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Scoping of Economic Impact to the Community of Haines from the University of Alaska's Proposed 10-Year Timber Sale

Prepared by Haines Economic Development Corporation in cooperation with the Haines Borough Planning Department

SCOPE

In recognition of the significant economic implications of the proposed local timber sale by the University of Alaska (University), the Haines Economic Development Corporation (HEDC) Board of Directors decided to research possible components of an in-depth economic analysis for the local community. Through a review of available data, we present possible components of an analysis in question format.

Limitations to Our Study

- *Minimal organizational capacity.* This information was compiled prior to finalizing HEDC's Baseline Economic Data Study and 5-Year Strategic Economic Development Plan.
- *Short timeline for comprehensive analysis.* This information was compiled prior to the University's April 26, 2018 community meeting.
- *Limited staff.* Neither HEDC nor the Borough employs research personnel. This report was compiled within the constraints of competing job requirements.

BACKGROUND

University Proposal

The University received a notification of interest from a bona fide purchaser and will be entering into a 10-year negotiated sale to harvest timber on the University's Haines Parcels. The total area for the Haines parcels is approximately 13,426 acres. The University-owned lands are scattered throughout the borough with most of the acreage located across the Chilkat and Klehini Rivers or across the Chilkat Inlet from Haines, including near the Davidson Glacier and Pyramid Harbor. Smaller portions of acreage include areas near Taysanki Point, on the Ripinski mountainside and near Tanani Bay.

In conjunction with the announcement of this proposed sale, the University expanded on how the sale may be managed in the March 2018 edition of "The Statewide Voice," a monthly, online newsletter for University of Alaska Statewide employees:

“The Division of Forestry, the University of Alaska Land Office, and the Mental Health Trust Land Office are working together to provide a 10-year timber supply in the Haines area.

The three parties will coordinate their individual efforts to provide a combined target volume of 150 million board feet over a 10-year period. Most of the timber sales would occur on the University of Alaska’s Trust lands but additional timber could be proposed on adjacent Haines State Forest and Mental Health Trust lands, according to an agreement signed by the parties earlier this year. Accessing the timber would require new road and bridge construction.

The organizations have agreed to share staff and facilities and to work together to help facilitate any financing and construction of infrastructure. All timber sales will be conducted in accordance with the Alaska Forest Resources Protection Act, which is jointly administered by the departments of Natural Resources, Fish and Game and Environmental Conservation. The primary objective of the act is to protect fish habitat and water quality. Any sales on Division of Forestry-managed lands will be conducted under the division’s existing requirements and public participation process for timber sales, and in accordance with the Haines State Forest Management Plan.”

Progress/Timeline

April 24 Haines Borough Assembly Meeting

An assembly discussion of the timber sale will likely occur and possible committee of the whole meeting scheduled at this time.

April 26 Department of Forestry Open House

The Department of Forestry will hold an Open House at the Chilkat Center Lobby with representatives from the University of Alaska to discuss the Haines Borough Timber Sale project. In asking the university about its project timeline and public involvement process they replied, “The University’s Open House on April 26th is the best opportunity see the path moving forward.”

May 7 Comment Period Ends

Parties interested in commenting on this development and disposal plan must submit written comments to the University of Alaska through its Facilities and Land Management department. The comment period for the negotiated timber sale and disposal plan was extended on April 10th.

End of July Contract of Sale Awarded by University (Tentative)

Existing Data Reviewed

Information about the negotiated timber sale is available on the University’s website. The University also provided an informal fact sheet about the sale, but some of the information cannot be corroborated at this time due to lack of cited sources and authorship (see “Haines Development Opportunity 10-Year Timber Plan for Sustainable Economy”.) Other University data relevant to this project and, but not directly linked, are its 2017 Draft Land Management Strategic Plan 2017-2040 and its 2017 Land Management Report. Citations are included on attached lit review. Other documents reviewed were:

- 2018 Draft Haines EDP Baseline Report, McDowell Group;
- 2009 Impact of Sealaska Corporation on the Southeast Alaska Economy, McDowell Group;
- 2006 Timber Products Output and Timber Harvests in Alaska: Projections for 2005-2025;
- December 2003 Alaska Economic Trends – Natural Resources Mining and Timber
- 2012 Haines Borough Comprehensive Plan 2025, Sheinberg Associates
- Haines State Forest Five Year Management Schedule 2018-2022

Other data exists, but was either not available or not reviewed during the time we had to complete this study.

RECOMMENDED QUESTIONS FOR ECONOMIC ANALYSIS

A list of questions was compiled in an effort to support HEDC in developing its own analysis of the proposed timber sale. Questions have been formed from a quick review of literature and community comments. HEDC also attended the Haines Borough Assembly committee of the whole meeting on April 3rd, 2018 to listen to about 90 minutes of public comment, followed by assembly comments on the proposed timber sale. Several questions were posed from community and assembly members regarding possible impacts to our local economy.

1. What are the opportunities for the community or stakeholders to be involved and engaged in the process?

What we know: According to the University’s stewardship and development guidelines, lands are managed for the economic benefit of the Fund, not the public at large or for the economic benefit of the Haines Borough. In an April 10th letter from the Borough Assembly to the University, the borough expressed interest in working with the University and to seek greater understanding of the community’s role in the various aspects of the timber sale.

Subquestions:

- What are the mutual benefits for the Fund, the local community of Haines, and Alaska?
- What type of opportunities will be available for community engagement?
- What role will HEDC’s analysis play in stakeholder or University decision-making?

2. What is the potential for the Haines community workforce? What are the primary, secondary and tertiary workforce needs and impacts?

What we know: Recently, the University informally released a fact sheet that espouses the benefits of the project, based on an internal review of the project. This information notes that 40-45 new local jobs (25 maritime – 20 forestry) could be created as a benefit of the project. The McDowell Group’s preliminary examination of the sale in its baseline report examined these statistics based on previous research and concluded:

“These estimates are consistent with Southeast timber industry standards of about three to four jobs per million board feet harvested, as measured in previous McDowell Group research. These figures are based on harvests from private land in

Southeast and therefore do not include any jobs associated with sawmill operations. Historical data for timber harvests from the Tongass National Forest, where primary manufacturing was generally required, indicates that about six to seven jobs were generated per million board feet of timber harvest, including construction, logging, transportation, and milling operations. These employment figures do not include indirect and induced employment (multiplier effects).”

According to the Haines Borough’s Comprehensive Plan, there is a high level of support for local timber manufacturing in Haines. There is also a small and growing value-added wood product sector in Haines. The Comprehensive Plan directs the Borough to encourage multi-agency, public-private cooperative agreements that increase value-added wood and forest product use and support use of local wood for biomass heating.

Additionally, the McDowell Group’s preliminary examination of the sale in its baseline report identified several components that need to be addressed for a more complete economic analysis.

Subquestions:

- How will local purchasing, processing, and manufacturing be incorporated?
- What is the availability of suitably skilled residents to fill workforce needs, especially in consideration of other ongoing projects including the Haines Highway and AMHS terminal reconstruction?
- What are the training opportunities available to develop a local workforce?
- How will local contractors be utilized for road and other transportation infrastructure construction?
- The nature and amount of other local purchases of goods and services
- Whether logging operations are camp-supported or by daily commute from Haines
- The volume of timber that would be made available for local process
- What markets can be developed for value-added products?
- Disposition of low-value material for chip production. What markets are available or could be created for low value timber?

3. What are the large-scale and long-term impacts on local infrastructure?

What we know: In its fact sheet, the University states that there will be “over \$90 million private capital investment infused in the local area and will provide needed infrastructure supporting works of roads, bridges, docks, etc. for long term [use]”.

Subquestions:

- What specific investments might be expected from the sale?
- What kind of infrastructure will be needed to support transshipment of logs?
- How would the infrastructure be used for other purposes?
- Is current energy availability sufficient and cost-effective? Will utility providers need to adapt for an increased demand? What are the potential impacts on local utility rates and resources?

4. Transition Phases: Identify the lasting social and economic impacts – how do we maintain the greatest amount of positive impacts after harvest is completed?

Subquestions:

- What are the potential negative economic impacts that we will see at the end of the harvest timeline? How can we anticipate them and integrate the changes into our long-term economic development strategy?
- What is the likelihood that timber sales and harvests will continue beyond the ten years envisioned in the current plan?
- What is the investment in and employment related to forest restoration/regrowth, following logging operations?
- Will specially built infrastructure, including roads, bridges, and culverts be removed after harvest or will they remain and be maintained by a state entity?
- Are there other sustainable or alternative forest practices (i.e., carbon banking) that can minimize costs of timber removal but maintain the University's bottom line?
- What are the economic impacts of the buyer abiding by the state forest setbacks during harvest as opposed to the setbacks for private owners?

5. What are the possible impacts on other existing and potential future industries?

What we know: HEDC and the McDowell Group recently completed a working draft of a Baseline Data Study of Haines' economy. This economic baseline report provides a comprehensive understanding of the Haines economy, prevalent industries and our economic development opportunities and challenges.

Subquestions:

- What opportunities will this project create for industry in other economic sectors?
- How will this project impact existing industries such as tourism, fishing, service sector, real estate, etc?
- Are there case studies from Oregon, Washington or other communities in Southeast Alaska that may be helpful in understanding this issue?

6. What are appropriate cost-benefit analysis models for understanding the local multi-sector economic impact of the timber sale?

What we know: In 2009, the McDowell group published a study titled "Economic Impacts of the Sealaska Corporation on Rural Southeast Alaska Communities," which might provide a model for tracking the University's impact in Haines. The metrics used to measure economic impacts were population growth, percent of personal income by organization (e.g. 18% of personal income in Kake was supplied from the government and 6% from Sealaska); school enrollment; number of jobs attributed by Sealaska spending; how much Sealaska spent on operations in each community; and scholarships and grants given. It should be noted that Sealaska's Timber Corporation spending had a varied impact on all communities.

This is not the only model used to measure the economic impact of a large-scale timber project and its negative and positive externalities for other sectors of the economy.

Subquestions:

- How can other studies inform us of appropriate models to use, such as (1) Tongass Forest Land Management Plan or (2) analysis done on other public land timber sales (i.e. the University's Wrangell Narrows, South Mitkof, and Blank Inlet).
- Is a SWOT analysis (Strengths, Opportunities, Weaknesses, and Threats) appropriate for this project?

SUMMARY

It is HEDC's hope that this scoping document can assist in long-term planning for the economic implications of the proposed local timber sale by the University. HEDC will decide whether to pursue a comprehensive study and analysis when 1) we have more resources 2) based on feedback from the community and 3) when more information is available from the university. We would hope to work with the University to complete this analysis. This type of study could be an important planning tool for our community to ensure our future economic health and vitality.

Literature Review

Source (Who)	Title (What)	Year (When)	Notes
McDowell	DRAFT EDP Baseline	2018	<p>(Verbatim) In March 2018, UA, the State of Alaska, and AMHTA announced that they are working cooperatively to offer up to 150 million board feet of Haines area timber for sale over the next decade. The University is leading coordination of the project, which the State of Alaska will manage. Once local demand is met, the remaining timber will be exported. The Chilkoot Sawmill dock may initially be used for the movement of timber. The Haines Timber Project group is investigating the development of a new dock at the site. A modern dock facility could also be used for loading Canadian timber bound for export markets. Funding for a new dock has not yet been secured.</p> <p>The local economic impact of the Haines Timber Development Project is yet to be fully assessed, pending further information about the timber sale. UA has estimated the project will create 55 to 60 new local jobs over a ten-year period (and perhaps longer), including 25 to 30 jobs in timber operations and road construction and 30 stevedoring jobs. These estimates are consistent with Southeast timber industry standards of about three to four jobs per million board feet harvested, as measured in previous McDowell Group research. These figures are based on harvests from private land in Southeast and therefore do not include any jobs associated with sawmill operations. Historical data for timber harvests from the Tongass National Forest, where primary manufacturing was generally required, indicates that about six to seven jobs were generated per million board feet of timber harvest, including construction, logging, transportation, and milling operations. These employment figures do not include indirect and induced employment (multiplier effects). Statewide, monthly wages in the Forestry and Logging sector averaged \$5,103 in 2016, according to ADOLWD data. Monthly wages averaged \$4,790 in the Wood Products sector, which includes a variety of wood product manufacturing activities. A wide variety of occupations are included in the forest products industry, ranging from Fallers (\$4,964 per month), Foresters (\$5,841), Truck Drivers (\$4,688), Heavy Equipment Mechanics (\$5,258), and Construction Equipment Operators (\$5,885), among a variety of others.</p> <p>The magnitude of local economic impacts of future logging operations will depend on a variety of factors, including:</p> <ul style="list-style-type: none"> • Availability of suitably skilled residents to fill workforce needs • Training opportunities made available to develop a local workforce • Utilization of local contractors for road and other transportation infrastructure construction • The nature and amount of other local purchases of goods and services • Whether logging operations are camp-supported or by daily commute from Haines • The volume of timber that is locally processed • How value is added to locally milled timber (and markets for value-added products) • Disposition of low-value material, for chip production • The likelihood that timber sales and harvests will continue beyond the ten years envisioned in the current plan • Investment in and ownership of port infrastructure needed to support transshipment of logs, and how that infrastructure might be used for other purposes • Investment in and employment related to forest restoration/regrowth, following logging operations <p>Given the substantial long-term opportunity this may present to the community, detail socioeconomic impact analysis may be warranted. Depending on market conditions and how resources are managed, the forest products industry could grow to play a significant role in the local economy over many years.</p>
McDowell	Impact of Sealaska Corporation on the SE AK Economy	2009	<p>Highlights how Sealaska operations impact local economies in SE. Is this a model for tracking UA Timber sale econ impact in Haines? Metrics: percent personal income by organization (eg in Kake, 18% of person income was from government and 6% from Sealaska); school enrollment; population growth; number of jobs; how much Sealaska spent on operations in each community; scholarships and grants given.</p>
University of Alaska	DRAFT Land Management Strategic Plan 2017-2040		<p>Notable: Page 33 - Appendix C: UA Land Historical Gross Revenues and Projections. Pages 21-22 - Gross Revenue Projections FY18-FY22 (table). This plan expects no revenue from "forest products" between FY-20-22. \$2mil in revenue is expected from forest products between FY18-FY19, which would be the most revenue generated since FY2006. Land sales are historically more reliable/less risky than forest forest resources (page 6). The plan calls for UA to manage timber harvesting in cooperation with other agencies and to focus on long-term sustainability (page 17). The UA is seeking up to 250,000 acres of timber lands, which could generate up to \$7mil annually. Long term use of timber lands may provide increased value for development of tourist facilities and recreational lots (page 17).</p>

Literature Review

University of Alaska	Haines Development Opportunity 10-Year-Timber Plan for Sustainable Economy	2018	<p>(Verbatim) FACTS: Haines Development Opportunity 10-Year Timber Plan for Sustainable Economy INFORMATION WHO - Local and Asia International markets interested in Northern SE timber supply. WHAT - Market demand for existing wood, and a NEW market for Cottonwood. WHEN - Timeline, now for 10 years or more - long term sustainability. WHY - Current need for timber supply exists, provide new jobs, and infrastructure. HOW - Public private partnerships - State Forest, TLO, UA, USFS, and private lands. 1) Partners: DNR Division Forestry (DOF)1 Alaska Mental Health Trust (TLO)1 and the University of Alaska (UA) signed statement of intent (SOI) for target goal of 150 mbf 2) Customers: UA notified in 2017 of buyers and demand for its HAINES timber supply and received formal letter of interest from a buyer (UA is in a negotiated sale). 3) Access: numerous site infrastructure options1 staging1 and routes for cargo load. BENEFITS: ./ A 10-year steady, sustainable forest harvest plan for the area and economy long term . ./ Revenue: Over \$90 million private capital investment infused to local area. Provides needed infrastructure in supporting works of roads, bridges, docks, etc. for long term . ./ Jobs: 40-45 total new local jobs - 25 in Maritime and 20 in Construction and Forestry ./ Funds: \$15-\$17 M to the University Land Trust (UA scholarships) and State DOF . ./ Community, landowners and many other public private partnerships to succeed. WHY NOW • Demand - current timber and new market woods (cottonwood/hardwood furniture). • Market - good for timber and our dedicated largest State Forest can help supply it. • AK/SE Economy hurting - lost 434 jobs, lost 638 people with 532 under< age 29, a 1% decline in the region population. Haines lost 16 students over December 2017. • Fiscal budget cuts - UA has had over \$60M in state funding cuts the past 4 years. • Congress provided Land Grant Trust lands to UA, dedicated and intended to monetize for income to the Trust and help support higher education and UA Scholars program. • Fiduciary responsibility to Trust beneficiaries - Alaskan students who directly benefit in \$12,000. scholarships to top 10% of all high school students to attend the University. • UA Resources have funded> 9,000 AK high school Students their college education.</p>
USDA	Timber Products Output and Timber Harvests in Alaska: Projections for 2005-25	2006	<p>Predicts price growth of from Chinese economic growth. Stumpage prices to increase by \$20 between 2002-2040. <i>From 1990 through 2004, the harvest of timber in Alaska declined by nearly 67 percent. During the same period, harvests from the Alaska national forests have declined by 92 percent. Factors contributing to this decline included changes in the structure of the Alaska forest sector, changes in markets for alaska products, and changes in conditions faced by Alaska's competitors. Our revised projections of average demand for Alaska national forest timber from 2005 through 2025 range from about 33 to 370 mmbf (table 3). Four broadly different scenarios display alternative futures for Alaska and the resulting demand for its national forest timber. In addition to differences in the total quantity of timber demanded, these scenarios also differ in the use of the projected harvest. In the expanded lumber scenario, approximately two-thirds of the total potential harvest is used to manufacture lumber in Alaska. In the high integrated scenario, the entire saw log and utility log component of the timber harvest is assumed to be used to manufacture products in Alaska. The high integrated scenario may also require that low-grade timber from other owners (Native and state lands) become available to the industry, contrary to the assumption listed. This has happened in the past and could again occur in the future.</i></p>
UA	Land Management Report	April 2017	<p>This is a scoping document related to the University's Strategic Pathways process. The addenda provides interesting data, however - A 1993 paper "Land Grant College Without the Land", and the FY16 Land Management Annual Report showing timber receipts (of which there have been very little over the past decade).</p>
USDA	Economic Analysis of SE AK: Evisoning a Sustainable Economy with Thriving Communities	2010	<p>The State of Alaska Division of Forestry manages the 286,000-acre Haines State Forest for multiple-use, including recreation, habitat protection, and timber harvest. Approximately 93,500 acres are forested, with 60,194 acres of predominantly western hemlock and Sitka spruce. The current base of operable timber (available for harvest) in the Haines State Forest is 41,650 acres. State foresters estimate the resource will support a sustainable annual harvest of 5.88 million board feet, or 58.8 million board feet per decade. Not included in these operable acres are pure stands of cottonwood that could be made available should market conditions become favorable in the future. In addition to commercial harvest, individuals are permitted to harvest 2,500 lineal feet (or 10,000 board feet) annually for personal use. While the University isn't bound by state management, it has indicated it will work with the state Division of Forestry to manage the sale. The university also hasn't yet clarified if the entire 150 million board feet encompassing this sale will be harvested or only portions of it.</p>

Literature Review

Haines Borough	2025 Comprehensive Plan	<p>Page 64 Economic Development - Residents' level of support/opposition for ED opportunities: (2) Sawmills & Value Added Wood Products Support 92%/Opposition 2%</p> <p>Page 101 Economic Development -Given the presence of a State Forest in Haines Borough – one of only three in the state – there could be more income, employment and fuel for biomass heat from this unique asset. Sustainable timber sale volume within the Haines State Forest has been calculated as 5.88 million board feet (MBF) annually. Over the next five years, sales of about 1-2 MBF annually are scheduled. The lack of a larger market, the impact of the spruce bark beetle, the quality of timber, and the cost of doing business has limited larger sales. These are small sales, but are volumes that seem to work well with the community and local markets. Continued state support for individual negotiated sales and small timber sales is important to Haines residents.</p> <p>Page 110 Economic Development - Objective 3M: (Responsibility: ADNR, Borough, Chamber, CIA, EDC, SEC, and Business Owners) Continue sustained yield timber harvest from Haines State Forest, increase value-added wood and forest product use, support use of local wood for biomass heating. (1) Increase recognition of Haines wood-related businesses and activity. Advocate recognition of, and then participate in, regional economic efforts to foster Forest Products Economic Cluster in northern southeast Alaska. (2) Support continued small negotiated sales and small timber sales. (3) Encourage value-added wood product businesses, such as but not limited to firewood, sawmills, biomass, finished wood products, pellet production, etc. (4) Designate state's "Operable Forest" on Future Growth Maps as Resource Development or Multiple-Resource Use Emphasis.</p>
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