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Subject: CH2M Review Comments on the Stormwater Control Transfer Program: Out of the Basin, Draft Guidance

Dear Ms. Dettelbach:

Ch2M is pleased to provide review comments on the draft guidance document entitled, "Stormwater Control Transfer Program: Out of the Basin. Draft," (May, 2015).

### **Purpose of the Document**

"This document lays out features of an alternative program (a Stormwater Control Transfer Program) that Western Washington State municipal stormwater Permittees (Permittees) can implement to satisfy permit requirements associated with flow control, runoff treatment, and/or low impact development triggered at new and redevelopment sites. This stormwater management approach directs rehabilitation efforts to watersheds within a jurisdiction (referred to as priority watersheds) where they will provide more immediate environmental benefit."

### **Review Comments from an Economist's Perspective on Requirements to Successfully Implement Stormwater Regulatory Incentives**

This review should not be considered comprehensive, but rather the perspective of one economist. The intent of the alternative program is consistent with sound economics and I believe it could move stormwater management in a positive direction by providing flexibility and incentives for reducing the costs and time lags of achieving watershed improvements. Therefore, I read the document with the aim of considering what it might take for the program to be successful.

To be successful with implementing stormwater regulatory incentives, several requirements must be met. The Stormwater Control Program was reviewed and assessed in relation to such requirements as follows:

1. Stormwater ordinance includes the flexibility to allow offsite alternatives for achieving desired improvements in flow regimes and protection of resources.

*Yes. “The goal of this innovative stormwater management approach is to direct rehabilitation efforts to watersheds (referred to as priority watersheds) where they will provide more immediate environmental benefit. At the same time, the approach prevents further degradation in all watersheds. As individual priority watersheds meet rehabilitation goals, remaining watersheds are prioritized for improvement until all of the municipality’s watersheds have been rehabilitated to target levels (P. 9-Draft)”*

2. Stormwater ordinances must be stringent enough to create a potential for viable incentives. Without requirements, there is no incentive to find a more economical approach to implementation.

*Yes. The stormwater permit requirements are to improve the site (or transfer site) to a pre-development standard. This requirement goes beyond maintaining conditions to the pre-project standard.*

3. A plan that identifies priority watersheds, BMPs and locations as well as expected proportional benefits of each BMP in achieving target flows, run-off and LID requirements.

*Partial. The Stormwater Control Transfer Program provides guidance on identifying and defining a priority watershed for receiving the improvements as well as the performance standards that must be met at the specific site within the watershed. It is up to the municipality to make the case for the priority watershed and the permittee has the choice of whether to identify the location for the necessary stormwater management measures or purchase the equivalent capacity within a previously constructed facility. The availability of the option to purchase credits will contribute toward reducing the transaction costs of the transfer program thus encouraging transfers. However, if no such regional facility with capacity is available, high transaction costs may limit transfers.*

4. Establishes clear responsibility for monitoring requirements.

*Yes, but if the requirements are asymmetric, this will discourage transfers. The permittee is required to develop a monitoring plan to measure the effectiveness of improvements in the priority watershed(s) where stormwater facilities have been constructed under a Stormwater Control Transfer Program. Does the permittee have a similar monitoring requirement to measure the effectiveness of stormwater facilities constructed at the project site? If not, applying this monitoring requirement for transfers but not for on-site improvements will discourage transfers as it will increase the cost of a transfer relative to an on-site improvement.*

5. A common metric or performance standard to allow comparison of the onsite versus offsite stormwater management that will provide the basis for establishing a Permittee’s contribution toward implementation of offsite alternative stormwater management.

*Yes. The Document provides specific procedures for the permittees to follow to calculate the credit earned by regional or equivalent stormwater facilities built in priority watersheds.*

6. Preliminary design/estimated costs and required property control for offsite BMPs.

*Partial. Design requirements are specified, but not the costs of implementing the measures necessary to meet the requirements. It is up to the Permittee to determine whether or not there is a cost advantage to the transfer option. This will tend to increase transactions costs and discourage transfers. However, as previous observed in comment #3, where it is possible for the permittee to purchase credits from a regional facility in a priority watershed, the transaction costs are minimized and trades become attractive.*

7. Permittee and regulator awareness of the flexibility of the onsite stormwater discharge Requirements.

*There was not sufficient information to evaluate the level of awareness of the stormwater control transfer program.*

8. Site redevelopment cost comparisons that allow or favor offsite compared to onsite control of stormwater discharges.

*The document did not provide any information to support potential cost advantages from offsite control. Such information or a reference to where such information could be found, would be a useful addition to help permittees understand the value of investigating the offsite options.*

9. Agreements that include, contingency agreements, instruments to minimize uncertainties, and responsibility for long-term maintenance of offsite BMPs.

*Partial. Permittees must verify the long-term operation and maintenance of those offsite stormwater runoff treatment and flow control BMPs/facilities constructed as part of a Stormwater Control Transfer Program. However, the document did not discuss how this requirement would be enforced.*

In summary, the guidance incorporates the critical economic features for facilitating transfers, especially in those instances where the municipality has identified regional stormwater management facilities in priority watersheds that have a cost advantage over smaller on-site facilities elsewhere. By publicizing the cost advantage of purchasing credits, the municipality can reduce transaction costs and encourage trades. Further efficiencies may be gained by decreasing monitoring costs as well as maintenance costs as these activities would become more centralized. The effect of increasing trades supports the environmental objective of expending watershed improvements in priority watersheds. Thank you for the opportunity to review this stormwater control transfer guidance document.

Regards,

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Senior Principal Economist  
CH2M