollar-per-MW value and requires agreement from both the local government and developer, a key consideration is often how PILT revenue compares to the expected revenues under ad valorem taxation of the IPP.

The first step in evaluating a solar PILT is determining whether a proposed project site qualifies as a brownfield, state-owned land, or a federally recognized Opportunity Zone,[29] which reduces the PILT rate from $7,000 to $2,000 per MW. Once the applicable rate is identified, the second step is to compare PILT revenue to the expected tax revenues under standard ad valorem taxation over the life of the project.

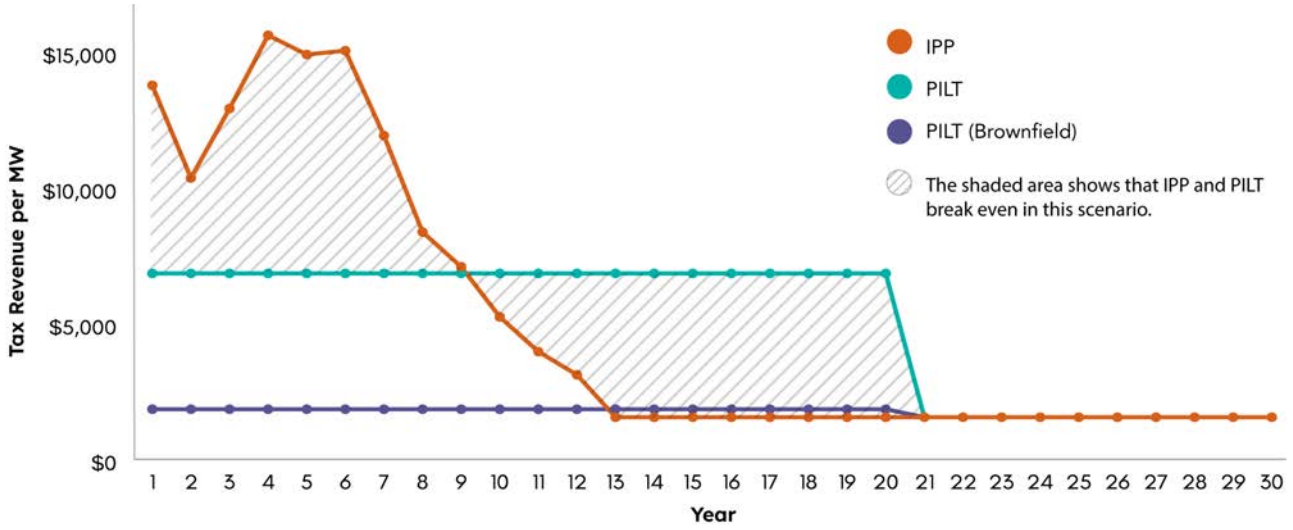
In jurisdictions with high millage rates, the fixed $7,000 per MW payments may generate less tax revenue over the life of the project than ad valorem taxes on the IPP, while jurisdictions with low millage rates may receive more revenue from a PILT than from traditional taxes. The break-even point depends on assumptions about inflation and discount rates. With modest assumptions, the break-even millage rate for the $7,000 PILT is approximately 37.57 mills (see Figure 2). Across Michigan, total millage rates vary from 14.97 to 75.19. The University of Michigan Center for EmPowering Communities offers a calculator to estimate ad valorem and PILT revenues for a given community.[30]

28 Michigan State University Department of Infrastructure Planning and Facilities. (2018). Solar Carport Initiative Earns National Attention. https://ipf.msu.edu/about/news/solar-carport-initiative-earns-national-attention

29 Opportunity zones are designated by the U.S. government as an economic development tool, encouraging investment through preferential tax treatment for investors. Check opportunity zones at https://www.michigan.gov/opportunityzones.

30 Find the wind and solar tax calculators and the Michigan policy explainer at https://graham.umich.edu/project/renewable-energy-tax-impacts.

Figure 2. Estimated yearly revenue for a solar project from standard ad valorem IPP taxation and a PILT, assuming a total millage rate of 37.57 mills.[31] Also shown is a reduced PILT of $2,000/MW.



Beyond revenue comparisons, the solar PILT offers additional advantages. Its consistency helps make local budgets more predictable and reduces property valuation disputes (e.g., through the tax tribunal), which can be costly to local governments. Steady revenue for 20 years may also make it easier to support new services, such as trash collection or expanded road dust mitigation.

However, the PILT has drawbacks. For one, the $7,000 or $2,000/MW PILT rate does not adjust to account for inflation, so while the revenue is steady, it loses real purchasing power over time. In addition, changes in millage rates affect how the PILT is apportioned among the taxing authorities. For example, if one taxing unit increases its millage rate and others do not, those other units may see a slight decline in their share of PILT revenue as their proportion of the total millage decreases. Perhaps most significantly, a revenue cliff occurs in Year 21 (see Figure 2). Assuming no repowering or addition of new equipment, PILT revenue would drop from $7,000 to $1,246 per MW in this example, potentially challenging the maintenance and sustainability of services introduced during the PILT period.

Table 1. Pros and Cons of a Solar PILT

Pros	Cons
Consistent revenue source for 20 years	Value does not adjust for inflation
Minimizes property valuation disputes	Changes in millage rates may change proportion of PILT revenue to each taxing jurisdiction
Easier to support a new or expanded service	Must be reduced to $2,000/MW for certain cases
Whether the fixed $7,000/MW is more or less than ad valorem—and so a pro or con—depends on total new cost of the solar project and local millage rates.	

31 In either case, a 100 MW solar project would generate over $22.46 million in gross additional local revenue over 30 years.

Strategy #5: Consider safeguarding against tax table changes by asking for a Property Tax Guarantee

Tax multiplier tables for personal property periodically change over time, which can cause fluctuations in the taxes a renewable energy developer is required to pay. While the solar PILT option can lock in tax treatment for eligible solar projects, no such option exists for wind or BESS. When the tax tables for wind turbines changed in the early 2010s, many assessors based assessments on the tax table in effect when the project was first permitted, prompting hundreds of appeals by wind developers to the Michigan Tax Tribunal.[32] While renewable energy projects are not the only type of property affected by changing tax tables, the significance of tax revenue as a community benefit can make such changes contentious, even when the developer had no role in adjusting the tax table.

The developers of the Groveland Mine Solar project in Dickinson County chose to guard proactively against tax table changes that could reduce local revenue over the life of the project.[33] They entered into a "Property Tax Guarantee," which commits the developer to providing a year-by-year minimum payment to the local taxing entities, ensuring a stable revenue stream even if future tax multiplier adjustments would otherwise lower the project's tax bill. If the tax tables shift in a way that increases the project's taxes, the developer simply pays the higher amount. An attorney can help a municipality anticipate other potential tax table scenarios and incorporate them into an agreement of this kind.

Tools and Resources:

- ☐ Policy explainer on local tax impacts for large-scale wind and solar projects**:** Learn even more about Michigan's tax system for renewables
- ☐ Wind tax calculators**:** Estimate potential tax impact with jurisdiction-specific calculators
- ☐ Solar tax calculators**:** Estimate potential tax impact with jurisdiction-specific calculators

All tools and resources cited in this guide are compiled at
graham.umich.edu/project/renewable-energy-revenue

Community event to discuss community benefits from Groveland Mine Solar in Dickinson County. Photo by Circle Power.

32 Wind Energy Stakeholder Committee. (2018). Lessons Learned: Community Engagement for Wind Energy Development in Michigan. https://www.michigan.gov/egle/-/media/Project/Websites/egle/Documents/Programs/MMD/Energy/communities/Lessons_Learned_WESC_Report_Final.pdf

33 Groveland Mine Solar. Community Benefits. https://grovelandminesolar.com/benefits

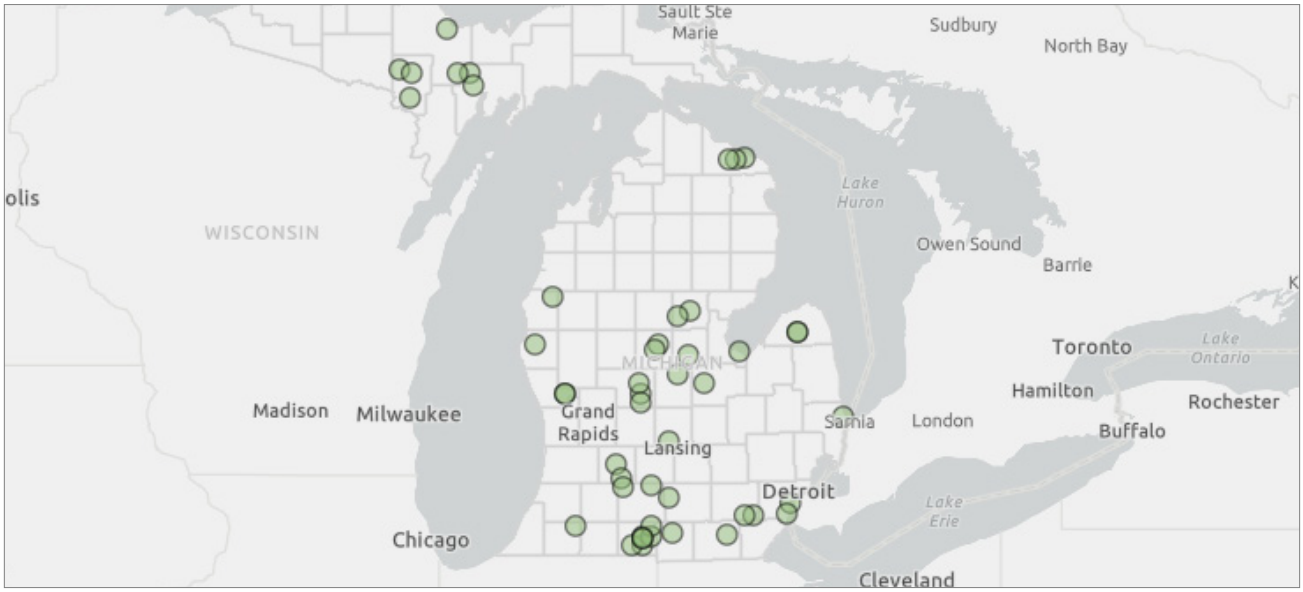
ONE-TIME PAYMENTS

In Michigan, large solar, wind, and energy storage projects are eligible for one of two one-time payments: the Renewables Ready Communities Award (RRCA) from the Michigan Department of Environment, Great Lakes, and Energy (EGLE) for locally permitted projects, or a Host Community Agreement (HCA) paid by the developer for projects permitted by the Michigan Public Service Commission (MPSC).[34]

This section focuses on these two revenue sources available for large-scale solar, energy storage, wind, or hybrid projects of 50 MW or larger—or 100 MW if wind is involved—alongside strategies to maximize these benefits in host communities.

RENEWABLES READY COMMUNITIES AWARD (RRCA)

The RRCA, a grant from EGLE, provides one-time funding to local governments that host or permit large-scale renewable energy projects through a local permitting process.[35] Local governments may apply once an eligible project has received local approval, typically through special land use permit or similar local action, and the award is paid when construction begins. Unzoned jurisdictions may also be eligible for the award. Projects approved through the MPSC state siting process under PA 233 are not eligible for the RRCA.



Dashboard map displaying RRCA grantees across Michigan. This map includes the project information, as well as the intended use of the award. Access this dashboard on the RRCA's website.

34 Learn more about permitting pathways under PA 233 at https://graham.umich.edu/project/MI-energy-siting.

35 Michigan Department of Environment, Great Lakes, and Energy (EGLE). Renewables Ready Communities Award (RRCA). https://www.michigan.gov/egle/about/organization/materials-management/energy/rfps-loans/renewables-ready-communities-award

Under the program, the RRCA provides up to $4,000 per MW for the portion of a project a local government hosts or permits. The award may increase to $5,000 per MW if the developer has a satisfactory Project Labor Agreement (PLA) in place for construction. Because PLAs are established by the developer, not the local government, communities may want to discuss with the developer whether the project is likely to qualify for the increased rate. If the host community is not the permitting authority—as sometimes happens in areas with county zoning—each local unit may apply for half of the award: $2,000 per MW or, with the PLA-related increase, $2,500 per MW.

Award funds are highly flexible and may be used for nearly any project or improvement that benefits the community, including public building upgrades, parks and recreation, planning and zoning, and municipal service improvements.[36] Initially funded with $30 million in the 2023 state budget, the RRCA has supported dozens of Michigan local governments hosting large-scale renewable energy projects. In 2025, an additional $90 million in federal funds was allocated to extend the program. For the most up-to-date application and eligibility information, as well as example awards from current grantees, visit EGLE's RRCA web page.[37]

HOST COMMUNITY AGREEMENT (HCA)

The HCA, established under PA 233, provides a one-time payment of $2,000 per MW to each affected local unit of government that hosts a project permitted through the state siting process. The payment is made by the developer when the project becomes operational.[38]

Under PA 233, an "affected local unit" means a county, township, city, or village in which all or part of a proposed energy facility will be located.[39] Following the Michigan Court of Appeals' May 7, 2026 decision, HCA eligibility is based on this geographic definition rather than zoning authority. As a result, each affected local unit may be eligible to receive its own HCA payment for the project capacity located within its boundaries, including separate payments for both a township and county where applicable. This interpretation is subject to the pending appeal before the Michigan Supreme Court.[40]

36 The RRCA summary dashboard provides an overview of awardees at https://egle.maps.arcgis.com/apps/dashboards/5d5c6ee565444e02bb7e1734cd18809e.

37 Learn more about the RRCA at https://www.michigan.gov/egle/about/organization/materials-management/energy/rfps-loans/renewables-ready-communities-award.

38 Michigan Legislature. (2023). Public Act 233 of 2023, Section 227. https://www.legislature.mi.gov/documents/2023-2024/publicact/htm/2023-PA-0233.htm

39 Michigan Legislature. (2023). Public Act 233 of 2023, Section 221(a). https://www.legislature.mi.gov/documents/2023-2024/publicact/htm/2023-PA-0233.htm

40 Michigan Court of Appeals. (2026, May 7). In Re Implementing Provisions of Public Act 233 of 2023 (Docket No. 373259). https://www.courts.michigan.gov/49a419/siteassets/case-documents/uploads/opinions/final/coa/20260507_c373259_140_373259.opn.pdf. The Court of Appeals held that the statutory definition of "affected local unit" includes each county, township, city, or village in which all or part of a proposed energy facility will be located, and is not limited to local units exercising zoning authority. This interpretation, along with other issues raised in the case, is subject to the pending appeal before the Michigan Supreme Court (COA #373259) as of the publication of this guide.

HCA funds are flexible. They may be used for a variety of purposes, including support for police, fire, and public safety services, infrastructure improvements, or other projects as agreed upon by the local unit and the developer.[41]

If an affected local unit declines to enter into an HCA, the developer may instead offer a community benefits agreement to a local community-based organization.[42] For the most current information, visit the MPSC's Renewable Energy and Storage Facility Siting web page.[43]

COMMENTARY: Projects that are not eligible for these one-time payments may still be offered community benefit packages by developers. These benefits packages vary depending on the community, project size, and available development incentives (e.g., tax credits). The U.S. Department of Energy's Wind Energy Community Benefits Database[44] provides examples from across the country. Municipal attorneys should always review the legality of proposed financial agreements. It is also important to recognize that asking for more than what a project can reasonably afford may result in no project at all.

Strategies for the RRCA or HCA

Though the RRCA and HCA differ in amount, timing, and eligibility, many of the same recommendations apply when thinking through strategically using these one-time awards.

Strategy #1: Consider the peculiarities of one-time payments

One-time payments from the RRCA or HCA can provide significant but non-recurring financial support, making them most appropriate for limited-term investments, or for investments that do not require ongoing funds. Suitable uses include master plan updates, feasibility studies, equipment purchases, facility renovations, and infrastructure investments—projects that can be completed with a single, targeted investment.

Polaris Wind Park in Gratiot County. Photo by Invenergy.

41 Michigan Legislature. (2023). Public Act 233 of 2023, Section 227(1). https://www.legislature.mi.gov/documents/2023-2024/publicact/htm/2023-PA-0233.htm

42 Michigan Legislature. (2023). Public Act 233 of 2023, Section 227(2). https://www.legislature.mi.gov/documents/2023-2024/publicact/htm/2023-PA-0233.htm

43 Learn more about the HCA at https://www.michigan.gov/mpsc/regulatory/facility-siting/renewable-energy-and-storage-facility-siting.

44 U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy. (2024). Wind Energy Community Benefits Database. https://windexchange.energy.gov/projects/community-benefit-agreements

For initiatives with ongoing costs, recurring property tax revenue might be a better funding source. For instance, one-time awards could fund the acquisition of new parkland or the construction of a recycling drop-off station. However, the ongoing maintenance and operations of these projects would need to be supported through regular tax revenues, other municipal funds, or user fees.

Strategy #2: Leverage additional grant opportunities

The RRCA and HCA are distinct in their flexibility, allowing funds to be used for a wide range of local priorities. By contrast, most other grants set strict use eligibility criteria, require matching funds, or carry extensive reporting obligations. Therefore, the RRCA and HCA can be valuable sources of funding for unconventional or otherwise ineligible projects under typical state or federal grant programs.

Before allocating RRCA or HCA funds, it can be advantageous to pursue other grants that align with the intended project, such as EGLE's Community Energy Management (CEM) grant for energy efficiency updates[45] or MDOT's Transportation Economic Development Fund (TEDF) for transportation improvements.[46] Securing these dedicated grants allows RRCA or HCA dollars to be reserved for priorities that may not qualify for other funding programs.

Accessing competitive grants can be challenging for governments with limited administrative capacity. The Office of Rural Prosperity (ORP), housed within Michigan's Department of Labor and Economic Opportunity (LEO), supports communities through the Rural Readiness Program, which connects Michigan communities with resources that advance their priorities, including peer networking, funding opportunities, targeted training and technical assistance, and connections to resource providers.[47] Additionally, the MI Funding Hub serves as an online resource to identify and compare funding options across sectors, spanning agriculture, broadband, planning and development, housing, transportation, buildings, and more.[48]

The first Rural Readiness Convening in Grayling, Michigan. Photo by Office of Rural Prosperity.

Firetruck financed by solar development. Photo by Sheridan Township.

45 Learn more about CEM grants at https://www.michigan.gov/egle/about/organization/materials-management/energy/rfps-loans/community-energy-management-program.

46 Michigan Department of Transportation. Transportation Economic Development Fund (TEDF). https://www.michigan.gov/mdot/programs/grant-programs/transportation-economic-development-fund

47 Michigan Department of Labor and Economic Opportunity, Office of Rural Prosperity. Rural Readiness Program. https://www.michigan.gov/leo/bureaus-agencies/office-of-rural-development/rural-readiness-program

48 Michigan Department of Labor and Economic Opportunity. MI Funding Hub. https://mifundinghub.org

Tools and Resources:

- ☐ EGLE's RRCA website
  - ☐ RRCA dashboard
- ☐ MPSC Renewable Energy and Storage Facilities Siting website
  - ☐ MPSC Application Filing Instructions and Procedures
- ☐ Checklist for local governments navigating the MPSC process
- ☐ ORP Rural Readiness Network and Rural Readiness Grant: A key resource for Michigan communities in identifying and preparing for grant programs
- ☐ MI Funding Hub: An initiative that helps communities capitalize on state and federal funding opportunities. Get information on available grants, find other tools to help your community become more grant savvy, or get help answering your grant search questions.

Select federal grants supporting infrastructure and community resilience:

- ☐ USDA Rural Development – Community Facilities Grant and Loan Program: Supports essential community infrastructure such as fire stations, public safety equipment, and community centers
- ☐ FEMA – Building Resilient Infrastructure and Communities (BRIC) Grant Program: A cornerstone program for communities addressing flooding, drainage, or emergency preparedness
- ☐ EPA – Clean Water and Drinking Water State Revolving Funds (SRF): Foundational funding for water and wastewater infrastructure upgrades
- ☐ EPA – Great Lakes Environmental Justice Grant Program (Thriving Communities): Funding and technical assistance for green infrastructure projects and water quality improvements
- ☐ HUD – Community Development Block Grant (CDBG) Program: Flexible funding source that can support facility improvements, infrastructure upgrades, and downtown revitalization

All tools and resources cited in this guide are compiled at
graham.umich.edu/project/renewable-energy-revenue

Lapeer Solar Farm, located on municipal land. Photo by Brad Neumann.

LEASE OR EASEMENT PAYMENTS

While most renewable energy projects are developed on private land, some local governments own property suitable for large-scale wind, solar, or energy storage development. In these cases, the local government can negotiate directly with the developer.

If a project is built on public land, the local government—like any private landowner—can expect to receive lease or easement payments for the duration of the project, typically 25 years or more. These payments can provide a stable and significant revenue stream. This approach may be particularly valuable for communities that own closed landfills, airports, or marginal farmland.

When negotiating to host a project on public property, local governments have significant authority to determine where the project is located on the property and may request special design features such as additional screening, solar grazing, or educational signage. While these additional features may decrease the amount the developer is able to pay for the lease/easement, these features may be included as a way to advance other community goals.

Many of the resources available to private landowners negotiating land agreements with energy developers are also relevant to local governments. For example, developers commonly cover the legal costs associated with negotiating land rights agreements.

Tools and Resources:

- ☐ Michigan State University Extension: Agricultural Solar Energy Development – Understanding Lease Agreements for Utility-Scale Installations
- ☐ Ohio State University Extension: Farmland Owner's Guide to Solar Leasing
- ☐ Texas A&M: Solar Lease Considerations for Landowners
- ☐ NC Cooperative Extension: Considerations for Transferring Agricultural Land to Solar Panel Energy Production
- ☐ Purdue University: A Landowner's Guide to Commercial Wind Energy Contracts

All tools and resources cited in this guide are compiled at
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Large-scale renewable energy development presents both opportunities and tradeoffs for Michigan communities, and thoughtful, proactive planning is key to ensuring real local value. This guide is meant to help communities use clean energy projects to advance local priorities and meet fiscal needs. By applying the revenue strategies outlined in this guide, local governments will be better equipped to turn renewable energy revenue into practical benefits for their communities.

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