

City and Borough of Wrangell, Alaska

Economic Development Committee

June 27, 2013

6:30pm Assembly Chambers

AGENDA

1. Call To Order
2. Roll Call
3. Amendments to the Agenda
4. Approval of Minutes: April 24, 2013
5. Persons to be Heard
6. Correspondence
 - a) Draft Alaska Mariculture Development Prospectus
 - b) July 10: Wrangell Stewardship Contracting Public Meeting
 - c) Brass Tacks business workshop – video conference 6/27 5:00pm
7. Old Business
 - a) Draft Wrangell Timber Plan
 - b) Maritime business development – update
 - c) Former Institute Property- update
 - d) Kiva Zip - defer
8. New Business
 - a) Borough-USFS collaboration and coordination efforts: Update on USFS programs and projects by District Ranger Bob Dalrymple
 - b) Waterfront Master Planning
 - c) Sales Tax initiative
9. Adjournment

City and Borough of Wrangell, Alaska

Economic Development Committee

April 24, 2013

6:30pm Assembly Chambers

Minutes

1. Call To Order 6:32

2. Roll Call

Daniel Blake
Julie Decker
Marlene Clarke
Bob Maxand

3. Amendments to the Agenda
Move 7 a to after new business

4. Approval of Minutes: March 7, 2013

BM
MC 2nd
Approved

5. Persons to be Heard

6. Correspondence

a) WCA letter regarding former Institute Property and response from Borough Manager Tim Rooney.

Assembly did not discuss at their meeting as Tim Gillen was not present. Ernie Christian said WCA would make a proposal during the RFP process.

7. Old Business

a) Draft Wrangell Timber Plan – defer

b) Approval of EDC bylaw proposed changes

DB moves to approve
BM2nd
approved

c) Maritime business development – update

Julie, Carol, Brennon, Daniel and Greg met to discuss areas where our two groups could work together and discussed priority areas for port infrastructure, marketing and workforce development.

Space is biggest priority.. how to increase area of the work yard.. fill additional area or 6 mile mill site

Obtain mill property a priority.. he could sit on forever. We cannot do much without. Move barge companies, move marine service. It could be a key to different developments. Has two sunken barges.

Fill going in outerdrive. Open up a certain amount of land for potential development use.

Waterfront master Plan RFP is possibly being developed to go out to address some of the conflicts over green space and port use of the property

Marketing, and what could be done with funding that we have. Have a one page sheet listed folks that are insured to work at marine service center. Get that list of insured businesses onto website

Discussed creating a new website; Billboard in town to advertise the Haulout; Brochure

Workforce development component: had a meeting at the school with Drew Larraby. He has a great positive attitude. Met with Brennon and Julie with the kids in the shop as to what things they would like to see to help them.

These jobs are good paying job for skilled workers if you know your stuff.

One of the kids will be going to diesel mechanic school for his own boat but needs cross training in other things.

What next steps OJT could be enhanced now.. Drew will sit with the guys in the marine related business in the OJT program to get a basic skill list that they would need to enter their business. That could be incorporated into the school curriculum. Also work with the UA to receive certification programs and college credit.

Important to get the kids out to see schools, work programs.

KTN has a simulator at UA KTN– piloting. Could also arrange a visit on the ferry bridge/engine room, ship yard.

Need refrigeration

Need plumbers and electricians – must be certified and serve apprenticeships. State marine workforce development plan should come out in the Fall.

Training school at Institute...comes up a meeting.. trying to do more with less so not necessarily build more bricks and mortar. UA is willing to help and work with community

d) Former Institute Property- update

Institute Property:

Protect RB falls area, divide it and sell off part of it..

Need buffers

Might need to put restrictions in RFP

Advertise for 90 days

Develop RFP: need to wait for budget to be approved before advertise.

Begin developing an RFP

Beach area is not included.

No one knows exactly what the tribes plans are. Possibly an educational facility. They said they turned it down originally because it needed to be cleaned up. Could sell the timber on the property as they are short money for carving shed.

Don't want to see any logs go across the beach. Look what happened to the one we swam in at Heritage harbor

e) Kiva Zip- defer

8. New Business

a) Borough-USFS collaboration and coordination efforts: District Ranger Bob Dalrymple and Austin O'brien

USFS is looking at better ways to involve and inform the public. Usually they hold very formal process with structure and sign in sheets. Not a good forum to have discussions on a broad variety of things.

Last year they had a series of meetings as part of a collaborative process.. 2 in Wrangell and other places. At Nolan Center - brought up speakers from south where the collaborative processes have worked: Held in neutral location, Has longevity, paid staff to takes notes, open and public process. USFS has to be careful to involve everyone.

We thought EDC would be a good forum to start the collaboration locally for information sharing. We will still have the meetings with the Assembly, but there is not a lot of dialog and looking with another approach.

Power of EDC.. broad representation, appt by official, advertised, public forum, shared information through distribution of minutes. Would like to dialog more on a regular basis.

Stewardship:

Legal/regulatory emphasis – stewardship contracting authority allows receipt to be put back into land.. but to do that requires collaboration... the act expires this year.

Stewardship funds can be used on borough lands

USFS is required to work with community to determine how receipts are to be used. EDC could be one mechanism and to get the word out.

DB how often would you feel comfortable to come to meetings.

BD As much as needed. On anything.. if there is info going around, if USFS needs to seek input, or have a conversation, or if committee has questions.

Tonight we just wanted to provide a broad briefing of items.
Wrangell Island timber sale. Hopefully in another month will be ready. Still in house discussions. Should have a draft EIS in fall. Cooperating agency status - Carol is on committee.

Secured rural schools established RAC Committees to decide how to use a portion of the funds. Petersburg/Wrangell RAC funded 86 projects.. 1.6 million.. over 4 years. Sequestration has stopped it, but good projects done
Refurbishing cabins, Pats Lake parking lot improvement turnouts and ramp on USFS narrow road easement, Nolan center viewing scopes and park, paddle craft trail at end of spur road, chief shakes restoration, middle ridge cabin view, rec site improvements, Bearfest and Stikine Birding Fest.

Other Projects Not RAC funded

Cabin at Anan using Alaska yellow cedar , new admin float at Anan, doing a new management plan right now and still in the scoping phase to take a look at management issues at Anan.

Could have joint meeting with the CVB on the mgt plan issue. They were notified when the dates were advertised

60 people per day.. looking to change that for people at one time.. maybe restrict times, but allow more than 60 per day

ATV trails on Zarembo – some roads that closed were kept storm proofed, more gentle dips. Starting to incorporate ATV into planning. Most temp roads are closed post sale. System roads that are being closed, some are being changed closure plan to allow for ATV use. Not a forest wide thing, but a Wrangell thing. Register vehicles and remove old vehicles at Roosevelt Harbor.

Reduce number of recreation cabins due to cost of maintenance.

See it as an opportunity... some are in wrong place. Not necessarily too many. Need some for shelter for safety from weather and other issues

Binkley slough cabin can't get to it, need very high tides..... Trying to get it adopted or maintained through commercial use. Borough did not respond with comments. Could move them

Accessibility: Steamer, Middle ridge, and Virginia Lake... promote that accessibility – very important.. some jetboat folks are specializing. Should be doing some improvements to Anan also.

Invasive Plant species... draft plan. One is RAC project is a plan.. and USFS is developing theirs to come out this summer

Sequestration – can't hire seasonal. Will have NEMO host.

Education and Interpretation program. Active in Schools, visitor center.

Birdfest and Bearfest.. RAC funding also

Partnership with the boy scouts have done a great job.. will be adopting a cabin.

Put them in for a regional forester award and it will be awarded next Saturday by Regional Supervisor Beth Pendleton.

Middle ridge Road improved

Last summer resurfacing roads toward fools inlet and a little bit to do this year

Brusher is on the island on various roads

NEMO loop road was starting to fail, contract to replace footprint with gravel done

Coming summer: Road projects Etolin roads and Zarembo. Snow pass road junction on down.

Road dollars is directly related to the timber programs that we have.

Sale activity: Three characterized small sales on island under contract and micro sales

Mike Allen: Shady sale toward fools inlet

Alcan has backline cable on south portion of middle ridge, basin road off of Garnet road.. finishing up there shortly. Working on state sale on eastern passage that Buhler turned back. Doing logging for Viking.. being hauled to Pats LTF

Helicopter sale Backline.. selective cut.. Whale Bay woods was purchaser...

Wrangell island awarded first micro sales last year..

Whale Bay woods bought one, Collier bid and turned back

Roadside EA authorizing smaller sales.. open road systems of Wrangell, Etolin and Zarembo

Can be up to 50,000 bdf t per sale, up to 50,000 bd ft per year.

Zarembo... larger sales under contract Skipping Cow, Alcan about half way done... setting up in St. Johns

Awarded Frenchie first stewardship sale, Alcan, north part of island.. will have retained receipts to go to an undefined projects in district.

Stockpile on Zarembo is Alcan wood and responsible for it. when pulled out did not have a buyer but trying to work on buyer.. have about 3000 feet most is small diameter hemlock.. not much of a market for. That is the stuff that is exported now because don't have domestic processing.

Awarded Alcan helicopter salvage sale.. blow down on north end by Baht Harbor and Sokelof Island. Not sure of operational plans.

State DNR has a sale around St. Johns and Alcan is purchaser.. should be there next three years.

Etolin.. still working on Navy Record of Decision, should be done this year and sale offer next year.

Starting new planning on future sales.

USFS has a 5 year plan... working on that now.... .. look at what the whole forest is doing and select on districts.

Mike Allen is busy with specialty orders. Works close with Alcan.. they provide trucking services. Trades services for logs. Mike provides log sort yard space for Whale bay.. and loading services.

Set up micro sale program. Collier was motivating reason to get something going. It is there and he can take advantage of it.

Mike Allen provides rough cut dimensional lumber. Taking log and adding value. Open to interpretation if it is high-value.. usually that is finished product.. door frames, molding etc.

Want to see the maximum amount of work put into the log to get the higher benefit for the resource.

JD micro sale is step toward helping supply the smaller guy. Big sales are important fo infrastructure and work with the local guys.

Thank you very much.

Have some tough projects coming up. Public involvement needs to happen with these.

Adjourned 8:25



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNEIL

**Department of Commerce, Community,
and Economic Development**

DIVISION OF ECONOMIC DEVELOPMENT

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March 31, 2013

Dear Alaska Mariculture Participants:

The Alaska shellfish mariculture industry remains an exciting economic prospect for Alaska as it continues to draw attention from leaders across the state. The Division of Economic Development shares in this interest and in the belief that greater success awaits this industry.

In 2012, the division received legislative approval to create the shellfish mariculture loan program. Immediately thereafter, strong interest was shown to open the loan program to seed production. Other stakeholders continue to work on incremental improvements to the industry. It is clear much more needs to be done.

From the division's perspective, establishing a formal initiative focused on the shellfish mariculture industry is a method of directing efforts and funds to expedite the development of this industry. The division has prepared a Draft Alaska Mariculture Development Prospectus as a means to generate discussion and ideas among mariculture stakeholders with the goal of creating a unified approach to move the industry forward. The prospectus recognizes the potential of the industry while highlighting areas of needed development. The document is intended to provoke response and does not reflect a formal state position.

Please take the time to review the prospectus and provide your feedback. If it appears there is a strong desire on behalf of individuals to carry this concept through to a formal working proposal, the division will arrange a series of meetings in the fall to facilitate plan development.

With summer upon us, we intend to send this prospectus out in the early fall for another round of input. Shortly thereafter we will determine if there is support for greater plan development and lay out a schedule of outreach meetings.

Glenn Haight, Development Manager, is collecting responses. Please call or email him at 907-465-6144 or glenn.haight@alaska.gov with your input. We also appreciate you forwarding this communication on to others who may be interested.

Sincerely,

A handwritten signature in cursive script that reads "Lorene Palmer".

Lorene Palmer
Director

Draft Alaska Mariculture Development Prospectus

OPPORTUNITY

According to the OceansAlaska report, *Tipping the Balance. Bringing Alaska's Shellfish Industry to the Takeoff Point*, Alaska's shellfish mariculture industry holds great economic potential. While the current annual gross revenues (also referred to as farm gate) of Alaska's shellfish farms is less than \$1 million, *Tipping the Balance* projects growth may exceed \$20 million or more.

Comparative success stories are abundant including shellfish farm industries in Puget Sound at \$117 million (2009) and New Zealand at \$147 million (US dollars - 2009). The New Zealand Greenlip mussel industry grew five times after industry constraints were removed. The Japanese scallop industry persevered for four decades before experiencing significant growth, going from 10,000 tons in the early 1960's to 400,000 tons and \$400 million today.

Untapped Potential

Alaska's potential in shellfish farming may be even greater in the long-term due to its extensive natural coastline and abundant marine resources. The upside of a vibrant sustainable mariculture industry is one that could generate \$20 million in revenues and serve as an economic engine for coastal communities.

Ideal Location

Alaska's remote coastal areas and pristine waters make it an ideal place to farm marine shellfish. Farms are located mainly along the vast coastline of the Southeast and Southcentral regions.

Most of Alaska's long coastline is undeveloped and sparsely populated. State law and regulation provides for aquatic farming in most areas. With fewer competing regional interests, less pollutants, and an improving regulatory environment, shellfish farming in Alaska is more practical than other regions of North America.

With finfish farming prohibited, Pacific oysters, littleneck clams, and mussels make up the majority of Alaska's aquatic farm products. Geoducks are anticipated to become a major future contributor to coastal economies as farms solve husbandry hurdles and come into production.

Product Demand

Global demand for seafood is increasing. World harvest of wild seafood has remained stable between 85 and 95 million tons since the mid-80s. Over that same time, aquaculture production increased from 12 million tons to today's production of 79 million tons. In the last decade, aquaculture production increased between 5 to 8 percent annually. (FAO)

Even the global recession in 2008 and 2009 could not slow aquaculture production. With a rapidly growing global population, economic growth, especially in large countries like China and India, is driving demand. China is a major growth opportunity for live Alaska geoducks in the future.

The United States market for shellfish remains an attractive target. Shellfish products, in particular oysters, represent a high-end niche opportunity if carefully marketed. The Alaska oyster is known for its premium meat due to the colder growing environment.

Greater Revenues and Jobs

A recent shellfish farm optimization study by the University of Alaska determined an Alaska oyster farm could generate a positive economic return by expanding the farm footprint to ten acres and making operational improvements. Table 1 projects current and potential farm scenarios at current levels versus optimal levels. In shifting a farm size to 10 acres (as opposed to a current estimate of 4.6 acres) and achieving other levels of optimization, the projected gross revenues would approach \$250,000 per farm. This compares to the current average gross revenues of \$18,000 per farm. If the current 28 producing farms could achieve this optimization, the gross revenues would exceed \$7 million. The study projected a total of three jobs for each farm. This would increase the number of jobs to 84.

It should be noted the analysis was just for oyster farms (using older growing techniques) and did not consider the potential of geoduck farms. Geoducks in the Alaska dive fishery fetch harvesters \$10.43/lb (2011), compared to the \$5.70 per dozen earned by Southeast farms earned for oysters.

Draft Alaska Mariculture Development Prospectus

Currently Declining Industry

Although there is significant potential for the industry, the most recent data indicates the total farm gross revenues fell from a high in 2005 of \$619,000 to \$510,978 in 2012. This decline in value occurred while global aquaculture sustained positive growth, and despite significant state investment into the industry. By comparison, even the struggling

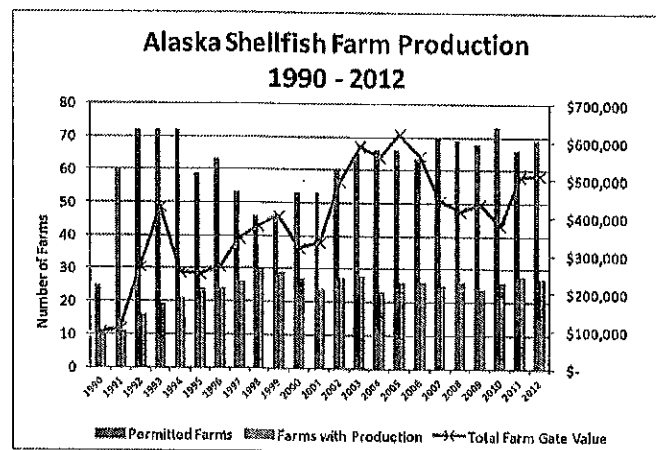
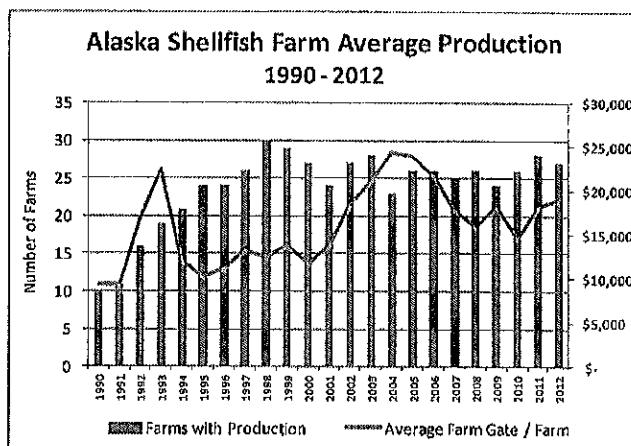
Southeast shrimp fisheries makes 6 to 10 times the value sustained by the mariculture industry and receives only modest management service.

The number of farms in production remains flat. Farm production values are in decline. At \$19,000 in gross revenues per farm, it is very hard to achieve profitability while operating in Alaska's remote, high-cost environment.

Table 1. Farm Scenario Values and Employment Based on Optimal Farm Conditions

Farm Scenario	Producing Farms	Acres	Gross Sales	Jobs
With Current Farm Size (4.6 acres)				
Current production	28	129	\$507,515	28
Current production w/ 100 farms	100	461	\$1,812,555	100
With Farm Size (10 acres)				
Current farms at optimal farm conditions	28	280	\$7,000,000	84
100 farms at optimal farm conditions	100	1,000	\$25,000,000	300

Data source: Current farm data is from the Department of Fish and Game. Optimization numbers are sourced from a study by Dr. Quentin Fong, et al, University of Alaska Fairbanks, Sea Grant Marine Advisory Program, 2009.



Draft Alaska Mariculture Development Prospectus

STEPS TO INDUSTRY ADVANCEMENT

The Division of Economic Development identified six long term structural improvements needed to advance the industry. In support of executing these broad areas, the Division envisions the development of a Mariculture Advisory Board comprised of farmers and industry advocates that will make recommendations for industry improvements.

1. Regulatory Review and Revision
2. Financing Improvements
3. Training Programs
4. Research Programs
5. Infrastructure Plan
6. Marketing Program

Regulatory Review and Revision

Goal

Support a regulatory framework to increase aquatic farm production through a permitting process for larger and higher density aquatic farms.

Background

The regulatory system is headed by sections within three state agencies - ADF&G, DEC, and DNR. Several other agencies impact shellfish farms. The following are some of the more commonly cited areas in the regulatory system that impact shellfish farm development.

- Site selection - Farmers submit farm site applications to ADF&G and DNR. Determining where to locate a shellfish farm is among the biggest regulatory burdens. Pre-determined areas for mariculture development would take significant guess work out of establishing a farm operation.
- Water quality testing - Farmers are required to test and report water quality to DEC to assure the grow out environment is free of harmful bacteria and pathogens. The cost is high and effort detailed.
- Water classifications - Water classification is FDA required (national shellfish sanitation program) and often paid for by other states. DEC administers this program which requires costs from the farmers.
- Paralytic shellfish poison (PSP) testing - PSP testing laws through the US Food and Drug Administration (FDA), as implemented through DEC, remains a time consuming component of farm production.
- Seed importation rules - ADF&G employs a strict seed importation ban on all shellfish except oysters. This restricts production growth.

- Upland support - Opening suitable farm locations with available and favorable terms on upland leases for support facilities would help. This involves coordination with DNR and other federal landowners such as US Forest Service.

Task

- Agencies will work with the Mariculture Advisory Board to conduct periodic independent reviews of regulations and make recommendations to the Executive and Legislative branches.
- Agencies are funded and authorized to conduct pre-screening for development zones.
- Agencies are funded to perform peer reviewed research that improves the science used to develop regulations.
- Consider establishing approved testing labs closer to farm sites.
- Support greater agency outreach to communities to provide workshops on the permit and regulatory system.

Financing Improvement

Goal

Assist shellfish growers in obtaining long term low interest loan financing for start-up and expansion of aquatic farm operations, and develop loan support for shellfish hatchery production in regional areas.

Background

The business climate for Alaska mariculture must improve to attract private resources and investment capital in a significant manner. Financing that meets the grow out needs of shellfish farmers is a critical component of supporting the industry.

The 2012 Legislature authorized the Division of Economic Development to create a shellfish mariculture loan program. It is designed to assist the farmers with equipment and working capital costs. To take advantage of this new financing opportunity, new farmers would benefit from basic training in financial and debt management.

The availability of local seed stock continues to be a problem, particularly in light of seed shortage throughout the Pacific Northwest. More hatchery production will improve this situation. A shellfish hatchery loan program made available to propagate shell

Draft Alaska Mariculture Development Prospectus

stock and seeds sources would assist in the development of this vital asset.

Task

- Incorporate financial management training into the training effort discussed in this prospectus.
- Consider a loan program to assist in establishing and operating shellfish mariculture hatcheries.

Training Program

Goal

Through collaborative efforts of stakeholders, government, and non-profit entities, provide education, technical training, and outreach to mariculture owners, entrepreneurs, and employees.

Background

Mariculture skills are gained through years of working an aquatic farm, combining marine technology with animal husbandry and business management.

As an emerging industry there are very few "apprenticeship" opportunities. Government sponsored training programs addressing fundamental business management skills and technical education required to perform the harvesting, marketing, and regulatory functions are essential to help achieve economic goals.

Currently, efforts aimed at training and workforce development must converge to achieve education goals.

Task

- Upon advice of the Mariculture Advisory Board, appropriate service providers will create a mariculture workforce development program. The program will run steady funding through a rigorous granting agency to assure streamline training efforts.

Research Programs

Goal

Establish a sustainable research program to address technical problems in resource management, new species development, state of the art aquatic farm production methods, and market research.

Background

The Alaska shellfish industry currently has more research questions than answers. Research falls into two categories – science/management, and production technology. Research activity must include a

combination of technology transfer from other regions and original research to solve Alaska-based problems. A sample of research topics includes: site selection research, impacts on wild stocks, protocols for species grow out, new species research, seed supply, farming practices, processing technology, and market research.

Task

- The Mariculture Advisory Board will advise on apportioning research dollars to scientists, industry, and developers.

Infrastructure Plan

Goal

Develop an infrastructure plan for Alaska's mariculture industry to increase aquatic farm density and regional shellfish production.

Background

Growth of the mariculture industry is constrained by poor infrastructure in key locations. Infrastructure in this plan refers to a mix of public assets (roads, docks, airports), and private non-profit or quasi-public assets (hatcheries, FLUPSYs).

Task

- Agencies and growers will prepare a periodic infrastructure priority plan for farm development.
- Work would be coordinated through the Mariculture Advisory Board, DED and Alaska Regional Development Organizations with participation from state and federal agencies, industry and communities.

Marketing Program

Goal

As new and more efficient aquatic farms are established, strategic marketing efforts undertaken by the growers will boost production and prices paid to the growers.

Background

Currently demand exceeds supply for Alaska shellfish farmers. However, as growing production leads to an increase in supply, higher value markets needing exploration will require focused marketing efforts including research data to support these efforts.

Draft Alaska Mariculture Development Prospectus

Task

- Engage in market research to determine potential new markets and/or species (through the Research Program).
- Consider branding program.
- Provide marketing training for farmers and processors.
- Promote the discussion of marketing cooperatives as a means to increase value.

What Next?

There are a number of development steps that could improve the business environment for shellfish mariculture.

Next steps

- Promote this draft mariculture prospectus with a wide working group of farmers, industry advocates, regulatory bodies, and researchers.
- Refine the document based on input.
- Determine suitability for eventual legislative action.

Community Workshop

Forest Stewardship Contracting and Resource Mapping

July 10th 1-4 PM and 6-8 PM Nolan Center Classroom

Are you interested in Wrangell's natural resources and forest assets? Do you want to participate in conservation work and resource enhancement projects?

Come and participate in forest management planning. Understand how timber receipts are retained through community collaboration, and stewardship contracts can provide opportunity for economic development. Widespread, diverse community input is the key to a viable timber industry and healthy forests. Results from the values mapping survey will be presented. Contact Erik Wortman with any questions (907) 305 0341.

The US Forest Service, Wrangell Economic Development Committee, Wrangell Resource Council, Wrangell Cooperative Association and SEACC plan to attend.

Presented by YWCA Alaska's
Women's Economic Empowerment Center:

Register now

BRASS TACKS BUSINESS



Thursday, June 27th

On the OWL Network

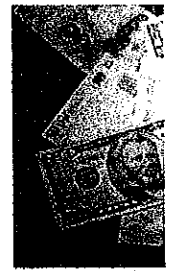
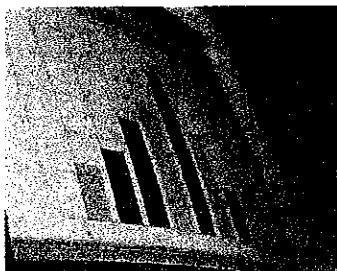
Ask your librarian how you can join!

Interested in owning your own business?

Have a great idea?

Curious about what it takes to be your own boss?

Join us and see if you're ready to start!



This class serves as an orientation to the process of starting a business. Students are introduced to the fundamentals of business ownership, business planning, and managing a business. If you have been curious about starting your own business, this is the perfect time to learn more.

DRAFT WRANGELL TIMBER INDUSTRY PLAN

Wrangell Economic Development Committee

Goal: To maintain and enhance Wrangell's existing and future small and medium size (50-100 employees) mills and high-value added forest products industries.

Objectives:

1. Establish a plan to deliver a long-term timber supply for small and medium size mills in Wrangell providing value-added manufacturing
2. Develop infrastructure to maximize value from local wood manufacturing businesses
3. Support regional efforts to create, promote, and market the sustainable Tongass wood brand
4. Support "Buy Local" campaign for wood products
5. Recruit wood product manufacturers
6. Enhance workforce development and opportunities for youth
7. Facilitate full utilization of wood waste to create additional jobs and add value to the resource harvested

Vision:

This plan is a vision for the City and Borough of Wrangell to support, develop, and encourage growth of local wood product businesses. Wrangell supports the sustainable use of Tongass wood; value-added product development; development of infrastructure improvements to attract entrepreneurs to relocate or create new wood product businesses; promoting the value of using local wood products; initiatives to actively develop the local workforce, including our youth; development of new wood-based businesses; and minimizing conflicts over harvest areas by community discussion in an effort to minimize risks to the timber industry.

History

Wrangell has seen near continuous operation of sawmills in one form or another for the past 122 years, longer than any other community in Alaska.¹ The first sawmill, operated in 1889, processing 1 million board feet of timber per year. By 1900, that volume increased more than three fold. In the '60s and through the early '90s, the APC sawmill in Wrangell processed more than 60 million board feet per year until the end of the 50-year contracts with the Forest Service in 1994. Today, there are three remaining small mill operators on Wrangell Island processing between 1 and 1.5 million board feet of value added products annually, including products such as music wood, boat wood, dimensional lumber, and wood for home and bridge construction.

¹ "Southeast History: The early years of Wrangell's sawmills," by Frank Roppell; http://capitalcityweekly.com/stories/101211/new_898642463.shtml

Impacts from the mill closure resulted in an immediate loss of 20% of Wrangell's employment and 30% of local employment earnings. Wrangell's population dropped from 2,758 in 1994 to 1,911 in 2006 before a small trend in population increase began.

Between 2010 and 2012, Wrangell's 6-mile mill was dismantled, and today the site is nearly cleared with Phase 2 Environmental Clean-up almost completed. The City and Borough of Wrangell is considering purchasing this property for use as a deep-water industrial port that could support existing and future small mill and other high value wood product businesses.

USFS is undergoing a transition...?? City and Borough of Wrangell developed their own transition plan modeled after the regional transition planning effort to address issues that were needed, could be improved in Wrangell.....

Community Support

Since the early '90s, Wrangell has consistently prioritized development of value-added wood products as key to diversifying and strengthening the local economy. During the "Wrangell 2001" economic development planning meetings in 1992 facilitated by the USDA Cooperative Extension Program, value-added wood products from small mill operators was identified as an important component to Wrangell's economic future.² In 2002, as part of the Wrangell Economic Development Forum, value-added wood products were listed in the "Top 10 Economic Development Priorities."³ In 2007, the Wrangell 20-20 Envisioning process once again identified timber products using sustainable development and infrastructure improvements for business development as high priorities to diversify the economy(4).

In the USFS's own "Wrangell Island Analysis Report," which included community input from the aforementioned planning documents, the Wrangell Ranger District's position on timber was as follows: "As part of our contribution to the Tongass National Forest timber supply (TLMP 2-4), over the next ten years we plan to offer 25 to 30 MMBF of timber in a way that responds to the need for very small and 1- 5 MMBF offerings. In particular, our objective is to provide wood products in an economical way close to Wrangell in support of local wood industries and jobs."⁵

???With the USFS's Tongass Transition Framework, the emphasis on small mill operators and high value-added manufacturing is even greater. The Transition focuses on moving away from large-scale logging of old-growth trees and toward an industry that utilizes second-growth timber, but also uses low volumes of old-growth for manufacture of high-value products. The 2011 Cluster Initiatives funded

² "Core Information" document, Cooperative Extension Program, 1992

³ "Executive Summary," Wrangell Community Economic Development Forums, June 2002

by the USDA also emphasizes this new focus.???The existing & future medium size manufacturers would disagree with this Tongass Transition Framework

Long-term Timber Supply

Key to the success of a timber product industry in Wrangell is a long-term supply of suitable, economical, and available timber. For the next few decades, small operators in the Wrangell Borough will have to rely on old-growth timber as its primary resource until second-growth stands are of a marketable condition. As the primary land manager in southeast Alaska, and in the spirit of the USFS Transition and Investment Strategies, the Forest Service should provide an enabling environment for communities to realize economic development while maintaining high degrees of ecological integrity.

On the Wrangell Ranger District, second-growth trees are not anticipated to be available for use for at least another four decades. (the projected volume of second-growth trees is only 11.4mmbf and 19.8mmbf the following decade). To sustain Wrangell's existing small mill operators for the next 40 years, old-growth timber will need to be utilized for the long haul.

Several criteria can be used to develop a long-term timber supply plan for Wrangell. First, the plan should focus on resources on the existing road system in the Wrangell Ranger District where possible to minimize sale costs. Road construction can increase the cost of timber sales, often resulting in sales that smaller operators are unable to effectively bid on or become uneconomical even for larger operators.

concerned about including a statement about minimal road construction because if it is in an "Official Plan", does it tie our hands?

Second, minimizing conflict by limiting access in identified old-growth reserves, or areas with a high habitat or other resource value determined by the USFS Interdisciplinary Team should also be considered in the plan. Harvesting timber in areas embroiled in conflict usually results in litigation, and litigation prolongs timber sales. Mill operators do not have the financial resources to wait out litigation. This is not simply about being "green," but rather being business smart. Actively avoiding conflict begins through seeking input from community user groups (tour, fishing, and hunting guides, subsistence hunters/gatherers, recreationalists, tribal members among others) to narrow those areas on the district that are acceptable for providing a long-term supply of timber.

The Wrangell Island Timber Sale Project currently in development, was originally planned as a 10-year sale.. The sale focuses on resources available on Wrangell Island only, not the Wrangell District. The initial sale estimates was a 150mmbf single sale over a 10-year timeframe, but on the ground analysis of prescriptions and resources has reduced the volume to by about a third. The Wrangell Island Timber Sale Project is an important component, along with other Wrangell District and nearby sales, to a successful long-term value-added industry in Wrangell.

(???)mbf. [confused about the difference between "mbf" and "mmbf"...?]

Action Items:

- Borough participation as a cooperating partner in timber sales in the Wrangell Ranger District
- Develop a community stakeholder group to provide input on land base suitable for long-term old-growth timber harvest
- Develop plan with Forest Service to designate certain old-growth harvest areas as "Selective and Sustainable" Develop long-term timber supply plan on the existing road system to minimize cost and risk to mill operators into the future

Value-Added Infrastructure

In addition to a long-term supply of timber, access to value-added manufacturing infrastructure, such as a community kiln, is important to expanding existing mill operations and promoting new high-value manufacturing opportunities in Wrangell. Much like Wrangell's infrastructure related to the seafood industry, such as the Marine Service Center or the community cold storage and belt freezer, key pieces of infrastructure create incentives for entrepreneurs to relocate or startup new businesses that will diversify and strengthen Wrangell's economy.

In 2006, the USFS conducted a study titled "Alaska's Lumber-Drying Industry—Impacts From a Federal Grant Program" that analyzed the economic impact of the dry kiln grant program in five regions throughout Alaska.⁵ The grant program provided funding for dry kilns and related equipment, such as pre-dryer facilities, lumber storage buildings, planers, and moulders. The report found that the grant program had the most significant impact in the Southeast region. Between 2000 and 2005, the volume of kiln-dried wood grew from 0mbf to 411mbf. The value of the dried wood also grew from \$0 to \$149,000. Additionally, between 2004 and 2005, full time jobs operating kilns grew from 7 to 15, and part time jobs grew from 1 to 5.

Developed industrial land is also essential to expanding small and medium mill operations and value-added manufacturing in Wrangell. The former 6-mile mill site is an ideal location with 46 acres of upland developed industrial space, a deep-water port, and access to utilities. This site is for sale and the purchase of all or a portion of this land by the City and Borough of Wrangell is under consideration to facilitate an industrial park for business development to incentivize industry expansion.

Action Items:

⁵ "Alaska's Lumber-Drying Industry—Impacts From a Federal Grant Program," Pacific Northwest Research Station, August 2006

- Develop list describing key infrastructure necessary for wood products industry development and cost with input from industry
- Identify potential funding sources
- Begin prioritization of infrastructure in City and Borough capital improvement plan

Tongass Wood Brand

Just as the fishing industry has successfully created a brand for wild Alaska seafood, creating an international demand while increasing the product's value, Southeast Alaska should follow suit with Tongass wood. Such a brand would differentiate the products from others on the market and promote its unique and valuable qualities, such as sustainable harvesting practices; preserving forest ecology; supporting local jobs; and promoting the positive physical attributes of the wood. Just as the Forest Stewardship Council established a certification to "support responsible forest management worldwide," so should Southeast Alaska. Branding Tongass wood in this way could increase local wood product market value.

Southeast Conference is currently considering proposals for a marketing and branding promotional effort. The City and Borough of Wrangell should review and support efforts to create a Tongass Brand that will differentiate regional products using the criteria above.

<Modify paragraph for regional effort.> Wrangell wood products must then be marketed both in and outside of the region. A significant barrier to marketing is the lack of grading. While in operation, the Ketchikan Wood Technology Center was able to get three Alaskan tree species their own grade stamps. These grade stamps enable Alaska wood to be sold as dimensional lumber in communities with more restrictive building codes and it also allows sellers to market Alaska's unique wood qualities. Marketing Wrangell wood products can be done alone, or in conjunction with other manufacturers in the region, particularly the small mill operators on Prince of Wales Island. Currently, word of mouth and local ads for small mill operators, [Southeast Conference also had a timber marketing and promotion program for several years. Don't know if that effort has continued to date.] are the only ongoing marketing efforts. Marketing Tongass wood products is also a priority identified in the Juneau Economic Development Council's "Forest Products Cluster Initiatives."

Action Items:

- Support efforts by SEC to develop of a marketing plan which incorporates branding, differentiation, quality, and promotion of Tongass wood
- Develop appropriate grading

"Buy Local" Campaign for Wood Products

To support local small mills and other potential wood product manufactures in Wrangell, an effort should be made to increase awareness of the community's ability to buy wood products that are locally manufactured. A "buy local" campaign will also project the message to potential new businesses that Wrangell fully supports and embraces the value-added wood products industry.

Action Items:

- Develop a "Buy Local" campaign with the Chamber of Commerce, small mill operators, and other stakeholders
- Resolutions and policy changes to support using local wood in public projects when possible

Recruit Wood Product Manufacturers

Access to timber, infrastructure, a brand, and a marketing plan is necessary components, but they won't create jobs or wealth. Entrepreneurs who can manufacture a high-value product out of an old or second-growth tree are key to the success of any plan to grow a sustainable high-value timber economy in Wrangell. An outreach plan should be developed to communicate with existing or potential wood product manufacturers so they know Wrangell is "open for business" and looking to support manufacturing of products. Such outreach could include advertisements in magazines and other timber products or woodworking publications, ads on related websites, strategically placed newspaper articles in communities where woodworkers and timber product businesses are prolific, and establishing contact and providing information to institutions that teach wood working skills.

Action Items:

- Identify opportunities to market Wrangell as a community with high value wood product manufacturing possibilities
- Develop budget to pay for marketing plan
- Develop page on new website with information on resources for wood products industry
- Develop a prospectus for distribution in order to help recruit new businesses

Workforce development and opportunities for youth

In addition to recruiting wood products manufacturers, opportunities should be identified and/or created to develop local manufacturers of value added wood products. This effort should also extend to the community's youth and should include an entrepreneurial and business component. Wrangell High School has a long history of teaching students to work with wood and some basic wood-manufacturing infrastructure exists for this purpose. The Wrangell School District is engaged in discussions to develop a program that includes components such as biology/forest science, business development, and manufacturing techniques could help create the next generation of local entrepreneurs.

Action Items:

- Work with the Wrangell School District to develop a wood products manufacturing curriculum for high school students
- Reach out to the Timber Task Force, Southeast Conference, USDA, and others to identify potential startup funding for a workforce development plan in the wood products industry and potential "re-tooling" of the high school shop for enhanced wood working instruction
- Identify existing vocational programs for timber manufacturing training for the local workforce and high school graduates

Full Utilization of Wood Waste

Utilizing as much of the wood waste as possible from timber harvests and milling operations will increase the value from the timber harvested in the Tongass. Over the past year, several meetings were held, surveys conducted, and initial research completed on the feasibility of creating either wood pellets or bio-bricks from wood waste and/or recycled paper waste. This initial scoping indicates that there is local interest in producing, selling and buying these types of products. The draft Southeast Alaska Integrated Resources Plan also suggests the production and use of wood waste (biomass) as an important component to meeting the region's energy needs.

?????Action Items:

- Draft an MOU between City and Borough of Wrangell and potential business owners regarding supply of recycled paper waste for production of "bio-brick"
- Facilitate entrepreneur developing a business in Wrangell which utilizes wood waste and paper waste

Conclusion

Developing a sustainable timber industry in Wrangell will not be quick or easy, but it is certainly possible. It will require a clear vision and specific action items that taken together will create an environment where the timber sector of the economy can thrive. This transformation will take a new form of coordination between the Forest Service (as managers of 95% of the land in the Wrangell Borough) and the economic development plans of the community. Wrangell has demonstrated its ability as a community to pull together and overcome economic adversity, and with the right support, may prove to be a new model for timber-based industries in Southeast Alaska.

Sales Tax Information

On June 25, The Assembly moves to the second reading and public hearing the ballot initiative for the reduction in Sales Tax. The public hearing will be held on July 23, 2013. The Initiative will be on the ballot in October as the necessary signatures were obtained.

The Borough Manager and Finance Director collected some information during the budget process which I am sharing with you here:

The FY13 year's budget for sales tax is \$2,350,000. FY14 is

Salestax represents largest source of revenue for the city at 36% in the FY 2013 GF budget (mgr rpt 4/5/13)

Approx. 92% of local support for schools comes from Sales tax (mgr rpt 1/4/13)

Reducing sales tax from 7 to 5.5% would be a reduction of \$503,570, the equivalent to the entire street department budget (mgr rpt 2/8/13)

Other budget implications:

In FY 2012-2013 fed government provided 1.3 million to Wrangell Public Schools thru secured rural schools program, if it is not reauthorized, Wrangell will receive only about 50,000. (Mgr rpt 3/22)

The City and Borough of Wrangell received approximately \$847,000 from the State of Alaska in revenue sharing in 2012; \$250,000 of that will NOT be received in 2013 because the State of Alaska did not approve the supplemental revenue sharing. This, combined with a proposed reduction in sales tax to 5.5% would result in a need to cut the FY2013 City and Borough of Wrangell budget by more than \$750,000. (mgr rpts 2/22 and 4/19)