



**SAFE CLEAN WATER PROGRAM**

**Credit Trading Program (CTP  
Stakeholder Workshop)**

**June 13, 2022**



# Workshop Agenda

- 🚰 Workshop Objectives
- 🚰 Safe Clean Water Program Overview
- 🚰 Credit Program Overview
- 🚰 Draft Credit Trading Program Overview
- 🚰 Credit Trading Scenarios
- 🚰 Next Steps / Timeline
- 🚰 Opportunities for Engagement
- 🚰 Q & A (~15 minutes)
- 🚰 Open mic – direct feedback from participants (~20 minutes)



# Today's Objectives

- 🚰 Introduce members of the public to the Draft Credit Trading Program (CTP)
- 🚰 Gather and respond to initial questions / feedback
- 🚰 Provide information about how to engage in the future

# POLL #1 - INTRODUCTIONS

I am here representing... (select all that apply)

- Myself
- A nonprofit
- A Municipality/Public Agency
- A Developer
- A Design Firm
- A Community-based organization
- Just interested
- Other (write in)





# Safe, Clean Water Program

The Safe, Clean Water Program provides local, dedicated funding to increase our regional water supply, improve water quality, and enhance our communities.

## History

- ☞ Measure W passed November 2018
- ☞ Implementation of SCWP is ongoing

## Funding

- ☞ 2.5 cents per square foot of impermeable area

## Vision

- ☞ Modernize LA County's 100-year-old water system to better protect public health and our environment, and maximize a cleaner, locally controlled water supply

## Mission

- ☞ **Capture** more of our stormwater
- ☞ **Clean** our stormwater before it reaches our beaches and coastal waters
- ☞ **Make it Safe** by helping to eliminate pollutants and chemicals that flow into the ocean
- ☞ **Make it for Everyone** by protecting waterways and create green space

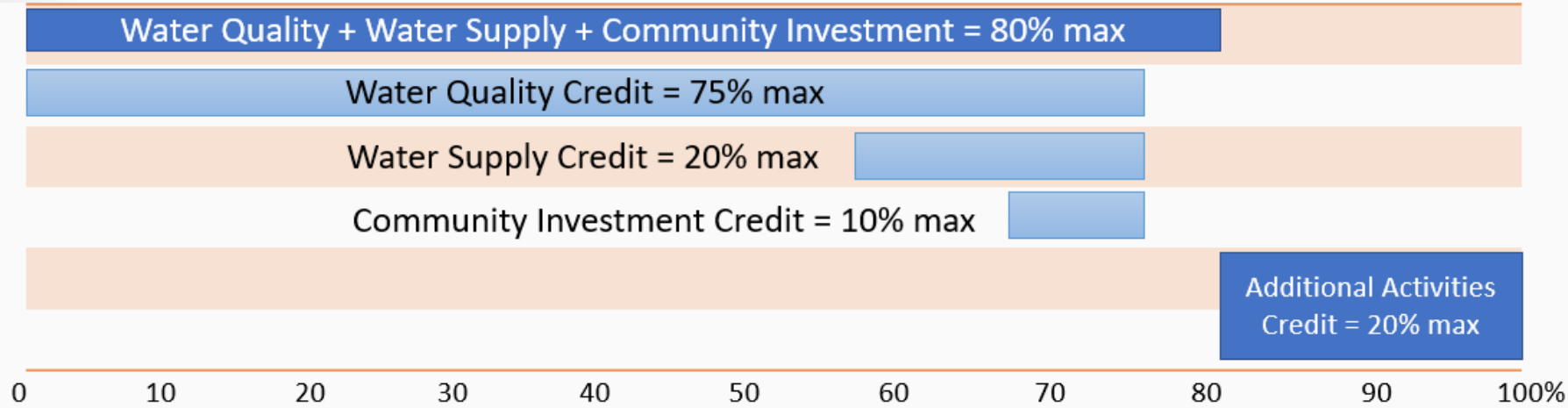
## Goals

- ☞ There are **14 goals** outlined in Chapter 18 of the SCWP Implementation Ordinance
- ☞ <https://safecleanwaterla.org/resources/documents-board-actions/>

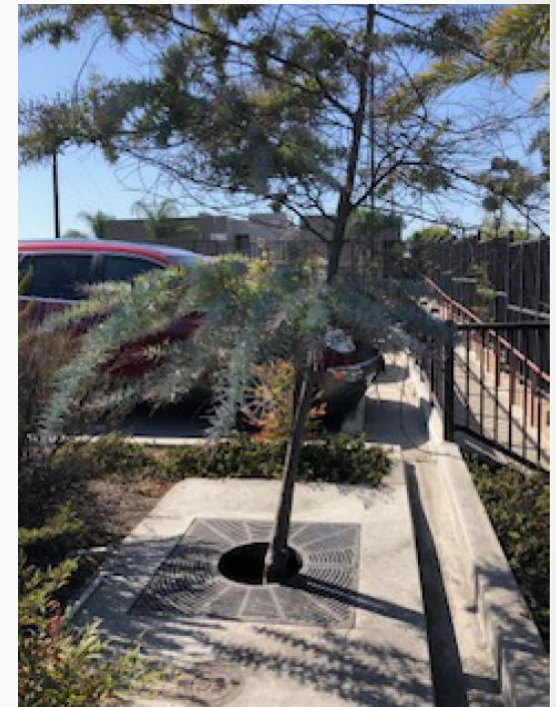




# Credit Program



- ☞ Tax credit to owners with qualifying stormwater improvements
- ☞ Parcel owners complete form and provide pictures to demonstrate operability
- ☞ Credit calculations and Engineer's Report required



# POLL #2 - INTRODUCTIONS



Why are you here today? (select one or more)

- I want to learn more about the SCW Program
- I want to learn more about the Credit Trading Program
- I might want to participate in the Credit Trading Program as a seller or buyer
- I want to provide specific feedback to the District on one or more of these programs
- I'm not sure – just interested
- Other (write – in)





# Credit Trading Program (CTP)

What will be discussed today.

- 🚰 Program Background
- 🚰 Fundamentals of trading
- 🚰 Market Rules
- 🚰 Application Process
- 🚰 Monitoring / Enforcement
- 🚰 Trading Scenarios





# CTP - Background

## L.A. County Municipal Code

- ☞ **Section 16.10.B - Credit trading program.** The District shall establish a credit trading program that, **at a minimum, would allow Parcel owners to purchase and sell credits to satisfy Special Parcel Tax obligations.** The program shall be implemented in accordance with the provisions of Section 18.11 of Chapter 18 of this code.
- ☞ **Section 18.11.A** - The credit trading program...shall be implemented in accordance with **procedures and guidelines** developed and adopted by the Chief Engineer, **in consultation with stakeholders**, and updated from time to time...
- ☞ **Section 18.11.B** - Credits earned but not applied in the Credit Program will be eligible for trading.



# A Credit Trading Program Could...

- ✎ Provide flexibility to taxed property owners who cannot implement projects on their property
- ✎ Expand program eligibility to incentivize projects on non-taxed parcels
- ✎ Incentivize taxed parcel owners to develop projects that provide benefits beyond maximum Credit amounts
- ✎ Result in more projects implemented consistent with SCW Program goals





# Why Participate?



I want to reduce my SCWP tax but can't build a project onsite.

**Potential Buyer**



## Tax-exempt parcels

We would like to construct a stormwater project. I wish we had some additional funding.



**Potential Sellers**



## Taxed parcels

We already received a tax Credit and would like to do more. Can we access additional funding if we manage more runoff?





# Currency of the CTP

## **Credit Trading Unit (CTU):**

Equivalent to \$1 in SCW Program Tax Credit

### Example:

The owner of a parcel with 10,000 ft<sup>2</sup> of unmanaged impermeable area would normally pay \$250/year in SCW Program Tax.

Purchasing 250 CTUs/year would fully offset the tax requirement of this owner



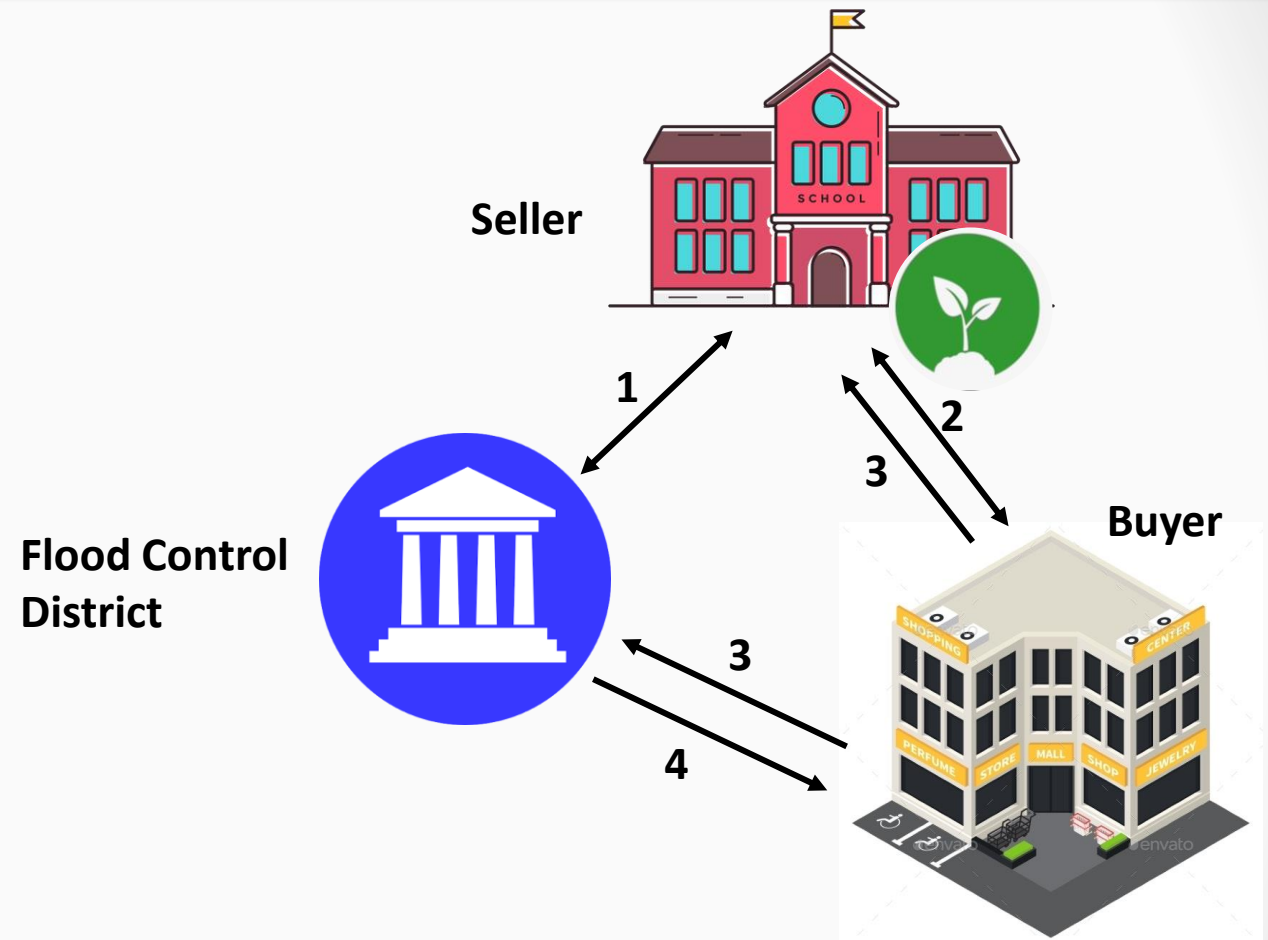
# Trading Process

**Step 1:** Seller certifies stormwater project for CTUs (\$) through District process

**Step 2:** Buyer enters into an agreement with the seller to purchase CTUs in amount not to exceed their parcel tax.

**Step 3:** Buyer submits purchase agreement for approval by District and sends payment to Seller.

**Step 4:** Payment receipt is presented to the District and tax Credit is issued for CTUs purchased.





# How are CTUs Created?





# How are CTUs Created?

- 🚰 CTUs are created in a **similar manner as SCW Credit Program Tax Credits**
- 🚰 Once created, **all CTUs are considered equal**. Buyers can purchase CTUs up to an amount equivalent to their SCW Program tax without consideration for how the CTUs were created.

BENEFIT	CREDIT PROGRAM (% of SCW Credit Program Tax Credits)	CREDIT TRADING PROGRAM (CTUs generated proportional to impermeable area managed)	
	Taxed Parcels	Taxed Parcels	Tax-exempt Parcels
WATER QUALITY	UP to 75%	After reaching 100% SCW Credit Program Tax Credit, CTUs generated by managing offsite runoff	CTUs issued for managing both onsite and offsite runoff
WATER SUPPLY	UP TO 20%		
COMMUNITY INVESTMENT	UP TO 10%		
ADDITIONAL ACTIVITIES	UP TO 20%	Receive Credit Program Tax Credit for managing onsite runoff. CTUs not issued for managing onsite or offsite runoff	CTUs issued according to parcel impermeable area managed. CTUs not issued for additional offsite runoff managed.



# Who Can Participate?

- ☞ **Credit Buyers** must be owners of SCW Program taxed parcels.
- ☞ **Credit Suppliers** may be owners of SCW Program taxed parcels or certain parcels exempt from the SCW Program tax.
  - ☞ Examples of tax-exempt parcels eligible for the CTP: Schools, community centers, property tax-exempt non-profits such as faith based organizations, hospitals, and scientific or charitable organizations.
  - ☞ Public agencies with a responsibility for implementing stormwater programs are ineligible
- ☞ **Details**
  - ☞ Supply projects should be **designed to the standards** of MS4 and/or NPDES permits. Some parcels subject to other permits may also participate.
  - ☞ Seller should not have been **awarded/issued any SCW funding** for the parcel
  - ☞ All supply projects and exchanges are **subject to District approval**



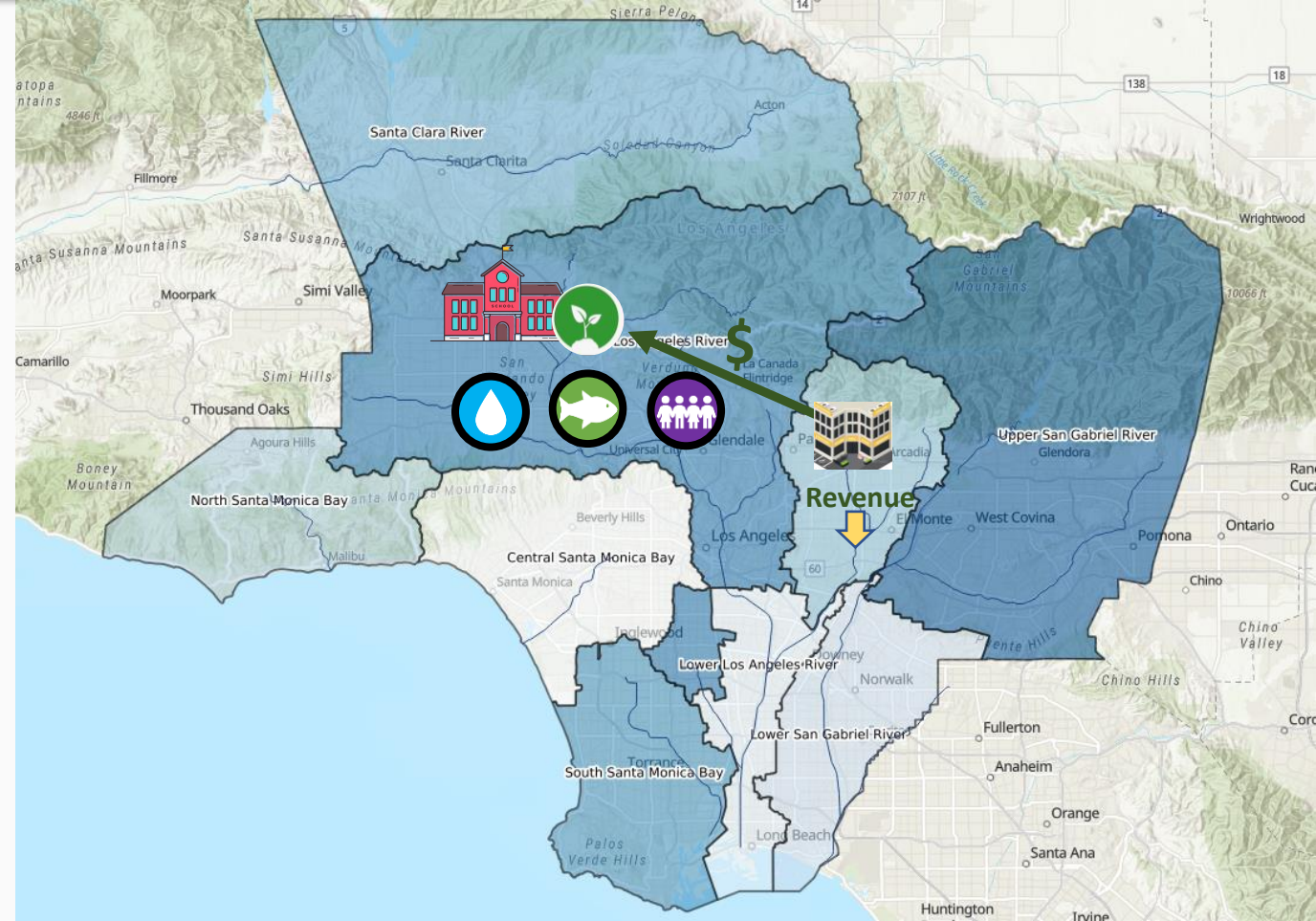


# What are the Market Boundaries?

Trades can only be made between buyers and sellers within **the same SCW**

## Program Watershed Area

 Prevents projects created in one WA from depleting SCW Program funding in another.



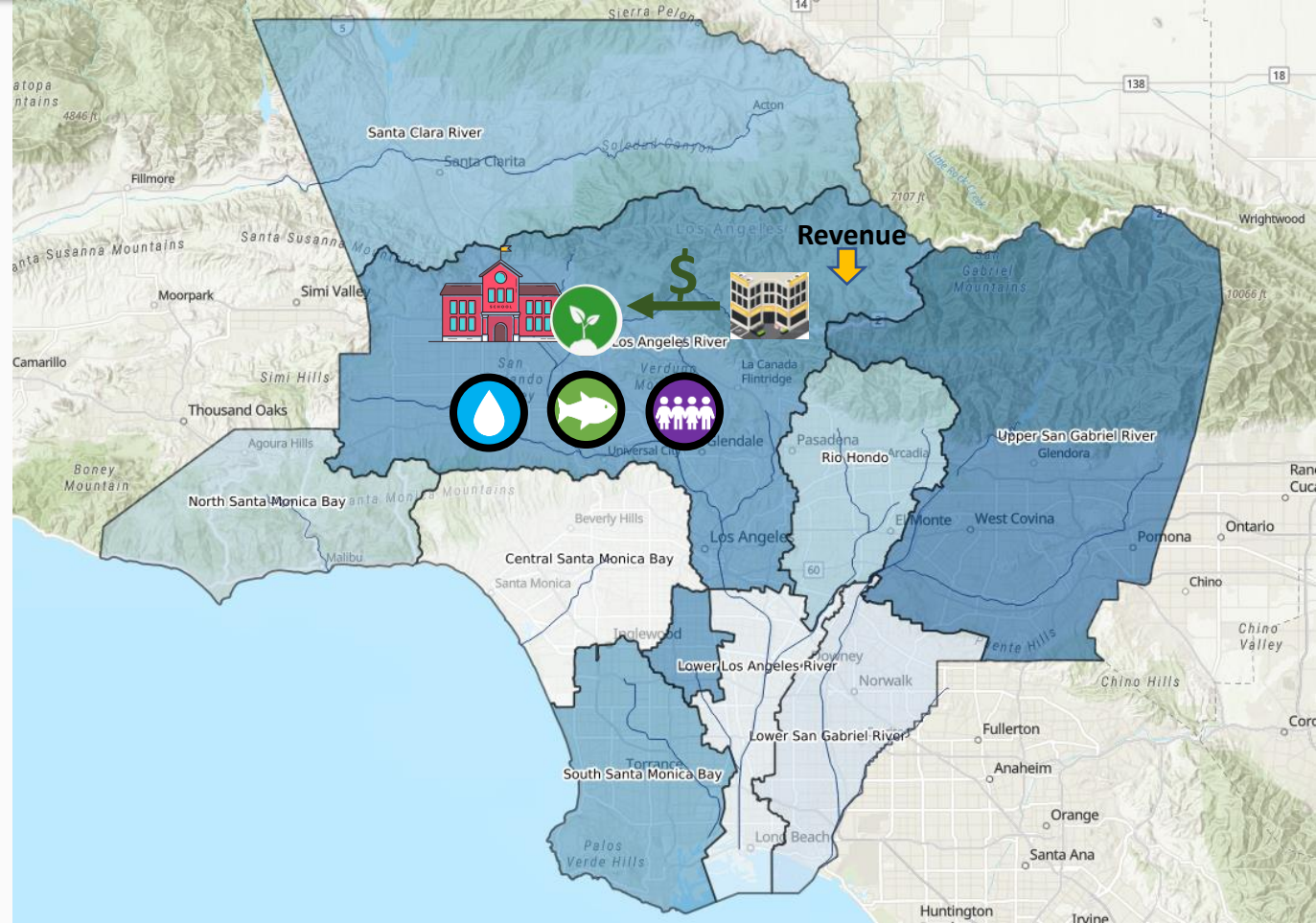


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## Program Watershed Area

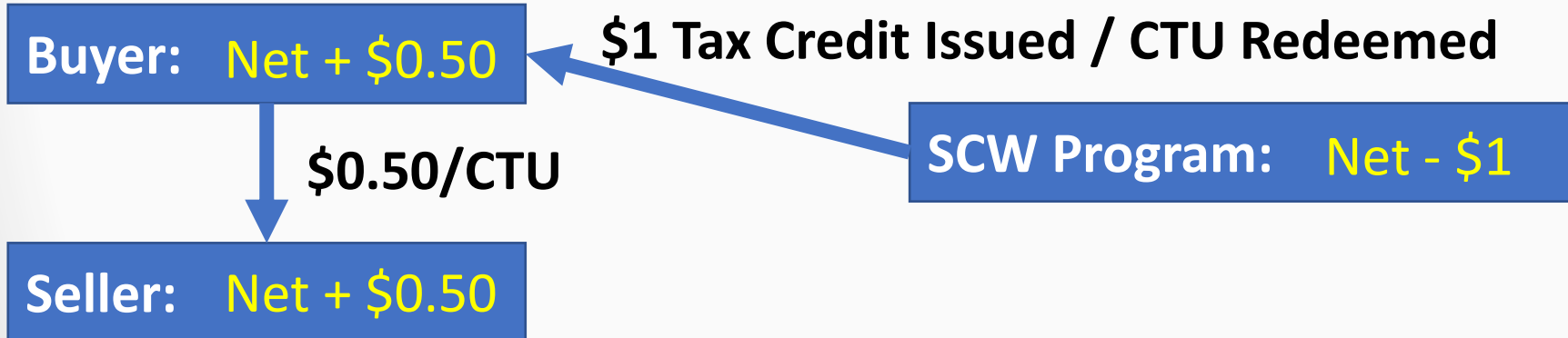
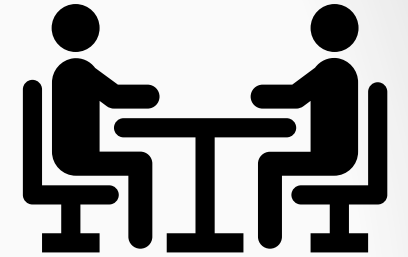
 Prevents projects created in one WA from depleting SCW Program funding in another.





# Who Sets CTU Price?

- CTU price points are agreed solely between the Seller and Buyer
- Buyer benefits when they pay under \$1/CTU (i.e. less than the tax Credit they will receive)





# Additional Details

## **Can past projects generate CTUs?**

- 🚰 Creation of CTUs limited to projects completed following adoption of the SCW Program (November 6, 2018)

## **Will there be a cap on CTUs?**

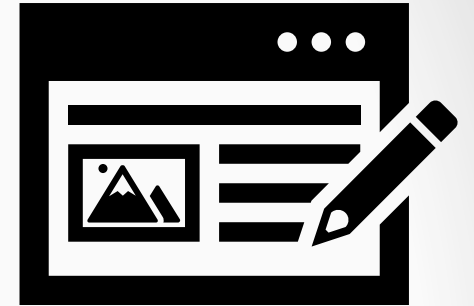
- 🚰 Propose no cap on the volume of CTUs that can be created
- 🚰 This may be reevaluated as the program evolves



# How to Apply

A CTP Website will be developed to:

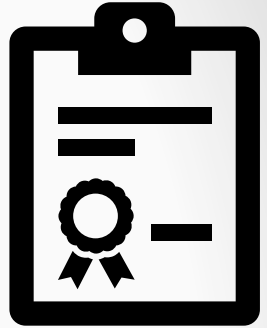
- ☕ Provide information about the application process
- ☕ Allow Buyers to submit a notification of interest to purchase CTUs
- ☕ Provide a list of CTU Sellers, prices and available CTU volumes
- ☕ Provide application forms and Seller/Buyer agreement templates for download





# Recertification

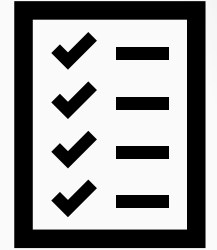
- 🚰 CTUs reissued every 2-years
- 🚰 Sellers submits application with prior information + current pictures that demonstrate the improvement is functional.
- 🚰 Once issued, CTUs remain valid for sale for up to 2-years.
- 🚰 Buyers may purchase CTUs to reduce their tax burden in the current and subsequent year.





# Enforcement

- ☹️ Projects that fail to demonstrate that they are performing as intended will not be eligible for recertification.
- ☹️ The District may conduct random inspection



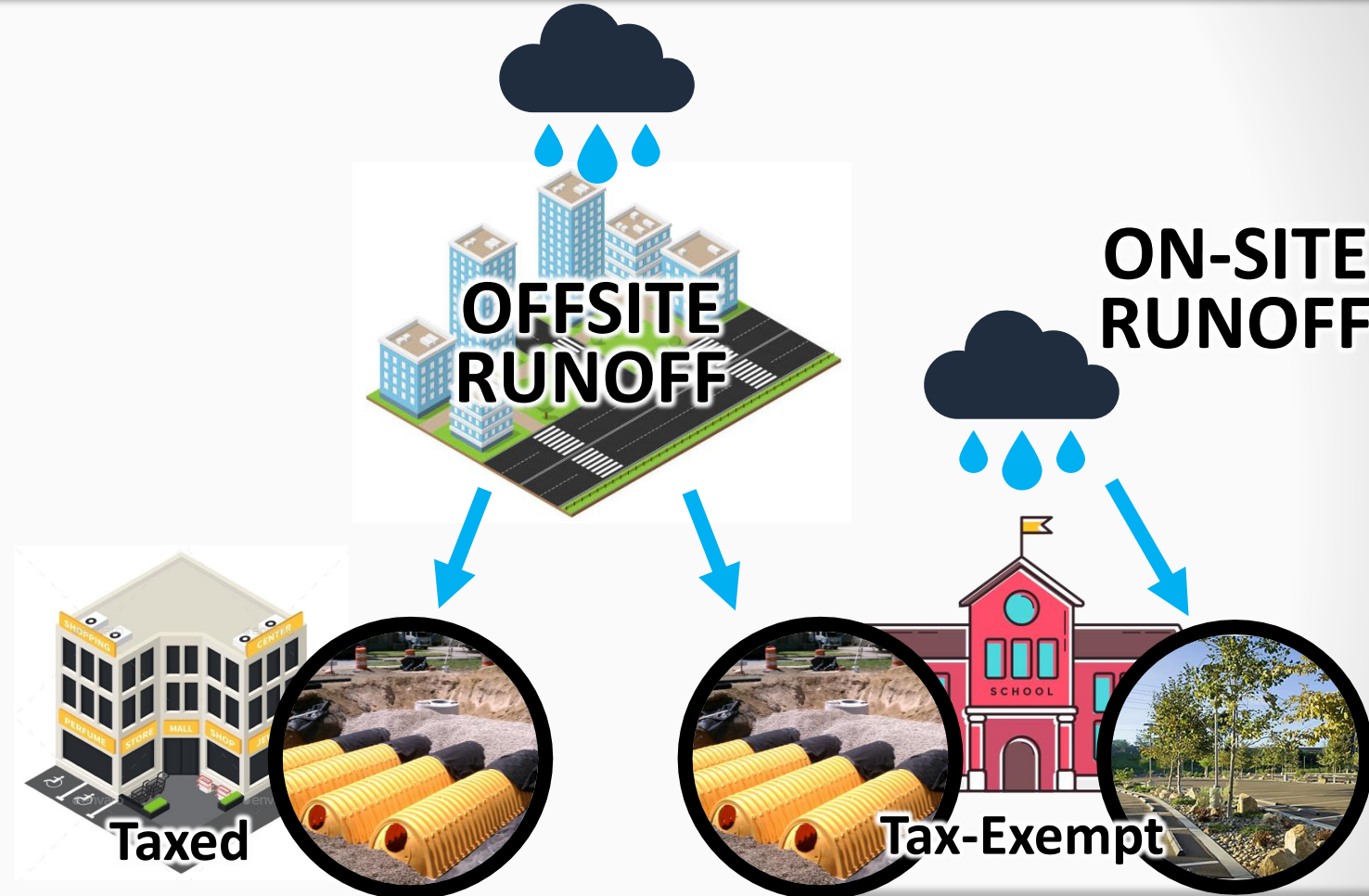
Clogged and eroding bioretention basins: Source (Blecken et. al, 2015)



# Trading Scenarios

Two primary mechanisms for creating CTUs:

1. A SCW Program **tax-exempt** parcel owner undertakes stormwater projects **on-site**
2. A **taxed or tax-exempt** parcel owner manages runoff from **offsite**

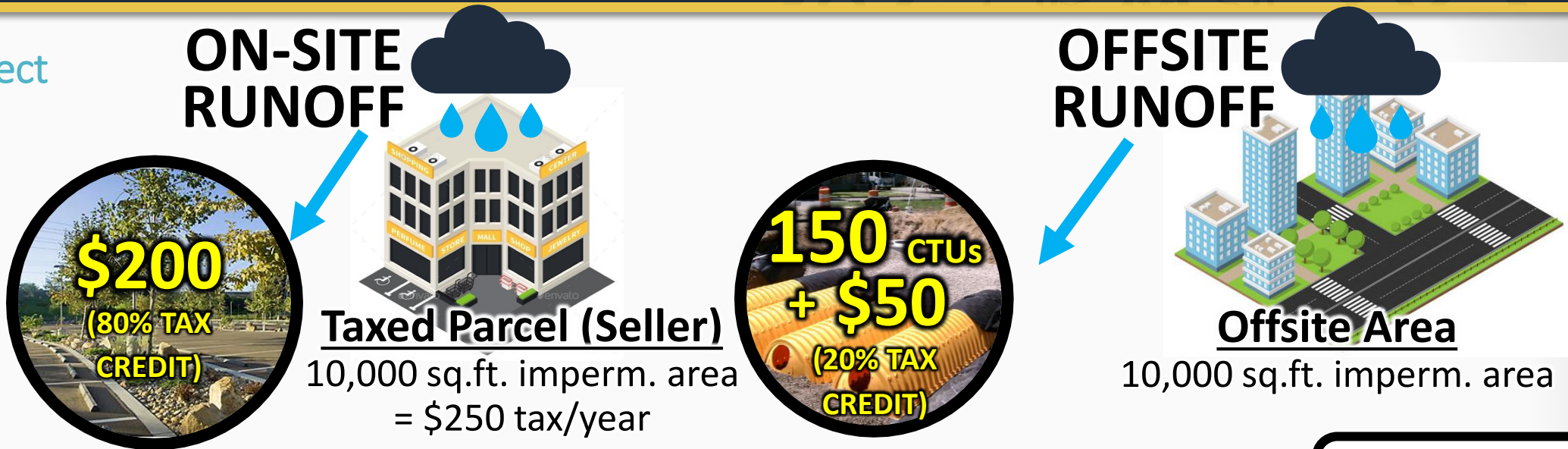






# Scenario 1: Taxed Parcel, No Additional Activities

Taxed parcel project manages runoff from parcel and from offsite. No other “additional activities” are implemented.



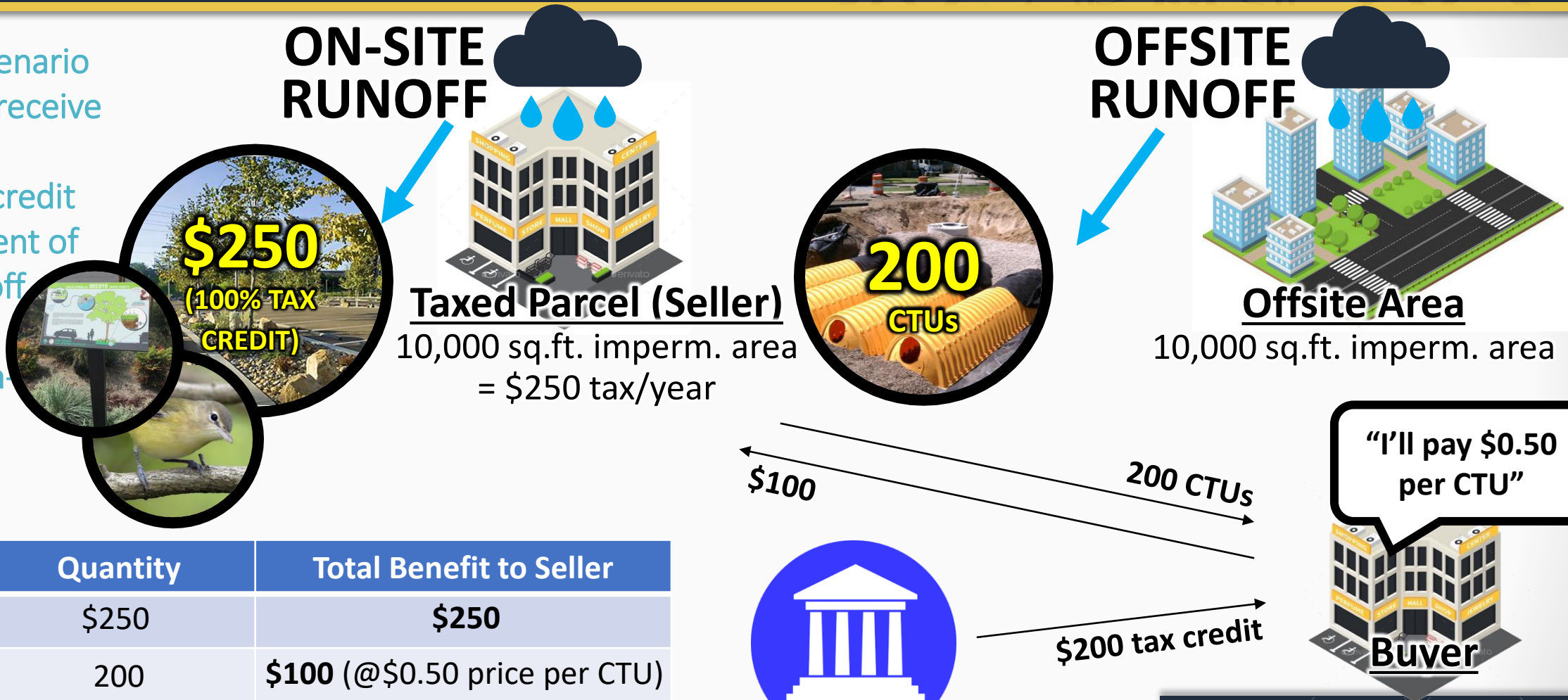
	Quantity	Total Benefit to Seller
Tax Credit	\$200 + \$50 = \$250	\$250
CTUs	150	\$75 (@\$0.50 price per CTU)
<b>Total</b>		<b>\$325</b>





# Scenario 2: Taxed Parcel, Additional Activities

Same as Scenario 1, but also receive "Additional Activities" credit (management of offsite runoff ineligible for additional activities credit)



**\$250**  
 (100% TAX CREDIT)

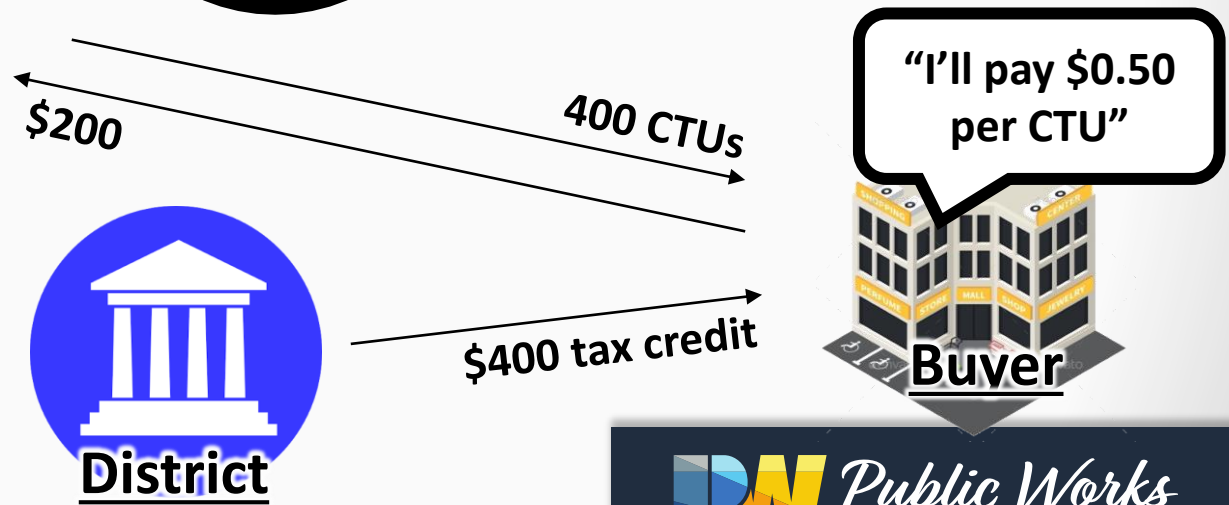
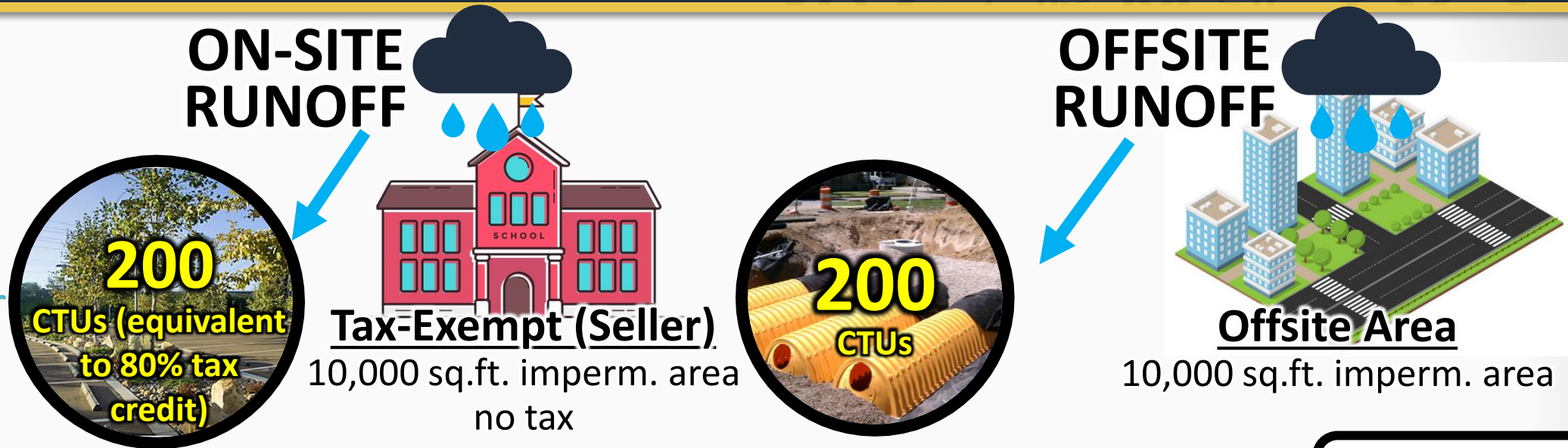
**200**  
 CTUs

	Quantity	Total Benefit to Seller
Tax Credit	\$250	\$250
CTUs	200	\$100 (@\$0.50 price per CTU)
<b>Total</b>		<b>\$350</b>



# Scenario 3: Tax-Exempt Parcel, No Additional Activities

Tax-exempt parcel manages runoff from parcel and from offsite. No other “Additional Activities” are implemented.



	Quantity	Total Benefit to Seller
Tax Credit	n/a	--
CTUs	200+200 = 400	\$200 (@\$0.50 price per CTU)
<b>Total</b>		<b>\$200</b>



# Scenario 4: Tax-Exempt Parcel, Additional Activities

Same as Scenario 3, but also receive "Additional Activities" credit (management of offsite runoff ineligible for Additional Activities credit)



	Quantity	Total Benefit to Seller
Tax Credit	n/a	--
CTUs	250 + 200 = 450	\$225 (@\$0.50 price per CTU)
<b>Total</b>		<b>\$225</b>

# POLL #3 - PARTICIPATION

Based on what you have heard today, would you participate this program, i.e. become a buyer or seller?

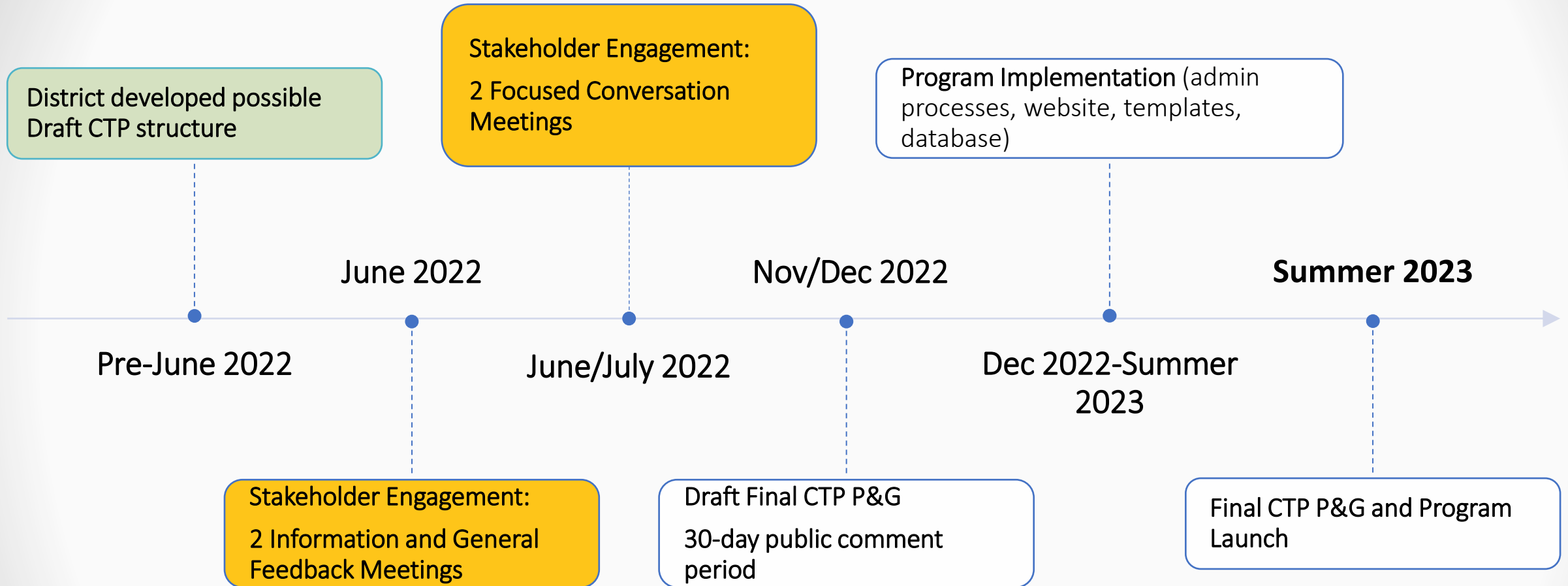
Please also provide some justification for your answer as

- Yes, as buyer
- Yes, as seller
- No
- Depends, need more information





# Anticipated Timeline to CTP Launch



# POLL #4 - PARTICIPATION

Are you interested in attending a follow up conversation about the Tax Credit Trading Program?

- If yes, (please provide email address)





# How to Engage

1. Participate in additional Technical Workshops over the next several weeks

 Check the SCW Program website for information

2. Submit comments on Draft Final Procedures and Guidelines

 30-day comment period expected June/July



A person is seen from the side, pointing at a whiteboard. The whiteboard is covered with numerous sticky notes, some of which have handwritten text in German. The scene is dimly lit, with light coming from a window with blinds in the background. The overall atmosphere is one of a collaborative workspace.

## Q&A and Direct Feedback?