

August 21, 2009

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Lauri Aunan, Grant Program Manager

**SUBJECT: Agenda Item L: OWEB Grant Award Recommendations
Overview
September 15-16, 2009 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 20, 2009, deadline. The report also includes budget considerations and a summary of combined funding recommendations.

II. Background and Summary

On the April 20, 2009, grant deadline, OWEB received 171 applications requesting nearly \$24.4 million. This is the largest dollar request, and the second highest number of applications, submitted to OWEB for an April grant cycle. The breakdown by region, project type, and dollar amount is shown on the attached table. (Attachment A)

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

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

III. Review Process

The applications were screened for completeness, categorized by application type, and distributed to the RRTs. About half of the reviewers are now receiving CDs of the applications, which has reduced OWEB's copying and mailing costs (the other half prefer hard copies). OWEB staff in each region then scheduled visits to as many sites as possible, emphasizing new applications, acquisitions, and the more complicated applications. All RRT members were invited on these visits and some were able to participate.

In their RRT meetings, reviewers consider technical merit, feasibility, likelihood of success, experience of the applicant, and whether the budget supports the proposed work. After

classifying Restoration and Technical Assistance applications as “do fund” or “no fund,” the RRTs were then asked to prioritize the applications recommended for funding. For Acquisition applications, the RRT only discussed the ecological and educational value of the proposed acquisition and did not make funding recommendations.

The RRT recommendations are included in each applicable regional staff report in this agenda item. The tables attached to each regional staff report identify the staff-recommended funding amount and note whether any grants include funding conditions.

Summaries of the RRT and staff funding recommendations were distributed to all applicants whose proposals were reviewed by that RRT. Written comments received from applicants regarding the RRT or staff recommendations will be forwarded to the Board prior to the Board meeting.

IV. Acquisition Applications

Five new acquisition applications were reviewed during this grant cycle (one water lease and transfer application and four land acquisition applications).

A. Land Acquisitions

By rule, land acquisition projects undergo a multifaceted review. Applications are first reviewed by the 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. The environmental site assessment is reviewed by staff at the Department of Environmental Quality.

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.

None of the four land acquisition grant applications submitted in April 2009 is recommended for funding at this time. One is recommended for deferral (Summer Creek Conservation Project, 210-103). Two are not recommended for funding (Miami River Conservation Easement, 210-101, and Maxwell Easement Acquisition, 209-108). The final application was withdrawn by the applicant. One previously deferred acquisition is ready for Board consideration in Region 1.

B. Water Acquisitions

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 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 or a comparable entity. 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 acquisition application, Deschutes River Water Transfers (210-103), is ready for funding at this time and is described in the Region 4 staff report.

V. Budget Considerations

At the time of writing this staff report, the Board has not yet established an overall spending plan or set capital and non-capital funding targets for each grant cycle in the 2009-2011 biennium. In addition, the Board is currently developing a strategic plan for the agency. As a result, staff developed the capital and non-capital funding recommendations for this first grant cycle of the biennium (there will be three more) as a "standalone" funding allocation – it does not set a precedent for future grant cycles. Budgets for future grant cycles will depend on the Board's spending plan and strategic plan.

A. Capital Funds

Staff did consider the agency's 2009-2011 Legislatively Adopted Budget in which capital funds were reduced by about \$14 million from the 2007-2009 biennium. Including unspent grant funds returned from completed grants, OWEB currently has about \$46.6 million in uncommitted capital funds available for the remainder of the biennium. In addition, OWEB's salmon license plate fund currently contains about \$45,000. For comparison purposes, as of September 2007, OWEB had \$59.5 million in Measure 66 capital funds available and the Board set a capital funding target of \$9.25 million for each of four grant cycles.

The reduction in Measure 66 Lottery Funds comes at a time when demands on OWEB's funds continue to grow as a result of partnership investments and the increased capacity of our local partners to develop and implement projects; increasingly large and complex restoration projects; increasing demand for acquisition grants; and expected requests for OWEB funds to provide match for restoration projects partially funded through federal stimulus dollars. OWEB will not be able to meet all of the needs this biennium.

In the April 20, 2009, grant cycle, OWEB received 124 Restoration and Acquisition applications requesting nearly \$23 million in funding. We expect to receive at least this level of request in the October 19, 2009 grant cycle. Typically, more grant applications are submitted in the October grant cycle than in the spring cycle preceding it. In addition, OWEB has approximately \$5.8 million in pending land acquisition applications, which will affect future capital grant cycles.

Staff recommend funding 47 of the 79 Restoration applications recommended by the RRTs, one land acquisition received through an earlier grant cycle, and one instream water acquisition. Staff recommend funding these 49 grants through the expenditure of \$7,194,590 in capital funds.

B. Non-Capital Funds

Staff recommend funding 16 of the 30 Technical Assistance applications recommended by the RRTs. Staff recommend funding the Technical Assistance grants through the expenditure of \$499,931 in non-capital funds.

OWEB also uses non-capital funds for the education and outreach elements of Restoration applications. These non-capital costs are identified in the tables attached to each regional report and total \$17,113.

VI. Point of Interest: The Role of Big-Ticket Projects

Over the past several years, OWEB has seen a greater number of more complex, large-dollar projects vying for the available resources. The challenge has been to balance support for smaller, shorter-term opportunities with support for larger, longer-term projects, while also making award decisions that assure the larger projects will receive the funding they need to succeed. This becomes even more challenging this biennium where OWEB will have 25 percent fewer capital funds.

In previous cycles, staff have addressed this issue by recommending that the Board approve “big-ticket” projects with the condition that only part of the funding is awarded at this meeting, with the remaining project funds being awarded at future Board meetings. This approach allows OWEB to continue to fund a number of projects in all six regions during each cycle. It also requires that OWEB staff carefully track the future commitments made by the Board to ensure accurate calculations of available grant resources.

For this cycle, staff recommend the Board approve two “big-ticket” projects (210-2032, Bandon Marsh Restoration, total funding \$979,625, and 210-5021, Willow Creek Water Quality Improvement Phase IIa, total funding \$644,284) with the condition that only part of the funding is awarded at this meeting, with the remaining project funds being awarded at the March 2010 meeting. The RRTs and OWEB staff support funding the projects in their entirety; all of the staff-recommended funding is needed. Staff have discussed the “staged awards” with the applicants and the staging of funds works for both projects.

There is a third “big-ticket” project in Region 4, 210-4000, Summer Lake Wetland Enhancement Project (\$754,122). In discussions with the Central Oregon RRT, OWEB’s Regional Program Representative, and the applicant, it was not possible to fund this grant in stages given the nature

of the work and the supplies needed to complete the project. This project is discussed in more detail in the Region 4 grant award staff report.

VII. Staff Capital and Non-Capital Funding Recommendations

Staff recommendations for Board actions are identified by region for the applications indicated in each of the following five regional reports. “Do Fund” applications are indicated on the tables by shading.

A. Capital Funding Recommendations

The statewide funding total recommended by staff is shown below. Details are contained within each of the attached regional staff reports.

Restoration Applications, <i>Capital</i> Portion	\$6,967,496
<u>Acquisition Applications (Regions 1 and 4)</u>	<u>\$ 227,094</u>
TOTAL <i>Capital</i> Staff Recommendation	\$7,194,590

B. Non-Capital Funding Recommendations

Technical Assistance Applications	\$ 499,931
<u>Restoration Applications, <i>Non-Capital</i> Portion</u>	<u>\$ 17,113</u>
TOTAL <i>Non-Capital</i> Staff Recommendation	\$ 517,044

Attachment

A. Types of Applications Received and Amounts Requested by Application Type

Oregon Watershed Enhancement Board

Types of Applications for April 20, 2009

	Technical Assistance	Acquisition	Restoration	Totals
Region 1	9	1	12	22
Region 2	13	0	28	41
Region 3	11	1	16	28
Region 4	7	2	16	25
Region 5	6	1	27	34
Region 6	1	0	20	21
Totals	47	5	119	171

Dollar Amounts by Application Type

	Technical Assistance	Acquisition	Restoration	Totals
Region 1	324,780	53,000	1,760,325	2,138,105
Region 2	404,252	0	4,268,554	4,672,806
Region 3	442,858	1,000,000	2,895,605	4,338,463
Region 4	201,703	527,094	5,306,757	6,035,554
Region 5	168,123	1,500,000	2,623,369	4,291,492
Region 6	24,823	0	2,886,905	2,911,728
Totals	\$1,566,539	\$3,080,094	\$19,741,515	\$24,388,148