A MARKET FOR STORMWATER CREDITS?
JANUARY 2017
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