



OREGON
WATERSHED
ENHANCEMENT BOARD

Agenda Item M

Drinking Water Source Protection

Grant Offering Board Awards

Board Meeting April 22-23, 2025



Oregon

Tina Kotek, Governor



OREGON
WATERSHED
ENHANCEMENT BOARD

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Agenda Item M supports OWEB's Strategic Plan priority #3: Use our funding to strengthen and leverage capacity of people and organizations to achieve healthy watersheds, and priority # 5: Increase connection of urban and working lands to watershed health.

MEMORANDUM

TO: Oregon Watershed Enhancement Board
FROM: Audrey Squires, Drinking Water Source Protection Specialist
Renee Davis, Acquisitions and Special Programs Manager
SUBJECT: Agenda Item M – Drinking Water Source Protection Grant Awards
[April 22-23, 2025, Board Meeting](#)

I. Introduction

This staff report provides an overview of the Drinking Water Source Protection (DWSP) Grant Program Fall 2024 grant offering and funding recommendations. Staff funding recommendations for the Board's consideration are outlined in Attachment A to the staff report and are contingent upon a successful Lottery Revenue Bond sale.

II. Background

In June 2023, the Oregon Legislature passed [House Bill 2010](#) that, combined with other legislation, allocated \$5 million to establish the DWSP Grant Program at OWEB using General Funds (\$1M) and Lottery Revenue Bonds (\$4M). The Lottery Revenue Bond Sale is slated to occur on April 22, 2025.

Through the DWSP Grant Program, OWEB provides grants to public water suppliers to protect, restore, or enhance sources of drinking water through land conservation and protection. Grants can be for forward-looking transactions or for loan repayment or reimbursement of past transactions. Public water suppliers with a service population of less than 25,000 people are eligible for the program. The program focuses on rural communities and/or lower-income populations, but is not limited to these communities.

Following the board's adoption of administrative rules for the program in July 2024, staff developed informational materials and program guidance for prospective applicants. Staff conducted a significant amount of program outreach, including developing relationships with a new set of customers, i.e. public water suppliers. Considerable collaboration with other agencies – including Oregon Department of Environmental Quality, Oregon Health Authority, Business Oregon, and US Environmental Protection Agency – made the program development process efficient and effective.

Staff submitted a report to the legislature in March 2025, shown in Attachment F, which describes performance of the DWSP Grant Program.

III. Summary of Solicitation and Review Process

Solicitation

In Fall 2024, staff opened the first DWSP grant solicitation cycle, beginning with hosting a webinar for prospective applicants on October 10, 2024. The cycle ran from October 12 to December 12. During this time, staff consulted with each prospective applicant on the details of their project, eligibility, and application and program requirements, and was available to answer any questions.

Applications Submitted

Eight applications were submitted requesting a total of approximately \$6.1 million. Applications were geographically distributed across much of the state. See map in Attachment B.

Grant Application Review Process

The grant application review process began with staff reviewing each application for eligibility and completeness. Each of the eight applications was determined eligible and complete, moving them on to the next phases of the review process.

Next, staff facilitated a two-pronged review process, using both contractors and a technical review team (TRT) to evaluate applications based on the 11 criteria established in [Oregon Administrative Rule 695-048-0110](#). The contractors focused on the strength of the technical and legal aspects of the real estate transaction, title review, quality of due diligence information provided by the applicant, and project readiness. The TRT included 12 members representing six state agencies, three federal agencies, one tribe, OSU Extension, and one member retired from a public water supplier. The TRT brought expertise relevant to the evaluation criteria, including drinking water source protection, public water systems, water quality, hydrology, watershed processes, hydrogeology, forest stewardship, silviculture, land transactions, project management, and organizational capacity.

The TRT reviewed applications and attended virtual site visits with applicants in January and February 2025. On March 10, staff facilitated a full-day TRT meeting, at which staff presented a synthesis of the contractors' real estate and due diligence analyses to inform the reviewers' evaluations. TRT members then evaluated and ranked applications based on evaluation criteria. Staff compiled the evaluations, Attachment C, and developed the funding recommendations to present to the board.

IV. Match and Leverage

Legislators expressed a clear interest in using DWSP grant funds to leverage outside funding sources, especially federal dollars. For the projects recommended for funding, \$6.7 million has been offered as match and leverage toward the \$5 million of DWSP Grant Program funds. This far exceeds the 5% cash or in-kind match requirement in program rules, which was established so that match would not be a barrier for under-resourced communities.

V. Funding Conditions and Notice of Grant Requirements

Standard funding conditions specific to DWSP grants were developed by staff and approved by Department of Justice (DOJ), Department of Administrative Services, and Bond Counsel. The funding conditions are included in Attachment D. The conditions require the grantee to perform typical due diligence tasks with the expectation of review and approval by OWEB prior to release of grant funds. Attachment D includes a comprehensive list of due diligence items, as well as space for project-specific conditions since each project is unique.

DWSP administrative rules require grantees to record on title a Notice of Grant Requirements (NOGR) providing protection in perpetuity for DWSP Grant Program investments. The template for the NOGR for fee simple projects, which was developed in coordination with DOJ, is included in Attachment E. Staff will work with grantees to incorporate similar requirements into non-fee simple legal agreements.

VI. Funding Recommendations

Staff recommend the board award DWSP grants in the amount of \$5,000,000, contingent upon a successful Lottery Revenue Bond sale, with an award date of April 23, 2025, as shown in Attachment A, with the standard required conditions detailed in Attachment D. The funding recommendations are split into two categories (loan repayment and non-loan repayment) based on legislative intent of the program.

VII. Attachments

- A. DWSP Funding Recommendations
- B. Location Map of Fall 2024 DWSP Applications
- C. DWSP Application Evaluations
- D. DWSP Grants – Required Conditions
- E. DWSP Notice of Grant Requirements for Fee Simple Projects
- F. DWSP 2025 Legislative Report

LOAN REPAYMENT PROJECTS

Rank	Application No.	Applicant	Amount Requested	Funding Recommendation
1	225-8016-24119	City of Port Orford	\$415,735	\$415,735
2	225-8016-24159	Rhododendron Water Association	\$143,460	\$155,460

Total**\$559,195****\$571,195****NON-LOAN REPAYMENT PROJECTS**

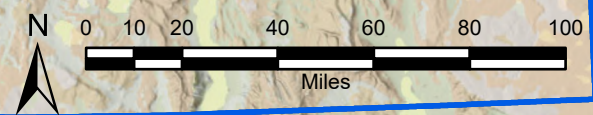
Rank	Application No.	Applicant	Amount Requested	Funding Recommendation
1	225-8016-24163	Neskowin Regional Water District	\$983,722	\$983,722
2	225-8016-24166	City of Reedsport	\$1,494,000	\$1,494,000
3	225-8016-24164	City of Rockaway Beach	\$1,422,270	\$1,422,270
4	225-8016-24165	City of The Dalles	\$675,000	\$528,813
5	225-8016-24161	City of Seaside	\$774,115	\$0
6	225-8016-24162	City of Baker City	\$237,500	\$0

Total**\$5,586,607****\$4,428,805**

Total DWSP Program**\$6,145,802****\$5,000,000**

Drinking Water Source Protection Fall 2024 Applications

Item M. Attachment B



Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24119
Applicant City of Port Orford
Project Name Port Orford Drinking Water
 Source Area Land Acquisition
 Reimbursement

County Curry
OWEB Request \$415,735
Total Cost \$817,133
Protective Instrument Fee Simple
Category Loan Repayment

Abstract Provided by Applicant

We are requesting funding to reimburse costs for a recently completed land acquisition in the City of Port Orford's Drinking Water Source Area intended to protect the water quality and quantity of our city's drinking water and our city's capacity to reliably provide drinking water.

(1) Location: Watershed of the North Fork Hubbard Creek, Drinking Water Source Area for the City of Port Orford.

(2) Project Need: Port Orford needs to secure funds to pay off the debt incurred (DEQ Clean Water State Revolving Fund loan) to buy a critical piece of land in our drinking water source area in order to continue city efforts to protect and reduce risk of contamination in its drinking water source area.

3) Proposed Work: Reimbursement for land acquisition costs for a 160-acre parcel of land that was under imminent threat of clear-cut harvest.

4) Project Partners: Port Orford Watershed Council, The Conservation Fund, Curry Soil & Water Conservation District (SWCD), Coalition of Oregon Land Trusts (COLT), DEQ Drinking Water Protection Program, Bandon Dunes Charitable Foundation, CCD Business Development, Wild Rivers Land Trust

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- The transaction has been successfully completed, and the due diligence was generally sufficient. Review of title documentation did not identify any significant concerns for the protection of the drinking water source.
- The City of Port Orford had good technical support partners, such as Coalition of Oregon Land Trusts and The Conservation Fund, while conducting due diligence and closing on the property. Additionally, the City has previous experience in land transactions.
- The physical characteristics of this parcel put it at risk for erosion and landslides, highlighting its priority for purchase.

- North Fork Hubbard Creek is the City's sole operational source of drinking water, highlighting the priority of protecting this watershed.
- This purchase results in the City owning 65% of its Drinking Water Source Area, allowing it to control activities to minimize turbidity and protect drinking water.
- Urgency existed at the time of securing the Clean Water State Revolving Fund loan from DEQ to purchase the land and protect the intact forest on the property.
- The City demonstrated that the water intake has experienced direct negative impacts from intensive management of forestlands on steep slopes that resulted in erosion and associated turbidity. The City's water treatment system has a 3 nephelometric turbidity units (NTU) limit and one finished water tank. The City provided compelling data in its application indicating when it had to shut down the water intake due to turbidity.
- The City demonstrated economic distress in its application: the community served is small, rural, and disadvantaged, and has a seasonal influx of tourists that puts a strain on water system capacity during dry summer months.
- Already owning property in the watershed shows capacity and experience in managing forestlands for drinking water, including knowledge of issues and proven capacity to tackle them.
- The City's management plan was required by DEQ for the Clean Water State Revolving Fund loan. DEQ reviewed and approved the plan for nonpoint source pollution management. The plan is thoughtful and holistic, especially addressing the urgency of controlling gorse to reduce the risk of wildfire. The City mentioned in the plan the benefit of carbon sequestration provided by the forest. The plan is comprehensive and includes outside expertise as needed, including an intergovernmental agreement with the soil and water conservation district to manage and restore the land.

Concerns

- The review team did not identify any concerns.

Concluding Analysis

The review team was impressed by the City's history of watershed management. The need for this project was clearly articulated and justified in the application. The review team noted that the project exceeded evaluation criteria.

Review Team Ranking

Loan Repayment Category: 1 of 2

STAFF RECOMMENDATION

Staff Recommended Funding Amount

\$415,735

Funding Conditions

No additional project-specific funding conditions beyond the Required Conditions described in Exhibit C of the grant agreement.

Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24159
Applicant Rhododendron Water Association
Project Name Henry Creek/RWA Watershed Protection
County Clackamas

OWEB Request \$143,460
Total Cost \$229,489
Protective Instrument Equitable Servitude
Category Loan Repayment

Abstract Provided by Applicant

Rhododendron Water Association (RWA), serves a population of ~1000 residents. Located on the western flanks of Mt. Hood, RWA's sole surface water source is Big Henry Creek, which flows through the 2.8 square mile Henry Creek watershed.

The watershed is primarily within the Mt. Hood National Forest, except for two privately owned parcels. A section of Henry Creek flows through these privately owned properties.

In April 2021, a 150-acre parcel of privately owned timberland was sold to Chilton Inc., a Washington-based timber operator. The sale closed in early May, 2021 and Chilton scheduled to clear-cut the property as early as the end of May or early June.

RWA had major concerns about protecting our sole water source. Since the logging and sale were so close together, RWA had to take rapid action to negotiate and establish larger riparian buffers with Chilton. RWA hired Sustainable Northwest, a consulting firm experienced in watershed preservation and retained Schwabe, Williamson & Wyatt as legal representation. After considering many options and because time was of the essence, RWA ultimately purchased a perpetual Equitable Servitude (ES) from Chilton Inc. for \$175,000.

Not having the available capital for the purchase, RWA secured a bridge loan from Craft3, which was used to make the purchase. RWA then secured a \$100,000 loan from the OHA Drinking Water Revolving Loan Fund (RLF) and \$75,000 from a CoBank line of credit to pay back the bridge loan. The principal and interest associated with both the bridge loan and line of credit have been paid-off. RWA is in the process of repaying the Drinking Water RLF.

This grant will be used to pay-off the remaining balance of the state RLF, as well as recoup the costs associated with negotiating, securing, and financing the Equitable Servitude.

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- Review of title documentation did not identify any significant concerns on title for the protection of the drinking water source.

- The transaction has been successfully completed.
- The equitable servitude appears to be legally sound and is a perpetual agreement that runs with the land. Recourse exists in the agreement if the landowner defaults. The equitable servitude provides for a riparian buffer (150-foot buffer on south bank, and the entirety of the area across the creek) that is larger than what is required by the Oregon Forest Practices Act (FPA). The equitable servitude was put in place prior to the Private Forest Accords which further increased riparian buffers.
- Impacts to the intact riparian forest along Henry Creek were imminent, which highlights the urgency of the equitable servitude and the loans taken out by RWA to fund it.
- Henry Creek is the sole source of drinking water for RWA.
- RWA is a rural water supplier that serves a small community of less than 1,000 residents, demonstrating economic distress.
- The loan that RWA received from Oregon Health Authority and Business Oregon provided for 50/50 loan forgiveness, meaning that once RWA completed the purchase of the equitable servitude, half of the loan was forgiven. RWA was given this forgiveness option due to ratepayer susceptibility to financial hardship.
- RWA relied significantly on volunteer time to coordinate this project.

Concerns

- Due diligence for this project, such as research into title matters, was not fully adequate. Some aspects of the acquisition were done quickly because of the threat to the riparian forest.
- The protections are for 35 acres of a larger property; the protected acreage is only defined by legal description without survey or marking. This creates challenges in monitoring the boundary for adherence to the terms of the equitable servitude.
- The equitable servitude allows for annual monitoring access, but the ability to physically access the area of interest via road for inspection is in question.
- Aspects of the budget were initially unclear, due to the complexity of the multiple steps in the lending process.
- Given that the project is run by a volunteer board, RWA may need technical support to complete any additional requirements of the OWEB grant such as finalizing the baseline inventory documentation. It is unclear if historical partners are on board to support future needs.
- The equitable servitude prohibits any tree management activity on the property, which will constrain potential beneficial management such as thinning. The review team also had questions as to what kind of management could take place to prevent wildfire or to recover from wildfire, if it were to occur. RWA does not have any management rights in the agreement to lead beneficial actions, due to the equitable servitude having focused solely on protection.

- Reviewers raised a question about the application content regarding riparian buffer width required under Oregon FPA at the time of the transaction, indicating that legal protections from the State were larger than what was described in the application but still not as large as the buffer provided by the equitable servitude.
- RWA described its situation as “nearly identical” to that of a neighboring community that experienced significant impacts to its drinking water (i.e., turbidity, water availability) after private timber harvest, but did not provide quantitative data to support that assertion.
- The application lacked clarity with respect to who would be conducting monitoring of the equitable servitude.
- RWA did not make a connection between its project and the climate-related evaluation criteria.

Concluding Analysis

The review team recognized that RWA developed and carried out this project during a time of urgency to protect its sole source of drinking water. Balancing the concerns identified above with legislative intent of the Drinking Water Source Protection program to address loan repayment needs for projects that occurred prior to creation of this grant program, OWEB should work to incorporate funding conditions where possible to address identified concerns.

Review Team Ranking

Loan Repayment Category: 2 of 2

STAFF RECOMMENDATION

Staff Recommended Funding Amount

\$155,460 – Includes \$12,000 increase to account for survey and marking funding conditions (described below)

Funding Conditions

In addition to the Required Conditions described in Exhibit C of the grant agreement, RWA will be required to survey and mark the boundary of the equitable servitude to ensure long-term adherence to the agreement, if the landowner is amenable to allowing surveying and marking. RWA must provide documentation to OWEB of the landowner’s response to the request. RWA will also be required to add purpose and procedures for annual monitoring of the equitable servitude into its standard operating procedures.

Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24163
Applicant Neskowin Regional Water District
Project Name Neskowin Regional Water
District Source Water Area Land Acquisition
County Tillamook

OWEB Request \$983,722
Total Cost \$1,324,822
Protective Instrument Fee Simple
Category Non-Loan Repayment

Abstract Provided by Applicant

The Neskowin Regional Water District (NRWD or District), serving the community of Neskowin on the Oregon coast, seeks to protect the District's only source of drinking water, the Hawk Creek Watershed. Located just east of the town of Neskowin on the southwestern edge of Tillamook County, the NRWD proposes using these grant funds to purchase three additional parcels of land within the watershed totaling 121 acres that will adjoin the NRWDs previously purchased land. In addition to property already purchased by the NRWD, these new parcels will allow the district to steward these very sensitive lands for water quantity and quality for future generations. The NRWD believes that it has a unique opportunity to protect its entire source water area by acquiring properties currently managed as private industrial timberland. The NRWD and the Neskowin community believe that through stressors brought by climate change to our source water area, the transition to a forest managed for conservation purposes instead of industrial timber harvesting is necessary for our community to thrive. The District has partnered with the community of Neskowin, the North Coast Land Conservancy (NCLC), the Nestucca, Neskowin, & Sand Lake Watersheds Council (NNSLWC), MRM Forestry, the Rural Community Assistance Corporation, and the Confederated Tribes of Grand Ronde and Siletz respectively to accomplish this goal. The District has also recently received a Drinking Water Source Protect Award from the Oregon Health Authority which was submitted with this application.

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- The budget and timeline for the due diligence steps are reasonable. NRWD has technical support from North Coast Land Conservancy, which adds capacity. NRWD has experience acquiring property in the watershed. Collectively, the team has a solid grasp of the transaction steps necessary to complete the purchase.
- NRWD completed an appraisal for one tax lot and used that value to extrapolate a per acre value for the other two tax lots, which is an acceptable method for informing purchase price at the application stage.

- The parcels that NRW has identified for purchase have a high potential for erosion given the steep hillslopes, highlighting the significance of protecting them, as well as priority for purchase over other privately-owned parcels in the watershed. These parcels are also lower in the watershed, close to the water system intake.
- Urgency exists for this project given the development threat from a Measure 37 claim that allows up to four home sites, along with the Small Farm, Woodlot Zone (SFW-20).
- The community of Neskowin experiences high seasonal visitation in the summer, stressing its water system when water availability is the lowest.
- NRW serves a small community with a limited number of ratepayers. Additionally, NRW does not collect transient rental tax because it is not a city or county entity. Despite this, NRW has been able to set aside funds every year from ratepayer dollars to meet land management needs, which is notable.
- NRW has clear and strong partnerships with North Coast Land Conservancy, the landowner, the U.S. Forest Service, and a private forester.
- NRW has experience managing a parcel in the watershed.
- The review team appreciated reading the letter of support from The Confederated Tribes of the Grand Ronde Community of Oregon.
- NRW's long-term management plan is well written and covers the entire watershed, including the parcels in this application. The plan meets DEQ non-point source management goals and includes a focus on enhancing the forest and maintaining roads. The review team was especially impressed by NRW's focus on how acquisition of these parcels and management for source water protection addresses climate change concerns given changing climate patterns on the coast and a small creek.
- The project adds to continuity of protected lands in the watershed, connecting to NRW's currently owned parcel and adjacent U.S. Forest Service land that is Late Successional Reserve.
- The application maps were very clear.

Concerns

- Legal access to these parcels is complicated and will require further research by NRW and partners to confirm it exists; they have begun the research and have a reasonable plan to resolve this issue.
- NRW included surveying the boundary in the application narrative, but left it out of the budget and timeline. Intent around the survey is uncertain and needs to be clarified.

Concluding Analysis

NRW brings experience in acquiring and managing property for source water protection, and has a clear due diligence plan, a strong team to complete the acquisition process, and a solid management plan. The parcels to be acquired are significant to the protection of Hawk Creek, and urgency exists for their acquisition. The review team noted that NRW's application met or exceeded all of the evaluation criteria.

Review Team Ranking

Non-Loan Repayment Category: 1 of 6

STAFF RECOMMENDATION**Staff Recommended Funding Amount**

\$983,722

Funding Conditions

No additional project-specific funding conditions beyond the Required Conditions described in Exhibit C of the grant agreement.

Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24166

Applicant City of Reedsport

Project Name Source Water Protection for the City of Reedsport's Clear Lake Watershed

County Douglas

OWEB Request \$1,494,000

Total Cost \$1,597,745

Protective Instrument Fee Simple

Category Non-Loan Repayment

Abstract Provided by Applicant

The City of Reedsport seeks to protect and preserve the Clear Lake Watershed, the sole drinking water source for its residents. Located in coastal Douglas County, Oregon, Clear Lake supports one of the last unfiltered water treatment systems in the state. This is possible due to the intact forested habitat within the watershed providing exceptionally high source water quality. However, ~38% of the drinking water source area is privately owned and managed for intensive timber production. This poses a significant risk to water quality through activities such as road-building, logging, and post-harvest treatments, which can deliver sediments, pesticides, and fertilizers into surface water. Of particular concern is a 332.74-acre parcel that directly encompasses the northeastern arm of Clear Lake, an area identified as high priority for conservation due to erosion risks and potential contamination. In this project, the City of Reedsport proposes to acquire this priority parcel to ensure long-term source water protection in their drinking water source area. The work associated with this proposed project is to subdivide the parcel and to complete due diligence and legal review steps necessary for the city to purchase the 332.74 acre parcel from the willing seller. In addition to City of Reedsport staff, other key project partners include the Wild Rivers Land Trust, Trout Mountain Forestry, the DEQ Drinking Water Protection Program, and the Coalition of Oregon Land Trusts.

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- The City of Reedsport has a solid grasp of the transaction steps needed to successfully complete this project. The City articulated a clear due diligence plan in its application with appropriate technical support from multiple partners, including Coalition of Oregon Land Trusts and Wild Rivers Land Trust.
- The City estimated purchase price by working with a local appraiser who used comparable sales to extrapolate a per acre value for the proposed parcel, which is an acceptable method for informing purchase price at the application stage.
- Protecting the parcel proposed for purchase is significant since it is the last piece of private industrial timberland adjacent to Clear Lake, so this transaction would remove the threat of intensive timber management and the related potential of erosion and

increased turbidity. The remainder of the land around the lake is already in public ownership.

- This watershed contains highly erodible soils and steep slopes, creating a turbidity risk. This turbidity risk is especially significant because the City has an unfiltered water system, one of the last remaining in the state. The water system cannot handle turbidity above 1 nephelometric turbidity unit (NTU). If the parcel were intensively logged, the City would potentially have to install a filtration system with a cost estimate of approximately \$10 million.
- The current owner of the parcel is a timber investment management organization (TIMO) that does intensive timber management. The age of the tree stands on the parcel is 35+ years old (a typical harvest age), creating urgency for the City to purchase the property and protect the forest for multiple benefits rather than trying to restore the forest after impacts at a later date.
- The water system is impacted by a 30% influx in users during tourism season.
- Reedsport is an economically distressed community with a lower income population. The review team was impressed that despite the economic challenges, the City has prioritized protection of its sole drinking water source for multiple decades. It already owns over 200 acres within its Drinking Water Source Area.
- Over the last three years, the City has been transitioning toward a long-term management plan for the forests it currently manages that includes sustainable forest management. Previously, the City left forests under its ownership untouched, which has resulted in a somewhat dense monoculture condition. It now is transitioning to management that aims to create a structurally complex, multi-species forest. The City has contracted with Trout Mountain Forestry to develop the management plan. The City has expressed a strong commitment toward managing the forest for drinking water protection and is looking to establish partnerships to support and implement this management.
- With a lake as a water source, the risk of algal blooms from warmer temperatures is a notable climate impact that could be mitigated through protection and proper management.

Concerns

- This parcel includes privately held mineral rights. However, the City is aware of the steps required to resolve the title matter and has built the steps into the timeline and budget.
- Potential access issues including questions of both legal and physical access were not addressed in the application.
- The review team expressed some questions and concerns related to capacity for implementation of forest management. While the City already owns over 200 acres, it has not yet practiced active management of those lands to demonstrate forest management experience. At the same time, the City mentioned potential partnerships for this work, but has not yet solidified those.

Concluding Analysis

The review team was impressed by the City's long-term commitment to protecting its sole source of drinking water despite the community's economic constraints. This project is well-planned out and has appropriate technical support to complete the due diligence process. Urgency exists to protect existing forest for drinking water quality on this parcel, and prevent turbidity impacts to the City's unfiltered water system. The review team encourages the City to begin partnership building for long-term management of the parcel.

Review Team Ranking

Non-Loan Repayment Category: 2 of 6

STAFF RECOMMENDATION

Staff Recommended Funding Amount

\$1,494,000

Funding Conditions

In addition to the Required Conditions described in Exhibit C of the grant agreement, the City will be required to account for research and resolution of legal and physical access in its timeline and project budget.

Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24164
Applicant City of Rockaway Beach
Project Name City of Rockaway Beach -
Lower Jetty Creek Watershed
County Tillamook

OWEB Request \$1,422,270
Total Cost \$5,202,270
Protective Instrument Fee Simple
Category Non-Loan Repayment

Abstract Provided by Applicant

The proposed Lower Jetty Creek Watershed Acquisition is being submitted by the City of Rockaway Beach (the City), a 1,400-resident community in Tillamook County. This effort will support the acquisition of an 800-acres of priority forestland containing 595-acres of the Jetty Creek Watershed, the City's main surface water supply. The City and the current landowner, have engaged in discussions regarding watershed protection and land acquisition since early 2023.

The proposed fee simple acquisition includes the lower reaches of the Jetty Creek Watershed, which feeds directly into the City's water intake facility, and supports the appraisal and acquisition support for this effort. Additional partners who support and are engaged in this effort include Sustainable Northwest, North Coast Land Conservancy and more.

Currently, the Jetty Creek is experiencing consistent water supply shortages during the summer months along with water quality issues due to elevated turbidity following intense storm events. These impacts stem from the structure of the forest as a property focused on timber production, rather than water quality and diverse forest structure.

Once acquired, the City intends to manage the forestland with a focus on forest stewardship for watershed protection. Maintaining a forest structure that reduces potential risk of sedimentation, while increasing the long-term water supply in Jetty Creek. This will ensure that the City will remain able to provide clean water to the customers, while reducing its reliance on its back up water supplies.

The property is owned by a Timber Investment Management Organization. Without funding to support the City's vision, the property will continue to be managed for industrial forest or highest and best use objectives. The current management approach prioritizes shorter rotation harvest cycles, with limited species and age class diversity, limiting its potential for watershed, ecological, and community benefit.

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- Review of title documentation did not identify any concerns that would impact the protection of the drinking water source. The City of Rockaway Beach is aware of the due diligence steps that remain to complete the project and has strong, existing partnerships in place with Sustainable Northwest and North Coast Land Conservancy to provide technical capacity.
- The City estimated purchase price using comparable sales by the seller in the region, which is an acceptable method for informing purchase price at the application stage. The City has a letter of intent in place with the seller that outlines the framework for a transaction, demonstrating project readiness.
- The seller has been amenable to conservation activities in the watershed, including a current instream restoration project funded by OWEB that is being implemented by the application partners. The City expressed a commitment to continue restoration work on this property.
- Turbidity has been an issue in Jetty Creek for years. Previously, the high turbidity and corresponding need to chemically treat the water has resulted in disinfectant byproducts in the drinking water supply. Disinfectant byproducts are a significant health concern, increasing the urgency of the project.
- In recent years, the City has issued water curtailment warnings and has had to supplement its Jetty Creek supply from nearby wells, highlighting the significance of purchasing this property to manage it for drinking water protection.
- The seller, a timber investment management organization (TIMO), is reaching the end of its investment period for this property. More than 100 acres of the property are nearing harvestable age. These factors create urgency for the City to purchase the property before it is sold to another buyer that may not have the same conservation goals.
- Rockaway Beach is a small, rural community that experiences high seasonal visitation in the summer, stressing its water system when water availability is the lowest.
- The community has been focused on this watershed for a decade, providing a local grassroots push to protect it.
- The City has been awarded funding from Oregon Health Authority to complete a forest stewardship plan/long-term management plan. Reviewers noted the importance of the management plan including forest stewardship that centers water quality management (rather than simply a “no touch” approach).
- Carbon sequestration potential exists in this forest, especially within the young stands. Additional planning to achieve this will be needed by the City in its forest management plan if carbon sequestration is one of its objectives.

Concerns

- The ownership structure of the seller is complex, and the City needs to confirm who has signatory authority from the seller's perspective prior to closing.
- The City did not identify the need for partitioning one of the parcels in its application.
- The City has applied for match funding from the U.S. Forest Service Forest Legacy Program and is awaiting a funding decision. The City has contingency plans ready if that funding is not awarded.
- While the City has experience managing small properties, managing 800 acres will require a significant increase in capacity. Questions and concerns exist around ongoing staff capacity, long-term partnerships, and funding for managing the property.

Concluding Analysis

The review team appreciated the ambitious scope and scale of this project. The City and its partners are well-prepared to work through the property acquisition steps. The City clearly demonstrated the need and urgency for this project in its application materials. The primary concern is around long-term management capacity. The review team noted that this risk should be taken into context, however, given the high probability of the applicant's successful acquisition of a major portion of the watershed.

Review Team Ranking

Non-Loan Repayment Category: 3 of 6

STAFF RECOMMENDATION

Staff Recommended Funding Amount

\$1,422,270

Funding Conditions

In addition to the Required Conditions described in Exhibit C of the grant agreement, the City will be required to add partitioning tax lot 2800 to its timeline and account for it in the project budget.

Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24165
Applicant City of The Dalles
Project Name The Dalles Municipal
Watershed Property Acquisition Project
County Wasco

OWEB Request \$675,000
Total Cost \$2,745,800
Protective Instrument Fee Simple
Category Non-Loan Repayment

Abstract Provided by Applicant

City of The Dalles seeks to acquire for perpetual protection of water quality approximately 3,600 acres of forest land within and adjacent to The Dalles Municipal Watershed. The Watershed is the source for 80% of the City's annual water supply. This property to be acquired is currently owned by Lupine Forest LLC, an affiliate of The Conservation Fund, which acquired subject property from SDS Lumber Co. The property is located immediately upstream from the City's raw water intake, was formerly used for cattle grazing and industrial forestry, and is not currently protected from associated practices including use of herbicides. Lupine Forest indicates its intention to sell the land on the open market unless the City is able to secure purchase. The City identifies the subject property as critical for protection water quality within the municipal watershed; acquisition and perpetual protection of privately-owned properties within the Watershed are among the City's water quality protection strategies. City-owned lands are managed to promote forest health and protect water quality using non-chemical sustainable forestry and erosion-control techniques consistent with the City's Watershed Stewardship Plan. Sustainable forestry considers impacts from climate change including forest fires that heighten the threat to municipal drinking water supply. Land value is estimated at \$2.7 million. The City requests this OWEB DWSP grant of \$675,000 to serve as non-federal match for a \$2 million request to USFS Forest Legacy Program; this FLP application was the highest ranked project in Oregon in 2024 and also ranked nationally. FLP funding is expected in 2025. The City would provide remaining match. The City is receiving informal guidance from Columbia Land Trust, which works closely with The Conservation Fund. If awarded funding, the City would close sale within 18 months. Stands of Oregon white oak (*Quercus garryana*) will be protected through a conservation easement.

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- The City of The Dalles has already conducted many steps beyond those required at the DWSP application stage, including having an option agreement in place with the seller, completion of an appraisal to determine purchase price, and an initial Environmental

Site Assessment (ESA). The ESA was for a larger area than the parcels for purchase, and so the City plans to conduct a more-focused ESA.

- The application was well-written, with risks and benefits to the watershed clearly described. The rationale for the project connects well to the Source Water Assessment, addressing issues such as erodible soils and mitigating fire risks and impacts.
- The City intends to use surface water from this South Fork Mill Creek Drinking Water Source Area for aquifer storage and recovery (ASR), injecting the treated water into City wells during winter months to supplement the water supply during summer drought months. ASR requires a clean surface water supply.
- This is the last piece of the City's drinking watershed that is not in public management, and so its purchase will solidify public ownership of the watershed.
- Some of the forest stands are 10 years old, which is an important age for management. The current owner, Lupine Forest LLC, an affiliate of The Conservation Fund, does not actively manage the property; this highlights the need for a new owner to manage the stands for source water protection.
- The current owner intends to sell on the open market if this transaction does not happen, presenting a degree of urgency; yet the seller has indicated flexibility with the timeline.
- Wildfire and drought risk exist in this watershed. The City has been proactive at addressing these risks and building partnerships with the Wasco Soil and Water Conservation District, U.S. Forest Service, and Natural Resources Conservation Service, among others, to support the work.
- The City already manages 4,000 acres adjacent to these parcels for drinking water protection, demonstrating experience and stewardship capacity for land management.
- A long-term management plan is in place for the watershed. It is thorough and comprehensive, addresses many key issues well, and includes partnerships. The plan includes management for oaks on the property.
- In its application and management plan, the City thoughtfully addressed climate issues, including wildfire impacts to water quality, wildfire risk reduction, drought threats, carbon sequestration/carbon market, and protecting a snowpack fed system.
- The City demonstrated economic distress because it operates a relatively small water system, has a need for large infrastructure updates, and serves a community with an average income slightly below the state median average income.

Concerns

- The City did not acknowledge in its application title encumbrances related to minerals, coal, timber, and oil and gas, and did not propose a plan for the associated due diligence steps to understand and resolve these matters. The review team was concerned with the lack of awareness of these title issues and lack of plan to address them, given the potential impact that the uses could have on drinking water protection.

- The review team had questions about the extent of the City's technical support to conduct the remaining and overlooked due diligence steps, especially during a staff transition. The application lists only informal guidance from a technical partner.
- The City's appraisal for the property was recently completed (after application submission) and resulted in a higher-than-expected price and a funding gap.
- Match funding from the U.S. Forest Service Forest Legacy Program is not yet secured, but the City's application has ranked highly. The City does not have a contingency plan if Forest Legacy funding is not awarded.

Concluding Analysis

The review team appreciated the City's well-written application and clear arguments for protecting these parcels to bolster source water protection. The City demonstrated strong experience in managing large-scale watershed properties, including a thoughtful and holistic management plan. The City's due diligence process is further along than required at the application stage, showing project readiness. However, the lack of awareness around mineral and timber rights on title was a significant concern for the review team.

Review Team Ranking

Non-Loan Repayment Category: 4 of 6

STAFF RECOMMENDATION

Staff Recommended Funding Amount

\$528,813 – Reduced amount based on available funding

Funding Conditions

In addition to the Required Conditions described in Exhibit C of the grant agreement, the City will be required to work towards resolution of title matters, including conducting due diligence around mineral and coal potential and researching the status of oil and gas leases and timber rights. These due diligence steps will need to be accounted for in the timeline and project budget.

Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24161
Applicant City of Seaside
Project Name City of Seaside Drinking Watershed
County Clatsop

OWEB Request \$774,115
Total Cost \$979,115
Protective Instrument Fee Simple
Category Non-Loan Repayment

Abstract Provided by Applicant

The City of Seaside, located in Clatsop County, is requesting \$774,115 in grant funding to acquire a parcel of land in the South Fork Source Water Area, the city's primary water source. The property is valued at \$907,459, with the city contributing \$200,000 in matching funds demonstrating the city's strong commitment to protecting this critical resource.

This project represents a unique opportunity to secure the long-term health and sustainability of our water system, a goal that would not be achievable without the support of this grant. The acquisition will protect a critical stretch of the South Fork of the Necanicum River, safeguarding water quality and ensuring that natural flow patterns remain undisturbed despite growing water demand during peak tourist seasons.

This acquisition will play a pivotal role in mitigating the risk of water shortages, particularly during drought periods. By expanding protected lands, the city will prevent development and reduce the potential for water contamination, significantly lowering the need for costly treatment measures. Strengthening riparian buffers and preserving natural vegetation within the watershed will filter sediments and further enhance water quality. These actions align with Seaside's broader vision of achieving a resilient, sustainable water supply that meets the needs of both current residents and future generations.

The City is collaborating with the North Coast Land Conservancy (NCLC) and MRM Forestry, who will manage the land transaction and provide sustainable forest management expertise. Following the acquisition, Seaside will take on stewardship of the land, ensuring its ongoing protection. This partnership, made possible through this grant opportunity, reflects Seaside's commitment to preserving its natural resources while reducing financial burdens on taxpayers. By investing in this project today, the city is securing its water future for decades to come.

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- Review of title documentation did not identify any concerns that would impact the protection of the drinking water source.

- The City of Seaside's purchase price estimation was well-supported. The City worked with a forester to determine timber value based on timber inventory data from landowner; they also used recent appraisals in the area and current log markets to determine value. This is an acceptable method for informing purchase price at the application stage.
- The City is working with North Coast Land Conservancy, a strong technical partner; the team has a solid grasp of the due diligence steps required to successfully complete the project and clearly demonstrated it in the application.
- It is a positive that the City is looking to increase ownership within its Drinking Water Source Area, and that that ownership would be contiguous.
- While recent timber harvest makes the project less urgent, it makes the land cheaper now, given younger tree stands, than it will be in the future as the forest ages.
- The City has a secondary water source, but it is of lower quality than this primary water source on the South Fork Necanicum River which increases the significance of protecting the primary water source.
- Seaside has extreme seasonal variability in population size due to its prominence as a tourism destination, which presents significant challenges to the water system.
- The new city council has provided a direction of sustainability for forest management.
- The City has experience managing forest lands and has brought experienced partners to the project, including North Coast Land Conservancy and MRM Forestry who will be updating the long-term management plan.
- The City indicated in the application a desire to manage for older, more mature trees, as well as carbon sequestration.

Concerns

- The City has been able to access the property through an access easement that benefits its current adjacent ownership, but will need to secure legal access for the new parcel.
- The project area has been harvested recently, resulting in forest stands that are very young. This reduces the significance and urgency of the project.
- The young stands will require a significant amount of management and maintenance to achieve the desired condition for older stands that the City is intending.
- The management plan submitted with the application is more focused on timber revenue production than on sustainability and source water protection, which is a significant concern. While the City indicated it would be updating the plan, it did not include in the application an acknowledgment or discussion of the change of policy direction from previous management practices.
- While there is some turbidity in the watershed, it does not appear to be a significant impediment for the water system.

Concluding Analysis

The review team appreciated the strong technical partnerships that the City has formed for the project, and the clear plan to complete the necessary due diligence steps to achieve a successful transaction. However, specific concerns existed with respect to lack of urgency due to the young stands and the inclusion of the timber revenue-focused forest management plan with the application materials.

Review Team Ranking

Non-Loan Repayment Category: 5 of 6

STAFF RECOMMENDATION

Staff Recommended Funding Amount

\$0 – Falls below funding line

Funding Conditions

N/A

Fall 2024 OWEB Grant Offering

Drinking Water Source Protection Grant Program

APPLICATION INFORMATION

Application Number 225-8016-24162

Applicant City of Baker City

Project Name Marble Creek

County Baker

OWEB Request \$237,500

Total Cost \$250,000

Protective Instrument Fee Simple

Category Non-Loan Repayment

Abstract Provided by Applicant

Baker City continuously strives to look for opportunities to preserve and protect our most precious commodity, source water. There has long been a keen interest in the acquisition of a parcel of privately owned land within the boundaries of our Baker City Watershed. The parcel is located near the intersection of our pipeline access road with Marble Creek Pass Road. More particularly, the parcel is described as tax lot 200, state tax map 09s38ed01. This parcel is in close proximity to our primary watershed transmission pipeline as well as one of our primary ground water diversions. This parcel is the site of previous mining operations. Baker City had been in discussion with the owner's representative for several years in attempts to reach a satisfactory purchase price. With no progress to that effect, the effort was stalled. In mid-2023, the representative indicated that the seller's intent was to list the parcel for sale. The potential risks of continued private ownership could include source water contamination, resumption of mining activities, unfavorable future development, and closure of a section of the Marble Creek Pass Road that traverses the parcel with no clear easement or designated right of way. This road provides access to a good portion of our watershed and is critical to our ability to access and maintain our water sources. The proposed purchase by Baker City was supported by the US Forest Service and Baker County, both of which recognize the importance of source water protection and continued access to this area of the watershed. After discussion with the Baker City Council, city staff was directed to purchase the parcel at the asking price of \$250,000.

APPLICATION EVALUATION BY TECHNICAL REVIEW TEAM

Strengths

- The transaction was successfully completed.
- Given that the property is zoned for mining, there is an inherent threat to water quality.
- There was an urgency to the purchase since the seller intended to list the property for sale on the open market.
- Baker City is a small, rural community with a majority of residents in financial hardship, demonstrating economic distress for the City.
- The review team appreciated the City's approach to holistically managing the watershed and its partnership with the U.S. Forest Service. The adjacent fuels reduction work is a benefit to the watershed.

Concerns

- There appeared to be a disconnect between what the applicant wrote in the application and what is included in the due diligence, such as title encumbrances that may need further investigation and inconsistencies with the access descriptions. The City stated in the application that the road is public, but also included in the urgency statement a need to protect access to the watershed. Additional clarity on road access and management would have been helpful.
- The City did not complete an appraisal prior to purchasing the property and would be required to do so if funded to meet DWSP Grant Program requirements.
- No environmental site assessment (ESA) was conducted prior to purchasing the property, which is especially concerning due to the mining history of the site. If funded, the City would be required to conduct an ESA to meet DWSP Grant Program requirements. The City did not acknowledge the need for an ESA or include this in its timeline or budget.
- Project justification was primarily focused on infrastructure needs and access rather than on source water protection. The City did not provide clear information to demonstrate confirmed hydrologic connection between this property and the spring-sourced drinking water supply. Additional clarity would have been helpful to explain importance of this project relative to grant program intent.
- While important fuels management work is planned throughout the watershed, this parcel is not a critical piece of that.
- The application maps lacked key details to communicate project elements.
- The long-term management plan included with the application is 10 years old and has a 10-year timeline. The City did not address plans to update that plan or to include the new parcel in it. A long-term management plan is a requirement of this program.

Concluding Analysis

The review team recognized the value of purchasing the remaining private parcel in the City's drinking watershed and the need to ensure mining activities do not resume on the site. However, significant concerns existed with respect to multiple aspects of due diligence (including lack of an ESA) and inconsistencies between statements in the application and what appears in title documentation. In general, the application lacked clarity and did not make a compelling case for source water protection.

Review Team Ranking

Non-Loan Repayment Category: 6 of 6

STAFF RECOMMENDATION

Staff Recommended Funding Amount

\$0 – Falls below funding line

Funding Conditions N/A

Attachment D. DWSP Grants Required Conditions

(This document is Exhibit C from the DWSP Grant Agreement.)

In addition to other requirements specifically provided for in the Agreement, the disbursement of the Grant Funds is further conditioned on:

1. **Project-Specific Conditions.** Grant Funds will not be disbursed under this Agreement until the following Project-specific conditions have been fulfilled to the full satisfaction of OWEB.
 - A. **Initial Conditions.** The following initial conditions must be satisfied before OWEB will review due diligence items or reimburse costs associated with the secondary conditions or standard conditions below.
 - i. Grantee meets with OWEB Project Manager within sixty (60) days from the Effective Date to: (i) confirm roles and responsibilities; (ii) agree on preferred methods for sharing information; (iii) discuss approaches to addressing Project challenges; and (iv) address other Project matters that would benefit from early discussions between Grantee and OWEB.
 - ii. **[INCLUDE ii FOR PROJECTS WITH LOTTERY REVENUE BOND FUNDING]** Grantee provides to OWEB Project Manager within sixty (60) days from the Effective Date a Spending Plan that outlines an estimate of grant expenses by month.
 - iii. Grantee participates in regularly scheduled Project Update Meetings with OWEB staff.
 - iv. **[INSERT ADDITIONAL INITIAL PROJECT-SPECIFIC CONDITIONS IMPOSED BY OWEB]**
 - B. **Secondary Conditions.** OWEB will review due diligence items and reimburse costs associated with the following secondary conditions only after Grantee has satisfied the initial conditions above.
 - i. **[INSERT SECONDARY PROJECT-SPECIFIC CONDITIONS IMPOSED BY OWEB]**
 - ii. **[INCLUDE ii FOR PROJECTS THAT REQUIRE A LONG-TERM MANAGEMENT PLAN]** Grantee agrees to develop or modify a "Long-Term Management Plan", as defined in OAR 695-048-0020, for the planned future management and stewardship of the land for the benefit of drinking water pursuant to a Protective Instrument and that is intended to carry out the purposes of ORS 448.370 and is consistent with guidance established by OWEB. The Long-Term Management Plan includes, but is not limited to, proposed restoration activities, strategies for monitoring, maintaining, managing, and improving the Property, including providing signage, controlling access, enforcing use restrictions, and resolving violations. Grantee will complete a Long-Term Management Plan for the Property prior to closing and in accordance applicable Conditions and DWSP Guidance for Long-Term Management Plans. The Long-Term

Management Plan will be subject to OWEB approval, which will not be unreasonably withheld.

2. **Standard Conditions.** Grant Funds will not be disbursed under this Agreement until the following standard conditions have been fulfilled to the full satisfaction of OWEB, except as allowed by OAR 695-048-0160(3) which allows for the distribution of funds prior to transaction closing for staff costs and due diligence activities specified in OAR 695-048-0100 and included in the Approved Budget. OWEB will review due diligence items and reimburse costs associated with the standard conditions only after Grantee has satisfied the initial conditions above.
 - A. Grantee obtains: (i) all reasonably necessary Property information (the "Property Information") for OWEB to complete a due diligence review of the Project, including, Property Information in the Property Seller's possession; and (ii) permissions from the Property Seller, as necessary, to release Property Information, regardless of the source, to OWEB and other funding entities. Property Information may include, but is not limited to: appraisals; title reports; environmental site assessments; surveys; water rights documentation; rights of first refusal; option agreements; purchase and sale agreements; leases; licenses; rental agreements; permits; easements; security instruments; UCC financing statements; fixture filings; documents pertaining to litigation, encroachments, disputes (including boundary line disputes), or prescriptive rights; a description of any work performed on or use made of the Property by parties other than the Property Seller within one hundred eighty (180) days from the Effective Date; and other documents and information that OWEB determines are reasonably necessary to review before disbursing Grant Funds. Upon written request of Grantee or the Property Seller, OWEB agrees to treat Property Information as confidential, to the extent permitted by the Oregon Public Records Law, ORS 192.311-192.478. OWEB may disclose Property Information that is subject to a confidentiality request if it determines that disclosure is reasonably necessary as part of its due diligence review process, or if it is ordered to do so pursuant to Public Records Law. OWEB will not be responsible for a breach of confidentiality by other entities that OWEB is reasonably expected to share the Property Information with as part of the grant administration process.
 - B. Grantee obtains, if deemed necessary by OWEB, reasonable closing date extensions for the purpose of providing OWEB with adequate time to determine that Grantee has met all requirements under this Agreement.
 - C. Grantee fully complies with the intent of ORS 35.500-35.530 (Relocation of Displaced Persons), and OWEB requirements related to said provisions of law, in the event that residential or business tenants will be displaced as a result of the acquisition of the Protective Instrument.

- D. **[INCLUDE D FOR ESTATE IN FEE SIMPLE ABSOLUTE PROJECTS]** Grantee imposes title restrictions on the Property consistent with the Notice of Grant Requirements in Exhibit H of this agreement.
- E. OWEB, by the closing date specified in Exhibit D, approves of the legal and financial terms of the acquisition of the Protective Instrument, including, but not limited to:
- i. The acquisition agreement (e.g., option, purchase and sale agreement, etc.) and the agreement to transfer the Protective Instrument to another party, if planned.
 - ii. The purchase price for an estate in fee simple absolute and conservation easement acquisitions shall be based on an appraisal and review appraisal completed in accordance with applicable appraisal standards, including but not limited to **[REMOVE "but not limited to" FOR PROJECTS WITH LOTTERY REVENUE BOND FUNDING]** the Uniform Standards of Professional Appraisal Practice. Other methods of substantiating the purchase price conducted by an independent third-party entity may be accepted at the discretion of OWEB for all other Protective Instruments. A third-party demonstration of market value of the Protective Instrument is not required for loan repayments.
 - iii. The Phase 1 Environmental Site Assessment, if required, as well as additional investigative reports and action plans resulting from the Phase 1 Assessment, if required.
 - iv. The Protective Instrument survey, if required.
 - v. The Protective Instrument Seller's vesting deed.
 - vi. The baseline inventory completed for the Protective Instrument, if required.
 - vii. The water rights, if applicable.
 - viii. Documented access rights to the Protective Instrument, including a clear depiction of the access on a map provided by Grantee.
 - ix. The planning and zoning circumstances associated with the Property.
 - x. The legal description of the Protective Instrument.
 - xi. The warranty deed for an estate in fee simple absolute transaction, the easement deed for a conservation easement acquisition, or the covenant, deed restriction, equitable servitude, or other similar agreement.
 - xii. The condition of title and any applicable title insurance policy, including specific exceptions to the policy, with OWEB's approval based on review of an assessment, including a map, of the exceptions provided by Grantee.
 - xiii. Escrow documents including settlement statements.
 - xiv. A title report dated within sixty (60) days of the closing date.
 - xv. The matching contribution.

- xvi. Grantee's demonstrated compliance with applicable federal and state laws regarding relocation of displaced persons, including but not limited to requirements contained in ORS 35.510, as may be revised from time to time.
 - xvii. Other conditions that OWEB deems reasonably necessary as a result of OWEB due diligence review efforts after the Agreement has been signed by the Parties.
- F. OWEB's approval of the legal and financial terms of the items listed under condition 2(E) above is solely for the purpose of disbursing Grant Funds under this Agreement. OWEB's approval does not constitute a legal opinion, representation or warranty as to the enforceability of the Protective Instrument or the financial soundness or adequacy of the terms under which it is acquired.

Attachment E. DWSP Notice of Grant Requirements for Fee Simple Projects

After recording, return to:
Oregon Watershed Enhancement Board
Attn: Acquisitions and Special Programs
Re: OWEB Grant No. [REDACTED]
775 Summer Street NE, Suite 360
Salem, OR 97301-1290

NOTICE OF GRANT REQUIREMENTS

(ORS 448.370(7))

This Notice of Grant Requirements (NOGR) complies with OAR 695-048-0030(3) and is entered into by and between [REDACTED] ("Grantee") and the State of Oregon, acting by and through its Oregon Watershed Enhancement Board (OWEB).

Property Legal Description; OWEB Grant: Grantee acquired the [REDACTED] property, described on Exhibit A and depicted on Exhibit B, attached hereto (the "Property"), with grant funds (the "Grant Funds") provided by OWEB under OWEB Grant No. [REDACTED] to protect the Property in perpetuity through the acquisition of fee simple title and to enable protection, restoration, and/or enhancement of the Property for the benefit of the Grantee's drinking water source (the "OWEB Grant"). A copy of the OWEB Grant is kept on file at the OWEB Office at 775 Summer Street NE, Suite 360, Salem, Oregon 97301-1290.

OWEB Grant Objectives; Terms: The OWEB Grant objectives and terms demonstrating how this NOGR will meet those objectives are provided on Exhibit C, attached hereto.

Grantee's Obligations: Grantee shall do the following to comply with this NOGR:

- Monitor the Property, at least annually, to ensure the objectives of the OWEB Grant continue to be met;
- Repay the Grant Funds to OWEB if Grantee fails to enforce the terms of this NOGR; and
- Not dispose of, transfer, encumber, modify, assign, or convey any interest in the Property without the consent of OWEB [INSERT IF LOTTERY BOND PROJECT: and the Department of Administrative Services "DAS"]. Grantee shall make requests for consent in writing to OWEB. The approval of OWEB [INSERT IF LOTTERY BOND PROJECT: and DAS], if granted, will be provided in the form of written instructions as to acceptable terms and conditions, including OWEB Grant reimbursement instructions, if required.

Equitable Servitude; Effect: The Parties intend for this NOGR to be interpreted and treated as an equitable servitude under Oregon law. Accordingly, this NOGR has the following effects: (a) touches and concerns the Property; (b) runs with the Property in perpetuity; (c) binds and benefits the Property

through protection, restoration, and/or enhancement; (d) inures to the benefit of Grantee's drinking water source and lands and waterways owned by the State of Oregon; (e) binds and is obligatory upon Grantee's heirs, successors, and assigns; and (f) benefits OWEB's successors and assigns.

Access: Grantee shall provide OWEB and its designees with sufficient legal access to the Property, given reasonable notice, for the purpose of compliance inspections.

The effective date of this NOGR is the date on which it is recorded in the records of County, Oregon.

(Signatures on following page)

State of Oregon, acting by and through its Oregon Watershed Enhancement Board:

Signature: _____

Name: _____

Title: _____

STATE OF OREGON)
) SS
COUNTY OF MARION)

This instrument was acknowledged before me on _____, _____ by
_____ as _____ of the Oregon Watershed
Enhancement Board.

Notary Public for Oregon
My commission expires:

[INSERT NAME OF GRANTEE]

Signature: _____

Name: _____

Title: _____

STATE OF OREGON)
) SS
COUNTY OF _____)

This instrument was acknowledged before me on _____, _____ by
_____ as _____, of _____.

Notary Public for Oregon
My commission expires:

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT B
PROPERTY MAP

EXHIBIT C
OWEB GRANT OBJECTIVES; TERMS



OWEB Drinking Water Source Protection Grant Program

2025 Legislative Report



In June 2023, the Oregon Legislature passed [House Bill 2010](#) that, combined with other legislation, allocated \$5 million to establish the Drinking Water Source Protection (DWSP) Grant Program at the Oregon Watershed Enhancement Board (OWEB) using General Funds (\$1M) and Lottery Revenue Bonds (\$4M).

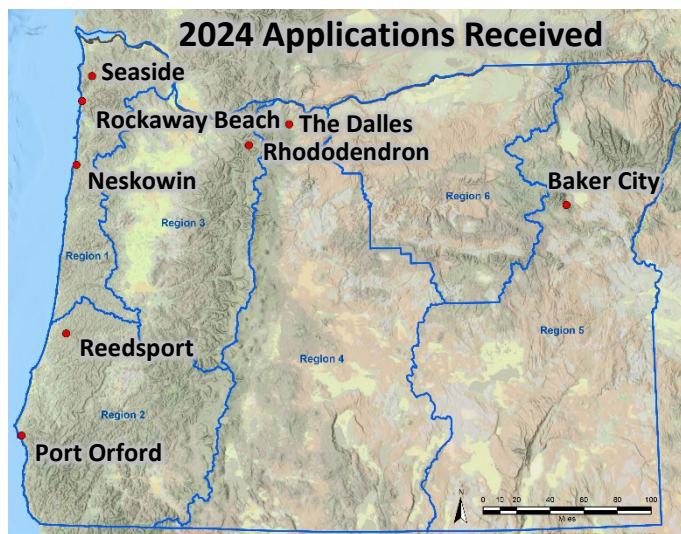
Through the DWSP Grant Program, OWEB provides grants to public water suppliers to protect, restore, or enhance sources of drinking water through land conservation and protection. Grants can be for forward-looking transactions or for loan repayment or reimbursement of past transactions. More details on program rules, administration, and guidelines can be found in [Oregon Administrative Rules 695-048](#) and on the [program webpage](#).

Program Stand-Up

OWEB successfully completed the steps to stand up this new program prior to the bond sale scheduled in spring 2025 that provides most of the program's grant funding. After the passage of HB 2010, OWEB rapidly convened a Rulemaking Advisory Committee, which met six times in the first half of 2024 to develop program rules. Concurrently, OWEB worked closely with Department of Administrative Services and Department of Justice to learn the requirements of administering the agency's first-ever allocation of Lottery Revenue Bonds. Following the OWEB Board's adoption of program rules, OWEB developed informational materials and program guidance for prospective applicants. OWEB conducted a significant amount of program outreach, including developing relationships with a new set of customers – public water suppliers. Considerable collaboration with other agencies including Department of Environmental Quality, Oregon Health Authority, Business Oregon, and U.S. Environmental Protection Agency made the program development process efficient and effective.

Program Staffing

To administer the program, OWEB received a limited-duration position for the 2023-25 biennium. The Governor's Recommended Budget includes continuity for this position into the 2025-27 biennium as the workload for upcoming grant awards will extend well into the next biennium.



Projects Recommended for Funding

The first grant application cycle of the DWSP Grant Program closed in December 2024. Before the application deadline, OWEB consulted with each prospective applicant to answer questions and provide feedback on the direction of the grant application. OWEB received eight applications from across the state requesting a total of \$6.1 million. OWEB convened a Technical Review Team to evaluate and rank applications. OWEB staff recommended six projects for funding based on evaluations and available resources.

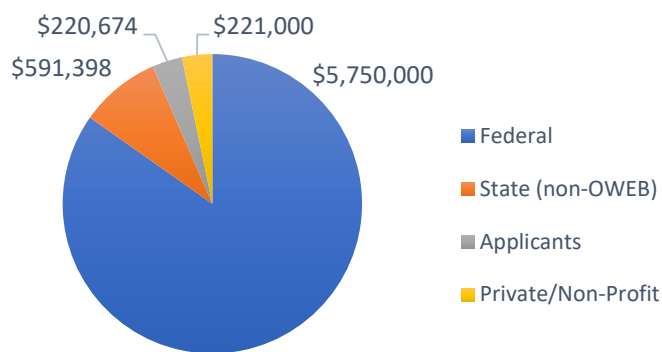
The OWEB Board will make award decisions at its April 22-23, 2025 meeting. After that, OWEB will work with grantees to enter into grant agreements. Grantees will be expected to close land transactions within 18 months of the funding award. The bond sale is scheduled to close in April 2025, which aligns well with the grant award timeline.

LOAN REPAYMENT CATEGORY					
Rank	Applicant Name	Pop. Served	County	Grant Request	Funding Rec.
1	City of Port Orford	954	Curry	\$415,735	\$415,735
2	Rhododendron Water Association	1,000	Clackamas	\$143,460	\$155,460

NON-LOAN REPAYMENT CATEGORY					
Rank	Applicant Name	Pop. Served	County	Grant Request	Funding Rec.
1	Neskowin Regional Water District	1,200	Tillamook	\$983,722	\$983,722
2	City of Reedsport	4,784	Douglas	\$1,494,000	\$1,494,000
3	City of Rockaway Beach	2,558	Tillamook	\$1,422,270	\$1,422,270
4	City of The Dalles	13,500	Wasco	\$675,000	\$528,813
5	City of Seaside	7,084	Clatsop	\$774,115	\$0
6	City of Baker City	9,965	Baker	\$237,500	\$0

Leveraged Resources

Legislative intent for the DWSP grant program included the opportunity to leverage outside funding sources. From projects recommended for funding, \$6.7 million has been offered as match and leverage toward the \$5 million of DWSP Grant Program funds. This far exceeds the 5% cash or in-kind match requirement in program rules, which was established so that match would not be a barrier for under-resourced communities.



Projects Currently in Development

Given the uncertainty about future funding, water suppliers currently are not developing DWSP grant proposals. Nonetheless, there is demand for the program, as described in the next section.

Estimate of Future Program Demand

A survey of public water suppliers conducted by OWEB in June 2024 indicated potential demand for as much as \$15 million to protect drinking water sources in the 2025-27 biennium and at least an additional \$10 million in future biennia. These numbers are rough estimates for the timeframes listed given the uncertainty about cost and timing of land transactions, as well as the capacity needed for applicants and their partners to conduct due diligence.

Recommendations for Program Changes

While the first cycle of the DWSP Grant Program has been effectively implemented, opportunities for program refinement exist. OWEB will survey parties engaged in the program, and has already identified the following areas for improvement:

- Refine the grant application.
- Provide increased clarity around required documentation at the application stage.
- If rulemaking is reopened in the future, consider streamlining evaluation criteria.

For more information, please contact:

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This report can be found online at: www.oregon.gov/oweb/resources/Pages/Publications.aspx