

## Background

As described at the last Board meeting, the Sierra Nevada Conservancy (SNC) launched its first round of grant-making in Fiscal Year (FY) 2007-08 using the \$54 million allocated to it through Proposition 84, The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coast Protection Bond Act of 2006. Of that amount, approximately \$50 million was designated for distribution as local assistance grants to eligible grantees, while the rest is used to cover a variety of State costs, including SNC staff work and other services needed to support the program.

Since the beginning of the program, the SNC Board has authorized 221 grants totaling approximately \$40 million. That leaves about \$10 million more to be awarded.<sup>1</sup> Given the small amount of funding left and the desire to be as strategic as possible in its use, as well as wanting to address concerns expressed by Boardmembers, applicants, grantees and other stakeholders regarding the grant process to date, the Board directed staff to bring back a proposal for distributing the remaining funds. The purpose of this agenda item is to review how the Proposition 84 funding has been spent so far and make decisions about how the SNC should allocate the remaining funds.

Staff worked with a committee of the Board, made up of Supervisor Ted Owens, Central Subregion representative, and David Graber, Ph.D., of the National Park Service, to develop the proposal outlined in this report. Outreach meetings with local Fire Safe Councils, Resource Conservation Districts, agricultural landowners, land trusts and other stakeholder groups, yielded additional comments. The feedback received from these groups was used to create a final discussion document, which was released to the public for a three-week comment period ending May 19. Because the public comment period will close after the posting of these Board materials, staff will provide an update on comments received as part of the presentation to the Board at the June 2 meeting and may provide a written addendum to this staff report if the comments prompt changes to the recommendations included below.

To help the Board in its deliberations, staff compiled summary statistics on the SNC's grantmaking to date, included in Exhibit A to this staff report. You'll see in Exhibit A, Table 1 *Project Category Summary of Awards*, that the Board has awarded approximately three-quarters of the total \$40 million to acquisition or site improvement/restoration projects (Category One) and one-quarter of the funds to all other projects (Category Two), including pre-project activities such as environmental compliance that are necessary to prepare for a specific future acquisition or site improvement. Of the overall amount awarded, about 50 percent went to acquisition projects – either fee title or conservation easements – and the rest was split evenly

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<sup>1</sup> Because grantees sometimes complete their projects under budget or, in some cases, have to actually decline a grant, the amount authorized or encumbered does not always match the amount spent. As a result, we anticipate having closer to \$12 million remaining for distribution. However, for purposes of this discussion we will refer to the amounts actually authorized by the Board to date.

between on-the-ground site improvement/restoration work (25%) and all other projects (25%).

Within the acquisition category itself, half of the \$20.6 million in awards supported fee title acquisition (13 projects for \$10,367,650) and the other half funded conservation easements (14 projects for \$10,275,190) – as described in Exhibit A, Table 4 *Acquisition Awards by Type*. Additional Subregional breakdowns of acquisition dollars by fee title and conservation easements can be found in Table 3 – *Acquisition Awards by Subregion*, and Subregional breakdowns by all project categories can be found in Table 2 – *Subregional Awards by Project Category*.

### **Current Status**

Using the statistics above as a starting place, SNC staff is seeking guidance from the Board on a number of key policy-level questions that have arisen around how best to expend the final \$10 million. The Board's decisions about these policy-level questions may impact specific recommendations under the staff proposal below.

#### **Policy-Level Questions for the Board:**

- **Should we limit funding to only Category One Acquisition or Site Improvement projects, and discontinue funding of Category Two Pre-Project Due Diligence projects?** Given the limited resources available, should the SNC consider funding only Category One projects with the remaining \$10 million, to ensure maximum on-the-ground results?

Or, in recognition of the specific needs of certain applicant groups, such as fire safe councils, should we consider the possibility of funding certain Category Two projects, such as those for environmental compliance (CEQA)? If so, should we only fund Category Two projects if we do not have enough high-quality, high-benefit Category One projects to recommend? If feasible, should we consider “phased” grants, approving funds for Category Two activities, such as completing CEQA compliance, while reserving funds for project implementation upon completion of pre-project activities?

- **Within Category One (acquisition and site improvement projects) – should we focus the remaining funds on site improvement activities and not on acquisition?** Given the fact that we've spent far more on acquisitions than we have on direct improvement or restoration projects to date, should the SNC focus its remaining Category One funding as much as possible on site improvement/restoration? If so *how should we delineate that focus?*
  - *Allocate a predetermined higher percentage of funds to be awarded to site improvement/restoration projects vs. acquisitions;*
  - *Consider not funding any acquisition projects with the remaining funds;*

- *Use additional criteria or weighting of restoration vs. acquisition applications in the evaluation stage.*
- **If we continue funding acquisition projects at some level, should we limit awards to only fee title acquisition vs. conservation easements?** As noted above, the SNC has devoted significant funding to conservation easements to date. Some Boardmembers have voiced concerns regarding a) whether easements will actually keep working agricultural, ranch and forest lands in production over time, given the changing economy, and b) the large number of easement grants that have been awarded in certain geographic areas. Given these concerns, do we want to continue funding easements as a tool for the final \$10 million?
  - *If so, should we add or strengthen any specific criteria, such as level of threat of conversion, viability of ongoing agricultural operations, etc., to the evaluation of easement projects?*

There are a number of other more detailed grant program components, such as program duration, funding caps for individual grant awards, etc., for which we are also seeking the Board’s input and final approval. These are outlined below under “Staff Proposal.” While the staff has made our recommendations, we obviously await guidance and final approval from the Board.

The following outlines staff’s proposals for modifications to the FY 2011-12 and 2012-13 Proposition 84 grant program.

Staff Proposal

PROPOSAL	RATIONALE
<p><b>1. PROGRAM DURATION:</b> conduct as a two-year program, covering FY 2011-12 and 2012-13, with the same general guidelines in effect across both fiscal years. Remaining funds would be split evenly between the two years, with a focus area for each year.</p>	<p>Spread the remaining funds over a longer period of time, since we don’t know when we might see the next infusion of project funding for the Region; allow applicants to plan ahead by letting them know upfront what the eligibility criteria will be for each year and when the funding will be available; provide more time for SNC staff to work with prospective applicants in each year; keep the process consistent for the remaining funds.</p>
<p><b>2. ELIGIBLE PROJECTS:</b> limit eligible projects to those in one of the following two draft Strategic Plan Areas of Focus (one in each year) – <i>draft definitions</i></p>	<p>Make the grant program better reflect and support the strategic direction of the SNC, as identified in the three-year draft Strategic Plan currently under</p>

<p><i>and sample project types for each focus area are included for illustration purposes in Exhibit B, immediately following this staff report.</i></p> <ul style="list-style-type: none"> <li>- <b>Healthy Forests</b> (including Sierra Nevada Forest and Community Initiative) in FY 2011-12;</li> <li>- <b>Ranching and Agricultural Lands</b> in FY 2012-13.</li> </ul>	<p>development and slated for adoption in September 2011.</p> <p>Note: since the funding source, Prop. 84, is already watershed-based, staff recommends using Healthy Forests and Ranching/ Agricultural Lands as the areas of focus for the remaining two years. Regarding the other two strategic plan focus areas, Watershed Protection and Restoration will, by definition, be a primary outcome of any funded projects, due to the intent of Proposition 84, and Tourism and Recreation type projects generally have a harder time making a clear nexus to Proposition 84 goals, which is why they weren't chosen.</p>
<p><b>3. PROJECT CATEGORIES:</b> give priority to high-benefit on-the-ground projects by:</p> <ul style="list-style-type: none"> <li>- focusing Category One projects on restoration and site improvement over acquisition;</li> <li>- funding all high-benefit Category One projects before considering Category Two projects (Category Two projects would be eligible, but all available funding <i>could</i> be awarded to only Category One projects if there were enough high-quality applications);</li> <li>- limiting eligible Category Two projects to compliance and other activities, such as permitting, environmental review, environmental surveys and assessments, necessary to prepare future site improvement or restoration projects; this would eliminate funding for activities such as project design, project planning, appraisals, etc.;</li> <li>- considering phased projects, where eligible Category Two preparatory activities are approved, followed by approval of Category One project implementation activities once pre-project activities are completed.</li> </ul>	<p>Reflect the SNC Board's direction to prioritize on-the-ground results as much as possible with the remaining Proposition 84 funds; acknowledge the fact that the SNC, and to some extent other agencies, will likely have limited funding available for implementation of projects developed under Category Two.</p> <p>Considering the use of "phased" projects, where funds for Category One and Two are provided sequentially, or allowing the funding of certain Category Two projects if there were not enough high-quality, high-benefit Category One recommendations, may address some of the challenges faced by applicants in addressing such issues as CEQA.</p>

<p><b>4. FUNDING ALLOCATIONS / SUBREGIONAL POTS:</b> award funding without a specific or guaranteed allocation by Subregion (however, geographic distribution and project diversity would be considered as part of the overarching evaluation criteria).</p>	<p>Focus remaining funds strategically and programmatically across the Region based on project benefits and not primarily on geographic location; however, geographic location will be considered as part of the overall evaluation process.</p>
<p><b>5. FUNDING CAPS:</b> limit individual grant awards to smaller amounts, as follows:</p> <ul style="list-style-type: none"> <li>- Category One grants limited to \$5,000 to \$250,000 (formerly capped at \$1 million);</li> <li>- Category Two grants (if allowed) up to \$50,000 (formerly capped at \$250,000);</li> <li>- Phased grants (if allowed) limited to Category One amounts.</li> </ul>	<p>Better distribute the remaining funds across the Subregions (especially in the absence of guaranteed Subregional pots); make more efficient use of SNC funds through the encouragement of matching funds from other sources (Note: matching funds would not be required, but projects with committed matching funds may compete more favorably).</p>
<p><b>6. PRE-APPLICATION:</b> require a pre-application as a prerequisite to submitting a full application. Pre-applications would serve a dual purpose:</p> <ul style="list-style-type: none"> <li>- tool for project development; and,</li> <li>- tool for filtering the number of applicants invited to submit full applications, based on an enhanced eligibility and completeness review and other considerations, such as the connection to Proposition 84 and the SNC's program goals.</li> </ul>	<p>Provide maximum opportunity for potential applicants to develop viable, well-considered projects and submit full and complete applications for evaluation; provide a more useful tool for SNC staff and potential applicants to work on project development; offer a mechanism for screening project proposals at an earlier stage, resulting in a decision by the SNC as to whether a pre-applicant will be asked to go through the more time-consuming and potentially costly process of submitting a full application; help to ensure that applications that move into the full evaluation process are as complete and competitive as possible.</p>

**Next Steps**

Staff will report the results of the public comment period to the Board at the June 2 meeting, including any revised recommendations, if any, based on those comments. Following Board action at the meeting, staff will develop a timeline and revise the Proposition 84 Grant Guidelines and application materials as necessary, conduct outreach to stakeholders on the approved program, and launch the application solicitation for FY 2011-12 and 2012-13. Staff hopes to have the Grant Guidelines before the Board at the September Board meeting.

It should be noted that at this time there are still many questions surrounding the State budget and sale of bonds needed to fund future projects. SNC staff continues to monitor this situation, as it could lead to changes in the schedule of future grant rounds.

**Recommendation**

**Staff recommends that the Board: a) direct staff on the policy-level questions outlined above, b) approve the proposed changes to the FY 2011-12 and 2012-13 Grants Program outlined in the staff proposal, and c) direct staff to revise the Sierra Nevada Conservancy 2011-12 and 2012-13 Proposition 84 Grant Guidelines, providing for public comment, and bring the Grant Guidelines forward for Board action at a subsequent Board meeting.**

**Exhibit A**

**Table 1**

<b>Project Category Summary of Awards</b>		
<b>Project Category</b>	<b>Grant Awards</b>	<b>Amount Awarded</b>
Acquisition Projects	27	\$20,642,840.00
Site Improvement/Restoration	49	\$9,053,497.00
Other Projects	145	\$10,243,763.00
<b>Grand Total</b>	<b>221</b>	<b>\$39,940,100.00</b>

**Table 2**

<b>Subregional Awards by Project Category</b>			
<b>Subregion</b>	<b>Project Category</b>	<b>Grant Awards</b>	<b>Amount Awarded</b>
Central	Acquisition Projects	4	\$3,925,750.00
	Education/Interpretation	9	\$570,112.00
	Monitoring/Research	7	\$555,098.00
	Planning	4	\$250,900.00
	Pre-Project Due Diligence	12	\$1,110,349.00
	Site Improvement/Restoration	11	\$3,530,137.00
<b>Central Total</b>		<b>47</b>	<b>\$9,942,346.00</b>
East	Acquisition Projects	1	\$735,000.00
	Education/Interpretation	4	\$123,851.00
	Monitoring/Research	4	\$260,300.00
	Planning	6	\$615,423.00
	Pre-Project Due Diligence	7	\$768,932.00
	Site Improvement/Restoration	5	\$510,720.00
<b>East Total</b>		<b>27</b>	<b>\$3,014,226.00</b>
North	Acquisition Projects	1	\$1,000,000.00
	Education/Interpretation	2	\$71,500.00
	Monitoring/Research	2	\$90,000.00
	Planning	1	\$48,400.00
	Pre-Project Due Diligence	9	\$597,425.00
	Site Improvement/Restoration	9	\$1,828,159.00
<b>North Total</b>		<b>24</b>	<b>\$3,635,484.00</b>
North Central	Acquisition Projects	12	\$7,701,900.00
	Education/Interpretation	4	\$161,864.00
	Monitoring/Research	2	\$74,010.00
	Planning	4	\$220,775.00
	Pre-Project Due Diligence	11	\$584,345.00
	Site Improvement/Restoration	7	\$1,523,725.00
<b>North Central Total</b>		<b>40</b>	<b>\$10,266,619.00</b>
Region-Wide	Acquisition Projects	2	\$2,000,000.00
	Education/Interpretation	7	\$482,859.00
	Monitoring/Research	4	\$255,784.00
	Planning	3	\$180,000.00
	Pre-Project Due Diligence	1	\$61,820.00
	Site Improvement/Restoration	3	\$190,800.00
<b>Region-Wide Total</b>		<b>20</b>	<b>\$3,171,263.00</b>
South	Acquisition Projects	3	\$1,690,190.00
	Education/Interpretation	5	\$179,051.00
	Monitoring/Research	2	\$99,424.00
	Planning	7	\$303,785.00
	Pre-Project Due Diligence	6	\$673,484.00
	Site Improvement/Restoration	6	\$747,175.00
<b>South Total</b>		<b>29</b>	<b>\$3,693,109.00</b>
South Central	Acquisition Projects	4	\$3,590,000.00
	Education/Interpretation	4	\$242,965.00
	Monitoring/Research	3	\$142,350.00
	Planning	9	\$1,095,301.00
	Pre-Project Due Diligence	6	\$423,656.00
	Site Improvement/Restoration	8	\$722,781.00
<b>South Central Total</b>		<b>34</b>	<b>\$6,217,053.00</b>
<b>Grand Total</b>		<b>221</b>	<b>\$39,940,100.00</b>

**Exhibit A**

**Table 3**

<b>Acquisition Awards by Subregion</b>				
<b>Project Category</b>	<b>Subregion</b>	<b>Project Results 1</b>	<b>Grant Awards</b>	<b>Amount Awarded</b>
Acquisition Projects	Central	Fee title	4	\$3,925,750.00
	East	Easement	1	\$735,000.00
	North	Easement	1	\$1,000,000.00
	North Central	Easement	6	\$4,260,000.00
		Fee title	6	\$3,441,900.00
	Region-Wide	Fee title	2	\$2,000,000.00
	South	Easement	3	\$1,690,190.00
	South Central	Easement	3	\$2,590,000.00
		Fee title	1	\$1,000,000.00
<b>Grand Total</b>			<b>27</b>	<b>\$20,642,840.00</b>

**Table 4**

<b>Acquisition Awards by Type</b>			
<b>Project Category</b>	<b>Acquisition Type</b>	<b>Grant Awards</b>	<b>Amount Awarded</b>
Acquisition Projects	Easement	14	\$10,275,190.00
	Fee title	13	\$10,367,650.00
<b>Grand Total</b>		<b>27</b>	<b>\$20,642,840.00</b>

**Table 5**

<b>Project Purpose Summary of Awards</b>		
<b>Project Purpose</b>	<b>Grant Awards</b>	<b>Amount Awarded</b>
Climate Change/Carbon Sequestration	3	\$308,500.00
Habitat	20	\$7,421,944.00
Historical/Cultural	3	\$1,254,084.00
Natural Disaster Risk Reduction (Fire)	35	\$3,224,973.00
Natural Disaster Risk Reduction (Other)	2	\$152,635.00
Natural Resource	37	\$4,834,418.00
Recreation Use/Impact/Access	22	\$2,628,210.00
Resource Development	3	\$1,290,000.00
Resource Management	36	\$4,740,221.00
Water Quality	40	\$7,203,631.00
Working Landscapes	20	\$6,881,484.00
<b>Grand Total</b>	<b>221</b>	<b>\$39,940,100.00</b>

## Fiscal Year 2011-12 and 2012-13 Grant Program Public Comment Paper

### Focus Area Descriptions and Project type examples

#### Healthy Forests

The SNC defines our Healthy Forests focus area to include the upland ecosystems that generally include conifer forest lands in the Sierra Nevada Region. Many forests in the Sierra are unhealthy stemming from past forest management practices, including fire exclusion. Consequently, these stands are often overly dense with small-diameter trees. This program aims to improve ecosystem conditions within the healthy forest focus area by funding projects that reduce the risk and consequence of large damaging fires and the restoration of ecosystem function in the watershed. Examples of potential projects include the following:

- Vegetation treatments, including thinning by mechanical means, prescribed fire or other fuel reduction activities, to increase forest resilience, improve habitat conditions and reduce the risk of large damaging fires;
- Meadow and riparian restoration to improve habitat function and water retention;
- Reforestation and implementation of suitable stand maintenance activities after wildfire, when appropriate;
- Ensure the retention and sustainability of forests, forest resources, and forest carbon over the long term through forest pest and invasive species treatments;
- Provide for the sustainable utilization of biomass resulting from activities associated with improving forest health; and,
- Collaborative forestry efforts resulting in on-the-ground forest restoration project plans and their associated environmental documents.

#### Ranch and Agricultural Lands

The ranching and agricultural lands area of focus is intended to support the persistence and sustainability of working rangelands and other agricultural lands; support opportunities for the expansion of sustainable ranching and agriculture; and promote the balance of ranching and crop production with protection of sensitive habitats such as wetlands and endemic plant communities. All projects on private lands must have a clear public benefit to be eligible for funding. Examples of potential projects include the following:

- Stream enhancement or watershed restoration and protection projects that contribute to improved use and management of agricultural lands, including the following:
  - Removal, replacement or improvement of structures, roads or stream barriers to reduce erosion, restore riparian integrity and provide for natural streamflow and stream structure.

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- Fencing or other management practices to prevent grazing along riparian corridors or meadows to restore, stabilize and/or re-vegetate where necessary.
- Restoration of native species in upland, riparian, wetland and aquatic ecosystems to promote natural ecosystem function and ecological services.
- Protection of ranching and agricultural lands from conversion to other uses through the use of conservation easements.
- Grazing management or agricultural management practices that improve overall habitat conditions for habitat or stream connectivity for fish and wildlife species across working landscapes.

To comment on the above described changes to the SNC Fiscal Year 2011-12 and 2012-13 Grant Program, please follow the link below and complete a short survey. Questions in the survey allow space for further comment. Comments and suggestions about the proposed grant program changes will only be accepted via the survey.

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