# Coalition for Our Water Future

## Whitepaper on the Use of Financial Incentives for Stormwater Fees in Los Angeles County

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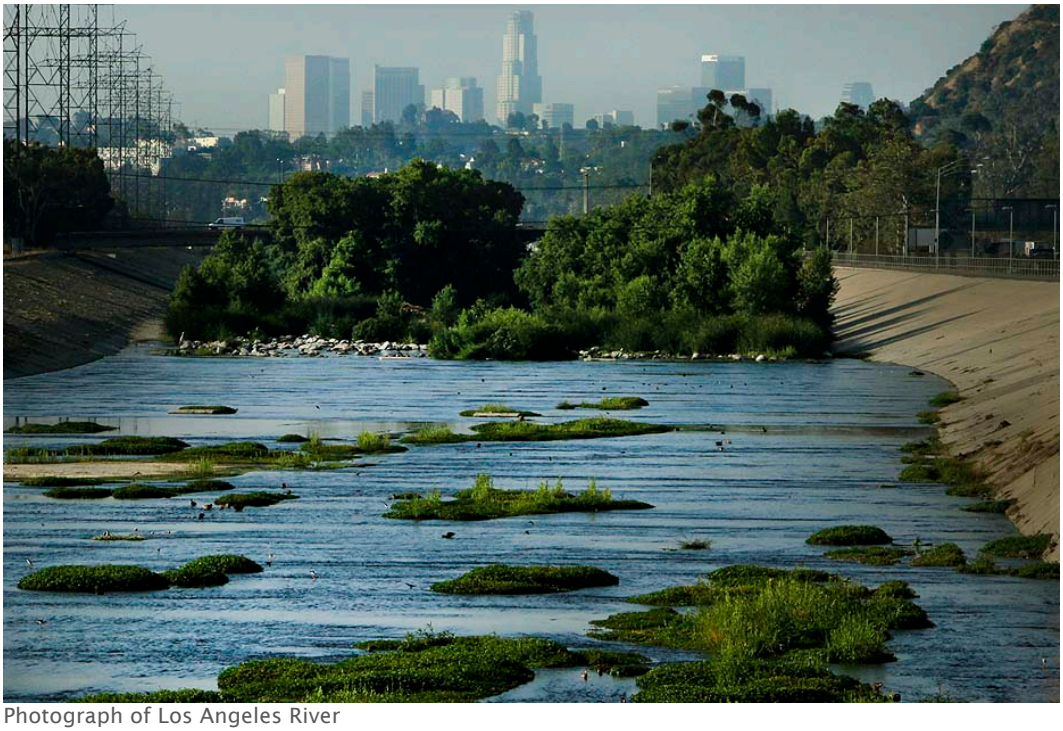

Photograph of Los Angeles River

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# Introduction

The Los Angeles County Flood Control District (LACFD) led a multi-year effort to develop a sustainable funding source for municipalities to manage stormwater programs and implement water quality improvement projects. In 2013, the effort led to a proposed parcel fee, the "Clean Water/Clean Beaches Measure." Members of the greater Los Angeles community provided numerous comments and suggestions on the measure, including asking whether this fee or tax could be reduced or eliminated if they were to manage stormwater on their private properties.

The Coalition for our Water Future (COWF) acknowledges the significant progress made by the LACFD to initiate and advance the complex discussion of a dedicated funding source for stormwater on a countywide basis. By producing this whitepaper, it is our hope that it will continue to advance the discussion and improve the likelihood of success of some future effort.

While new property development and the re-development of properties are already required to manage stormwater by State regulations that require them to capture, infiltrate, use, evapo-transpirate, or treat the 85$^{th}$ percentile rain storm (the standard used in the regulations), the question has been raised: "How can incentives be created for the implementation of comprehensive Stormwater Management Practices (SMPs) on private properties that are not undergoing new development or re-development?"

***This whitepaper outlines concepts for motivating private property owners to implement SMPs outside of development cycles, or to implement SMPs that manage offsite water, either during or outside a development cycle.***

As agencies and municipalities have developed Integrated Regional Water Management Plans to identify strategies that go beyond the regulatory requirements of the Clean Water Act and also augment local water supplies, mitigate flood flows, and adapt to a changing climate, they are concluding it will be necessary to capture, infiltrate, treat and/or use stormwater from existing properties that are not undergoing development or re-development. These types

of stormwater management strategies can be termed "retrofits," in that an existing property is modified to implement an SMP outside of a new property development or redevelopment scenario (what we call the development cycle).

This whitepaper outlines concepts for motivating private property owners to implement SMPs outside of development cycles, or to implement SMPs that manage offsite water, either during or outside a development cycle. The members of the COWF believe that those property owners, whose actions contribute to the regional goals of water quality, enhanced local water resources, demand reduction, climate resiliency and public safety, could be rewarded for their efforts. By practicing comprehensive stormwater management, these property owners provide a true "triple bottom line" benefit for people, the environment and our economy. Likewise, those property owners who haven't done so, could be motivated by financial incentives to join others in doing what they can and be similarly rewarded.

There are many ways that private property owners can beneficially manage stormwater. Opportunities for improvement depend on location, soil type, slope, size and current use of the property, among other factors. Each property has unique characteristics that can yield one or many opportunities that the owner could choose to enact. The resulting improvements should create a commensurate stormwater fee credit.

**The remainder of this whitepaper provides:**

1. An overview of what other cities and counties across the country are doing to support and reward property owners for improvements that manage stormwater beneficially.
2. Various incentive options for stormwater improvements that could be considered for residential, commercial, and industrial properties in Los Angeles County.
3. Lessons Learned from the Los Angeles County Clean Water/Clean Beaches Initiative in 2013.
4. Draft recommendations for those incentive options that best fit the opportunities for property owners in the county.

Definition of terms:
**Incentive** - Stormwater management program incentives are one time disbursements that compensate a property owner for "partnering" with the city to achieve a stormwater management objective, such as the installation of a rain garden, rain tank, infiltration trench or parkway basin.

**Credit** - A conditional, recurring reduction in the amount of a stormwater user fee to an individual property based on approved Stormwater Management Practice (SMP), a National Pollutant Discharge Elimination System NPDES industrial stormwater discharge permit, or proof of direct discharge outside of the service area.

## Overview of Stormwater Credit Programs

A stormwater credit program is a mechanism provided to property owners to reduce their stormwater charges in recognition of on-site stormwater management. Stormwater credits can be earned as a result of the implementation, operation, and maintenance of Stormwater Management Practices (SMP) that reduce a parcel's contribution of stormwater to a city's collection and conveyance systems. There are a variety of credit programs in use by stormwater utilities across the United States.

When developed properly, credit programs can help a utility** meet a number of objectives, such as:

- Increase acceptance of proposed stormwater fee programs;
- Provide incentives for on-site stormwater management;
- Allow customers increased ability to control their stormwater charge and enhance the validity of a user fee;
- Encourage practices and behaviors that support the utility's stormwater management policies and objectives.

Credit programs, by allowing a reduction to a customer's bill, provide an economic incentive to promote stormwater management activities that serve to reduce the burden a property imposes on the stormwater system.

Credit programs vary significantly in the types of the credits offered, including:

- **Quantity credits** – This type of credit is offered to properties that through SMPs reduce the peak rate and/or volume of stormwater runoff discharged from the property. Examples include cisterns, and detention/retention ponds that hold the stormwater runoff and provide for a gradual infiltration, release or reuse.
- **Quality credits** – This type of credit is offered to properties that reduce pollutants in stormwater runoff through SMPs. Examples include infiltration basins, constructed wetlands, vegetative swales, and pervious pavements.
- **Education credits** – This type of credit is offered to schools/school districts for developing and adopting curriculum specific to stormwater management education to students.
- **NPDES credits** – This type of credit is offered to properties that have been issued an industrial NPDES permit for their business operations and are in full compliance with the permit requirements and/or exceed the permit requirements.
- **Green credits** – This type of credit is offered for SMPs that manage stormwater and/or reduce potable supply demand. Examples include rain grading, greywater systems, trees, green roofs, and infiltration planters.

### *Considerations when Developing a Credit Program*

Credit programs in use by stormwater utilities vary significantly in both the scope and nature of the program. Several factors need to be considered in any analysis of a potential program.

For instance:

- What are the goals of the credit program?
- What property types will the program cover (e.g. residential, commercial, industrial, open space, etc.)?
- Will the program recognize both “quantity” and “quality” related stormwater management?

- Will credits be provided for facilities/activities that meet the City's existing stormwater management requirements for property development or only for those management practices that "go above and beyond" the minimum requirements?

### *Determination of the Goals of the Credit Program*

An effective stormwater credit program needs to be fully aligned with the overall stormwater management mission and goals of the utility. For instance, does the utility strive to pursue a regional approach to stormwater management, developing regional detention/retention facilities? If so, the utility may not want to implement a credit program that includes incentives for individual or site specific facilities. Conversely, a utility that wishes to encourage distributed stormwater management may wish to include a credit program that provides economic incentive for implementation of such facilities. Similarly, if the utility intends to promote and integrate green solutions, then the stormwater credit program can be aligned to include credits for such green solutions. It is likely that an effective stormwater management program will include a portfolio of SMPs that range from small, onsite SMPs to mid-sized 'green streets' to larger regional facilities.

### *Program Reach*

In many municipalities, stormwater credit programs are offered primarily to non-residential customers only. Typically, residential properties have relatively less property area when compared with non-residential properties and consequently, while much of the total land area is residential, the level of stormwater fees for each individual single-family residential property is fairly low. Administration of a credit program requires periodic inspections and audits to ensure that the stormwater management systems for which credits are provided are fully functional. Conducting such audits and inspections has been viewed as challenging due to the large number of such properties. Development of mechanisms that facilitate residential audits is an important factor in developing a broadly applied program. Non-residential property owners with large properties and high levels of impervious surface cover will have higher stormwater fees, and thus may have a higher economic incentive to undertake required activities. For the utility, auditing and inspecting the number of such properties is considered manageable from an administrative standpoint.

### *Evaluation of Eligible Activities*

The utility needs to determine whether credits will be provided for facilities or activities that address quantity-related concerns (total flow) and peak rates of flow only, or also address the quality-related issues that are required to be met by federal legislation, and other stormwater associated climate impacts. Most commonly, credits have been given for volume of retention/detention basins and peak flow reduction of stormwater. A few utilities provide credits based on quality-related concerns. It is expected that as utilities continue to implement programs to meet federal water quality requirements and adapt to climate change, the use of credits to encourage activities related to these improvements will become more prevalent.

### *Impact of a Credit Program*

When a stormwater utility implements a credit program, a primary goal is to induce customers to install SMPs or otherwise manage their property in a manner that help manage costs to the utility as a whole. The increased use of on-site detention, for instance, could reduce the need for a utility to design and construct costly regional detention facilities. Oftentimes, the benefits are not immediate, but rather result in a system-wide, long-term reduction in costs. It is therefore extremely important to anticipate the level of participation in the credit program over time and calibrate the size of the stormwater fee against likely credit program participation levels in order to maintain a balance in the overall impact on the utility's operational costs.

** For purposes of this section, "utility" serves as a catch-all for the entity imposing and managing the fee.

# Potential Incentive Options for Stormwater Improvement

The following section includes suggestions or options to be considered for residential, commercial and industrial properties in Los Angeles County, followed by some general recommendations.

### *Residential Land Uses*

Residential property owners can be motivated by various factors. Single-family homeowners and owners of multi-family residential properties are all motivated by lower water bills and enhanced property values. However, stormwater management measures that are appropriate for high-density residential properties have more in common with those for commercial properties. High-density multi-family residential properties should be characterized as commercial under any fee program. Single-family and low-density residential homeowners are also typically motivated by a variety of more localized, personal drivers such as the potential to have a vibrant, low-water dependent landscape, reduce local flooding, increase tree canopy and local habitat, or the knowledge that their actions help create a healthier, more climate resilient community*.

Accomplishing a paradigm shift in residential land use practices has significant value. Individual residential properties may seem small in relation to individual commercial or industrial sites, but in aggregate they comprise nearly 60% of the developed land in the County. If residential properties can effectively manage stormwater on-site, the need for expensive regional facilities will decrease. With stormwater management distributed more evenly across the region, municipal retrofits of streets and waterways will become more the feasible and cost effective as their management burden decreases.

***Engaging residential property owners in becoming partners in local water resource management is critical to accomplishing our regional goals.***

Engaging residential property owners in becoming partners in local water resource management is critical to accomplishing our regional goals. Building trust, eliminating barriers to participation, and making investments in education

are key components to success. Increasingly over the last century, residents were encouraged and conditioned *not* to think about where their water comes from or where it goes. Investing in education that reconnects them to the fundamentals of their relationship to water and land use in the region is an important first step that should precede any fee proposal. Existing barriers to participation must be recognized and sufficiently addressed in advance of any fee adoption.

Residential properties are well suited to retrofits that can accomplish multiple benefits. A program that encompasses all aspects of residential water management will be more meaningful to residents, and ultimately be more effective and efficient to manage. Goals could include: Clean Water Act compliance to the regulatory storm event; on-site management of a minimum two-year storm; groundwater recharge; potable supply demand reduction to 55 gpp/pd.

If retrofits are to be designed and implemented according to a site's characteristics and to accomplish program goals, property owners will require comprehensible tools, tailored for the general population: clear guidance; consistent metrics; accessible resources; affordable solutions; simplified permitting; and credit for compliance. Various avenues of participation and types of support should be made available to accommodate the diverse abilities of the population.

*A 2013 poll by the Public Policy Institute of California found that a record-high majority (75%) of voters support immediate action by state and federal governments to prepare for climate impacts. A 2014 USC Dornsife/LA Times poll found that 89% of Californians surveyed characterized the drought as a major problem or crisis, and 45% supported raising water rates to promote conservation.

The following options could motivate residential property owners to retrofit their own parcels for resilience, help manage local street runoff, and reduce demand for imported water supplies.

### *Raise Requirements for New Development*

- In recent years, Cities and Counties have adopted LID ordinances requiring new & re-developing properties to modify traditional building practices and implement on-site measures to help meet Clean Water Act requirements. These ordinances could be amended to address the imperatives of today's

more comprehensive challenges, such as requiring new developments to manage specific volumes of runoff, limit impervious surface cover, include greywater stubouts, implement rain grading or parkway basins and use climate appropriate landscaping. Properties developed under the original ordinance could receive credit for going beyond those bottom line requirements. Continuous compliance would be required and periodically reviewed as part of the permit. Properties that fall out of compliance would be penalized and proceeds would be utilized to offset the costs of verifying compliance and administering the program.

*Credits for Retrofitting Residential Property*

- Residential property owners who implement and maintain stormwater management measures would receive a credit, or fee reduction, up to a set cap. Metrics would be employed to establish the maximum possible credits earned for each category: Quality (regulatory event), Quantity (runoff managed for two-year storm, groundwater recharge), Climate (potable reduction, impervious surface/heat island reduction, native plants). Additional credits could be earned for managing stormwater in the Public ROW (parkway basins), and for Education (time bank, public tours, signage, etc.). Compliance would be reviewed and credits renewed annually. Properties that fall out of compliance would be penalized at twice the value of the credit received.

*Incentives to Residential Property Owners to Fund Retrofits*

- Provide cash rebates to cover some percent, or all of residential retrofits. This is being done currently through incentive programs provided by MWD and LADWP for water and energy efficient appliance upgrades, rain tanks, and lawn removals. This scenario would be in line with those existing mechanisms. Incentive programs could be expanded to cover parkway basins, rain grading, infiltration trenches, impervious surface reduction, and greywater systems. Through a combination of incentives, the owner can fully retrofit for resilience. Projects would have to meet specified criteria for stormwater management and potable demand reduction. Funds can be allocated based on a variety of benefits realized so that projects with greater co-benefits can receive higher priority for funding. This can be part of the funding package.

*Educate, Inform, and Ease Voluntary Retrofits*

- Provide services to educate, inform, and assist private property owners with retrofits. This provides the context for voluntary retrofitting by persuading property owners of the value to themselves and the community. A portion of the fee would support an ongoing education and assistance program that helps residential property owners to select, design, install and maintain any combination of strategies that accomplish the goal of on-site water capture, conservation and reuse. Engaging non-profit partners to take the lead in this area will establish a higher level of trust amongst residential property owners.

- A range of services would be made available, starting with the development of a new chapter in the existing LID Guidebook for voluntary residential retrofits, geared towards the general population. Standardized plans and guidance that provide sufficient parameters for quality assurance will be included in the document, along with information on site-specific constraints like slope and other criteria. Simple instructions will be provided on how to calculate the property's runoff value, select and size the appropriate retrofits, and on how to either accomplish the retrofit, access assistance, or hire someone to do it. Maintenance requirements will be outlined as well.

- These same guidelines would be made more accessible through an online portal available in both English as well as Spanish. Online tools, including a GIS-based property map interface and calculators, would make the process exponentially more accessible. Step by step instructions, how-to videos, schedules of workshops, access to incentives, examples of successful projects, streamlined permitting, and the ability to securely register projects with the program and apply for credits are all technologies that can be deployed.

- Ongoing hands-on workshops can be provided through a collaborative partnership with several non-profits. Neighborhoods in high priority areas (based on infiltrative soils, TMDL issues, local flooding, DAC communities) could be eligible for higher levels of support. Households that may still require additional support could earn incentive credits through time banking.

- Resource centers could be established in each major subwatershed where materials for retrofits could be purchased, educational events could be held,

experts could be on hand to answer questions, time bank or education credits could be earned, and green job training could be co-located.

- This is Water LA's "urban acupuncture" approach. The educational aspect of this can improve the implementation of non-structural best management practices as well as achieve widespread voluntary installation of parcel scale retrofits. Somewhat analogous programs are Watershed Management Group in Tuscon, AZ and Daily Acts in Petaluma, CA.

*Inspect for Residential Compliance*

Inspecting large numbers of residential properties may appear challenging. However, various mechanisms for accomplishing periodic inspections to verify the performance of residential SMPs might be developed as part of the funding package program and maintained with a portion of proceeds from the penalty:

- Train and utilize staff already deployed to read water meters to do a visual inspection of SMPs when they read meters and provide warnings/citations for SMPS observed to be in decline.

- Provide a training and certification program for SMP and landscape maintenance service providers to design, install, maintain and certify SMP performance. This would provide a relative seamlessness of practice for property owners that already utilize such a service. Any certified maintenance provider that failed to properly maintain a SMP would share the penalty with the property owner and lose certification.

- Storm drain meters could provide both volumetric and pollutant load data at a subcatchment level. Areas where flow volumes or pollutant loads exceed expectations (based on registered SMPS in the subcatchment) could receive additional scrutiny.

*Ordinance Driven Retrofits*

- Pass an ordinance requiring all private properties to be retrofit for resilience by 2025. This would provide a 10-year runway for property owners to comply before the ordinance took effect. In the interim, all property owners would be subject to the stormwater fee and hence be eligible to take advantage of incentive programs offered. Early compliance would result in commensurate fee credit. The ordinance would establish a penalty mechanism for non-

compliance to offset some of the costs of verifying compliance and administering the program. The remainder could be funded from the general fund, much as most stormwater programs are currently funded. An analogous ordinance is the City and County of San Francisco's Soft Story Retrofit Ordinance, passed on the basis of promoting the health and well being of the citizens. This ordinance requires all buildings that meet specific criteria to install seismic retrofits within a specified timeframe.

### *Commercial and Industrial Land Uses*

To motivate an individual, it is important to understand what motivates them. Different types of land owner/operators have different motivations. Industrial and commercial land owner/operators own and operate on their parcels in order to earn a profit. In order to motivate them, it is important to create incentives that will improve their profits. These can be short-term profits or longer term profits.

When studying the environmental behavior of business owners, one observes that they will invest in environmental focused improvements if the investments will result in either:

- A short term reduction in operating costs, such as in the case of lowering energy or other utility costs, or reducing the time or expense required to expand production, or
- An increase in their longer term brand premium allowing them to increase sales, prices, or both, when customers will purchase their goods in lieu of goods produced by less environmentally sustainable organizations.

Businesses generating profits within a County or City enjoy certain amenities that allow those profits to be derived. Specifically, in the case of stormwater quality, the prior development of the parcel for the establishment of the business operation did not take into account the need to manage the runoff from the parcel to prevent exceedances of water quality objectives or the loss of local water resources. The operator of the parcel may be increasing the pollutant load, preventing groundwater recharge and enjoying profits from those operations without incurring the costs to the community.

Given this, the following conceptual incentives can potentially be used to motivate industrial and commercial landowners or operators to make modifications to their parcels to manage their own stormwater and/or collect off site stormwater to treat on their parcel, either within or outside of a re-development cycle. Note that these conceptual incentives would not relieve any industrial or commercial property owner or operator from meeting current permit obligations. These conceptual incentives would be for the owner or operator to do more than they are currently required to do.

### *Reduce Fees or Taxes for Retrofits*

- Reduce fees or taxes paid by the property in return for installation of retrofits. In this scenario, the property owner is offered a reduction in some utility fee or taxes in return for constructing a retrofit on their property to meet some water management goals. The best-published example of this system is the City of Philadelphia's program. The City of Philadelphia has a stormwater fee they assess based on impervious surface. This fee is sufficient for the City to construct water capture and infiltration systems for the water that runs off the private property. In many subcatchments, the City does not have sufficient space in the public right of water to construct such systems. Therefore, they will reduce the fee charged to private property owners if they private property owners construct retrofits on their properties. The City has recently added additional incentives for qualifying projects in the form of some grant funding due to the fact that the cost of many retrofits was higher than the reduction in stormwater fees.
- Provide additional reductions in fees or even payments for capturing offsite water and infiltrating, using, or treating offsite water.

### *Incentives to Developers to Fund Retrofits*

- Provide expedited planning commission discretionary permitting, expedited real property entitlement acquisition, expedited CEQA, expedited ministerial permitting, expedited processing of variances, and/or reductions in community development fees, taxes, or other applicable fees to developers should they retrofit properties outside of the proposed development in the same subcatchments as their proposed development. In this scenario, the City or County would provide incentives to a developer to retrofit properties not part of their proposed development. The incentives can be in the form of

things the City or County can control as noted above. It is important to note that for some developments, the developer may have a strong commercial interest in securing and building out the location they have selected. Offering to expedite various entitlements, CEQA, and permitting can be strong incentives in and of themselves.

Cities and states are known to provide financial incentives to attract specific developments to their communities, particularly those developments that generate jobs. Cities and Counties are also known to sometimes require new developments to upgrade public infrastructure. This scenario would be in line with those already used processes. The developer already has a desire to build in a subcatchment. Through a combination of incentives, the developer can retrofit existing properties.

### *New Development Retrofitting Existing*

- Require developers to retrofit properties that are not part of their development as part of the permits the City issues for the new development. This is similar to requiring developers to upgrade public infrastructure as part of new development when that infrastructure is under capacity for the existing development in vicinity of the new development.

  One issue here is maintenance of the retrofits. If the additional property is a public park, school, or serves as functional floodplain, the City or County can offer to maintain it as an incentive to the developer.

### *Creation of Tradable Credits*

- Pass an ordinance capping the discharge of stormwater from properties based on zoning codes. Charge for every additional cubic foot of stormwater and pound of pollutant discharged. If a property owner builds a retrofit to manage stormwater volumes or reduce pollutants to below specified thresholds, they receive tradable credits that other upstream property owners within the same subwatershed may buy in lieu of installing retrofits.

### *Fund Retrofits*

- Allow the use of public funds to cover some percent of retrofits on private lands. This can be done in the form of local grants or through partnerships with NGOs. Proposed projects would have to meet City or County specified

criteria for stormwater capture and prevention of discharge of pollutants. Funds can be allocated based on a variety of benefits produced by the project so that projects with greater co-benefits can receive higher priority for funding.

This type of program has not been implemented widely. There are some examples of projects that are somewhat analogous. For example, the friends of the Winooski River in Wisconsin were able to secure funding to retrofit a hardware store parking lot to infiltrate water, which solved a stream erosion problem.

### *Ordinance Driven Retrofits*

- Pass an ordinance requiring private properties generating runoff that cause or contribute to an exceedance of the program goals to install retrofits. Runoff generation is based on land use and the current use of BMPs at the property. An analogous ordinance is the City and County of San Francisco's Soft Story Retrofit Ordinance. This ordinance requires all buildings that meet specific criteria to install seismic retrofits to within a specified timeframe. The ordinance also creates a fee for administering the program. The ordinance was passed on the basis of promoting the health and well beings of the citizens of San Francisco.

  In this scenario, the City or County would do the necessary technical studies to determine which properties were causing or contributing to exceedances of water quality objectives. Based on the studies, the City or County would identify the damages to natural resources and human health and welfare that is occurring due to these discharges. The City or County then would craft and pass an ordinance requiring retrofits of those categories of properties within a specified timeframe.

  To fund administration, the ordinance would likely need to have a penalty mechanism that would offset some of the administrative costs. It is generally not possible to offset all administrative costs with penalties alone. Some administrative costs would need to be funded from the general fund, much as most storm water programs are currently funded.

# Lessons Learned from the Clean Water/Clean Beaches Initiative

Much can be learned about the potential for employing financial credits as part of any stormwater fee by reviewing reactions by interested stakeholders to the "Clean Water/Clean Beaches Measure" fee proposal prepared by the LACFD staff in 2013.

The following summary of comments from these stakeholders provides several insights into the future public acceptance of new stormwater fees in Los Angeles County and how incentives could increase public acceptance.

### *Commercial/Industrial Property Owners*

Prior to and during the Los Angles County Board of Supervisors' hearings on the proposed Los Angeles County Clean Water/Clean Beaches stormwater fee, the Los Angeles County Business Federation (Biz Fed) raised a series of comments about the proposal, including the issue of appropriate credit for work already done. Biz Fed formed a special task force that reviewed the proposal and met numerous times with County staff to discuss their comments and make suggestions for improvements to the measure. Large property owners were particularly concerned about the credit issue. Those that had installed structural best management practices (BMPs) in order to comply with standard urban stormwater mitigation plans (SUSMPs) and/or industrial permits did not want to pay twice. They suggested that developments with low impact development (LID) provisions should have reduced fees.

Biz Fed members suggested that the 25% credit for the municipal portion of the fee originally proposed was much too low. They proposed an 80% credit of the total fee with the possibility of a greater than 100% fee if off-site water were captured by facilities constructed by commercial and industrial property owners. County staff eventually agreed to an 80% credit, but it was based on the 85$^{th}$ percentile storm requirement of the 2012 MS4 Permit and not the 0.75 inch SUSMP requirement pursuant to which most existing stormwater capture facilities had been constructed. One engineering consultant firm calculated that this made the credit actually worth about 60%. The strength of the business community's concerns about credits for completed work indicates that credits should be large enough to be perceived as fair and worthwhile to property

owners and that fees should be tied to regulations that were in place when projects were built.

However, property owner desires for significant credits for on-site stormwater capture projects will need to be balanced with municipal concerns that the credits not be too large. In particular, municipalities are emphasizing the need to receive sufficient fees to handle pollutants from the local streets and highways used by customers of the commercial and industrial properties that receive credits for their on-site stormwater quality work. City managers and elected officials involved in the development and review of the Stormwater Funding Options report prepared for the California Contract Cities Association and the Los Angeles County Division of the League of California Cities expressed concern with any fee credit over 80% unless substantial stormwater discharges from city streets were handled by facilities for which fee credits are given.

### *Environmental Groups*

Over the course of many years, environmental groups worked with LACFD staff to develop and refine an effective and equitable fee program. Areas of focused discussion where progress was made included: the calculation of the fee; the inclusion of credit and incentive programs; the development of project selection criteria; and the percentage of fee revenue allocated to administrative costs.

Other areas of discussion included: the makeup and governance of the Oversight Board and Watershed Authority Groups; maximizing project co-benefits; the inclusion of school properties; early outreach and ongoing education; funding to encourage and support collaborative partnerships; job training for local youth employment; reorganizing (and rebranding) the Flood Control District as a Watershed Management District; and the inclusion of water supply, water conservation, and climate resilience in the program goals.

### *Community Groups*

A number of community organizations submitted comments to the County Board of Supervisors, suggesting that a stormwater ordinance should structure its funding allocation priorities in a manner that maximizes the co-benefits (to local communities, economies, and environment) of parcel retrofits for stormwater

management. Groups requested that funding for retrofit projects be allocated in a manner that prioritizes jobs for at-risk youth and contracts for small local businesses. In addition, they suggested that set portions of the funds should be allocated to projects that provide direct benefits to disadvantaged communities and projects on lots less than ten acres in size. They also requested that funds be dedicated to community education and engagement programs, with an emphasis on neighborhood-scale projects, sustained engagement with adults through NGO partnerships, and addressing schools' needs.

### *Schools*

The response by school districts to the proposed Los Angeles County Clean Water/Clean Beaches stormwater fee, especially from the Los Angeles Unified School District, indicated that a special credit system for schools will likely be necessary to prevent school districts from opposing any stormwater quality fee proposal that includes schools. A number of school district and community college representatives expressed concern that the assessments would be paid from their general operating funds. They thought that it was unlikely that the State would increase the amount paid per student to pay for a stormwater quality assessment, which would result in the districts having to reduce funding of personnel and programs. Credits for school districts will likely have to include credit for stormwater educational programs. Credits for school districts could include fee waivers in exchange for long-term rights to construct capture and infiltration or capture and use projects under playgrounds and sports fields. This type of credit may also need to be paired with liability relief if off-site water is accepted since school district attorneys have expressed concern over future liability for soil and groundwater contamination.

## Draft Recommendations for Those Incentive Options That Best Fit The Opportunities For Property Owners in the County

1. **Primary Policy Recommendation**
    a. Any new stormwater fee or tax should be based on the principle that properties pay a fee according to their relative impact on stormwater runoff volumes and quality.
        i. For example, if two properties, Property A and Property B, are equivalent in every way, except that Property A has adopted SMPs and manages stormwater more thoroughly than Property B, Property A should pay less than Property B.
2. **Lower Fee vs. Credits**
    a. The Primary Policy can be met by adjusting fees, providing credits, or providing incentives.
    b. We recommend providing credits and incentives.
    c. Both the credits and the fees need to be large enough to induce change.
3. **Types of Credits**
    a. Quantity, quality, and green credits should be included.
    b. Credits or incentives could apply to both onsite and regional SMPs
    c. Credits could exceed 100% if sufficient off-site water is safely managed.
4. **Outreach and Support**
    a. The credit and incentive programs should be backed by robust outreach efforts that:
        i. Educate property owners in advance about the need for the fee and make the public aware of available credits and incentives to lower their fee.

ii. Help property owners employ SMPs at the lowest possible cost by providing a wide array of technical assistance that meets the different needs of different types of property owners. (for example, homeowners modifying their parkway will need very different support than owners of shopping centers.)

**5. Considerations for Fees and Credits**

a. The entity imposing the fee should use a portion of the fee to create a program to evaluate all requests for credits and incentives.

b. The criteria for granting credits and incentives should be simple enough for property owners to evaluate and decide if they should apply.

c. Commercial/industrial credits for on-site capture may need to be capped at a total less than 100% due to street pollutants generated from vehicles visiting stores, malls, business parks etc.

**6. Processing of Credits and Incentives**

a. Properties seeking credits or incentives will need to apply online for credits or incentives.

b. The program should be designed and funded so that credits and incentives are approved within 90 days of receiving a complete application from a property owner.

c. Properties pay their fee at the end of each year. Credits will be applied on a pro rata basis for qualifying projects approved during the previous year.

d. If a property owner has applied for credit or incentive within 180 days of the fee payment date, the property owner should pay no fee until their credit or incentive application has been processed.

**7. Variations for Different Types of Properties**

a. Properties with Industrial Water Quality Permits

i. Since these properties are already required to employ water quality BMPs, they receive some automatic credit. When volumes are also managed, credits can increase.

b. Schools

i. Credits could also include credit for stormwater educational programs and water efficiency upgrades.

ii. Credits could include fee waivers in exchange for long-term rights to construct capture and infiltration or capture and use projects under playgrounds and sports fields.