



MEMORANDUM

TO: Water Resources Commission

FROM: Lisa Snyder, Administrative Services Administrator
Kim Ogren, Water Resources Development Program Manager

SUBJECT: Agenda Item B-2, August 17, 2017
Water Resources Commission Meeting

Water Project Grants and Loans Update and Discussion of Loans

I. Introduction

The Water Project Grants and Loans funding opportunity provides grants and loans for water projects that help address instream and out-of-stream water needs that result in economic, environmental and social/cultural benefits. This informational item serves to provide: 1) an update on the current review cycle of the funding opportunity; and 2) information to prepare the Commission to set loan interest rates for any loans awarded at the Commission's November 2017 meeting.

II. Background

Recommended action 10E of the 2012 Integrated Water Resources Strategy called for the authorization and funding of a water supply development program. In 2013, the Oregon Legislature passed Senate Bill 839, establishing the Water Project Grants and Loans funding opportunity. The Department has approximately \$5 million available to award in its account and will receive an additional \$15 million as part of its 2017-2019 budget.

III. 2017 Review Cycle Status

Solicitation of applications for the 2017 cycle of Water Project Grants and Loans closed on April 5, 2017. The Department received 34 applications by the deadline, 32 of which were determined to be complete. A list of complete applications is included in Attachment 1. Grant requests totaled \$31,551,815 and loan requests totaled \$3,415,892 for a total request of \$34,967,707 from the complete applications. The Department received applications from 21 out of 36 counties.

All 32 applications requested grant funding and three included requests for loans. These loan requests were paired with grant requests so that the loan request would cover the 25 percent cost-match requirement for grants. Grant requests ranged from \$3,000 to \$5,400,000. Loan requests ranged from \$142,700 to \$1,800,000.

After the Department reviewed the applications for eligibility and completeness, the completed applications were posted online for a 60-day public comment period and forwarded to a Technical Review Team (TRT) for scoring and ranking. The criteria for scoring and ranking are outlined in ORS 541.673, provided in Attachment 2. The TRT reviewed and discussed the applications and comments before scoring and ranking the applications. The TRT then developed a funding recommendation, which will soon be posted for a 30-day public comment period in late August. The Department will present a funding recommendation to the Commission for consideration at its November 2017 meeting.

IV. Loan Application Review and Loan Interest Rates

As outlined in rule, the Commission is charged with setting reasonable interest rates for loans it awards (OAR 690-93-0170(1)). The 2017 funding cycle is the Commission's first opportunity to award loans. The summary below outlines what information the Department will present for the Commission to consider.

Since the Department has not managed loans in over two decades, it secured the services of an underwriter at Business Oregon through a shared services agreement. This agreement will allow the Department to utilize and learn from Business Oregon's expertise in managing a loan program. If a loan application is recommended for funding based on its public benefits score, the Department will work with Business Oregon through the following steps to provide a funding recommendation to the Commission:

1. Conduct a financial review of the loan applications.
2. Determine a recommended loan interest rate for loan applications that pass financial review.
3. Check with loan applicant to see if they would accept the recommended loan interest rate.
4. Present funding recommendation and proposed loan interest rate based on the public benefits score, credit worthiness of the applicant, and the cost of borrowing to the Commission for its consideration.

Attachment 3 includes a figure that illustrates the financial review process described above.

The Department is working with Business Oregon to establish a loan program that is sustainable and minimizes risk. The Department is also consulting with the Oregon Department of Administrative Services and Oregon Department of Treasury on standards to ensure loans have a high probability of repayment and that all loans are adequately secured in the event of a default, as required in ORS 541.696(1).

V. Summary

Since its initial authorization in 2013, the Department has worked to build Water Project Grants and Loans into a sustainable funding opportunity that will allow the state to invest in projects that help meet instream and out-of-stream water needs. Incentivizing loans and managing how funds are awarded over time will play a key role.

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Attachments:

1. List of Complete Applications Received for 2017 Water Project Grants and Loans Review Cycle
2. ORS 541.673
3. Overview of Financial Review Process for Water Project Loan Applications

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Water Project Grants and Loans



Complete Applications Received for 2017 Funding Cycle

Water Project Grants and Loans (SB 839 – 2013) allows the state to invest in projects that meet instream and out-of-stream needs, and provide economic, environmental, and social/cultural benefits. The following is a list of the 32 complete applications received by the April 5, 2017 deadline for the 2017 funding cycle. Next steps for the funding opportunity include a Departmental review of applications for eligibility and completeness, a 60-day public comment period on applications, and application evaluation by a multi-agency Technical Review Team.

Project Title	Project Type*	County	Grant Funds Requested	Loan Funds Requested	Total Cost of Project
Alder Creek Reservoir	Conservation; Flow Restoration and Protection; Above-Ground Storage; Water Infrastructure	Baker	\$4,861,398	\$1,473,192	\$6,481,865
Bandon Off-Channel Reservoir Project	Above-Ground Storage	Coos	\$5,400,000	\$1,800,000	\$7,200,000
Big Springs and Lost River Infrastructure Improvements	Conservation; Water Infrastructure; Other	Klamath	\$17,000		\$22,700
Burlington Control System Updates	Conservation	Multnomah	\$3,000		\$4,000
Dog River Pipeline Replacement Project	Conservation; Flow Restoration and Protection; Water Infrastructure	Hood River	\$1,000,000		\$8,097,700
Coe Branch Pipeline & On-farm Irrigation Efficiency Project	Conservation; Water Infrastructure	Hood River	\$924,000		\$1,680,105
Cold Springs Ranch Irrigation System Improvement Project	Conservation; Water Infrastructure	Crook	\$258,600		\$473,045
Desolation Creek Natural Water Storage Project	Below-Ground Storage	Grant	\$194,040		\$258,839
East Reservoir Water Supply & Irrigation Project	Above-Ground Storage; Water Infrastructure	Crook	\$651,300		\$868,400
Fargo Frontage Road Hazelnut Drip Irrigation	Conservation	Marion	\$45,621		\$74,327
Flat Creek Watershed Enhancement	Conservation; Flow Restoration and Protection; Above-Ground Storage; Water Infrastructure	Grant	\$224,430		\$414,859
Highland Ditch Piping	Conservation; Flow Restoration and Protection; Water Infrastructure	Wasco	\$507,300	\$142,700	\$676,400
Hwy 240 to Chehalem Drive and North to Columbia Drive Waterline Extension	Water Infrastructure	Yamhill	\$250,000		\$765,000
Kubli Ditch Group Restoration	Water Infrastructure; Flow Restoration and Protection	Jackson	\$5,700		\$7,600

Water Project Grants and Loans - Applications Received for 2017 Funding Cycle

Project Title	Project Type*	County	Grant Funds Requested	Loan Funds Requested	Total Cost of Project
Madras Agricultural Water Efficiency and Reuse Project	Conservation; Reuse; Water Infrastructure	Jefferson	\$43,568		\$59,268
Marks Creek Meadow Restoration Project	Conservation; Water Infrastructure	Crook	\$105,490		\$387,316
McMullin Creek Dam and Spillway Upgrades	Water Infrastructure	Josephine	\$2,623,500		\$3,498,000
Newport Citywide Advanced Metering Infrastructure	Water Infrastructure	Lincoln	\$1,730,000		\$2,653,050
North Fork Sprague Conservation Piping and Instream Flow Restoration	Conservation, Flow Restoration and Protection, Water Infrastructure	Klamath	\$2,731,746		\$3,875,000
Opal Springs Fish Passage and Pool Raise	Flow Restoration and Protection; Water Infrastructure	Jefferson	\$1,550,486		\$10,720,486
Painted Hills Reservoir Expansion	Above-Ground Storage	Wheeler	\$542,429		\$881,793
Powder Valley Connector	Conservation; Water Infrastructure	Union	\$1,076,000		\$1,440,000
Queen's Avenue Transmission Line	Water Infrastructure	Coos	\$120,562		\$160,750
Restormel Family Farm Water Conservation and storage project	Conservation; Above-Ground Storage	Josephine	\$273,750		\$365,000
Ruby Peak Diversion	Conservation	Wallowa	\$25,000		\$503,698
Silverton Water Treatment Plant Improvement Project	Water Infrastructure	Marion	\$5,250,000		\$7,000,000
South Deschutes County Water Conservation & Frog Habitat	Conservation; Flow Restoration and Protection	Deschutes	\$65,750		\$94,595
Stanfield Irrigation District Efficiency	Conservation; Water Infrastructure	Umatilla	\$201,000		\$269,000
Threemile Joint Fish Screen Project	Conservation; Flow Restoration and Protection	Wasco	\$317,495		\$1,694,203
Walla Walla Basin Alluvial Managed Aquifer Recharge	Below-Ground Storage	Umatilla	\$212,509		\$615,250
Wallace Pump Station, Under-Road Crossing and Piping Upgrade	Water Infrastructure	Yamhill	\$281,100		\$377,900
Water storage for irrigation at La Creole Orchards in Polk County	Above-Ground Storage	Polk	\$59,041		\$78,836
		Total	\$31,551,815	\$3,415,892	\$61,698,985

*Project type as identified by applicant.

ORS 541.673 - Evaluation for public benefits of project

(1) Projects applying under ORS [541.669 \(Scoring and ranking of projects\)](#) for funding from the Water Supply Development Account shall be evaluated based upon the public benefits of the project. The evaluation must consider both positive and negative effects of a project. The three categories of public benefit to be considered in the project evaluation are economic benefits, environmental benefits and social or cultural benefits. Each category of benefits shall be given equal importance in the evaluation of a project. The technical review team described in ORS [541.669 \(Scoring and ranking of projects\)](#) shall use the evaluation system to assign initial scores and rankings to projects. The Water Resources Commission shall use the evaluation system to assign final scorings and rankings to the projects. The commission shall award loan and grant funding from the account to the projects that have the greatest public benefit and will best achieve the outcomes described in ORS [541.677 \(Target outcomes for scoring and ranking criteria\)](#).

(2) The evaluation of economic benefits for a project shall be based on the changes in economic conditions expected to result from the project, including but not limited to conditions related to:

- (a) Job creation or retention;
- (b) Increases in economic activity;
- (c) Increases in efficiency or innovation;
- (d) Enhancement of infrastructure, farmland, public resource lands, industrial lands, commercial lands or lands having other key uses;
- (e) Enhanced economic value associated with tourism or recreational or commercial fishing, with fisheries involving native fish of cultural significance to Indian tribes or with other economic values resulting from restoring or protecting water in-stream; and
- (f) Increases in irrigated land for agriculture.

(3) The evaluation of environmental benefits for a project shall be based on the changes in environmental conditions expected to result from the project, including but not limited to conditions related to:

- (a) A measurable improvement in protected streamflows that:
 - (A) Supports the natural hydrograph;
 - (B) Improves floodplain function;
 - (C) Supports state or federally listed sensitive, threatened or endangered fish species;
 - (D) Supports native fish species of cultural importance to Indian tribes; or
 - (E) Supports riparian habitat important for wildlife;
- (b) A measurable improvement in ground water levels that enhances environmental conditions in ground water restricted areas or other areas;
- (c) A measurable improvement in the quality of surface water or ground water;
- (d) Water conservation;

- (e) Increased ecosystem resiliency to climate change impacts; and
 - (f) Improvements that address one or more limiting ecological factors in the project watershed.
- (4) The evaluation of the social or cultural benefits for a project shall be based on the changes in social or cultural conditions expected to result from the project, including but not limited to conditions related to:
- (a) The promotion of public health and safety and of local food systems;
 - (b) A measurable improvement in conditions for members of minority or low-income communities, economically distressed rural communities, tribal communities or other communities traditionally underrepresented in public processes;
 - (c) The promotion of recreation and scenic values;
 - (d) Contribution to the body of scientific data publicly available in this state;
 - (e) The promotion of state or local priorities, including but not limited to the restoration and protection of native fish species of cultural significance to Indian tribes; and
 - (f) The promotion of collaborative basin planning efforts, including but not limited to efforts under the state integrated water resources strategy. [2013 c.784 §8]

Note: See note under [541.651 \(Definitions for ORS 541.651 to 541.696\)](#).

Financial Review Process for Water Project Loan Applications

