



MEMORANDUM

To: MCWD Board of Managers

From: James Wisker

Date: March 23, 2017

Re: March 23, 2017 PPC Discussion of Comprehensive Plan Cost-Share Programming

Purpose:

At the March 23, 2017 Planning and Policy Committee District staff will provide an overview, and facilitate discussion, of draft Comprehensive Plan language outlining MCWD Cost-Share Grant programming.

Background:

The MCWD's mission is to protect and improve land and water for current and future generations, through collaboration and partnerships. It will be accomplished by implementing its organizational strategy, defined in the *Balanced Urban Ecology* (BUE) policy. BUE emphasizes the social and economic value created when built and natural systems are harmonious, and prioritizes partnership with the land use community to integrate policy, planning and implementation.

One programmatic element facilitating the integration of water resource improvements into the rapidly changing environment of land use, are cost-share grants. Cost-share grants allow the District to operate with a degree of flexibility that support "unplanned" value added partnerships to accomplish its mission. Minnesota Rules 8410.0105, subpart 7, identifies that cost-share programs must describe, "the general purpose, scope, time period, amount of funds, funding source [and] general eligibility criteria for disbursing funds, and a clear link to the goals the program addresses."

March 23, 2017 PPC:

At the March 23, 2017 PPC Meeting, staff will provide an overview of draft language outlining MCWD's Comprehensive Plan language for cost-share programming, including:

- Opportunity Grants for Green Infrastructure
- Community Engagement Grants

Included in the packet, is preliminary draft language that will continue to be updated and refined prior to the PPC.

Please contact James Wisker, at Jwisker@MinnehahaCreek.org or 952-641-4509 with questions.

We collaborate with public and private partners to protect and improve land and water for current and future generations.

MCWD COST SHARE PROGRAMS:

PROGRAM NEED:

Background:

The Minnehaha Creek Watershed District's (MCWD) mission is to protect and improve land and water for current and future generations. It will accomplish this by implementing its organizational strategy and doing business in a manner defined in the *Balanced Urban Ecology* (BUE) policy. Recognizing land use change as a source of water resource impact and strategic opportunity to accomplish the District's mission, BUE emphasizes the social and economic value created when built and natural systems are harmonious. It prioritizes partnership with the land use community to integrate policy, planning and implementation.

As outlined earlier in this Plan, the BUE strategy was developed in direct response to a multitude of policy analyses that identify the governance gap between land use and water planning, and call for increased integration to improve the watershed management model in Minnesota.

For example, the 2007 Evaluation Report on Watershed Management, drafted by the Office of the Legislative Auditor, acknowledged that the surface water quality and conveyance/flooding issues are directly tied to local land-use decisions. It concluded that efforts to manage water quality are most effective when coordinated with land use decisions.

Reinforcing these findings, in 2009 the Minnesota Environmental Initiative found that water and land planning in Minnesota is compartmentalized at all levels, under separate bodies of regulation and various agency jurisdictions. Similarly, a 2011 Hennepin County Water Governance Project noted a complicated relationship between politically managed built systems and watershed based management that requires significant effort to coordinate.

The 2013 Water Regulation and Governance Evaluation, drafted by the Minnesota Pollution Control Agency (MPCA), found that opportunities to address land use and water connections have waned in recent decades, that state land use statutes lack an explicit connection to water plans, and that the major water management goals of the state can be achieved only by strong integration with land use management.

Asynchrony fosters a disconnect between land use and watershed management. Land use decisions are made relatively quickly compared with the historically static ten-year comprehensive and capital improvement plans developed by watershed districts. Land may be bought and sold, platted, and moved into construction within months. This can make it difficult to integrate watershed capital improvements or design enhancements into the development plans of a fast-moving private or institutional developer.

A secondary issue is the prevailing perception of watershed organizations principally as regulatory agencies. This view often results in watershed districts receiving development or

infrastructure plans through the permit review channel, rather than in the due diligence or feasibility period of development or infrastructure planning.

To combat these issues, a principal goal of the MCWD's Balanced Urban Ecology strategy is to positively change the land use and water policy environment by advancing early engagement and increasing opportunities for early value-added partnership with land development, public infrastructure, and public policy and planning.

To support this goal the District is proposing to deploy a variety of tactical approaches, including:

- Outlining a partnership framework in the Local Government Unit section of this Plan, which asks communities, in their local water management plans (LWMPs), to outline communications, process and policy strategies to increasingly integrate development, public infrastructure plans and investments, area plans and land use policy with joint District and local water resource goals.
- Developing a *Balanced Urban Ecology* Education Program to complement and support the partnership framework by promoting and developing knowledge about the added value created when development, public infrastructure, planning and policy are coordinated early with the District.
- Implementing the District's regulatory program to offer financial and technical support for water resource protection and enhancement beyond what is achieved by mere regulatory compliance.

Cost-Share Programs:

Minnesota Rules 8410.0105, subpart 7, identifies a cost-share or grant program as an appropriate implementation element for watershed district plans. The program description must define "the general purpose, scope, time period, amount of funds, funding source [and] general eligibility criteria for disbursing funds, and a clear link to the goals the program addresses." A cost-share program is one means to afford the District the framework and flexibility to effect the three above tactical approaches for externally driven opportunities.

To facilitate actions to improve stormwater management, enhance water resources and implement green infrastructure, the District will administer a number of cost-share programs to provide financial assistance to landowners, the development community and public agencies.

Opportunity Grants for Green Infrastructure:

To achieve the District's strategic goals for water quality, water quantity and ecological integrity, the Opportunity Grant for Green Infrastructure will provide financial incentives for value added collaboration with public agencies, private developers and land owners.

The District will provide financial incentive for actions that advance its strategic goals, address drivers of watershed impacts in a subwatershed plan, and align with the management strategies identified and prioritized within the plan. Based on the tactical approaches outlined above, the District anticipates cost-share implementation opportunities arising via three routes:

- Public Agency Coordination
- MCWD Permitting Program
- Landowner and Developer Requests

Early Public Agency Coordination:

Through the partnership framework of this Plan, municipal local water management plans, and a *Balanced Urban Ecology* Education Program, and as local government units and other public agencies elect, the District will be included in early coordination on private, institutional and public infrastructure planning and investment. The District would partner on small area planning and infrastructure feasibility studies and capital improvement programs for roads, sewer, water and stormwater. Through enhanced municipal partnerships the District increasingly would be involved in development review early in the process, for example at the sketch plan stage, rather than solely through its own regulatory review once layout and design largely have been completed and, in some cases, local approvals issued.

Based on the coordination framework that the District will establish with engaged local government units through this Plan and the local water plans, the District intends to formulate a periodically updated Project Priority List (PPL). Cost-share opportunities will be evaluated for proof of concept, cost, and benefit, and measured against subwatershed priority issues, drivers and management strategies.

The District will use this project priority list to formulate a planned approach to potential financial incentive opportunities, allowing the District's Opportunity Grant for Green Infrastructure to become increasingly synchronized with two- to three-year public agency infrastructure investment plans and planned development.

MCWD Permitting Program and Landowner/ Developer Requests:

In addition to its effort to become integrated earlier in public infrastructure and development planning, the District also will remain responsive to opportunities for green infrastructure improvements identified through the District's Regulatory Program or brought forward by individual landowners. District funding and applicant cost-share would apply not to defray applicant compliance costs, but to secure benefits beyond or independent of compliance. In this setting, the District would evaluate an opportunity only with landowner or developer interest and with a clear understanding as to any effect on the timing of the permit review process. A landowner or developer who seeks a required District permit and does not wish to explore District funding for added value will be entitled to standard permit review procedures and timing.

These opportunities similarly will be evaluated for proof of concept, cost, and benefit, and measured against subwatershed priority issues, drivers and management strategies and, on that basis, added to the existing Project Priority List.

Community Engagement Grants:

To achieve the District's goal of protecting and improving water quality; managing water quantity; restoring, maintaining and improving ecological integrity and creating sustainable communities, the Community Engagement Grant will incentivize the installation of best management practices by public agencies, private organizations, non-profit groups, and neighborhoods who will promote those practices to others through robust education and outreach plans.

The District will provide financial incentives for projects that have meaningful, measurable natural resource benefits, and that serve as effective, valuable education tools in their communities. The District believes that by seeing tangible, impactful improvements on the landscape and learning about their importance from their neighbors and other community leaders, people are more likely to make similar improvements on their property. This not only enhances the impact of the District's education activities, but also, the water quality benefit of the District's work.

The District anticipates identifying opportunities for cost-share funding of community engagement grants through the following routes:

- WAI and Master Water Stewards Program
- Proactive recruitment in focal geographies and near MCWD project sites
- Solicit proposals for projects that align with District mission and priorities
- MCWD's Planning and Permitting Programs

Program Administration:

Annual funding for the District cost-share program will be set through the budget process. The District will administer the program by means of program guidance documents adopted by the Board of Managers. Guidance will be used to better define staff's generation and maintenance of Project Priority Lists and will specify procedures by which the District will solicit, accept and review cost-share proposals. The guidance also will refine terms of cost-share programs including who may apply, project funding limits, cost-share obligations and how the above funding criteria will be refined and applied to evaluate proposals.

Minnesota Rules 8410.0105 establishes cost-share and grant programs as a separate category of implementation action. Although District-supported projects necessarily will not proceed through the District's own capital improvement program, they may include elements of capital construction. At the same time, a project may be principally for experimental, demonstration or education purposes.

These purposes may include supporting research to advance water resource protection knowledge, demonstrating innovative methods, developing local capacity for water resource protection, or fostering community service and public education. As appropriate, demonstration and education benefits will be secured through program requirements for educational signage and reasonable access for public viewing.

Because an action supported by District cost-sharing may involve a substantial District funding contribution and a significant alteration of the environment of a capital or non-capital nature, it is important that the District afford some measure of public process. Largely this will be achieved through the very nature of the District's collaborative approach from which the Project Priority List will develop, but as described above, opportunities may arise independently of that process.

One purpose of District cost-sharing is to encourage a property owner, developer or public works department of a local unit of government to perform planned work in a more innovative and protective manner, or to incorporate demonstration and education elements into it. In other cases, action may be required to address public infrastructure, land or ecological values at risk due to an unstable bank or channel or similar condition. The timing of District cost-share involvement thus typically is externally driven, in the one case by opportunity, and in the other by need. Program administration must meet these externally driven timelines based on need or opportunity.

The formal structure by which the District will manage its cost-share expenditures is as follows:

First, the overall program funding level will be set annually through the District's budgeting process. This is an open process that occurs in August and early September each year, and includes a public hearing required by statute at which all parties can review and address the Board of Managers on the District's proposed program budget.

Second, the District will review its implementation priorities biennially in accordance with Minnesota Rules 8410.0105, subpart 1. As a part of this review, the District will conduct one or more public hearings with prior published notice and written notice to all counties and cities within the watershed. The Board will hear and consider all public comments and make plan implementation and funding adjustments in open public meeting.

Third, cost-share funding proposals will be processed and evaluated according to adopted written guidance as described above, to: (a) provide for consistency in District review and selection of proposals for funding; and (b) direct District funds to projects and locations that will further Plan goals and priorities effectively. The District will enter into formal grant agreements with awardees to guarantee project completion and maintenance.

Fourth, the citizens' advisory committee will have a formalized role in reviewing both program guidance and submitted proposals. The Board and, where delegated grant approval authority, the Administrator carefully will consider the committee's recommendations.

Finally, where an action proposed for cost-share funding includes a significant capital construction element, the District will follow a process of public notice and hearing equivalent to that specified under Minnesota Statutes §103B.251, so that public agencies and interested members of the public can understand, consider and address the Board of Managers on the specific proposed work.

Program Duration and Funding Source:

The District intends the cost-share program to operate for the duration of the planning period, though the Board of Managers may adjust program focus or priorities to match evolving District priorities and the nature of arising opportunities. The District expects to fund its cost-share programs from the *ad valorem* property tax levied annually on property within the watershed. However, other funding sources such as regional, state or federal grants; subwatershed levies; or stormwater utility fees may be explored in the future. Annual spending for the cost-share program is anticipated to be about \$X

The financial impact of the cost-share program on local units of government will be positive, as it will reduce stormwater infrastructure and management costs into the future. Awardees, including local units of government, will assume a funding responsibility and incur costs to perform maintenance and other obligations, but this assumption of costs follows a voluntary choice to seek District cost-share funding.