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TO: IAC Members and Designees
SRFB Members and Designees

FROM: Neil Aaland, Assistant Director

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Policy and Special Projects

SUBJECT: The Use of Mitigation Money as Matching Funds for IAC/SRFB Grants

Background

Government agencies often require businesses and other entities to alleviate or lessen the results of actions that are expected to harm the social or natural environment. This is called mitigation. Mitigation is typically required from businesses proposing major developments and can range from requiring them to develop artificial wetlands, to purchase land to replace lost habitat, to agree to cash payments, or to create special "funds" for recreation or habitat purposes.

The issue at hand has to do with the money available from cash payments or these special "funds." That is, can the money be used as a match for a grant from IAC or SRFB?

IAC and SRFB policies offer different direction on this issue. IAC will allow use of mitigation payments or money from a required fund as all or part of a required matching share *if the money has been passed to an otherwise eligible applicant and does not replace cash payment of special "fund" dollars*. SRFB policy does not allow for use of mitigation payments or money from a fund under any circumstances.

For example, in some Federal Energy Regulatory (FERC) licensing agreements, a utility is required to establish a fund to assist local agencies in the development of recreation sites over time.[1] If an otherwise eligible applicant (city, county, state agency, etc.)

[1] Puget Sound Energy and Chelan County PUD, in separate processes, each agreed to establish recreation "funds" to which public agencies may apply for money for certain projects.

secures money from the fund, that money may be used as all or part of the required match for IAC grants. IAC grant money may not, of course, be used to offset or replace any portion of the required fund. Also, the utility itself may not use its fund as a match for an otherwise eligible project.

Both IAC and SRFB staff agree that it is in the public's best interest not to use public grants to reimburse an entity for a mitigation order or agreement. In general, IAC and SRFB are interested in assisting when an action is "above and beyond" a required mitigation action.[2]

There is value to the public in creating a consistent policy for both boards. A consistent policy would be more fair and equitable for grant applicants. IAC and SRFB staff, working in the same office and sharing resources including many of the same grant manuals, is striving for internal consistency. With this in mind, staff seeks guidance from the boards.

Recommendation

Staff recommends that eligible applicants be allowed to use mitigation funds from a third party as a matching share, as long as IAC/SRFB funds are not used to replace any part of the mitigation fund or payment. For the IAC Board, this would not be a change but rather an affirmation of existing policy.

This issue will also be discussed with the SRFB at their upcoming meeting on July 18 and 19.

[2] IAC does make an exception for mitigation required as a result of an IAC-funded project (for example, eel grass acquisition when a boat launch is built).