A MARKET FOR STORMWATER CREDITS?

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Metropolitan Planning Council

The Nature Conservancy
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Metropolitan Water Reclamation District of Greater Chicago

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Background

- MWRD's Watershed Management Ordinance includes stormwater management requirements for new developments:
  - Volume Control
  - Detention
- Ideally these stormwater features can be incorporated directly into a development site
- But in some cases this presents challenges
  - For example, when space is limited and there is no room for a detention basin
  - In these cases an off-site solution may be a feasible alternative
- The WMO currently allows for off-site mitigation for detention
- Proposed amendments to the WMO would allow for off-site mitigation for volume control

Purpose of this Project

- Currently off-site mitigation involves a specific agreement between the development site and a mitigation site
- This may present challenges for the developer who must find a mitigation site and negotiate the terms of the agreement
- Would a **market or exchange for stormwater credits** facilitate this process, and lower transaction costs?
- Would such a market help foster infill development?
- And could it result in “green” practices in subwatersheds where stormwater controls are cost-effective and environmentally beneficial?

Is this Happening in Other Places?

- Washington D.C.
  - ordinance requirements for volume control
  - set up a system for generating and selling credits to developers who are unable to implement required volume control measures at their site
- Detroit
  - implementing a new system that allows for off-site mitigation
- Chattanooga, TN
  - stormwater ordinance requiring stormwater capture and keeping onsite (Stay-on-Volume or SOV)
  - set up a system for water quality volume trading via Credit Coupons on the open market earned by exceeding a baseline SOV

Storm Store

- ***Storm Store*** is a name coined by TNC and MPC for a possible market or exchange for stormwater credits
- We have recently initiated work to evaluate the feasibility of a ***Storm Store*** market or exchange in Cook County
- Funding assistance provided by Grand Victoria Foundation

Storm Store Feasibility Study

- Three components of the evaluation:
- Policy Analysis
- Real Estate Demand Analysis
- Land and Hydrological Analysis ("Opportunities Map")

Storm Store – Policy Analysis

- Led by MPC
- Identify key features of successful credit programs, best practices, and lessons learned from credit programs in other regions and other trading scenarios
- Identify and evaluate primary issues related to the structure of a possible credit system for Cook County

Storm Store – Real Estate Demand Analysis

- Led by consultant (TBD) administered by The Nature Conservancy
- Evaluate project permits from past several years to identify situations where developers would have benefited from or would have utilized off-site mitigation if the opportunity were available and easily implemented
- How much demand would there be for purchase of credits?

Storm Store – Land and Hydro Analysis

- Led by MWRD
- Where in Cook County are there sites well-suited for detention or volume control?
  - Areas where costs would likely be very reasonable, e.g., space is available
  - Areas which have stormwater challenges which could benefit from detention or volume control
- Evaluate the subwatershed area limit as a reasonable and practical boundary for establishing opportunities for detention and volume control trading

Storm Store Feasibility Assessment

- Look across the three components of the evaluation work and assess the need for (or potential for) a market or exchange for stormwater credits
  - Would there be significant demand for the purchase of credits?
  - Would there be sufficient supply for the sale of credits?
  - How would the program best be set up? How might the exchange work?
  - What changes to the WMO may be appropriate to accommodate a credit system?

Timetable

- Three components of the project proceed concurrently, beginning in January 2017
- Check-in across the three components in March 2017
- Complete Phase 1 of the Policy Analysis in March 2017
  - Comments on the WMO, as appropriate
- Complete Real Estate Demand Analysis and Opportunities Analysis by July 2017
- Look across the three study components
- Do further work on the structure and functioning of a market or exchange if demand and supply seem to indicate Storm Store would be feasible and beneficial Begin August 2017

Potential Benefits

- Implement stormwater control measures where they can produce valuable results
- Re-use marginal land
- Make infill and TOD less expensive
- Reduce development costs

Questions / Suggestions