

**CITY OF HAINES
AND
HAINES BOROUGH**

**OVERALL ECONOMIC
DEVELOPMENT PROGRAM**

ACTION PLAN

May 30, 2001

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Adopted May 30, 2001

This action plan would not have been possible without the dedication of the original 1999 O.E.D.P. Committee Members:

Donald E. Otis, City Mayor	Rich Kaloostian
Vince Hansen, City Administrator	Randa Szymanski
Dan Egolf	Naomi Kerwin
Jim Studley	Peggy Ormasen
Charles Paddock	Andy Eggen
George Mark	Thom Ely
Lucy Harrell	Steve Boisvert

We would also like to acknowledge the fine efforts of the Haines Borough's Action Plan Members, who built on the work of the O.E.D.P. Committee's plan to fine-tune and complete this "Action Plan". They are:

John Favro - U.S. Forest Service Representative
Marilyn Huitger - Chamber of Commerce
Dave Pahl - Forest Resources
Dan Humphrey - Forest Resources/Value-Added Products
Debra Schnabel - Borough Assembly/Civic Affairs
Dave Nanney - Cottage Industry/City Planning Commission
Brian Johnson - Borough Planning Chairman
Larry West - Visitor Industry
Jim Studley - Local Emergency Preparedness
George Mark - Education/Conservation
Ellen Carey-Starr - Human Services
Ray Staska - Fisheries Resources
Tribal Administrator - Chilkoot Indian Association
John Brower - Borough Planner
Tom Healy - City Administrator
Dick Flegel - Banking/Finance
Stephanie Scott - Education/Planning/Community
Dan Henry - Communications
Brian O'Reilly - Fisheries
Ray Menaker - Seniors/Civic Affairs
Tim Shields - Conservation
Maynard Eaken - Native
Robert Venables - Small Business
Margo Clayton - Human Services

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City and Borough of Haines Economic Development Planning History

The City of Haines Overall Economic Development Program (O.E.D.P.) Committee was re-established in February of 1999 in order to meet application requirements for Economic Development Agency funding and to provide insight and guidance in local development decisions. Committee members represented major economic sectors and were chosen for their broad knowledge of the community and its resources.

Three meetings were held in March and April. The first two meetings focused primarily on identification of elements that affect the local economy. Committee members were given an overview of previous community planning efforts and were supplied with current economic data compiled by the Alaska State Department of Labor, the Department of Commerce and Economic Development, local survey results and local government data. Discussions drew on these studies as well as the knowledge of committee members and staff and focused on various public and private sectors of the economy. The purpose of the analysis was to identify potential resources to be developed and constraints that impede economic growth.

Many of the City's O.E.D.P. priorities were accepted into the Comprehensive Economic Development Strategy (CEDS) that was collaboratively developed by Southeast Conference on behalf of the City and Borough of Haines and other communities in Southeast Alaska.

In addition to the City's efforts the Borough also engaged in planning activities during this period. The Borough held five meetings from January through May of 1999. Ten community members discussed current conditions and explored opportunities for economic growth.

The Borough's planning committee decided on four priorities. It was felt that the development of a Small Business Resource Center would be helpful to local small business. The group applied for and received a grant to develop a local business development web site. A solid waste management plan was a priority that was developed and approved on June 5, 2000. The priority for an Economic Development Director/Planner position was filled in December 2000. The final priority identified by the Borough's Action Team is the creation of an educational program that is natural-resource based. That priority is now a part of this updated O.E.D.P Action Plan.

Overview of the Economy

The Haines economy is transitioning through a significant shift in industry mix. Mirroring state and regional trends, contraction in the manufacturing sector has been offset by gains in services and retail trade.

In 1990, manufacturing firms provided over 25% of wage and salary employment in Haines. In 1996, manufacturing's share had dropped to under 12%. Almost all remaining manufacturing jobs were in seafood processing.

Over the same period, the services and retail sectors combined added more jobs than manufacturing lost. Services expansion occurred in hotels, amusement and recreation, retail, food stores, eating and drinking places, retail outlets and other tourism related activities as well as health care.

With access by road, sea, and air, transportation links are Haines' greatest economic assets. Utilizing the area's strategic transportation routes and scenic setting, tourism has developed as a driving force behind the economy. Significant increases in cruise ship traffic occurred in year 2000. However, the recent loss of four out of the previous year's five weekly larger capacity cruise ship visits has set the Haines economy back many years. The Alaska Marine Highway System has added service that makes daily connections between Haines, Juneau, and Skagway during the summer months. This service has proved to be unreliable as each year some unforeseen event interrupts scheduled service. Private ferries have begun to provide frequent connections for passenger service between Haines, Skagway and Juneau. Both passenger and freight traffic is increasing at the Haines Airport. All of these developments in the transportation sector set the stage for future opportunity in tourism related jobs and businesses.

As a tourist destination, Haines has several attractions besides its accessibility. Haines offers spectacular scenery and is the gateway community for Glacier Bay, the Kluane Wilderness, the Alaska Chilkat Bald Eagle Preserve and three of Alaska's State Parks. Haines offers many wilderness activities including river rafting, kayaking, hiking, and fishing.

Currently the seafood industry is the only resource-based industry providing significant employment. In 1995, 117 Haines residents held commercial permits, earning an estimated 4.8 million dollars. Salmon made up over 88% of the fish they caught. As is true elsewhere in the state, though harvests have been strong, low salmon prices have held earnings down.

Reportedly, some fishermen have found operating expenses higher than gained income and are leaving the industry. Value added processing has taken place historically at Wards Cove Packing Co. Inc. facility at Excursion Inlet. Wards Cove Packing is the Borough's largest employer in the summer months. There are some small processors producing smoked salmon in Haines. Roe processing has become a lucrative commodity. Recently Haines Fisheries has developed an export market for whole fish through Haines and is now incorporating a roe-processing partner in the business.

Haines is home to the oldest population in the state. The median age of Alaskans is 32.9 years while the median age in the Haines Borough is 40.4 years. The influx of seniors into Haines has shifted a larger property tax burden onto business and younger families as the seniors enjoy a State-mandated tax exemption on the first \$150,000 of property valuation.

Haines' growing status as a retirement community is an important economic asset. Retirees bring income into the community, which helps offset the declining wage base and supports expansion of the service sector. The need for services provides one of the greatest opportunities for economic growth in Haines. The increase in retirees may help to explain the populations' upward trend in spite of unsteady employment.

A recent report from the Alaska State Department of Labor predicts that Haines will outpace the rest of Southeast Alaska in population growth. Primarily new residents moving to the area will fuel this growth.

Cutbacks in shareholder distributions by the local Native Corporation have had a significant impact on the local economy. Guaranteed distributions ended in 1999 and the system was replaced with a new formula that has decreased payouts.

Committee members noted increased use of technology by local residents to market existing businesses and products and to provide technology-based services, such as internet marketing and web page design, to national and international markets. The ability of information technology based enterprises to overcome traditional economic barriers such as high shipping costs creates opportunities for future increases in this sector.

Factors Affecting Local Economy

Financial Resources

The climate for business financing is promising due to several State and Federal funding sources actively lending in Southeast Alaska. The Southeast Alaska Revolving Loan Fund has \$300,000 designated for Haines and access to an additional fifteen million through a USDA lending program that can be used for start up, acquisition, or expansion of Southeast Alaska small businesses.

Committee members noted several barriers to local business owners and potential business owners that prevent them from taking advantage of financing opportunities. These barriers include: lack of expertise preparing business plans, reluctance to apply for loans, and limited support for entrepreneurs.

Utility Costs

Recent cuts in State funding have impacted the Rural Power Cost Equalization (P.C.E.) Program that effectively raises electric utility costs for all Haines residents and businesses. Although the P.C.E. program has funding for the present, the new formula does not apply to schools or businesses. The closing of the local landfill has doubled solid waste disposal rates. If a long-term solution is not found soon, the rates may increase again. Municipal water rates have also increased. These cost increases, along with increases in property taxes, have made it very challenging to operate a business in Haines.

Land Use Patterns

The City has recently revised its comprehensive plan, zoning and land use ordinances. The Fort Seward Historic District is the site of Alaska's first permanent Army base. Restoration of the underutilized buildings in the Fort Seward Historic District offers an opportunity to revitalize Haines' economy. Future land use issues include development of the former U.S. Army Fuel Storage facility (tank farm), now involved in a required environmental clean up. The waterfront from the beginning of the tank farm to the old sawmill site has been designated as an industrial site. This site will need to be developed and marketed for future use.

Infrastructure

"With access by road, sea, and air, transportation links may be Haines' greatest economic asset" *Alaska Economic Trends* September 1997.

The infrastructure that supports the transportation sector is essential to the future economic health of the community. Dock, harbor, and airport improvements and maintenance are needed to support the growing freight and passenger traffic moving through the community. The Lutak dock is in need of repairs that could cost the City of Haines more than \$5 million. The small boat harbor is in dire need of expansion. The Army Corps of Engineers has recently qualified the small boat harbor for an expansion that could more than triple the size of the present harbor at a cost approaching \$29 million. The floating dock at Letnikof Cove is in need of repair and may be a key component in attracting the smaller capacity cruise ships back to Haines.

Transportation

There are currently ongoing road improvement projects that will improve the road link from Haines to the Interior of Alaska and the Yukon. Other transportation projects under consideration would create better road infrastructure in Haines. Improvements in the Alaska Marine Highway System are being proposed in a current study commissioned by the Department of Transportation. The private sector has increased the transportation capacity for passenger service between Haines and the communities of Juneau and Skagway. A recent consolidation of air carriers has decreased the number of flights in and out of the Haines airport.

Geographic Location

Haines' strategic location offers opportunities for transport to and from Interior Alaska and Canada's Yukon Territory. Its distance from the Lower 48 creates barriers to distribution of finished goods to the rest of the United States and Internationally. This geographic disadvantage is erased in many technological ventures and is reason for the focus on developing tech-based businesses.

Services

Expansion of the service and retail sector has filled the gap created by declining resource-based employment. On the downside, much of the service sector employment is seasonal and many of the jobs pay lower wages.

Technology

Changes in technology, internet-based businesses and web-based marketing offer opportunities for local businesses to participate in the global market place. Improvements in existing telecommunications infrastructure, including faster Internet access, would support expansion of this sector. Currently there is a proposal to provide fiber-optic cable service to Haines in the near future.

Environmental factors

There are environmental clean up projects currently in process. The Fuel Storage Facility is scheduled for significant clean up when funding becomes available. Other environmental issues include inadequate on site waste water systems, especially those homes in the recently annexed areas of the City, and expensive solid waste disposal.

Potential Development Opportunities

The committee identified several projects that would support expansion and diversification of the local economy.

Small Boat Harbor Expansion

The City is currently coordinating with the Army Corps of Engineers to evaluate the need for expanded Boat Harbor facilities. The process has identified the need for facilities to serve commercial vessels, pleasure craft and the local fishing fleet. The Corps recent study by Tetra-Tech has determined that an expansion project is economically justified. The boat harbor may triple in size and cost nearly \$29 million.

Lutak Dock Repairs

The Lutak Dock is Haines' industrial port facility handling freight shipments in and out of Haines as well as for the rest of the State. A condition survey identified the need to complete the fender replacement project. The City completed phase one of the project in 1994 by installing five new fender units. Phase two remains to be done and involves replacing five more fender units. Other needs include: a cathodic protection system, replacement of support pilings, rehabilitation or replacement of sheet pile cell structures and dredging. These costs are estimated at over \$2.5 million.

The cost for needed paving of the dock surface is estimated to be an additional \$2.1 million.

Port Chilkoot Dock Improvements

The Port Chilkoot Dock is the primary passenger vessel docking facility. Visitor facilities, parking, sidewalks, lighting, telephone and public restrooms need to be improved.

Commercial/Industrial Development

There is currently a new area designated for industrial development. Development of infrastructure to support expansion and creation of diverse business enterprises would improve local employment. This could be done cooperatively between the public and private sector and marketed toward potential users. The University of Alaska is a landowner in the Industrial zone and has expressed a desire to participate in the development program. A comprehensive Industrial Park development plan would also address the utilities needed and identify transportation corridors.

Community/Convention Center

Construction of a facility to house local government offices, conference facilities, and other services could increase revenue from conventions and visitors. This would enhance Haines' image as a destination for conventions and other events. New construction would also allow replacement of facilities that do not adequately comply with A.D.A. requirements.

Upgrade Telecommunications Capacity

Increased capacity would support technology and internet-based businesses and promotion of products and services. Broadband internet services will be required if Haines is to gain a foothold in the technology job sector.

Fish Processing

There are currently a few small fish processing businesses producing several value-added products and a larger scale fish processing facility at Excursion Inlet. This sector has seen a recent rebound as the market for roe has provided higher prices for the fish caught and processed.

Increased infrastructure and support for value-added fish processing and marketing of existing products could create additional local employment opportunities. A cold storage facility would allow for year-round processing jobs.

Value-Added Timber

There are currently a few small-scale businesses engaged in value added-timber processing. Support for this sector could create additional local employment opportunities. This will require government cooperation as most of the acreage needing harvesting is under State-agency control. There may be opportunity to create a joint venture with our Canadian neighbors. Currently there are two mid-size sawmills in the Haines Junction area.

Small Business Incubator

The O.E.D.P. committee suggested that a Small Business Incubator program could meet the identified need for local business support and expertise.

The decline in the manufacturing sector, increases in the service sector, increases in technology-based activities and continued expansion of tourism offer opportunities for the development of small businesses. Small, value-added timber and seafood processing operations also show potential.

- According to the Alaska State Department of Commerce and Economic Development, Haines has over 500 business licenses as of January 2001.
- Compared to all Alaskans, Haines residents receive a significantly higher proportion of income from proprietor's income, interest, rent and dividends and a much lower percentage from wages and salaries.

The current availability of small business financing in Southeast Alaska is very favorable for Haines' small businesses. The Southeast Revolving Loan Fund's \$300,000 designated for Haines businesses and additional USDA lending programs are available for start up, acquisition, or expansion of Southeast Alaska small businesses.

The factors outlined above present opportunity for broadening the overall economic base by supporting local entrepreneurs interested in starting or expanding small businesses.

Business incubation is a dynamic process of business enterprise development. Incubators nurture young firms, helping them to survive and grow during the start-up period when they are most vulnerable. Incubators provide hands-on management assistance, access to financing and orchestrated exposure to critical business or technical support services. They also offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space.

An incubation program's main goal is to produce successful graduates - businesses that are financially viable and freestanding when they leave the incubator. According to the Impact of Incubator Investments Study, 1997, 87% of incubator graduates are successful after leaving the incubator.

Goals and Objectives

GOAL: Enhance the existing business and economic environment and attract a diversified economy that creates quality employment opportunities.

OBJECTIVE: Complete an economic development plan.

- Maintain a municipal position to implement the community's economic development plan.
- Coordinate local OEDP planning with regional economic development planning through the Southeast Conference.
- Identify potential federal, state and local funding sources.
- Use the existing Economic Development Fund for economic development activities.
- Identify Native, private, non-profit and other potential partnerships to facilitate coordination of economic development.
- Support local organizations, such as the Chamber of Commerce, Southeast Alaska State Fair, Klukwan Inc., and the Chilkoot Indian Association that are able to contribute and leverage human and financial resources.
- Identify basic public facilities that stimulate development, such as health care facilities for retirees, and implement a coordinated phased capital project plan to design and build these facilities.
- Promote Haines area activities and resources inside and outside of the region.
- Continue to promote Haines as a visitor destination and as a host community for small conventions and association meetings.

- Initiate discussions with the Borough School District in an effort to incorporate a natural resource-based and sustainable community-based planning approach into the community's educational policy.

Objective: Foster local employment opportunities.

- Complete a needs assessment to identify existing and future job opportunities and availability of a trained work force.
- Develop partnerships between local high school and higher education facilities and businesses to create internships and provide job training.
- Work with local and Southeast Alaskan corporations and non-profit organizations to create employment training and small business assistance opportunities.
- Examine the possibility of locating a branch campus or other higher education institution in Haines.
- Publicize youth jobs in a central location.

Objective: Provide support for value-added manufacturing.

- Identify sources for raw materials to develop value-added products, such as woodworking, home construction, and forest or seafood industry products.
- Provide information on business opportunities and financing sources.
- Identify appropriate sites for value-added manufacturing.
- Identify city facilities and services that can be used to assist value-added manufacturing.

Objective: Promote tourism development while maintaining community character.

Objective: Provide opportunities and reasons for independent and road travelers to stay in Haines longer.

- Conduct surveys and public meetings to develop a tourism plan to identify and attract the level and type of tourism desired by the community.
- Remain active in lobbying for a resident and visitor friendly Marine Highway System.
- Improve visitor and resident public amenities such as restrooms, sidewalks, signage, and parking.
- Develop customer service training in tourist-related jobs.
- Provide opportunities and reasons for independent travelers to stay in Haines longer.

- Develop specific promotional materials to target groups such as independent travelers, retirees, hikers, sports fishers, and water sports enthusiasts.
- Promote the creation of trails and infrastructure where appropriate to allow for better access into the forests and outlying areas of the Borough.
- Continue development of annual and multicultural events.
- Foster the Native heritage of the Chilkat and Chilkoot valleys.
- Improve visitor activities that capture Haines' character.

Objective: Enhance Haines' social and public service environment for retirees.

- Research services and facilities required by retirees and plan for their development.
- Identify marketing opportunities and tools that will attract retirees to the Haines area.
- Support adequate emergency medical and standard medical care services and facilities.
- Work cooperatively with organizations such as the Southeast Alaska Regional Health Consortium, REACH and Catholic Community Services to assist in the development of their infrastructure and services expansion.

Goal: Ensure that land exists in appropriate locations to meet the various land use needs of the community while maintaining the character of the area and its natural environment.

Objective: Develop criteria to evaluate new development consistently and in a timely manner.

Objective: Recognize the importance of the natural environment as part of the community's character.

Objective: Create long-term development program for downtown business area.

Objective: Develop waterfront master plan.

- Develop guidelines for waterfront development, including land uses, building height, public access to waterfront, parking, and construction standards for fill or dock structures.
- Develop parking in the waterfront area.
- Maintain and expand the Small Boat Harbor to meet increasing commercial and private use.

Objective: Maintain Fort Seward's National Historic Landmark status.

Goal: Create an economic stimulus for Fort Seward through the preservation and renovation of underutilized land and buildings.

Goal: Enhance, expand, and create cultural, business and recreational opportunities and improve as well as preserve the aesthetics of the community.

Objective: Provide more recreational and cultural opportunities.

Goal: Upgrade and build service infrastructure, including trails and viewing platforms, in a manner that is timely, affordable, efficient, and aesthetically pleasing.

Objective: Provide adequate public services to promote diversified growth.

- Develop infrastructure incentives to promote industrial development in appropriate areas.
- Maintain and improve port facilities to ensure efficient transport of freight and passengers.
- Identify areas for improvement and expansion of basic utilities.

Objective: Upgrade telecommunications infrastructure to support technology and internet-based businesses and marketing.

Objective: Ensure that adequate public services are in place to meet community needs.

Goal: Develop and improve transportation systems, the level and quality of transportation service, and pedestrian facilities within the community.

Objective: Improve local transportation systems.

- Prioritize road upgrades and development based on functional classifications and need.
- Identify opportunities for improved marine access with both private and public participation.
- Improve local infrastructure such as sidewalks and trails.