

March 3, 2006

## **MEMORANDUM**

**TO:** Oregon Watershed Enhancement Board

**FROM:** Ken Bierly, Deputy Director

**SUBJECT: Agenda Item H: 2005-2007 Capital Partnership Projects and Use of Capital Reserves  
March 15-16, 2006 OWEB Board Meeting**

### **I. Introduction**

This report continues the Board discussion regarding the potential uses of Measure 66 Lottery Capital Funds for special or “signature” projects at the September 2005 and January 2006 meetings. This report describes the current demand for these funds and requests a specific allocation for two partnership projects and three capital projects described in Agenda Item J.

### **II. Background**

The 2005-2007 Legislatively Adopted Budget for OWEB includes \$41.3 million of Measure 66 Lottery Funds to be allocated by the Board for capital grant purposes. At the September 2005 meeting, the Board considered reserving the majority of capital funds (\$30 million) to be allocated through the four regular competitive grant cycles for restoration and acquisition projects. In addition, staff recommended that an additional \$7.5 million of capital funds be reserved to be used for special projects that are large-scale or regional in scope, or involve partnerships that do not conveniently fit within the regular OWEB grant process.

Based on discussions at the January 2006 Board meeting staff have limited further partnership discussions to the two partnerships described in the January 2006 staff report. Staff have also identified four significant restoration and acquisition grants submitted in the October 2005 grant cycle that fit the criteria discussed in September 2005.

### **III. Proposed Partnerships**

Two potential partnership opportunities were presented to the Board in January 2006. One opportunity is to partner with the USDA Forest Service (USFS) to conduct “whole watershed restoration” efforts. The other proposed partnership is with the U.S. Department of Agriculture (USDA) Natural Resources Conservation Service (NRCS) and the Institute of Applied Ecology to improve wetland restoration sites in the Willamette Valley. Each opportunity involves an investment of OWEB capital funds that would be matched with other funds to complete restoration efforts at a more comprehensive watershed scale.

### **A. USFS Partnership**

Staff have worked with the USFS and other partners to develop a process to fund whole watershed restoration efforts that focuses on 1) addressing geographic priorities, and 2) accelerating and completing priority work in selected whole watersheds. Attachment A includes an overall description of the proposal and implementation information for 2006.

The proposed partnership would involve the pooling of OWEB and USFS funding sources and would serve as “seed funding” for high priority projects that will be further leveraged at the local level to complete the most-needed work in these watersheds. OWEB funds would allow work on private lands within watersheds comprised of both public and private lands. Immediate priorities are the Middle and North Fork John Day, North Fork Umpqua, South and Mid Coast drainages, and Lower Columbia watersheds.

Funds for this partnership would be administered by an independent non-governmental organization. OWEB funding requirements will be included as a condition of the interagency agreement developed as a result of this partnership. OWEB would receive a final report accounting for the funds and recognition as a major funder for projects implemented.

This proposed partnership could be initiated with \$500,000 of capital funds from OWEB. The partnership could involve a funding commitment of another \$1.0 million in capital funds next biennium. The results of this biennium’s funding would be presented to the Board at the time the future request would be considered.

### **B. NRCS Partnership**

Staff have worked with NRCS and the Institute for Applied Ecology on a funding strategy to develop a Wetland Reserve Enhancement Program (WREP) for the Willamette Valley. (Attachment B) Under this proposal, OWEB funding would match NRCS funding to enhance plant species diversity and habitat values for wetland-dependent species on 12 Willamette Valley Wetland Reserve Program (WRP) projects by adding native species in appropriate areas. The project would enhance 595 acres enrolled in WRP in Yamhill, Polk, Benton, and Lane counties and contribute to listed plant species recovery. OWEB funds would be used specifically to implement native plant establishment on these WRP sites.

NRCS has committed the funds for the Willamette Valley WREP. OWEB funds could be used to match the federal funds of \$412,000 and another match of \$130,000. This proposed partnership requests \$250,000 of capital funds from OWEB for this project. OWEB funds used for the WREP will be required to meet Measure 66 “capital” funds requirements.

## **IV. Significant Restoration Projects Received in this Grant Cycle**

Three significant projects have been received and reviewed by OWEB’s Regional Review Teams (RRTs). These projects if funded from the regular grant cycle budget or through regional allocations would significantly reduce the funding available for other worthy restoration projects. The three projects are z206-289, Diamond Lake Restoration; z206-290, Gold Hill Dam Removal and Restoration; and z206-328, Wetland Restoration Williamson River.

Using \$2,571,778 of reserved capital funds to cover all or a portion of the total cost of these projects will allow the Board to fund all the restoration projects recommended by the RRTs. Each of these three projects is highly recommended by their respective RRT. Use of the

reserved capital funds would allow these projects to go forward without significantly affecting the funding available to other projects this grant cycle. Staff will ask the Board to consider allocating \$2,571,778 of the reserved capital funds towards projects z206-289, z206-290, and z206-328 in Agenda Item J.

**V. Recommendation**

Staff recommend that the Board allocate \$750,000 of the reserved capital funds to the two proposed partnerships (\$500,000 with the U.S. Forest Service and \$250,000 with the Institute for Applied Ecology).

Attachments

- A. Pacific Northwest Whole Watershed Restoration Venture Partnership Proposal & 2006 Implementation
- B. NRCS WREP proposal