

Handout 14: Incentives

The purpose of this handout is to present PWD's current and planned incentives programs and potential options for alternative incentives.

Overview

In the first six meetings, we grappled with big picture items that affect the rate and non-residential ratepayers, such as cost allocation. These are the major “dials” we are tuning in to address equity and rate relief concerns expressed by PWD ratepayers. At meetings 7 through 9, we turn to some of the more targeted dials: incentives and credits. The meeting 7 topic is the PWD incentives program. CAC members have, throughout our process, expressed interest in an effective incentives program to encourage stormwater management on private property.

As described in this handout, PWD has incentives in place today and plans to implement a suite of additional incentives soon. PWD is interested in implementing the most effective incentives program it can using the pool of resources available for incentives. Thus, PWD desires your feedback on the types of incentives that are most attractive to ratepayers and are most likely to be used to make positive changes on private property to improve stormwater management (volume reduction and quality improvements).

Attached to this handout you will find two appendices with a series of worksheets for your analysis of three sets of incentives:

1. Current incentives
2. Planned incentives
3. Other potential incentives PWD could implement

Each worksheet provides a brief synopsis of the incentive, associated costs and the currently known pros and cons. We respectfully request each member to complete the worksheets prior to the meeting. Your feedback will help PWD to craft an incentives program that matches property owner interests and needs with PWD focus areas.

During the meeting, please be prepared to talk about the current, planned and potential incentives. We will collect your completed worksheets at the end of the meeting so that we can capture the full range of thoughts you may have on these incentives. Thank you!

Review: What are incentives?

Incentives are typically one-time monetary or other rewards (but could be ongoing) that support local desires to encourage owners to support community goals. In this case, we are talking about incentives to support stormwater goals that benefit all PWD ratepayers. But because the city's stormwater goals relate closely to other citywide, environmental goals, incentives can also support these broader goals as long as they also result in a stormwater benefit (e.g., planting more street trees). For example, the implementation of green infrastructure throughout the City meets the goal of reducing flow to the CSO system while also contributing to beautification, reduction in the city's heat island effect and carbon footprint, and potentially positively impacting property values.



What does PWD want to incentivize?

PWD has two major focus areas for stormwater incentives: reducing flow to combined sewers to meet the goals of Green City Clean Waters and increased water quality treatment to improve and protect watershed health.

Reducing Stormwater Flows: As previously discussed in Handouts 4 and 6, the implementation of PWD's Green City Clean Waters Program is being implemented over the next 25 years. Through the use of green stormwater infrastructure and targeted traditional infrastructure, the program is designed to provide many benefits to the public and the environment even beyond the regulatory compliance and ecological restoration goals of reducing overflows to Philadelphia's waterways. Green stormwater infrastructure furthers the City's long term goals and fits with the City's overarching policy direction embodied in Philadelphia's "GreenWorks" plan. In support of these programs, PWD wants to incentivize the construction and implementation of green stormwater infrastructure on private property to meet both the goals of the Green City Clean Waters Program as well as assist the City in achieving the broader economic, social, and environmental goals set forth in the GreenWorks plan. Specifically, PWD wishes to incentivize:

- Implementation of green stormwater infrastructure on private property
- Disconnection of directly connected impervious surfaces
- Minimization of impervious surfaces
- Good open space management (as previously discussed in Meeting #6)
- Environmental Stewardship

Protecting Watershed Health: Stormwater runoff has been identified as the number one pollutant to our nation's rivers and streams. PWD wants to encourage the implementation of stormwater quality treatment devices or systems on private property. Green infrastructure, which absorbs and detains stormwater in natural ways, is the City's preferred method for sustainable stormwater management, as this practice provides multiple environmental and community benefits.

PWD's Current Incentives

The City has instituted standards, incentives and programs to encourage green infrastructure and water quality treatment. As summarized in the descriptions provided below, each of these programs have costs and impacts associated with them to PWD and depending on the program – to the City as a whole. Appendix A includes worksheets for your assessment of these incentives. The current incentives programs include:

- **Green Roof Tax Credits:** The Philadelphia City Council, which has been working to address stormwater management costs, passed an ordinance in 2007 granting tax credits to businesses that install green roofs on

their buildings. The credit can be claimed against an applicant's Business Privilege Tax for the year in which the green room is completed. The credit is for 25% of the cost of installing the green roof, up to \$100,000

- **Budget/Fiscal Year Costs to Date:** N/A – Administered by the Department of Revenue
- **Current View:** Three properties/businesses are participating. Several property owners (e.g. PECO, Drexel and Temple University) would be eligible for both the Tax Credit and IA Credit but have not applied.
- **Reduced Stormwater Plan Review Standards:** Stormwater regulations passed in 2006 require all developers planning to use ground space of 15,000 square feet or more to submit stormwater plans early in the permitting process. Any redevelopment projects reducing directly connected impervious area by at least 20 percent are exempt from standard Channel Protection and Flood Control Requirements.
 - **Budget/Fiscal Year Costs to Date:** Administration cost is covered by review fees during approval process.
 - **Current View:** Revisions aren't necessary at this time. Partial disconnection is frequently used on redevelopment projects for exemption of the channel and flood protection requirements. 20% disconnection threshold is under review.
- **Fast-track Development Project Review:** Projects with 95 percent or more of the impervious area disconnected from the combined or separate storm sewer can qualify for a fast track review process in which the stormwater management section of the project will be reviewed within five days of submittal.
 - **Budget/Fiscal Year Costs to Date:** Administration cost is covered by review fees during approval process.
 - **Current View:** A few projects have utilized this process. Only applies to Stormwater Review and does not extend to other City approvals including other PWD Departmental approvals (e.g. private sewer review). Projects must typically utilize green roofs, porous pavement and disconnected paved areas to meet the requirements of this program. City is working to further streamline the review process across Departments.
- **Impervious Area-Based Stormwater Fee and IA credits:** Philadelphia has revised its stormwater billing system to account for the amount of impervious cover in the City belonging to non-metered customers such as parking lots and utility right-of-ways. The reallocation of stormwater charges is being implemented over a four year period which began in 2010. Coupled with this change is an ordinance offering fee credits to customers who install Green Infrastructure practices that reduce impervious cover. Impervious area credit of up to 100% is available.
 - **Budget/Fiscal Year Costs to Date:** Cost covered by PWD general administration budget. The current total revenue reduction from IA credits is \$4,417,476.
 - **Current View:** Retrofits needed to achieve credit are generally viewed as being too expensive to construct and design. Returns on investment/reduction in stormwater charges do not offset capital costs. This subject will be further discussed during CAC Meetings #8 and 9, which focus on the current credits programs.
- **Free Assistance Program:** The Philadelphia Water Department provides free assistance through site inspections and design recommendations for green retrofits that allow customers to obtain fee credits. Program minimizes up-front costs to developers for preliminary evaluation and concept design, including evaluation of available credits.
 - **Budget/Fiscal Year Costs to Date:** PWD budgeted \$660,000 to the free assistance program last year, which is administered by PWD's consultant. This budget is exhausted every year because of high demand from potential applicants.

- **Current View:** PWD considering expansion of current program, which has been widely used and may warrant a full time position if handled internally. However, according to staff, only one retrofit has ultimately been implemented and credited via the program. PWD's contractor provides a preliminary/non-engineering review only - detailed design is not covered by the program. Retrofits are often viewed as being too expensive. Further awareness and education is still needed about the program.
- **Stormwater Management Incentive Program:** PWD offers incentives to private non-residential parcel owners to implement stormwater management best practices through a low-interest loan program administered by Philadelphia Industrial Development Corporation.
 - **Budget/Fiscal Year Costs to Date:** Fiscal Year 2011 Budget - \$5M. Fiscal Year 2012 Budget - \$5M. Loan requests to date total \$700,000.
 - **Current View:** While this incentives program was implemented largely at the request of business owners, few have taken advantage of the financing offered.

Planned PWD Incentives Programs

PWD's is considering several additional incentives programs, which are currently in the development stage. The complete details on these programs are not yet available but once formalized they will be presented to the public for feedback and further comment. We will discuss those applicable to non-residential parcels.

- **Stormwater Retrofits Grant Program:** Similar to the current low interest loan program, PWD is considering a grant program to assist private property owners fund the cost to design, construct and implement stormwater management best practices (SMP) on non-residential property located within the combined sewer areas of the city. The details of this program are currently being developed, but at a minimum potential grant recipients will be required to satisfy PWD's criteria for cost effectiveness (one potential metric is cost per cubic foot of runoff management) and volume reduction. Implementation of this program is contingent upon legal review and approval.
- **"Stormwater Pioneers" Recognition Program:** PWD would like to develop a recognition program for property owners who are proactive and at the forefront of stormwater management and have installed green infrastructure on their property. While PWD recognizes that property owners are wary of making changes on property and not seeing return on investment, PWD wants to help publicize and support those who do.

In addition to these incentives, PWD had previously agreed to evaluate various options for residential incentives programs via pilot studies during the last rate case. The currently planned Residential Stormwater Incentives Pilot Program is envisioned to be similar to Washington, D.C.'s RiverSmart. D.C.'s RiverSmart program established a cost share program for private and residential development properties to fund the construction and installation of GI practices such as rain barrels, rain gardens and planter boxes. The District Department of the Environment (DDOE) handles the design and construction of the selected practice, while the owner signs a maintenance agreement and is charged a co-pay for the installation of the BMP that varies with the cost of the BMP. Owners currently do not receive credit on their stormwater charge but are recognized as good stewards of the watershed. This program will be shared in a public forum geared to residential customers versus the current CAC which is focused on commercial/non-residential customer issues.

Potential Incentives Programs: What are other Cities doing?

Incentives are a creative tool municipalities can use to encourage larger City planning and policy objectives such as the use of green infrastructure practices on private property. Since both the people incorporating LID and the sites on which LID is used are diverse, this diversity should also be demonstrated in the different types of

incentives available to attract those individuals. The main types of incentives used across the country are discussed below with specific examples provided in [Table 1](#).

- **Development Incentives:** These incentives are offered to developers within the framework of land use or development regulations and often remove or decrease fees, requirements, or steps in the permit process. These incentives can also be used to encourage green infrastructure beyond the site scale by encouraging aesthetically pleasing and sustainable neighborhoods, and compact, mixed use community designs.
- **Grants:** Grant programs can be used to directly fund site-specific green infrastructure practices on private property as well as neighborhood and municipal scale projects.
- **Stormwater and Other Fee Discounts:** Required stormwater fees are reduced based on the property owner’s reduced need for service via a reduction in impervious area and volume of runoff through the use of green infrastructure.
- **Rebates and Installation Financing:** Rebates and financing provide incentives and encourage the use of specific practices based on priority to the environment and the community. Example practices include cisterns for water conservation and green roofs to mitigate urban heat island effects.
- **Awards and Recognition Programs:** These incentives highlight successful examples of green infrastructure in a community. Awards are provided to recognize green infrastructure practices that focus on sustainable strategies for stormwater mitigation, water quality protection, watershed restoration and water conservation and reuse.
- **Free Assistance:** Municipalities can provide free assistance for implementing green infrastructure in the form of outreach and education.

Table 1 – Example Incentives Programs

Incentive Type	Examples
Development Incentives	<p>Zoning upgrades: Seattle, WA offers a “Density Bonus” incentive for downtown commercial, residential, and mixed-use development for greater height and/or floor area if a LEED (Leadership in Energy and Environmental Design) Silver standard or higher is met.</p> <p>Expedited permitting: Chicago’s Green Permit Program reviews permits that meet certain LEED criteria much faster, sometimes in as few as 30 days.</p> <p>Reduced Stormwater Requirements: Knox County, TN grants credit for utilizing vegetated channels for water quality treatment. Site designers will be able to subtract the areas draining to a vegetated channel and channel area when computing water quality volume requirements.</p> <p>Floor Area Ratio Increase: Chicago, IL buildings are eligible for a floor area bonus which increases the expansion of the ratio of floor area of all principal buildings to the total area of the lot upon which such buildings are located. To be eligible for this program the proposed green roof must meet certain</p>

Incentive Type	Examples
	coverage requirements.
Grants	<p><u>Dedicated Grant:</u> Lexington, KY dedicated an initial amount of stormwater user fees to fund a grant program that awards \$1.5M per year for projects that improve water quality, address stormwater runoff and educate the public about these issues.</p> <p><u>Private Funding for Grant:</u> Indianapolis, IN setup a Green Infrastructure Grant Program with \$100,000 of grant money available per year from dedicated funding contributed by a private company.</p>
Stormwater and Other Fee Discounts	<p><u>Stormwater Fee Reduction:</u> Columbus, OH provides a reduction in stormwater service fees if the ratio of Total Parcel Area to Runoff Surface Area (impervious area) is at least 30:1.</p> <p><u>Property Tax Reduction:</u> Baltimore, MD gives a 40, 60, and 100% tax credit for LEED Certified buildings for 3 years or up to \$1M in total incentives.</p> <p><u>Sales Tax Exemption:</u> Austin, TX allows for an exemption of sales tax for equipment, supplies and services used solely for water conservation.</p> <p><u>Reduced/Waived Application Fee:</u> Mecklenburg County, NC offers permit fee rebates to projects with proof of LEED certification. Rebates increase proportionately to the level of certification achieved.</p>
Rebates and Installation Financing	<p><u>Rebate for LID Installation:</u> Montgomery County, MD offers up to \$1,200 per single-family lot or up to \$5,000 per multi-family or commercial lot for installation of rain gardens, cisterns, green roofs, native plants, shade trees, and permeable pavement.</p> <p><u>Rain Gardens for Rock Island:</u> Rock Island, IL gives \$4/sq. ft. of rain garden and if a rain garden is incorporated in the original design the City will supply one for free.</p>
Awards and Recognition Programs	<p><u>Recognition Program:</u> Portland, OR recognizes environmentally friendly businesses through its <u>Eco-logical Business Program</u> by providing shop display packages, press coverage, listings on the program web site, and promotion on the radio and at public events.</p>
Free Assistance	<p><u>Green Infrastructure Web Resource Center:</u> Indianapolis, IN provides a web resource center to educate and provide guidance to multiple target audiences. The Center provides the following: City Projects, Guidance Documents (stormwater and transportation), Typical Details, Incentive Programs, Cost Comparisons, Rain Garden Resources, and Other Ways to Get Involved in the</p>

Incentive Type	Examples
	<p>Community.</p> <p><u>Technical Assistance:</u> Portland, OR offers a Stewardship Program in which staff members assist individual property owners with revegetation and onsite stormwater management projects. Students assist property owners in developing site designs, identifying and applying for appropriate local, state and federal permits, and identifying volunteers or other resources to implement the project.</p> <p><u>Dedicated Review Team:</u> King County, WA has a green team of staffers with green building and LID expertise that review building and development proposals.</p>

In the attached appendix for this handout, a series of factsheets on various programs used Nationwide are provided. These incentives have been evaluated according to metrics such as ease of implementation, affordability (in terms of lost revenue to PWD), and have been given an overall recommendation of high, medium or low. An example of the incentive's use in another jurisdiction is also provided in the factsheets.

Ideas for discussion

As noted in previous sections, PWD wishes to incentivize the implementation of green stormwater infrastructure on private property. As you review this handout and the accompanying appendix, please consider the following questions:

1. Of the various examples presented, what type of incentive program would entice me to install green stormwater infrastructure on my property?
2. How far does the incentive program need to go to make the return on investment worth it?
3. Which of PWD's current incentives programs appeals most to me as a property/business owner and properties like mine? Are there any adjustments in the current programs that would make them more attractive?

CAC Meeting 7

In CAC meeting 7 we will discuss your thoughts and opinions and analysis of the current, planned and potential incentives.

