



- Board of Directors
Water Planning and Stewardship Committee

2/10/2015 Board Meeting

9-1

Subject

Potential Turf Removal Program Modifications

Executive Summary

Metropolitan's Turf Removal Program provides an incentive to customers who remove their turf and replace it with a California Friendly Landscape. The program first began in 2008 as a member agency administered program with a \$0.30 per square foot rebate. Over the years, the program has adjusted several times to meet regional needs. For example, in 2011 grant funding allowed Metropolitan to raise the incentive to \$1 per square foot and in 2014 the Board approved an increase to \$2 per square foot as an important drought response.

Currently, Metropolitan administers a regional turf removal program at \$2 per square foot with no maximum incentive per property (approved by Board May 2014). The program is experiencing increased activity levels, with many funding requests coming from large commercial properties. Staff is seeking feedback on strategies to incentivize customers, provide equity, make the program more sustainable, and ensure availability to a broad customer base.

Description

History of Turf Removal Program

Metropolitan first began offering a rebate for turf removal in 2008 through a member agency-administered program. At that time, the base incentive per square foot of turf removed was \$0.30. Through grants from the Bureau of Reclamation and the California Department of Water Resources, Metropolitan was able to offer an enhanced incentive of \$1.00 per square foot in the fall of 2011.

By 2014, Metropolitan's Turf Removal Program transformed over 21 million square feet of turf to California Friendly landscapes and saved approximately 28,940 acre feet. These projects included residential and commercial projects throughout Metropolitan's service area. In addition to water savings, the turf removal program increases acceptance of non-turf lawns, and assists in market transformation.

All grant funds were fully expended in 2013. Due to high member agency interest, the Board approved maintaining the rebate at \$1.00 per square foot on September 10, 2013. The Board also approved the addition of turf removal to Metropolitan's regional rebate program, in addition to the member agency-administered program, allowing maximum flexibility for agencies to participate in the Turf Removal Program.

Regional Turf Removal Program

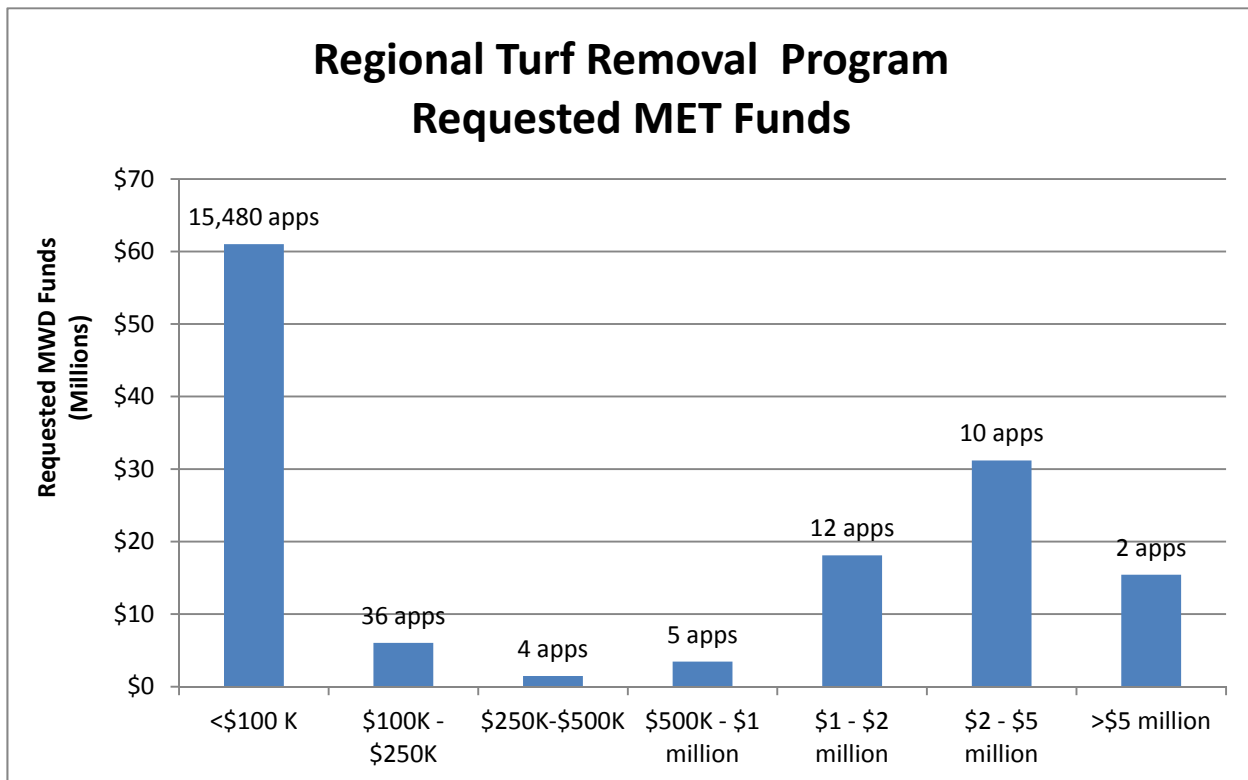
In January of 2014, the Regional Turf Removal Program was launched. This program provided all member agencies the opportunity to participate in turf removal by relying on Metropolitan's regional administration. Customers were able to apply online via SoCalWaterSmart.com to receive their rebates.

On May 14, 2014, the Board approved an increase in the turf removal rebate to \$2 per square foot as an important drought response with no maximum per rebate. By early July, the Regional Turf Removal Program had received its first reservation request over \$100,000 in Metropolitan funding or just over one acre (50,000 square feet).

Subsequently, staff implemented the following additional policies for “Large Turf” reservations, defined as projects eligible for rebates of over \$100,000 in Metropolitan funds:

1. Required detailed site maps
2. Site inspections both before and after a project is completed
3. Collection of paid invoices with rebates based on the square footage of turf removed up to the cost of project
4. Allowance for reservation periods over 120 days

Large turf reservations have continued to gain momentum. As of January 23, 2015, Metropolitan had 15,549 turf removal requests or reservations. Of those, sixty-nine applications, or about one-half of one percent of customers were large commercial turf customers with reservations over \$100,000 (shown in graph below). However, this one-half percent of total turf customers constituted 55 percent of the total funding requested for turf removal.



Twenty nine customers have requests or reservations greater than \$500,000 (or 5.5 acres) and twenty-four customers have requests or reservations greater than \$1 million (or 11.5 acres). Two, customer requests are over \$5 million. With these types of reservations, each customer can have a large impact on the entire turf removal program budget. For example, as shown below, the 0.19 percent of customers with requests over \$500,000 constitutes half of the funds requested.

Requested Reservation Amount	% of customers	% of funds requested
<\$500,000	99.81%	50%
>\$500,000	0.19%	50%

Turf Removal and Market Transformation

The concept of market transformation has been an integral component of the turf removal program since 2011. The enhanced \$1 per square foot incentive created new opportunities for customers to remove their turf and increased participation. In addition to water savings, another goal of increased participation was to create enough California Friendly Landscapes that they became a common and expected type of landscape throughout Southern California.

The strategy to achieve market transformation varies. One of the grants initially co-funding turf removal rebates focused on residential customers, while another did not differentiate between residential and commercial customers. Member agencies also have diverse strategies for focusing their supplemental funding and outreach efforts on either residential, commercial, or both types of customers.

Options for Maximizing Water Savings and Market Transformation

The current trend of the Regional Turf Removal Program is for the majority of funding requested or reserved to be for large commercial turf removal projects. For example, 47 percent of requested funding is allocated to projects over \$1 million (over 11.5 acres). If funding becomes limited in the future, this distribution of funds to large projects could limit the opportunity for residential and smaller commercial properties such as businesses, smaller parks/schools, or HOAs to participate in the program. While funding is currently available to accommodate all requests, modifications to the program might be necessary to achieve the following objectives in a sustainable manner:

- Increasing public awareness regarding use of water efficient landscaping
- Transforming the market towards use of more efficient outdoor water use practices
- Accelerating the region's ability to comply with 20 percent water use reduction by 2020 goals
- Achieving increased water savings during the critical drought period

Potential Program Modifications

In response to the current drought and the Governor's declared state of emergency, the Board aggressively funded the current turf replacement program. Response by the public has been phenomenal and has dramatically begun the transformation of Southern California's landscape. This high level of funding was possible through use of Metropolitan's Water Management Fund which was established by the Board for drought response measures. But this level of funding is not sustainable on a permanent basis and it is appropriate to consider program modifications to ensure a long-term, sustainable program. Some possible modifications are discussed below:

1. Maximum Annual Application Funding Level

There are several benefits to an application maximum funding level. First, it would not limit participation in turf removal, only the maximum rebate amount per property. Maximum application funding levels could be implemented as an annual maximum per property. Second, maximum application funding levels could be established in a way that would reduce the aggregate funding requests significantly while only affecting less than one percent of all customers.

For example, there are currently 24 turf removal requests over \$1 million (or 11.5 acres) If there were a \$1 million dollar maximum funding level, and all 24 continued to participate in turf removal, Metropolitan's requested funding would be reduced by \$40.7 million. This \$40.7 million could be redistributed to approximately thirteen thousand residential customers (average residential request is ~\$3,200). A maximum funding level of \$500,000 (or 4.7 acres) would affect 29 customers and reduce Metropolitan's requested funding by \$53.6 million. Funding with a \$500,000 maximum level would also align the proportion of expenditures in the Turf Removal Program with the proportion of water use in the region by residential and non-residential customers. A maximum funding level of \$250,000 (or 2.8 acres) would affect 33 customers and reduce Metropolitan's requested funding by \$61.4 million.

The Southern Nevada Water Authority has a maximum funding level of \$300,000 per property per year. Initially, SNWA began its program with no maximum funding level and incorporated one later as the program became established. Some member agency conservation staff have commented that a \$300,000 maximum incentive level would be too low for many commercial projects. They believe a higher maximum incentive level of either \$500,000 or \$1 million per property per year would be better suited for Southern California.

A maximum incentive level of \$500,000 per year per property would accommodate 99.8 percent of the program's current customers. It would also more closely align the expenditures in the Turf Removal Program with the water use patterns of residential vs. non-residential customers in the region. Roughly 75 percent of water used in the

region is for residential purposes and about 25 percent is for non-residential purposes. With a \$500,000 annual maximum, expenditures in the Turf Removal Program would be expected to more closely match these percentages. The program currently has a higher percentage of funding going to non-residential customers. Customers with larger projects would still be able to complete them in phases over multiple years, qualifying for more funding over time.

2. Rebate Level per Square Foot

The turf removal rebate level per square foot has historically changed in response to funding and activity levels. One programmatic change could be to reduce the commercial rebate per square foot from \$2 to \$1 per square foot. With this option, all commercial customers would be affected; however, there could be no limit to their eligible projects.

Staff does not have extensive data on the cost of turf removal for commercial customers. But the collection of some invoices and member agency input has shown that the unit price of turf removal for customers is reduced as the project size increases. In discussion with current turf removal customers, Metropolitan has found that many large customers could remove turf for less than \$2 per square foot. This incentive could remain up to \$2 per square foot for public agencies' properties in order to maintain a focus on public landscaping projects, with a lesser amount for commercial properties.

A hybrid option would be to "tier" the incentive level for all customers. The rebate for both commercial and residential customers could be \$2 per square foot for the first 10,000 square feet. Of the customers that have applied to the current program, 10,000 square feet represents 99.5 percent of residential customers and 63 percent of commercial customers. The rebate would be reduced to \$1 per square foot above 10,000 square feet up to a maximum incentive of \$500,000. This approach would treat both residential and commercial customers equally. It would require all the member agency administered programs to also be tiered. If an agency already has a tiered program it could create additional tiers to that program.

3. Maximum Program Funding Level

Another approach would be for the Board to set a firm turf rebate annual budget with clear notification to the public that funding is on a "first come, first served" basis and once the funding is exhausted no more rebates would be available until the following year. This could be used in conjunction with any of the other discussed program modifications.

Summary and Next Steps

Metropolitan's Turf Removal Program continues to experience increased activity levels. Staff is seeking feedback on strategies to incentivize customers, while making the program more sustainable over the long term. Staff will continue to keep the Board informed on program activity and bring suggested changes to the Turf Removal Program to the Board for consideration. Any changes to be implemented would need to provide sufficient lead time to allow member agencies to notify their customers and to ensure a smooth transition.

Policy

By Minute Item 49773, dated May 13, 2014, the Board authorized proposed changes to Conservation Program in response to drought conditions.

By Minute Item 49676, dated February 11, 2014, the Board adopted a Water Supply Alert Resolution (Resolution 9168).

By Minute Item 49675, dated February 11, 2014, the Board authorized the On-site Retrofit Pilot Program for converting sites to receive recycled water.

By Minute Item 49542, dated September 10, 2013, the Board authorized new conservation program initiatives.

By Minute Item 49068, dated May 8, 2012, the Board authorized changes to Metropolitan's Water Conservation Program.

By Minute Item 48772, dated August 16, 2011, the Board adopted the Long-Term Conservation Plan and revisions to the water conservation policy principles.

By Minute Item 42785, dated January 13, 1998, the Board approved expanding Conservation Credits Program funding to projects that conserve recycled water.

Fiscal Impact

None



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1/27/2015
Date



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1/29/2015
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Ref# wrm12635365