

September 1, 2006

## MEMORANDUM

**TO:** Oregon Watershed Enhancement Board

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

**SUBJECT: Agenda Item E: OWEB Grant Award Recommendations  
Overview  
September 19-20, 2006 OWEB Board Meeting**

### **I. Introduction**

This staff report describes the process for evaluation of the capital and non-capital grant applications submitted by the April 24, 2006, deadline. The report also includes budget considerations and the summary funding recommendations.

### **II. Background and Summary**

One hundred thirty-eight grant applications seeking a total of \$19,119,992 were received by the April 24, 2006, deadline. The breakdown by region, project type, and dollar amount is shown on the attached table. (Attachment A)

Restoration or Acquisition applications – *capital* grants – were solicited in this funding cycle, as were Technical Assistance applications that use *non-capital* funds. Other *non-capital* application types – those for Assessment, Monitoring, Education and Outreach, for example – were not invited or accepted this time. After being screened for eligibility and completeness, the 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 RRT recommendations into this staff funding recommendation to the Board. A map showing the location of the projects recommended for funding by the RRTs and by OWEB staff is attached. (Attachment B)

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

### **III. Review Process**

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

### **III. Acquisition Projects**

Three 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 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.

Of the applications submitted in April 2006, two have been withdrawn by the applicant and one is recommended for deferral. One acquisition project submitted in October 2005 and previously deferred by the Board is recommended for funding at this time.

#### **IV. Budget Considerations**

*Capital Funds.* As usual, and per the Board's expressed preference, staff have established a *capital* funding target 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. At the beginning of the biennium the Board tentatively earmarked \$7.5 million for *capital* projects in each of the four regular grant cycles, including this April 2006 to September 2006 cycle. The Board also elected to reserve an additional \$7.5 million for significant projects and unique partnerships. As a result of the Board awards for the April and October 2005 grant cycles, Board awards to other partnerships, and staff recapture of unspent funds from previous grant awards, OWEB finds itself with approximately \$19,448,000 in *capital* funds available as of July 26, 2006. More recapture is anticipated for the remaining nine months of the biennium, suggesting that more than half of the present *capital* funds may be allocated in this grant cycle.

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. Approximately \$71,000 had accrued in this fund as of July 26, 2006. However, this staff report recommends **no allocation** of Salmon License Plate money in this grant cycle because it is not needed to address the list of "do-fund" projects and the use of small amounts of this money in conjunction with the Lottery funds would complicate OWEB's and the grantees' bookkeeping. The Salmon Plate money will be utilized in future OWEB grant cycles when it has accrued a larger sum.

**Therefore, staff propose a nominal *capital* expenditure target for Restoration and Acquisition grants in this cycle of \$10 million.**

*Non-Capital Funds.* 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.

The Board tentatively earmarked \$500,000 for Technical Assistance (TA) in this grant cycle from the 2006 Pacific Coastal Salmon Recovery Funds in March 2006. Due to the recapture of unspent funds, OWEB has \$550,000 in *non-capital* funds that can be used at this time. Because the Technical Assistance grants are so important in "priming the pump" for good restoration project applications, staff recommend investing as much as possible in TA this cycle.

**Therefore, staff propose a nominal *non-capital* expenditure target for Technical Assistance grants and the education and outreach elements of Restoration grants in this cycle of \$550,000.**

#### **V. Point of Interest: The Role of Big-Ticket Projects**

A higher and higher percentage of OWEB's grant funds are being awarded to a smaller and smaller number of relatively expensive projects. To understand this point, ignoring the fact that a couple of expensive projects may be funded over multiple cycles and the amounts in the tables have been reduced by staff, if staff recommend the full amount for projects highlighted in the accompanying tables it would total \$11,026,441 in awards for 53 *capital* (Restoration and Acquisition) projects. About 58 percent of that total, or \$6,414,081, is earmarked for six projects (the Deer Creek Acquisition, two dam removal projects in Region 3, two pipeline projects in

Region 4, and the Willow Creek project in Region 5). The other 47 projects share the remaining 42 percent of the recommended total. Another seven of *those* 47 projects are awards of between \$208,000 and \$386,000, with that seven-project total being \$1,974,344. Therefore the most expensive 13 projects (out of 53 total) are recommended to receive \$8,388,425, or about 76 percent of the total, while 40 projects split the remaining \$2,638,016, receiving on average about \$65,950 each.

These statistics are neither good nor bad in and of themselves, but do underscore the new era OWEB has entered, in which more large-scale or big-ticket proposals are vying for the available resources. The challenge will be balancing support for smaller, shorter-term opportunities with support for larger, longer-term projects, while also making award decisions that assure the larger projects that they will receive the out-year funding they need to succeed or, in some cases, to get started.

Staff has addressed the issue in this cycle by recommending that the Board approve the two biggest ticket projects (207-107 and 207-138) with the condition that only part of the funding is awarded at this meeting, with the remaining project funds being awarded at the September 2007 meeting. This recognizes the fact that most large, expensive projects cannot be fully implemented in a biennium anyway and thus can afford to wait until the next biennium’s funding becomes available for the remaining funds to be awarded. This approach assures that each OWEB grant cycle is sufficiently funded to allow for the opportunistic funding of a number of projects in all five regions. It also will require that OWEB staff carefully track the out-year commitments made by the Board to ensure accurate calculations of available grant resources.

**VI. Summary of Funding Recommendation**

Staff recommend that the Board award funding for the projects indicated in each of the following five regional reports. “Do Fund” projects are indicated on the tables by shading.

The statewide funding total recommended by staff is shown below. Details are contained within each of the attached regional staff reports.

- **Restoration Projects, *Capital* Portion** **\$ 9,126,441**
- **Acquisition Projects** **\$ 500,000**

**TOTAL *Capital* Staff Recommendation this cycle:** **\$ 9,626,441**

- **Technical Assistance Projects** **\$ 529,279**
- **Restoration Projects, *Non-Capital* Portion** **\$ 17,910**

**TOTAL *Non-Capital* Staff Recommendation this cycle:** **\$ 547,189**

This *capital* recommendation is \$373,559 below the nominal *capital* expenditure target for this grant cycle. We also note that a separate staff report (Item J) recommends awarding an additional \$218,220 in *capital* funds to Local Innovation Fund (LIF) projects, and Item F recommends allocating an additional \$500,000 to the 2006 Salmon Season Grants program. This would bring the grand total of *capital* awards to \$344,661 above the nominal funding target.

However, as this staff report goes to press we anticipate that the actual “do fund” recommendation will be reduced by at least \$80,000 due to funding of certain projects by other sources. This funding recommendation ensures that the original reserve of \$7.5 million in *capital* funds will be available for the final regular grant cycle in this biennium (the October 2006 to March 2007 cycle).

This *non-capital* recommendation is \$2,811 below the nominal *non-capital* expenditure target for this grant cycle. We also note that a separate staff report (Item J) recommends awarding an additional \$8,200 in *non-capital* funds to Local Innovation Fund (LIF) projects resulting in a total of 5,389 above the nominal *non-capital* funding target. Staff believe this is a modest and affordable overrun that is warranted by the quality of the projects recommended.

#### Attachments

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