

Tapping our Forests: Investments in Healthy Watersheds for Drinking Water

Session 1E – Amphitheater
2017 RCP Network Gathering

Speakers: Paul Susca, John O’Neill, Jeff Lerner, Spencer Meyer

Moderator: Marcy Lyman

Introduction – Marcy Lyman

- Services from forests in New England in terms of drinking water quality are very important
- Forest Service Forests to Faucets shows most important forests to drinking water quality most threatened by development
 - Shows New England as one of the most important regions in the country
- Big guiding questions:
 - How do we take land conservation to scale to demonstrate the impact and value of protecting our land and water?
 - What are the new capacities, partnerships, and resources that we need?
 - How do we engage new sources of public and private capital?
 - What is the business case for investment – how do we analyze and quantify returns on investment in order to structure deals with private investment?

New Hampshire’s Drinking Water Land Protection Plan – Paul Susca (NH Department of Environmental Services)

Why a plan and why now?

- Need:
 - To clearly identify water supply protection as a high priority for land conservation (statewide and regional land trusts have been focusing on water quality, receives high public support)
 - Clarity about which datasets are most important (multiple datasets create confusion in drinking water program)
- Opportunity: to create a new grant program due to the creation of a drinking water and ground water trust fund

Where did funding come from to create trust?

- Methyl Tertiary Butyl Ether (MtBE) Lawsuit
- This was a \$90 million settlement in 2013 (all money being used for MtBE remediation) and a \$236 million judgement in 2015 (Exxon Mobil)
- The legislature created a trust fund using the \$236 million to be used to finance water supplies throughout state

Rare opportunity to create a program →

- Identify important lands
- What does this program actually look like?
- How dependable is funding source?

- Hope is to create a well-designed program to continue funding source going forward.

How do we get there? (Currently at this point in the process)

- 90% of money will go into infrastructure, remaining 10% of \$236 million to program
- Parallel process – plan and grant program
 - Plan – Department of Environmental Services formed an advisory group to issue progress report makes case from protecting land, identifies important watershed lands
 - Grant program – advisory commission is in process of starting to consider broad outlines of program, collaborates with advisory group and stakeholders to design program and move forward from here
 - Rules committee must make decisions about what program will look like while plan is finalized

Water supply lands in New Hampshire:

1. Water supply watersheds
2. Wellhead protection areas (WHPAs) for public water system (PWS) wells
3. Potential future public water supply sources, such as stratified-drift aquifers
 - High priority - WHPAs, Hydrologic Area of Concern (HACs), SDA
- 9.5% of the state undeveloped, unprotected, high priority water supply lands in need of protection.
- By county, there is a substantial amount of land in every county in the state in high need of protection.

Next steps: Consider the question: Is there a highest tier? Do we need to develop a subset of the 9.5%? Do we try to develop a cost estimate for the 9.5% of the state? Then write a plan, publish a dataset, and do outreach.

Question: In terms of the planning committee, are there any land conservation groups on the committee?

Yes. Forest Society, TNC, and three regional land conservation trusts.

City of Manchester, New Hampshire and Manchester Water Works – John O’Neill (Watershed Forester with Manchester Water Works)

History on Manchester waterworks:

- Lake Massabesic drinking water supply
- 1971-1950: Manchester Water Works purchased over 400 deeds surrounding the lake
- 1871-1971: treatment of water done on watershed; no water treatment plants, therefore what was done on land important to Manchester waterworks (open land used for sheep farming)
- Up to 1920s working through state to plant lands to plantations to create forest filter to filter and clean water before entering reservoir
- Property taxes became significant challenge to Manchester Water Works
- A municipal public water supply in NH is excluded from current use legislation (Water Works properties out of town pays full tax load on that land, translates to upwards of \$1 million a year in operating budget)

- Currently, 7500 of 8000 acres are out of town, and City of Manchester pays property taxes to other towns (not themselves; independent of Manchester, people paid by water base not city, services for payroll and HR exchanged for water for school and fires)

New age of land protection

- Tax burden prevented Manchester Water Works from taking on new land, people were offering land, but declined
- Conservation groups in area (Southeast Land Trust, Forest Society, Bear Paw) met to figure out a way to put conservation easements on Water Works land
- General public believed that 8000 acres is protected, however this protection only came by Water Works' political and water supply initiative to protect that land. There was no official protection like an easement.
- The tax burden created talk about selling properties
- Selected Tower Hill Project as pilot project for conservation easement
 - Take away: As project started to take flight, budgets and returns for easements were discussed, the board needed to decide what to do with the money generated in return. Possibilities included building water tanks, putting it back into the operating budget. The board decided to purchase and protect more land in the watershed - a big win.
 - *Question: What was funding source for this project?*
 - *Funding source – NH DES 93 mitigation money from 93 corridor, state conservation fund*
- With returns, Water Works purchased three additional lands.
- Currently own 400 deeds 8,000 acres purchased for 2.6 million.
- Vacant land surrounding the watershed is around 400 properties, totaling 8,000 acres and assessed value of \$32 million.

Treatment cost savings:

- If watershed was unprotected, taste and odor from high algae levels, turbidity levels.

Take aways:

- There are a lot of public water supplies and a lot are only protected by the water supply owning it.
- If the water supply is willing to get easement, a resulting return, and reinvest that return to give other water supply or use to purchase land, there is a real opportunity.
 - Would water supplies be willing to take asset, get return, and reinvested return in watershed or region (public water supplies)?
- Manchester water works lands are open to public highly prized by public, urban parks for all intensive purposes - highly valued land.

Healthy Watersheds Consortium Grant Program – Jeff Lerner (U.S. Endowment for Forestry and Communities)

- Program focusing on advancing watershed protection.
- Potential new way of using existing water resources funding to achieve watershed protection activities as well.

U.S. Endowment for Forestry and Communities

- Healthy watersheds consortium grant program – began making grants in 2016 initiated by the EPA
- Based around idea that we can invest in proactive conservation of watershed areas and possibly reduce costs in advance
- U.S. Endowment for Forestry and Communities, USDA Forest Service and NRCS as funding partners
- \$200 million perpetual endowment primarily focused on systemic, transformative, institutional change with intact forests in US, national in scope
- How can we promote ideas to keep more land in forest conservation? Forested watershed protection.

Challenge: How can we use the \$10 million of funding associated with the 5-year program and use to accelerate protection of land with a national impact?

- Other successful efforts to take away success factors:
 - World Resources Institute Watershed Protection Success Factors
 - Pacific Northwest Bonneville Environmental Foundation Watershed Program
- Incorporate pieces of these into program – interest in figuring out how to generate new funding sources or tap existing funding sources

Open RFP proposals due February 1st of next year – 3 mil and 3 funding categories

1. Watershed action project category: organizations have a project in mind and need a boost to get over finish line, not necessarily innovative
2. Building watershed capacity – accelerating longer term efforts, with the understanding that you are likely in watershed for decades
3. Advancing the state of practice – innovative ideas, game changer, transferrable to other groups around the country

HWC Year 1 and 2 summary:

- 2 cycles of funding 240 proposals
- \$4.2 million awarded
- Growing program but not keeping up with demand – great projects, can't fund them all, competitive program

Moving forward:

- 25 awards, expected to have over 500,00 acres of land protected with potential down-road efforts leading to 7.5 million acres of protection in the US
- Can't pay for land protection directly, can pay for finance, capacity, communications

Examples:

- Pacific Forest Trust
- Downeast Salmon Federation
- Downeast Conservation Network
- Foothills Land Conservancy
- Chagrin River Watershed Partners
- TPL California - clean water SRF over \$150 million, loan paid back through timber revenues

How State Revolving Fund (SRF) Programs Work:

- Idea to tap into SRF loan program - how can we figure out a way to tap into but not have to pay back the loan?
- Ohio EPA created idea in 2000
 - Spent over 175 million, outstanding results for that amount of money
 - 3rd largest SRF in the country
 - Applying this to New England
- By adjusting interest rates on loan, it is possible to fund a sponsorship projects to slightly reduce loan rates so that the borrower is paying back the same amount (piggybacking a protection project onto a larger infrastructure project)
 - *Question: where does money from endowment come from?*
 - *Settlement between Canada and US over the price of softwood lumber to create a perpetual endowment with \$200 million to create US endowment, another to American Forest Foundation, another to Habitat for Humanity*

Maine, NH, and VT, talk to Kira or Jeff about furthering SRF sponsorship programs in your state.

Sebago Clean Waters – Spencer Meyer

- Greater Portland is home to 1/5 of Maine's population
- Portland Water District (PWD) is quasi-municipal non-profit about 6.5 billion gallons going to half residential users and 22 of largest water users
- Largest water users include breweries, semiconductors, hospital, other water districts, forest products
- PWD foresight to directly invest in watershed through land protection efforts beginning in 2007 informally
 - Formally created policy within district and began land conservation program in 2013
- Water district will fund up to 25% of cost of a project, portion depends on quality of project (scoring system for identifying water quality benefits)
 - Projected 6 mil over 25 years –
- Sebago Clean Waters was created with the guiding question of: how can this group accelerate this and put more money into watershed, which is today only 10% protected?

Cost of protection:

- High leverage rates because up to 25% and relatively cheap conservation projects by land trusts (bargain sales, donations, grant funds from state programs and private individuals)
- PWD goal of 25% of watershed protected estimated to be \$24 – 36 million

Opportunity:

- Collaborate to identify highest priority places and increase pace of land protection
- Create new sources of private and public funding for watershed conservation
- Engage large water users as one source of potential funding and the general public to increase awareness
- And do this all without raising water fees

How the Waterfund works:

- Conservation planning (GIS)

- Understanding needs and missions of large water users
- Economic Impact Study for watershed – water specific and avoided costs (co-benefits associated with forest protection)
- Approach with value proposition that meets their needs
- Brewery committed to effort and leadership in developing network of breweries
- State revolving funds – What does this idea look like? Does policy need to change in Maine to get this or not?

Value proposition

- Word cloud – universal appreciation of high quality watershed (perfect, clean, usable, pure, local, essential, resource)
- Fundamental challenge of group: overall, people value the watershed but don't see a ton of threat
 - No existential crisis that says it will be developed in the next 10 years, no immediacy associated

Co-benefits: added return on investment

- Savings from water treatment can sometimes pay for investment, but not always. Then we must consider co-benefits

Moving forward:

- Identified clean water and drinking water SRF funds as an opportunity – PWD will fund 25%, could we generate the next 25% from SRFs?
- Discussions with state agencies responsible for loans – bring pilot projects to understand what these look like
- Identifying land protection projects that have high water quality benefits projects – put forth management projects as pilots that could SRFs help pay

Discussion and Questions

Question: Case study from Karen Young from Mt. Agamenticus to the Sea Conservation Initiative

5000 acres at heart of own conservation area owned by Kittery and York water districts that are not conserved, owned by water supplier. Mt. Ag to the Sea would love to work to get easement on land. Three challenges 1) funding especially in Maine 2) cultural – working relationship with water districts, not great relationship (suspect of conservation even with overlap of missions and goals) 3) Maine Waters - corporate water supplier - and talk that maybe we don't need smaller water suppliers. How do we solve the first problem of funding source to develop a stronger relationship and put easement on 5,000 acres of land?

Response: Difference on water works board when engaging land trust partner? Do land trusts have relationships with water district?

From John O'Neill: First step for Manchester Water works was overcoming the financial component, meaning the desire to see financial returns. Then, trust had to be fostered between parties, including organizations like the Forest Society, staff members on board, then board members. Important factor that board members trusted staff to be spokesmen on behalf of the water supply, so work with staff to understand and staff. Also start small (maybe go for an easement on 20 acres vs. 5000 acres).

Bear in mind that any desire to have permanent conserved lands by land trust could be interpreted as an implication that they aren't doing their job well – again, important to gain trust from board.

Question: Doug Hutchison. How to manage tension between preservationist (land trusts) and conservationist (believes in a working forest – timber harvesting forest management)?

this is a barrier between land trusts and working professionals

Example of Quabbin reservoir – clear cutting red pine due to insect infection, important to provide education to public, also cut wood before infection because the market couldn't handle such large quantities

Question: What does SRF stand for?

State Revolving Funds.

Question: What level of government writes off on a pilot program for funding?

Once the money hits state level, it is state money. State makes decision to design program and develop criteria. It is not federal money at that point. Therefore, federal money can be used to match funds.

EPA budgets \$8 billion, every year 25% of budget goes out as SRFs. The budget goes to state and every state develops an intended use plan. SRFs are the bulk of the money and 90% of projects funded by debts are taken on by same communities sponsoring debts.

Question: Where would Paul be without lawsuit money?

No promising sources of money for that, the suit against oil companies was not environmental, it was based on product liability.

One source could be mitigation funds in in-lieu fee programs in New England.

Question: Juila Solomon. How do you manage public access, particularly multi-use (especially with horseback riding issue)? In advance, what can land trust partner do?

Tread carefully – closed watersheds are beginning to open to recreation.

Question: How to broach relationships between conservation communities and water utilities?

Many promising informal discussions to generate interest and awareness.

In the long term, RCP Network can be used to foster relationships

Resources available:

- New England Watershed Management Collaborative – support group for people like John, Land acquisition, mgmt., recreational access, and forestry
- “Newman Collaborative” TPL document with American Waterworks Association