

August 26, 2005

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Roger Wood, Grant Program Manager

**SUBJECT: Agenda Item K: OWEB Grant Award Recommendations
Overview
September 13-14, 2005 OWEB Board Meeting**

I. Summary

One hundred seven grant applications seeking a total of \$13,270,224 were received by the April 25, 2005, deadline. The breakdown by region, project type, and dollar amount is shown on the attached table. (Attachment A)

Only *capital* grants – those for Restoration or Acquisition – were considered in this funding cycle. *Non-capital* applications – those for Assessment, Monitoring, Education, and Outreach, for example – were not invited or accepted. After being screened for eligibility and completeness, the *capital* applications were sent to the five Regional Review Teams (RRTs) which reviewed them for merit and made prioritized funding recommendations to OWEB staff. OWEB staff considered present and future funding availabilities, and special needs and circumstances in balancing and integrating the separate Team recommendations into this staff funding recommendation to the Board. A map showing the location of the projects submitted for funding by OWEB staff is attached. (Attachment B)

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

II. Review Process

OWEB revised its rule format and language last year, and this was the first grant cycle to use the new applications, guidance documents, and review evaluation scoring sheets that resulted from and are consistent with those new rules. The new documents were well received by applicants and reviewers alike, although a few relatively small wrinkles still remain to be ironed out in further document refinement for future cycles. OWEB staff are working on those refinements now and plan to have the further revisions ready early in 2006, which is the right timing for the April 2006 to September 2006 grant cycles.

Otherwise, the proposal reviews in this cycle followed OWEB's usual process. The Review Teams were sent packets of eligible grant proposals to read and consider. Then, for the second consecutive grant cycle, OWEB staff scheduled visits in all regions to as many sites as possible, emphasizing new applications, acquisitions, and the more complicated or less routine projects.

All Review Team members were invited on these visits and some members were able to participate at each site. In their Team meetings, reviewers were asked to determine the technical merits of each proposal and, with the exception of acquisition projects (since additional staff reviews are required), whether to recommend each project for funding. After classifying projects as “fund” or “no fund,” the Regional Review Teams were then asked to prioritize the projects recommended for funding. The Review Team 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 Review Team recommendations in summary form were distributed to all applicants whose proposals were reviewed by that Team. Staff continued in this grant cycle the practice of forwarding all comments received from applicants regarding the Regional Review Team recommendations to the Board prior to the Board meeting.

III. Acquisition Projects

Five new land acquisition applications were reviewed during this grant cycle. Others, funded or deferred from previous cycles, may be discussed with the Board at this Board meeting.

Under the administrative rules adopted by the Board in September 2004 and implemented for the first time this grant cycle, acquisition projects undergo a multifaceted review. First, applications are reviewed by a three member Board Acquisition Subcommittee for a recommendation as to whether staff should proceed with a due diligence review or that the application be denied and no due diligence review of the application occur. Simultaneously, applications are reviewed by the Regional Review Teams 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 Regional Review Team.

If proceeding with the due diligence review is recommended by the Subcommittee, staff request the appraisal report, title report and exceptions, option, donation disclosure, environmental site assessment, and 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 Board Acquisition Subcommittee synthesizes the ecological and educational benefits of a proposed project and the capacity to sustain the benefits, the partners in and support for a project, the effect on the local and regional community, the evaluation of the Regional Review Team, and the due diligence review of the project into a funding recommendation to OWEB staff.

Finally, staff consider all evaluation criteria, the Board Acquisition Subcommittee’s recommendation, and available funding resources to develop a funding recommendation to the 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.

Two acquisition projects submitted in April 2005 are recommended for funding at this time. One application submitted in April 2004, and previously deferred by the Board, is also recommended

for funding. Two new projects and one deferred project are recommended for deferral, one project is not recommended for funding based on the Subcommittee and Regional Review Team evaluations, and one deferred project has been withdrawn by the applicant.

IV. Budget Considerations

As usual, and per the Board's expressed preference, staff have 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.

The 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 CREP program 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 this and each of the remaining cycles at \$9.375 million of Lottery funds per cycle.

That said, we note that the Board also has the option of earmarking some amount of this *capital* funding for special projects that might be funded outside of the regular grant cycles and process. While such special projects have not yet been identified, staff believe it is prudent to reduce the funding target for this (and perhaps future) grant cycles by an amount that will leave open the Board's options with regard to special allocations for selected projects. Consequently, we recommend a nominal target of \$7.5 million of Lottery *capital* funds per cycle. This would total to \$30 million over four cycles and would leave approximately \$7.5 million of the Lottery *capital* funds available for special allocations.

Typically included in any grant cycle's fund availability estimate are Salmon License Plate revenues, which OWEB uses to address road-related fish passage, habitat, and water quality issues. This staff report recommends **no allocation** of this money in this grant cycle because it is not needed to address the list of "do-fund" projects and because the use of these funds in conjunction with the Lottery funds would complicate OWEB's and the grantees' bookkeeping unnecessarily. The Salmon Plate money will continue to accrue and will be available for OWEB's use in future grant cycles.

Therefore, staff propose a nominal *capital* expenditure target in this cycle of \$7.5 million.

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.

V. Summary of Funding Options

The statewide funding total 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 recent grant cycles, the limited availability of *capital* funds has obliged staff to recommend fewer projects than the Regional Review Teams, in other words, not all the RRTs' "do fund" projects have been shaded by staff on the tables. In this first cycle of the new biennium, and given the per-cycle nominal targets suggested by staff above, we believe there are sufficient

capital funds to provide for all of the “do funds” from all of the RRTs. Staff believe all the RRT “do funds,” as conditioned and/or reduced in amount, are worthy and ready for OWEB funding, and consequently we have shaded all of them in the appropriate tables.

• Restoration Projects, Capital Funds	\$6,541,388 for all five Regions
• Acquisition Projects	\$1,124,000
• Savage Rapids Dam Contribution	<u>\$ 750,000</u>
TOTAL <i>Capital</i> Staff Recommendation this cycle:	\$8,415,388

TOTAL *Non-Capital* Staff Recommendation this cycle: \$ 56,594

VI. Recommended Board Action

Staff recommend that the Board award funding for the projects indicated in each of the following five regional reports, which includes (in Region 2) the final increment of funding that completes the \$3 million set-aside for the Savage Rapids Dam removal and river restoration project.

While the resulting total award for all five Regions is \$915,388 *above* the nominal capital expenditure target for this grant cycle, we note that excluding the Savage Rapids Dam set-aside reduces the *capital* fund overage to only \$165,388. Staff believe this is a modest and acceptable over-shoot, particularly given that the nominal *capital* funding target of \$7.5 million this cycle is based on a very preliminary assumption about how the Board may want to use its available *capital* funds this biennium.

Attachments

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

Oregon Watershed Enhancement Board

Types of Applications Received April 25, 2005

	Acquisition	Restoration	Totals
Region 1	3	10	13
Region 2	0	20	20
Region 3	1	14	15
Region 4	1	17	18
Region 5	0	41	41
Totals	5	102	107

Dollar Amounts Requested by Application Type

	Acquisition	Restoration	Totals
Region 1	1,349,600	745,471	2,095,071
Region 2	0	*1,951,127	1,951,127
Region 3	94,000	1,737,130	1,831,130
Region 4	800,000	**1,651,596	2,451,596
Region 5	0	4,941,300	4,941,300
Totals	\$2,243,600	\$11,026,624	\$13,270,224

Projects # z206-058 through z206-164

* z206-087 (\$84,182) Restoration Application Withdrawn By Applicant 08-05 Not Subtracted from Totals

** z206-121 (\$115,728) Restoration Application Deemed Ineligible by Regional Review Team 07-05. Not Subtracted from Totals.