



Oregon

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Oregon Watershed Enhancement Board

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MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Roger Wood, Special Projects

SUBJECT: **Agenda Item J: Special Investment Partnerships
January 16-17, 2008 OWEB Board Meeting**

I. Introduction

This report provides an update on Special Investment Partnerships (SIP) development, including the status of the Willamette and Deschutes SIPs, and seeks Board authorization for the Executive Director to negotiate project details and enter into agreements to obligate up to \$4 million in Lottery capital funds this biennium for implementation of the Deschutes SIP.

II. Background

The goal of the Special Investment Partnerships is the same as that of OWEB overall – to help create and maintain healthy watersheds and natural habitats that support thriving communities and strong economies. SIP is a tool that OWEB may elect to use in situations where an important and extremely beneficial project (or group of related projects) requires an interaction or funding mechanism different than those provided by OWEB's grant programs.

Partnerships through SIP are defined by these characteristics:

1. **Ecological Significance.** The ecological impact, significance of the issues addressed, and the anticipated outcome(s) are large. Ideally, a Partnership contributes to a historic change or surge of progress in, for example, the recovery of a species, the restoration to self-sustainability of an ecosystem, the restoration to health of a river system or watershed, or the launching of an initiative that addresses widespread issues.
2. **Importance of OWEB's Contribution.** OWEB's contribution will be critical, not only to funding the effort, but also to attracting the other support and catalyzing the action necessary for achievement of the objectives. In particular, a SIP investment will tend to launch important efforts that otherwise have been stalled or delayed.
3. **Robust Partnerships.** SIP investments will be made where other partners, with significant funding or other contributions to offer, are available, interested, and likely to join the effort within a reasonable period of time.

4. **Triple Bottom Line.** Projects implemented by Partnerships will produce ecological, community, and economic outcomes – the “triple bottom line” – through a deliberate effort to produce benefits that sustain themselves over time because they’ve become a part of local custom and culture.
5. **Captures the Imagination/High Visibility.** The scale, importance, and sustainability of a Partnership will attract public attention not only to the work of that one project but also to the importance of watersheds and of watershed enhancement generally.
6. **Ripeness.** To receive a funding allocation from the Board, a Partnership: (a) needs to be ready to form and begin functioning to finalize objectives and a work plan; (b) must have a likely time frame for implementation and completion that is reasonable and fits OWEB’s needs; and (c) must be at the point developmentally where it both needs and can take advantage of the OWEB funding commitment to further the project.

At its September 2007 meeting, the Board reserved up to \$12 million in Lottery capital funds for potential allocation to SIP in this biennium. Up to \$6 million of that was reserved for the Willamette SIP. No specific reservations were made for the remaining \$6 million. Since September, staff and the Board’s SIP Subcommittee have worked closely with the Deschutes SIP partners to develop the details necessary to make that SIP ready for a formal award of OWEB funds by the Board. Simultaneously, staff have worked closely with a number of Willamette SIP partners to move that SIP closer to readiness for a SIP award.

III. SIP Status

Since the September 2007 Board meeting, staff have concentrated on the Deschutes and Willamette SIPs in anticipation of bringing action items for those SIPs to the January and March 2008 Board meetings, respectively. Brief summaries of those two SIPs are below; greater detail is included in Attachments A and D.

Other potential SIPs have also made progress since the September meeting. We now have a draft for the South Coast portion of the Estuarine and Coastal SIP, and conversations with the Mid-Coast and North Coast regions are continuing. Staff have met with the partners on the Rogue Basin WISE – Water for Irrigation, Streams, and Economy – and we’ve collectively advanced the discussion of roles, timing, and other details. Staff anticipate that both of these SIPs will ripen in time to be action items for the Board in the first half of 2008. The Biomass Utilization SIP is presently on simmer, and like a good winter stew, should benefit from the slow preparation and be all the better when finally ready to serve.

A. Deschutes SIP

The central partners in the Deschutes SIP have been developing their needs assessments, project concepts, action plans, and priorities, identifying crucial partners, and implementing restoration projects for a number of years with a view toward general restoration and protection of the basin. Completion of the Mid-Columbia Steelhead Recovery Plan (expected in January), agreement on Pelton-

Round Butte fish passage issues, and the arrival of OWEB's SIP all have served to focus the local partners on a coordinated set of priorities. Intensive discussion over the last four months have brought this SIP to full ripeness.

OWEB's role in the Deschutes SIP is to allocate an amount of funding for the current biennium, describe the appropriate uses for those funds, establish and run a technical review process to certify that projects receiving OWEB funding meet OWEB's technical and fiscal standards, work with the partners to design and implement effectiveness monitoring, execute the necessary contractual agreements, review and respond to payment requests, and review interim and final reports from project managers on project accomplishments.

Attachment A describes the Deschutes SIP in terms of the format established by the September 2007 (and earlier) staff reports. Attachment B shows the list of immediate high priorities agreed upon by the SIP group with funding information. This list includes the projects to which OWEB funds will be allocated in the current biennium and also includes projects that will be highest on the list for any OWEB funding that may be available in the next biennium. Attachment C is a map showing the SIP focus areas in the basin.

B. Willamette SIP

The Willamette SIP has continued to ripen over the past few months, thanks significantly to the Board's reservation of \$6 million at the September 2007 meeting. Detailed conversations are proceeding with a number of partners toward the objective of refining enough project-specific detail so that staff can present the Board with a much clearer description of how the Willamette SIP funds will be spent and for what outcomes. Sufficient detail was not quite ready to support further action on this SIP at the January 2008 Board meeting, but an action item should be ready for the March 2008 meeting. Attachment D provides additional background for future discussion and briefly updates the characteristics of the Willamette SIP.

IV. Recommendation to the Board.

A. Staff and the SIP Subcommittee recommend that the full Board:

1. Endorse the merit and objectives of the Deschutes SIP contained in Attachment A and the value of likely outcomes.
2. Allocate to the Deschutes SIP up to \$4 million of capital funds from the \$12 million previously reserved for SIP for the 2007-2009 biennium.
3. Delegate the distribution authority for the \$4 million to the Executive Director.
4. Authorize the Executive Director to enter into Deschutes SIP negotiations necessary to:
 - a. Identify which of the high and immediate project priorities are right for OWEB funding.
 - b. Certify that these projects are technically sound.

- c. Identify which activities and line item expenses for each project are appropriate for OWEB funding.
 - d. Identify any special conditions that should apply to the OWEB funding.
 - e. Enter into grant agreements with the appropriate implementing partners.
- B. Staff also recommend that the Board place these conditions on the Deschutes SIP funding allocation:
1. The central partners must sign a Partnership Agreement by March 1, 2008, and before project implementation agreements are signed.
 2. Any projects and actions in the implementation work plan for which OWEB funds will be used will be subject to detailed scrutiny and approval by a technical review process designated by OWEB.
 3. Implementation must proceed in a timely manner. If the entire \$4 million is not committed by September 1, 2008, the Board reserves the right to redirect the unallocated amount for other uses.
 4. Irrigation efficiency improvement projects may use OWEB SIP funds only if they produce legally protected instream flows.
 5. OWEB SIP funds may be used for acquisition of conservation easements or title to land and water only if OWEB's standard acquisition program criteria and due diligence requirements have been satisfied.

Attachments

- A. Deschutes SIP Summary
- B. Deschutes SIP Immediate Priorities
- C. Deschutes SIP map
- D. Willamette SIP Summary