

April 24, 2007

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Roger Wood, Special Projects

**SUBJECT: Agenda Item H: Special Investments Partnerships
May 15-16, 2007 OWEB Board Meeting**

I. Introduction

This report provides an update on the ongoing development of the Special Investment Partnerships (SIP) concept.

II. Background

This concept was first discussed with the Board as an item in the Executive Director Update at the January 2007 Board meeting. Director Byler explained that anticipated increases in Measure 66 Lottery capital revenues for the 2007-2009 biennium present OWEB with the opportunity to maintain a robust regular grant program while also exploring new ways to provide funding to partnerships that are addressing especially large, complicated watershed enhancement projects. The Board then appointed a subcommittee to work with staff on developing the details of a Special Investments Partnerships concept. Subcommittee members are Dan Heagerty, Diane Snyder, Dave Powers, and Ken Williamson.

The subcommittee meeting on February 27, 2007, addressed SIP goals and characteristics. (Attachment A) The full Board then discussed these goals and characteristics at the March 2007 Board meeting.

III. SIP Program Development Progress and Issues

The subcommittee met on April 3, 2007, to address the SIP process and a program development time line. Attachment B shows the subcommittee's meeting schedule and likely main topics.

A. SIP Process

Staff and the subcommittee agree that the SIP process for identifying and evaluating potential SIP projects must be streamlined to minimize wasted effort by applicants, should be flexible to adapt to the likely diversity of prospective projects, and should emphasize the collaborative nature of the program rather than the competitive nature of conventional grant programs. A process that staff believe meets these requirements is described on the next page. We invite the whole Board to comment on this direction. A more formal and perhaps revised version of this process will be brought to the Board at the September 2007 meeting.

1. Identifying Potential SIP Projects

- a. Staff and subcommittee (henceforth “we”) will describe SIP program characteristics.
- b. We will identify interesting SIP project concepts based on our knowledge of present needs and opportunities and of promising initiatives already launched or in the works by our partners.
- c. We will develop a list of partners with whom to meet to explore other potential SIP projects.
- d. Staff will survey the OWEB Board for project ideas and partners to consult.
- e. Staff will write up each project concept in a brief, standard format.
- f. We will arrive at preliminary conclusions as to which of the original “interesting” SIP project concepts still seem viable; perhaps rank-ordering them by ripeness and other indicators of merit.
- g. Staff (and perhaps subcommittee or Board members) will further research promising project concepts and will meet with key partners.
- h. For each promising project, staff will seek detailed, specific information from the other partners.
- i. Throughout the process we will refine the SIP program as necessary to better fit the reality of likely project opportunities.

2. Evaluating Promising SIP Projects

- a. We will develop standard evaluation criteria (e.g. in the form of a review/rating sheet).
- b. Staff and the subcommittee will do the review. For each prospective project special technical specialists may be selected to provide in-depth review, but there will be no single standing SIP review team.
- c. Staff will interact with other partners to address questions, resolve issues, discuss funding conditions, and refine project concepts and partnership roles as necessary.
- d. We may make initial selection(s) of one or more “early action” SIP projects for recommendation to the Board in either September 2007 or January 2008.
- e. We will continue to evaluate other potential SIP projects, pursuing in-depth discussions with partners as necessary.
- f. Staff will prepare funding recommendations to the Board in the form of staff reports.

B. SIP Funding: The 2007-2009 Biennium and Beyond

At the September 2007 Board meeting, staff and the subcommittee will ask the Board to consider allocating or earmarking a portion of the OWEB funds anticipated to be available in the 2007-2009 biennium. Staff, with the advice of the subcommittee, will propose a budget for the SIP program in those recommendations. This recommended SIP allocation may be 20 to 25 percent of the Measure 66 capital funds available each year between now and the end of 2014 depending on the availability of funds.

It is too early for staff and the Board subcommittee to identify a target number of projects for SIP funding. Part of the issue involves striking the balance between “depth” – very high funding for just a few projects – versus “breadth” – somewhat lesser funding for a larger number of projects. This decision will depend in part by how many potential project concepts truly meet the SIP characteristics described in Attachment A, especially in terms of “ripeness.” Another key factor will be what the appropriate OWEB contribution to each of those projects might be.

At this time we cannot be certain that even one prospective SIP project will be ready to recommend for Board consideration by September 2007, but staff and the subcommittee will ask the Board at that time to reserve an appropriate amount of funding for SIP awards in the 2007-2009 biennium. Any of the earmarked SIP funding that remains unallocated later in the biennium may be redirected into the regular capital grant program if the Board wishes.

Some SIP actions taken by the Board in the 2007-2009 biennium may not be awards in the usual sense – that result in a signed grant agreement – but may be some other form of commitment sufficient to definitively earmark funds from future biennia. Future funds cannot be legally obligated (through a grant agreement or other contract) until OWEB has received authorization from the Legislature for receipt and expenditure of funds for each respective biennium. Nevertheless, some SIP projects may depend on OWEB being willing and able to make solid funding commitments extending out a number of years.

C. The Critical Need for Technical Assistance

“Help us with advance technical assistance!” is usually the first answer given when we ask how OWEB can help big ideas move forward. Technical assistance takes many forms and is important for different reasons at the different stages of each project. Technical assistance during implementation – often in the form of engineering plan adjustments and construction oversight – is routinely covered (at least in part) by OWEB capital fund grants. Technical assistance immediately preceding less complicated projects – often in the form of detailed engineering drawings necessary to acquire permits – also is routinely covered by OWEB capital funds.

But SIP-style projects will likely be more complicated and have much longer planning trajectories. Technical assistance may be necessary in the early stages of these big projects to:

1. attract more partners and funding support;
2. address public and regulatory concerns by moving project plans beyond the conceptual phase and into dealing with details;
3. navigate complicated regulatory, legal, and capital finance processes;
4. set up an appropriate fiscal and business entity; and
5. generate the options and scenarios necessary to plot a rational and efficient course forward to implementation.

Although lumped together for convenience as “technical assistance,” some of this project development effort requires not engineers or scientists but lawyers, accountants, banking and finance specialists, marketing experts, tax specialists, and business managers. OWEB’s occasional Technical Assistance grant solicitations attempt to address this need, but OWEB’s

dire shortage of non-capital funds obliges us to limit both the grant award amounts and the number of grants offered. Other funding sources tend to prefer implementation funding and do not provide much technical assistance help.

The lack of this crucial technical assistance severely constrains many of the SIP project concepts and other ideas that could make the biggest improvement in Oregon's watershed and ecosystem health. Staff are considering approaches to breaking this bottleneck and will report its ideas to the Board.

IV. Next Steps

- A. Staff are talking with OWEB's traditional partners to collect interesting potential SIP ideas. To cast our net more broadly, the subcommittee asked staff to survey OWEB Board members by April 24, 2007, on the following two points:
 - 1. Any potential SIP project concepts members may be aware of and want staff to be aware of.
 - 2. People or groups who staff should contact about the SIP program.
- B. Staff continue to talk with partners who are planning projects with SIP characteristics.
- C. Staff are writing up summaries of possible SIP projects in a standard format similar in concept to conventional grant applications but emphasizing SIP characteristics.
- D. Staff and the SIP subcommittee will continue to discuss project possibilities as they come into focus.
- E. As soon as practical the subcommittee will direct the in-depth evaluation by staff and select technical specialists for any particularly promising project concepts.

V. Recommendation

This is an informational item. No Board action is requested at this time.

Attachments

- A. Summary of Special Investments Partnerships Characteristics
- B. SIP Subcommittee Meeting Schedule and Topics

Summary of Special Investments Partnerships Characteristics

April 16, 2007

A. SIP Purposes

1. To use OWEB's financial resources to support projects and partnerships at a scale and in a way that might not otherwise happen through the regular grant program.
2. To assure that the larger strategic goals of Measure 66 and of the Oregon Plan are addressed in a concerted fashion that produces significant and thoroughly measurable outcomes.
3. To assure that OWEB is using all the "tools" available to take full advantage of the funding opportunity presented by the Measure 66 funds between now and the potential expiration date of Measure 66 in 2014 – just seven years from now.
4. To reach across organizational and jurisdictional lines to forge partnerships capable of accomplishing big outcomes.
5. To collaboratively provide the "missing pieces" necessary to boost existing partnerships with outstanding ideas along to the implementation stage.
6. To explore new ways to provide funding assistance to worthy watershed enhancement projects while at the same time assuring that the regular OWEB capital grant program will be robustly funded and will continue to be the main focus of the agency's restoration and acquisition investments.

B. SIP Project Characteristics

Special Investments Partnerships grants will fund projects that are similar in many ways to those routinely handled by OWEB's "regular" capital grant programs. For example, SIP projects will:

- Address major limiting factors for watershed and habitat health.
- Implement major restoration/protection priorities for the locality in question.
- Support comprehensive projects with clear objectives, clear work plans, and definite time lines.
- Act to prevent species and/or watershed functions from being lost or threatened.

SIP projects also will have these special characteristics:

1. **Higher level ecological outcomes.** SIP will allow the Board to invest in watershed restoration outcomes at a programmatic scale – meaning that the spatial extent, temporal duration, and ecological impact of SIP projects will tend to be much greater than typical OWEB funded projects.
2. **Sustainability.** SIP projects will produce ecological, community, and economic outcomes – the "triple bottom line" – in a deliberate effort to produce benefits that sustain themselves over time because they've become a part of local custom and culture.

3. **Strong community partnerships.** The scale, importance, and sustainability of SIP projects will result from – and will attract – strong support and involvement by partners with a demonstrated stake in the local community and ecology. SIP projects will tend to pull together and unite partnerships that might not otherwise join in common cause.
4. **Efficiencies.** SIP will emphasize collaboration rather than competition. We will foster inclusive partnerships among entities that might otherwise compete against each other for grant resources necessary to address critical watershed resource needs. At the same time, SIP evaluation criteria will reward lean and cost-effective approaches, economies of scale, and shrewd utilization of innovations to get more accomplished with less.
5. **Leveraging of Effort.** The scale of SIP will allow OWEB to join projects where the other partners have demonstrated their dedication through the commitment of very significant contributions of cash funding, technical assistance, organizational effort, policy support, and other tangibles necessary for project success.
6. **Ripeness.** Viable SIP projects – and the partners involved – must be ready to finalize plans immediately, to begin implementation within a couple of years, and to complete the effort by (or soon after) 2014.

SIP Subcommittee Meeting Schedule and Topics

April 16, 2007

A subcommittee work plan for 2007 is shown below (as of April 16). Detailed agendas will be developed a week or so prior to each meeting. Study materials will be prepared and distributed to members by OWEB staff. All subcommittee meetings will convene at OWEB Co-Chair Dan Heagerty's office at David Evans and Associates in Portland.

April 24 meeting: Staff will share results of surveying the Board for SIP project and partner suggestions. Discuss possible SIP projects.

May 22 meeting: Staff will share results of surveying partners for SIP project ideas. Discuss possible SIP projects. Subcommittee will task staff to fill any gaps in information about the candidate projects.

June 19 meeting: Staff will provide detailed descriptions of candidate projects identified to date. Review possible SIP projects. Discuss a "go-no-go" sorting of ripe and likely candidate projects from those that are less ripe or of less merit. Prepare talking points for Board planning workshop in Maupin on July 17-19, 2007.

July 24 meeting: Review possible SIP projects. Prepare recommendations for mid-September Board meeting.

August 23 meeting: Review possible SIP projects. Prepare recommendations for mid-September Board meeting.

September 25 meeting: Review possible SIP projects.

October 23 meeting: Review possible SIP projects.

December 4 meeting: Review possible SIP projects. Prepare recommendations for January 2008 Board meeting.