

March 2, 2006

## MEMORANDUM

**TO:** Oregon Watershed Enhancement Board

**FROM:** Roger Wood, Grant Program Manager

**SUBJECT: Agenda Item J: OWEB Capital Grant Award Recommendations  
Overview  
March 15-16, 2006 OWEB Board Meeting**

### I. Introduction

This staff report only addresses *capital* grant award recommendations. The Overview staff report for Agenda Item L addresses *non-capital* grant awards.

### II. Background

One hundred seventeen Restoration grant applications seeking a total of \$12,677,963 and five Acquisition applications seeking a total of \$2,580,000 were received by the October 24, 2005, deadline. The breakdown by region, project type, and dollar amount is shown on the attached table. (Attachment A)

After being screened for eligibility and completeness, the *capital* applications were sent to the five Regional Review Teams (RRTs) who reviewed them for merit and made prioritized funding recommendations to OWEB staff. OWEB staff considered present and future funding availability, and special needs and circumstances in balancing and integrating the separate RRT recommendations into this staff funding recommendation to the Board. A map showing the location of the projects recommended for funding by OWEB staff is attached. (Attachment B)

Following this overview are staff reports containing the OWEB staff funding recommendations for Regions 1 through 5.

#### A. Review Process

The grant proposal reviews in this cycle followed OWEB's usual process. The RRTs were sent packets of eligible grant proposals to read and consider. Then, as has become standard process over the past two years, OWEB staff scheduled visits in all regions to as many sites as possible, emphasizing new applications, acquisitions, and the more complicated, expensive, or less routine projects. All RRT members were invited on these visits and some members were able to participate at each site.

In RRT meetings, reviewers were asked to determine the technical merits of each proposal and, with the exception of acquisition projects where additional evaluation steps are required, whether to recommend each project for funding. After classifying projects as "fund" or "no

fund,” the RRTs were then asked to prioritize the projects recommended for funding. The RRT recommendations are included in each applicable regional staff report in this agenda item. Any applications recommended for funding at a reduced amount and/or with special conditions are so identified in the tables attached to each regional staff report.

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

### **B. Acquisition Projects**

Five new land acquisition applications were reviewed during this grant cycle. Other applications deferred from previous cycles may be discussed at the Board meeting.

Under the administrative rules adopted by the Board in September 2004, acquisition projects undergo a multifaceted review. First, applications are reviewed by a Board Acquisition Subcommittee consisting of at least one non-voting and two voting Board members. The Subcommittee recommends whether staff should proceed with a due diligence review or whether the application be denied and no due diligence review of the application occur. 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 proceeding with the due diligence review is recommended by the Subcommittee, staff request an appraisal report, title report and exceptions, option, donation disclosure, environmental site assessment, and proposed conservation easement. An independent review appraiser evaluates the appraisal report. OWEB’s legal counsel at the Department of Justice reviews the title report, exceptions, option agreement, and conservation easement. Staff at the Department of Environmental Quality review the environmental site assessment.

After a due diligence review of a proposed land acquisition project 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.

Finally, staff 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, based on this process, are then summarized in a separate acquisition section in the appropriate regional staff report for Board review.

One acquisition project submitted in October 2005 is recommended for funding at this time. One project is not recommended for funding based on the Subcommittee and RRT evaluations. Three projects are recommended for deferral to allow for completion of the due diligence review.

### **III. Budget Considerations**

As usual, and per the Board’s expressed preference, staff established *capital* funding targets for this grant cycle by dividing the amount of *capital* funds anticipated to be available in the 2005-

2007 biennium by the number of grant cycles expected in this biennium, after setting certain funds aside for other purposes. The present funding targets were arrived at through this process:

OWEB's 2005-2007 Legislatively Adopted Budget allocated \$41.3 million in Lottery funds for *capital* expenditure. At its May 2005 meeting, the OWEB Board allocated \$1 million of this toward the Conservation Reserve Enhancement Program (CREP) and another \$2.8 million to re-fund OWEB's Small Grant Program, leaving \$37.5 million unallocated. Dividing \$37.5 million by four would establish nominal *capital* funding targets for each of the regular 2005-2007 grant cycles at \$9.375 million of Lottery funds per cycle.

The Board elected to reserve some of this *capital* funding for significant projects or partnerships that might be funded outside of the regular grant cycles and process, and consequently adopted nominal targets of \$7.5 million of *capital* funds per cycle. This totals \$30 million over four cycles and leaves approximately \$7.5 million of the *capital* funds available for significant projects and unique partnership opportunities that may not otherwise arrive through the regular grant process ("Reserve" fund). A separate staff report (Agenda Item H) considers in detail certain possible uses for this unallocated money.

As usual, Salmon License Plate revenues are available for use in this grant cycle. OWEB by statute and Board policy uses these funds to address *road-related* fish passage, habitat, and water quality issues. The OWEB staff funding recommendations for Regions 1 through 5 contain \$354,487 in Salmon License Plate funds for projects this grant cycle.

Per the advice of legal counsel OWEB now uses *non-capital* money to fund the Education and Outreach elements of Restoration projects. These *non-capital* costs have their own columns and totals in the reports and tables for the individual regions.

#### **IV. Summary of Funding Options**

The total statewide funding recommended by staff is shown below. Details are contained within each of the attached regional staff reports. "Do Fund" projects are indicated on the tables by shading.

In some grant cycles, the limited availability of *capital* funds obliges staff to recommend fewer projects for funding than the RRT. In this second cycle of the new biennium, staff believe all the RRT "do funds," as conditioned and/or reduced in amount, are worthy and ready for OWEB funding. Staff believe there are sufficient *capital* funds to provide for all of the "do funds" from all of the RRTs. However, this will require using funds from both the regular grant cycle reserve of \$7.5 million and from the as-yet unallocated *capital* reserve fund for significant projects and partnerships, as further described in the staff report for Agenda Item H. The summary of staff recommended "do funds" for all five Regions:

81 Regular Restoration Projects*	\$6,284,765
3 Significant Restoration Projects	\$2,641,500
1 Acquisition Project	\$1,500,000
TOTAL <i>capital</i> Staff Recommendation this cycle	\$10,426,265
TOTAL <i>non-capital</i> costs associated with these applications	\$27,450

\*Includes \$4,000 which was inadvertently not included in the funding of project #206-082 at the September 2005 meeting.

Restoration projects proposed for funding through the “Reserve” Fund are those with unusual qualities that make them candidates use some of the reserve *capital* funds. Additional details on these projects are in the regional reports. The following table summarizes how *capital* funding would be drawn from different sources.

**Restoration *Capital* Project Funding for March 2006**

Region	Funding Source			Total Amount Recommended by Staff
	Measure 66	Salmon Plates	“Reserve” Fund \$7,500,000	
1	\$493,367 (Acquisition)\$1,500,000	\$131,472	\$0	\$493,367 \$1,500,000
2	\$1,463,130	\$100,071	\$571,778	\$1,493,479
3	\$1,309,799	\$62,125	\$0	\$1,371,924
4	\$686,475	\$19,615	\$2,000,000	\$2,706,090
5	\$2,047,229	\$41,204	\$0	\$2,088,433
<b>Totals</b>	<b>\$7,500,000</b>	<b>\$354,487</b>	<b>\$2,571,778</b>	<b>\$10,426,265</b>

**V. Recommended Board Action**

Staff recommend that the Board award funding for the projects indicated in each of the five attached regional reports.

While the resulting total award for all five Regions is \$2,571,778 above the nominal capital expenditure target for this grant cycle of \$7.5 million, we note that the “do funds” include a remarkable estuarine acquisition opportunity for \$1.5 million and an equally remarkable large-scale, large impact restoration project in the Williamson River watershed for \$2.0 million, which, added together, account for more than the over-shoot of the original grant cycle target.

Attachments

- A. Types of Applications Received and Amounts Requested by Application Type
- B. Map Showing Projects Recommended by RRTs and OWEB Staff

**ATTACHMENT A**

**Oregon Watershed Enhancement Board**

**Types of Applications Received October 24, 2005**

	<b>Technical Assistance</b>	<b>Education</b>	<b>Monitoring</b>	<b>Acquisition</b>	<b>Restoration</b>	<b>Totals</b>
<b>Region 1</b>	5	4	8	2	16	<b>35</b>
<b>Region 2</b>	8	4	8	1	19	<b>40</b>
<b>Region 3</b>	8	14	1	1	24	<b>48</b>
<b>Region 4</b>	4	7	2	0	17	<b>30</b>
<b>Region 5</b>	6	4	7	1	41	<b>59</b>
<b>Statewide</b>	0	4	0	0	0	<b>4</b>
<b>Totals</b>	<b>31</b>	<b>37</b>	<b>26</b>	<b>5</b>	<b>117</b>	<b>216</b>

**Dollar Amounts Requested by Application Type**

	<b>Technical Assistance</b>	<b>Education</b>	<b>Monitoring</b>	<b>Acquisition</b>	<b>Restoration</b>	<b>Totals</b>
<b>Region 1</b>	128,110	59,979	330,803	1,620,000	924,507	<b>\$3,063,399</b>
<b>Region 2</b>	179,286	146,119	547,939	500,000	2,391,749	<b>\$3,765,093</b>
<b>Region 3</b>	230,631	682,067	15,400	210,000	2,529,024	<b>\$3,667,122</b>
<b>Region 4</b>	145,725	356,860	217,879	0	3,391,343	<b>\$4,111,807</b>
<b>Region 5</b>	167,853	81,962	312,727	250,000	3,441,340	<b>\$4,253,882</b>
<b>Statewide</b>	0	734,848	0	0	0	<b>\$734,848</b>
<b>Totals</b>	<b>\$851,605</b>	<b>\$2,061,835</b>	<b>\$1,424,748</b>	<b>\$2,580,000</b>	<b>\$12,677,963</b>	<b>\$19,596,151</b>

TA Projects # z206-165 Through z206-195  
Ed Projects #z206-196 Through z206-232  
Mon. Projects #z206-233 Through z206-258  
Acq/Res Projects #z206-259 Through z206-380

R-3 z206-311, \$283,800 Withdrawn by Applicant a/o 12-13-05 (not subtracted from totals)