

August 26, 2005

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Roger Wood, Grant Program Manager

**SUBJECT: Agenda Item K: OWEB Grant Award Recommendations
Region 1, North Coast
September 13-14, 2005 OWEB Board Meeting**

I. Background

Ten restoration and three acquisition applications were received from the North Coast, resulting in a total request of \$2,095,071. The North Coast Regional Review Team met at the Yurt Meeting Hall at Beverly Beach State Park north of Newport on June 27, 2005, to review the applications received in this grant cycle. All applications were reviewed for technical merit and a fund/no fund recommendation was made by the Team. The Review Team then prioritized the applications recommended for funding.

II. Regional Review Team Recommendations

The Region 1 Review Team recommended seven restoration projects totaling \$553,721 for funding. Special conditions were suggested for two of the projects recommended for funding.

The Team found that the Tenmile Creek Corridor Easement and the Crosel Creek Habitat Reserve acquisition proposals had significant ecological merit.

III. Acquisition Projects

A. Tenmile Creek Corridor Easement Project (z206-058)

The grant application from McKenzie River Trust requests \$900,000 from OWEB to assist in the purchase of conservation easements on 318 acres on four ownerships in the Tenmile Creek watershed. Two of the properties are owned by private individuals and/or family trusts. The remaining two properties are owned by the National Audubon Society and the Pine Tree Conservation Society. Tenmile Creek drains directly to the Pacific Ocean in Lane County, roughly ten miles south of the community of Yachats.

1. Ecological Benefits

Two priority habitats are involved in the Tenmile Creek Corridor Easement Project: Sitka spruce forest and lowland riparian woodland and shrubland. Some of the priority fish and wildlife species that would benefit include: Bald Eagle, Marbled Murrelet, Townsend's Big-Eared Bat, White-footed Vole, Chinook Salmon, Coho Salmon, Chum Salmon, Steelhead, Band-tailed Pigeon, Olive-sided Flycatcher, Willow Flycatcher and

Red-legged Frog. The North Coast Regional Review Team (RRT) agreed that the priority habitats and species in the application were listed appropriately.

The Forest Service has classified Tenmile Creek as a Tier 1 Key Watershed and its Watershed Analysis (Cummins/Tenmile) ranks it as having the highest production potential for salmonids of all the streams in the area because of the high quality habitat along the main riparian corridor. The project lies within the MidCoast Watersheds Council's area and complements the Council's restoration activities. The RRT agreed that the proposed project complements the adjoining two Wilderness Areas and they recognized that the Tenmile Basin itself is extremely important.

The application identifies three of OWEB's Conservation Principles as applying to the project: (1) Protect a large, intact area; (5) Protect a site with exceptional biodiversity value and; (7) Complete or complement an existing network of sites in a basin or region. The North Coast RRT agreed that these three Conservation Principles applied to the proposed acquisition project.

The Board Acquisition Subcommittee asked the RRT to specifically address whether all the properties have the same ecological values and vulnerabilities and whether the described risk of logging on steep slopes applies only to the United States Forest Service (USFS) Late Successional Reserve (LSR) lands or the properties described in the application. The RRT's response to those questions is more fully explained in the RRT Evaluation document, but, in general, the RRT concluded that the four properties all share the same ecological values and vulnerabilities and that the steep slopes exist on all the properties as well as on the surrounding USFS lands. The valley is relatively narrow and the surrounding hills rise steeply immediately from the valley floor.

2. Capacity to Sustain the Ecological Benefits

The McKenzie River Trust will hold and maintain the conservation easements. The Trust has operated as a non-profit land conservation group since 1991 and has helped to protect over 2000 acres of property in Lane and Douglas Counties. The Trust has four full-time staff and, whenever it acquires a conservation easement, it secures funding for a dedicated stewardship endowment. The anticipated endowment for the easements proposed in the application is \$117,000.

The proposed project is described as an effort to permanently protect the majority of the remaining private land in a high priority watershed. The application describes potential management goals and objectives as including the protection of existing conservation values (existing conditions), management of invasive weeds, thinning of dense populations of hardwoods to accelerate late successional characteristics, restoration of floodplain habitat, creation of snag habitat, and recruitment of large wood. However, only when the easements are in place will stewardship, management and monitoring plans be finalized. In part because of the uncertainty over management goals and the draft nature of the one attached easement, the North Coast RRT questioned the ability of the proposed easements to successfully protect and manage the ecological values of the properties.

3. Educational Benefits

McKenzie River Trust anticipates including the Tenmile Creek project in its ongoing efforts to educate supporters and the general public about its conservation activities. While public access has not been written into any of the draft conservation easements, possibilities for access have been discussed. The National Audubon Society property has been used for student and citizen education programs, and the applicants are hoping that additional funding can be secured to continue some of those components.

The Oregon Department of Fish and Wildlife continues to use Tenmile Creek as one of its salmon life-cycle monitoring stations and has been collecting data at this site for roughly 15 years. The North Coast RRT felt that the educational values of the project are good due to the on-going nature of this effort.

4. Partners, Project Support and Community Effects

The application describes that the total property taxes paid to Lane County for the six parcels (four ownerships) in 2004 was \$1,927.43. Since the properties will remain in private ownership and will continue to pay property taxes, there should be no impact on the local tax base.

The project is supported by the Lane County Commission; MidCoast Watersheds Council; Steven P. Smith, US Fish and Wildlife Service; Native Fish Society; Steven Johnson, ODFW Research Biologist; Jane Lubchenco, Distinguished Professor of Zoology at Oregon State; Dr. J. V. Ward, Professor Emeritus of Aquatic Ecology at Swiss Federal University; Matt Hunter, Oregon Important Bird Area Coordinator; Kim Nelson, Oregon State; the landowners, and Dawn Jones, Tenmile Creek property owner (Phase II).

A majority of the private landowners in the watershed are interested in protecting and preserving the existing conditions and functions of the Tenmile Creek watershed and have come together to work with the Trust on conservation easements. There have been significant investments by the USFS in restoration and enhancement activities, including large wood placement on 3.5 miles of the stream. The watershed does contain significant acreage of public lands that are accessible for public recreation. The applicants feel that conservation of existing conditions will enhance the recreation values of the public lands.

5. Legal and Financial Terms

OWEB funds are requested for 50 percent of the \$1.8 million appraised value of the conservation easements. The applicants have secured funding from the U.S. Fish and Wildlife Service Landowner Incentive Program (LIP) and landowner bargain sales.

The legal review of the title report and exceptions and the option agreement identified questions about the extent of two easements on the properties. The proposed conservation easements are missing OWEB's required language and the legal review identified a need for that language to be inserted. There is some reluctance on the part of the applicants and landowners to enter into review and negotiations of easement language with OWEB prior to a funding decision of the Board.

An appraisal of the properties has been conducted by PGP Valuation. The United States Department of Interior Appraisal Services Directorate currently has a review appraiser evaluating the sufficiency of those reports. A Phase I Environmental Site Assessment (ESA) of the properties was conducted in June 2005 by OMNICON Environmental Management in Elmira. Review by the Oregon Department of Environmental Quality agrees with the ESA's findings of "no recognized environmental conditions" on the properties.

6. Conclusion

The Tenmile Creek Corridor Easement Project is generally viewed favorably by staff, Board Acquisition Subcommittee, and North Coast Regional Review Team. During evaluation of the application, all parties became concerned about the implications of two of the ownerships involved in the project, the Pine Tree Conservation Society and National Audubon Society. Staff have worked with the McKenzie River Trust to revise the application to remove those two properties and bring in two additional parcels, which are described in this application for "Phase II." Discussions with the Trust about this revision, in addition to completing the appraisal review and gaining acceptance from the applicants and landowners on OWEB's conservation easement language, are ongoing and expected to continue through the fall. Therefore the Board Subcommittee and staff recommend that the Board defer consideration of this application until those issues are resolved.

B. Crosel Creek Habitat Reserve (z206-059)

The grant application from North Coast Land Conservancy (Conservancy) requests \$420,000 from OWEB to assist in the purchase of 121 acres along Crosel Creek, which is a small sub-basin draining directly into the east side of Youngs Bay, roughly 1.5 miles south of the city of Astoria.

1. Ecological Benefits

OWEB priority habitats involved are: Coastal Western Hemlock forest; Sitka spruce forest; lowland riparian woodland and shrubland and; intertidal freshwater wetlands. Priority fish and wildlife species involved are: Great Blue Heron; Band-tailed pigeon; Spotted Owl; Pileated woodpecker; Coastal cutthroat trout; Coho salmon and; Red-legged Frog. The North Coast RRT agreed that the priority habitats, plant communities and fish and wildlife species on the property were of high value and worthy of protection.

The application lists all seven Conservation Principles as applying to the site. The RRT thought that only four of them really applied: (1) Protecting large, intact areas; (3) Securing transition areas; (5) Protecting sites with exceptional biodiversity values; and (7) Complementing existing networks. While there wasn't much discussion about why the others might not apply, the application of four principles was enough for the Team's strong endorsement of the application.

The Board Acquisition Subcommittee asked the RRT to specifically address the ecological functions and value of the property, given its size and location adjacent to Oregon Department of Forestry lands. While the RRT recognized that 121 acres did not appear to be a large tract of land, they also understood that the property constituted the

majority of the entire sub-basin, which is unique in that it is relatively intact with streams that are not entrenched and still well connected to the floodplain.

2. Capacity to Sustain the Ecological Benefits

The North Coast Land Conservancy will hold title and manage to the property. The Conservancy has been a land trust in Clatsop and Tillamook Counties for twenty years and currently holds 26 resource properties managed for ecological and cultural values. The Conservancy was awarded the 2004 Community Conservation Partnership award by The Nature Conservancy.

The management goals include protecting existing conditions and ensuring ecological progression, retaining and protecting the downed wood component of the site, insure absorption and slow release of water on site, removal of invasive species, and developing a comprehensive management within two years of acquisition.

The Conservancy has a policy to establish an endowment for its new acquisitions. The application doesn't identify an amount, but will secure an "adequate amount" to cover the estimated annual management costs. The Conservancy will need to seek additional resources for any future restoration activities.

3. Educational Benefits

Public access to the property will be limited to planned programs for public watershed education. The Conservancy uses the PLACE (People Learning About Communities and Ecosystems) model to meet its public education goals, which includes using place-based education to teach ecological principles such as watershed function. The Crosel Creek property will also provide a field site for research for the Applied Science Center at Astoria High School, as the property is located less than 5 minutes away from the school. The RRT rated this project as having excellent educational values due to its proximity to the school and knowledge that students have already been involved in assessing the property for its fish and wildlife values.

4. Partners, Project Support and Community Effects

The property taxes in 2004 were \$594.25. The Conservancy is currently in discussion with the landowner about whether taxes or payment in-lieu will continue to be paid after acquisition. On other properties, the applicants are making in-lieu payments.

Letters of support for the project were written by Scott Stonum, Lewis and Clark National Historic Park; Dr. Douglas Deur, PNW Cooperative Ecosystem Studies Unit at the University of Washington; Youngs Bay Watershed Council, and the Clatsop Soil and Water Conservation District. Other local, regional, state, and national organizations and entities are partners of the Conservancy.

Protection of the Crosel Creek property is described in the application as having no effect on the overall economic and social conditions of the area, but the RRT felt that the project, in addition to the educational benefits described above, also offers opportunities for ecological and economic discussions with neighboring landowners.

5. Legal and Financial Terms

OWEB funds are requested for 75 percent of the \$560,000 purchase price of the property. Staff understand that this purchase price may represent a bargain sale on the part of the landowner, thereby increasing the amount of eligible match for the project. The applicants are also seeking additional funding through local fundraising.

The Board Acquisition Subcommittee recommended proceeding with the due diligence review of this application after the North Coast Regional Review Team's evaluation of the ecological and educational merits of the project. Staff have contacted the applicants to request submission of due diligence materials prior to October 17, 2005 for consideration by the Board in January 2006.

6. Conclusion

The Crosel Creek Habitat Reserve project received a high ecological and educational rating from the North Coast Regional Review Team, but since the due diligence evaluation has just started, the Board Subcommittee and staff recommend the Board defer consideration of the application until that evaluation is complete.

C. Depoe Bay Park Expansion Project (z206-060)

The grant application from the City of Depoe Bay (City) requests \$29,600 from OWEB to assist in the purchase of 10 acres along South Depoe Bay Creek at the southeast corner of Depoe Bay harbor.

1. Ecological Benefits

The property lies adjacent to and east of an existing city park and includes roughly .25 mile of South Depoe Bay Creek. Priority habitats involved are: Floodplain lowland riparian, linear, wetlands; Lowland riparian woodland and shrubland, and Tidally influenced freshwater wetlands. Priority species involved are coho salmon and steelhead. The North Coast RRT had many concerns about the consistency of this project with OWEB's ecological priorities. While there are existing ecological values present, the small size of the property, potential impacts from current and future development, and the recreational goals of the City may compromise those values.

Three Conservation Principles are involved: (2) Stabilize an area "on the brink"; (3) Secure a transition area, protecting it from development and; (6) Improve connectivity of habitat. The RRT did not come to agreement that any of the Conservation Principles would be supported by this project. The RRT also noted that the sub-basin was not a high priority for either the MidCoast Watersheds Council or for The Nature Conservancy and the property primarily includes only one side of the creek with limited guarantees about activities on the other bank.

2. Capacity to Sustain the Ecological Benefits

The City of Depoe Bay will hold title to the property and will be responsible for management. The proposed management goals are to protect the site for its natural resource values and provide "careful public access." The City has a Depoe Bay Salmon Enhancement Commission and anticipates working with the Oregon Department of Fish and Wildlife and Depoe Bay Parks Commission to develop a management plan for the property. The City anticipates that restoration will not be needed, and funds for

management and maintenance will be budgeted for through their Parks Fund and the Salmon Enhancement Fund.

3. Educational Benefits

The public will have access to the property through an interpretive trail. Education and outreach will be accomplished through press releases to the local media. The North Coast RRT thought the project offered good educational opportunities for the community.

4. Partners, Project Support and Community Effects

The City of Depoe Bay does not have a tax base so there will be no affect of public acquisition on the local tax base. Medium density residential development exists on the north, southwest, and south sides of the property. Commercial timberland lies to the east of the property.

The application is supported by Mid-Coast Watersheds Council and Fran Recht, Pacific States Marine Fisheries Commission. The application states that the Depoe Bay Chamber of Commerce has set aside funds for development of the future nature trail. Many citizens have been involved in salmon restoration efforts through the Depoe Bay Salmon Enhancement Commission. The application states that the project will help the City achieve its goals to protect its natural resource base and provide for the recreational needs of a growing community.

5. Legal and Financial Terms

OWEB funds are requested for approximately 15 percent of the \$200,000 purchase price of the property. The applicants have secured match funding from an Oregon State Parks and Recreation Department grant and the current property owner.

6. Conclusion

The Board Acquisition Subcommittee had concerns about the ecological value of the proposed acquisition and asked the RRT to explicitly weigh in on the ecological and education values before it made its decision about whether to proceed with the due diligence review. Although the applicants have requested a small amount of funding and the Board has been supportive of projects that balance recreational use with ecological protection and restoration in the past, the facts of this project lead staff, the North Coast RRT, and Board subcommittee to feel that this is more clearly a recreational and open space project. Based on the RRT's evaluation, the Board Acquisition Subcommittee did not recommend reviewing due diligence information for this project.

Staff are concerned that the applicants and citizens of the City will have difficulty protecting the ecological values at the level desired by OWEB when it invests in conservation acquisition projects. The Board Subcommittee and staff therefore recommend that the Board not proceed with due diligence review and do not fund the Depoe Bay Park Expansion Project.

IV. Staff Recommendations for Project Funding

Attachment A shows the proposals, funding amounts, conditions (if any), and priority rankings recommended as "do fund" to OWEB staff by the Review Team. The table also indicates, by means of shaded entries, the OWEB staff "do fund" recommendations to the Board. For some

“do fund” projects, the amount shown in the table may be the staff funding recommendation rather than the Review Team recommendation. The shaded items total \$553,721, of which \$550,421 is *capital* and \$3,300 in *non-capital*.

Attachment B shows those applications not recommended for funding at this time by either the Review Team or by OWEB staff.

Attachments

- A. Projects Recommended for Funding
- B. Projects Not Recommended for Funding

**Region 1 – North Coast
Restoration Projects Recommended for Funding by the Review Team
April 25, 2005 Grant Cycle**

Staff Funding Recommendations to the Board are Highlighted in Gray

Project #	Project Name	Non-Capital Funds	Capital Funds	Total Amount	Priority
z206-064	Beaver Cr Watershed Steamside Planting**	0	54,500	54,500	1
z206-065	Steer Cr Watershed Restoration	0	178,515	178,515	2
z206-066	Upper Yaquina River Large Wood Placement	0	24,618	24,618	3
z206-067	Knapp Cr Culvert Replacement	1,200	154,280	155,480	4◇
z206-070	Cedar Cr-Salmon Passage & Habitat Improvement**	0	67,713	67,713	4◇
z206-068	Bear Cr-Salmon Access & Habitat Improvement	2,100	31,855	33,955	5
z206-069	Pugh Cr Stream Enhancement	0	38,940	38,940	6
Total Restoration Projects Recommended for Funding to Staff by the RRT		\$3,300	\$550,421	\$553,721	
Total Restoration Projects Recommended for Funding by Staff to the Board		\$3,300	\$550,421	\$553,721	

** Fund with Conditions ◇ Projects Tied for Priority 4

**Acquisition Projects Receiving a Positive Rating for Ecological Merit by the Regional Review Team
and Recommended for Deferral by OWEB Staff**

Project #	Project Name	Amount
z206-058	Tenmile Cr Corridor Easement	900,000
z206-059	Crosel Cr Habitat Reserve	420,000
Total Acquisition Projects Recommended for Deferral by Staff to the Board		\$1,320,000

**Region 1 – North Coast
Restoration Projects Not Recommended for Funding by the Review Team and OWEB Staff
April 25, 2005 Grant Cycle**

Project #	Project Name	Amount Requested
z206-061	Conyers Cr Fish Barrier Removal	161,300
z206-062	North Coast Riparian Restoration 2006	13,570
z206-063	Neawanna Estuarine Forest Rescue & Restoration	16,880

**Acquisition Project Receiving a Mixed Rating for Ecological Merit by the Regional Review Team
and Not Recommended for Funding by OWEB Staff**

Project #	Project Name	Amount
z206-060	Depoe Bay Park Expansion	29,600