

Limitation on SRC Generation by DDOE-Funded Stormwater Retention BMPs

Background

DDOE offers numerous programs that fund, either wholly or in part, the creation of stormwater retention capacity, either through installation of best management practices (BMPs) (e.g. green roofs, bioretention, permeable pavement, and stormwater harvest-reuse systems) or conversion of land cover (e.g. converting impervious surface to compacted or natural cover).

These DDOE stormwater funds are limited to those projects installing retention capacity voluntarily and not for sites regulated under the 2013 Rule on Stormwater Management and Soil Erosion and Sediment Control (2013 SW Rule, available at ddoe.dc.gov/swregs), unless those regulated sites are exceeding their regulatory obligations. This ensures that DDOE's stormwater funds provide benefits to District waterbodies in excess of what regulated sites are required to achieve.

Similarly, for projects that DDOE supports with stormwater funds after the finalization of the 2013 SW Rule, DDOE has committed to limiting the generation of Stormwater Retention Credits (SRCs), since those SRCs can be sold to a regulated site to achieve its regulatory obligations. If DDOE-funded retention capacity does not generate SRCs, then that retention capacity provides a benefit for District waterbodies that is in excess of the benefit being achieved by regulated sites. Limiting SRCs for DDOE-funded projects also helps reduce the competitive disadvantage for SRC-generating projects that are not subsidized by DDOE.

By limiting SRC generation by a DDOE-funded BMP for a period of time, DDOE can recoup the stormwater retention value of its funding, without permanently removing the incentive for maintenance. For example, assume that DDOE provides \$1,000 to support the installation of a BMP with 100 gallons of SRC-eligible retention capacity and that the SRC market price is \$1.00. If SRC generation were not restricted, the BMP could generate 100 SRCs annually, worth \$100, and it could generate 1,000 SRCs over 10 years, worth \$1,000. If DDOE prohibited the BMP from generating SRCs for that 10-year period, then DDOE would have recouped the stormwater retention value of its \$1,000 investment.

A permanent prohibition on the generation of SRCs by DDOE-funded retention capacity that would otherwise be SRC eligible would have the unintended consequence of removing the incentive for maintenance that comes from the recurring opportunity to certify SRCs every three years. This would be undesirable, since maintenance is critical for retention capacity to perform as designed and to continue providing benefits to District waterbodies. Consequently, DDOE has decided to limit SRC generation to 50% of the SRC-eligible retention capacity for DDOE-funded retention capacity until DDOE has recouped the stormwater retention value of its investment.

Limitation

SRC-eligible retention capacity funded with DDOE stormwater funds is limited to earning SRCs for fifty percent (50%) of the SRC-eligible retention capacity until DDOE recoups the full

stormwater retention value of its funding, based on the annual average SRC market price. For example, 1,000 gallons of DDOE-funded SRC-eligible retention capacity applying for three years' worth of SRCs (the maximum period for which SRCs can be certified) would be able to receive 1,500 SRCs. For each year of that period, DDOE would recoup a stormwater retention value equal to 500 times the annual average SRC market price, expressed as: $50\% * 1,000 * \text{annual average SRC market price}$.

Notes:

- This limitation only applies to projects that DDOE funds with stormwater funding after July 19, 2013. Projects that DDOE funded prior to July 19, 2013 will not be subject to this limitation.
- DDOE stormwater funds include stormwater impervious fee revenue, bag bill fee revenue, and federal funding for stormwater management.
- DDOE will calculate the annual average SRC market price and apply it each year as described above to determine the stormwater retention value that has been recouped by DDOE.
- After DDOE has recouped the stormwater retention value of its funding for a project, this limitation no longer applies to the project.
- If DDOE recoups the stormwater retention value of its funding for a project partway through a year, DDOE may pro-rate SRCs for the project, assuming the project applies for SRCs and remains eligible.
- This limitation will be included as part of the terms under which DDOE provides stormwater funding, and will transfer to subsequent owners of the property.
- This limitation is intended for BMPs that would otherwise satisfy SRC eligibility requirements, including having a Stormwater Management Plan (SWMP) approved by DDOE. If a DDOE-funded BMP that is initially not SRC eligible subsequently becomes SRC eligible, this limitation would be applied at that point. For example, if a RiverSmart Homes project without a SWMP subsequently has a formal SWMP approved and meets the other eligibility requirements, DDOE would calculate the stormwater retention value of the project back to the date of installation.