



CHALLENGE #2: UNLOCKING ELECTIVE PAY PROGRAM GUIDE



MICHIGAN DEPARTMENT OF
ENVIRONMENT, GREAT LAKES, AND ENERGY

In partnership with:



**MICHIGAN
INFRASTRUCTURE
OFFICE**

A digital version of this guide is available at Michigan.gov/MHCCChallenge.

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The [MI Healthy Climate Challenge](#) grant program will provide funding to turn ideas into actions and mobilize Michiganders to solve some of Michigan's biggest climate challenges. Building from the MI Healthy Climate Plan, statewide climate commitments, recently passed clean energy legislation, and billions in public and private climate funding, this program will push Michigan's climate leadership to the next level.

The State of Michigan is seeking innovative, catalytic proposals that deploy clean energy and climate solutions. Successful projects will empower communities across Michigan to take tangible steps to create game-changing initiatives and implement real projects.

The Challenge is designed to unlock additional capital, address barriers to rapid climate action, and deploy projects across the state. Grants will support pre-development work, strategic partnerships, matching funds, and innovative pilots, all of which are key to accelerating Michigan's green energy transition.

To reach the Governor's goals set out in the [MI Healthy Climate Plan](#), Michigan needs to rapidly deploy renewable energy, energy efficiency, building electrification technologies, energy storage, and electric vehicles and charging infrastructure. To mobilize innovative strategies for deploying these technologies, the State of Michigan has launched an approximate \$44 million grant competition called the **MI Healthy Climate Challenge**. 'The Challenge' will invest in initiatives and projects that reduce greenhouse gas emissions, create jobs, lower energy costs, and unlock more public and private investments in Michigan. The Challenge is a call to Michigan's local governments, community organizations, schools, churches, nonprofits, businesses, lenders, and project developers, to ensure Michigan is a leader in the green energy transition and building a more sustainable future for Michigan.

“The MI Healthy Climate Challenge is a major step forward in reinforcing Michigan’s role as a national leader in climate action.”

-Lt. Gov. Garlin Gilchrist II

Objectives

The MI Healthy Climate Challenge grant program supports projects that help achieve one or more of the following objectives across each pillar of the MI Healthy Climate Plan, with an emphasis on meeting Michigan's 2030 climate targets.

- **Accelerate Deployment of Climate Solutions:** Facilitate the rapid implementation of innovative clean energy and climate projects (e.g. renewable energy, energy efficiency, building electrification, and electric vehicle charging infrastructure) that address key barriers, driving Michigan toward its goal of 100% carbon neutrality by 2050 and its target of a 52% emissions reduction by 2030.
- **Successfully Deploy Climate Funding and Access Additional Climate Funding:** Enable Michigan entities to maximize federal and state funding opportunities, such as Elective Pay and the Greenhouse Gas Reduction Fund, by equipping them with the tools and strategies needed to unlock these resources.
- **Build a Robust Project Pipeline and Aggregation Framework:** Create a sustainable pipeline of scalable projects by facilitating aggregation and early-stage development activities.
- **Foster Strong Partnerships and Collaborative Networks:** Build and strengthen partnerships across sectors to ensure broad engagement and coordinated efforts towards Michigan's decarbonization goals.
- **Enable Investments in Michigan Communities:** Support projects that deliver significant benefits to Michigan's low-income communities, ensuring these areas are central to Michigan's climate and clean energy initiatives.
- **Raise Awareness and Inspire Action:** Highlight efforts toward achieving the goals of the MI Healthy Climate Plan by sharing success stories and practical examples of how to effectively leverage funding opportunities and partnerships to inspire others to implement their own initiatives and take advantage of available resources.

Concept

The MI Healthy Climate Challenge grant program is releasing a series of "Challenges" throughout the year, each targeting different barriers and priority areas for accelerating the deployment of clean energy and climate projects across the state. These Challenges are designed to overcome key barriers to project deployment while unlocking opportunities to secure public and private funding and drive transformative action, ensuring that Michigan remains a leader in the clean energy transition.

In addition to addressing the specific barriers of each Challenge, all funded proposals will move Michigan towards its bold vision of achieving 100% carbon neutrality by 2050 with 50-52 percent GHG emissions reductions by 2030 as set forth in the MI Healthy Climate Plan. We're calling for projects that align with the following priorities:

- Environmental Justice and a Just Transition
- Clean the Electric Grid
- Electrify Vehicles and Expand Public Transit
- Repair and Decarbonize Homes and Businesses
- Drive Clean Innovation in Industry

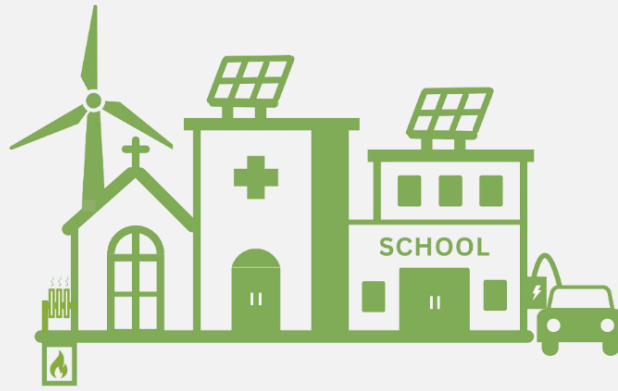
By integrating these priorities, each funded proposal will contribute to Michigan's comprehensive efforts to decarbonize and create a more sustainable and equitable future for all residents. Each Challenge announced focuses on addressing a key barrier to climate action, while providing opportunities to advance Michigan's climate goals and make a meaningful impact in local communities.



Lieutenant Governor Garlin Gilchrist II announcing the launch of the MI Healthy Climate Challenge at the 2025 MI Healthy Climate Conference.

Challenge #2: Unlocking Elective Pay

Bringing clean energy solutions to non-profit and governmental entities.



This Challenge will provide grants to develop and deploy clean energy strategies that help nonprofits, local and Tribal governments, public school districts, electric cooperatives, houses of worship, and other tax-exempt entities access and utilize federal clean energy tax credits, specifically by using [Elective Pay](#).

What is Elective Pay?

Certain federal clean energy tax credits offer the opportunity to receive a reimbursement of up to 30% to 70% on project costs. Historically, these incentives were largely unavailable to tax-exempt entities, including nonprofits, local governments, and low-income households. However, with the introduction of **Elective Pay**, tax-exempt entities can claim these same tax credits in the form of cash payments, unlocking significant savings for community-driven clean energy projects. These funds can be used for a range of eligible projects, including solar, energy storage, geothermal installations, and electric vehicles and charging infrastructure.

However, these incentives remain underutilized due to complex eligibility requirements, long timelines for reimbursement, and limited awareness or capacity among potential users. **This Challenge will invest in strategies that address these barriers and make Elective Pay and clean energy tax credits more accessible and impactful.**

This Challenge will support the creation and implementation of planning and/or financial support strategies that help tax-exempt community institutions in Michigan maximize federal clean energy tax credits. Funded projects may include strategies to aggregate and bundle clean energy upgrades across multiple sites, distribute tax credit benefits to low- and moderate-income households, enable tax credit uptake with low-cost financing solutions, support federal guideline compliance, and structure projects to access bonus incentives—ultimately making clean energy more affordable, accessible, and impactful across the state.

Note: The State of Michigan recognizes that federal clean energy tax credits will be phased out according to the recently passed Congressional reconciliation bill. This Challenge is intended to support the near-term uptake of credits and EGLE will adapt program requirements if needed based on federal guidance.

Projects funded through Challenge #2 that are later impacted by federal changes will not have their grant funding rescinded. Clean energy projects are vital to a healthy, more climate-resilient future in Michigan and this Challenge will support those projects.

Challenge #2: Unlocking Elective Pay Program Objectives

The **program objectives** below outline the key outcomes this grant seeks to achieve through funded projects. While applicants are not expected to address every objective, they should clearly explain how their proposed project supports one or more of these overarching goals.

- **Maximize Utilization of Elective Pay in Michigan:**

Support Michigan's tax-exempt entities such as nonprofits, local governments, schools, and tribal organizations in accessing and applying federal clean energy tax credits using the Elective Pay option under Sections 6417 and 6418, including with support navigating ongoing federal guidance changes.

- **Facilitate Cross-Sector Partnerships to Build Clean Energy Ecosystems Across Michigan:**

Support partnerships among public, private, nonprofit, tribal, and academic entities, as well as across industries and regions, to accelerate clean energy deployment in Michigan. These collaborations should enhance project development, expand access to tax credits and financing, align workforce and supply chain efforts, and promote scalable, community-driven solutions.

- **Scale Replicable Clean Energy Projects and Financing Models Across Michigan:**

Support the development and deployment of clean energy projects through innovative aggregation and financing strategies, including Elective Pay, creative financing solutions (such as bridge financing or aggregated capital funds), and portfolio bundling. These portfolios may be across multiple buildings, communities, or property types, such as residential, commercial, or community-serving facilities, and may be across various project sponsors such as nonprofits, local governments, and tribal organizations to expand access and reduce barriers.

- **Expand Tax Credit Access for Households Without Tax Liability:**

Expand access to tax credits for households without federal tax liability by supporting nonprofit-led aggregation models and other inclusive financing approaches that benefit low- and moderate-income residents.

- **Advance Access to Bonus Incentives:**

Ensure that projects in all communities, including low-income communities, can access available bonus credits, such as the Low-Income Communities Bonus Credit Program, the Energy Communities Bonus Credit, and the Domestic Content Bonus Credit, and comply with the Prevailing Wage and Apprenticeship Requirements.

Challenge #2: Unlocking Elective Pay Program Priorities

The **project priorities** listed identify specific characteristics and focus areas that will guide funding decisions under Challenge #2. Applicants should consider how their proposals align with these priorities. While addressing every priority is not required, proposals that demonstrate alignment with one or more of these areas and show an understanding of their importance will be viewed more favorably during the evaluation process.

- **Eligible Entities and Properties:** Maximize participation across a wide range of project sponsors, including nonprofit aggregators, local governments, developers, and community-based organizations, and eligible property types such as single-family homes, multifamily housing (individually or master metered), commercial buildings, and community-serving facilities.
- **Innovative Aggregation and Financing Models:** Support the development and scaling of innovative tax credit-driven project structures, such as portfolio bundling, shared systems, and community-scale investments, that reduce transaction costs and expand access for entities and individuals with limited tax liability.
- **Scalability and Replicability:** Prioritize projects that can serve as models for broader adoption, offering approaches that can be implemented by other organizations or replicated in different communities across Michigan.
- **Integration with Public and Private Capital:** Encourage projects that combine federal tax credits with other sources of public and private capital, such as grants, low-interest loans, or state or local clean energy programs, to enhance financial leverage, improve project viability, and maximize overall impact.
- **Geographic Access in Tax Credit Utilization:** Ensure broad geographic distribution of tax credit-supported projects across Michigan, including rural, suburban, and urban areas in both the Upper and Lower Peninsulas, with a focus on access in low-income communities and communities with high energy burdens.
- **Support for Hard-to-Reach Markets:** Encourage projects that address barriers in underserved markets, including small multifamily buildings, manufactured housing, Tribal communities, and low-income households that have historically lacked access to clean energy programs.
- **Maximizing Public Benefit and Financial Impact:** Encourage projects that deliver meaningful community benefits through cost savings, local reinvestment strategies, such as revolving savings funds, or shared ownership models that distribute the financial value of tax credits to residents and communities.
- **Rapid Deployment and Credit Utilization:** Prioritize entities with the capacity to implement projects quickly to ensure timely utilization of available federal tax credits given federal phase out requirements.

What is Elective Pay?

Elective pay (often referred to as direct pay) is a mechanism that allows tax-exempt entities to take advantage of federal clean energy tax credits.

Examples of eligible entities include:

- Tax-exempt organizations under sections 501 through 530 of the U.S. tax code, including all 501(c)(3) organizations and religious 501(d) organizations. Examples include public charities, private foundations, social welfare organizations, labor organizations, schools, hospitals, and houses of worship.
- State and Local governments (including D.C.), Territorial governments, Federally Recognized Tribes, and Alaska Native Corporations.
- Agencies and instrumentalities of State, Local, Tribal, and Territorial governments. Examples include water districts, school districts, economic development agencies, certain public universities and hospitals, and energy or natural resource agencies.
- Public power utilities, including municipal electric utilities and rural electric cooperatives.

Elective Pay commonly qualifying projects include:

- Solar energy systems
- Battery backup
- Energy efficiency upgrades
- Electric vehicle (EV) infrastructure
- Wind energy projects
- Geothermal systems

Refer to the **IRS guidelines** to ensure your project meets the necessary criteria for eligibility.

Key Features:

- Elective Pay is stackable. Elective pay-eligible tax credits can be paired with unrestricted grants and other federal incentives (but together cannot constitute more than 100% of project costs).
- Elective Pay is not a competitive process. In most cases, eligible entities are not competing for funds, as most of these tax credits are not capped.
- Recent legislation has accelerated the phase out of some of the Elective Pay credits.

For more information on Elective Pay, eligible entities and projects, and federal guidance changes, please visit the [MI Infrastructure Office Technical Assistance Center website](#).

Eligibility

Please note: *This grant is not intended to fund individual clean energy projects that are individually applying for Elective Pay tax credits. Instead, it is designed to support project aggregation models, technical assistance, and financial mechanisms that enable broader access to Elective Pay for tax-exempt or credit-constrained entities that may not have the capacity to pursue these credits on their own.*

As noted above, eligible applicants to the MHC Challenge grant program are not limited to those directly eligible for Elective Pay under federal tax law. Rather, this grant supports organizations that help **enable, aggregate, finance, or facilitate** Elective Pay deployment for public, nonprofit, and small-scale beneficiaries.

Eligible applicants to the MHC Challenge grant program: Challenge #2 include:

- **Nonprofit organizations** with the capacity to own and manage clean energy systems across multiple properties or entities.
- **Affordable housing developers or housing-focused nonprofits** serving low-income households.
- **Community-based organizations (CBOs)** with a focus on equitable clean energy access.
- **Regional or statewide nonprofits** experienced in aggregating projects across geographies or sectors.
- **Organizations experienced in third-party ownership models**, such as Power Purchase Agreements (PPAs) or leases, that allow nonprofits to claim Elective Pay and pass on benefits to others.
- **Community lenders**, including Community Development Financial Institutions (CDFIs), green banks, and credit unions, that can offer or develop bridge or other financing solutions that enable Elective Pay projects.
- **Technical assistance providers or nonprofit intermediaries** that support eligible Elective Pay entities, project developers, community lenders, or project aggregators.
- **Municipal governments or other public entities** partnering with eligible nonprofits or lenders to participate in aggregated or facilitated Elective Pay projects.
- **Collaborative partnerships** involving lenders, developers, aggregators, technical assistance providers, or community organizations that together support broader deployment models.

For-profit organizations may apply only in partnership with, or on behalf of, a nonprofit or public sector entity, and must clearly demonstrate how that entity will meaningfully benefit from and participate in the project.

Applicants based externally to Michigan may apply only in partnership with, or on behalf of, a Michigan-based nonprofit or public sector entity, and must clearly demonstrate how that entity will meaningfully benefit from and participate in the project.

To be considered, applicants must:

- Submit a complete concept paper by the deadline
- Receive encouragement from EGLE to submit a formal application
- Submit all required application materials and address all included prompts
- Use the format and attachments provided in the appendices

Projects must show a clear strategy to **deliver benefits to communities**, and must comply with prevailing wage, apprenticeship, and bonus credit requirements where applicable to attaining Elective Pay.

Please see the example projects in the Project Types section for more guidance on eligible use cases.

Grant Sizes

A total of **\$2,000,000** is available through this one-time funding opportunity. Individual grant awards are expected to range from **\$250,000 to \$1,000,000**, with approximately **2 to 6 grants** anticipated.

Funding requests should align with the scale, complexity, and replicability of the proposed project. This program is intended to support work that enables or accelerates clean energy deployment for tax-exempt or credit-ineligible entities, rather than funding individual projects alone.

Applicants are encouraged to demonstrate how they will leverage additional funding sources, such as Elective Pay tax credits, philanthropic grants, private financing, or in-kind support.

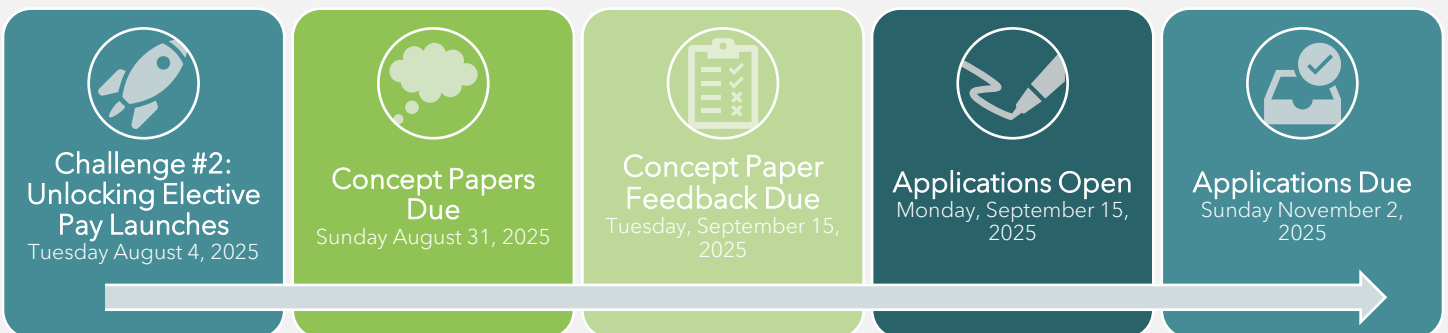
The State of Michigan may choose not to allocate all available funds and reserves the right to revise or reopen the application process at a later date.

Timeline

This is a **competitive, one-time funding opportunity**. All applicants must complete a **two-step application process**, beginning with a required **concept paper**. *Only those invited through this process may submit a full application.*

Key Dates

- **Concept Papers Posted:** Monday, August 4, 2025
- **Concept Papers Due:** 11:59 PM EST, Sunday, August 31, 2025
- **Concept Paper Feedback Provided & Full Applications Posted:** Monday, September 15, 2025
- **Full Applications Due:** 11:59 PM EST, Sunday, November 2, 2025



Application Process

- **Step 1: Concept Paper Submission (Required)**

All applicants must first submit a **concept paper** that outlines the proposed project, key partners, and anticipated impact. This step allows the State of Michigan to assess alignment with the MI Healthy Climate Challenge goals and offer constructive feedback to strengthen full applications.

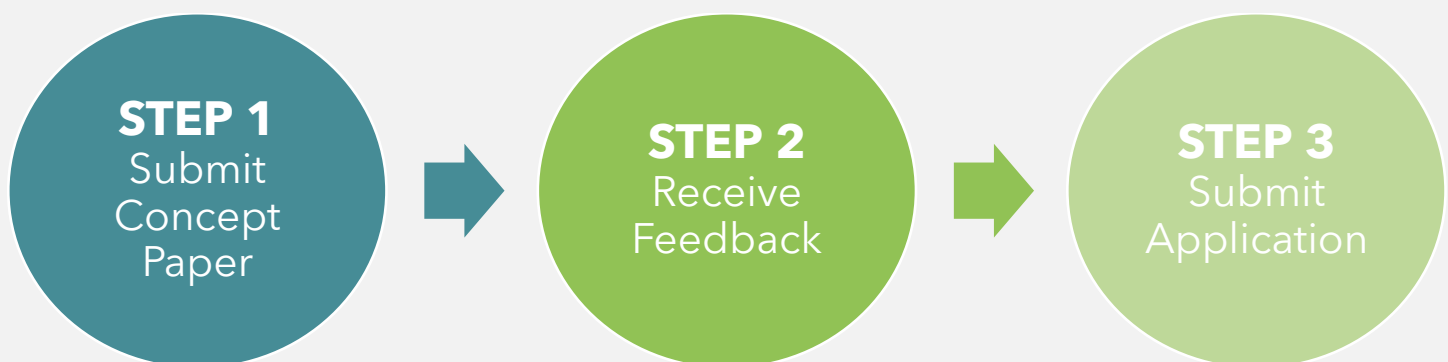
- Concept papers must be submitted online by **11:59 PM EST, Sunday, August 31, 2025**.
- Only concept papers that receive one of the following responses will be invited to submit a full application:
 - **Encouraged to apply**
 - **Encouraged to apply (with amendments)**

Applicants receiving a response of "encouraged to apply (with amendments)" will receive feedback from the review team.

- **Step 2: Full Application Submission (By Invitation Only)**

Applicants who are invited to proceed will be eligible to submit a **full online application** beginning **Monday, September 15, 2025**.

- Only those who receive an "encouraged" designation based on their concept paper will be considered for funding.
- Applications must be submitted using the Online Application Form no later than **11:59 PM EST, Sunday, November 2, 2025**.
- Required fields will be marked with an asterisk (*), and all supporting materials must be uploaded directly in the form.



Grant Processes

This program is administered by the Office of Climate and Energy through direct grant making, in partnership and consultation with the Michigan Infrastructure Office and other state entities.

Concept papers will be evaluated based on eligibility and viability of the proposed project.

Projects will be scored based on the scoring rubric by a committee with support from subject matter experts as necessary. Projects will be selected based on total scores as well as priority need areas.

The goal of both the concept paper and application scoring is to strategically choose projects that collectively address a variety of barriers to best advance Michigan's climate goals.

The scoring rubric will be available at Michigan.Gov/MHCChallenge when the full application opens for submission on **Monday, September 15, 2025**.

Example Project Types

To help applicants understand the kinds of activities this Challenge is designed to support, we've included several example project types below. These are **illustrative only**, and proposals do not need to match these models exactly. However, they do reflect the key priorities of the program: unlocking Elective Pay, aggregating clean energy projects, leveraging tax credits for community benefit, and scaling replicable financing strategies across Michigan.

Each example outlines the project concept, eligible technologies, potential uses of Challenge funding, and alignment with program goals. Applicants are encouraged to adapt, expand, or combine these models to suit their community's needs, organizational strengths, and opportunities for impact.

Project Type 1: Nonprofit-Owned Aggregation Model for Elective Pay Deployment

Summary:

This project type supports nonprofit organizations that own and manage clean energy systems across multiple properties to unlock Elective Pay tax credits for entities that otherwise cannot or prefer not to own these systems themselves. This includes public entities (e.g., municipalities), small businesses, or community-based organizations. Projects would involve aggregating similar property types across a city or region to reduce costs, streamline development, and increase scale. The nonprofit serves as the long-term system owner, allowing it to claim Elective Pay tax credits. Energy and financial benefits are passed on to host sites or participating entities through Power Purchase Agreements (PPAs), solar leases, or similar third-party arrangements. These contracts allow the host to access clean energy at reduced or fixed rates without the burden of ownership or upfront capital. At the end of the contract term, system ownership may be transferred to the host entity, depending on project design.

What the Challenge Will Fund:

- Financial and technical feasibility planning
- Contractor and vendor evaluation
- Financing and capital stack design
- Legal¹ and accounting services
- Staff time to coordinate aggregation and implementation
- Compliance support for Elective Pay, prevailing wage, apprenticeship, and bonus credits

Why This Matters:

- Enables participation from tax credit-ineligible or credit-constrained entities
- Aggregates projects to unlock better financing and reduce soft costs
- Builds nonprofit capacity to manage clean energy deployment at scale
- Promotes geographic and economic equity in clean energy access
- Creates models that are easy for others to replicate across Michigan

Example A: Wastewater Treatment Aggregation

A nonprofit receives a grant to plan and manage an aggregated solar and storage project across eight wastewater treatment plants in different municipalities. The nonprofit scopes the projects, coordinates procurement and financing, and enters into Power Purchase Agreements (PPAs) with each municipality. The nonprofit owns the systems, claims Elective Pay tax credits, and manages operations and maintenance throughout the PPA term. At the end of the term, the systems are transferred to the municipalities.

- Unlocks tax credit value for public entities
- Reduces burden of ownership and compliance
- Promotes scalability and replication

Example B: Small Business Clean Energy Aggregation

A nonprofit organizes rooftop solar and energy efficiency upgrades for five small businesses in a single community. Through planning and coordination funded by the Challenge, the nonprofit structures financing, vets contractors, and enters into solar leases or PPAs with each business. The nonprofit retains ownership of the systems, enabling it to claim Elective Pay tax credits while delivering energy savings to the businesses.

- Brings clean energy to Elective Pay-ineligible businesses
- Supports local economic development
- Reduces implementation barriers for small sites

Project Type 2: Affordable Housing Aggregation for Low-Income Households

Summary:

This project type supports nonprofits, affordable housing developers, or community-based organizations in planning and implementing Elective Pay-eligible clean energy upgrades, such as solar, storage, or energy efficiency, across a portfolio of low-income households or properties. The nonprofit acts as the system owner,

¹ Funding from this grant is NOT eligible to be used for litigation services.

enabling the use of Elective Pay tax credits and passing on benefits to residents through reduced energy costs or direct value sharing.

Projects may include individually metered single-family or multifamily homes and should aim to maximize access to Low-Income Communities and Energy Communities Bonus Credits, while ensuring projects are replicable, community-focused, and compliant with IRS requirements.

What the Challenge Will Fund:

- Financial planning and feasibility analysis
- Project scoping and design
- Contractor evaluation and selection
- Financing strategy and capital stack development
- Legal and accounting support
- Recruitment and community engagement
- Education and technical assistance for participating households
- Operations and maintenance planning and staffing

Why This Matters:

- Unlocks clean energy savings for households with limited or no tax liability
- Reduces energy burden for low- and moderate-income families
- Enables nonprofits to access Elective Pay on behalf of community residents
- Supports geographic and economic equity in clean energy access
- Promotes public benefit and eligibility for bonus tax credits
- Creates a scalable model for residential aggregation

Example A: Aggregated Clean Energy for Low-Income Homes

An affordable housing nonprofit receives a grant from the MI Healthy Climate Challenge to plan and manage solar and energy efficiency upgrades for 50 low-income households across its housing portfolio. The nonprofit handles project scoping, contractor coordination, and financing design. It enters into solar leases or PPAs with the households, and retains ownership of the systems, allowing it to claim Elective Pay tax credits. Once the reimbursement is received, the nonprofit applies the financial benefit to reduce costs or improve services for the residents. After the term of the agreement, ownership of the system may transfer to the nonprofit or, in some cases, to the resident.

- Expands clean energy access to low-income households
- Makes full use of Elective Pay and bonus credits
- Simplifies compliance and installation for residents
- Builds replicable models for affordable housing providers

Project Type 3: Community Lender Support for Elective Pay Bridge Financing

Summary:

This project type supports **community lenders, CDFIs, green banks, or mission-driven financial institutions** in developing and scaling **bridge loan products** that help eligible entities cover upfront project costs while waiting for Elective Pay (Direct Pay) tax credit reimbursements. These financial products

are critical to making clean energy projects viable for nonprofits, local governments, and other tax-exempt entities that otherwise lack the cash flow to front full project costs.

Projects may also include **technical assistance and capacity-building efforts** to help lenders evaluate credit risk, structure products, connect to eligible projects, and ensure compliance with Elective Pay timing and requirements.

What the Challenge Will Fund:

- Capitalization funding to launch or scale bridge loan products tied to clean energy project pipelines
- Capacity-building support for one or more community lenders to develop financial products, underwriting tools, and risk management strategies
- Technical assistance funding for lender coalitions or intermediaries (e.g., CDFI networks) to connect community lenders to projects, provide legal and tax expertise, and share best practices
- Project support funding to help lenders partner with eligible project developers, aggregators, or hosts

Why This Matters:

- Solves a key barrier: delayed Elective Pay payments
- Expands access to tax credits for organizations with limited liquidity
- Enables faster project deployment at scale
- Builds long-term capacity in Michigan's clean energy finance ecosystem
- Leverages community lenders already embedded in underserved markets

Example A: CDFI Bridge Loan Development for Nonprofit Solar Projects

A CDFI receives a grant to design and launch a low-cost bridge loan product specifically for solar and battery storage projects owned by public-school districts. The Challenge funds support loan product development, financial modeling, legal review, and internal training. The CDFI partners with project developers and community aggregators to serve a pipeline of eligible Elective Pay projects in low-income communities.

- Accelerates clean energy deployment by filling financing gaps
- Leverages Elective Pay tax credits to reduce borrower costs
- Builds replicable tools and partnerships across the state

Example B: CDFI Coalition Technical Assistance and Project Matching

A nonprofit receives a grant to provide technical assistance to community lenders, helping them evaluate Elective Pay bridge loan structures, understand compliance timelines, and manage risk. The nonprofit also connects lenders to clean energy projects across Michigan, facilitating early-stage deals and supporting pilot projects that test out loan products with real project pipelines.

- Strengthens statewide lender capacity
- Supports real-time project deployment
- Encourages replication across financial institutions

Example C: Co-Lending Partnership to Expand Bridge Financing Access

A regional mission-driven lender with experience in clean energy bridge loans partners with two local CDFIs that serve rural and underserved communities. The experienced lender provides capital and product design support, while the local CDFIs act as the originating lenders, identifying and underwriting projects within their networks. Together, they provide bridge loans for solar and energy storage projects developed by nonprofits and municipalities in geographically diverse areas of Michigan. Challenge funding supports capitalization, co-lending agreement structuring, and shared underwriting tools.

- Combines local lender trust with experienced capital deployment
- Expands geographic reach and equitable access to financing
- Builds long-term lender collaboration models for clean energy

Project Type 4: Technical Assistance Support on Navigating Federal Guidance

Summary: This project type supports technical assistance providers (CBOs, private organizations, nonprofits, lenders, etc.) in determining federal Elective Pay compliance requirements that are changing given the recent Congressional reconciliation bill and upcoming rule making. This includes **Prohibited Foreign Entity (also known as “Foreign Entity of Concern”) requirements** and **identifying eligible manufacturers or developers** that meet requirements.

Projects may also include direct technical assistance support in matchmaking with eligible and compliant manufacturers to help Elective Pay eligible entities easily source materials for their projects and ensure compliance with Elective Pay timing and requirements.

What the Challenge Will Fund:

- Capacity building support for a technical assistance provider to adequately research and support Elective Pay eligible entities
- Technical assistance funding for collaborative partnerships between Elective Pay eligible entities and a provider

Why This Matters:

- Solves a key barrier: Understanding and complying with Elective Pay Foreign Entity of Concern requirements
- Expands access to tax credits for organizations without resources to identify and meet compliance requirements
- Leverages existing Michigan manufacturers and developers to maximize investment

Example A: Technical Assistance on Prohibited Foreign Entity Compliance and Elective Pay Support

A technical assistance provider receives a grant to provide direct support for Michigan entities on how to comply with Foreign Entity of Concern requirements and what Michigan or U.S.-based manufacturers are compliant with these requirements, reducing the barrier to uptake Elective Pay starting in 2026. The provider collaborates with Michigan organizations, solar developers, and other relevant entities to determine the most current information and subsequently support Elective Pay applicants. The provider may facilitate relevant introductions to manufacturers or developers as needed.

Application Information

Information Required for Application Submission

- Concept Paper (see instructions above)
- Online Application (The official application will open on Tuesday, September 15, 2025, and must be submitted through the designated online portal. A static version is available for reference only. Applications submitted before the opening date will not be accepted.)
- Approved Budget Form (see instructions below)
- Project Timeline Template (see instructions below)
- Price estimates or quotes for the proposed project [if applicable]
- Most recent copy of the A-133 or outside audit OR the most recent financial statements (balance sheet and income statement). Applicants that receive cumulative federal funding of over \$750,000, or that receive a single state award over \$500,000 are required to provide an A-133 single audit [if applicable]

Approved Budget Form

Applicants must submit a complete budget using the Approved Budget Form. Budgets must be fully itemized and accompanied by a budget narrative that clearly explains each budget category. Detailed instructions for completing the form can be found in the 'Instructions' tab of the Approved Budget Form.

Payment and Reimbursement Terms

Terms for payment and reimbursement will be tailored to the needs of each awardee and specified in the individual grant agreement. Some grants may include advance funding to address cash flow needs, while others will operate on a reimbursement basis.

Total Grant Award

Grant awards will be based on reasonably estimated costs and supporting documentation submitted by the applicant at the start of the project.

Matching Funds

Matching funds are not required for this opportunity. However, applicants are encouraged to document any leveraged funds, as projects demonstrating higher leverage ratios may receive more favorable reviews.

Indirect Costs

In general, indirect costs may not exceed 10% of the total grant, including fees retained by fiscal sponsors or property owners (for remediation/redevelopment projects). Requests for rates exceeding 10% will be considered on a case-by-case basis and will be evaluated based on the explanation and justification for the higher rate in the application budget narrative.

Applicant(s) must use the Approved Budget Form. Further instructions can be found in the 'Instructions' tab of the Approved Budget Form.

Pre-Award Costs

The EGLE/OCE is not responsible for any costs incurred prior to the issuance of a signed grant agreement.

Required Documentation for Reimbursement

Selected applicants must provide the following to receive reimbursement:

- Receipt/invoice or payroll summary for the incurred cost
- Proof of payment (e.g., bank statement, ACH confirmation, or a scanned copy of a cashed check)

Note: All voluntary match contributions, whether cash, in-kind, or third party—must meet the same documentation requirements.

Additional Budget Information

In the event of a partially funded proposal, selected applicant(s) will be required to submit a revised proposal before entering into a grant agreement. The proportion of direct costs to indirect costs will remain the same as in their original request. New line items to the revised budget are not allowed.

- Selected applicant(s) assumes the responsibility for ensuring the grant project is performed within the established timeline.
- If the entire State of Michigan share of the grant award is expended, the entire in-kind and/or voluntary match funds must be spent and supported by source documentation. If the entire State of Michigan share of the grant award is not spent, the in-kind and/or voluntarily contributed funds may be reduced proportionately by the percentage of the grant award not spent.
- Should selected applicant(s) cease business operations or dissolve the program established under the grant agreement, existing capital must be returned to the State of Michigan.
- If an indirect cost is included in the proposed budget, it must be certified using the Certificate of Indirect Costs. The certificate must be signed on behalf of the organization by an individual at a level no lower than vice president or chief financial officer of the organization that submits the proposal. This certification is included within the proposal worksheet and must be checked to certify.

Project Timeline

Applicants must provide a detailed project timeline outlining the key activities and milestones for the proposed project. The timeline should cover all phases of the project, including planning, implementation, and evaluation, and must be structured using the Project Timeline. Each activity and milestone should be clearly defined with corresponding start and end dates to demonstrate the project's progress and ensure that all deliverables are completed on schedule.

The timeline should also specify any critical deadlines or dependencies between tasks. It is essential that all activities are realistically planned to align with the funding and project duration requirements. Please note that the timeline will be used to evaluate the feasibility of the project's implementation and to monitor progress throughout the award period.

If applicable, applicants are encouraged to indicate any external factors or resources that may influence project timing, such as permit approvals, coordination with partners, or seasonal considerations.

Attachments

- Concept Paper (required)
- Application Form (required)
- Detailed Project Budget (required)
- Project Timeline Template (required)
- DTMB Schedule of Travel Rates FY25
- Certificate of Indirect Costs