

SITKA ECONOMIC ROUNDTABLE NOTES – NOVEMBER 13, 2010

Focusing on realistic goals for economic development in the next two years

Presentations

A. Sitka Tribe of Alaska (STA) – Mike Baines

Employment – peaks at 75-100

Concerned with movement of goods, services and people

Funding comes from grants, federal compact dollars and STE enterprises

2011 projects – transportation, tannery and gaming

Concerns:

- Decline in economy and overall economic trends in Sitka

B. Cruise Line Agencies of Alaska – Fred Reeder

Passenger count has declined and will decline further in 2011

Gross sales high of \$23 million in 2008, was about \$10 million in 2010 and expected to be less in 2011 – about \$9 million

Concerns:

- Sitka is located outside passage makes it a challenge to get ships to come
- Elected leaders need to lobby for cruise ships
- No new infrastructure in past 11 years for cruise support
- Tendering – especially for large ships
- Tour options are limited to offer passengers
- ADA issues – sidewalks not wide enough
- Visitor Plan

Positives:

- Passengers like Sitka
- Quality tours and attractions currently in Sitka
- Quality downtown area and merchants
- Landscaping downtown attractive and inviting

Hopes/Suggestions:

- McGraw dock
- Possible SCIP dock
- Visitor facilities
- Improve traffic flow for busses
- Increase space and amenities at Centennial Hall (restrooms more needed)
- Visitor bureau relocation
- City send representatives to Sea Trade in Miami annually
- City send delegation to meet every cruise line
- Build better transportation flow
- Paving Centennial Hall parking lot

- More restrooms for visitors
- Review Gateway plan and 2010 plan

C. Allen Marine – Jaime Cagel

No new boat construction projects planned for 2011

Tourism has decreased to half size of personnel from high of 40 to low of 17-20

Excited about new project – Alaska Dream Cruises – purchased 3 vessels from Cruise West – coming in December – need remodel work – plan to operate 2 vessels this summer – plan to start bookings soon, including charters – estimating 1000 customers May-Sep – tours to travel to Admiralty Island – Petersburg, Eastern Baranof and Warm Springs – 1st Alaska owned company in the overnight cruise business. Vessels will rendezvous with day boats to load

New Cruise Project Needs:

- Haul out facility for 140 ft vessels and larger – plan to create a haul out at Allen Marine
- Laundry facility which they plan to create

D. Silver Bay Seafoods – unable to attend

E. Seafood Producers Coop (SPC) – Craig Shoemaker

Spoke to the importance of fisheries to Sitka: 2200 active SE permit holders, 2600 active crew members, \$185 million annual gross earnings, 4500 summer seasonal employees, Sitka #1 SE Alaska revenue generating port, 551 active fishing permits, 547 resident crew that bring in over \$38 million, Payroll of \$10million, 19% over 16 year olds work in fisheries

SPC – 120 employees, \$40 million revenue, 69% of money generated returned by dividends

Goal – value added production

Over \$1.7 million invested last year – grew program by 30%

Develop brand identity

Diversify – filets to portions

Improve market penetration – straight to market

2010 price outpaced the economy – 50 decline in Halibut resources (\$6/lb) but increase in Black cod (\$7/lb)

High demand – low supply – increase Coho by 40% - price +supply switch to Sockeye

Challenges:

- Restaurants struggling except “fast food”
- Increase unemployment (US unemployment = pop of Canada)
- European economy is shambles – future uncertain
- Economy trading down to value

Needs:

- Look for opportunities – act now and execute but be realistic
- Community problem - Seafood plans disregarded, decreasing revolving loan (Steven’s \$)
- Invest in existing businesses - tax sharing?
- Relief from government regulatory agencies
- Streamline permitting process

F. Sitka Sound Seafoods(SSS) – Tim Ryan

Importance of fishery also includes the value of family tradition

Average age of processor employees is over 55

July 1st is start date for most of their summer jobs – use J1 Visa students – not enough housing even after purchasing Potlatch –

Expect labor force issue to get worse as the population spirals downward

Needs/Challenges:

- Government regulations – ex: ice discharge processing – SSS deals with over 90 tons of ice/day
- Limited labor force
- Affordable housing for employees
- Lack of summer housing – over 200 and Potlatch purchased but houses only 120
- Waterfront zoning for business and R1 zoning across the street
- Katlian Street traffic flow and 15 mph not obeyed
- Float planes in channel – soon to be moved
- Breakwater has created water flow challenge
- Better ferry service to get fish out fresh – increase quality = increase price

Good news:

- Alaska Airlines cooperation to get fish shipped
- Optimistic next season should be good
- We've invested \$1 million in infrastructure – long term investment in Sitka

G. Sitka Chamber of Commerce – Gerry Hope

Needs:

- Focus on a roadmap and continued dialogue
- Ongoing communication between business community and city
- Avoid adversarial attitudes – be appreciative
- Liaison from City Assembly to Chamber
- Support Blue Lake expansion – need to increase lobbying pace
- Vision of new joint location for Sitka Visitors Bureau and the Sitka Chamber of Commerce
- Town improvements – transportation/roads to improve traffic flow, a friendly accessible community by design, more trees downtown and maintain character of downtown area
- Dock at SCIP – transportation of goods
- Sitka ferry terminal at Baranof Warm Springs – long term goal

H. Sitka Economic Development Association (SEDA/SCIP) – Gary White

Nine member Board – contracted by the City to manage the Sawmill Cove Industrial Park (SCIP)

Trends newsletter produced quarterly – on website www.sitka.net

Some recent trends:

- Decrease population in Sitka – since 2009 lost 350 people
- School population decrease from early 1990's - #1800 students to 2010 - #1300 students
- Problem with retention of young adults – lack of jobs
- Decreasing sales tax revenues since 2007

- Cost of living increased 16 pts (largely due to housing and transportation costs)
- Fishing important to the local economy
- Tourism - slight increase in independent tourists, disadvantage being a 2nd tier port with outside access and concerns about amount of expendable income for tourist with increasing federal debt

SCIP – www.sawmillcove.com

Needs:

- Looking for development ideas for the industrial park – leases available
- Strategic plan focuses on marine industry – haul out facility and support for local commercial fishing fleet – bulk water and bottled water
- Need water access to the SCIP – bulkhead dock – win-win for city and community for Phase 3 of SMC Road construction and for transport of wood, rock, cement for Blue Lake Dam project

Challenges:

- Energy costs – funds for Blue Lake and Takatz Lake
- Affordable housing – Benchlands potential but needs development plan
- Rock quarry and public access to rock
- Old City Shops – high density ownership potential test pilot
- Transportation – air and ferry – fish and people
- Access corridor across the island discussion needed
- Support existing business
- Fish waste potential new business
- Health care support for transportation
- Education and increase Internet speed and connectivity
- Value added timber-forest jobs
- SJ -zoning change from R1

I. USDA Forest Service – Carol Goularte

Tongass NF = 13.8 million acres and Sitka Ranger District is 1.8 million acres

Transition Framework

1. Japonski Island – wood boiler at USCG – pellet burning
2. Hydro project
3. New office building has 2012 priority funding - plan to see 2 houses on Monastery St and SMC to help pay for project
4. Field camps – False Island, Corner Bay – potential new business opportunity in spring 2011
5. 25 perm employees and 10 seasonal – recruitment issue is affordable housing
6. Wood products – 10,00 board ft to anyone in AK – plans for a free use site
7. Blueberry and mushroom permit requests – work with STA interest in land issues
8. Young growth thinning – in future - 10-15 year project potential
9. Wild life enhancement project – award in 2011
10. Old growth sales – 2 small sales

11. Fire wood – Nelson logging Rd – commercial opportunity
12. Infrastructure – wood available soon – will need a place to store wood and perhaps a wood pellet industry/facility
13. Conceptual community smokehouse – Granite Creek to Sandy Beach
14. Subsistence Sockeye – Redoubt and False Lake Tongass - 30% of fish habitat
15. Recreation – working with stakeholders – 10 year action plan – opportunity to brand Sitka as a outdoor recreation center – 26 cabins, 65 outfitting guide permits
16. Education for youth

J. Sitka Trail Works – Debra Lyons

Non-profit

10 year Sitka Trail Plan – unites vision and provides accountability

Outdoor Recreation Plan – stepping stones approach (cradle to elderly) for enjoying and using the outdoors – should be available March 2011

Branding Sitka as an Outdoor Recreation destination

Plans: Lucky Chance Mine Historic Trail – backpack routes using a hut system – kayak or boat to Redoubt ; South Sitka Sound Trail

Needs:

- Information challenge – city staff turnover - reeducation
- Increase State support for improving Whiting Harbor
- Crossing Green Lake Outfall
- Cross Trail to Ferry Terminal

K. S & S Construction – unable to attend

L. McGraw Construction Co. – unable to attend

M. University of Alaska – Jeff Johnstone

Completing a \$2.5 million Health Education project

Will begin a \$3.5 million Career and Technical Education project (2012) – same skill set needed for work/college

IT upgrade Nov 17th to 45 MB

Core Ed classes will be offered by videoconferencing throughout SE

Partnership with Trooper Academy for trooper training - also Cadet Club for MEHS students and plans for an AA degree in Law Enforcement

Harbor Master training – model program

Other programs – construction, welding, health

N. Sitka Conservation Society – Andrew Thoms

Since 1967 – 44 years – non-profit

Goal is community sustainability – social and economic

Advocacy for Tongass National Forest

Look for win-win opportunities – capitalize opportunities – coordination & partnerships

Leveraging resources

Projects:

“Best Practices in Economic Development” resource available

Sustainable salmon Fund – restoration

UAS course – “Conservation in Society” attracts many out of State visitors

Blue Lake timber sales – will be 10 million board ft available

Lobbying for change in the hydro power standards – hydro in Southeast Alaska is unique, “Salmon friendly”

Peril Project

Work to involve the private sector prior to the government process to increase efficiency and decrease conflicts

Needs:

- anyone who want to help lobby for change in hydro definition as sustainable renewable energy resource

O. Sitka Convention and Visitors Bureau (SCVB) - Sandy Lorrigan

3 ½ year round employees

SCVB is a destination marketing and advertising agency – goal is to maximize Sitka exposure

Creates Sitka Vacation Guide annually

www.travelalaska.com

www.alaskainfo.com

Projects: Rebranding enhancement – local partnerships – Heritage and Tourism Conference –

Media support – film industry liaison – creating and maintaining new website www.sitka.org

SCVB has a complex data base on website with potential

Convention market – in 2011 – 14 groups are expected

Membership in SCVB has decreased from 2008 - #230 to 2010 - #185 members

Future plans to market package to cruise line – Sitka – Icy Point – Haines

Plans for “unified branding” of Sitka Campaign

Needs:

- City involvement to foster relationship with cruise ship industry and visitors
- New Visitors Center
- Port access improvements – tendering and Marine Passenger Fee
- Consistent funding for SCVB

P. Sheldon Jackson College – Gary Paxton

7 board members down from 15

Plan for core campus to honor the legacy of SJC

So far have avoided Ch 7

Progress so far – closed with Sitka Sound Science Center, Conveyance to Sitka Fine Arts Camp,

Building sale to Summer Music Festival, Straton Library to State

Needs/Concerns:

- Still need to close a debt to AK Growth Capital - \$500,000 short – need help
- Zoning process in Sitka is laborious and costly
- USDA meetings regarding Rasmussen Building
- Tax relief from city

- Requests the City work with Roger Schmidt at Sitka Fine Arts Camp(SFAC) to help find a way to end the \$500,000 gap and put an end to the lack of progress in conveying the core SJ campus to SFAC. This is a short term priority – about 7 months to get this done before SJ board will have to go Chapter 7 option.

Q. USDA Rural Development – Keith Perkins

Grant agency – partners with community agencies to secure financing – utility, housing, renewable energy

Transition Framework – Hydro and Wood pellet projects

Future Needs:

- Commercial building for 2nd growth wood industry
- Fish waste in channel – concern by FAA regarding bird strikes at airport
- USDA Continue to serve as a tool for the community
- Meeting with Sitka Fine Arts Camp regarding SJ Core Campus acquisition

R. Baranof Island Housing Authority (BIHA) – Bart Meyer

Function under a 1980 statute through STA – receive a block grant of \$1.2 - \$1.4 million Federal funds

Budget was about \$1.7 million in 2010 and about \$2.5 million in capital projects in 2010

Alaska Housing Finance – supplemental grant that needs a 20% match – which is a key funding source to supplement and obtain federal funds

Weatherization – income eligible – supports funding for about 30 units

Katlian Street Office Building Project – projected to be done in March 2012

Indian River Road Phase 2 in process

Indian River Valley secured from SJC – 5 year plan – challenges with topography and impacts – talks ongoing with Trooper Academy for driving and training needs – also will supply maintenance facility for BIHA programs

Sisters Lane ROW is too narrow

BIHA has a rock quarry available – if Dept of Public Safety acquires land the quarry location may be a help – they have a 10 year permit to operate (quarry had 300,000 yds originally)

Needs :

- permitting process is lengthy – needs help
- funding stream for infrastructure
- local contribution helps with leveraging federal funds – key to have city support
- roads and transportation tax support
- City assembly can't hesitate – some things are time sensitive and can't wait, can't always defer to the general population

S. McGraw Construction – Bob McGraw

Rock quarry – explosives are expensive – increasing fuel costs and costs etc, lease costs and royalty to city \$0.50/yd. Regulations are burdensome. Overburden disposal costs – city could help educate the public about transferring stumps and brush to the quarry and not to the transfer station.

- Not enough rock currently available – concerns about the airport project - Recommend City staff go out and meet with Dormand McGraw and work with the rock quarry business owners

T. Charter Boat Operators – Theresa W

30% decrease on average in sports fishing – largely due to national economy and dependent on disposable income

Challenge to entice people to Sitka and get them to return

2011 limited entry halibut charter – 40% decrease in halibut expected

Halibut is a federally managed resource – incremental restrictions result in loss of tourists from Southeast AK to South Central Alaska – including the local Fish Box Tax

Trend – registered charter boats in Sitka is declining since 2002 – down from 155 in 2009 to about 130 in 2010

Theresa sends out 50,000 brochures annually to promote the charter business, but this also promoted Sitka

- Need to market Sitka as a world class fishing destination and City needs to increase marketing support for Sitka

Sitka City Staff

Public Works – Michael Harmon

During roundtable heard 14 infrastructure projects mentioned:

- Visitor Projects - include library expansion, parking lot redesign and circulation, seawall – plans for a “visitor campus” at Centennial Hall
- Cold Storage expansion
- Marine Haul out – SCIP
- City Roads - \$30 million in upgrades needed – sustainable challenge and will double in cost over the next 10 years – needs a revenue stream like a “utility”
- Downtown - creating pedestrian inviting place
- Airport terminal project

\$140 million in projects presently and a staff of 40

Rock Pit – permitting is difficult for local suppliers – need the Granite Creek expansion and further expansion is needed.

Electrical – Christopher Brewton

Bad News: Blue Lake Expansion – 5 years out – we have presently exceeded local electrical needs – Sitka has no adequate diesel back-up, which are 30-40 years old and there are exhaust regulations that need to be met

Good news – FERC application done this month – will take 12-14 months to review – when the project is underway it is estimated to create 100-150 jobs over a 2-4 year time (carpenters, electricians, plumbers etc)

Challenges:

- Timber removal for a 260 acre footprint
- Wetlands issues and mitigation costs
- Still need to advocate hydro power as a sustainable resource to the feds
- A dockside facility for Blue Lake Dam would be valuable to the project and the community
- There is National interest in our hydro project – we are pre-qualifying now
- Plans for FERC permit by Jan. 2012 – would start immediately after that
- Total Blue Lake Dam Project expected to increase capacity by 27%
- Solid waste is an energy expensive process – can't wait 5 years for Blue Lake
- Project will save money but City is \$50 million short (not counting mitigation) – we need federal dollars for the project and to get that we need change of federal definition of hydro as clean and safe in certain areas

GENERAL COMMENTS

For the sake of convenience I have compiled similar comments under topic headings and the order is random and not to be construed as priority listed.

Blue Lake Dam/Hydro project – Highest priority project by consensus of group

- Dock for transporting supplies is needed
- Dockside facility for Blue Lake Dam construction project valuable to the community
- Lobbying efforts needed – work with Sitka Conservation Society – Andrew Thoms and staff to support Alaska hydro projects as safe and “salmon friendly” – unique and different from hydro projects in the lower 48
- STA can help lobby support for hydro definition change
- Dock is part of STA mission of inter-modal movement of goods/services/people
- This is an immediate need – highest priority
- Huge economic impact of rolling blackouts
- Last thing citizens want are large rate increases due to generator use
- Request Chris Brewton make a roadmap that indicated key decision points and steps needed for the hydro project

Affordable Housing

- BIHA had a proposal for the City Shops area but tax credit market has decreased to about .60 on the dollar. There is currently no viable tax credit program
- LRPED has a sub-committee working on affordable housing - they should be ready to present to the assembly soon

- Multiple comments on the lack of affordable housing for summer workers – seafood producers and others
- General comments on lack of affordable housing as a barrier to people moving to Sitka
- Comment – Sitka’s cost of living has increased 16 points
- USDA Forest Service should make connection to discuss plan for Visitor Center at Centennial Hall

Downtown Core - Library expansion project/ Centennial Hall expansion project /parking lot remodel– new Visitor Complex

- Plan is to focus the marine passenger funds on this large single project to help beautify the downtown area and provide needed expansion for residents and visitors alike
- Walking plan includes the Sea-Walk, library expansion, Centennial Hall expansion and parking lot
- Need more restrooms for women and men in Centennial Hall
- Historic Museum needing larger home
- Centennial Hall parking lot in need of repairs – spatial changes will occur with expansion
- Overall project to take 2-3 years at a cost of \$4-7 million
- Library expansion - not structurally sound to add a 2nd story to the existing library –plans to move it toward the canoe
- Desire - Visitor Bureau and Chamber housed in Visitor Complex
- Request Public Works makes a visual available for the community to see what the project entails

Dock at SCIP

- Conceptual plans for a dock at SCIP exist – also possible to have floating dock like McGraw’s but funds needed – State? – to purchase floating dock about \$2 million plus, to create a stockpile dock - \$5-6 million.
- Makes sense to deliver freight onsite at Blue Lake – consider a **land-swap** – relocate freight to SCIP – build a dock – increases opportunity for freight, then the dock at the north end of town could service cruise ships in conjunction with McGraw – better staging for busses and more attractive drive showcasing Sitka to new visitors –city have SEDA work with businesses to make a deal

Other General Comments/Questions/Discussion

- Q. Where do we go from here? Other segments of the community not represented today.
- A. Plans for future meetings – minutes/notes of these meetings will be available to assembly members and City staff – and on website for community.
- Q. Smart meter technology – can it be used in Sitka

A. Problem in Sitka is no second source of power – cost of power is fixed in Sitka since we generate our own power – costs of meters is high and payback cost benefit is low

Comment – South East Alaska Health Education Center at SEARHC is a part of AHEC - www.searhc.org

Comment – Need city support - leveraging money to help obtain grant matches

Comment – Boards and Commissions support – need better mechanism for interaction with assembly