

**PROJECT SUMMARY and NEXT STEPS**  
**WRIA 9 Funding Mechanisms**  
February 11, 2010

**Past Work and Rationale:**

Healthy watersheds and the salmon populations they support are essential to the health of our economy. The range of ecosystem services provided by the Green/Duwamish and Central Puget Sound Watershed benefits over 700,000 residents. Further investments in healthy ecosystems as natural capital assets within the watershed will provide tremendous value in the form of beneficial ecosystem services.

Water Resource Inventory Area 9 (WRIA 9) Watershed Ecosystem Forum, the management entity for ecosystem health/salmon habitat recovery in the Green/Duwamish and Central Puget Sound Watershed, established a precedent for protecting and restoring the watershed and salmon habitat with the 2005 publication *Making Our Watershed Fit For a King: Salmon Habitat Plan for the Green/Duwamish and Central Puget Sound Watershed (WRIA 9)*. Implementing the Salmon Habitat Plan – and thereby investing in the natural capital of the watershed -- requires dedicated funding mechanisms generating revenue that averages \$20-30 million each year over 10 years.

By providing innovative approaches to investment in natural capital, the Salmon Habitat Plan provides a lower cost solution than engineering and built-capital approaches for restoration. Natural systems provide self-maintaining benefits, such as producing salmon production, controlling floods, and providing drinking water in perpetuity. This is far more efficient than replacing these self-maintaining natural systems with human-built infrastructure that depreciates and must be replaced every 30-40 years. Natural systems are unsurpassed in preserving natural and human health and economic benefit for the lowest cost.

The Puget Sound region is expected to benefit extensively from investing in the ecosystem goods and services of the watershed. This investment in natural capital will both protect and restore habitat for threatened and endangered species. Preliminary estimates conclude that as much as \$6.44 of benefit will be generated for each \$1.00 invested in implementing the plan (as detailed in Appendix B of the report).

**Possible Funding Mechanisms Considered:**

This proposal is based on principles of ecological economics to manage the economic efficiency, social equity and environmental sustainability of the Green/Duwamish and Central Puget Sound Watershed. Earth Economics and the WRIA 9 Watershed Ecosystem Forum have spent over a year working together to develop and evaluate mechanisms that apply an ecological economics approach to funding for salmon in the watershed. The first draft of this work (available at: [www.govlink.org/watersheds/9/pdf/WRIA9\\_Funding\\_mechanisms4-15-09.pdf](http://www.govlink.org/watersheds/9/pdf/WRIA9_Funding_mechanisms4-15-09.pdf)) was released in April of 2009, and suggested evaluating the following funding mechanisms:

1. A tax lid lift on the Flood Control District levy to accomplish objectives both flood hazard management and salmon habitat restoration
2. A per passenger cruise ship impact fee
3. A per parcel assessment fee for all properties within the watershed
4. A new district and tax on marine shoreline armoring impacts
5. An additional fee on impervious surface
6. A mitigation banking market
7. Research on opportunities to create a watershed investment district

8. Planning for a demonstration or pilot program status in collaboration with the Puget Sound Partnership Action Agenda

**Current Status:**

Following completion of the draft report, Earth Economics, WRIA 9 staff, and the WRIA 9 Watershed Ecosystem Forum worked in 2009 to develop a set of criteria to evaluate the practicality and potential of each mechanism. These criteria were then applied to the eight possible funding mechanisms. As a result of this process, the decision was made to focus research primarily on three of the eight mechanisms:

1. A tax lid lift on the Flood Control District levy (#1)
2. The per parcel assessment (#3) and
3. A watershed investment district (#7).

Other mechanisms will be included in discussion sections when directed.

**Next Steps:**

The current phase of work will include updating the April 2009 draft report and more thoroughly analyzing the three mechanisms listed above. In consultation with the Watershed Ecosystem Forum, Earth Economics will combine mechanisms as necessary to create a robust funding strategy over a 10-year period. The report update and analysis will include details regarding legality, revenue generation potential, benefits and drawbacks, expected timelines, and other necessary information to make an informed decision. Tasks in 2010 include:

- Drafting policy briefs that provide more detail on three of the funding mechanisms and how to implement the funding mechanisms (see below)
- Reviewing legal and political feasibility of the funding mechanisms, particularly the three top mechanisms listed above
- Revising initial cost estimates to reflect the latest information/conditions
- Developing appropriate combination(s) of mechanisms

**Next Steps - Policy Briefs:**

In the first of the next steps, Earth Economics will prepare four economic policy briefs. These briefs will provide further detail on funding mechanisms and strategies. These briefs will be used to explain the proposed mechanisms to WRIA 9 member jurisdictions and the public.

The following chart summarizes suggestions for the contents of the policy briefs received at the WRIA 9 Management Committee meeting held on January 27, 2010. At the February 11, 2010 Watershed Ecosystem Forum meeting, Earth Economics is asking for help in scoping the policy briefs. Briefs will be prepared for distribution in March.

<b>Policy Brief Title</b>	<b>Content</b>
1. Watershed Investment District	Case studies, options involved, governance, counties involved
2. Per parcel assessment	Levy district area (WRIA, county, etc), revised revenue estimates
3. Lid lift on flood district	Review work that was done last year, money in opportunity fund
4. Regional funding	How does this work, what is the role of PSP, county, watershed, cities, etc.
5. Project review sheet	What we've done, where we are now, ecological economics as its been done and why