Water Quality Resonates with Voters

- Drinking Water: 89%
- Water Quality/Rivers/Streams: 87%
- Natural Lands/Areas: 84%
- Wildlife: 84%
- Preserve Historic Lands: 78%
- Public Access (water): 75%
- Farms/Ranchland: 75%
- Park Improvement (General): 74%
- Scenic Views: 72%
- Open Space: 71%
- Of Specifically Named Parcel/Area: 69%
- Bike, hike, walk, ride trails: 69%
Research Study: CWSRFs and Land Conservation

- Doris Duke Charitable Foundation asked the Trust for Public Land to research the following question:
  
  - “What is the potential of the CWSRF to support more investments in land conservation that can address nonpoint source pollution?”

- Project Team: The Trust for Public Land, Evergreen Conservation Finance, New Forests, Inc.
Financing Land Conservation with the Clean Water State Revolving Fund System
Research Process

• Review of National Information Management System (NIMS) Data on CWSRF

• Closer Examination of 12 States (California, Florida, Georgia, Illinois, Iowa, Massachusetts, Missouri, North Carolina, Ohio, Oregon, Pennsylvania, and Texas.
  – Review of state statutes and regulations and IUPs
  – Personal Interviews with CWSRF administrators
NPS Assistance as a Percentage of Total CWSRF Assistance, 1988-2008

- Point Source: 96%
- NPS: 4%
Key Questions

• Why have most states not used their Clean Water SRF capital to address NPS pollution?

• What are the states that lead in lending for NPS pollution reduction doing differently?

• Where does land conservation fit into the NPS picture?
Land Conservation Can Only Be Funded if it Fits into State NPS Management Plan

- Clean Water Act Sec. 1329
- ID navigable waters which cannot meet water quality standards in the absence of NPS pollution control
- identify the sources of NPS pollution in those waters
- identify best management practices (BMPs) to reduce that NPS
- Establish a four-year management program for controlling the identified NPS pollution, including a means of implementation and a schedule of milestones.
Success Stories: Land Conservation and CWSRF

• State Programs:
  – Ohio Water Resource Restoration Sponsor Program
  – Georgia Land Conservation Program
  – Virginia Land Conservation Loan Program
  – New Jersey Environmental Infrastructure Finance Program

• Innovative State Projects
  – New York: Catskills Watershed ($27m loan 1996)
  – California: Conservation Fund – Mendocino ($25m loan, 16k acres 2006)
  – Iowa: Iowa Natural Heritage Foundation loans
The Project: 4,000 acres of municipal watershed land protected July 2000
- 480-acre Betty’s Neck property in Lakeville adjacent to 3,500 acres of conservation restrictions on adjacent watershed land already owned by New Bedford and Taunton.

CWSRF Role: $600k loan to City of Taunton, part of $9m plus total cost (Incl. $6.55m state grant)
Private Development -- 230 acres of riparian stream corridor protected using CWSRF (OH)

- $1.1 million in CWSRF loans to Hidden Creek Ltd to fund a variety of projects that protect the Big Darby Creek (OH) watershed
- NPS projects supported: vegetated swales, restoration of the wooded stream corridor, establishment of emergent wetland habitat.
- 230 acres of riparian stream corridor put into NRCS easement
Local Stormwater Utility (Port Angeles, WA)

- $400k 0% CWSRF loan made to City of Port Townsend, WA
- Protected 15.5 acre Winona Wetlands slated for development; alleviated potential stormwater management problem
- Repayment made within 5 years came from portion of City’s $5 stormwater fee

Source: Jefferson Land Trust
Local Governments with Dedicated Tax

- Southampton, NY -- $30m loan
- Easthampton, NY -- $20m loan
- Zero Interest loans made in 2002 with repayment from local REET
- Political leadership from Gov. Pataki made this possible
Georgia Land Conservation Program

- $55m loan fund capitalized using CWSRF
- $11m in loans currently in circulation
- Short term bridge loans now allowed to nonprofits
- Ex/ Etowah River – City of Euharlee borrowed $180k to protect 16 acres; repayment using SPLOST sales tax
Ohio Sponsorship Program

Ohio’s Innovative Approach to Conserving Land to Protect Water Resources

Mechanics of the Ohio EPA Water Resource Restoration Sponsor Program

Protection Through Partnership with the Trust for Public Land

Landowner

TPL secures an option to buy the targeted property from the current landowner.

Trust for Public Land

The Ohio EPA Water Resource Restoration Sponsor Program (WRRSP) funds are provided to the permanent conservation steward for the purchase of the property through the sponsor’s WPCLF loan. The WRRSP funds are an advance on future interest payments due from the Sponsor’s loan.

Permanent Conservation Steward (Implementer)

TPL buys and conveys the property to the permanent conservation steward, which is typically a unit of government, but can also be private non-profit entity.

Sponsor

Through the Ohio EPA and the Ohio Water Development Authority, the State of Ohio provides a low-interest Water Pollution Control Loan Fund (WPCLF) loan to the sponsor for its wastewater treatment project.

State of Ohio

Ohio EPA and Ohio Water Development Authority

The State of Ohio reduces the interest rate on the sponsor’s loan by 0.1%
Enabling Conditions to Boost NPS Lending

- Leverage
- Legal authority to lend for NPS and to private entities
- A robust system for monitoring both point and nonpoint water pollution
Challenges of Using CWSRF Framework to Support Land Conservation

State Legal Barriers

- Nonpoint Source Mgt. Plan
- Financial and Economic Barriers
  - Limited Loan Capacity
  - Huge Demand for aging POTWs
  - Credit Risks
  - Lack of Demand for NPS
Challenges of Using CWSRF Framework to Support NPS

- Technical Barriers
  - High Transaction Costs
  - Difficulty Monitoring and Quantifying NPS Pollution Abatement
  - Lack of NPS Carve Out
  - Cultural Barriers
The Incremental Approach: Using Array of Existing Techniques to Boost NPS

- Sponsorships (addresses credit risk)
- Linked deposit loan systems (address transax. cost)
- Ranking NPS projects with point source projects on integrated IUP
- Partnerships with other agencies to source and evaluate NPS projects (addresses technical staff capacity)
- Requiring by regulation or policy a set-aside of SRF funds for NPS project assistance
The Big Bang Idea

- Give permittees the option of:
  - A) meeting a portion of any required pollution abatement through financing NPS projects  OR  
  - B) Require point source borrowers to borrow an additional % of the capital sought to finance NPS projects

- Repayment would be financed by ratepayers of the permittee.
  - This eliminates credit risk, transaction cost, and other key barriers to increasing CWSRF investment in NPS pollution.
Middle of the Road Option: The OH Model

- Pursue widespread adoption of OH Model
- OH Sponsorship Model is only CWSRF program that broadly supports land conservation
- Is there a way to encourage more adoption of OH Model?
Next Steps

- TPL study examining potential of forest conservation
- Concerted Implementation effort in targeted states
  - States with track record (NJ, GA, VA, NY, CA)
- Identifying Demand
  - Identification of potential borrowers
The Key Question: Who will borrow from CWSRF?

- Land Trusts?
  - Pre-acquisition/bridge funding
- Real Estate Developers
- Forest Land Owners?
- Community Forests?
- Local Governments w/dedicated o.s. taxes?
- Public Water/Sewer Utilities?
- Power Plants?
- Game Preserves
Can Land Conservation Make Water and Sewer Infrastructure Last Longer??

- Example: Milwaukee Metropolitan Sewerage District Greenseams Program – 1.3b gallons of water stored in protected areas, slowing stormwater release

<table>
<thead>
<tr>
<th>WATERSHED</th>
<th>ACRES</th>
<th>MMSD EXPENDITURES</th>
<th>GRANTS LEVERAGED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Michigan</td>
<td>23</td>
<td>$602,256</td>
<td>$2,256,500</td>
</tr>
<tr>
<td>Menomonee River</td>
<td>1,420</td>
<td>$8,104,009</td>
<td>$2,542,526</td>
</tr>
<tr>
<td>Milwaukee River</td>
<td>362</td>
<td>$2,938,405</td>
<td>$1,705,124</td>
</tr>
<tr>
<td>Oak Creek</td>
<td>92</td>
<td>$298,206</td>
<td>$14,000</td>
</tr>
<tr>
<td>Root River</td>
<td>357</td>
<td>$3,119,856</td>
<td>$1,112,646</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,254</td>
<td><strong>$15,062,732</strong></td>
<td><strong>$7,630,796</strong></td>
</tr>
</tbody>
</table>