



Electricity Markets & Policy  
Energy Analysis & Environmental Impacts Division  
Lawrence Berkeley National Laboratory

# Are You Philanthropy-Ready? How to Work with Foundations on Mission-Aligned Community Solar

A Guide from the National Community Solar Partnership's  
Community Power Accelerator

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This work was supported by the U.S. Department of Energy's Office of Energy Efficiency & Renewable Energy, Solar Energy Technologies under Lawrence Berkeley National Laboratory Contract No. DE-AC02-05CH11231.

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Prepared for the  
Solar Energy Technologies Office (SETO)  
Office of Energy Efficiency and Renewable Energy (EERE)  
U.S. Department of Energy

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January 2023

The work described in this study was funded by the U.S. Department of Energy's Office of Electricity Delivery and Energy Reliability, Solar Energy Technologies Office under Lawrence Berkeley National Laboratory Contract No. DE-AC02-05CH11231.

# Acknowledgements

Produced by Lawrence Berkeley National Laboratory and National Renewable Energy Laboratory in partnership with the Philanthropy Working Group under the National Community Solar Partnership and the Community Power Accelerator.

The authors would like to thank members of the philanthropic community for participating in the Philanthropy Working Group of the Community Power Accelerator. The Group includes representative from the following organizations. For more details visit the Community Power Accelerator website at [CommunityPower.energy.gov](http://CommunityPower.energy.gov).

|  |  |
|--|--|
| 11th Hour Project                                | Hive Fund for Climate & Gender Justice |
| Align Impact                                     | JPB Foundation                         |
| Amalgamated Capital                              | Kresge Foundation                      |
| Baltimore Community Foundation                   | LISC                                   |
| Bezos Earth Fund                                 | Living Cities                          |
| Bloomberg Philanthropies                         | MacArthur Foundation                   |
| BQuest Foundation                                | McKnight Foundation                    |
| Candide Group                                    | Puerto Rico Community Foundation       |
| Ceniarth / Isenberg Family Charitable Foundation | Rockefeller Foundation                 |
| Confluence Philanthropy Inc.                     | Sierra Club Foundation                 |
| Council on Foundations                           | The Solutions Project                  |
| Energy Foundation                                | The Schmidt Family Foundation          |
| Grove Foundation                                 | Wells Fargo Bank                       |
|  | Wild Lives Foundation                  |

Thank you for review and input to Chani Vines (DOE), Sonja Berdahl (NREL), Eric Hangen (UNH), Greg Leventis (LBL), and Nicole Steele (DOE)

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# 1. Purpose

This guide is intended for community-based organizations (CBOs), non-profit organizations, and mission-aligned developers seeking philanthropic support to develop community solar. It provides an overview of how foundations work, what they seek in a fundable project, and provides guidance on crafting effective proposals. In short, this guide aims to help the fund-seeker become philanthropy-ready.

It was created as part of the US Department of Energy's National Community Solar Partnership (NCSP) under the Community Power Accelerator, to support the development of community solar that provides meaningful benefits to customers and communities. The Community Power Accelerator is an online ecosystem bringing together developers, lenders, foundations, and other stakeholders to support the deployment of mission-aligned community solar.

While this guide focuses on engaging philanthropy in your community solar efforts, there is wealth of additional information about developing and financing community solar available. For additional resources, join the NCSP online community [here](#).

## 2. Introduction

Solar power is the largest source of new U.S. electric generation, and a pillar of the fight against climate change (Feldman et al. 2021). Community solar allows anyone to participate in the solar economy, especially those who may not have access to traditional rooftop solar opportunities, such as renters and residents of affordable housing (Heeter et al. 2021). Also known as shared solar or solar gardens, community solar allows customers to buy or lease part of a larger, off-site shared solar photovoltaic (PV) system, or subscribe to the output. Community solar makes solar energy available to renters and homeowners alike, as long as they have autonomy over their electric bill.

Low- to moderate-income (LMI) households spend more than three times the percentage of their income on energy costs than non-LMI households (Drehobl et al. 2020). Community solar subscriptions often provide savings of 5%-15% on a participant's electric bill, and the subscriptions can provide greater electricity rate stability (NREL 2021; Heeter et al. 2021). In addition to bill savings, community solar provides a range of other benefits to local subscribers, owners, and the local community, including grid benefits, wealth building, and economic development (NREL 2021). The National Community Solar Partnership (NCSP) aims to expand access to affordable community solar that realizes one or more of the following meaningful benefits:

- **Low- to Moderate-Income Household Access.** Projects or programs should include and be accessible to subscribers from low- to moderate-income (LMI) households.
- **Greater Bill Savings.** Projects or programs should provide electricity bill savings to subscribers.

- **Resilience and Grid Benefits.** Projects or programs should include storage, microgrids, or other means of delivering power during an outage or otherwise strengthening the grid.
- **Community Ownership.** Projects or programs should include an option for community ownership of project assets or other avenues for building wealth in connection with the community solar facility.
- **Local Workforce Development.** Community solar projects and programs should include local job creation, workforce development programs, or otherwise provide pathways to careers in the solar industry.

These benefits frequently align with the objectives of philanthropic entities, such as foundations, donor-advised funds, and individuals, that address issues such as economic development, equity and environmental justice, clean air, and social advancement. However, developing projects that achieve these societal benefits requires additional resources, and foundations can help amplify the impact of community solar by funding or investing in projects and developers that deliver these benefits.

### 3. Understanding Foundations

While charitable giving has a centuries-long history, philanthropy in its current form was formalized in the 20th century through the creation of foundations. Foundations can be thought of as a fortune (an endowment) donated by a wealthy individual, family, or business, and managed by family members or professional staff. Foundations in the United States are required to have an oversight board and are tax-exempt on the condition that they distribute a portion of their assets to charitable purposes every year (IRS 2022a).

A community foundation is a public charity that typically focuses on supporting a geographical area, primarily by facilitating and pooling donations used to address community needs and support local nonprofits. Community foundations offer numerous types of grantmaking programs, frequently including donor-advised funds, endowments, scholarships, field-of-interest funds, giving circles and more. Community foundations are funded by donations from individuals, families, businesses and sometimes government grants. Community foundations in the United States are present in most parts of the United States

Beyond those basic characteristics, foundation structures and priorities can vary widely, from large perpetual organizations with large staffs supporting work around the world, to small family-run operations that give locally until the funds run out. Businesses can create corporate foundations and community foundations can be created jointly by many donors in a community. Donor advised funds are composed of charitable contributions made by individual donors and are typically managed by a financial advisory firm or community foundation under the guidance of the donor. Confusingly, organizations created to receive money rather than give it away, such as by a university or a service provider, can also be called foundations.

According to the Foundation Center, there are currently 242,000 grant-making organizations active in the United States.<sup>1</sup> Trends in philanthropic giving show increasing interest among funders to engage on economic equity, racial justice, and climate action (Kasper et al. 2021). Many foundations are members of over 40 affinity groups based on themes such as rural development or sustainability.<sup>2</sup> For example, Confluence Philanthropy, Environmental Grantmakers Association, and The Funders Network all mobilize their member networks around the intersection of sustainability and social justice.

### 3.1 What Foundations Do

Foundations can generally have three areas of activity: grants, investments, and community leadership. The degree to which foundations engage in each area varies widely, as do missions, strategies, philosophies, and goals. For a growing number of foundations, solar energy presents a way to achieve their mission.

#### 3.1.1 Grants

To remain tax-exempt, a private foundation must give away at least five percent of its endowment each year to charitable causes (IRS 2022b). An eligible recipient of foundation funding is typically a tax-exempt charitable organization, also referred to as a 501(c)3 organization, after the authorizing section of the United States Code.<sup>3</sup> Foundations may not fund political campaigns and can fund only limited lobbying activities. Foundations can give grants to non-tax-exempt organizations or even businesses, but would need to pay an excise tax or ensure that the funds are used for a charitable purpose through the “expenditure responsibility” process.<sup>4</sup> Grants can support a very wide range of activities, everything from buildings, research, and operational expenses, to art scholarships and concerts.

#### 3.1.2 Investments

Foundations invest their endowments to maintain or grow their funds, so they can continue to carry out or expand their mission. Such investments may be in portfolios of stocks, bonds, real estate, and other ventures. Program-Related Investments (PRIs) and Mission-Related Investments (MRIs) are made to support their program or mission but are still expected to have a positive financial return (IRS 2022b; Council on Foundations 2013). Just as a given foundation may prefer certain topics or activities to fund with grants, they may also have certain preferences in using PRIs and MRIs as investment strategies.

PRIs are investments that must significantly further the foundation’s tax-exempt activities and must be investments that would not have been made except for their relationship to those exempt purposes and activities. In other words, PRIs are investments primarily made to achieve a program objective , rather than an investment return. However, a high rate of return does not prevent an investment from being a PRI. Equity positions or credit enhancements can also qualify as PRIs.

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<sup>1</sup> See the [Foundation Directory Online](#).

<sup>2</sup> See the Council on Foundations [Affinity Groups](#).

<sup>3</sup> 26 U.S. Code § 501(c)(3).

<sup>4</sup> Learn Foundation Law, [Expenditure Responsibility Rules for Private Foundations](#), 2014.

MRIs are market-rate investments that support the mission of the foundation by generating positive social or environmental impact while also generating financial return on the investment, but are not charitable activities. MRIs are made from investment assets and must still meet the same state and federal standards as other investments. MRIs are made out of the corpus of a foundation's investments, are usually made at a market rate of return, and may include a broad array of asset classes (Swack and Hangen 2015). A key limitation of MRIs is that they are subject to the "jeopardizing investment" rules of Section 4944 of the Internal Revenue Code. Risky investments (and foundation managers who approve them) may be subject to an excise tax if the IRS views them as jeopardizing the foundation's future ability to carry out its exempt purposes (Mintz and Zeigler 2013).

PRIs and MRIs can be structured as debt or equity as well as credit enhancements such as loan guarantees or backstops, interest rate buydowns, or other financial tools. It is important to note that while some foundations may make PRI or MRI equity investments, most foundations are unlikely to have the tax appetite to be tax equity partners for solar projects.<sup>5</sup> However, the recently enacted Inflation Reduction Act makes non-taxable entities like foundations eligible to receive the equivalent of federal tax credits for renewable energy as a direct payment. (Sidley Austin LLC, 2022) This change is expected to go into effect in 2023 and could have important impacts on business models and the role of foundations in community solar. Changes such as this will be tracked and analyzed by the Community Power Accelerator.

### 3.1.3 Community Leadership

Foundations play a leadership role in their communities, through elevating good causes or non-traditional voices, calling attention to issues or opportunities, and bringing visibility and credibility to issues or partners. Leadership activities can include building partnerships with local businesses or governments, convening individuals and organizations interested in a specific topic, introducing potential partners, and providing meeting space or staff expertise. Engaging with foundations through these non-financial activities can be valuable for identifying partnerships early in the community solar development process and in building relationships with funders who may be interested in funding subsequent stages of community solar development.

## 3.2 How Philanthropies Can Interact with Your Community Solar Efforts

In this section we go into detail about the three types of roles that philanthropies can play in supporting community solar: foundations as grant makers, investors, and community leaders.

### 3.2.1 Foundations as grant-makers

The most common activity of a foundation is to give away money in the form of grants. While grants can be made to support a specific community solar project or business, as discussed in the next section, they can also be made to support the idea of community solar and the context in which it thrives or

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<sup>5</sup> For additional information on PRI and MRI investments, see the [Mission Investors Exchange](#) for research on foundation impact investing.

fails.

Foundations can provide grants for advocacy, research, education, outreach, and marketing, which may or may not be related to a specific community solar project. For example, states are the primary venue for setting electric utility policy, and thus for setting policy on community solar. State policy can determine the value of community solar power to subscribers, ownership models, the size and location of projects, and even whether community solar is allowed. Foundation support for policy research and non-partisan advocacy can help establish or shape local rules or incentives.

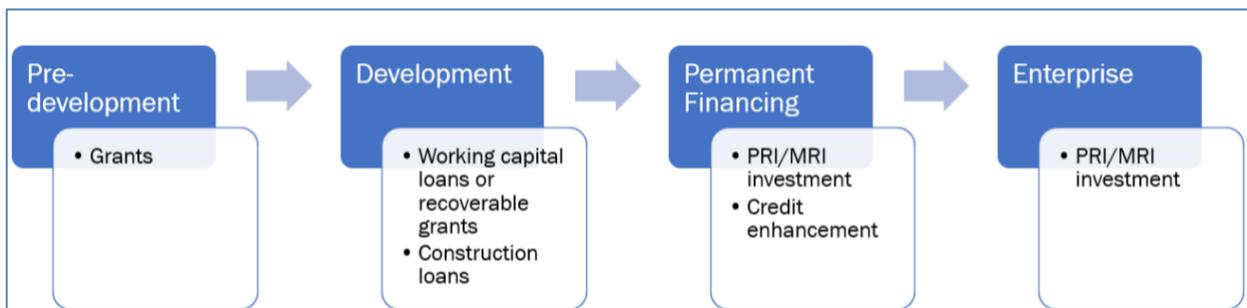
There are numerous opportunities for research. Research on legal and engineering issues may be needed to support policy changes, or to educate local officials on permitting. A market potential analysis may be useful in enticing developers to work in a region. Studies of business models and finance may help convince affordable housing developers or other public-interest organizations to expand into community solar development. And support for general marketing of community solar can help an entire market thrive, rather than just individual projects.

Grant-making is likely to be the most familiar and comfortable activity for a foundation. Grants offer the most flexibility and the least risk for foundations new to community solar or interested in promoting experimentation or broad systemic change.

### 3.2.2 Foundations as investors

Different types of funding instruments are appropriate for different stages of the community solar development process. Figure 1 shows examples of philanthropic funding that are most likely to be pertinent at each stage of development. Although there may be individual situations where different types of funding can be used in different stages, this is intended to show general alignment.

Note that many national foundations may prefer not to invest directly at the project level, but might invest in financial intermediaries such as Community Development Financial Institutions (CDFIs) that subsequently fund developers. However, community foundations, foundations with a specific geographic focus, or individual investors may be interested in project-level funding. Developer nonprofits should research the past giving history of a foundation to determine not only geographies and topics of interest, but how and to what types of organizations they typically fund.



**Figure 1. Likely types of philanthropic funding in community solar development**

## ***a) Pre-development activities***

- ***Grants***

Before a community solar project is ready to seek construction financing from lenders, the sponsor organization must engage in a wide range of activities to scope out project feasibility and identify the project characteristics. These pre-development activities may include site surveys, community engagement, preliminary engineering design, financial planning, legal fees, or other exploratory work. Each of these activities will likely incur costs to your organization before project finance sources are available.<sup>6</sup> Foundations, along with some intermediaries and government agencies, may provide pre-development grants to help non-profit organizations conduct the groundwork for getting a community solar project ready to approach lenders.

Each grant program at a foundation will have a program officer or director, overseen by a president. To make grants, a foundation typically accepts proposals that align with their mission and programs. The program staff review proposals and recommend grants to the board, which then makes the final decision. However, some foundations do not accept unsolicited proposals, preferring to proactively seek out grantees. Other foundations issue a formal request for proposals (RFP) or simply issue grants without proposals.

The review of grant proposals is usually guided by a foundation- or program-level strategy that is developed to achieve the goals of the foundation. Once the award is made, the foundation provides the funds, monitors progress, and may provide support to the grantee. The grantee may have to submit a report at the end of the grant period that tracks spending, activities, and results. In addition to the tips and considerations discussed later, there is a wealth of online resources available on writing effective grant proposals.

## ***b) Development-phase activities***

During the development phase of a project, organizations will need to cover the expenses associated with procurement, construction/installation, subcontractor management, legal fees, etc. The tools presented in this section may be available through lenders as well as foundations, depending on the parties involved.

- ***Working capital loans or recoverable grants***

Working capital (or operating capital) refers to the funds needed to pay for everyday business expenses an organization incurs, such as payroll, rent, and other operational costs before a project generates cash flow. Foundations may be willing to provide working capital through short-term loans or recoverable grants, which are typically repaid once the permanent financing for a project is in place. While lenders may offer working capital loans, foundations may be willing to offer capital loans or recoverable grants with more favorable terms if a community solar project aligns with their missions.

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<sup>6</sup> In the affordable housing and community development sectors, pre-development grants on the order of \$50,000 to \$100,000 are common.

- **Construction loans**

Similar to working capital loans, construction loans cover the costs of constructing a project before it generates a cash flow. Depending on available partners, construction loans could be provided by a foundation or a lender. Typically, fewer foundations are active in this type of funding. However, for those foundations looking to revolve their funds for multiple projects this approach may be appealing.

***Box 1: Grants and Credit Enhancement***



Solar installation at the Instituto Pre Vocacional E Industrial (IPVI) in Arecibo, Puerto Rico (photo credit: RMI)

The Community Energy Resilience Initiative (CERI) is a collaboration between the Global Energy Alliance for People and Planet (GEAPP), Fundación Comunitaria de Puerto Rico (FCPR), and Rocky Mountain Institute, which recently installed solar and storage at three critical facilities in Puerto Rico. GEAPP is a \$10 billion investment fund organized by the Rockefeller Foundation, with contributions from the Bezos Earth Fund, the IKEA Foundation, and others. CERI used a blended finance model with both grants and loans and engaged in technical assistance and community engagement. Grants were used to cover a 20% down payment, which helped to secure financing from local banks, and an additional grant helped pay for operation and maintenance costs and insurance. The projects utilized a loan loss reserve to incentivize lenders to reduce interest rates. Further project capital came from a large donation from Enel North America.

***c) Permanent Financing***

Permanent financing refers to longer term debt or equity financing for a project after construction has been completed. These financing sources are usually repaid through project cash flow and tax credits over many years. If normal lenders are available to offer permanent financing, a foundation may not feel it is needed to provide a mission-related investment (MRI) or program-related investment (PRI). On the other hand, some foundations may like the idea of providing "patient capital" to support a startup venture or deliver mission-aligned benefits. (Trelstad, 2010)

- ***PRI and MRI investments***

Foundations sometimes use their endowment to make investments that support their programs or missions, in the form of PRIs and MRIs. Typically, the investment branch of the foundation is separate from the program grant branch, so MRIs and PRIs involve coordination between the asset fund manager and the program officer. PRI and MRI investment into community solar projects consist of long-term loans with similar (though not identical) requirements for due diligence and project financial viability as loans from lenders. It is a good idea for organizations considering PRI or MRI investments from foundations to use the Community Power Accelerator Credit-Ready Checklist, a simplified version of which is in Appendix B. One constraint of PRI or MRI funds is that many foundations may not issue loan terms longer than 5 to 10 years, creating a potential mismatch with long term community solar capital needs.

***Box 2: Program-Related Investments (PRIs)***



The Boulder Housing Partners solar project. Photo credit: GRID Alternatives.

In 2019, GRID Alternatives developed a \$1.1 million, 628-kilowatt community solar project with Boulder Housing Partners (BHP), an affordable housing provider in Boulder, Colorado. BHP provided the land and was the master subscriber, transferring bill credits to their tenants. Due to relatively low electricity costs in Colorado, the project was not going to deliver substantial benefits to low-income customers by relying on commercial lending rates. Left Coast, a donor-advised fund, provided a one-year low-interest loan to support construction, while the bQuest Foundation provided a 10-year loan for about 30% of the total project cost at 1.5% interest. These two low-interest PRIs lowered the cost of the project by 20%, creating savings for beneficiaries.

- **Credit Enhancements**

Foundations can use loans or investments to improve the chances that financing of a project will be repaid to lenders, with the goal of obtaining more favorable terms for the borrower. These “credit enhancements” can take various forms, including loan loss reserve funds, loan guarantees, debt service reserves, subordinate capital structures, interest rate buy-downs, and other tools (DOE 2022a).

- *Loan loss reserves:* a foundation sets aside a fixed amount of capital to cover potential project losses, such as from inadequate numbers of subscribers, non-payment by subscribers, or other cash flow issues.
- *Loan guarantees:* a foundation commits to cover the full amount of a capital provider’s losses if a project goes bad.
- *Subordinate capital:* a foundation investor agrees to absorb losses on a loan up to a certain amount, in effect acting as a buffer for other more “senior” sources of capital.
- *Interest rate buy downs:* a foundation pays a lender to charge a below-market interest rate for the borrower (DOE 2022b).

**Box 3: Credit Enhancement and Grants**



Geneva Solar Village. Photo from NYCEEC.

Financing Resilient Power is a \$3.3 million initiative of The Kresge Foundation to accelerate the market development of solar plus battery storage in historically under-served communities, in partnership with the Clean Energy Group and the New York City Energy Efficiency Corporation (NYCEEC). Kresge is using both grants and program-related investments to support projects, including a \$3 million loan guarantee (credit enhancement) to reduce credit risk for solar + storage project investments in low-income areas, plus grants to build capacity and provide technical assistance. The guarantee provides a 50% repayment guarantee for loans for a period of 14 years. If the guarantee is called on, the foundation will use a program-related investment (PRI) to cover payments. The first development under the initiative is solar + storage at the Geneva Solar Village in Geneva, NY, a 75-unit affordable housing project built to net-zero energy standards. NYCEEC is providing a \$440,000 loan and a loan guarantee from the Financing Resilient Power fund.

While community solar is a similar asset to other solar investments, some lenders have a perception that community solar is higher risk (Groundswell 2022). Foundations can provide credit enhancements until the lender has a track record of repayment on their community solar loans, and feels more secure. Mission-driven lenders, such as CDFIs, often finance projects that are perceived to have higher risk, and therefore may be more willing to fund a community solar project that brings along a credit enhancement or secondary sources of capital.

#### ***d) Enterprise Funding***

Each of the previous examples of philanthropic funding for community solar was applied at the project level. However, foundations may want to support community solar at a more systemic level by investing in a business enterprise, such as by helping an organization start a community solar business. Depending on the goals of the enterprise or the foundation, it is possible that enterprise investments would flow through financial intermediary organizations, rather than go to individual developers (Hangen 2022).

Intermediary organizations actively assist developers or community-based organizations in developing community solar projects, through technical and/or legal advice, co-development, financial coordination or aggregated capital, procurement assistance, project management support, platform development or other services. Funders with a specific geographic focus, such as community or place-based foundations, family funds, donor advised funds, or individuals, may be interested in building the capacity of local community solar organizations through enterprise support.

### **3.2.3 Foundations as community leaders**

In addition to the financial approaches for channeling philanthropic support to community solar, foundations can play a non-financial role. As discussed above, foundations often hold significant convening power, and can bring together community solar organizations, public champions, lenders, community groups and other organizations. By leveraging office space and visibility, foundations can engender a sense of legitimacy to the early stages of project or program development.

Even if a foundation has not funded community solar in the past, foundation staff may bring relevant expertise regarding asset development, financial structuring, solar and sustainability, and other topics. A foundation may own property that could be used as a site of community solar development. Foundations as power customers can serve as “anchor tenants” for community solar projects, where they subscribe to a large share of the output to provide stability. When building long-term relationships with foundations, it is important to recognize the non-financial steps that can build trust among participants and potentially lead to deeper financial involvement in the future.

## 4. Philanthropy-Ready Self-Assessment

All foundations are limited by funds, staff, and the time needed to accept and review proposals, make decisions, and execute them. Foundations can receive hundreds or even thousands of proposals in a year. Most are not funded.

To increase your chances of success, your organization needs to get “philanthropy-ready.” This section provides a self-assessment that can help you prepare to set up your community solar venture and seek funding. A simplified version of the self-assessment is provided as an appendix. (Appendix A)

### 1. Are you a good candidate for philanthropic funding?

The first step is to think about what your project is, what help it needs, and whether a foundation is the right place to get that help. Foundations typically limit grant making to non-profit organizations recognized under the Internal Revenue Code section 501(c)3.<sup>7</sup> Such an organization must work for specific charitable purposes recognized under IRS rules and may not be “organized or operated for the benefit of private interests” or have “net earnings ... inure to the benefit of any private shareholder or individual.” In rare cases, foundations may be willing to give grants for charitable purposes to non-charitable organizations, under expenditure responsibility rules. And as mentioned above, foundations can be less restricted in the types of organizations they can invest in through MRIs or PRIs. To learn about basic nonprofit management, review online resources such as Candid’s Knowledge Base.<sup>8</sup>

### 2. How complete is your undertaking? What are your strengths, weaknesses, opportunities, and threats (SWOTs)?

Some foundations are willing to help an organization explore a new activity, especially if they already have an established relationship. However, most funders like to see some experience or evidence that a project will succeed. To put together a compelling proposal, conduct research on the market and process, learn from previous attempts (internal or external), and provide a clear and honest analysis of the task. Complete a SWOT analysis and use the resources available through the NCSP, such as the Community Power Accelerator platform, the Learning Lab, and technical assistance, to assess your strengths and weaknesses as an organization, and the opportunities and threats you may face in developing community solar. It is also appropriate to conduct similar analysis for each community solar project.<sup>9</sup>

If your organization faces significant weaknesses or threats, it may be a good strategy to partner with

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<sup>7</sup> Foundations can give grants to non-charitable entities, including for-profit businesses, but only for a specific charitable purpose. Additional steps for research and documentation are required, and penalties can be imposed if any funds are misused. As a result, most foundations avoid making these “expenditure responsibility” grants.

<sup>8</sup> See Candid’s [Knowledge Base](#)

<sup>9</sup> See guidance on conducting an [effective non-profit SWOT analysis](#).

other entities that complement your current capacities. It may be worth working on an initial project with a co-developer to build your capacity and demonstrate success. The [Community Power Accelerator](#), an online community of community solar stakeholders, can be used to look for partners.

### **3. Is your organization ready to manage grants or investments from a foundation? Is your project “credit-ready”?**

Your organization must have the capacity to receive funding before you ask for it, including an accounting system, financial staff, knowledge of reporting procedures, and other basic financial management practices. Review the many free online resources to help nonprofits with finance issues.<sup>10</sup>

Above all, foundations want to make sure that their investments, your projects, and your organization are financially sound. In this respect, many foundations are similar to lenders in the criteria they use to determine investments. Utilize the Accelerator’s Learning Lab, technical assistance resources and Credit-Ready Checklist provided in Appendix B to ensure that you have considered the factors that lenders use to evaluate projects for investment. Working through the Credit-Ready Checklist and Accelerator resources will improve the quality of your project before you seek support.

### **4. Is your organization ready to start a community solar business venture?**

Community solar creates an opportunity for community-based organizations to get into the business of developing solar projects, however project development is a very different undertaking than managing a nonprofit organization. The book *Venture Forth: The Essential Guide to Starting a Moneymaking Business in Your Nonprofit Organizations* provides a general guide for exploring the development of business options. (Larson, 2002).<sup>11</sup>

Solar development has its own unique challenges and needs, including finance, policy, site acquisition, engineering, and construction management. Strategies to gain skills in this space can include partnering with experienced developers, hiring staff with experience, or starting small. For additional guidance on the solar development process, review the NCSP Solar in Your Community guidebook (Fekete et al. 2022), the Community Planning for Solar Toolkit from the University of Massachusetts at Amherst (UMass 2022), and the resources available through the Community Power Accelerator Learning Lab and technical assistance program.

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<sup>10</sup> See the Wallace Foundation for extensive free [online resources](#) on non-profit financial management.

<sup>11</sup> See also this [checklist resource](#) based on Venture Forth.

*Box 4: All About the Community Power Accelerator*



# Community Power Accelerator

U.S. DEPARTMENT OF ENERGY

The National Community Solar Partnership (NCSP) is a coalition of community solar stakeholders working to expand access to affordable community solar to every U.S. household and enable subscribers and their communities to realize meaningful benefits, such as reduced energy burden, increased resilience, community ownership, and equitable workforce development.

The NCSP's Community Power Accelerator helps developers and non-profit organizations succeed in doing community solar projects that offer meaningful benefits to communities.

- **Join the Network:** The Community Power Accelerator has an [online platform](#) that brings together organizations and people interested in community solar. To join, first [sign up for the NCSP](#), fill out an online profile, and get to know the other people and organizations in the network. Then you can proceed to the Accelerator at [CommunityPower.energy.gov](#).
- **Promote Your Project or Business:** On the online platform at [CommunityPower.energy.gov](#) you can post a profile of a specific community solar project that needs funding, so it can be reviewed by financiers.
- **Study in the [Learning Lab](#):** The Carsey School Center for Impact Finance at the University of New Hampshire is offering free online training for NCSP partners on how to do community solar, including finance, marketing, and other activities. Classes will be offered quarterly, and run for seven weeks. Partners must first complete an online, self-paced module and organizational self-assessment.
- **Get Technical Assistance:** The NCSP offers partners free technical assistance from experts to help you solve problems. Registered NCSP partners can apply for technical assistance on the [NCSP Community Portal](#).

Many more resources are offered at [SolarInYourCommunity.org](#) and [CommunityPower.energy.gov](#).

## **5. Does your organization have a clear pathway to success? Do you have a plan to manage adversity?**

Starting a new business venture, whether for-profit or non-profit, means creating a business plan. The plan, like the SWOT analysis for your organization, should include a clear-eyed assessment of how the project might succeed or fail. Community solar development is a rapidly changing and highly competitive industry, subject to shifts in policy, utility regulations, and market conditions. A foundation that might invest in your project or program will assess it like any other business, though with an extra eye toward the social benefits it could deliver.

Although you will need to overcome a variety of development barriers, you will not need to have resolved all of them before engaging with foundations. Identify the critical components that are necessary for the project to advance to the next stages of project development. Some significant components include having control of the project site (such as through ownership, lease, or other commitment), a business plan that is compatible with state and utility policies, and capacity on the partner team to cover finance, engineering, and other challenges. Without these items confirmed, it is unlikely that your organization will be ready to bring projects to potential funders. The Learning Lab would be a good place to learn about the steps needed to succeed and the Community Power Accelerator a good place to find partners.

## **6. How does your project align with the funder's goals and strategies?**

While there are some foundations motivated to engage with solar energy just for the environmental benefits, other foundations have broader social goals. Community solar that can deliver on the NCSP meaningful benefits may be more attractive to foundations than other solar projects.

To make the connection with a given foundation, you will need to research and understand their goals and strategies, and show how your project fits in. Does the foundation work in a specific geographic area? What is the size of their typical grant or investment? Do they seek to benefit a specific community or issue? Do they have any goals or strategies that would conflict with your proposal?

If possible, you will also want to understand the risk tolerance and motivation of a given funder. For example, a particular foundation may be interested in revolving their funds quickly and may be a good candidate to approach about bridge loans. Other funders may want to be seen as leading on an issue and may want to be an early partner and leverage their leadership role. Others may be most interested in systemic impacts and finding scalable approaches that can be supported through PRI or MRI investments. Foundations often want to have long-term relationships with their partners, so take the time to engage them early and understand their motivations and interests beyond a specific funding proposal.

To research a foundation, start by looking on their website. Some funders are more transparent than

others about their goals, preferred strategies, and the grants they make, and may or may not discuss them online. If their website does not have sufficient information, you can look up their 990 forms, which funders are required to submit to the Internal Revenue Service. (IRS 2022d) Even so, some foundations can be unclear on their forms about the purpose of the grants. There are also a number of database services that may be worth investigating, such as from the Foundation Center, Grant Station, and others. (National Council of Nonprofits, 2022) If online techniques fail, you could talk to their other grantees, or you may be able to get an informational interview.

Once you understand their mission, make sure it is reflected in your proposal. Consider writing a brief philanthropy prospectus outlining the benefits of your project to the community and key demographic groups of interest to the foundation.

It may also happen that you approach a foundation that is amenable to your social goals, such as job creation, but is less familiar with solar power. Such foundations may be interested in participating in the Community Power Accelerator themselves, to learn about the opportunities from community solar. The Accelerator includes a Philanthropy Working Group where they can join their peers. While getting foundation support can be helpful, it is important to develop projects that meet the needs of your own organization and community. Especially for community-based funders, showing strong community support can be an excellent strategy for engaging funders. You should probably avoid changing the nature of your project solely to appeal to a given funder. Instead, look for natural alignments of interest. Work together with funders for mutual benefit, but also be willing to turn down funding if it would cause too much difficulty for your organization or project.

#### **7. Have you identified the tangible benefits of your project, the cash flows, and who will benefit?**

Foundations are likely to be most interested in supporting your project if it delivers tangible benefits that align with their programs and mission. Community solar can help reduce energy bills for low-income households, create jobs in disadvantaged communities, and shut down a polluting power plant. Identifying who exactly will benefit from your project, how, and how much, will greatly increase the quality of your proposal as well as generate community support that can help with siting, permitting, and filling subscriptions.

The degree to which community solar projects align with the NCSP's "meaningful benefits" (as described earlier) could influence the need for foundation support. Delivering deeper benefits to subscribers can conflict with the need to bring in enough revenue to repay loans. Foundation funding can be used to augment the social impacts of a project without impacting its financial viability. A number of foundations involved in the Community Power Accelerator have committed to using the NCSP meaningful benefits as a guideline. The Learning Lab has a community solar pro forma template that you can use to assess the impact of various design decisions and capital sources on the financial viability of a project.

## **8. How would foundation support address your project's needs or challenges?**

Beyond understanding how your project aligns with the funder's goals, make sure you have a clear understanding of how their funding is needed for the success of your project. At what stage or stages in your development process would foundation funding make a critical difference? If your project can only succeed with deep foundation support, evaluate whether the project financial structure is truly viable. You can be sure the foundation officer will be asking the same question. Foundations may be willing to support "first of a kind" projects that demonstrate a strategy that could succeed without their support in the future. They are less interested in subsidizing every single project that comes their way.

Foundations may like the community and subscriber benefits but be skeptical of the financial viability of your project. It is important to find the sweet spot between mission-alignment and financial viability.

Foundation support can be critical to leveraging other sources of capital. Foundations may be able to provide a grant to do market research, help you put together a business plan, overcome initial hurdles, or attract project partners. As an investor, a foundation may provide low-cost capital that reduces costs or provide guarantees that attract other investors. As the highlighted examples show, foundations may be interested in packaging grants together with program- or mission-related investments. The Learning Lab and technical assistance can give you input on how to structure a foundation's role in your project.

Foundations have a great deal of flexibility in their possible range of actions but may limit themselves to existing strategies and protocols. Many foundations do not make PRIs or MRIs, but some could be convinced to start with compelling evidence and the right partner.

## **5. Making Your Case for Funding**

A growing number of foundations are interested in solar power, to fight climate change or achieve other social and economic goals. Foundations active in the National Community Solar Partnership, such as those listed on the Community Power Accelerator platform, are clearly committed to promoting solar energy, and there are other foundations that are or could be interested. Either way, your proposal will be more likely to succeed if you can make the most effective case for it and how it aligns with the goals and guidelines of the foundation.

The degree to which your project achieves the NCSP meaningful benefits can be a starting point for making the case to a foundation. Provide details about how your project will deliver the benefits, in communities or areas the foundation cares about. For example, low-income areas of rural Puerto Rico lost power twice in hurricanes in recent years and would benefit from community solar that includes resilience measures such as energy storage. The energy resilience benefits of a solar project there would be a primary benefit, even though other meaningful benefits may be appealing.

Foundations also like to leverage their funds. Program officers get excited when a relatively small amount of their money results in a big impact. If a foundation can provide partial financing that attracts other funding sources, such as from government, private investors, or other foundations, they are more likely to see the value in their participation. Foundation funding that creates policy changes can create leverage by opening new markets.

Some foundations value leverage that comes from providing a new approach to solving a problem, especially when the approaches are replicable and scalable. These could include a novel approach to financing that results in a lower cost of capital, installing solar on critical infrastructure like fire stations or hospitals, job training for prisoners so they can be ready for a construction job when released, or project structures that unlock deeper benefits for subscribers. On the other hand, projects that are so unique that they are unlikely to build scale or be replicable may be unattractive to funders. Many foundations seek to make grants or investments that result in lasting and systemic change, not to do one-off projects.

Lastly, some foundations like to be publicly recognized for their work, especially foundations that have a prominent role in their communities or have donors that desire recognition. A high-profile project with broad appeal may be attractive to such funders, not just because it makes them look good but because it may spur others in the community to action. Consider promoting the foundation's role as part of your work plan, but be sure they are consulted on the type of public recognition they prefer.

## **6. Conclusion**

Foundations can seem mysterious from the outside, especially those that are less transparent. Fortunately, the falling cost of solar and the rising interest in racial and economic equity makes community solar look attractive as a way to address the environmental, social, and economic goals that so many foundations are concerned with. Foundations have the flexibility to act in a wide variety of ways; this can make them difficult to understand, but it also means that there are few fixed rules about how to engage them to support your community solar work. Now is a good time to participate in the NCSP Community Power Accelerator and talk to foundations about how community solar can benefit the communities and strategies they care about.

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## Appendix A. Philanthropy-Ready Self-Assessment

To help you get ready to approach foundations – philanthropy ready – use this checklist to summarize the points made earlier in the guide. Refer to pages 12-16 for more information.

| Philanthropy-Ready Self-Assessment Questions   | Notes |
|--|-------|
| 1) Are you a good candidate for philanthropic funding? Are you a for-profit or non-profit organization?  |       |
| 2) How complete is your undertaking? What are your strengths, weaknesses, opportunities, and threats (SWOTs)? How strong is your experience with community solar or related things?  |       |
| 3) Is your organization ready to manage grants or investments from a foundation? Is your project “credit-ready”? Do you have an accounting system, a financial staff, knowledge of reporting procedures, and other basic financial management measures in place?   |       |
| 4) Is your organization ready to start a community solar business venture? Do you have or know the right business structure to use? Do you have staff or partners with relevant experience? Have you completed the Credit-Ready Checklist? Have you taken advantage of NCSP technical assistance or the Learning Lab?                            |       |
| 5) Does your organization have a clear pathway to success? Do you have a plan to manage adversity? Does your business plan account for a changing and highly competitive industry, subject to shifts in policy, utility regulations, and market conditions?  |       |
| 6) How does your project align with the funder’s goals and strategies? Does the foundation work in a specific geographic area? What is the size of their typical grant or investment? Do they seek to benefit a specific community or issue? Do they have any goals or strategies that would conflict with your proposal?                        |       |
| 7) Have you identified the tangible benefits of your project, the cash flows, and who will benefit? Foundations are likely to be especially interested in the “meaningful benefits” of a project, such as participation and bill savings for low-income customers, resilience and grid benefits, community ownership, and workforce development. |       |
| 8) How would foundation support address your project’s needs or challenges? What kind of support and at what stage would foundation help matter? Are you proving a first-of-a-kind model that can be replicated in the future?   |       |

## Appendix B. Credit-Ready Checklist

| Credit-Ready Checklist      |    |   |
|-----------------------------|----|---|
| System                      | 1  | What is the size of the system?   |
|                             | 2  | What is the installation type - roof, ground, or canopy?  |
|                             | 3  | What type of building or land is the project on?  |
|                             | 4  | Who owns the building or land?  |
|                             | 5  | What utility territory is the project in?   |
|                             | 6  | What stage is the project in? (Pre-development, development, construction, operations)  |
|                             | 7  | When are construction milestones set to occur -- NTP, Mechanical Completion, COD, Substantial Completion, Placed in Service?                                      |
|                             | 8  | What, if any, development work has been done to date -- design (early, 50%, full), equipment selection, permitting, zoning, interconnection, utility application? |
|                             | 9  | What is the waiting period for interconnection after the utility application is submitted?  |
|                             | 10 | Are there any incentive/customer/regulatory cliff dates?  |
| Roles and Capital Structure | 1  | Does counterparty have a pro forma they can share?  |
|                             | 2  | What role does counterparty play? Broker/Marketer, Developer/EPC, Owner/Operator, Subscriber Manager? How will they be involved with the project going forward?   |
|                             | 3  | In what roles does the co-developer need additional assistance? Lenders? Owner/Operator? Tax Equity? Subscriber Manager?  |
|                             | 4  | What is the ownership model? Single sponsor? Co-op? Customer ownership?   |
|                             | 5  | Who are the development team members that are involved in this project? (EPC, construction inspector, lawyer?) And what experience does each team member have?    |
|                             | 6  | Is tax equity secured? If so, any preference for front/back-leverage lending?   |
|                             | 7  | Has construction or term debt been secured?   |
|                             | 8  | What, if any, capital is needed? When do they need (equity/debt/tax equity) capital to come in? What financing have you secured, if any?                          |
|                             | 9  | Are any project marketing materials being developed? What is the subscriber acquisition strategy?   |
|                             | 10 | Who is the borrower and what are their financials?  |
|                             | 11 | What collateral does this project structuring include?  |
|                             | 12 | Does this project have a guarantee? If so, who is the guarantor and what are their financials?  |

|                               |    |  |
|-------------------------------|----|--|
| Revenues and Market Construct | 1  | How are electricity sales being generated? Upfront purchase? Fixed-rate subscriptions?   |
|                               | 2  | What is the forecasted PPA rate for this project? How was this forecast developed (e.g. discount to utility prices, VDER calculator, wholesale energy price forecast)? Is the PPA rate fixed or floating? Does the PPA rate have an escalator or not?            |
|                               | 3  | How will the project receive revenues (e.g. PPA directly with customers, sleeved PPA through utility, sale of volumetric/monetary credits, etc.)?  |
|                               | 4  | Are there RECs in this market? How many years of eligibility? How valuable?  |
|                               | 5  | Would RECs from the community solar project be part of the subscriber contract or would replacement RECs be provided to the subscribers?   |
|                               | 6  | Are there any other incentives at the federal, state, utility, and/or local level that are being utilized?   |
|                               | 7  | Have any subscribers been secured? Are they on a waiting list or have signed contracts in hand? If not yet secured, when would they be secured?  |
|                               | 8  | What is the expected subscriber mix? Any requirements for commercial/residential or LMI/market rate splits?  |
|                               | 9  | What is the contracted term of each revenue and incentive stream?  |
| Costs                         | 1  | What is the expected EPC cost? Interconnection cost?   |
|                               | 2  | What are the expected financing costs for both construction and during the project term?   |
|                               | 3  | What are the expected costs of marketing/customer acquisition?   |
|                               | 4  | What are the other working capital costs? Legal, accounting, etc.?   |
|                               | 5  | Is there an intended EPC provider? If yes, is that EPC provider contracted?  |
|                               | 6  | Have you contracted for subscription management services or have an intended provider? What are the initial cost estimates and are there any guarantees provided?  |
|                               | 7  | Has O&M been contracted for? If so has a provider been designated?   |
|                               | 8  | What are the expected O&M costs?   |
|                               | 9  | Are there any site lease or site option costs and if so, what are they?  |
|                               | 10 | Do you expect to incur property tax? Sales tax? How much?  |
| Equity                        | 1  | Does the project provide at least a 20% energy bill savings for subscribers?   |
|                               | 2  | Does the project support community workforce development by advancing high wages, reducing income disparities across demographic lines, ensuring a trained and available workforce that is reflective of the community, and creating a safe working environment? |
|                               | 3  | Does the project include resilience through storage, microgrids, or other means of delivering power during an outage?  |
|                               | 4  | Does the project include some form of community ownership or other avenue for building community wealth?   |
|                               | 5  | Does the project include at least 40% low- to moderate-income households among their subscribers?  |
|                               | 6  | How much estimated net savings is expected to be delivered to the low- and moderate-income households (NCSP prefers 20% by 2025)?  |