



Oregon

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MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director

SUBJECT: **Agenda Item I: Partnership Investments**
September 14-15, 2010 OWEB Board Meeting

I. Introduction

This report provides an update on the status of OWEB Partnership Investment Subcommittee discussions, describes the status of partnership activities, and identifies issues to be considered in the coming year. This report is for informational purposes only.

II. Background

Development of the Partnership Program within OWEB has been both cumulative through time by incremental decisions and through specific, guided Board discussions about investments. The primary characteristics of partnership investments are that they include specific ecological objectives, specific partner roles and responsibilities, significant matching of OWEB funds, and alternative solicitation and review processes. All partnership investments maintain OWEB fiscal controls, strong technical review criteria, and enforceable agreements. Examples of existing partnerships include the Conservation Reserve Enhancement Program, Whole Watersheds Restoration Initiative, and Special Investment Partnerships.

Because partnership investments undergo different evaluation and funding processes, the Board formed the Partnership Investment Subcommittee to provide greater focus on these investment areas. The Subcommittee meets periodically to review the status of existing partnership investments and to review potential new ideas and proposals before they are introduced to the full Board. Subcommittee members include Diane Snyder, Dan Heagerty, Ken Williamson, Jennifer Phillippi, Meta Loftsgaarden, and Alan Henning.

III. Existing Partnerships

This section describes OWEB's current partnerships and their status.

A. Special Investment Partnerships

Special Investment Partnerships (SIP) are targeted long-term, large-scale restoration commitments to address explicit ecological outcomes in specific locations. OWEB created the SIP in 2007 and the Board reserved \$12 million for SIP in the 2007-09 biennium. Partnerships were established in the Upper Deschutes and Willamette basins. Additional SIPs were considered, but not funded. An additional \$4 million was allocated to the Deschutes Partnership for the 2009-11 biennium.



Staff reported on the Deschutes SIP at the March 2010 Board meeting. The partnership is very active and is implementing funded projects this summer. The partners met July 23 to prepare for the future and discuss progress, goals, and the expected completion of the targeted effort.

The Willamette Partnership has focused on three areas; land acquisition for restoration, joint efforts with Bonneville Power Administration (BPA) funding under the Willamette Flood Control Biological Opinion, and support for the Meyer Memorial Trust/Bonneville Environmental Foundation model watershed program. Two major land purchases have been reviewed and will be developed for completion. Three of the model watersheds have completed grant applications for implementation that will be reviewed in August. Staff are awaiting a response from the Independent Science Review Panel on the review of the OWEB grant application to BPA.

SIP efforts are designed to meet the following criteria:

- a. Significant ecological benefits - of regional significance and locally supported - can be reasonably achieved from the investment.
- b. Funding from OWEB is crucial for the effort to succeed by bringing in other funders and maintaining momentum for implementation.
- c. Strong partnerships are committed to the outcomes and have the relationships necessary to obtain the long-term ecological outcomes.
- d. The effort is embedded in the economy and is part of the local custom and culture.
- e. The outcome is significant enough to capture the imagination and raise awareness outside the local community.
- f. The background work, including planning, partnership building, and funding exploration, has been completed and the partners are capable of raising the level of implementation.

B. Oregon Conservation Reserve Enhancement Program

The longest existing partnership developed by OWEB has been with the U.S. Department of Agriculture. The Oregon Conservation Reserve Enhancement Program (CREP) was developed in 1998 through extensive discussions with stakeholders, the Farm Services Agency, and the Oregon Governor's office. The Oregon CREP program was structured to address two significant watershed issues, the loss of riparian forested vegetation and loss of stream flow from irrigation of farm land. The CREP program is funded by the Conservation Commodity Commission on an 80 percent federal and 20 percent state match basis. The program provides long term (15 year) contracts for "conservation rentals" to establish forested riparian buffers.

The Oregon CREP effort:

- a. Provides significant match to state funds;
- b. Is eligible to use state lottery "capital" funds;
- c. Addresses statewide issues affecting stream habitats and water quality;
- d. Provides an efficient delivery system for state funds; and
- e. Has allowed the state to develop incentives that fit Oregon.

C. Whole Watersheds Restoration Initiative

The Whole Watersheds Restoration Initiative came about through discussions between OWEB staff and regional staff of the U.S. Forest Service (USFS) about basin scale priorities for aquatic restoration. OWEB and USFS recognized that we had shared priorities. This led to the identification that using a common watershed assessment approach to develop priority projects within specific basins could be a tool to focus restoration efforts. This led to further conversations about funding across land ownerships and for common outcomes. The partnership was enhanced by NOAA Fisheries funding and administrative handling by Ecotrust, Inc. To date, OWEB has been a relatively minor funding partner.

The Whole Watersheds Restoration Initiative:

- a. Uses "capital" funds for projects ready for implementation;
- b. Focuses restoration efforts in a manner supported by common analysis and shared priorities;
- c. Provides a significant leverage for state funds (\$2 in federal funds for every \$1 from OWEB);
- d. Recognizes that watersheds are comprised of both public and private ownerships and implements restoration on both; and
- e. Uses a third party to facilitate administrative transactions.

D. National Coastal Wetlands Grants

Prior to the Legislative creation of OWEB, the Governor's Watershed Enhancement Board first applied for and was granted funds from the U.S. Fish and Wildlife Service (USFWS) for the protection and restoration of coastal wetlands and associated lands. Since 1999, OWEB has been granted approximately \$8 million of federal funds that have required a 25 percent match. This federal grant program is offered annually and OWEB has been successful in working with local partners to address important coastal wetland conservation issues associated with the protection and restoration of habitats that are important to salmon, shorebirds, and a wide variety of other animals.

The National Coastal Wetlands Grant Program:

- a. Provides significant leverage to state funds;
- b. Targets important sites that are often unavailable for restoration unless purchased through a conservation acquisition; and
- c. Addresses ecological resources (estuarine wetlands) that are critical for functioning coastal watersheds.

IV. Ongoing Partnership Interest

The Subcommittee has been evaluating the opportunities and issues facing the agency in the forthcoming biennium. The concept of SIPs has caught the imagination of a number of parties who have expressed an interest in OWEB participation. This interest, along with OWEB's budget limitations has led the Partnership Subcommittee to proceed cautiously when considering future potentials for SIPs.

Staff have been involved in conversations about four partnership opportunities around the state. One is well developed and is actively implementing projects (Sandy Partners), one is being professionally developed by a conservation funder (Wild Rivers Initiative), one is evaluating action plans for future implementation (Lower John Day), and the fourth is an exploration by

staff of the possibilities in the Klamath Basin. These partnership opportunities are significant and could provide a future opportunity for OWEB participation. A brief description of these partnership opportunities is set out below.

A. Sandy River Basin Partnership

The removal of Marmot Dam on the Sandy River literally opened up a significant opportunity for the reestablishment of salmon and steelhead to sustainable population levels. The recently completed Lower Columbia River salmon and steelhead recovery plan identifies the Sandy River Basin as a critical basin for the recovery of coho, chum and Chinook salmon and winter steelhead. This basin is key for salmon recovery in the Lower Columbia River Evolutionarily Significant Unit (ESU). With the settlement agreement for the removal of Marmot Dam and the Habitat Conservation Plan with the City of Portland, major players have made significant commitments to watershed health in the basin. The City of Portland has committed \$9 million to a habitat fund between 2010 and 2060.

A broad group of partners has been working since 1999 to identify the specific actions required for salmon and steelhead recovery. They have used modeling tools to identify limitations to production and have gone so far as to develop design concepts for nearly all the treatments necessary. They have developed the Sandy River Basin Aquatic Habitat Restoration Strategy (2007), Salmon River Restoration Plan (2009), and Salmon and Steelhead Conservation: An Assessment of Anchor Habitat on the Sandy River, Oregon (2005). This guidance has clear and specific outcomes, specific projects, and cost estimates. The local partnership has implemented significant projects to further their plans. They are poised to move forward with more than 15 partners to complete critical actions over the next decade.

B. Wild Rivers Initiative

With the completion of four successful golf courses in the Bandon area, the developer, Mike Keiser, intends to build a course from which the income will fund local conservation. He is committed to holistic conservation actions and has hired Arabella Philanthropic Investment Advisors to develop a conservation investment plan for him. Arabella has pulled together a number of local conservation partners to identify how the commitment of funds from private philanthropy can be leveraged. They have involved the South Coast Watershed Council, The Freshwater Trust, The Nature Conservancy, Port Orford Ocean Resources Team, USFWS, and local individuals to provide input to their planning. The "planning team" is meeting September 14-15, 2010, to begin to develop a concrete plan. This private-public partnership opportunity will take some time to mature, but has exciting conservation potential for the South Coast area.

C. Lower John Day Partnership

A group of partners has been meeting to identify how private landowners can help in salmon recovery in the three counties that make up the Lower John Day basin. The parties are interested in exploring and understanding what the voluntary actions are that could reduce the likelihood of regulatory action under the Endangered Species Act. The group has recently hired a coordinator (Erin Stone) and is working on a cooperative effort to identify priorities that address community needs and salmon needs. OWEB has funded planning for each of the soil and water conservation districts to develop restoration action plans that will

advance salmon recovery. The Lower John Day partners do not have access to significant matching funds at this time.

D. Klamath Basin Partnership

OWEB staff, at the direction of the Board, have begun exploring the possibility of a partnership in the Klamath Basin. Staff have held three discussions in the basin with local restoration partners, state and federal agencies, and funding entities to explore the possibilities and to define opportunities. Staff have discussed the possibility of partnering with the National Fish and Wildlife Foundation’s (NFWF) Upper Klamath Basin Keystone Initiative, which funds the recovery of suckers and red band trout. The NFWF has developed a Business Plan (Attachment A) that identifies the linkages between ecosystem processes and restoration actions. The Business Plan identifies two main strategies; habitat restoration and conservation and water use management. The plan identifies key partners, major threats, key strategies, and an annual budget. Staff have discussed the pros and cons of connecting to the NFWF Keystone Initiative with the Klamath Basin partners; they generally support the idea.

The NFWF initiative and OWEB partnership are being evaluated in context of the larger Klamath Basin Restoration Agreement (KBRA) and Klamath Hydroelectric Settlement Agreement. While the KBRA is only partially formed, there is sufficient detail developing about possible restoration priorities and projects to see areas of significant overlap between the NFWF initiative, OWEB’s interests, and the KBRA. The Klamath partners are interested in ways to maximize non-federal match with potential federal funding of the KBRA. They are also interested in an OWEB partnership as a show of commitment to the KBRA. The Oregon Governor’s office has also expressed interest in the commitment of OWEB funds to assist in the implementation of the KBRA.

At this time staff and the local partners have had constructive discussions about the basin’s possibilities and opportunities, but details around how, when, how much and what to include in a potential partnership need to be worked out. Staff will continue to work with the Klamath Basin partners on these details through the fall and will update the Board on progress at future meetings.

V. Fiscal Implications

OWEB funding for partnership efforts has occurred since the agency was created. However, specific recognition of partnerships as a budgeting category has only recently been considered by the Board. Table 1 identifies the amount and percentage of capital funds that has been applied to partnership efforts over the last decade. While specific partnerships have changed over the years, there has been a continuing effort to develop partnerships to accomplish the outcomes expected for healthy watersheds and vibrant communities.

Table 1: Partnership Investments by OWEB

Biennium	Total Capital	Partnership Funds	% of Capital
1999-2001	\$22,600,000	\$1,095,824	5%
2001-2003	\$26,200,000	\$1,320,000	5%
2003-2005	\$24,200,000	\$1,117,243	5%
2005-2007	\$42,000,000	\$3,950,457	9%
2007-2009	\$59,500,000	\$16,805,917	28%
2009-2011	\$46,000,000	\$6,462,216	14%

Only in the 2007-09 biennium was there a specific Board discussion about the balance of funding for partnerships in relation to other types of grants. With the potential change in the nature of the lottery funding dedicated to these purposes as a result of the pending ballot initiative, there will need to be a very specific budgeting discussion about the allocation of funds to different program opportunities.

Staff seek Board feedback on the implications of the interest in partnership investments and initial thoughts on how partnership investments fit into the Board's long-term investment strategy.

VI. Recommendation

This is an information item. No Board action is requested.

Attachment

A. NFWF Business Plan