

CALIFORNIA OCEAN PROTECTION COUNCIL

Staff Recommendation
September 23, 2005

Sustainable Fisheries Revolving Loan Fund Planning Project

Developed By: Marina Cazorla

RECOMMENDED ACTION: Consideration of the Sustainable Fisheries Revolving Loan Fund Planning Project for possible determination that it is a high priority project and authorization for the Council’s Secretary to take actions needed to provide up to \$101,300 for its implementation.

NEAREST OCEAN or COASTAL LOCATION: Statewide

AGENCY OR ENTITY RECOMMENDING PROJECT: State Coastal Conservancy and Environmental Defense

EXHIBITS

Exhibit 1: Backgrounder on Financing Sustainable Development

Exhibit 2: Example of a Fisheries RLF Potential Investment

Exhibit 3: Letters of Support

RESOLUTION:

“The Ocean Protection Council finds pursuant to Sections 35600 *et seq.* of the Public Resources Code that the Sustainable Fisheries Revolving Loan Fund Planning Project, as herein described, is of high priority for ocean conservation and authorizes the Secretary to take actions necessary for its implementation.”

PROJECT DESCRIPTION:

The proposed project involves the preparation of a concept paper and business plan for a Sustainable Fisheries Revolving Loan Fund (“Fund” or “RLF”). The Fund would offer loans to California fishing communities, groups and associations to assist them with a transition to more environmentally and economically sustainable fishing practices, where investment capital or loans from traditional financial institutions are not available. The Fund would provide loans for projects that: promote the transition to gear types that have less impact on bottom habitats and reduced bycatch rates; reduce fishing capacity in overcapitalized fisheries; create sustainable seafood products that qualify for certification; or publicize and promote sustainable seafood products.

SUSTAINABLE FISHERIES REVOLVING LOAN FUND PLANNING PROJECT

The Fisheries Revolving Loan Fund concept was developed in response to the lack of capital available for financing improvements in fishery management, processing, and marketing that could enhance both conservation and profitability, and the health of fishing communities. Conventional sources of financing have not filled this gap for several reasons, including a lack of fisheries expertise, a lack of information to evaluate risk, and regulatory change. The Fisheries Revolving Loan Fund would provide a model for investment in California's fisheries, generate information that could be used to develop more robust analyses of cash-flow under various kinds of management regimes, produce data that could be used to assess risk and potential returns, and rationalize fishery management to stabilize the supply of seafood, all of which are essential attributes of an investment opportunity that could attract private capital. With its cabinet-level membership and broad ocean conservation mandate, the California Ocean Protection Council is the most appropriate entity for promoting initiatives such as this Fund. In addition, the California Ocean Protection Act specifically authorized use of trust funds for "the creation of revolving loan programs for the purpose of implementing sustainable fishery projects." [Public Resources Code §35650(b)(2)(B)]

After planning for the Fund is completed, it is anticipated that a seed investment of \$2 million could be leveraged into a much larger loan fund over several years, using public and private sources of capital, so that it could pay its own administrative costs while continuing to invest in fisheries. Smaller loan funds would probably not be sustainable, and could not revolve because most or all of their capital would be tied up in a few investments. Mechanisms like the Fisheries Revolving Loan Fund will help address the scale of available financial resources to more closely match the scale of ocean management and conservation problems. A description of community development financial institutions, including revolving loan funds and their financial structures is provided in Exhibit 1. An example of potential fisheries revolving loan fund investments is provided in Exhibit 2.

California Commercial Fishing – Regulatory and Economic Context

Commercial fishing has been an important part of California's history, economy and culture, and continues to supply seafood to the state, to the nation, and to the world. However, many fisheries have suffered from boom-and-bust cycles or steady declines in fish landings, revenue, and employment. While some fisheries have flourished, overall commercial fishing in California has suffered a severe decline over the last 30 years due to a variety of regulatory and economic changes.

Many California fisheries, such as the nearshore fishery, urchins and crab have become increasingly constrained in recent years. The precautionary harvest control rules embodied in the Nearshore Fishery Management Plan have reduced allowable catches in the live fish fishery. Very large areas have been closed to rockfishing to help recover these slow-growing stocks. These regulatory changes have made it difficult for many fishermen to make a living, and for ports to maintain revenues needed to support fishing infrastructure. As a result of all these factors and more, the fisheries and working harbors of California have become fragile – their health linked to increasingly stringent and changing fishing regulations, declining or highly variable fish landings, and reduced revenues. These factors in turn tend to discourage new investment and new business initiatives that are related to fisheries.

SUSTAINABLE FISHERIES REVOLVING LOAN FUND PLANNING PROJECT

Many worthy ocean research, conservation and management projects will require grants, as they cannot generate revenue. However, investments in the state's fisheries tied to changes in management and markets could generate much higher economic returns to the state, while improving the conservation performance of fisheries (e.g., better compliance with allowable catch levels, lower bycatch and waste, reduced impacts on habitats). This conclusion is based on dozens of scientific papers, the local knowledge of experienced fishermen, and empirical evidence from hundreds of fisheries.

The transition to fisheries that generate more revenue, engage in less conflict, and do more to protect ocean habitats and ecosystems will require strategic investments. The capacity to generate more revenue from fisheries as a result of management improvements presents an opportunity for creating a sustainable source of financing for fisheries management. Perhaps most importantly, smart investments in fisheries have the capacity to pay back investors, creating the foundation of a revolving fund that can attract private capital and invest in fishery after fishery. This is a way to greatly leverage a small investment by the state that would be aimed at rewarding and helping fisheries willing to transition and at proving the concept to attract private capital.

Scope of Project Work

The project work includes two principal tasks: production of a concept paper and preparation of a business plan. Through a series of meetings and review of relevant material, a concept paper will be developed that describes the basic parameters, objectives, and desired outcomes of the loan fund. This process will establish the initial parameters for the Fund and the final concept paper document will be used as an informational tool during the business planning process. Preparation of the concept paper will involve:

- ***Research and Analysis:*** Research pertinent California fisheries economic, biological and regulatory information, review academic literature and other fisheries models elsewhere.
- ***Interviews:*** Meet one-on-one with key constituencies to gain an understanding of competing expectations and opportunities for addressing multiple agendas through Fund.
- ***Concept Development:*** Finalize initial concept.
- ***Draft Document:*** Draft concept paper based on results of interviews, research and discussions. Will include broad thinking of options, pros and cons of various options, and recommended next steps.
- ***Presentation:*** Present final concept to Ocean Protection Council staff and council members, Resources Agency, Coastal Conservancy, and others.

The second and final product will be a detailed business plan for launching and operating a fisheries revolving loan fund, which can be completed within 4 months, including:

- ***Establish Initial Broad Objectives and Impacts:*** Confirm the elements of the concept paper and make sure all involved parties are in basic agreement.
- ***Research, Reconnaissance, and Analysis:*** Collect and analyze all available relevant information specific to California fisheries (effort, landings, value, markets, infrastructure, etc). Enter into discussions with key players, including: state and other

SUSTAINABLE FISHERIES REVOLVING LOAN FUND PLANNING PROJECT

relevant agencies; ports and other relevant local agencies; industry (advocacy groups, fisherman, processors, off-loaders, markets); environmental groups and relevant science-based institutions; and, other special interests. The purpose of these activities is to define *strategic* opportunities that inform the business planning process going forward.

- ***Refine Objectives:*** Upon completing reconnaissance, refine initial objectives and select specific targets and desired impacts. Reconnect with key parties and get consensus for moving forward.
- ***Structure and Administration:*** Develop model that will best meet objectives. Includes: Structure; Governance; Management; Operations; Products; Expected Portfolio Profile; and Risk Tolerance.
- ***Financial Forecasts:*** Develop financial projections for operating costs and portfolio performance.
- ***Capitalization Strategy:*** Develop an initial and long-term capitalization plan.
- ***Implementation Plan and Timeline:*** Develop the critical path for implementation and associated timeline. Identify appropriate institution to administer and manage the Fund.
- ***Risk Analysis:*** Perform a risk analysis on overall plan and develop mitigation strategies.

The proposed planning project is the first phase in the effort to create a Sustainable Fisheries Revolving Loan Fund. Following the completion of the planning project, the findings will be presented to the Ocean Protection Council and authorization will be sought to move to the next phase - capitalization, or identification and cultivation of additional investment and funding sources for the Fund.

Project Participants

Environmental Defense is a nonprofit organization that has proposed to undertake this project and is well suited to do so. It originated the fisheries revolving loan concept and has conducted extensive research on fisheries management, with a focus on the linkage between economic incentives, financial performance, and conservation performance. Environmental Defense will work jointly with ShoreBank Enterprise Pacific on the Sustainable Fisheries Revolving Loan Fund Planning Project.

ShoreBank Enterprise Pacific is a non-profit community development financial institution that invests in people and their communities to create economic equity and a healthy environment. They have invested over \$30 million in 245 ventures throughout the Pacific Northwest over the last decade. As a coastal-based institution, they have developed extensive expertise and experience with west coast fisheries. Their successful fisheries investments have been aimed at improving both conservation and financial performance through a blend of policy expertise, knowledge of fisheries and markets, and a commitment to the triple bottom line: social equity, economic prosperity, and a healthy environment.

PROJECT FINANCING

Possible Funding Sources:

Coastal Conservancy	<u>\$101,300</u>
Total Project Cost	\$101,300

Funding for the proposed project would come from an appropriation to the Coastal Conservancy from the Environmental License Plate Fund for ocean protection. Pending Council concurrence, Conservancy staff will recommend a grant of \$101,300 to Environmental Defense for consideration at the Conservancy’s next public meeting on October 27, 2005.

CONSISTENCY WITH CALIFORNIA’S OCEAN ACTION STRATEGY: The project is consistent with Action Item 10, which states California should “pursue, support, implement and establish long-term funding for coordinated ecosystem management approaches at the federal, state and local levels to guide and improve the stewardship of ocean and coastal resources.” It is also consistent with Action Item 13, which states that the State should identify and prioritize issues that may benefit from additional coordination by the California Ocean Council, including issues arising in the context of protection of marine resources and economic uses of the ocean.

CONSISTENCY WITH OCEAN PROTECTION COUNCIL’S INTERIM PROJECT SELECTION CRITERIA & GUIDELINES:

Mandatory Criteria

- 1. Furthers the following statutory purposes and policies of the Ocean Protection Act:**
 - **Improves management, conservation, and protection of coastal waters and ocean ecosystems:** This project will support conservation of fish populations and reduction of fishing-related impacts to ocean and nearshore habitat.
 - **Encourages those activities and uses that are consistent with sustainable, long-term protection and conservation of ocean and coastal resources:** This project will encourage a long-term environmentally sustainable approach to fishing.
 - **Improves the health of fish and fosters sustainable fisheries in ocean and coastal waters:** This project will promote the transition of state fisheries to more sustainable fishing practices.
- 2. Consistent with the purposes of the funding source:** See Project Financing Section above.
- 3. Has demonstrable support from the public:** This project has support from: the City of Morro Bay Harbor Department, the Morro Bay Commercial Fishermen’s Organization, the Pacific Coast Federation of Fishermen’s Associations, The Monterey Bay Aquarium’s Center for the Future of the Oceans, The Nature Conservancy, and the Sea Change Investment Fund. Letters of support can be found in Exhibit 3.

- 4. Relates directly to the ocean, coast, associated estuaries, and coastal-draining watersheds:** This project will promote conservation of fish populations in state ocean waters, and of anadromous fish populations that use state estuaries and watersheds.
- 5. Has greater-than-local interest:** This project will support creation of a statewide revolving loan fund that will consider loans to all California-based fisheries groups and communities.

Additional Criteria

The project has an element of urgency: This project will address immediate threats to fish populations from overfishing and fishing-related impacts such as bycatch, as well as support local economies that are dependent on fishing and are impacted by increasing fishing regulation.

The project helps resolve more than one issue: This project will attempt to conserve local fish populations and assist the local coastal economies to transition to more environmentally and economically sustainable models.

The project involves innovation: This project aims to create a new model for promoting and supporting local and sustainable fishery economies.

The project is ready to implement: Environmental Defense and their partner Shorebank Enterprise Pacific are ready to begin planning work as soon as grant funds are available.

BACKGROUND ON FINANCING SUSTAINABLE DEVELOPMENT

Prepared by Environmental Defense

Summary

This backgrounder provides an overview of the community development finance industry to illustrate how revolving loan funds and community development financial organizations are structured and operated. These models will be reviewed and assessed as part of the Environmental Defense/Shorebank Enterprise Pacific project to develop the innovative California Sustainable Fisheries Revolving Loan Fund.

Background

The community development finance industry embraces a broad cross section of development institutions, both for-profit and not-for-profit. Community Development Financial Institutions (CDFIs) generally focus their activities and resources on one or more areas of social need including affordable housing (owned and rented), small business support, community reinvestment, community facilities (e.g. child care, health care), consumer credit, and financial services. Activities include expert consulting services (in the areas of need from above), building the capacity of beneficiaries, and investment of dollars to support specific tangible projects that have positive environmental, social, and economic outcomes.

Most mature CDFI's are certified by the US Treasury under the Community Development Financial Institutions program (www.cdfifund.gov/overview). This certification is available to those non-profits with formal business plans, assured levels of community accountability, and professional management systems. Many of these same organizations have received financial support from Treasury's CDFI Fund as well.

The total capitalization of CDFIs in the US today is about \$4.6 billion. About 65% of this amount is held by for-profit institutions (banks, mostly). The balance, or about \$1.6 billion, is held by non-profit organizations. Those focused on economic development represent about 20% of the non-profit CDFI contingent (with the balance focused primarily on affordable housing activities). The group of non-profit organizations focused on economic development, share a concern for delivering capital and services to people and communities that cannot access traditional bank capital. The results they seek are wealth creation, economic opportunity, stable economic sectors, and locally vital economies that deliver leveraged positive impact for many people. The California Sustainable Fisheries Revolving Loan Fund would focus on investments aimed at revitalizing California's fisheries by improving both financial and environmental performance.

Need for Economic Development CDFIs

The CDFI movement emerged from the civil rights and economic opportunity movements. Significant impetus was derived from the well documented history of many financial institutions actively avoiding certain communities (redlining). CDFIs recognize that chronic poverty—of income and of assets—deprives many of the opportunity to access capital. As many have observed, it takes money to make money. CDFIs deliver that money, affirmatively and prudently, when banks and private investors cannot or will not. Fisheries and communities, like people, need capital to reverse economic and physical decline (i.e. fisheries sector). Many CDFIs focus their resources on discrete places knowing that concentrated capital investing will lead to economic revitalization and the jobs and opportunity that come with it.

CDFIs are needed to provide capital for projects that traditional sources of capital such as banks are unlikely to invest in. Fisheries are one such sector; banks generally do not have sufficient fisheries expertise to make good investments in fisheries, nor are they typically willing to provide extensive financial advice to fishermen. As a sector in transition, due to regulatory, management, and environmental issues, the fishing and seafood industry also becomes perceived as a higher risk investment by traditional banking standards. Targeted and well-managed non-bank capital can be used to stabilize the transition underway and result in re-establishing a sector that is attractive to traditional bank standards.

CDFI Financial Structure

Because CDFIs provide loans and other investments to third parties they must access significant amounts of capital. Typically this capital is accumulated in three ways:

1. Grants: Outright grants from public and private sources provide permanent capital. This permanent capital (“fund balance”) is roughly equivalent to the “equity” or “net worth” of a for-profit organization. These funds are loaned to borrowers and recovered over time. There are numerous national and regional private sector supporters of economic development CDFIs. Securing a sufficient level of start-up permanent capital is essential for CDFIs to ensure future growth.
2. Institutional Loans: Many foundations and corporations make loans to CDFIs instead of grants. These “program related investments” (PRI) increase total capital available for lending and are only possible if a CDFI has adequate “net worth” to justify a loan. The Ford, MacArthur, and Heron Foundations have been leaders in the PRI field. Many banks also make loans to non-profit CDFIs to increase their lending capacity (Key Bank, Washington Mutual, Bank of America). Many foundations like the PRI vehicle because these very low interest loans apply to the minimum distribution requirements of the IRS and because they can be recovered and reapplied in the future. (www.fdncenter.org/learn/faqs/pri.html)

Exhibit 1: Backgrounder on Financing Sustainable Development

3. Individual Loans: A few CDFIs have been able to attract socially responsible investors making personal loans. A growing number of individuals with high net worth are opting to make personal investments rather than just outright contributions and find mature CDFIs to be attractive in this regard.

Because economic development CDFIs are focused on investments, and the recovery of those investments, they also tend to be strong managers of their own financial position. Many earn 50% and more of their operating costs from their lending activities, relying on annual grant support for basic survival in diminishing amounts as they grow.

A significant component of a well-run CDFI is risk management. Because they make high-risk investments they sometimes lose their investment. If they never lost any they would not be doing their jobs. That said, they work hard to minimize these losses. They also seek grant support that allows them to create reserves to absorb modest losses. Most CDFIs manage their losses to less than 5% of their total lending activities.

CDFI Impact

Economic development CDFIs generally measure results in terms of (1) successful outreach to targeted beneficiaries; (2) the employment impacts of their investments; (3) the leverage of additional investment resources made possible with their investments; and (4) increases in assets among low income people. Depending on their discrete missions, the needs of their communities, and/or the special opportunities for impact, there are additional metrics that could apply, such as improvements in environmental performance or increases in value-added products (in the case of the fisheries revolving loan fund).

Additional Information

Additional information on the non-profit component of the CDFI movement can be obtained from National Community Capital Association (www.communitycapital.org) and the Community Development Venture Capital Alliance (www.cdvca.org).

EXAMPLE OF A FISHERIES REVOLVING LOAN FUND POTENTIAL INVESTMENT

Imagine a fishery where there is significant overcapacity, or more boats than necessary to capture the available fish. Managers have set a Total Allowable Catch (TAC), but there are 200 fishermen racing to catch the specified amount of fish, which could profitably be caught by 100 fishermen. In order for each fisherman to maximize their individual portion of the TAC, they invest in bigger boats, with lots of gear, and they start fishing as hard as possible when the season opens. During this “race for fish” the environment is negatively impacted because of bycatch-- capture of untargeted species, habitat damage from certain gear types designed to maximize catch, and excessive overruns on total allowable catch. Each of the 200 participants gets only a small trip limit (allowable catch per fishing trip) as managers struggle to keep the season open as long as possible. But as the trip limits are reduced, fishermen discard fish with less market value in order to maximize the value of their catch and argue passionately for higher allowable catches so they can stay in business. With increasing regulations, including shortened seasons and closed areas, fishing businesses are becoming less and less profitable and fishermen are looking for a way to revitalize their businesses and the fish stocks.

While this scenario may seem dramatic, it is the reality for many fisheries in California and worldwide. A variety of changes could help revitalize fisheries both economically and environmentally, but there is often a lack of funding to implement such reforms. The Sustainable Fisheries Revolving Loan Fund could provide vital financing to state fisheries. There are many types of reforms that the loan fund could finance, and loans could be tailored to the individual needs and context of each fishery.

In the scenario above of an over-capitalized fishery where there is a race for fish and significant environmental impacts, the loan fund could provide funding for a comprehensive solution to the problem. First, funds could be used to reduce overcapacity, for example by buying out half vessels and permits so that the capacity of the fishery is more closely aligned with the available fish. With fewer vessels and permits participating in the fishery, more fish would immediately become available to the remaining fishermen, providing a boost in financial performance, reducing discards, and decreasing pressure for unsustainable catch levels. In order to prevent re-capitalization or the re-entry of fishermen which would dilute the benefits of a buyout, controls of some sort would be implemented. Fishermen could use loan fund monies to finance research, analyses, and processes to implement a form of dedicated access privilege management -- i.e. a cooperative, territorial use rights for fishing (TURF), a catch share program—or other approaches to sustainable fisheries. Once overcapacity is addressed, loan fund monies could be applied to improving the marketing and branding of the products. For example, marketing boards could be set up, along with branding campaigns, custom processing facilities, direct-to-consumer sales, and other methods to add value to fishermen’s product. Fisheries where overcapacity is not a problem could still benefit from these latter demand-side examples and use loan fund money solely to increase the value of their product.

Exhibit 2: Example of a Fisheries Revolving Loan Fund Potential Investment

In return for the loan fund monies, fishermen would have to agree to conservation measures, such as gear changes or closed areas or seasons, and they would have to repay the loan over time. The repayment structure would be tailored to each fishery. The Fisheries Revolving Loan Fund can provide much-needed cash to help revitalize our fisheries and fishing businesses. By switching from high-volume, low-value fisheries to high-value, low volume fisheries, we will be able to preserve our fisheries and fishing heritage. Without the loan fund, many of these fisheries would be unable to attract the investment necessary to implement these changes.

Assembly
California Legislature

JOHN LAIRD
ASSEMBLY MEMBER, TWENTY-SEVENTH DISTRICT



STATE CAPITOL
P.O. BOX 942848
SACRAMENTO, CA 95899-0027
(916) 319-2027
FAX (916) 319-2127

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MONTEREY AND SANTA CLARA COUNTIES
800 PACIFIC STREET, SUITE 555-D
MONTEREY, CA 93940
(831) 642-2832
(608) 782-0847
FAX: (831) 849-2936

May 26, 2005

California Ocean Protection Council
Attn: Sam Schuchat
California Coastal Conservancy
1330 Broadway, 11th Floor
Oakland, CA 94612

Dear Members:

I am writing to urge the Ocean Protection Council to agendaize the California Fisheries Revolving Loan Program for discussion and potential approval for funding, as authorized under the California Ocean Protection Act. Specifically, I support funding in the amount of \$150,000 to create a business plan, map out a proposed operating structure, and identify modes of capitalization for a robust Revolving Loan Program.

The California Ocean Protection Act created a \$10 million Ocean Protection Trust Fund (OPTF) and authorizes various activities that it can support. Some activities, such as research, monitoring, and coastal habitat acquisition will require grants, as they do not generate revenue.

However, fisheries reform presents a unique opportunity to leverage the OPTF by allocating a portion to create a self-regenerating Fisheries Revolving Loan Program. Fishers, industry groups, or others could apply to receive funds from the loan program to develop and implement measures likely to result in improved financial and conservation performance. Fishers remaining in the given fishery would be required to pay back the loan over a multi-year period, and would commit to measures that would ensure management reforms to meet both economic and ecological sustainability criteria.

We consider the Fisheries Revolving Loan Program a "win-win" for fisheries management.

- California taxpayers would benefit because the fund would be sustainable, allowing investments in fishery after fishery after replenishment from successful projects
- The fishing industry would become more viable financially and able to pay a greater share of management costs

- The fish population and habitats would benefit, because the loans from this fund would leverage necessary reforms in fishery management to ensure long-term sustainability of fishing practices and harvest levels.
- Fishery managers would have increased flexibility and potentially more funds for research and monitoring (due to cost-sharing with industry), and would have the leverage provided by the loan program to meet management objectives that have eluded them to date due to budget shortfalls.

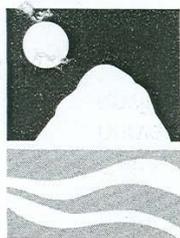
I like this innovative approach because it could provide critical financing for long-lasting fisheries reform resulting in better conservation and financial performance, independent of the vagaries of legislative appropriations. Please do not hesitate to contact me if you would like to discuss this proposal.

Sincerely,



JOHN LAIRD
Assemblymember, 27th District

Exhibit 3: Letters of Support



City of Morro Bay

HARBOR DEPARTMENT
1275 Embarcadero
Morro Bay, CA 93442
Ph. 805-772-6254
Fax: 805-772-6258

August 9, 2005

Mike Chrisman
Resources Secretary
Chair of the Ocean Protection Council
Resources Agency
1416 Ninth Street Suite 1311
Sacramento CA 95814

RE: SUPPORT FOR ESTABLISHING THE FISHERIES REVOLVING LOAN FUND AND
FOR A GRANT TO ENVIRONMENTAL DEFENSE AND SHORE BANK ENTERPRISES
TO DEVELOP THE FUND

We are writing to express the City of Morro Bay's enthusiastic endorsement of establishment of the Fisheries Revolving Loan Fund authorized by the California Ocean Protection Act and for a grant to Environmental Defense and Shore Bank Enterprises to develop the Fund.

Central California harbors still support commercial fishing fleets at this time that sustainably harvest fresh seafood products for California and the world's consumers in a highly regulated environment. Our mostly small community harbors are the Ocean's door for visitors and California resident's alike, providing the access infrastructure for all to enjoy and conserve the coast and ocean. We cherish our relatively pristine environment and will continue to improve environmental protections and management practices in these vital harbors.

Unfortunately the outlook for the remaining commercial fishing activity is not so bright. While fish stocks appear to be stronger than any time in recent memory, increasing operating costs and uncertainties/instability in the regulatory world have collapsed many of our markets and reduced fishing business to a shadow of what they were. Uncertainty is the bane of any business, and there is desperate need to reestablish stability and create new markets for the benefit of coastal communities and the California consumer who now must buy almost all their seafood products from under-regulated international sources.

Our fishermen harvest pearls and are forced to sell their seafood products for the price of the shell. We must transition to new value added products, innovative market approaches and adaptive business plans or our commercial fishing heritage will be lost. There is a crisis going on right now that we feel the average Californian should be made aware of, and it is not in California's relatively healthy ocean environment, but in the potential loss of these traditional uses and fresh seafood supplies. If we let fishing businesses die or become any more economically unviable they will be supplanted by visitor serving uses, our harbor infrastructures will be lessened and these unique parts of California life will be history.

Exhibit 3: Letters of Support

M. Chrisman
August 9, 2005
Page 2

Over the past year we have started to work with groups like Environmental Defense and Shore Bank Enterprises and found mutual interests in many areas. If we can provide for more profitable and stable fisheries while conserving fish stocks and habitats, we can all see a benefit, but this is tough work, as there is a gap to leap from the past to the future. We support a planning grant to Environmental Defense, which with Shore Bank Enterprises Pacific, will analyze community interests, expectations and opportunities for collaboration, develop administrative and governance structure of the Fisheries Revolving Loan Fund (FRLF), create a business plan for the FRLF and capitalize the FRLF, building on seed capital provided by the state of California. It would be our hope that such a grant will build the bridge to get us to a future retaining our fishing heritage and public access in coastal harbors while protecting our other invaluable coastal resources.



Rick Algert
Harbor Director

/sl

cc: City Manager
Mayor and City Council
Public Services Director
California Coastal Conservancy, Douglas Bosco
Environmental Defense, Rod Fujita
Fishing Heritage Group

Exhibit 3: Letters of Support

Copies sent to: BB
Date: 8-8-05

**Morro Bay Commercial Fishermen's
Organization Inc.**



P.O. BOX 450, MORRO BAY, CALIFORNIA 93443
(805) 772-4893 • FAX (805) 772-4893 • fish@fix.net

Mike Chrisman, Resources Secretary, Chair of the Ocean Protection Council
Email (preferred mode for sending in comments): ccrsgcomments@resources.ca.gov
Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814
(916) 653-5656
(916) 653-8102 fax

Dear Mr. Chrisman:

We are writing to express our support for the establishment of the Fisheries Revolving Loan Fund authorized by the California Ocean Protection Act, and for a grant to Environmental Defense and Shorebank Enterprise Pacific to develop the Fund.

As harbor masters and fishermen, we treasure the rich heritage of California's fisheries as well as the revenues that support our coastal communities. The fishing heritage of central California's harbors is iconic, inextricably woven into the state's history and culture. Moreover, this heritage is alive today -- commercial fishing and working harbors provide significant benefits to society, including fresh seafood, tax revenue, tourist attractions, and economic benefits that ripple through coastal communities and the nation. Some communities have been almost entirely dependent on fishing for generations. But California's fishing heritage is at risk.

Starting in the early 1990's, fishing opportunities for west coast groundfish -- e.g., halibut, black cod (sablefish) rockfish (snapper), and flatfish -- have become increasingly constrained as a result of reductions in total allowable catch. Efforts to keep the fishery open year-round resulted in smaller and smaller trip limits, making it difficult for fishermen to make a living, and for ports to maintain revenues. The establishment of very large areas closed to rockfishing resulted in further economic distress. As a result, the working harbors of the central California coast have become fragile -- their health linked to increasingly stringent and ever-changing fishing regulations, declining or highly variable fish landings, and reduced revenues. These factors in turn tend to discourage new investment and new business initiatives that are related to fisheries.

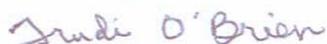
Exhibit 3: Letters of Support

California has excellent laws and policies like the Marine Life Management Act that incorporate ecosystem management principles, but implementation has been constrained by lack of funding and institutional capacity. We therefore support the establishment of a Fisheries Revolving Loan Fund, as authorized by the California Ocean Protection Act. The FRLF would invest in fisheries that commit to improvements in management measures, fishing capacity, gear changes, research, value-added processing and marketing, or other changes that can be expected to improve financial and conservation performance.

The result will be more profitable fisheries that are doing more to conserve fish stocks and their habitats. Loans from the FRLF would be repaid, allowing for investment in other fisheries and creating a sustainable source of financing.

We also support a planning grant to Environmental Defense, which, with Shorebank Enterprise Pacific, will: analyze stakeholder interests, expectations, and opportunities for collaboration; develop the administrative and governance structure of the FRLF; create a business plan for the FRLF; and capitalize the FRLF, building on seed capital provided by the state.

Sincerely,

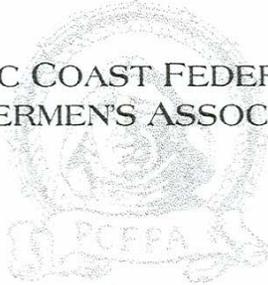


Trudi O'Brien
Secretary of Morro Bay Commercial Fishermen's Organization

Exhibit 3: Letters of Support

Chuck Wise
President
David Bitts
Vice-President
Larry Miyamura
Secretary
Marlyse Battistella
Treasurer
In Memoriam:
Nathaniel S. Bingham
Harold C. Christensen

PACIFIC COAST FEDERATION OF FISHERMEN'S ASSOCIATIONS



W.F. "Zeke" Grader, Jr.
Executive Director
Glen H. Spain
Northwest Regional Director
Mitch Farro
Fishery Enhancement Director
Vivian Bolin
Watershed Conservation Director
Duncan MacLean
Salmon Advisor

Please Respond to:
 California Office
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San Francisco, CA 94129-0370
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25 August 2005

Mr. Mike Chrisman, Secretary
California Resources Secretary
Chair of the Ocean Protection Council
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Secretary ^{Mike} Chrisman:

The Pacific Coast Federation of Fishermen's Associations (PCFFA), representing working men and women in the west coast commercial fishing fleet, supports the establishment of a Fisheries Revolving Loan Fund authorized by the California Ocean Protection Act, and for a grant to Environmental Defense and Shorebank Enterprise Pacific to develop the Fund. PCFFA, in fact, supported the concept of a revolving loan fund for the fisheries in the California Ocean Protection Act legislation.

California has many productive fisheries in state waters, but, many have the potential for much better financial and environmental performance. The fisheries have often been hampered by lack of funding and institutional capacity, but wise investments in governance, enforcement, and marketing could help bolster our fisheries even further. I therefore support the establishment of a Fisheries Revolving Loan Fund.

The FRLF would invest in fisheries that commit to improvements such management measures, gear changes, research, value-added processing, marketing, or other changes. The goal of the loan is to provide much needed capital to improve fisheries' financial and conservation performance. The loans would be repaid through assessments on the resulting more profitable fisheries, at a rate and timeline appropriate for each loan recipient, thereby allowing invest in other fisheries. The result will be more profitable fisheries that are doing more to conserve fish stocks and their habitats.

We also support a planning grant to Environmental Defense, which, with Shorebank Enterprise Pacific, will analyze stakeholder interests, expectations, and opportunities for collaboration; develop the administrative and governance structure of the FRLF; create a business plan for the FRLF; and develop a plan for leveraging the FRLF, building on seed capital provided by the state.

Sincerely,

W.F. "Zeke" Grader, Jr.
Executive Director

STEWARDS OF THE FISHERIES

Exhibit 3: Letters of Support



me/BB

MONTEREY BAY AQUARIUM

Copies sent to: _____
Date: 8-10-05

August 10, 2005

Mike Chrisman, Chairman
California Ocean Protection Council
California Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, California 95814

Re: Support for Fisheries Revolving Loan Fund from the California Ocean Protection Trust Fund

Dear Secretary Chrisman:

Thank you for coming to Monterey today and participating in the roundtable at the aquarium organized by Senator Maldonado's office. It seems clear that the California Ocean Protection Council will play an increasingly important role in enhancing the protection of our ocean resources by making grants from the Ocean Protection Trust Fund. Efforts aimed at improving the health of the state's fisheries would substantially benefit from such support. It will be especially important to find innovative ways to improve the management and viability of our fisheries, while simultaneously fostering healthier ocean ecosystems and coastal communities.

The California Ocean Protection Act calls on the Council to improve the effectiveness of state ocean policies. One such policy, which is set forth in the Marine Life Management Act (MLMA), lays out steps to improve the status of California's fisheries by incorporating essential ecosystem-based management principles. However, implementation of the MLMA has been constrained by a lack of funding and institutional capacity. The decades-long continuous decline in the health of our fisheries suggests that we need to make improving the effectiveness of California's fishery management system a higher priority.

The establishment of a revolving loan fund with support from the Ocean Protection Trust Fund will improve the effectiveness of fishery management in the state by investing in fisheries that commit to measures expected to improve their financial and conservation performance. Loans from the program would be repaid, allowing for investment in other fisheries and creating a sustainable source of financing. Over time, more profitable fisheries would share the costs of management, research, and enforcement with the state, thereby freeing up state funds. A revolving loan program could also be coordinated with other initiatives that promote seafood from sustainable fisheries, such as investments in sustainable seafood labeling, marketing, and distribution.

California's fisheries represent a valuable cultural heritage and terrific source of seafood. By supporting innovative measures such as the revolving loan fund, the Ocean Protection Council will help reverse the current decline in fishery resources, ocean ecosystems, and coastal communities. I commend you for your efforts thus far and look forward to your continued leadership in protecting California's ocean and coastline.

Sincerely,

Michael Sutton
Vice President and Director
Center for the Future of the Oceans

Exhibit 3: Letters of Support



California Coastal and Marine Program
111 West Topa Topa Street
Ojai, CA 93023

tel [805] 646.8820
fax [805] 646.8833
nature.org

August 10, 2005

Mike Chrisman, Resources Secretary, Chair of the Ocean Protection Council
Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814
(916) 653-5656
(916) 653-8102 fax

Douglas Bosco, Chair, California Coastal Commission
California Coastal Commission
1330 Broadway, 11th Floor
Oakland California, 94612

Dear Secretary Chrisman and Chairman Bosco,

I wanted to write and express my enthusiastic support for the establishment of a Fisheries Revolving Loan Fund [FRLF] that would help California dramatically improve the management of its fisheries and help move the near-shore, crab, groundfish and squid fisheries towards sustainability. The Nature Conservancy has met and talked with dozens of fisherman and women over the past 28 months and we continue to here that most of California's fisheries are over capitalized with too many boats chasing too few fish. There needs to be a concerted public/private effort to reduce fishing capacity, replenish fish stocks, protect habitat and allow the remaining fleets to economically prosper. It appears that the best way to approach this comprehensive effort is a FRLF, either as a stand alone initiative, or coupled with outright buyback programs.

The Conservancy has been involved in trying to reduce the fishing effort of the central coast trawl fleet, which is managed by the PFMC and NOAA; and we are attempting to utilize philanthropic, private sector dollars to reduce trawling effort while simultaneously protecting the seafloor habitat. In a partnership with ED, NOAA Fisheries, the PFMC and trawlers, we have secured protection of 3.8 million acres of seafloor habitat between Pt. Sur and Pt. Conception. We have already purchased one federal trawl permit and have reached price agreement on 5 additional trawl permits and vessels. Of the 22 federal trawl permit holders operating in the central coast region, 17 have submitted their catch history for valuation purposes and have ask TNC for offers to purchase. I inform you about this project only to show that dramatic results can be obtained when you have the fisherman working cooperatively with NGOs and ocean agencies towards a common goal. I feel certain we can replicate that effort in state waters as well.

Exhibit 3: Letters of Support

Combining a FRLF with private funds and investments could be efficiently coordinated to rationalize our fisheries and make California a leader in producing eco-friendly seafood - which will give the consumer the product they desire as well as add value to the fisherman's annual harvest.

TNC would be pleased to work with ED and Shorebank, should they receive the planning grant they are proposing, if we can be of assistance with financial valuations, marine surveys or other transactional aspects of a FRLF.

Sincerely,



Chuck Cook

Director, Coastal and Marine Program

The Nature Conservancy - California

Exhibit 3: Letters of Support



Matthew Elliott
Conservation Director
Sea Change Management, LLC
423 Washington St. 4th Fl
San Francisco, CA 94111

August 9, 2004

Mike Chrisman, Chair, Ocean Protection Council

Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Douglas Bosco, Chair, California Coastal Commission

California Coastal Conservancy
1330 Broadway, 11th Floor
Oakland, CA 94612-2530

Dear Chairman Chrisman and Chairman Bosco,

I respectfully write this letter in support of the establishment of a Fisheries Revolving Loan Fund (FRLF), as authorized by the California Ocean Protection Act. My name is Matthew Elliott, and I am the Conservation Director of Sea Change Management, LLC. Sea Change operates a \$20 million investment fund focused on promoting sustainable seafood in North America. Our fund is a double bottom-line fund, financed in part by the Packard Foundation, with an equal focus placed on financial returns and marine conservation benefits.

As you well know, California's fisheries represent a valuable economic and cultural resource. Marine life off of our coasts is both bountiful and diverse. However, over the past century, growth in our ability to efficiently extract fish from the sea has far outpaced the ability of marine life to sustain itself. Management has repeatedly had to restrict harvest levels and close certain areas and seasons to fishing effort. As a result of these necessary effort restrictions, the profitability of many fisheries has been marginalized: in most fisheries a race for fish has ensued. The problem is generally the basic design of the system: a tragedy of the oceanic commons. Our experience with different kinds of fishery management systems around the world (e.g. Iceland, New Zealand, Alaska, British Columbia) has shown that the financial and conservation performance of fisheries can typically be substantially improved. We feel that the FRLF represents one important pathway to do so.

With respect to California, the state already has excellent laws and policies in place, such as the Marine Life Management Act, which incorporate ecosystem management principles. These laws and policies are essential, but their implementation appears to be constrained by lack of funding and institutional capacity. One important piece in remedying this would be to create a designated and revolving fund that would invest in improvements in management measures, fishing capacity, research, or other changes that can be expected to improve financial and conservation performance. This type of capital can provide seed money to

Exhibit 3: Letters of Support

create long-term fishery and conservation benefits of the type witnessed by the Alaskan halibut or BC groundfish industries.

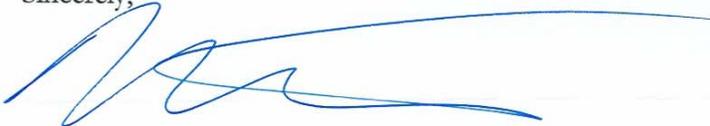
Such investments in improved management systems could also be fruitfully coordinated with ongoing efforts to label, market, and sell environmentally preferable seafood, thereby obtaining price premiums and exploiting new markets for Californian fisheries. A number of businesses that we have been in close contact with are beginning to focus their branding and marketing efforts on environmentally preferable seafood. The market for organic and environmentally preferable food in the United States has been expanding at double-digit growth rates over the past decade. At Sea Change we are working to promote companies that sell and distribute such fish, but our efforts ultimately depend on adequate supplies supported by rational fishery management. Our hope is that the FRLF will help to create more profitable fisheries doing more to conserve fish stocks and their habitats. As designed, loans from the FRLF would be repaid, allowing for investment in other fisheries and creating a sustainable source of financing. Over time, more profitable fisheries would share the costs of management, research, and enforcement with the state, thereby freeing up state funds.

In closing, we also support the proposed planning grant to Environmental Defense, which, with Shorebank Enterprise Pacific, will lay the necessary groundwork for such a fund. Required first steps would likely include analyzing stakeholder interests, expectations, and opportunities for collaboration; developing the administrative and governance structure of the FRLF; creating a business plan for the FRLF; and fully capitalizing the FRLF, by building on seed capital provided by the state.

This is an opportunity for California to be among the foremost actors in fishery reform. A successful model is capable of reaping substantial environmental and economic returns not just in the U.S. but globally.

Please feel free to contact me with any questions you may have.

Sincerely,



Matthew Elliott
415.421.4213 x20
matthew@seachangefund.com

cc: Kate Bonzon (ED), Jason Winship (Sea Change)

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AUG 10 2005

COASTAL CONSERVANCY
OAKLAND, CALIF.

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September 15, 2005

Mike Chrisman, Resources Secretary, Chair of the Ocean Protection Council
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Chrisman:

I am writing to express my support for the establishment of the Fisheries Revolving Loan Fund authorized by the California Ocean Protection Act, and for a grant to Environmental Defense and Shorebank Enterprise Pacific to develop the Fund.

As a supporter of ocean conservation and sustainable fisheries, we at Port San Luis Harbor District believe that California has enough laws and policies that incorporate ecosystem management principles. However, implementation of these existing laws has been hampered by lack of funding. It is our experience that California fisheries have the potential for much better financial and environmental performance given wise investments in governance, enforcement, and marketing. I therefore support the establishment of a Fisheries Revolving Loan Fund.

The Fisheries Revolving Loan Fund would provide funding for the fisher industries and harbors that commit to improvements in management measures, fishing capacity, gear changes, research, value-added processing and marketing, or other changes that can be expected to improve financial and conservation performance. The loans would be repaid through assessments on the more profitable fisheries, allowing the fund to revolve and invest in other fisheries. The result will be more profitable fisheries and harbors that are doing more to conserve fish stocks and their habitats.

We also strongly support a planning grant to Environmental Defense, in-conjunction with Shorebank Enterprise Pacific, which will: analyze stakeholder interests, expectations, and opportunities for collaboration; develop the administrative and governance structure of the FRLF; create a business plan for the FRLF; and develop a plan for leveraging the FRLF, building on seed capital provided by the state.

Sincerely

Jay Elder, Harbor Manager
Port San Luis Harbor District

c: Harbor Commission



Mike Chrisman, Secretary for Resources, Council Chair
Cruz Bustamante, Lieutenant Governor, Chair of the State Lands Commission
Alan Lloyd, Secretary for Environmental Protection
Sheila Kuehl, State Senator, Ex officio Member
Pedro Nava, State Assemblymember, Ex officio Member

September 15, 2005

Dear Chair Christman:

I would like to take this opportunity to comment on the items under the Project Section in the September 23, 2005 agenda.

A. Ocean Protection Council and Sea Grant joint-partnership for Ocean and Coastal Research

I would like to lend my support to the Ocean Protection Council and Sea Grant joint-partnership for ocean and coastal research. Many excellent reasons for supporting the partnership are mentioned in the letter of support from Dr. Ingram. Thus, I would like to like to second her points. I would also add that the rate at which information is growing makes such a partnership an excellent benefit to the state, which has the near impossible job of carrying out a number of regulatory functions and simultaneously gathering and interpreting new information as it becomes available. This type of partnership should aid the state in acquiring the information it has identified as needed, as well as aiding the state by examining subject areas that will arise in the next five years.

B. Sustainable Fisheries Revolving Loan Fund planning project

I lend my strongest support to this aspect of the agenda. As an elected official on a local water district, I have seen the Water Recycling Fund (previously referred to as SWRCB revolving fund) support many excellent projects. The low interest rate and the fact that the funds are repaid, allows the program to continue producing results through funds being available for future projects from which all Californians can benefit.

C. California and World Oceans Conference '06

I also believe that such a conference would help the visibility of the program and also extend the knowledge of the State.

D. Consideration of the Matilija Dam Ecosystem Restoration Program

No comment.

Sincerely,

Betty H. Olson, PhD.
Professor
Dept. Environmental Health Science and Policy
Dept. Community and Environmental Medicine
University of California, Irvine