

August 21, 2009

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Lauri Aunan, Grant Program Manager
Rick Craiger, Central Oregon Regional Program Representative
Miriam Hulst, Acquisitions Specialist

**SUBJECT: Agenda Item L: OWEB Grant Award Recommendations
Region 4, Central Oregon
September 15-16, 2009 OWEB Board Meeting**

I. Introduction

This staff report describes the Central Oregon Regional Review Team recommendations, acquisitions, and staff recommendations for funding.

II. Background and Summary

Applicants submitted 25 applications for a total request of about \$6 million. The Central Oregon Regional Review Team (RRT) recommended 15 applications for approximately \$2.2 million and favorably reviewed the land and water Acquisition applications. Because the demand for funding exceeds available funds, staff recommend only seven applications for a total award of \$1,485,120: \$1,353,897 for Restoration; \$77,094 for Acquisition; and \$54,129 for Technical Assistance.

III. Regional Review Team Recommendations

The RRT met in Redmond on June 26, 2009, to review the applications received in this grant cycle. All Restoration and Technical Assistance applications were reviewed for technical merit and given a “do fund” or “no fund” recommendation. The RRT then prioritized the applications recommended for funding.

The Region 4 RRT recommended for funding six Technical Assistance applications (two with conditions). The RRT recommended for funding nine Restoration applications, six with conditions and one a minor budget reduction. Staff concur with the conditions and the budget reduction. Of particular note, the RRT recommends conditioning juniper control projects (such as 210-4013, Lawson Creek Redband and Wildlife Habitat Recovery Project) with requirements for the final project reports to include plans for how the landowners and grantees will address long-term juniper maintenance. The RRT and staff want to understand how the investment of funds to control juniper are sustained over time to continue to deliver watershed benefits.

The RRT recommended full funding of more than \$750,000 for application 210-4000, Summer Lake Wetland Enhancement Project. Summer Lake, an Oregon Department of Fish and Wildlife refuge, and the private farm lands around it, provide significant waterfowl and wading bird habitat for yellow rails, sandhill cranes, black faced ibis, western curlews and others. Irrigation is necessary to maintain productivity and vegetative structure of these wetlands. Significant leaks in the irrigation system for the refuge and the farm lands has reduced water by about 10 to 20 percent, reducing wetland plant vigor and production, and allowing for the proliferation of noxious weeds. The proposal would install 1.3 miles of 60 inch pipe on the first part of the main irrigation diversion canal for the Summer Lake Irrigation District.

As discussed in the Overview staff report, this is one of the “big-ticket” restoration applications that creates challenges in balancing funding for large, important projects as well as smaller, important projects throughout all six regions. The RRT discussed whether it would be possible to stage funding for this project, as has occurred for some “big-ticket” applications in previous cycles and as staff have recommended for two other projects this cycle. Because the vast majority of the funding is for the piping, it would not be cost-effective nor desirable to provide for staged funding for this project.

Staff also recommend an additional special condition for 210-4016, Feather Drive and NUID Laterals 37, 41 & 43 System Improvement Feasibility Study. Reviewers and staff are interested in whether efficiency projects can result in more quantifiable, long-term instream protected water. The condition recommended by staff is that the final project completion report must discuss opportunities and barriers, if any, to permanent conservation of saved water instream.

IV. Acquisitions

One land Acquisition application and one water Acquisition application were received from Region 4 this grant cycle. The land Acquisition is not recommended for funding. The water Acquisition application is ready for funding at this time.

A. Maxwell Easement Acquisition (209-108)

Oregon Rangeland Trust (ORT) requests \$450,000 to purchase a 3,514-acre conservation easement on a working cattle ranch on the northern edge of the Goose Lake Basin, in Lake County, near Lakeview. The application states that a primary goal of the project is to increase capital to sustain ranching operations. ORT first submitted an application for this project in October 2008, but subsequently withdrew it from consideration. The current application requests less funding from OWEB, proposes a smaller easement area, and commits the landowner to changes in riparian grazing and the installation and maintenance of riparian fencing.

1. Ecological Benefits

The application states that the proposed 3,514-acre easement area contains 714 acres of OWEB priority ecological systems, which include 597 acres of freshwater emergent wetlands and 117 acres of lowland riparian forest and shrub communities. The application also states that the property contains OWEB priority plant communities, including 12 acres of basin big sagebrush/basin wild rye, 117 acres of black cottonwood/coyote willow, 807 acres of mountain big sagebrush/needle-grass, and four acres of quaking aspen/currant.

According to the application, the project will benefit the following OWEB priority species: inland redband trout, Goose Lake lamprey, Goose Lake sucker, Goose Lake tui chub, American bittern, greater sandhill crane, long-billed curlew, snowy egret, willow flycatcher, Wilson's phalarope, yellow-headed blackbird, long-eared owl, Swainson's hawk, and white-tailed jackrabbit.

The property contains six streams, totaling approximately nine linear miles of water courses. Currently, the ranch's streams are unfenced and accessible by cattle. The application indicates that portions of the streams lack riparian vegetation and suffer from erosion and incised channels. There are six irrigation diversions within the creeks on the ranch; none are fish passable. The application states that riparian fencing and correction of in-stream maladies will be undertaken but does not provide specific detail except to commit the landowner to the expense of installing and maintaining nearly 18 miles of riparian fence.

The application states that the project is consistent with five of OWEB's conservation principles for land acquisition: protecting a large intact area, securing a transition area, restoring function to an area that requires active restoration to achieve its conservation purpose, improving connectivity of habitat, and complementing an existing network of conserved sites.

The RRT acknowledged that the property contains a significant number of streams (OWEB priority habitat), which could be restored to considerable benefit for OWEB priority species. However, the RRT felt that the ecological benefits of the acquisition are not assured. The RRT was uncomfortable with the project's heavy reliance on landowner financing for riparian fence installation and maintenance. The RRT felt that fencing 18 stream miles is a daunting landowner responsibility and that a better developed funding plan is needed to ensure that this important conservation action occurs. The reviewers considered installation of fish screens and removal of fish passage barriers, both of which they felt are necessary to accomplish ecological benefits, and were not certain of how and when the needed improvements will be made.

The RRT felt that the Goose Lake watershed is not threatened by rampant real estate development. It did, however, feel that the property's wildlife conservation values are threatened by wind power generation, which is being considered for the property.

In all, the RRT agreed that the property has good ecological potential, but that the property should be restored first and protected second, to ensure that protection will be ecologically meaningful.

Although the RRT acknowledged that CREP is not for all landowners, the team members felt strongly that enrolling the property in CREP makes economic sense. The RRT agreed that CREP enrollment could provide financing assistance for the fencing and riparian planting (as opposed to the landowner having to finance these expensive activities all by himself) and would also result in compelling rental payments. The RRT felt that CREP would place the property on a restoration trajectory that could make it an appropriate future OWEB protection investment.

2. Capacity to Sustain the Ecological Benefits

ORT was founded in 2001. It is not clear if ORT has technical staff, such as a range specialist or botanist, whose expertise is important for monitoring working lands easements. An unaudited financial statement attached to the application indicates that ORT received a \$5,000 National Fish and Wildlife Foundation grant for 2009 operations and has \$130,000 in cash assets. ORT's portfolio appears to be limited to one conservation easement, funded by OWEB in 2003.

3. Educational Benefits

The application states that public awareness of the project will be accomplished through Ducks Unlimited and ORT communications, as well as several field tours. The RRT felt that the project does not have strong educational merit. The project's educational plans are not well formed and publications are not a highly effective educational tool.

4. Partners, Project Support and Community Effects

The application states that ORT intends to partner with Ducks Unlimited and Goose Lake Watershed Council to develop guidance for the management of wetland habitats on the property and to coordinate future restoration activities. It appears that a U.S. Fish and Wildlife Service (USFWS) employee from California might provide future assistance with National Environmental Policy Act compliance for restoration, but USFWS staff in Klamath County has not been taken up on their offers of restoration planning and other technical assistance. The application states that ORT wishes to partner with the Natural Resources Conservation Service for match funding and management plan development. The Lake County Commissioners do not object to the project. Property taxes will continue to be paid.

5. Legal and Financial Terms

Site ownership and use of the ranch will not change under the proposed easement. Easement negotiations appear to still be ongoing between ORT and the landowner. This could present challenges for the appraiser. The draft easement attached to the application places emphasis on the conservation of agricultural values, and reserves the right of the landowner to new residential and agricultural construction with the approval of ORT. In keeping with an agricultural emphasis, the easement prohibits the permanent separation of water rights from the property's title, limiting the potential for future instream transfers. The easement also reserves the right of the landowner to remove rock and sand for use elsewhere on the property. The easement does not establish responsibilities for restoration.

A liquefied petroleum gas company is currently studying possible routes for a pipeline across Goose Lake Valley; it is not known if the property will be impacted. A county road extends into the property. The Lake County Board of Commissioners has indicated that it requires further information about the compatibility of a conservation easement with these encumbrances.

6. Conclusion

In April 2009, the Acquisitions Subcommittee did not recommend staff proceed with a due diligence review because it felt that the project does not propose activities or management that will significantly benefit OWEB priority ecosystems or species. The

RRT felt that ecological benefits of the acquisition are not assured, and determined that the project has medium-low ecological merit. The RRT also felt that the project has low educational merit. Staff and the Acquisition Subcommittee do not recommend funding for the Maxwell Easement Acquisition application.

B. Deschutes River Water Transfers (210-103)

The Deschutes River Conservancy (DRC) requests \$77,094 to reimburse purchase costs to complete the legal transfer of Deschutes River water rights near the cities of Bend and Redmond in Deschutes County to permanent instream water rights. The water rights total 0.94 cubic feet per second (CFS) and 306.5 acre-feet (AF). The application states that the project will help address low summer flow in the middle Deschutes River from river mile (RM) 165 to the mouth, for the benefit of at-risk species such as bull trout and Columbia spotted frog.

1. Ecological Benefits

Five irrigation districts divert water from the Deschutes River at the City of Bend. These diversions have significantly altered the flow regime of the Deschutes River for nearly 50 miles between Bend and Lake Billy Chinook. At that point the Deschutes is replenished by the flow from the Crooked and Metolius rivers. Any flow enhancement in the reach below Bend can be protected to Lake Billy Chinook. To date, a significant amount of instream flow has been achieved in this reach by short term leases. The application proposes to provide permanent flow in the reach. While the flow is not large (0.97 cfs), the fact that it is a permanent transfer is a significant benefit. The Central Oregon RRT felt that the project is ecologically sound because it will result in permanent instream transfers.

2. Partners, Project Support, and Community Effects

The project is a first time partnership with the Columbia Basin Water Transaction Program (CBWTP). This program was established to restore flows in the Columbia Basin. The program has a strong capacity to review water rights and has completed a due diligence review of the project. The project cost share with the CBWTP is split evenly.

The project is supported by the Central Oregon Irrigation District and the Swalley Irrigation District who will transfer water rights to instream use. The transfer is part of a larger program to restore stream flow in the middle Deschutes River. The permanent transfer of water to instream use will not have an adverse effect on the irrigation districts involved or their patrons.

3. Legal and Financial Terms

The application is a cost share reimbursement for transfers that have been recently approved or are pending by the Water Resources Department. The cost on an acre/foot basis is competitive with transactions in the basin. Over the previous three years, costs have been between \$2,042/ac/ft and \$2,860/ac/ft. The proposed transaction costs are \$2,741/ac/ft and have been evaluated by CBWTP. The Water Resources Department has notified staff that the Final Orders on two of the transfers are likely by the Board meeting and the Preliminary Determinations on the remaining two are expected soon. The Attorney General's office has reviewed the due diligence materials and has found them sound.

4. Conclusion

The Acquisition Subcommittee recommended that staff proceed with the due diligence review and the RRT concluded that the project has high ecological merit. The project has been reviewed and approved for legal sufficiency. Staff recommend the project be funded and funding be released when the instream transfers are complete.

V. Staff Recommendation

A. Capital Applications

- *Restoration.* The RRT recommended funding for nine Restoration applications for a total of \$2,068,390. Because the demand exceeds available funds, staff recommend that the Board fund only four of the nine Restoration applications, for a total of \$1,353,897. Three applications make up the bulk of this recommended amount:
 - Summer Lake Wetland Enhancement, 210-2032, \$754,122, discussed in Section III above.
 - Conversion to piped irrigation delivery 58-9, 210-4011, \$250,000. This project is a partnership of the North Unit Irrigation District, Jefferson SWCD, Portland General Electric and the Confederated Tribes of Warm Springs. The project, in the Trout Creek sub-basin of the Deschutes River, north of Madras, would replace 3.5 miles of open ditch with underground pipe to compete a five mile long project. Approximately one cfs of water would be saved and converted to an instream water right that would remain in the Deschutes River from Bend to Lake Billy Chinook. In addition, fine sediment from irrigation tailwater entering Mud Springs Creek and then Trout Creek will be eliminated with this project.
 - Lawson Creek Redband and Wildlife Habitat Recovery, 210-4013, \$302,665. This project will improve stream and wetland function, habitat for redband trout, and habitat for wildlife by treating headcuts and reconnecting the stream to its floodplain. The project will treat 1500 acres of invasive juniper and implement spring development and protection on Lawson Creek, a tributary of Ochoco Creek just east of Prineville. Reviewers noted that the headcuts need to be treated or the wet meadows that store water in the top end of the system will be lost.
- *Acquisition.* Staff recommend funding for Deschutes River Water Transfers (210-103). Staff do not recommend proceeding with further consideration of the Maxwell Easement Acquisition (209-108).

B. Non-Capital Applications

- *Technical Assistance.* Due to limited non-capital funding, staff recommend funding for only three of the six Technical Assistance applications recommended by the RRT.

Attachment A shows the applications, funding amounts, conditions (if any), and priority rankings recommended for funding to OWEB staff by the RRT. The table also indicates, by means of shaded entries, the OWEB staff recommendations to the Board. For some applications, the amount shown in the table is the staff or RRT funding recommendation rather than the amount requested in the application.

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

Staff recommend the Board approve the staff funding recommendation as contained in Attachment A to this report.

Attachments

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

Region 4 - Central Oregon
Technical Assistance Projects Recommended for Funding by the RRT
April 20, 2009 Grant Cycle

Staff Recommendations to the Board are Highlighted in Gray			
Project #	Project Name	Total Amount	Priority
210-4001	South Warner Sage Grouse Habitat Enhancement^	11,957	1
210-4016	Feather Drive and NUID Laterals 37, 41, & 43 System Improvement Feasibility Study^	6,732	2
210-4002	Upper Deschutes Local Wetland Inventory	35,440	3
210-4003	Warner Valley Noxious Weed Mapping Project	29,335	4
210-4014	Aquifer Recovery Planning for Streamflow Restoration	50,000	5
210-4017	Upper Klamath Landowner Recruitment	35,795	6
Total Technical Assistance Projects Recommended for Funding to Staff by RRT		\$169,259	
Total Technical Assistance Projects Recommended for Funding by Staff to Board		\$54,129	

^ Fund with Conditions

Region 4 - Central Oregon
Acquisition Project Receiving a Positive Rating for Ecological Merit by the RRT
And Recommended for Funding by OWEB Staff
April 20, 2009 Grant Cycle

Staff Recommendations to the Board are Highlighted in Gray		
Project #	Project Name	Total Amount
210-103	DRC Deschutes Water Alliance Bank Restoration Acquisition	77,094
Total		\$77,094

Region 4 - Central Oregon
Restoration Projects Recommended for Funding by the RRT
April 20, 2009 Grant Cycle

Staff Recommendations to the Board are Highlighted in Gray					
Project #	Project Name	Capital Funds	Non-Capital Funds	Total Amount	Priority
210-4011	Conversion to piped irrigation delivery 58-9	250,000		250,000	1
210-4009	Mill Creek Habitat Enhancement and Floodplain Restoration^	47,110		47,110	2
210-4000	Summer Lake Wetland Enhancement Project	754,122		754,122	3
210-4013	Lawson Creek Redband and Wildlife Habitat Recovery Project*^	302,665		302,665	4
210-4021	North Fork Sprague Fish Passage^	159,393	422	159,815	5
210-4008	Badger Spring Reconnection and Wetlands^	52,850		52,850	6
210-4020	Kircher's Riparian Protection Project	33,641		33,641	7
210-4018	Abel's Riparian Management^	17,577		17,577	8
210-4010	Upper Lytle Creek Whole Watershed Restoration^	450,610		450,610	9
Total Restoration Projects Recommended for Funding to Staff by RRT		\$2,067,968	\$422	\$2,068,390	
Total Restoration Projects Recommended for Funding by Staff to Board		\$1,353,897	\$0	\$1,353,897	

* Listed Amount Reflects Recommended Reduction ^Fund with Conditions

Region 4 - Central Oregon
Acquisition Project Receiving a Positive Rating for Ecological Merit by the RRT
And Not Recommended for Funding by OWEB Staff
April 20, 2009 Grant Cycle

Project #	Project Name	Total Amount
210-105	Maxwell Easement Acquisition	450,000
Total		\$450,000

Region 4 - Central Oregon
Technical Assistance Projects NOT Recommended for Funding by the RRT
April 20, 2009 Grant Cycle

Project #	Project name	Total Amount Requested
210-4004	Hay Creek Meadow Restoration	32,144

Region 4 - Central Oregon
Restoration Projects NOT Recommended for Funding by the RRT
April 20, 2009 Grant Cycle

Project #	Project name	Total Amount Requested
210-4005	Indian Creek Restoration Project - Markham Phase	393,930
210-4006	Jack Creek Ponderosa Pine Savannah and Wetland Restoration	250,000
210-4007	Maury Mountains Ponderosa Pine Parkland and Sage/Shrubland Steppe Restoration	150,000
210-4012	Deep Creek Mouth and Vicinity Restoration Project	169,023
210-4015	Juniper Flat Water Conveyance Efficiency - Section B	36,300
210-4019	Lost River Upland Restoration Project	28,126

Region 4 - Central Oregon
Acquisition Projects Withdrawn by Applicant
April 20, 2009 Grant Cycle

210-4022	TID - Tumalo Feed Canal Piping Phase 2	2,205,488
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