

City of Craig

Craig Community Economic Development Strategy

Annual Report

April, 2005

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This list was adopted by the Craig City Council on April 21, 2005.

Development Strategies and Accomplishments

Following is a priority list of strategies developed by the Craig Economic Development Strategy Committee as a part of the Overall Economic Development Plan. Each item contains a brief description of the project and its impacts and details any activities that have taken place in the last 12 months. There is also a brief description of current activities being taken on each item.

Local Strategies

1. Fish Processing Capacity

Project Description: Reestablishing fish processing capability in Craig is an important development step. The employment, fish processing tax, and selling point for commercial fishing boats all generate new income for the local private and public sector. That revenue increases payroll, and in turn the net amount of dollars circulating within the community. The net increase in raw fish tax receipts provides a revenue stream for maintenance and upgrade of the community's harbors that is now absent. In order to increase the infrastructure, add value to the area fisheries, provide economic flexibility to the local fleet and add local jobs to the community it is crucial that we upgrade fish processing and storage capabilities in Craig. Commercially available ice, fish processing capability and cold storage space are critical to increasing this industry in Craig.

Activity over the Past 12 Months: The ice house facility at False Island continues to provide ice year round and has been a benefit to the fishing community. We recently received the draft facilities feasibility study from Polar Industries on a potential cold storage and processing plant at False Island.

Current Activity: Using the construction figures provided by Polar Industries city staff is looking to the State of Alaska and the Economic Development Administration for project funding. In addition to the facilities study the city will be contracting for a market study to ensure that the anticipated demand for the facility will meet operations and maintenance costs. This study will be funded by a grant from the US Forest Service.

2. Development of the Ward Cove Packing Co. Site

Project Description: Legislation has passed in the US House and the US Senate to sell city owned property on Sunnahae Mountain in order to get funding to purchase the old Ward Cove Packing Co. site in downtown Craig. Purchase of this 10 acre parcel (five upland and five tideland/submerged acres) will greatly enhance the traffic flow, parking, appearance and commercial attraction to the downtown area. Increased harbor facilities will help relieve the crowded conditions and attract pleasure boats traveling through the area.

Activity over the Last 12 Months: Legislation has been passed and signed by the President. Although the intent was for the appropriation to be included in last year's budget it was not included. The City of Craig has been lobbying for inclusion of the appropriation in the current budget.

Current Activity: The city has been asked by Sen. Steven's staff to secure an assessment of the trail property value. This will help to set the appropriation level in the upcoming budget cycle. City Staff has been working with the US Forest Service and Charles Horan of Sitka (Craig assessor) to perform this assessment.

3. Craig Pool and Schools Alternate Heating System

Project Description: For years the city has considered transition from propane to a less expensive, more efficient diesel heating system for the municipal pool. Over the course of the past year the option of converting to a wood fired primary heating system has become more and more viable. Converting from propane to wood will result in significant annual cost savings. In addition to saving money heating the pool the city proposes to also include some of the Craig elementary and middle school buildings in the same heating system. The project includes purchase and installation of a wood fired boiler system sufficient to provide heat to the pool water, building and the selected school buildings. The project also includes renovations as necessary to existing heating systems in the pool building and schools. This project is a pilot project in Craig and may result in similar projects being considered in the future.

Activity over the Past 12 Months: The city oversaw the completion of two feasibility reports on the project, both of which support adding wood heat to the existing mechanical systems. The issue has been discussed at length in various forums throughout the year. City staff has taken the opportunity to observe small and large wood fired systems in Alaska and in Montana.

Current Activity: Two thirds of the funding is in place. City of Craig staff will continue to work funding issues to see this project completed.

4. Expand Health Services

Project Description: The current clinic is undersized and can be laid out to better utilize space available. Increased health services will improve the efficiency of the clinic services, better accommodate itinerant care providers and significantly increase health care for island residents. In addition to improvements to the Craig Health Clinic the modifications will also add privacy, security and usability to the Public Health Nurse clinic co-located with the Craig Clinic.

Activity over the Last 12 Months: Clinic renovation designs have continued to be refined throughout the year. City staff has continued to work funding issues from the various funders identified in the project. The city does not anticipate any problems with the funding package. Various foundations and Denali Commission representatives have visited or met with the city administrator and Dr. McGrath. City officials have also taken travel opportunities to ensure that this issue has been on the front burner.

Current Activity: Recently a proposal was made to look at construction of a new facility instead of renovating the current one. This facility would not only include the Craig

Clinic and Public Health Nurse, but would include COHO, Community Connections and potentially other health/medical related providers in the Craig area.

5. Port St. Nicholas Road Upgrade

Project Description: This project consists of survey, design, engineering and construction of a paved two lane road. Final construction of this road will reduce long term maintenance of roads and will improve driving conditions for residents of Port St. Nicholas.

Activity over the Past 12 Months: The Craig Community Association (CCA) has continued to work this project. This project was moved to FY2006 funding in the State Transportation Improvement Plan and state funding looks positive. RP Kinney has completed survey, geology, design and environmental scoping for the project.

Current Activity: CCA continues to work the funding issues to ensure that the current 5 ½ mile project is fully funded and completed. Funding negotiations will continue to go on with the State and BIA.

6. High School/Middle School/Elementary School Upgrades

Project Description: Due to the age and condition of some of our school facilities there is a need to do some major maintenance and renovation.

Activity over the Last 12 Months: In 2002, the State of Alaska authorized a bond reimbursement program for school construction. There were two Craig Schools projects on the FY 2003 state project lists: the Craig Elementary School Renovation (\$2,695,112), and the Craig Elementary School Addition (\$2,035,282). After cost and time considerations were made it was decided to remove these items from the list.

Current Activity: The city continues to work the roof issue and has applied for legislative grant aid in funding.

7. Community IFQ Program

Project Description: A program is being put into place that will allow non-profit community organizations to purchase fishing quota. The formation of a non-profit and purchase of additional quota will make additional opportunities available for local fishermen.

Activity over the Last 12 Months: The Community Quota Entity program was enacted by Amendment 66 to the National Marine Fisheries Service rules. Craig quickly took the lead in analyzing and pursuing all necessary steps to participate in this program. The city completed a financial analysis and business plan; drafted articles of incorporation and bylaws; formed a non-profit corporation under Alaska state law (The Prince of Wales Island Community Holding Corporation); formed a board of directors; applied for and received their transfer eligibility certificate from NMFS; and has been conducting a review of business documents. Staff has also been looking for funds to purchase IFQ.

The City of Craig is the first (and so far only) community (of 42 eligible) in the state to have completed the process to be eligible to participate in this program.

Current Activity: Staff will continue to sort through all pertinent business documents so that the corporation will be ready to act when it has quota in hand. Staff continues to seek funding to allow for purchase of quota share.

8. Fish Enhancement

Project Description: Improving stocks of high value king salmon has benefits for all categories of fish users. Increased populations of these fish will mean greater opportunities for commercial, subsistence, charter and sport fishermen. Working in cooperation with the Prince of Wales Hatchery Association, king stocks can be increased locally.

By enhancing king salmon stocks, commercial fishermen will have access to more high value fish for sale to local processors. In addition, those king salmon will not be counted toward the Southeast Alaska King Salmon Harvest under the Pacific Salmon Treaty, resulting in a net gain of available king salmon. Moreover, the fish will be released locally, meaning an annual return to local waters for exploitation largely by the local fleet. In addition, the local charter fishing industry will benefit by increasing the number of popular king salmon available to charter customers. The added king salmon will also benefit the many local sport fishermen in the Craig/Klawock area.

The Prince of Wales Hatchery Association, which received EDA assistance in 1996, is the natural choice for developing new runs of king salmon. The association's Klawock River facility has the egg taking, incubation, and rearing facilities, as well as the personnel needed to develop and maintain the annual runs. The association could develop a cost recovery fishery with the local fleet to fund the annual operating expenses related to the enhancements.

Activity over the Last 12 Months: Permitting has been completed along with preliminary designs. Preliminary sitework has been accomplished and final plans are being engineered. Additional funding has been secured in the form of a legislative grant.

Current Activity: Final plans are being developed by engineers for all aspects of the project. The steel building to house the operations has been ordered and construction will begin this summer.

9. Museum/Historical Center/Visitor Center

Project Description: With the increase of tourism and related industry on Prince of Wales a central visitor center and associated attractions could be very beneficial. This project is new to the CEDS list this year and is in it's conceptual stages.

Activity over the Last 12 Months: None.

Current Activity: City staff will monitor the feasibility of this project during the upcoming year.

10. Community College/Community Center

Project Description: Establishing a community college program locally could provide a wide array of vocational, arts, and academic classes for residents. An associate degree program could allow local high school graduates the option of staying home for two years of a four-year program, reducing the cost of postsecondary education substantially.

The University of Alaska Southeast Ketchikan Campus made a presentation to the Prince of Wales Community Advisory Council in January of 2003, detailing their interest in increasing educational services to island residents. Because much of that service delivery will be by internet or telephone, so a community college facility is not yet a priority with the university.

Activity over the Last 12 Months: Although still not actively being pursued by the university at this time, the capabilities of having college classes on the island have increased. The recent completion and opening of the technology center in the Craig Community Association building includes classrooms, video teleconferencing, and computer equipment. This distance learning infrastructure will help in bringing college level classes to Craig.

Current Activity: The Craig Community Association continues to work with the university to incorporate college classes on Prince of Wales Island. In addition the CCA has been very active in making technology classes available to island residents.

11. Timber and Value Added Processing Input and Support

Project Description: With the overall decline of the timber industry it becomes more and more critical for municipalities to support a marketable level of timber harvest and development of added value industries. This project is new to the CEDS list this year.

Activity over the Last 12 Months: None.

Current Activity: Craig city staff will continue to monitor timber sale availability relative to local demand and will seek ways to develop or enhance the value added timber industry in Craig.

12. Street Improvements

Project Description: A number of the collector streets in Craig merit upgrading. The addition of sidewalks and asphalt surfacing will define property lines, provide safe places for pedestrians to walk, and lower street maintenance costs. In addition, reducing dust generated by traffic on dirt roads keeps adjacent homes and businesses cleaner, and improves air quality for those with asthma and other diseases that are exacerbated by ambient air particulates. Maintenance and upgrade of existing roads and intersections are major concerns.

Activity over the Last 12 Months: The city has secured a significant amount of funding for road and utility upgrade projects. During 2004 the Craig Planner, Police Chief and Public Works Director prepared a preliminary list showing upgrade priorities.

Current Activity: Staff will continue to fine tune the priority list and will begin engineering required for utility and street upgrades.

13. Utility Extension

Project Description: Upgrades to Craig's water treatment/distribution and sewer systems are very important to maintaining health and safety. Due to the age of parts of the system and changing needs, the city needs to continually look at maintenance, repair and upgrade of Craig utilities. The water distribution system has had a high rate of water loss due to broken pipes in the system. A major leak has caused the shutdown and rerouting of water distribution along the highway in East Craig.

Activity over the Last 12 Months: The city has continued to work utility issues and has \$973,000 in the Governor's current draft budget for utilities.

Current Activity: Staff will continue to monitor the availability of funding and will begin preliminary prioritization for engineering work in order to accomplish listed utility projects.

14. Float Plane Terminal Access and Parking

Project Description: The State of Alaska has formally asked the City of Craig to take over ownership and operation of the float plane terminal property in Craig. Reopening this facility will improve the appearance of the float plane terminal, will benefit outgoing travelers, will give a better impression to visitors and will allow local air carriers to operate more efficiently.

Activity over the Last 12 Months: The city has done a study of costs associated with running the facility. We are confident that with some required changes, the operations and maintenance costs can be brought to a level that will make it economically viable to reopen that facility.

Current Activity: The city has taken ownership of the facility and is currently making improvements identified in the transition process. One air carrier has already resumed occupancy at the facility. City staff will continue to make improvements and will look at improved access and parking.

15. Breakwater/Harbor Improvements

Project Description: The City of Craig harbors are completely full and a lengthy stand by list for permanent moorage exists. Currently Craig has over 200 vessels moored in city harbors and over 1,300 linear feet of transient moorage.

Activity over the Last 12 Months: The City of Craig has worked very hard this year on acquisition of the Ward Cove Packing Co. tidelands in downtown Craig. This area has

been identified as the preferred site for a new harbor. City staff has met with Corps of Engineers officials to discuss future corps involvement and the direction that the city should proceed in.

Current Activity: The City of Craig is looking at funding relief to conduct environmental studies, engineering and design of a new facility. The city is also aggressively working the purchase of the site.

16. Expansion of City Library

Project Description: The current library space is full with no room for much needed expansion. As the city develops property related to other projects relocation of the library to another facility or construction of a new library needs to be considered.

Activity over the Last 12 Months: None.

Current Activity: None.

Regional Strategies

1. Peratrovich Airport Improvements

Project Description: The State of Alaska-owned airport near Klawock, formally called the Frank Peratrovich Airport, is a critical piece of island infrastructure. The facility's 5,000 foot long paved runway can accommodate many classes of passenger and freight aircraft. Regular air freight service from the airport to markets in the continental U.S. or on to the east via Anchorage can increase the price paid to local fishermen by selling their product on the fresh market, rather than selling to cold storage buyers for eventual sale in the frozen or processed markets.

In addition, scheduled air passenger service to and from the island would eliminate the expensive, unpredictable and all-too-often unpleasant travel required to board the jet in Ketchikan.

The airport runway is already long enough for jet cargo and passenger service. The State of Alaska last year contracted for the installation of a security fence along the airport perimeter. The presence of a perimeter fence and the installation of an instrument approach provides two important prerequisites for introduction of jet passenger service to the island. Other physical improvements, as well as promotion of the airport, are necessary to bring regular jet service to the island.

Activity over the Last 12 Months: FAA and engineers have continued to do analysis of the airport and the ILS improvements. City staff met with FAA officials in Washington DC in February to continue discussions on the project.

Current Activity: Analysis, funding and site work will continue this year.

2. Solid Waste Facility

Project Description: The local landfill transships solid waste to a landfill in eastern Oregon. Initially, the landfill, operated by the City of Klawock, and used primarily by the cities of Craig and Klawock, anticipated changing their disposal method from landfill to incineration. However, Klawock is moving away from incineration after hearing reports of unsatisfactory results in other southeast communities.

There is some interest in the region in developing a SE Alaska solid waste site to serve the area's communities, almost all of whom now transship their municipal solid waste to points in Washington and Oregon. The effort to find a regional solid waste facility should continue through feasibility and site studies.

Activity over the Last 12 Months: Communities have continued to look at alternative methods of dealing with municipal wastes. No formal program has developed.

Current Activity: Communities will continue to look at options as the price of transshipment continues to rise.

3. Island-Wide Economic Development Planning

Project Description: With a wide array of common economic and social issues facing all the communities on Prince of Wales Island, a coordinated, Island-wide effort to address these issues is merited. The obvious place to begin is with an update of the 1992 Prince of Wales Economic Development Strategy produced by C.L. Cheshire and funded by a grant from the U.S. Forest Service.

Activity over the Last 12 Months: The City of Craig has deferred to the Prince of Wales Community Advisory Council as lead organization on this project. Over the last 12 months POWCAC invited various people to speak on economic development issues but has not yet begun to develop a comprehensive economic plan for the Island. In 2003 POWCAC did collaborate on an island wide capital project list. This list was submitted to Southeast Conference, which is recognized by the Federal Economic Development Administration as the regional economic development entity for southeast Alaska. Southeast Conference published the island wide list as part of the Southeast Alaska Community Economic Development Strategy.

Current Activity: None at this time.

4. Paralytic Shellfish Poisoning Testing Laboratory

Project Description: Prince of Wales area waters contain commercial quantities of shellfish. In addition, a number of shellfish farms exist that culture product for commercial markets. Prior to their sale to retail markets, all of these species must be tested for paralytic shellfish poisoning (PSP). PSP occurs periodically and unpredictably in both wild and cultured shellfish stocks. The only PSP laboratory in Alaska is in Palmer. Shipping product to Palmer can take several days depending upon weather conditions. These several days delay the shipping of the harvested shellfish to market. Having a PSP laboratory in Southeast Alaska will reduce the time between when shellfish

is harvested and when it can be tested for PSP. This will get the fresh product to market sooner, and ultimately fetch a higher price for shellfish producers.

Activity over the Last 12 Months: The CCA and the Organized Village of Kasaan are interested in assisting in the establishment of a paralytic shellfish poisoning (PSP) lab on the island. CCA and OVA may be able to access funding sources otherwise unavailable to the project.

Current Activity: This project is still in the developmental stages.

5. Vocational Training Center

Project Description: Post-high school education is important to our area. The ability for local graduates, industry workers looking to enhance their skills and marketability and displaced workers in the timber and fishing industries to receive vocational training is important. This project is to encourage development of vocational training in the area for these target populations. This project is new to the CEDS list this year.

Activity over the Last 12 Months: None.

Current Activity: None.

6 Island-Wide Transportation System

Project Description: With the advent of daily ferry service by the Inter Island Ferry Authority (IFA), with north end IFA service scheduled to begin in the near future, and with great growth potential at the Island's airport, an effort to organize and plan for passenger and freight transportation needs is needed. An integrated system will allow for orderly growth and ideally encourage on-island businesses to meet anticipated needs. Additionally, the document will qualify the Island for mass transit and other grant programs geared toward moving people and freight between the various transportation modes.

Activity over the Last 12 Months: The Craig Community Association (CCA) has tasked its transportation planner with developing a transit system for portions of Prince of Wales Island. An advisory group consisting of community representatives has formed and made preliminary discussions. CCA has consistently worked funding issues with state and federal representatives.

Current Activity: CCA and the advisory council will continue to develop a draft program and seek funding.

7. Island-Wide Electrical Intertie

Project Description: The Alaska Energy Authority, with the Denali Commission, is considering an on-island intertie between the existing electric grid serving (Craig, Klawock and Thorne Bay), and the communities on the north end of the island. Doing so will reduce kilowatt hour costs in the north end communities by about one half, resulting in significant cost savings for north end rate payers. Connecting the Island's electric grid

to the east side communities of Coffman Cove and Whale Pass also provides two additional connection points for an eventual tie into a region-wide intertie in Southeast Alaska.

Activity over the Last 12 Months: AP&T has continued to extend lines on the island.

Current Activity: The City of Craig continues to work with Southeast Conference and other communities on the electrical intertie project.

8. Borough Study

Project Description: Prince of Wales Island is in Alaska's unorganized borough. Put another way, no borough-level government exists on the island. From time to time discussions surface as to the merits of forming an island borough. However, a lack of understanding of the consequences of borough formation results in action on the issue ending at the discussion level. A comprehensive analysis of the changes brought about by the formation of a Prince of Wales Island Borough is necessary to give island residents a complete look at what borough formation would mean, and whether or not it is in the island's best interest to organize in that manner.

Activity over the Last 12 Months: In February, 2003, the Local Boundary Commission published a review of seven areas in the Unorganized Borough that it believes meet the criteria for borough formation. The LBC considered Prince of Wales Island in the review but declined to recommend that the island meets the criteria for borough formation. State Senate Consolidated Resolution No. 12, introduced this session by Sen. Wilken (Fairbanks) recommends that the Local Boundary Commission move forward on creation of several new boroughs. Prince of Wales is not recommended for borough creation by this legislation.

The issue of school district consolidations has become a very hot issue for state legislators and for the Local Boundary Commission. Current legislators are very interested in combining small school districts in order to make more money available to students. The Craig School District is well above the threshold of 250 students that is being set, but all other districts on Prince of Wales Island (Klawock, Hydaburg and Southeast Island) are below 250 students and are being looked at very closely for district consolidation.

Current Activity: Craig city staff continues to closely monitor consolidation issues in the legislature, governor's office and the Local Boundary Commission. The city will continue to weigh the benefits and drawbacks of conducting an independent study on the feasibility of consolidation.

9. Bicycle & Pedestrian Paths

Project Description: With the improved ferry service to the island, additional interest in a tourist industry that caters to the independent traveler, and the focus in recent years on improving Prince of Wales Island's road system, there is merit in including in road designs bicycle and pedestrian paths along the island's main roads. Such improvements

are useful not only to seasonal tourists and to the annual POW marathon, but also to local residents. The paths would increase transportation alternatives and may help facilitate new businesses.

Activity over the Last 12 Months: While major road improvements have taken place, very few bicycle and pedestrian paths have been included.

Current Activity: Area residents continue to seek bicycle and pedestrian paths in and around Craig. The city will continue to work with the State of Alaska and the Federal Highway Administration to extend the existing bike path.

10. Emergency Planning

Project Description: Preparedness for emergencies and response to them has critical economic impact. The local emergency planning committee has been charged with the responsibility of preparing draft emergency response plans for area communities. Adoption and implementation of plans are completely at the discretion of each individual community.

Activity over the Last 12 Months: The Southern Southeast Local Emergency Planning Committee (SSLEPC) formed in August of 2004 and has been working on draft plans, training, exercises and other emergency management tasks. This open committee is composed of community, first response and business leaders from communities throughout Prince of Wales Island.

Current Activity: The SSLEPC continues to work on draft emergency plans for communities to consider adopting.

11. Island Wide Recreational Vehicle Facilities

Project Description: With the island roads being upgraded, existing ferry availability to Hollis and the upcoming ferry connection in Coffman Cove there will be an increase in self directed tourism on the island. In order to meet this increase in traffic the establishment of RV facilities both in communities and at regional locations is necessary. The committee supports private and public development of such sites.

Activity over the Last 12 Months: None

Current Activity: This project is in the conceptual stages.

12. North POW Campground

Project Description: The U.S. Forest Service has property at El Capitan and at Labouchere Bay, either one of which could be developed into prime campground sites. A north end campground facility would provide a destination for independent travelers on the island, and would coordinate nicely with the proposed Coffman Cove/Wrangell/Petersburg ferry route now in development by the Inter Island Ferry Authority.

Activity over the Last 12 Months: No activity over the past twelve months

Current Activity: The US Forest Service continues to look at development of recreational activities that will meet user needs.

13. West Coast Kayak and Skiff Route

Project Description: A west coast kayak and skiff route, from Prince of Wales Island to points north, would add another dimension to the seasonal tourism market. Campsites on national forest or private land placed along the route at intervals equal to a day's travel would allow boaters the opportunity to camp along the route while also staging in the west coast communities along the way. The simple infrastructure required by the program would add an attractive new opportunity for recreation in the area.

Activity over the Last 12 Months: The Forest Service has continued to include recreation facilities that will make this project possible.

Current Activity: None at this time.

Economic Climate

Staff has looked at some economic factors to develop a quick, rough set of economic trends for the City of Craig over the last five years. We used four factors to look at the economic trends of the city. Those factors were: population, school enrollment, sales tax and building permits. Although these are not enough to provide detailed analysis, they are enough to get a quick idea of the trend.

Economic Factors Analyzed:

Factor 1: Population figures used by the State of Alaska for the last five years are as follows:

Year	Population	Increase/Decrease
2000	1,397	
2001	1,246	-11%
2002	1,227	- 2%
2003	1,174	- 4%
2004	1,127	- 4%

Although there appears to be a dramatic change between 2000, 2001 and 2002 this is mostly due to the different methods of gathering information. The same database was used in 2002-2004 so it shows a fairly accurate drop of 53 people in 2003 (a 4% decrease in population) and another decrease of 47 in 2004 (another 4% decrease).

Factor 2: School Enrollment. Total enrollment of local students (excluding correspondence and cyber students) in the Craig City School District is as follows:

Year	Enrollment	Increase/Decrease
2000	412	
2001	385	- 7%
2002	391	+ 1%
2003	382	- 2%
2004	367	- 4%

Factor 3: Sales Tax figures over the last 4 ½ years show a declining trend. Annual sales tax revenues are as follows:

Year	Sales Tax Collected	Increase/Decrease
2000	\$1,417,979	
2001	\$1,389,235	- 2%
2002	\$1,271,875	- 9%
2003	\$1,262,239	- 1%
2004	\$1,290,000	+ 2%

Factor 4: Building Permits issued over the past several years are as follows:

Year	New Homes	Commercial Permits	All Others	Total
2000	1	3	21	25
2001	0	4	25	29
2002	2	5	29	36
2003	1	5	29	35
2004	8	7	30	45

Analysis:

Looking at the last several years an overall decrease in these economic factors is evident. Population, school enrollment, and sales tax all show measurable declines right up to the current year. Building permit figures (especially construction of new homes and commercial projects) and sales tax collections show a rise, especially building permits.