

Executive Officer's Summary Report
9:00 a.m., April 23, 2009
Fortuna River Lodge Conference Center
Chinook Room
1800 Riverwalk Drive
Fortuna, CA

Item: 8

Subject: **Yurok Tribe and Western Rivers Conservancy** Application for State Revolving Loan Fund to help fund the Acquisition of 47,000 acres owned by Green Diamond Resource Company in the Lower Klamath Watershed

Introduction

The Yurok Tribe and Western Rivers Conservancy have applied for funding from the *State of California Clean Water State Revolving Fund* program. The State Water Resources Control Board, Division of Financial Assistance, reviews and processes all Clean Water State Revolving Fund loan applications. The funding decision will be made by the State Water Board.

The Yurok Tribe and the Conservancy requested to be on the April Board agenda so they can describe the project and its relevance to the North Coast Regional Board's objectives.

Total amount of loan request is \$20 million, or \$25 million, total, with the Yurok Tribe providing the 20 percent match of \$5 million.

Attachment 1 is a copy of a memorandum to the Executive Officer describing the proposal.

Background

The federal Clean Water Act (CWA), provides for establishment of a Clean Water State Revolving Fund (CWSRF) program. The program is funded by federal grants, state funds, and revenue bonds. The purpose of the CWSRF program is to implement the CWA and various State laws by providing financial assistance for the construction of facilities or implementation of measures necessary to address water quality problems and to prevent pollution of the waters of the State.

The CWSRF Loan Program provides low-interest loan funding for construction of publicly-owned wastewater treatment facilities, local sewers, sewer interceptors, water

recycling facilities, as well as *expanded use projects*, such as implementation of nonpoint source (NPS) projects or programs, development and implementation of estuary Comprehensive Conservation and Management Plans, and storm water treatment.

Land acquisition in parallel with management objectives to reduce nonpoint source water quality impacts related to current and future land uses is eligible for funding under this *expanded use projects* category.

Summary of the Project

Western Rivers Conservancy (WRC) entered into an agreement to purchase 47,131 acres in the lower Klamath basin from Green Diamond Resource Company. The purchase agreement between GDR and WRC is a 4 year agreement that allows for purchase to occur in two phases. The following excerpted from the attached memorandum:

Phase 1 covers approximately 22,500 acres in the Weitchpec, Cappell and Pecwan Watersheds. The lands are all included within the Yurok Tribe Ancestral Territory. The Yurok Tribe intends to purchase the properties, and manage them for sustainable forestry. The parties intend to close in 2009.

Phase 2 covers approximately 26,500 acres in the watershed of Blue Creek, the westernmost cold-water tributary to the Klamath River. These lands are also included within the Yurok Tribe Ancestral Territory. The Yurok Tribe intends to purchase and manage the properties as a preserve. Little, if any, timber production will occur there. The parties may close on Phase 2 any time within the 4-year period of the agreement.

The "Project Area" includes all 47,000 acres covered by the purchase agreement. The Yurok Tribe will manage the properties through a comprehensive approach that incorporates preserve and working forest. The SRF loan envisioned in the application would only be used by the Yurok Tribe to cover necessary land acquisition associated with Phase 1 of the purchase agreement.

The WRC and the Yurok Tribe expect sufficient receipts from Phase 1 to pay back a loan offered on appropriate terms. Other sources being pursued for the acquisition include: Private donations, New Market Tax Credits, State of California Grants (from the Coastal Conservancy and Wildlife Conservation Board), federal grants related to the protection of endangered species, and the sale of carbon credits.

Like the State Revolving Fund, WRC and the Yurok Tribe expect each of these sources to come with restrictions that require the Yurok to manage properties consistent with natural resource and water quality objectives. The Yurok Tribe has indicated a strong willingness to accept restrictions, even in light of potential Trust ownership issues that may come up when title transfers to the Tribe.

In the past few weeks the Yurok Tribe was presented with an opportunity to qualify for a 20 percent local match (\$5 million) to the State Revolving Fund Loan as a beneficiary of the *New Markets Tax Credit Program* created by the *Community Renewal Tax Relief Act of 2000*. New Markets Tax Credit was created by Congress to encourage investments in low income communities. The availability of the match qualifies the Yurok Tribe for a 0 percent loan under the State Revolving Fund Local Match Program. In addition, as a State of California small disadvantaged community, the Yurok Tribe is seeking a 30 year loan under "Extended Term Financing" procedures included in the Clean Water State Revolving Fund Policy. The terms would not be possible without the match available through the New Markets Tax Credit Program.

It is this program that is now driving many of the Yurok Tribe's timing restraints: to take advantage of the program, the Yurok Tribe must meet deadlines included in the Tax Relief Act, which call for a closing date of June 30, 2009.

The Yurok Tribe believes that they must meet the deadline because of the opportunity it presents for the Yurok Tribe, and the improvement of water quality that would accrue in furtherance of the State of California's non-point source program.

Representatives of the Yurok Tribe and the WRC will be present today to further describe to the Board how this project will assist in addressing impacted beneficial uses of water in the Lower Klamath Watershed.

PRELIMINARY STAFF

RECOMMENDATION: This is an information item. It is presented at the request of the WRC and the Yurok Tribe with their motivation to move this project forward.

Attachment 1 - Memorandum from Cam Tredennick, Western Rivers Conservancy

Attachment 2 - Map - Blue Creek and Lower Klamath

Attachment 3 - Nonpoint Source and Estuary Enhancement Loan Application