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# Aligning Community Interests with Clean Energy Project Development: A Guide for Local Planning Authorities

## Overview

As California continues to deploy more clean energy projects to achieve the state's decarbonization targets, planning authorities, developers, and stakeholders must balance local community interests with statewide priorities for reliable, equitable, and cost-effective clean energy access. While clean energy projects can bring benefits to the communities that host them, they may also result in changes to land use, alter the visual landscape, and prompt questions or concerns from residents. Without clear communication and alignment strategies, such concerns can delay or block projects, and impact whether or not host communities experience project related benefits.

Local Planning Authorities (LPAs) must evaluate several factors when permitting clean energy projects, including environmental impacts, land use designations, local, state and federal ordinances, and benefits such as tax revenue and economic development opportunities. With information from research and stakeholder interviews, this guide aims to provide practical context to help LPAs understand the benefits that clean energy projects might offer local communities and tradeoffs between options. The focus is on large-scale clean energy projects, including solar, onshore wind, and battery storage going through local permitting processes. Projects obtaining permits through the California Energy Commission (CEC) AB 205 Opt-In Certification Program must adhere to the community and labor requirements within that process.

### California Energy Commission's State-led Opt-in Certification Program (AB 205)

Established in 2022, AB 205 allows developers to opt-in to a consolidated environmental review and approval process for large-scale clean energy projects through the CEC.[1] Community Benefit Agreements (CBAs) and Project Labor Agreements (PLAs) are required for projects undergoing consolidated permitting through this program.[2]

While there are currently no specific requirements regarding the location or contents of the CBAs, several projects in the opt-in process are developing or have already signed agreements with local communities. For example, the Darden Clean Energy project in Fresno County has signed benefit plan agreements with local organizations, such as Fresno Housing Ed Corps, Fresno Rural Transit Agency, and Tree Fresno. Another example is the Perkins Renewable Energy project in Imperial County, which plans to distribute funding over the next ten years to local organizations.[3]

[1] CEC, "Opt-In Certification Program," https://www.energy.ca.gov/programs-and-topics/topics/power-plants/opt-certification-program
[2] "CEC Licensing Authority Pursuant to AB 205", https://www.energy.ca.gov/filebrowser/download/7416?fid=7416
[3] "Perkins Renewable Energy Project", CEC Docket, https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=24-OPT-01

## Structure of this Guide

Large energy infrastructure projects are complex. Alignment of differing interests through clear communication and understanding of project impacts, mitigation, and benefits can advance projects through the permitting process and produce successful outcomes.

Recognizing that each local planning authority has different needs, this guide provides options rather than specific recommendations for assessing beneficial impacts of clean energy projects. Each section of this guide introduces questions for LPAs to consider as they permit clean energy projects and evaluate the community benefits, including:

- What benefits, including tax revenues, will clean energy projects provide to local communities?
- Are beneficial impacts communicated effectively to local communities?
- What are the options for projects to provide additional benefits?
- If pursued in the local permitting process, how can Community Benefit Agreements (CBAs) be structured to support both communities and developers?

## Benefits of Clean Energy Projects

### Key Considerations for LPAs:

**What benefits, including tax revenues, will clean energy projects provide to local communities?**

There are many avenues for how clean energy projects provide benefits to local communities. This section outlines some of the economic and environmental benefits. Later sections will discuss additional options for negotiated benefits, typically as part of a consolidated or more rapid permitting process. The table below summarizes the types of benefit sources and frameworks that will be discussed in further detail in this and subsequent sections as well as key considerations for each.

## Community Benefits Sources And Frameworks

| Benefits Sources/Frameworks | | Description | Considerations |
|---|---|---|---|
| Beneficial Impacts of Clean Energy Projects | **Sales and Use Tax** | • Local sales tax revenue from purchases of materials, equipment, and services | • Benefits occur primarily during the construction of the project • Developers can maximize local benefit by setting up sales and use tax collection at the project site |
| | **Local Economic Development** | • Support of local economies through procurement of services and materials | • Typically not quantified as a monetized benefit |
| | **Local Air Quality and Other Ecological Benefits** | • Improved air and water quality from displacement of fossil fuels | • Non-monetized benefit |
| | **Property Tax** | • Property tax revenue from clean energy project sites | • Wind and BESS projects pay property taxes. Beginning January 1, 2027, the value of solar energy systems will also be included in property tax assessments. • Due to government allocation formulas, funds are not directly allocated to the specific community hosting the clean energy project. |
| Modifications to Property Taxes to Fund Other Benefits | **Payment-in-Lieu of Taxes (PILOT)** | • A negotiated payment made instead of property taxes, with funds directed to specific local causes • Common in other states | • Not currently applicable in California |
| | **Enhanced Infrastructure Financing District (EIFD)** | • Allows a portion of future property tax increases (e.g., from rising property values) to be distributed to specific local causes | • Typical time is 12-18 months to establish, but timelines vary. • Potentially limited value since funds are only from incremental increases in taxes over time |

| Benefits Sources/Frameworks | | Description | Considerations |
|---|---|---|---|
| Negotiated Benefits | **Community Benefit Plan (CBP) or Ad Hoc Benefits** | • Provides additional benefits to identified local groups without the legally binding structure of a CBA | • May not be seen as credible or sufficient by stakeholders • Requires evaluation and coordination across stakeholder groups |
| | **Community Benefit Agreement (CBA)** | • A legally binding agreement between a developer and community representatives to provide specific benefits (e.g., funding, programs, jobs), typically in exchange for a shorter permitting timeline | • Requires identification of appropriate and representative community spokesperson(s) • Needs evaluation and coordination across stakeholder groups • Can potentially increase project cost, which is ultimately passed through to ratepayers, if not negotiated through an efficient process |
| | **Project Labor Agreement (PLA)** | • An agreement between a developer and labor union(s) to ensure fair wages, training opportunities, and other labor practices | • Requires participation between developer and labor union(s) |

## Sales and Use Tax

During construction, purchases of materials, equipment, and services generate local sales tax revenue. Developers can maximize local benefit by ensuring that, where applicable, sales and use taxes are applied based on the local address of the project site to help ensure the host community captures more of this revenue.

## Local Economic Development

Clean energy projects generate jobs and boost local economies through procurement of services and materials. During construction, these projects create a surge in local employment opportunities for electricians, equipment operators, laborers, and other skilled trades, often relying on regional contractors and union labor. Developers frequently source materials, fuel, and services (such as gravel, concrete, transportation, and catering) from nearby suppliers, injecting money into the local economy. Long-term operations also sustain employment and support local businesses, from hardware stores to hospitality services.

## Local Air Quality and Other Ecological Benefits

Fossil fuel power plants emit nitrogen oxides (NOx) and particulate matter (PM), rely on water for cooling processes and can discharge heated or contaminated water back into local waterways affecting aquatic ecosystems and water safety.[4] By reducing reliance on fossil fuels, clean energy projects improve air and water quality, particularly in disadvantaged communities near legacy fossil fuel plants. Unlike gas plants, solar and wind systems use minimal water and emit no harmful pollutants.[5]

## Property Tax Revenue

Clean energy projects can contribute significantly to local tax revenue through their property taxes, providing a reliable source of funding for community services and infrastructure. Property tax revenue is typically allocated through the local government to school districts, county government, cities, and special districts according to the state's Revenue and Taxation Code.[6] These set allocations mean that counties are limited in their ability to redirect property tax revenue from clean energy projects specifically towards community needs in those areas. In counties that include both dense urban population centers and rural unincorporated communities, stakeholders have noted that the remote communities that typically host energy infrastructure do not receive a significant share of the project's tax benefits.

It is important to note that solar projects are currently excluded from new construction assessments, but this changes in 2027.[7] For example, the Darden Clean Energy Project, which will include 1,150 MW of solar coupled with 4,600 MWh of BESS, is estimated to provide at least $232 million in property tax revenue over ten years.[8] Other large-scale clean energy projects, like wind and BESS, are already subject to property tax assessments.

[4] "Reducing Water Pollution from Power Plants", EPA, https://www.epa.gov/perspectives/reducing-water-pollution-power-plants#:~:text=Steam%20electric%20power%20plants%20use,can%20remain%20there%20for%20years.

[5] "Natural gas power plants in California's disadvantaged communities," PSE Healthy Energy, April 2017, https://www.psehealthyenergy.org/wp-content/uploads/2017/04/CA.EJ_.Gas_.Plants.pdf

[6] State of California, "Report to the California State Legislature: Apportionment and Allocation of Property Tax Revenues, Calendar Year 2024," March 2025, https://www.sco.ca.gov/Files-AUD/03-2025_2024CalendarYearFinalOSB.pdf

[7] California State Board of Equalization, "Active Solar Energy System Exclusion," accessed May 2025, https://www.boe.ca.gov/proptaxes/active-solar-energy-system.htm

[8] "Darden Economic Impact, May 2025", Intersect Power, Filed in Docket #23-OPT-02 https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-OPT-02

### California Property Taxes for Active Solar Energy Systems Starting January 1, 2027

California's Revenue and Taxation Code, Section 73, currently excludes solar energy systems from new property tax assessments. This means that the installation of a qualifying solar energy system does not result in an increase in the property tax assessment of the existing property. New solar projects will become subject to local property taxes starting on January 1, 2027, ending the exclusion previously extended under SB 1340 (2022, Herzeberg). This is an important shift in the landscape of project benefits, and LPAs will need to assess the impact of this policy in concert with community and project developer interests.

Additional financial benefits, in the form of Community Benefits Agreements as discussed below, are generally seen as useful by communities and developers alike, but can increase project costs (which are ultimately passed through to ratepayers) if not paired with an offset in costs, such as reduced taxes or consolidated permitting. Because property taxes are a significant cost already incurred by the project, modifications to property taxes can be a way to fund community benefits in a cost-neutral way, but these techniques require legislative action or special local government approval.

These options include:

- **Property tax exclusions** – California currently excludes new solar installations from property tax assessments, but this exclusion expires in 2027. This means that as of 2027, there will be more limited options available to create financially meaningful community benefits for solar projects without also increasing the cost of new solar energy projects.
- **Payment in Lieu of Taxes (PILOTs)** are a similar approach to limiting property taxes in return for financial benefits to local communities and are common in other states. In New York State, for example, Real Property Tax Law § 487 provides a 15-year property tax exemption for renewable energy systems and allows local governments to negotiate PILOTs to recover revenue that would otherwise be lost.[9] PILOTs face legal questions in California under Proposition 26 and would require legislative action to enable.
- **Enhanced Infrastructure Financing District (EIFD)** is a special financing mechanism, established by SB 628 (2014, Beall).[10] An EIFD allows a city or county to freeze the base-level property tax revenue from a designated project area and divert any future tax increment into a dedicated funding pool.[11] This pool can then be used to finance initiatives in impacted neighborhoods, for the purpose of infrastructure improvements, housing, transportation, climate adaptation, and other local priorities. The process to create and adopt an EIFD typically takes 12 – 18 months but can vary based on local conditions, meaning it requires significant advance planning and participation from the city or county district.[12]

[9] "New York State's Real Property Tax Law § 487," NYSERDA, Solar Guidebook for Local Governments, 2023.
[10] Senate Bill 628, 2014, http://www.leginfo.ca.gov/pub/13-14/bill/sen/sb_0601-0650/sb_628_cfa_20140829_200327_sen_comm.html
[11] "Enhanced Infrastructure Financing Districts: Resource Guide to EIFDs," Produced by California Community Economic Development Association, February 2016, https://cceda.com/wp-content/uploads/EIFD-Resource-Guide-Feb-20161.pdf
[12] How to Create an Enhanced Infrastructure Financing District (EIFD), California Association for Local Economic Development, https://caled.org/how-to-create-an-eifd/

# Communication of Clean Energy Project Beneficial Impacts

### Key Considerations for LPAs:

**Are beneficial impacts communicated effectively to local communities?**

Interviews with LPAs, developers, and other industry stakeholders indicate that the beneficial impacts of clean energy projects are not always understood or recognized by local communities. This disconnect may stem from a lack of transparency about how these benefits directly impact the local area, as well as limited communication about the scope and nature of those benefits.[13]

Effectively communicating how tax revenue is used is essential. LPAs and project developers can distribute factsheets or brochures, hold public workshops and webinars, or set up online display dashboards to educate the public on the positive impacts of clean energy projects, working with local community-based organizations to deliver this information effectively and in methods that are best suited for the local community. LPAs can also provide quantitative details of the beneficial impacts of the projects, such as tax distributions, job creation and local procurement benefits, aided by economic impact studies.

# Introduction to Negotiated Community Benefits

### Key Considerations for LPAs:

**What are the options for projects to provide additional benefits?**

Beyond the economic and environmental benefits that clean energy projects already deliver, developers sometimes choose to provide voluntary community benefits. These can take the form of CBAs, PLAs, or less formal agreements such as Community Benefit Plans (CBPs) or ad hoc benefits. With proper planning and diligent community needs assessments, these agreements can strengthen public acceptance of a project. However, if the negotiated process is not well coordinated or clearly defined, these arrangements can add complexity and cost without necessarily lowering project risks.

### Community Benefit Plans

CBPs are similar to CBAs but are non-binding plans and are not legally enforceable. CBPs typically outline general plans or aspirational goals instead of firm commitments.

Developers have expressed that they also provide voluntary ad hoc benefits to local communities throughout the lifetime of the project, not formalized through an agreement. These may be similar to the types of benefits provided in CBAs but may also involve activities like staff volunteer hours in nearby communities.

### Community Benefit Agreements

CBAs are legally binding agreements between developers and community group(s) that specify a range of benefits to be provided to the community. These can include minimum wage and hiring standards, community services, and open spaces such as funding for new parks or playgrounds. CBAs have been used in California in other sectors, particularly in industries like transportation, healthcare, entertainment, fossil fuels, and technology (e.g., Staples Center, Los Angeles International Airport).[14,15]

[13] Strategic Economic Research, "How to Prove Your Renewable Energy Development Will Revitalize Local Communities," https://www.strategiceconomic.com/news-release/how-to-prove-your-renewable-energy-development-will-revitalize-local-communities

[14] "Staples Center", HCBN, https://hcbn.ca/cbas-in-action

[15] "Community Benefit Agreement", LAWA, https://www.lawa.org/lawa-our-lax/community-benefits-agreement

While not required for projects undergoing local permitting, CBAs are becoming more common in the clean energy sector. Projects undergoing consolidated permitting through the CEC Opt-In Certification Program are required to establish CBAs and PLAs.

Community groups involved in CBAs can be any local coalitions of stakeholders, including neighborhood associations, faith-based organizations, unions, and environmental groups that aim to represent the interests of residents who are adjacent to proposed developments. However, identifying and defining which community groups should be involved is not always straightforward.

While CBAs can strengthen community engagement and project acceptance, and streamline permitting, they can also cause delays if there is disagreement about the CBA scope or content and put developers in an uncomfortable position of "picking winners" among many worthy causes. If the costs of negotiating and funding CBAs are not offset by other cost savings, such as property tax reductions, faster permitting or lower litigation risks, the result can be higher project costs that may be passed to ratepayers in the form of higher energy prices. Planning authorities should weigh these trade-offs and consider coordinated approaches to ensure benefits are delivered effectively and equitably.

CBAs can cover a wide range of benefit types. Examples include:

**Financial support**

Direct monetary contributions may be structured as a fee or payment per acre for solar projects, per turbine for wind projects, or based on system capacity (e.g., MW).

The Clean Coalition highlighted that some host communities would prefer to see electricity bill credits as part of a community benefits package. If credits are distributed to customers within a specified radius of the project, developers can deliver monthly benefits to host communities adjacent to project sites. This type of arrangement would require participation from the local utility or community choice aggregator and could face legal barriers, and has not been implemented to date.[16]

**Local community priorities**

Other types of community support may cover a wide range of priorities, including:

- contributing to the construction or operation of a community center, park, library, or food bank;
- partnering with environmental organizations for toxic substance cleanup or ecology restoration programs in vulnerable neighborhoods;
- improvement of local infrastructure, like roads;
- funding for affordable housing; or
- other public services.

A needs assessment that documents an impacted community's priorities can identify projects and help direct CBA funds.

### Project Labor Agreements

A PLA is an agreement between a developer and a labor union(s) that ensure fair wages, training opportunities, and a process for resolving disputes. This type of agreement can help build a skilled local workforce and keep projects on schedule through provisions for local residents to access jobs or training. PLAs can also require apprentices to shadow experienced tradespeople on projects, providing on-the-job training to grow a skilled workforce.

[16] "Leveraging Strategies to Bolster Community Support for Renewable Energy", Clean Coalition, https://clean-coalition.org/news/leveraging-strategies-to-bolster-community-support-for-renewable-energy/

# Considerations for Establishing and Distributing Community Benefits

### Key Considerations for LPAs:

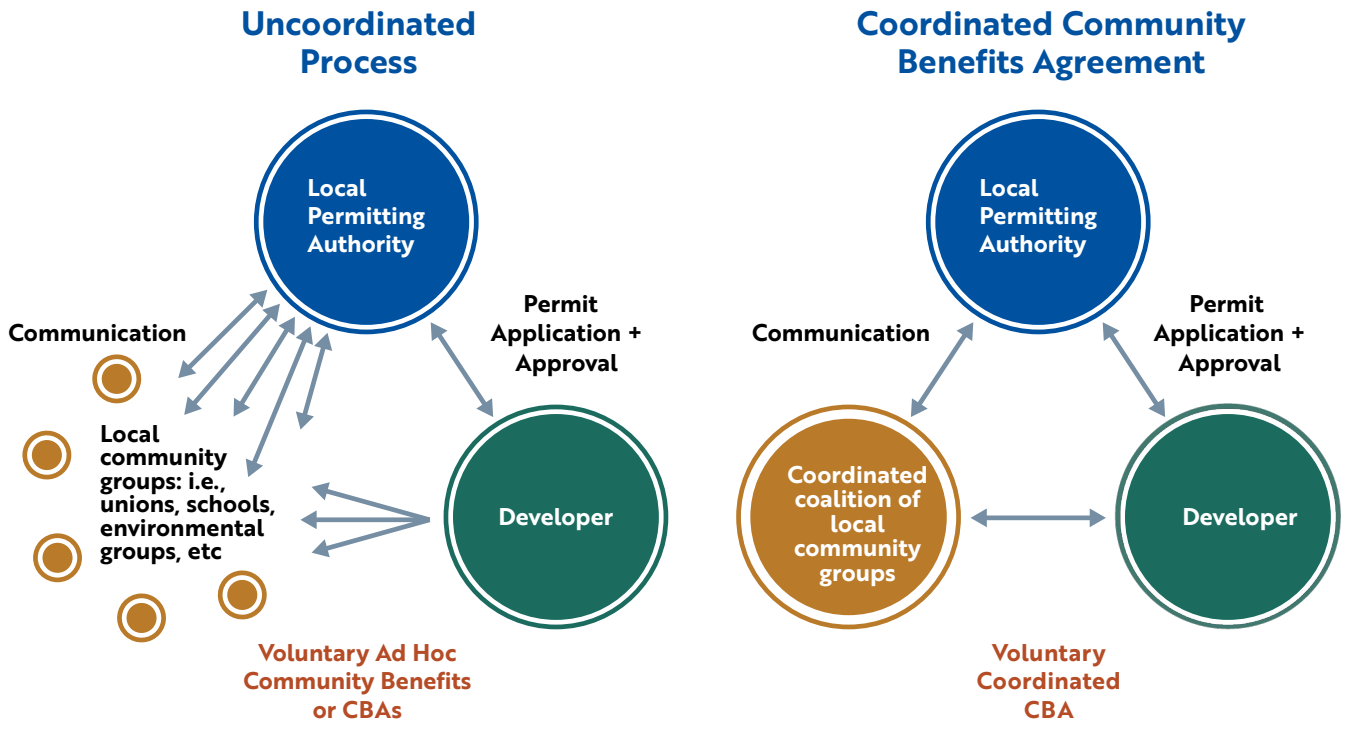
**If pursued in the local permitting process, how can CBAs be structured to support both communities and developers?**

CBAs and other forms of community benefits are not required in local permitting processes. However, their use is becoming more common for clean energy projects, especially for projects that undergo a consolidated permitting process. Poorly designed or poorly implemented agreements can lead to unintended negative consequences.

When pursued, a coordinated approach to developing benefits, guided by a coalition of local community groups or by the LPA, can increase community engagement and streamline permitting. Developers report that fragmented negotiations often delay projects and can put them in an uncomfortable position of selecting recipients among different (and sometimes competing) interests. Developers have also expressed concern about growing pressure to enter CBAs during local permitting, since CBAs are required in the CEC Opt-In Certification Program as part of the consolidated state permitting process, and due to the current property tax exclusion for solar projects, which ends on January 1, 2027. LPAs, in partnership with local community groups, can help communities organize and prioritize needs, facilitating more effective discussions with developers.

The figure below illustrates the existing process and an alternate option for project stakeholder relationships in the consideration and development of voluntary CBAs. The left panel illustrates an uncoordinated stakeholder engagement process, where ad hoc agreements can increase project costs, which are then passed down to ratepayers, and potentially cause delays. The right panel illustrates a more coordinated, community-centered approach. If a CBA or other formalized benefit agreements are pursued in the local permitting process, this process can streamline discussions and benefit both the developer and local community groups.

**Uncoordinated vs coordinated process for community benefits**[17]




[17] Original graphic idea adapted from: Good Jobs First, "CBA: Making Development Project Accountable," https://goodjobsfirst.org/community-benefits-agreements-making-development-projects-accountable/. Graphic revised for this guide.

While establishing a more coordinated framework would require significant effort and resources from community groups, as well as their local governments, the benefits could also be significant, in shared development goals and a standardized approach to project permitting that meets the needs of local communities and developers alike.

## Conclusion

Clean energy projects can provide many benefits to local communities, including tax revenue and job creation, improved air quality, and other quality-of-life benefits. Local planning authorities should clearly communicate these benefits to residents, providing quantitative evaluations where possible. LPAs should consider a range of benefit frameworks, from property tax revenue to CBAs, and assess which approaches would deliver the most value for their communities. With thoughtful consideration of different frameworks and effective coordination with stakeholders and developers, LPAs can advance both clean energy development and local well-being, for a just and efficient energy transition for California.

### Rural Communities Rising in Western Fresno County[18]

Rural Communities Rising (RCR) in Western Fresno provides an example of a community-centered approach to supporting the permitting process. RCR developed the PACT Framework (Project Acceptance Community Terms) to help streamline local clean energy project permitting while ensuring that disadvantaged rural communities have a voice in shaping outcomes. The framework highlights priorities such as local benefit delivery, workforce development, and stakeholder coordination. By aligning community interests with a streamlined permitting process, RCR illustrates one way that developers, LPAs, and communities can work together to achieve positive project outcomes.

[18] Rural Communities Rising, https://ruralcommunitiesrising.org