

August 29, 2007

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director

**SUBJECT: Agenda Item F: OWEB Grant Award Recommendations
Overview and Statewide Projects
September 18-19, 2007 OWEB Board Meeting**

I. Introduction

This staff report describes the process for evaluation of the capital and non-capital grant applications submitted by the April 23, 2007, grant deadline. The report also includes budget considerations and a summary of combined funding recommendations. Finally, this report includes the statewide Technical Assistance grant evaluations and staff recommendations.

II. Background and Summary

One hundred and ninety one grant applications seeking a total of \$21,026,905 were received by the April 23, 2007, grant deadline. The breakdown by region, project type, and dollar amount is shown on the attached table. (Attachment A)

Restoration and Acquisition applications that are eligible for capital funds were solicited in this funding cycle, as were Technical Assistance applications that primarily use non-capital funds. After being screened for eligibility and completeness, the applications were sent to the five Regional Review Teams (RRTs), which reviewed the applications for merit and made prioritized funding recommendations to OWEB staff. OWEB staff considered funding availability and the amount of funds budgeted, and integrated the separate RRT recommendations into a staff funding recommendation to the Board.

Following this overview are regional staff reports containing the OWEB staff funding recommendations for each region.

III. Review Process

Grant applications were screened for completeness, categorized by application type and copied for review. The RRTs were sent packets of eligible grant proposals to read and consider. OWEB staff in each region then scheduled visits to as many sites as possible, emphasizing new applications, acquisitions, and the more complicated projects. All RRT members were invited on these visits and some members were able to participate at each site. In their RRT meetings, reviewers were asked to determine the technical merit of each proposal and, with the exception of acquisition applications (for which the RRT only discusses the ecological and conservation value of the proposed acquisition), whether to recommend each application for funding. After

classifying applications as “do fund” or “no fund,” the RRTs were then asked to prioritize the applications recommended for funding. The RRT recommendations are included in each applicable regional staff report in this agenda item. The recommended funding amount and any special conditions are identified in the tables attached to each regional staff report.

OWEB received one Technical Assistance grant application that has a broader focus than one single region. This application was reviewed by a selected group from each RRT.

The RRT recommendations in summary form were distributed to all applicants whose proposals were reviewed by that RRT. Staff continued in this grant cycle the practice of forwarding all comments received from applicants regarding the RRT recommendations to the Board prior to the Board meeting.

IV. Statewide Technical Assistance Application

The reviewers did not recommend the one statewide application that proposed to develop permitting guidance for dam removal projects. They felt that there was sufficient change in the regulatory process that guidance was unlikely to be useful at this time.

V. Acquisition Applications

Two new land acquisition applications and one water acquisition application were reviewed during this grant cycle. By rule, land acquisition applications undergo a multifaceted review. Applications are first reviewed by a Board Acquisition Subcommittee, which recommends whether or not staff should proceed with a due diligence review of the project. Simultaneously, applications are reviewed by the RRTs for ecological and educational values. The Subcommittee may ask for additional information from the applicant or may ask that specific questions be addressed by the RRT.

If the due diligence review is recommended, staff request an appraisal report, title report and exceptions, option, donation disclosure, environmental site assessment, and proposed conservation easement. An independent review appraiser evaluates the appraisal report. OWEB’s legal counsel at the Department of Justice reviews the title report, exceptions, option agreement, and conservation easement. Staff at the Department of Environmental Quality review the environmental site assessment.

After the due diligence review is complete, the Subcommittee synthesizes the proposed project’s ecological and educational benefits, applicant capacity, partnerships, local support, local and regional community effects, RRT evaluation, and due diligence results into a funding recommendation to OWEB staff. Staff then consider all evaluation criteria, the Subcommittee’s recommendation, and available funding resources to develop a funding recommendation to the full Board. The staff funding recommendations are summarized in a separate section in the appropriate regional staff report.

The land acquisition grant application from Region 1 (Shangrila Creek Wetlands, 208-103) submitted in April 2007 was identified as having high ecological value but is not ready for a funding decision at this time because the due diligence materials are not complete. The Zena Property acquisition application (208-101) was withdrawn by the applicant.

In the April 2007 grant cycle, OWEB received one water acquisition grant application. The OWEB Board adopted administrative rules for water lease and transfer (acquisition) applications in January of 2005. The ecological value of a proposed water acquisition project is based on a project's ability to increase instream flow to address the needs of priority habitat and species, and/or to improve water quality in a water quality limited stream reach. This evaluation is conducted in part by reference to the Oregon Plan Streamflow Restoration Priorities (2001) and by evaluation by the appropriate RRT.

In addition to the ecological review of a proposed project, a review of due diligence materials is conducted. Due diligence materials include a fair market appraisal or other valuation assessment, a written assessment of the water right, the water right certificate, an ownership and lien report, an option agreement, and a donation disclosure statement. The appraisal or other valuation assessment is reviewed by OWEB's review appraiser. The assessment of the water right is evaluated by the Oregon Water Resources Department to determine its reliability to provide instream benefit. The remaining items are evaluated by staff for consistency with the administrative rules and by OWEB's legal counsel for legal sufficiency.

The water right acquisition application is for a five-year lease in the Hood River Basin (208-102, East Fork Irrigation District) and is not recommended for funding. (See the Region 4 staff report.)

VI. Budget Considerations

A. Capital Funds

At the time of writing this staff report, the Board had not yet adopted a capital funding spending plan for the 2007-2009 biennium. Staff have developed a funding recommendation based on the likelihood of a \$36 million reservation for the regular capital grant program. (See Agenda Item D). This would result in an allocation of \$9 million of capital funds for each grant cycle.

B. Non-Capital Funds

Similar to capital funds, the Board has not yet adopted a non-capital spending plan for the 2007-2009 biennium. Staff have developed a funding recommendation based on an allocation of \$1 million for Technical Assistance applications and for the education and outreach elements of Restoration applications.

VII. Previous Funding Decisions

At the September 2006 meeting, the Board approved partial funding for two grants with a commitment to fully fund the remainder in the 2007-2009 biennium on the condition that the applicants report progress on their grants in September of 2007. At the March 2007 Board meeting, the Board again approved partial funding for two other applications. The grant awards from the September and March meetings are listed in the table on the following page.

The cumulative effect of the deferred funding recommendations from the 2005-2007 biennium is \$2,750,750 from the 2007-2009 biennium capital funds. Two applications received Board approval at the May 2007 Board meeting contingent on OWEB budget approval. These grants have been awarded. The remaining \$1,487,250 is recommended for funding in the Region 4 staff report.

2005-2007 Deferred Funding Awards

Grant #	Grantee	Total Award	9/06 Award	3/07 Award	5/07 Award**	9/07 Award
207-107	East Fork Irrigation District*	\$1,400,000	\$900,000			\$500,000
207-138	Willow Creek	\$1,950,568	\$1,050,568		\$900,000	
207-319	Middle Deschutes Streamflow*	\$1,487,250		\$500,000		\$987,250
207-072	Sandy River Acquisition	\$727,500		\$364,000	\$363,500	
		\$5,565,318	\$1,950,568	\$864,000	\$1,263,500	\$1,487,250

* Included in the Region 4 staff report.

** Awards made at the May 2007 meeting were effective in July of 2007 once OWEB received an approved budget for the 2007-2009 biennium.

VIII. Summary of Funding Recommendation

The statewide funding totals recommended by staff are shown below. Details, including the staff recommendations for Board action, are contained within each of the following regional staff reports. “Do Fund” applications are indicated on the tables by shading.

A. Capital Funding Recommendations

Restoration Grant Awards, <i>Capital</i> Portion	\$ 8,771,753
2005-2007 Deferred Funding	\$ 1,487,250
<u>Technical Assistance Grant Awards, <i>Capital</i></u>	<u>\$ 50,000</u>
TOTAL <i>Capital</i> Staff Recommendation:	\$10,309,003

B. Non-Capital Funding Recommendations

Technical Assistance Grant Awards, <i>Non-Capital</i>	\$ 1,001,938
<u>Restoration Grant Awards, <i>Non-Capital</i> Portion</u>	<u>\$ 27,076</u>
TOTAL <i>Non-Capital</i> Staff Recommendation	\$ 1,029,014

IX. Statewide Technical Assistance Application

Staff do not recommend funding for the statewide technical assistance application, therefore no Board action is required.

Attachments

- A. Types of Applications Received and Amounts Requested by Application Type
- B. Statewide Technical Assistance Project Not Recommended for Funding

Oregon Watershed Enhancement Board

Types of Applications Received April 23, 2007

	Technical Assistance	Acquisition	Restoration	Totals
Region 1	10	1	8	19
Region 2	16	0	20	36
Region 3	15	1	20	36
Region 4	3	1	31	35
Region 5	14	0	50	64
Statewide	1	0	0	1
Totals	59	3	129	191

Dollar Amounts Requested by Application Type

	Technical Assistance	Acquisition	Restoration	Totals
Region 1	313,998	180,000	1,824,245	2,318,243
Region 2	536,564	0	3,758,838	4,295,402
Region 3	587,626	550,000	2,268,687	3,406,313
Region 4	98,702	7,375	4,596,159	4,702,236
Region 5	371,421	0	5,927,312	6,298,733
Statewide	5,978	0	0	5,978
Totals	\$1,914,289	\$737,375	\$18,375,241	\$21,026,905

**Statewide
Technical Assistance Projects Not Recommended for Funding by RRTs and OWEB Staff
April 23, 2007 Grant Cycle**

Project #	Project Name	Total Amount
208-7000	Navigating the Dam Removal Permitting Process: A Guidance Document	\$ 5,978