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HOUSE BILL NO. 1804

Offered January 11, 2023

Prefiled January 10, 2023

A *BILL to amend and reenact §§ 28.2-1308, 33.2-247, and 62.1-44.15:23 of the Code of Virginia, relating to tidal wetland mitigation bank credits.*

Patron—Bloxom

Referred to Committee on Agriculture, Chesapeake and Natural Resources

Be it enacted by the General Assembly of Virginia:

1. That §§ 28.2-1308, 33.2-247, and 62.1-44.15:23 of the Code of Virginia are amended and reenacted as follows:

§ 28.2-1308. Standards for use and development of wetlands; utilization of guidelines.

A. For the purposes of this section, "river watershed" means the Potomac River Basin, Shenandoah River Basin, James River Basin, Rappahannock River Basin, Roanoke and Yadkin Rivers Basin, Chowan River Basin (including the Dismal Swamp and Albemarle Sound), Tennessee River Basin, Big Sandy River Basin, Chesapeake Bay and its Small Coastal Basins, Atlantic Ocean, York River Basin, and the New River Basin.

B. The following standards shall apply to the use and development of wetlands and shall be considered in the determination of whether any permit required by this chapter should be granted or denied:

1. Wetlands of primary ecological significance shall not be altered so that the ecological systems in the wetlands are unreasonably disturbed; and

2. Development in Tidewater Virginia, to the maximum extent practical, shall be concentrated in wetlands of lesser ecological significance, in vegetated wetlands which have been irreversibly disturbed before July 1, 1972, in nonvegetated wetlands which have been irreversibly disturbed prior to January 1, 1983, and in areas of Tidewater Virginia outside of wetlands.

~~B. C.~~ C. The provisions of guidelines and minimum standards promulgated by the Commission pursuant to § 28.2-1301 shall be considered in applying the standards listed in subsection A ~~of this section B.~~

~~C. D.~~ D. When any activity authorized by a permit issued pursuant to this chapter is conditioned upon compensatory mitigation for adverse impacts to wetlands, the applicant may be permitted to satisfy all or part of such mitigation requirements by the purchase or use of credits from any wetlands mitigation bank, including any banks owned by the permit applicant, that has been approved and is operating in accordance with applicable federal and state guidance, laws, or regulations for the establishment, use and operation of mitigation banks as long as (i) the bank is in the same fourth order subbasin, as defined by the hydrologic unit boundaries of the National Watershed Boundary Dataset or by the hydrologic unit system or dataset utilized and depicted or described in the bank's approved mitigation banking instrument, as the impacted site, or in an adjacent subbasin within the same river watershed, as the impacted site, or it meets all the conditions found in clauses (a) through (d) and either clause (e) or (f) ~~of this subsection~~; (ii) the bank is ecologically preferable to practicable on-site and off-site individual mitigation options, as defined by federal wetland regulations; and (iii) the banking instrument, if approved after July 1, 1996, has been approved by a process that included public review and comment. When the bank is not located in the same subbasin or adjacent subbasin within the same river watershed as the impacted site, the purchase or use of credits shall not be allowed unless the applicant demonstrates to the satisfaction of the Commission that (a) the impacts will occur as a result of a Virginia Department of Transportation linear project or as the result of a locality project for a locality whose jurisdiction encompasses multiple river watersheds; (b) there is no practical same river watershed mitigation alternative; (c) the impacts are less than one acre in a single and complete project within a subbasin; (d) there is no significant harm to water quality or fish and wildlife resources within the river watershed of the impacted site; and either (e) impacts within the Chesapeake Bay watershed are mitigated within the Chesapeake Bay watershed as close as possible to the impacted site or (f) impacts within subbasins 02080108, 02080208, and 03010205, as defined by the National Watershed Boundary Dataset, are mitigated in-kind within those subbasins as close as possible to the impacted site. After July 1, 2002, the provisions of clause (f) shall apply only to impacts within subdivisions of the listed subbasins where overlapping watersheds exist, as determined by the Department of Environmental Quality, provided the Department has made such a determination by that date. For the purposes of this subsection, the hydrologic unit boundaries of the National Watershed Boundary Dataset or other hydrologic unit system may be adjusted by the Department of Environmental Quality to reflect

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HB1804

59 site-specific geographic or hydrologic information provided by the bank sponsor.

60 ~~D. E.~~ Where an agreed-upon permit condition requires the contribution of in-lieu fees to offset
61 permitted wetland losses, the wetlands board shall credit the applicant for any in-lieu fee payments made
62 to the Virginia Aquatic Resources Trust Fund or another dedicated wetlands restoration fund with
63 reference to the same activity.

64 For the purposes of this section, "river watershed" means the Potomac River Basin, Shenandoah
65 River Basin, James River Basin, Rappahannock River Basin, Roanoke and Yadkin Rivers Basin,
66 Chowan River Basin (including the Dismal Swamp and Albemarle Sound), Tennessee River Basin, Big
67 Sandy River Basin, Chesapeake Bay and its Small Coastal Basins, Atlantic Ocean, York River Basin,
68 and the New River Basin.

69 *F. Notwithstanding any provision of this section restricting the location of the source of credits, an*
70 *applicant may be permitted to purchase or use credits from a tidal wetland mitigation bank located in*
71 *an adjacent river watershed when such bank contains substantially the same plant community type and*
72 *salinity regime as the impacted wetlands, which shall be the preferred form of compensation. This*
73 *subsection shall apply only (i) to tidal wetland mitigation banks located in subbasins 02080102,*
74 *02080107, 02080108, and 02080208 and (ii) when a tidal wetland mitigation bank with substantially the*
75 *same plant community type and salinity regime as the impacted wetlands is not available in the same*
76 *river watershed as the impacted wetland.*

77 **§ 33.2-247. Wetlands mitigation banking.**

78 *A. For the purposes of this section, "river watershed" means the Potomac River Basin, Shenandoah*
79 *River Basin, James River Basin, Rappahannock River Basin, Roanoke and Yadkin Rivers Basin, Chowan*
80 *River Basin (including the Dismal Swamp and Albemarle Sound), Tennessee River Basin, Big Sandy*
81 *River Basin, Chesapeake Bay and its Small Coastal Basins, Atlantic Ocean, York River Basin, and New*
82 *River Basin.*

83 *B.* When authorization is required by federal or state law for any project affecting wetlands and such
84 authorization is conditioned upon compensatory mitigation for adverse impacts to wetlands, the
85 Commissioner of Highways is authorized to expend funds for the purchase of, or is authorized to use,
86 credits from any wetlands mitigation bank, including any owned by the Department of Transportation,
87 that has been approved and is operating in accordance with applicable federal and state guidance, laws,
88 or regulations for the establishment, use, and operation of mitigation banks as long as (i) the bank is in
89 the same fourth order subbasin, as defined by the hydrologic unit boundaries of the National Watershed
90 Boundary Dataset or by the hydrologic unit system or dataset utilized and depicted or described in the
91 bank's approved mitigation banking instrument, as the impacted site, or in an adjacent subbasin within
92 the same river watershed as the impacted site, or it meets all the conditions found in clauses (a) through
93 (d) and either clause (e) or (f); (ii) the bank is ecologically preferable to practicable on-site and off-site
94 individual mitigation options, as defined by federal wetland regulations; and (iii) the banking instrument,
95 if approved after July 1, 1996, has been approved by a process that included public review and
96 comment. When the bank is not located in the same subbasin or adjacent subbasin within the same river
97 watershed as the impacted site, the purchase or use of credits shall not be allowed unless the
98 Commissioner of Highways demonstrates to the satisfaction of the agency requiring compensatory
99 mitigation that (a) the impacts will occur as a result of a Department of Transportation linear project; (b)
100 there is no practical same river watershed mitigation alternative; (c) the impacts are less than one acre in
101 a single and complete project within a subbasin; (d) there is no significant harm to water quality or fish
102 and wildlife resources within the river watershed of the impacted site; and either (e) impacts within the
103 Chesapeake Bay watershed are mitigated within the Chesapeake Bay watershed as close as possible to
104 the impacted site or (f) impacts within subbasins 02080108, 02080208, and 03010205, as defined by the
105 National Watershed Boundary Dataset, are mitigated in-kind within those subbasins, as close as possible
106 to the impacted site. After July 1, 2002, the provisions of clause (f) shall apply only to impacts within
107 subdivisions of the listed subbasins where overlapping watersheds exist, as determined by the
108 Department of Environmental Quality, provided the Department of Environmental Quality has made
109 such a determination by that date. For the purposes of this subsection, the hydrologic unit boundaries of
110 the National Watershed Boundary Dataset or other hydrologic unit system may be adjusted by the
111 Department of Environmental Quality to reflect site-specific geographic or hydrologic information
112 provided by the bank sponsor.

113 For the purposes of this section, "river watershed" means the Potomac River Basin, Shenandoah
114 River Basin, James River Basin, Rappahannock River Basin, Roanoke and Yadkin Rivers Basin,
115 Chowan River Basin (including the Dismal Swamp and Albemarle Sound), Tennessee River Basin, Big
116 Sandy River Basin, Chesapeake Bay and its Small Coastal Basins, Atlantic Ocean, York River Basin,
117 and New River Basin.

118 *C. Notwithstanding any provision of this section restricting the location of the source of credits, the*
119 *Commissioner of Highways may be permitted to purchase or use credits from a tidal wetland mitigation*
120 *bank located in an adjacent river watershed when such bank contains substantially the same plant*

community type and salinity regime as the impacted wetlands, which shall be the preferred form of compensation. This subsection shall apply only (i) to tidal wetland mitigation banks located in subbasins 02080102, 02080107, 02080108, and 02080208 and (ii) when a tidal wetland mitigation bank with substantially the same plant community type and salinity regime as the impacted wetlands is not available in the same river watershed as the impacted wetland.

§ 62.1-44.15:23. Wetland and stream mitigation banks.

A. For purposes of this section:

"Physiographic province" means one of the five physiographic provinces of Virginia designated as the Appalachian Plateaus, Blue Ridge, Coastal Plain, Piedmont, and Ridge and Valley physiographic provinces as identified on Figure 2 in the Overview of the Physiography and Vegetation of Virginia prepared by the Department of Conservation and Recreation, Division of Natural Heritage and dated February 2016. The Department of Environmental Quality may adjust the boundaries of a physiographic province to reflect site-specific boundaries based on relative elevation, relief, geomorphology, and lithology provided by the bank sponsor.

"Primary service area" means the fourth order subbasin in which the bank is located, as defined by the hydrologic unit boundaries of the National Watershed Boundary Dataset or the hydrologic unit system or dataset utilized and depicted or described in the bank's approved mitigation banking instrument, and any adjacent fourth order subbasin within the same river watershed.

"River watershed" means the Potomac River Basin; Shenandoah River Basin; James River Basin; Rappahannock River Basin; Roanoke and Yadkin Rivers Basin; Chowan River Basin, including the Dismal Swamp and Albemarle Sound; Tennessee River Basin/Big Sandy River Basin Complex; Chesapeake Bay and its Small Coastal Basins; Atlantic Ocean; York River Basin; and New River Basin.

"Secondary service area" means the area outside the primary service area but within the same physiographic province in which the bank is located and any adjacent physiographic province within the same river watershed.

"Tree canopy" includes all of the area of canopy coverage by self-supporting and healthy woody plant material exceeding five feet in height.

B. When a Virginia Water Protection Permit is conditioned upon compensatory mitigation for adverse impacts to wetlands or streams, the applicant may be permitted to satisfy all or part of such mitigation requirements by the purchase or use of credits from any wetland or stream mitigation bank in the Commonwealth, or in Maryland on property wholly surrounded by and located in the Potomac River if the mitigation banking instrument provides that the Board shall have the right to enter and inspect the property and that the mitigation bank instrument and the contract for the purchase or use of such credits may be enforced in the courts of the Commonwealth, including any banks owned by the permit applicant, that has been approved and is operating in accordance with applicable federal and state guidance, laws, or regulations for the establishment, use, and operation of mitigation banks as long as (i) the impacted site is located in the bank's primary or secondary service area as provided in subsection C or it meets all the conditions found in clauses (a) through (d) and either clause (e) or (f); (ii) the bank is ecologically preferable to practicable onsite and offsite individual mitigation options as defined by federal wetland regulations; and (iii) the banking instrument, if approved after July 1, 1996, has been approved by a process that included public review and comment. When the impacted site is not located in the bank's primary or secondary service area, the purchase or use of credits shall not be allowed unless the applicant demonstrates to the satisfaction of the Department of Environmental Quality that (a) the impacts will occur as a result of a Virginia Department of Transportation linear project or as the result of a locality project for a locality whose jurisdiction encompasses multiple river watersheds; (b) there is no practical same river watershed mitigation alternative; (c) the impacts are less than one acre in a single and complete project within a subbasin; (d) there is no significant harm to water quality or fish and wildlife resources within the river watershed of the impacted site; and either (e) impacts within the Chesapeake Bay watershed are mitigated within the Chesapeake Bay watershed as close as possible to the impacted site or (f) impacts within subbasins 02080108, 02080208, and 03010205, as defined by the National Watershed Boundary Dataset, are mitigated in-kind within those subbasins, as close as possible to the impacted site. For the purposes of this subsection, the hydrologic unit boundaries of the National Watershed Boundary Dataset or other hydrologic unit system may be adjusted by the Department of Environmental Quality to reflect site-specific geographic or hydrologic information provided by the bank sponsor.

C. For impacts to a site for which no credits are available to purchase (i) in the primary service area of any mitigation provider or (ii) at a price below 200 percent of the current price of credits applicable to that site from a Board-approved fund dedicated to achieving no net loss of wetland acreage and functions, a permit applicant may be permitted to purchase or use credits from the secondary service area of a mitigation provider to satisfy all or any part of such applicant's mitigation requirements. For purposes of this subsection, the permit applicant shall provide a determination of credit availability and

182 credit price no later than the time such applicant submits to the Department (a) its proof of credit
183 acquisition or (b) a later change to such proof.

184 If a permit applicant purchases or uses credits from a secondary service area, the permit applicant
185 shall:

186 1. Acquire three times the credits it would have had to acquire from a bank in the primary service
187 area for wetland impacts and two times the number of credits it would have had to acquire in the
188 primary service area for stream impacts;

189 2. When submitting proof of acquisition of credits for a subdivision or development, provide to the
190 Department a plan that the permit applicant will implement that is certified by a licensed professional
191 engineer, surveyor, or landscape architect for the planting, preservation, or replacement of trees on the
192 development site such that the minimum tree canopy percentage 20 years after development is projected
193 to be as follows:

194 a. Ten percent tree canopy for a site zoned for business, commercial, or industrial use;

195 b. Ten percent tree canopy for a residential site zoned for 20 or more units per acre;

196 c. Fifteen percent tree canopy for a residential site zoned for more than eight but fewer than 20 units
197 per acre;

198 d. Twenty percent tree canopy for a residential site zoned for more than four but not more than eight
199 units per acre;

200 e. Twenty-five percent tree canopy for a residential site zoned for more than two but not more than
201 four units per acre; and

202 f. Thirty percent tree canopy for a residential site zoned for two or fewer units per acre.

203 For a mixed-use development, the tree canopy percentage required pursuant to this subdivision shall
204 be that which is applicable to the predominant use.

205 The tree canopy requirements established under this subsection shall not supersede any additional
206 requirements imposed by a locality pursuant to § 15.2-961 or 15.2-961.1.

207 D. The Department is authorized to serve as a signatory to agreements governing the operation of
208 mitigation banks. The Commonwealth and its officials, agencies, and employees shall not be liable for
209 any action taken under any agreement developed pursuant to such authority.

210 E. State agencies and localities are authorized to purchase credits from mitigation banks.

211 F. A locality may establish, operate and sponsor wetland or stream single-user mitigation banks
212 within the Commonwealth that have been approved and are operated in accordance with the
213 requirements of subsection B, provided that such single-user banks may only be considered for
214 compensatory mitigation for the sponsoring locality's municipal, joint municipal or governmental
215 projects. For the purposes of this subsection, the term "sponsoring locality's municipal, joint municipal
216 or governmental projects" means projects for which the locality is the named permittee, and for which
217 there shall be no third-party leasing, sale, granting, transfer, or use of the projects or credits. Localities
218 may enter into agreements with private third parties to facilitate the creation of privately sponsored
219 wetland and stream mitigation banks having service areas developed through the procedures of
220 subsection B.

221 G. *Notwithstanding any provision of this section restricting the location of the source of credits, the*
222 *Department may, for tidal wetland impacts, authorize the use of, including without the application of*
223 *subsection C, a tidal wetland mitigation bank located in an adjacent river watershed when such bank*
224 *contains substantially the same plant community type and salinity regime as the impacted wetlands,*
225 *which shall be the preferred form of compensation. This subsection shall apply only (i) to tidal wetland*
226 *mitigation banks located in subbasins 02080102, 02080107, 02080108, and 02080208 and (ii) when a*
227 *tidal wetland mitigation bank with substantially the same plant community type and salinity regime as*
228 *the impacted wetlands is not available in the same river watershed as the impacted wetland.*