

January 6, 2006

## MEMORANDUM

**TO:** Oregon Watershed Enhancement Board

**FROM:** Allison Hensey, Local Innovation Fund Manager

**SUBJECT:** **Agenda Item M: The Local Innovation Fund  
January 24-25, 2006 OWEB Board Meeting**

### **I. Introduction**

This report describes the process for evaluating Local Innovation Fund Proposals and requests Board approval of funding for the proposals recommended by staff.

### **II. Background**

In September 2005, the OWEB Board authorized staff to create the Local Innovation Fund. The purpose of this Fund is to encourage innovative projects that provide ongoing economic and community incentives for the restoration and protection of fish and wildlife habitat, water quality, and watersheds. The Fund differs from OWEB's regular grant program, which provides funding for all phases of watershed restoration and protection projects, by explicitly seeking projects that also directly connect to and benefit the local economy and community.

In October 2005, staff issued a Call for Innovation requesting proposals to the newly created Local Innovation Fund. This Call for Innovation was Phase I in a two-phase grant cycle for the Local Innovation Fund, and offers funding for the *development* of projects that benefit the local watershed, economy, and community. The Phase II grant cycle, which will occur in June-September 2006, will fund the *implementation* of projects that benefit the local watershed, economy, and community.

### **III. Local Innovation Fund Review Panel**

Twenty-four project development proposals to the Local Innovation Fund were received by the December 1, 2005, deadline. The list of proposals is contained in Attachment A. A Review Panel with expertise in fish and wildlife habitat restoration and protection, community-based economic development, and sustainability reviewed the proposals on December 13, 2005, and made a funding recommendation to OWEB's Director.

Members of the Review Panel were:

- Julia Doermann, former Natural Resources Advisor to Governor Kitzhaber
- Krystyna Wolniakowski, Director, NW Regional Office, National Fish and Wildlife Foundation
- Mike Hibbard, Director, Institute for Policy Research and Innovation, University of Oregon
- Tom Nelson, Oregon Economic and Community Development Department

Bill Blosser, a Sustainability Consultant, reviewed the proposals and provided comments to the Review Panel, but was not able to attend the Review Panel meeting. Ken Bierly, Deputy Director of OWEB, participated in the Review Panel’s discussion and provided valuable background and knowledge to the group.

All twenty-four proposals received were creative, community-based ideas to benefit the local watershed, economy, and community. However, the Review Panel found that nine of the proposals clearly met the goals of the Local Innovation Fund, and have a likelihood of success. A summary of each proposal and the Review Panel’s comments may be found in Attachment B. The Review Panel’s funding recommendation to OWEB’s Director may be found in Attachment C.

**IV. Staff Funding Recommendation**

OWEB’s staff and Director worked with the Board Local Innovation Fund Subcommittee, Dan Heagerty and Dianne Guidry, to develop a final staff funding recommendation to the Board. The final funding recommendation puts the proposals recommended for funding by the Review Panel into three categories, and prioritizes the categories for funding.

While the proposals recommended for funding by staff are, with one exception, the same as those recommended for funding by the Review Panel, the priority funding order of the proposals has changed for some proposals based on their placement in the funding categories developed by staff. In particular, staff prioritized proposals that strive to create independent economic and community incentives for ongoing restoration. These proposals provide the most leverage for OWEB’s investment of funds and have the potential to be self-sustaining in the future. The staff funding recommendation excluded one proposal recommended by the Review Panel from the final funding recommendation because, while meritorious, it appeared to fund ongoing operations rather than a specific project. The staff funding categories in priority order are:

**A. Creation of Market Incentives for Ongoing Watershed Restoration and Protection**

The four proposals in this category will create a product produced in a way that benefits the watershed, and ask the market to pay for ongoing restoration and protection of habitat through the purchase of this product. These projects squarely meet the goals of the Local Innovation Fund, and intend to provide a self-sustaining funding source for watershed restoration and protection. The proposals in this category are the highest priority for funding through the Local Innovation Fund.

Rank	Number	Description	Amount
1.	206-400	The Juniper Group, Western Juniper Commercialization Study	\$15,000
2.	206-389	Mary’s River Watershed Council, Healthy Watersheds, Healthy Food	\$14,520
3.	206-387	South Coast Watershed Council and The Wetlands Conservancy, Sustainable Cranberry Operation Management and Branding (This proposal is a hybrid of the SCWC’s proposal and The Wetlands Conservancy proposal.)	\$14,500
4.	206-392	Clackamas County Soil and Water Conservation District, Mt. Hood Forest Health and Woody Biomass Utilization	\$15,000
		<b>Subtotal:</b>	<b>\$59,020</b>

**B. Creation of a Sustainable Family Wage Restoration Workforce**

The two proposals in this category will research the current workforce capabilities and the future potential for restoration and natural resources work in a basin and use that information to either expand or to develop a sustainable, family wage watershed restoration and protection workforce. The analysis and lessons learned in these projects will serve as a model for community groups in other basins who wish to create a sustainable, family wage restoration workforce in their area. The projects in this group strive to establish or expand restoration work crews who have local and technical expertise, increasing the success rate of restoration and protection projects. These crews provide an educational connection between watershed health and the communities in which they live, as well as providing a boost to the local economy through the creation of stable family wage jobs.

Rank	Number	Description	Amount
5.	206-383	Coquille Watershed Association, Model Sustainable Restoration Jobs	\$8,250
6.	206-381	Ecosystem Workforce Program, University of Oregon, Developing a High Quality Restoration Industry in the Siuslaw Basin	\$15,000
<b>Subtotal:</b>			<b>\$23,250</b>

**C. Providing a Model for More Sustainable Sand and Gravel Mining**

The two proposals in this category would support the collaborative efforts of community stakeholders, watershed councils, the sand and gravel mining industry, and regulatory agencies to develop a model for more sustainable sand and gravel mining in key salmon habitats. Both projects would incorporate priority restoration work identified by the watershed council into mining operations. Both projects would provide economic and community benefits by increasing the likelihood that the community’s sand and gravel needs would continue to be met locally, and that local mining jobs would continue. Restoration would go above and beyond any mitigation required by the mining permits, and would be funded by the mining company. All partners involved would share their experience with the sand and gravel industry, the conservation community, and regulatory agencies to encourage future sustainable mining projects. These projects may also examine regulatory streamlining for projects that incorporate priority restoration into their operations.

Rank	Number	Description	Amount
7.	206-386	Lower Rogue Watershed Council, Rogue River Estuary Restoration Project (reduced from \$15,000)	\$10,000
8.	206-391	McKenzie Watershed Council, Sand and Gravel Industry Habitat Restoration Incentives	\$8,000
<b>Subtotal:</b>			<b>\$18,000</b>

**V. Funding Considerations**

In September 2005, the OWEB Board set-aside \$50,000 in non-capital funding for Phase I project development grants through the Local Innovation Fund. The Board will again discuss a budget for non-capital funding at the January 2006 Board meeting, and may re-visit the initial budget choices made in September 2005. In recognition of this discussion, the final staff funding recommendation presents two options to the Board with different funding levels. Option One recommends the four projects in the “Creation of Market Incentives for Ongoing Restoration” category for funding through the Local Innovation Fund. These projects total \$59,020.

Option Two recommends all eight projects from each of the three categories for funding. These projects total \$100,270. Option Two is the preferred funding option if the Board chooses to commit more funding to the Local Innovation Fund.

## **VI. Recommendation**

Staff request the Board approve funding to the Local Innovation Fund projects recommended above under either Option One or Option Two, contingent on the Board discussion in Agenda Item D about the biennial budget for non-capital funding. If additional non-capital funding is available, staff recommend Board approval of Option Two.

### Attachments

- A. Local Innovation Fund Applications Received by December 1, 2005
- B. Summary of Local Innovation Fund Proposals and Review Panel Comments
- C. Local Innovation Fund Review Panel Funding Recommendation