

August 31, 2006

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Roger Wood, Grant Program Manager

**SUBJECT: Agenda Item E: OWEB Grant Award Recommendations
Region 2, Southwest Oregon
September 19-20, 2006 OWEB Board Meeting**

I. Introduction

This staff report describes the Southwest Oregon Regional Review Team recommendations, land acquisition grant applications, and staff recommendations for funding.

II. Background

The table attached to the Overview report contains the numbers and types of applications received and of dollar amounts requested. The Southwest Oregon Regional Review Team (RRT) met at the ODFW Regional offices in Roseburg on July 18, 2006, 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 RRT. The RRT then prioritized the applications recommended for funding.

III. Regional Review Team Recommendations

The Region 2 RRT recommended fourteen restoration projects totaling \$956,373 for funding. Special conditions were suggested for ten of the projects, four were reduced in amount, and one was increased in amount.

The RRT recommended eight technical assistance projects totaling \$193,004 for funding. Special conditions were suggested for two of the projects.

IV. Deferred Acquisitions

One land acquisition grant application, submitted in October 2005 and deferred in March 2006, is now ready for Board consideration.

A. Deer Creek Ranch (z206-277)

The Southern Oregon University (SOU) Foundation, in partnership with the Siskiyou Field Institute (SFI) and Western Rivers Conservancy (WRC), is requesting \$500,000 toward the purchase of the 873-acre Deer Creek Ranch (DCR) in the Illinois River Watershed. The project will accomplish habitat and species conservation through education, restoration and research.

1. Ecological Benefits

DCR is surrounded by large tracts of public lands managed by the Siskiyou National Forest, Bureau of Land Management and the State of Oregon. Deer Creek, which runs through the property, is one of the major tributaries to the Wild and Scenic Illinois River. The property also contains almost all the privately owned frontage of Squaw Creek, a tributary to Deer Creek.

Approximately 425 acres of the 873 acre property are represented as priority ecological systems, including lowland riparian woodland and shrubland, oak woodland, Ponderosa pine woodland and Serpentine barrens. Some of the priority fish and wildlife species that would benefit from the project include: Coho salmon, fall Chinook salmon, Bullock's oriole, Lewis's woodpecker, Lomatium cookii, common Kingsnake, white-breasted titmouse, Western pond turtle and yellow-legged frog.

The project meets three of OWEB's conservation principles: Stabilize an area "on the brink" of ecological collapse, require active restoration to achieve its conservation purpose that would not occur without a change in ownership, and protect a site with exceptional biodiversity value. Restoration activities, including transfer of water rights, removal of diversions and dams, and restoration of previous wetland prairie are unlikely to occur under current ownership.

In its review of the application, the Southwest RRT confirmed the consistency of the project with the conservation principles and determined the project has strong ecological values.

2. Capacity to Sustain the Ecological Benefits

WRC has already purchased the property. A non-profit organization, the Deer Creek Center for Field Research and Education (DCC), has been created through a partnership between the SOU Foundation and the SFI. The WRC will hold title to the property through 2006 or until the DCC acquires the funds to accept ownership. DCC will manage the property.

The applicants are proposing to manage the ranch for conservation of rare and endemic species and protection of the riparian and forested areas, while providing a biological field station and environmental education center. There is currently no management plan for the site. The facility partners will spend the first couple of years conducting assessments to determine the appropriate management goals and restoration projects for the site. Once determined, SFI staff and SOU faculty will write grant proposals to get these projects funded. SFI anticipates that they will work with the U.S. Forest Service, Rogue Community College, Humboldt State College, watershed council and school district to offer volunteer and service learning opportunities related to future restoration activities.

The Kendeda Foundation, a donor advised fund from an anonymous donor, has contributed \$800,000 toward an endowment to ensure the property will be well managed. The applicant's intention is to increase this endowment to \$2,000,000 over the next ten years.

SOU possesses the academic resources to contribute to the programs of the field station. SOU also has administrative experience to lend to management of the physical facilities and fiscal expertise to manage the fundraising and endowments. The SFI has broad experience in environmental education and is made up of faculty from many western universities. The SOU Foundation and SFI have developed a fundraising plan for each of the three stages of this project: acquisition, construction and program. Faculty involved with research and education will secure research grants to support field study.

3. Educational Benefits

There is a very significant education component associated with this acquisition project. The field station will provide a unique opportunity for education and research on the site and in the watershed. SFI will offer science based recreational opportunities to the general public and schools. The various restoration projects will provide an exceptional outdoor classroom. SOU will utilize the facility for courses and graduate student research.

The RRT felt that there is added value to the acquisition by the strong education and outreach potential of the property and from the partners involved.

4. Partners, Project Support & Community Effects

Letters of support for the acquisition project were received from the SFI, Rogue Community College, Illinois Valley Community Development Organization, and the Three Rivers School District.

Taxes assessed for the property for 2004/2005 totaled \$7,281. Since WRC is a nonprofit organization, tax exempt status will be applicable to the majority of the real property and buildings. It is estimated that the taxes assessed on the property will be reduced by about 30%, but the applicants won't know what the tax consequences will be until closing.

The development of a university affiliated research station and a facility to host science based tours for the public promises to provide a much-needed economic stimulus to the area. The project will establish the first university-related facility in Josephine County. This will provide economic opportunity and easier access to higher education for Illinois Valley residents. The application asserts that the facility will generate significant revenue for Josephine County as the only higher education facility in the area.

5. Legal and Financial Terms

OWEB funds are requested for 20 percent of the \$2,550,000 purchase price of the property. The applicants have secured additional funding for purchase of the property from the Kendeda Foundation (\$2,000,000).

The legal review of the title report and exceptions identified several property encumbrance issues that will be removed from the title prior to any land transaction.

Staff and the applicant are working on language for the conservation easement to protect OWEB's investment in the property. Language in the conservation easement requires the development of a management plan to address future enhancement activities on the site.

The conservation easement will also designate a human use zone to further define allowable activities associated with the education and research center.

An appraisal of the property was conducted on June 27, 2006 by Dee Staple of McMinnville, Oregon. The appraisal concluded a fair-market value of \$2,210,000. OWEB's independent review appraiser has concluded that the report complies with the Uniform Standards of Professional Appraisal Practice standards and the market value is supported. The amount requested from OWEB may be revised to reflect the appraised value.

A Phase I Environmental Site Assessment (ESA) of the property was completed in March 2006 by CES. Review by the Oregon Department of Environmental Quality (DEQ) indicated that the report is consistent with the American Society for Testing and Materials Standards. DEQ agrees with the report's findings that there are eight environmental conditions needing further evaluation. The environmental consultant recommends collecting samples to investigate potential petroleum releases from five existing above ground storage tanks, two former above ground storage tanks, several miscellaneous containers of improperly stored hazardous materials, three landfill areas, two failing septic systems, discharge of greywater from the guesthouse directly to ground surface and possible residues from legacy agricultural chemicals in site soils from the previous orchard. The report also recommends that the wells on the site that are no longer used be properly decommissioned.

The ESA issues are concentrated in the development zone where the current structures are and not in environmentally sensitive areas, but it is difficult to assess at this point whether any of these issues may have affected the creek. Staff recommend that funding of this project be conditioned upon sampling and remediation of any potentially contaminated areas. The applicant has initiated contracting with an environmental consulting firm to begin the sampling and possible remediation.

6. Conclusion

The project has strong ecological and educational values and adequately addresses the basin ecological priorities. The applicant and its partners are developing the capacity to sustain the ecological benefits and further partnerships to accomplish the management goals. The educational benefits of the project will be enhanced through acquisition of the property. The project has received substantial support from the local community, other natural resource organizations and government agencies and will have a positive effect on the local and regional community. Due diligence materials have been reviewed and approved by legal counsel, provided steps are taken to remove exceptions from the title and the identified potential environmental issues are appropriately remedied prior to any land transaction.

The Board Subcommittee and RRT have expressed unanimous support for the project. Staff and the Board Subcommittee recommend that the Board award \$500,000 in funds toward the Deer Creek Ranch acquisition project.

V. 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 RRT. 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 RRT recommendation.

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

Attachments

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

**Region 2 – Southwest Oregon
Restoration Projects Recommended for Funding by the RRT
April 24, 2006 Grant Cycle**

Staff Funding Recommendations to the Board are Highlighted in Gray

Project #	Project Name	Non-Capital Funds	Capital Funds	Total Amount	Priority
207-057	Lowe Creek Channel and Wetlands Restoration		98,500	98,500	1
207-066	Fourmile Creek Riparian Restoration **		91,797	91,797	2
207-056	Grayback and Sucker Creeks Fish Habitat Restoration	4,000	49,350	53,350	3
207-054	Livestock Crossings 2007- PUR **		55,392	55,392	4
207-050	Fish Passage 2007- PUR		59,469	59,469	5
207-065	Palouse Basin Stream Connectivity and Riparian Enhancement **		102,509	102,509	6
207-064	Coos Bay Head-of-Tide Tributary Passage/Sediment Risk Abatement **/ □		62,111	62,111	7
207-052	Beaver Creek Restoration		98,000	98,000	8
207-063	Coos Bay Head-of-Tide Riparian Restoration **		89,759	89,759	9
207-055	Dollarhide Irrigation Improvement */**		70,350	70,350	10
207-059	Jones Creek Fish Passage **	300	52,338	52,638	11
207-070	South Fork Deer Creek Restoration */**		26,868	26,868	12
207-051	South Umpqua Stream Enhancement */**		50,740	50,740	13
207-053	Jordan Creek Restoration */**	4,800	40,090	44,890	14
Total Restoration Projects Recommended for Funding to Staff by the RRT		\$9,100	\$947,273	\$956,373	
Total Restoration Projects Recommended for Funding by Staff to the Board		\$4,300	\$856,443	\$860,743	

* Listed Amount Reflects Recommended Reduction ** Fund with Conditions □ Listed Amount Reflects Recommended Increase

**Region 2 – Southwest Oregon
 Technical Assistance Projects Recommended for Funding by the RRT
 April 24, 2006 Grant Cycle**

Staff Funding Recommendations to the Board are Highlighted in Gray

Project #	Project Name	Total Amount	Priority
207-013	Coquille Watershed Engineering and Design	17,100	1
207-012	Coal Creek Fish Passage Pre-engineering Design	21,450	2
207-010	Eagle Point Irrigation District Diversion Fish Passage Improvement	3,342	3
207-016	Lower South Fork Coos River Tributaries Restoration Action Plan	35,471	4
207-014	Eagle Mill Farm Conservation Easement	11,174	5
207-011	Jumpoff Joe Creek Habitat Improvement Technical Design **	8,925	6
207-015	South Slough Reserve Action Plan for Watershed Management, Restoration and Research	49,430	7
207-017	Roberts and Deer Creek Restoration Planning and Design **	46,112	8
Total Technical Assistance Projects Recommended for Funding to Staff by the RRT		\$193,004	
Total Technical Assistance Projects Recommended for Funding by Staff to the Board		\$97,462	

** Fund with Conditions

**Region 2 – Southwest Oregon
 Acquisition Project Receiving a Positive Rating for Ecological Merit
 by the RRT and Recommended for Funding by OWEB Staff**

Project #	Project Name	Amount
z206-277	Klamath-Siskiyou Ed & Research Station – Deer Cr Ranch (10-24-05 Grant Cycle)	\$500,000

**Region 2 – Southwest Oregon
Restoration Projects Not Recommended for Funding by the RRT and OWEB Staff
April 24, 2006 Grant Cycle**

Project #	Project Name	Total Amount
207-048	Twin Creeks Riparian Restoration and Urban Stormwater Treatment	256,000
207-049	Buchanan Riparian Corridor Urban Watershed Restoration	252,260
207-058	Buck Creek Habitat Restoration	26,173
207-060	Middle Rogue Watershed Council Noxious Weed Management Partnership	89,062
207-061	Middle Rogue Forest Health Initiative II	250,525
207-062	Battle Creek Crossing and Sediment Reduction	52,167
207-067	Garrison Lake Restoration	475,000
207-068	Coles Valley Creek Restoration	35,790
207-069	Lofrano Riparian Restoration	46,195
207-071	Elkhead Oak Woodland and Riparian Restoration	55,578

**Region 2 – Southwest Oregon
Technical Assistance Projects Not Recommended for Funding by the RRT and OWEB Staff
April 24, 2006 Grant Cycle**

Project #	Project Name	Total Amount
207-009	Buchanan Riparian Corridor Design	50,000
207-018	Applegate Terrestrial Restoration Action Plan	20,953