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ECONOMIC DEVELOPMENT

GOAL

Increase year round employment and population in Sitka by:

- Supporting local businesses;
- Attracting new sustainable businesses that bring money to town;
- Supporting efforts and enterprises that keep residents' money "local" by re-spending it in Sitka rather than it "leaking" outside; and
- Creating a fiscally stable local government.

1 Municipal Role in Economic Development

Economic development is about understanding conditions in the local economy, understanding which forces shaping the local economy are susceptible to local influence, and identifying strategies to achieve specific development goals.

Local governments are commonly engaged in economic development efforts. This is not surprising given that they depend upon a strong and sustainable economic base and local taxes to support the services, infrastructure, education, and amenities that residents' desire.

A recent National Association of Counties (NAC) review shows that more than 90 percent of county governments engage in economic development initiatives. The NAC developed 35 case studies of county-driven economic development initiatives and found that while each addresses a specific challenge the common thread was highlighting collaboration.

Local governments strategies used to stimulate economic activity include:

- Coordinating and support for economic development programs and services
- Business and entrepreneurship support
- Timely development reviews and business-friendly regulations
- Development Incentives (tax policy, financing, underwriting risk)
- Providing an adequate commercial and industrial land supply
- Infrastructure investment
- Maintain quality of life (conducive to Business innovation and worker retention)
- Participating in workforce and talent development

2 Current Status – Socioeconomic Indicators

2.1 Demographic Trends

- Between 1990 and 2014, Sitka’s population “see-sawed” while it slowly rose (Figure 1).
- The population high was in 2014 with 9,084 residents. Population dropped sharply between 2014 and 2015, by 160 people to 8,920 residents. According to Alaska Department of Labor and Workforce Development (ADOL), Sitka’s population was unchanged between 2015 and 2016.
- Based on historic patterns of births, deaths, and in and out migrants to Sitka, ADOL is projecting that after a five-year period of steady population - which Sitka is in now - that the population will begin a slow, steady decline (Figure 1).
- This is expected due to two trends: more people moving from rather than to Sitka, and to a shrinking number of child-bearing age families/women and children in Sitka.

A look at Sitka’s age groupings (cohorts) shows that since 2000 the percent of the total population that are school age children and adults of child-bearing age has shrunk, and at the same time the percent of older residents has increased (Figure 2).

- **The number of Sitkans age 65 and older, and especially those age 80+, is projected to grow rapidly over the next 25 years.**

In July 2015 there were 1,248 residents age 65 or older in Sitka, which was 14% of the total population. The ADOL projects that in 13 years, by 2030, there will be just over 2,000 older Sitkans in town, a 60% increase. Those who are age 65 and older will then be 23% of the total population.

Those 80 age and older will increase even faster. This population, which often has high medical, care, and mobility needs, is projected to keep increasing through 2045 when it will have tripled compared to today, from 285 folks to just over 800 Sitkans at least age 80.

- **The number of Sitkans who are in the common child-bearing age group from age 20 to 39, is projected to plummet (Figure 2).**

There were 2,389 Sitkans in this age cohort in 2015; by 2030 Sitkans this age are projected to drop by 317 people to 2,072. At this time, the decline in this age group is projected to continue through 2045.

Additional metrics on Sitka youth (school enrollments, PFDs, etc.) are on Figure 3.

2.2 Community Income

- **Sitka residents earned approximately \$568 million in personal income in 2015. This is a 4% increase over 2014 community income of \$545 million (Figure 4).**

Personal income is the cumulative income that a person receives from all sources. This is primarily comprised of wages from jobs, proprietors, and self-employment income, and un-earned income, which includes household revenue captured from public assistance, retirement funds, dividends, etc.

- **The majority of Sitka's income, 66%, came from work earnings, wages, and benefits (Figure 4). This included more than \$89 million in earnings to proprietors (a 33% jump from 2014's estimated \$67 million).**

An estimated 12% of Sitka's income came from retirement benefits (which includes the PFD and Medicare payments). Another 1.2% came from payments from state and federal social assistance programs like unemployment, SNAP and SSI. Finally, 21% Sitka's income was generated from dividends, interests and rents. This is slightly above the statewide proportion of 17%.

- **If sources of all income are tallied and divided by the total population, this shows that in 2015 Sitka had the 5th highest per capital personal income in Alaska at \$64,122 (Figure 5).**
- **Median household income is 12th highest at \$70,376.**
- **Sitka's high income masks significant income inequality among community members (Figure 6).**

According to tax returns filed in 2014 by those living in the 99835 area code, over half of the personal income came from the top 17% of Sitka's earners, these tax filers all earned \$100,000 or more per year and 84% of them are married (filed a joint return).

In contrast, one-third (32%) of all Sitka tax filers made only \$25,000 or less; 80% of these tax filers were single. These are the young adults in Sitka that need affordable housing.

Other indicators of income or racial inequality in Sitka are that:

- In the Sitka School District in 2016, 381 students had low enough household income to qualify for a free lunch and 130 qualified for a reduced fee lunch; together this is 35% of the student body¹.
- At Mt. Edgecumbe High School, whose students and faculty are part of the community for significant periods of the year, 75% of students qualify for a free or reduced fee lunch.²
- 9% of all Sitkans had income below poverty level in past 12 months; however, 22% of Sitka American Indians/Alaska Natives had income below poverty level ($\pm 6\%$)³
- 10% of Sitkans ($\pm 2\%$) received Food Stamps/SNAP benefits in last 12 months⁴

2.3 Commerce in Sitka

- **Retail trade and construction have the highest gross sales in town; these sectors drive commerce. This is one reason why local capital projects (construction) are important (Figure 8 and 9).**

In FY 2016, gross sales in Sitka were \$388 million. The three top grossing sectors accounted for over 80% of all sales activity in town. These were:

1. Retail Trade - 35% of all sales activity
2. Construction - 26% of all sales activity
3. Services** - 20% of all sales activity

***The City and Borough of Sitka combines many businesses into the Services category, including health care, education, professional, arts-entertainment-recreation, food, accommodations, and more)*

2.4 Work and Earnings

2.4.1 Small Businesses

Sole proprietor businesses are those owned by a single person. A sole proprietor is an owner not an employee, so their business income is not reported to the state Department of Labor. Sole proprietor business income is available from the tax returns they file to the Internal Revenue Service, by borough.

- **There were 1,326 sole proprietor owned small businesses in Sitka that together generated over \$76 million in earnings in 2014 (Figure 9). Commercial fishing businesses are the vast majority.**

This is significant work related income into Sitka, for comparison employees in Sitka made \$196 million in 2015.

2.4.2 Non-Resident Workers

- **35% of Sitka employees and 14% of all wages earned go to workers who are not Sitka residents (Figure 10).**

2.4.3 Maritime Business, Employment, and Activity

NOTE- Garry White & Chris McGraw both reviewing this section now.

Economic data typically lists maritime activity as a part of many different industry sectors, so this work is “hidden” as part of other work. As a result, maritime contributions to the economy are often not recognized. This is changing in Alaska as communities and regions recognize that living on and near the ocean and its resources is central to work and jobs and, when strategic land, workforce, and infrastructure investments are made, offers opportunities for growth. The ADOL (C. Bell) has helped to aggregate maritime work and wages for Sitka.

- **When “blue” work is aggregated in Sitka, it accounts for at least 1 of every 4 jobs and over one-third of all work income.** *Note: when I get USCG data this will go up.*
- **The maritime-related average workforce was 1,575 with \$94 million in wages and earnings (Figure 11).** *Note: when I get USCG data this will go up.*

Sitka’s maritime work is anchored by over 600 commercial fishermen and a cluster of seafood processors that at their peak in July employ over 1500, and in December-January employ just under 200. Processors include Seafood Producers Cooperative, Silver Bay Seafoods, North Pacific Seafood (Sitka Sound Seafoods), and Sitka Salmon Shares.

With the largest homeported fishing fleet in Southeast Alaska, and a well-developed suite of boat and engine building and repair services, Sitkans regularly ask why the City and Borough of Sitka is not investing in a publically owned marine haul-out. Both Wrangell Borough and the City of Hoonah have invested public funds to develop municipally owned marine haul-outs (150-ton and 300-ton in Wrangell, 220-ton in Hoonah) and adjacent marine service area workspace. **Neither is profit-making operationally (barb confirming this)**, but provide work for local marine repair and service businesses and support the local fishing and water transportation fleets. Over time the number of haul-outs and repair work in both communities has increased.

Part of the answer lies in the fact that, similar to Ketchikan, a number of private businesses have invested in marine haul out facilities in Sitka. There are four private marine haul-outs in Sitka: an 88-ton haul out at Halibut Point Marine for public use, and at Allen Marine there are three haul-outs that are at times are open for public use: a 66-ton, 88-ton, and 150-ton travel lift.

In 2014, Northern Economics (NE) conducted a screening-level assessment on the feasibility of installing large vessel moorage, a vessel haul-out, and a deep water dock at the Gary Paxton Industrial Park.¹

NE’s survey results indicated a significant amount of haul-out activity for smaller vessels of up to 100 tons, but little activity for larger vessels. While open-ended comments in the survey were in support of a larger lift, the respondents for the most part did not represent that user group. Interviews with owners and managers of larger fleets of vessels provided anecdotal support of a larger lift, but provided insufficient quantitative data to support an analysis. As a result, a larger lift is considered to be a weak opportunity by the NE screening-level analysis, pending future fleet interest.

¹ Northern Economics, March 2014. “Preliminary Screening-Level Feasibility Assessment and Planning for a Marine Center at Sawmill Cove Industrial Park” <http://www.sawmillcove.com/>

The NE conclusion is that there is weak to moderate opportunity for a haul-out facility for vessels up to 150 tons and a weak opportunity for a haul-out facility for vessels over 150 tons. If the existing Halibut Point Marine haul-out ceased operation, there would be a moderate to strong opportunity for a haul-out facility for vessels up to 50 tons. However, a recent interview with Halibut Point Marine for this Comprehensive Plan indicates that, with their recent \$1.5 million investment on the haul-out dock in 2012 and \$75,000 investment in a wash-down area, they are fully committed to maintaining their haul-out business.

The NE analysis indicated there were not development opportunities sufficient for a new public deepwater dock or multi-purpose dock due to existing private facilities at GPIIP, the public ferry terminal, and private docks west toward Starrigavan Point. Given a declining population projection, they saw no major changes in cargo shipments except for special projects.

Nonetheless, GPIIP saw an opportunity and with state funding is constructing a \$6.8 million floating dock now. It will be completed in 20xx. It is a repurposed 250 foot barge that will be connected to shore with a drive-down ramp. The dock will have lights and power. It will be capable of moving seafood, which will assist tenant Silver Bay Seafood, as well as future bulkwater export transshipment. It also will provide tie up space for some commercial fishing vessels to allow in-water work. This will be like at Eliason Harbors' drive down float, but at a much bigger scale.

Finally, the NE analysis indicated a moderate opportunity for large vessel moorage, which was defined as in excess of 100-foot length overall. Survey results did not indicate demand for a large vessel moorage facility, but anecdotal information collected from interviews as well as information conveyed to the study team by the CBS Harbormaster suggests there is demand from the herring fleet to homeport in Sitka. Vessels in this fleet are anticipated to be in the 100–120-foot range. The herring fleet was identified as being interested in moorage at GPIIP, so this group is a logical starting place for determining the haul-out requirements and frequency for this group, and for determining what infrastructure and services are required. Additional analysis is required to determine if it is a feasible concept. Though not evaluated as part of this study, there is a significant waiting list for smaller vessels to use existing CBS harbor facilities.

Note- USCG Sitka Public Affairs personnel Tyler Goodson reviewing this section and supplying gap info

Air Station Sitka and other federal, state, and municipal employees whose work is linked to the ocean account for another 160 employees and \$_____ million in payroll.

Air Station Sitka is responsible for the entire Southeast region of Alaska from Dixon Entrance north to Central Alaska and from the US/Canadian border west to the central Gulf of Alaska. Air Station Sitka was officially commissioned in 1977. Today, it has three MH-60T Jayhawk helicopters and a compliment of over _____ officers, enlisted, and civilian personnel with a payroll of approximately \$_____. These United States Coast Guard personnel provide national defense, search and rescue, marine environmental and law enforcement response, maintain marine aids-to-navigation, enforce laws and treaties, and do various other missions in cooperation with federal, state, and local government agencies. The Air Station averages 130 Search and Rescues a year and a typical year also sees some 180 sorties in support of federal and state law enforcement initiatives. Since 1977, Air Station Sitka's aircrews have saved over 1800 lives, assisted thousands of others and saved several hundred million dollars in vessel property from the perils of the sea.

All this activity has significant economic multiplier effects in town, as it requires purchases of fuel, utility, goods, and services. Further, while about [REDACTED] USCG families live on base, another [REDACTED] personnel and their families live in Sitka. All enrich the community in a myriad of ways.

Rounding out maritime work and commerce in Sitka are water transportation, charter fishing operations, boat building and repair, and scientific and education and technical work related to oceans.

Sitka Resident's Commercial Harvest

Sitka has 1.2% of Alaska's residents, yet Sitkans earned 6.4% of all gross earnings to Alaskans from commercial fishing in 2014.

- **Sitka was ranked the 11th most productive port in the US, top port in Southeast, and ranked 7th statewide in 2014, with \$71 million ex-vessel value of seafood harvested, according to the NOAA.** (Ex-vessel value is the money paid to harvesters/commercial fishermen.)

According to the Alaska Commercial Fisheries Entry Commission, an estimated \$38 million was earned by Sitka resident commercial fishing permit holders in 2015 (preliminary data). This was a drop from \$44 million earned in 2014 (Figure 12).

Salmon is the "money fish" in Sitka, accounting for approximately 75% of all pounds harvested and 44% of all gross earnings by Sitkans who fish commercially. The Southeast seine fishery is the most lucrative of the salmon fisheries. Sablefish was also especially rewarding; this was 9% of all pounds Sitkans harvested but brought in 28% of Sitka fishermen's total gross earnings. Halibut harvest accounted for 5% of the total pounds and 20% of the total gross earnings.

- **As for the volume of seafood harvested, Sitka was ranked the 14th most productive port in the U.S. with 89 million pounds of seafood harvested in 2014.**

This was substantially lower than the 126 million pounds harvested in 2013, reflecting lower salmon runs which tend to be higher in alternating years.

State Shared Fishery Taxes to the City

Depending upon the type of processing and other factors, the state returns one-half of the 3-5% it collects on the ex-vessel value of fish harvested or landed in Alaska to the place where fish processing occurred. Fisheries tax to the City and Borough of Sitka reflects the size of harvests, amount processed locally, and fish prices. The recent high was in 2012, with \$1.2 million shared with the city due to processing activity.

- **In 2016, shared fish taxes brought \$880,000 to the borough, near a six-year low (Figure 13).**

2.4.4 Sitka Employment and Wages

The combination of activities that comprises maritime activity and work has already been reviewed. This section reviews top economic sectors and looks at a few in more depth. The context for this review is that existing businesses have already figured out how to operate profitably in Sitka. Supporting, strengthening, and diversifying existing strong sectors is a top economic growth strategy.

- **Overall, employment in Sitka is growing (Figure 14). Increases have been in private goods-producing jobs, and local government work. Decreases have been in private service-providing work.**

There were an average annual 4,566 employees in Sitka in 2015. This ranged from a high in July of 6,100 employees to a January low of 3,786 employees.

- **At the summer peak there were an additional 2,314 employees in town, which was more than a 25% increase in the local population – and this did not include self-employed fishermen.**

This creates a huge demand for seasonal housing. Part of this need, but not all of it, is met by employer-owned bunkhouses.

The industries with the most employees in 2015 (average annual) were (Figure 15):

1. Local/Tribal Government** - 710 employees
2. Manufacturing - 761
3. Health Care & Educational Services - 641
4. Accommodations & Food Services - 458
5. Retail Trade - 454 employees

Total work related wages were \$195.7 million in 2015.

The industries that pay the most total wages in Sitka were:

1. Local/Tribal Government** - \$37.0 million
2. Manufacturing - \$33.9 million
3. Health Care & Educational Services - \$31.1 million
4. State Government - \$16.1 million
5. Retail Trade - \$11.9 million

The average monthly wage in Sitka was \$3,572 in 2015 (Figure 15). The highest monthly wages in 2015 were for employees in:

1. Management of Companies & Enterprises - \$6,607
2. Federal Government - \$6,262
3. Construction - \$4,972
4. Professional, Scientific, and Technical Services - \$4,528
5. Local/Tribal Government** - \$4,342

Lowest wages - \$1,625/month - were earned by those working in food and drinking establishments.

** This includes the Sitka School District, the City and Borough of Sitka, the Sitka Community Hospital, and at Sitka Tribes of Alaska.

Government

Sitka is home to multiple government entities. Local government includes the City and Borough of Sitka, Sitka Tribe of Alaska, Sitka School District, and Sitka Community Hospital. Federal government employees work for the United State Coast Guard, US Forest Service, National Park Service, TSA, and US Postal Service among others. State government employees in Sitka work for the state Health and Social Services (Pioneers Home), Department of Education (Mt. Edgecumbe), University of Alaska, Fish and Game, Department of Transportation, and others.

- **Together, government agencies employ more than 1,170 people (will update with USCG #), meaning that almost 13% of the population and 26% of wage and salary workers are engaged in public service. Government wages account for one-third (32%) of all wages.**

This can be both a strength – government jobs deliver important services critical to sustaining local industries and health and safety, and they provide stable income that can circulate back into the economy – and a weakness – federal, state and local agencies are vulnerable to changes in funding and will be negatively impact by the current Alaska budget challenges.

Over the past five years, the City and Borough of Sitka’s budget has decreased by \$7 million, due to a combination of increased expenses and reduced revenue. In the 2017 fiscal year a \$2.5 million shortfall is anticipated. Decisions made by the City Assembly, City Administrators and the public in the short term will determine how this projection will change, and ultimately how much revenue will be available to support community services, facilities and infrastructure, as prioritized by the Sitka Comprehensive Plan.

Tourism

Tourism is a growing component of Sitka’s economy and one of the industries that brings new money into the local economy. Sitka has a mature and diverse visitor-oriented sector. Many of Sitka’s tourism assets are listed on Figure 19. Tourism is forecast to grow across Alaska due to a robust national economy, low gasoline prices, and concern by some over foreign travel.

There is no single economic reporting category that is tourism. Visitor businesses include those in Arts, Entertainment, and Recreation, Accommodations and Food Services, and Scenic and Sightseeing Services. Since restaurants and bars serve residents along with visitors, the economic impact due solely to visitors is difficult to isolate for those businesses.

- **Work in the three visitor-oriented categories above accounted for about 13% of Sitka’s employment but only 8.5% of its wages in 2015.** (There is some overlap with maritime.) This included an average of 607 employees (peak employment was 895 in the summer) who together earned \$17 million in wages in 2015 (Figure 15).

The number of cruise ship passengers visiting Sitka peaked in 2008 while the number of visitors to the Sitka National Historical Park peaked in 2006. Visitation to both declined for several years, bottoming out in 2014. Since then, the number of visitors to Sitka has been increasing (Figure 20).

Health Care and Education

These are two separate and important segments of the Sitka economy. They are combined here simply because the state combines them for economic reporting purposes.

- **Together, private sector businesses offering health care or education services employed 640 Sitkans, mostly year round, who earned \$31 million in 2015. This was 14% of all wage and salary work and 15% of total wages.**
- **There were an additional 49 sole proprietor businesses offering health and social services and 37 offering private educational services.**

Note that these totals do not include Sitka Community Hospital personnel who are counted as local government workers, nor are these School District or University of Alaska employees who also are counted as government workers.

Traditionally these activities recirculate money in town and keep it from flowing outside on non-local service providers. This is true in Sitka, but in addition both medical and education activities bring new money into town. This occurs when Alaska Native clients come to Sitka for SEARHC medical services, and when students come to Sitka to attend the Fine Arts camp, other Sheldon Jackson campus activities, when new college graduates come to town to attend one of the internship programs, and when researchers come to the Sitka Sound Science Center

Between the Sitka Community Hospital, SEARHC Hospital and services, and private businesses there are a wealth of health care facilities and services for residents that also serve regional Alaska Native clients.

Manufacturing

Sitka has a higher concentration of manufacturing jobs than does Alaska, Ketchikan, or Juneau (Figure 16). This is linked with the amount of seafood processing activity in town, but it goes beyond that. Figure 16 puts Sitka's manufacturing industry in context, by illustrating the manufacturing location quotients of various communities. Location quotients are ratios that compare the concentration of a resource or activity in a defined area to that of a larger area or base. In this case, Sitka's manufacturing location quotient is calculated in comparison to the United States as a whole, which is given a baseline concentration of 1.0. Using this scale, Sitka scores a 4.17, more than four times the national concentration of manufacturing entities. This is a particularly high value in Alaska, which has a manufacturing location quotient of just 0.53.

While the seafood processors are arguably the most visible element of Sitka's manufacturing, they are only one part of this market segment. In all, Sitka is home to 12 manufacturing business with average annual employment of 761 people, as well as 20 small manufacturing businesses operated by a sole proprietor. Publically available data on these entities is limited, but tax records indicate that they are producing diverse outputs, from food, to textiles, chemicals, and transportation equipment (Figure 17). It's worth noting that while several of these employers show high seasonal variation in their personnel rolls, at least 276 of these manufacturing jobs appear to be filled year round (Figure 18).

In short, manufacturing is a strength of the Sitka economy and it may have potential for further development. More information should be gathered on this sector, with a particular focus on the challenges and opportunities facing businesses. Key learnings from this process should inform city strategy for policy and regulatory interventions in support of a stronger and more productive

manufacturing industry, which advances Sitka's triple bottom-line priorities for economy, environment and cultural prosperity.

Arts, Culture, and Science

2.4.5 Cost of Living

3 Economic Opportunities, Challenges, Issues

Planning commissioner and public comments, research, interviews, and professional knowledge combine to identify the following opportunities, challenges, and issues to address in the Sitka 2030 Comprehensive Plan.

3.1 Retain and Attract Young Adults and Families AND Allow Seniors to Age in Place/Community

Data in the first part of this chapter (see Figures 1-3) shows that:

- **The number of Sitkans age 65 and older, and especially those age 80+, is projected to grow rapidly over the next 25 years.**
- **The number of Sitkans who are in the common child-bearing age group from age 20 to 39, is projected to plummet.**
- **Based on historic patterns of births, deaths, and in and out migrants to Sitka, ADOL is projecting that after a five-year period of steady population - which Sitka is in now - that the population will begin a slow, steady decline. This is expected due to two trends: more people moving from rather than to Sitka, and to a shrinking number of child-bearing age families/women and children in Sitka.**

These are arguably the most significant issues facing Sitka today and actions to turn this around are a major focus of the Sitka 2030 Comprehensive Plan. These trends will have significant implications for Sitka's culture, economic productivity, and education systems. Projections suggest there is a window of opportunity between 2015 and 2020. If Sitka can reduce out-migration, attract and retain young adults and families who have children, and retain its growing baby boomer-senior cohort, then this predicted trend can be halted and turned around to stabilize and slowly grow Sitka's population.

These trends provide an important focus for comprehensive planning:

1. **Why are people leaving Sitka? Can the City and Borough of Sitka address any of the drivers of negative migration?**
2. **What is needed to keep and attract young adults and young families in Sitka?**
3. **What is needed to allow Sitka's aging residents to comfortably and safely age in place?**

Sitka must work to understand why families are leaving and enact policies and interventions designed to retain and attract younger households.

Research and interviews suggest that in addition to family-wage supporting employment, young Alaskan adults and families seek affordable housing and food, good schools, access to a diversity of indoor and outdoor recreation, fast internet, and places to gather with people their age/a sense of community. Prioritizing investments in these assets and promoting their availability will assist in retain and attracting young adults and families.

The number of residents age 65 and older will grow quickly over the coming twenty years. Seniors are invaluable community members in Sitka, contributing in numerous ways, financially, culturally, and socially:

Older Americans are the source of 70% of all of charitable contributions nationally.⁵

In Sitka in 2015, 12% of all community income, or \$69 million, comes from retirement earnings, according to the US Bureau of Economic Analysis.

Individuals age 65 and older are typically engaged politically, among Alaska's registered voters age 65 and older, 72% voted in the 2014 general election, compared with 56% overall (Alaska Division of Elections).

Seniors also serve a role as caregivers, and are an important part of family life. The 2011-2015 ACS reports 147 grandparents live with grandchildren in Sitka⁶.

Sitka must begin planning and taking action now to accommodate the housing, service, medical, transportation, and social engagement needs of its growing senior population. To keep them contributing members of Sitka more: a) accessible, affordable, housing choices are needed, b) assisted living and long term care options are needed, c) increased personal care attendants who can assist with the activities of daily living and enable seniors to remain in their homes are needed, and more geriatric health care services will be needed. Sitka has the potential to become a regional hub for elder care.

3.2 Build Economic Development Partnership and Networks

As noted earlier in this chapter, local government economic development initiatives typically capitalize on networks of public, nonprofit, and private partners. In Sitka these partners include but are not limited to the Sitka Economic Development Association, Sitka Chamber of Commerce, Sitka School District, Sitka Tribe of Alaska, University of Alaska, Sitka Sound Science Center, Sitka Job Center, private businesses, and others. As objectives and actions are implemented, asking "who else should be at the table" and working to include them will strengthen chances of success.

3.3 Diversify Sitka's Maritime Work

- **The ocean is Sitka's biggest economic driver. A top strategy is to protect this resource and improve the opportunities and productivity of blue jobs industries. Opportunity areas include expanding marine service and repair businesses; using more seafood byproducts, harvest and adding value to additional ocean resources (e.g. seaweed, kelp); reserving parts of the waterfront for maritime commercial and industrial use; providing infrastructure to access and use marine resources with adjacent upland work space; and monitoring and testifying when appropriate on policy and legislation to assure Sitka's fair share of seafood allocations, and slow ocean acidification and ocean warming.**

To support small vessel owners, marine service businesses, and more fully utilize the Gary Paxton Industrial park (GPIP), GPIP plans to install a rock-supported drive down ramp with a tractor pulled trailer that could haul out 25-ton vessels to an adjacent upland marine service area. This

would be near its new floating dock cost and estimated \$4.5 million. Pending funding, could occur in 20xx. *Note Garry White reviewing this para.*

Another maritime opportunity is to assist in the growth of marine manufacturing, service and repair businesses. Too many Sitka vessel-owners take their boats elsewhere in Southeast Alaska, Port Townsend, or Seattle for marine repairs and service. Conversations with marine businesses are needed to determine whether there are any obstacles that the borough can remove, or incentives it can provide, to help current businesses expand. Casual conversations suggest a better understanding is needed about:

- Whether there is year-round demand for work and if requested repairs can be spread-out more during the year?
- Is there a need for covered work space with utilities?
- Is the pricing of local ports, harbors, and haul-outs competitive with other places?
- Is the cost of complying with local regulations prohibitive for a start-up business, are there opportunities for flexibility for seasonal businesses?
- Is there a lack of waterfront commercial or industrial space for lease or purchase?
- Is there a lack of affordable housing for seasonal workers that impacts businesses' ability to grow?
- Are there forums for marine businesses to share information that could help them schedule or work together more effectively?

Add other manufacturing, harbor or port or marine business issues/opportunities.

3.4 Support United States Coast Guard

The City and Borough of Sitka must work with USCG Air Station Sitka to help it accommodate its needs during its planned upgrade to 56, 40+ year old family housing units. In addition, as increasing pressure occurs to relocate USCG assets to serve the opening arctic, the City and Borough of Sitka should be prepared to support the size and services offered at Air Station Sitka. *Note: USCG review this now*

3.5 Diversify Tourism Opportunities

Sitka tourism has traditionally focused on cruise ship passengers and the charter fishing clients. Support for both activities is important to the economy. Active work to mitigate any negative impacts will help ensure continued support. Given the new private dock that can accommodate cruise ships without lightering, cruise visitors should continue to arrive and hopefully follow the upward trend of the last few years. The number of cruise ship passengers since 2005

In addition, due to its unique cultural, historical, environmental, and community assets, Sitka is well positioned to expand tourism and attract more independent visitors. Opportunities include, but are not limited to, eco and adventure tourism (camping, kayaking, boating, hiking, wildlife tours), cultural and historical tourism (Tlingit culture, history, and arts; visual and performance arts, the Sheldon Jackson Museum, the Sitka National Historical Park and Russian history, etc.), and hosting conferences, festivals and business travelers. For this last category, Sitka has several beautiful venues, including Sheet'Ka Kwaán Naa Kahídi Tribal Community House, the historic Sheldon Jackson Campus, the newly renovated Harrigan Centennial Hall, and the Sitka Performing Arts

Center. A new 70-room hotel will be completed in 2017 that will further expand Sitka's capacity to host large groups during the busy summer season.

The Sitka Convention and Visitor Bureau should continue its work to find ways to leverage these assets to attract more festival-oriented, small cruise ship, yachters, and other independent visitors, have them stay longer, and return.

Sitka Tribe of Alaska (STA) works to nurture a respectful cultural and historical tourism sector. An opportunity area is support for and partnership with STA led tourism businesses.

Investment in cultural assets, traditions and historic building rehabilitation is an opportunity area, particularly when coupled with interpreted tours.

Training and networking that helps to develop and market new eco and adventure tourism businesses is an additional prospect.

3.6 Build upon Sitka's Culture, Arts & Science Assets

Sitka has a unique cultural and historical identity. Respect, preserve, and support these traditions. Invest in Sitka's culture, arts, and science programs. Several initiatives are already creating jobs, bringing in outside students, and benefiting local youth and adults. Build upon these assets and programs including, but not limited to, the Sitka Sound Science Center, the Sitka Fine Arts Camp, other programming at the Sheldon Jackson campus, Sitka Whalefest, the Sitka Summer Music festival, and the Sitka Arts & Science Festival. These opportunities and resources benefit community education and well-being, bring new people to town, and drive economic activity. Build on these successes.

3.7 Cost of Living

Affordability and cost of living are significant challenges for many Sitkans. The high cost of housing, food, utilities and other necessities limit economic engagement and innovation, and risk negative migration from Sitka. These challenges will not be resolved easily, and will likely be compounded by the State budget crisis.

3.8 Internet

Current internet bandwidth is maxed out and will limit future economic growth if improvements are not made. There have been several recent multi-day internet access failures that negatively impacted public agencies, the medical community, and private businesses. Investments in Sitka's technology infrastructure are needed to provide high-speed internet and telecommunications support. This will improve local productivity and will encourage the development of new businesses, tech initiatives, and remote work opportunities.

3.9 Equity and Social Justice

Income inequality and poverty is a priority issue for Sitkans; this issue of social and economic justice must be tackled in order to achieve Sitka's values and vision. Low personal income, in combination

with high cost-of-living, means that many households struggle to make ends meet month to month (see Figure 6 and related bullet points). While the consequences of this are complex, it is reasonable to expect that low-income Sitkans may be less engaged in the local economy (less buying power) and will be less able or willing to invest in opportunities to improve their prosperity in the long-term. It may also affect Sitka's net migration. As income versus costs becomes untenable for more households, one possible outcome is that households will relocate to more affordable communities.

3.10 Healthy Natural Environment

Sitka is dependent upon its natural resources and vulnerable to the global, regional and local forces that negatively affect them. While these range from the political to the natural, the consequences could be significant. Global warming and ocean acidification have the potential to negatively transform the blue jobs sector. Residents desire to use natural resources sustainably and keep Sitka a wild and beautiful place. In addition to protecting the assets that our community depends on, this will give Sitka a competitive advantage in attracting more business, visitors and investment. , pursue the responsible sale of bulk water, locally and for export. Development activities should be planned and implemented considering their environmental impacts.

3.11 Workforce Development & Youth Engagement

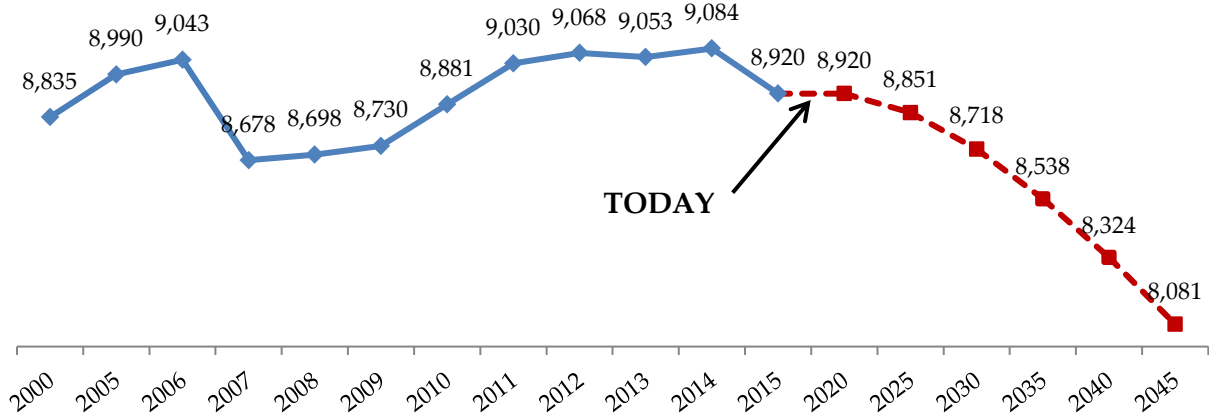
Encourage young Sitkans to get involved in the public process and the local economy. Invest in workforce development initiatives focused on locally needed skill sets and entrepreneurship.

3.12 Housing

Without affordable housing workers cannot stay in Sitka.

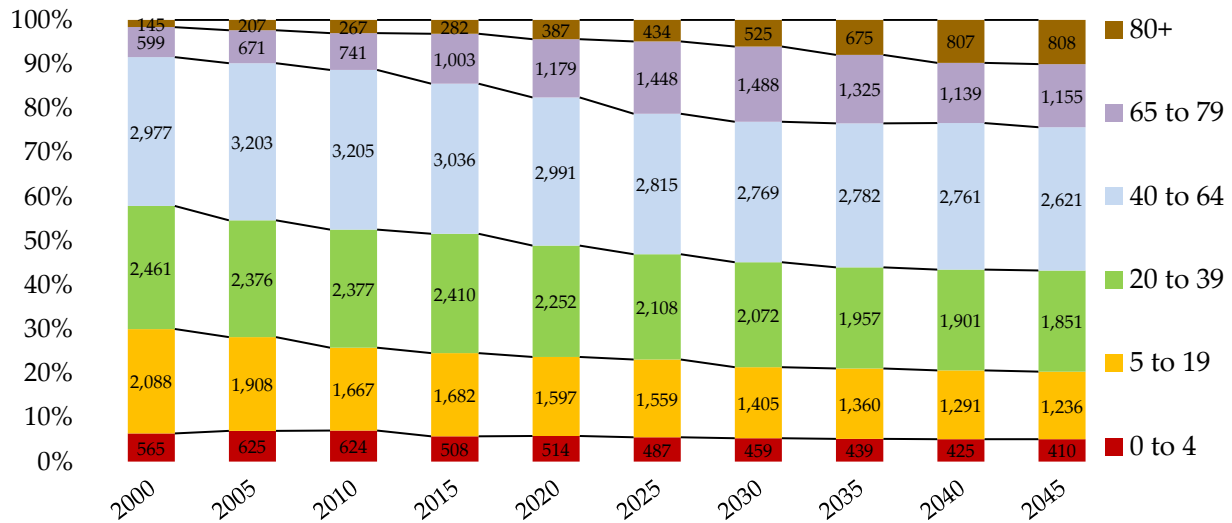
5 Socioeconomic Data

Figure 1 - Historic and Projected Sitka Population



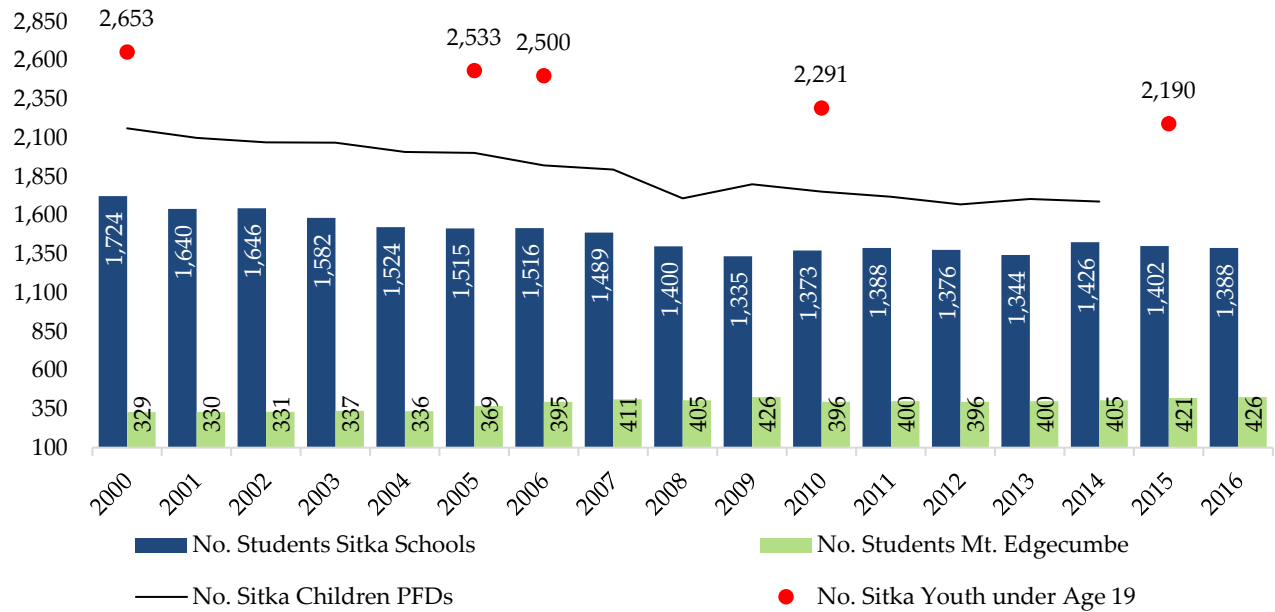
Sources: ADOLWD Population Estimates (Jan 2017) and Population Projections (2016)

Figure 2 - Number and Percent of Each Sitka Age Group, Historic and Projected



Sources: ADOLWD Population Estimates (Jan 2017) and Projections (2015)

Figure 3 - Youth Demographics



Sources: ADOLWDPopulation Estimates (Jan 2017) and Projections (2015), ADEED Student Enrollments, DOR PFD Reports

Figure 4 - Comparison of Sources of Personal Income, by Community, 2015

	Total	Work*	SSI, SNAP	Unemployment	Retirement	Dividends, Interest and Rent
Alaska	\$41,460,746,000	67%	2%	0.2%	14%	17%
Juneau	\$2,053,591,000	69%	1%	0.2%	11%	19%
Ketchikan	\$866,894,000	67%	2%	0.2%	15%	16%
Sitka	\$568,309,000	66%	1%	0.2%	12%	21%

**This is net earnings by place of residence, which is slightly less than earnings by place of work. Source: BEA, CA30 Economic Profile*

Figure 5 - 2015 Income Measures

Borough or Census Area	Per Capita Personal Income	Median Household Income
State of Alaska, All	\$56,147	\$72,515
Aleutians East Borough	\$49,611	\$61,518
Aleutians West Census Area	\$52,569	\$84,306
Anchorage Municipality	\$62,728	\$78,326
Bethel Census Area	\$39,827	\$51,012
Bristol Bay Borough	\$65,769	\$79,750
Denali Borough	\$67,770	\$81,544
Dillingham Census Area	\$51,969	\$54,173
Fairbanks North Star Borough	\$54,185	\$71,068
Haines Borough	\$47,929	\$58,750
Hoonah-Angoon Census Area	\$53,956	\$52,419
Juneau City and Borough	\$62,694	\$85,746
Kenai Peninsula Borough	\$52,639	\$63,684
Ketchikan Gateway Borough	\$63,235	\$64,222
Kodiak Island Borough	\$58,162	\$70,887

Borough or Census Area	Per Capita Personal Income	Median Household Income
Kusilvak Census Area	\$29,896	\$38,229
Lake and Peninsula Borough	\$55,385	\$50,781
Matanuska-Susitna Borough	\$46,554	\$72,983
Nome Census Area	\$48,805	\$48,868
North Slope Borough	\$36,883	\$72,576
Northwest Arctic Borough	\$46,918	\$63,648
Petersburg Borough	\$66,323	\$67,935
Prince of Wales-Hyder Census Area	\$40,205	\$48,523
Sitka City and Borough	\$64,122 (5th highest)	\$70,376 (12th highest)
Skagway Municipality	\$78,171	\$69,318
Southeast Fairbanks Census Area	\$43,256	\$62,670
Valdez-Cordova Census Area	\$63,236	\$78,810
Wrangell City and Borough	\$47,214	\$48,603
Yakutat City and Borough	\$60,333	\$72,500
Yukon-Koyukuk Census Area	\$51,496	\$38,491
<i>Sources:</i>	<i>2015 US BEA CA-1</i>	<i>ACS 2011-2015 5-year Estimate</i>

Figure 6- Income Distribution in Sitka				
	Adjusted Gross Income (AGI)	Number of Returns	% Total Income	% All Returns
TOTAL	\$303,677,000	4,650	100%	100%
\$1 under \$25,000	\$17,706,000	1,500	6%	32%
\$25,000 under \$50,000	\$41,428,000	1,140	14%	25%
\$50,000 under \$75,000	\$45,412,000	730	15%	16%
\$75,000 under \$100,000	\$42,288,000	490	14%	11%
\$100,000 under \$200,000	\$88,717,000	660	29%	14%
\$200,000 or more	\$68,126,000	130	22%	3%
<i>Source: IRS 2014 Tax Returns</i>				

Figure 7- Gross Sales Receipts

	2012	2015	2016	1-year change ('15-'16)		5-year change ('12-'16)	
Ag / Forestry/ Fisheries	\$5,933,107	\$3,768,798	\$3,535,452	(\$233,346)	-6%	(\$2,397,655)	-40%
Construction	\$88,035,397	\$88,036,878	\$100,767,547	\$12,730,669	14%	\$12,732,150	14%
Manufacturing	\$1,597,997	\$7,061,174	\$11,546,457	\$4,485,283	64%	\$9,948,460	623%
Transport & Utilities	\$19,059,116	\$13,733,053	\$17,791,923	\$4,058,870	30%	(\$1,267,193)	-7%
Wholesale Trade	\$21,441,061	\$14,314,499	\$20,867,486	\$6,552,987	46%	(\$573,575)	-3%
Retail Trade	\$138,380,611	\$108,125,543	\$137,588,475	\$29,462,932	27%	(\$792,136)	-1%
Finance, Insurance, Real Estate	\$22,038,895	\$19,724,284	\$17,877,973	(\$1,846,311)	-9%	(\$4,160,922)	-19%
Services	\$59,819,199	\$51,054,961	\$78,387,522	\$27,332,561	54%	\$18,568,323	31%
TOTALS	\$356,305,388	\$305,819,190	\$388,362,835	\$82,543,645	27%	\$32,057,447	9%

Source: City and Borough of Sitka Sales Tax Office

Figure 8 - Sitka Gross Sales Receipts, 2010-2016

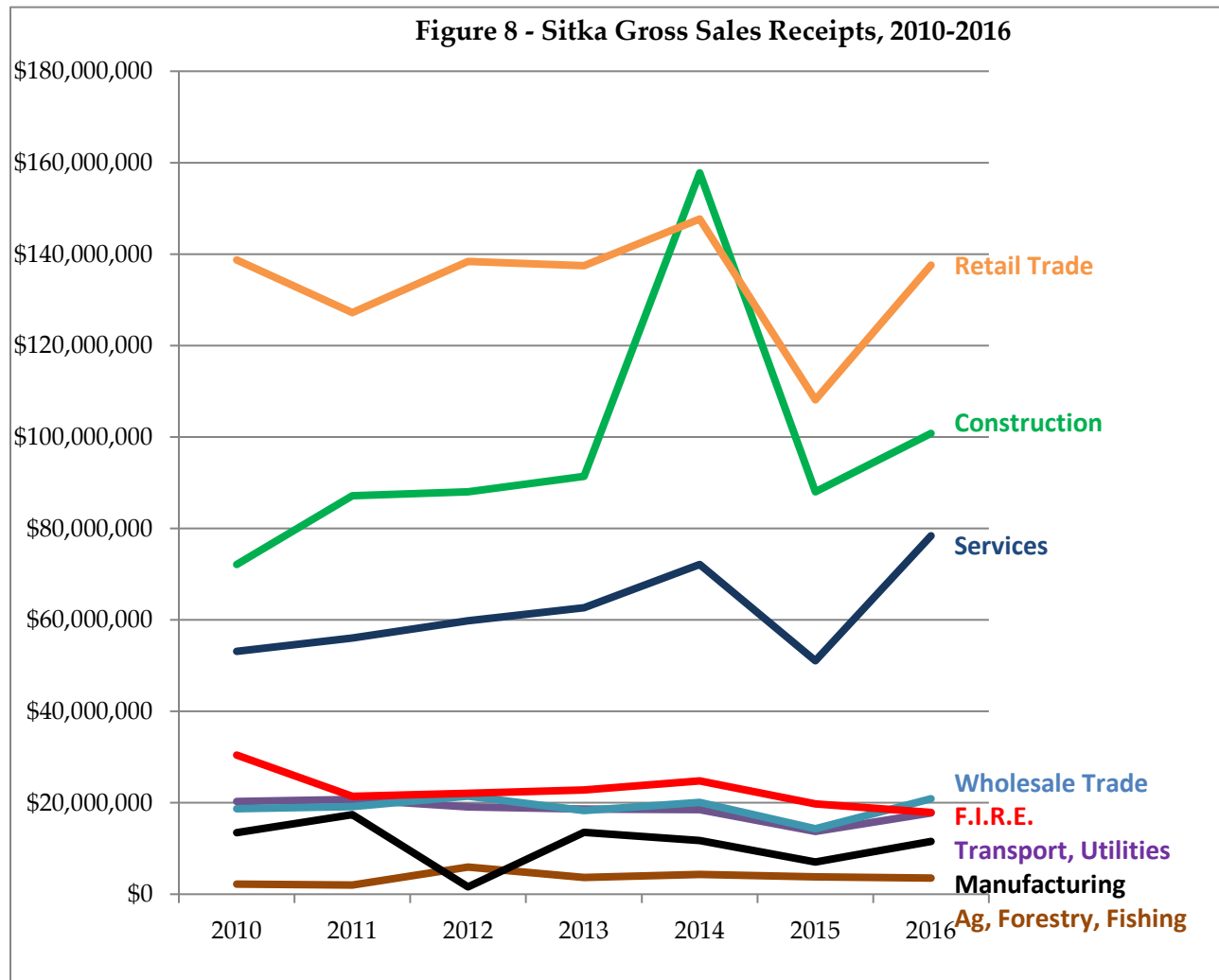


Figure 9 – Sitka’s Sole Proprietor Owned Small Businesses, 2014

Industry	No. Businesses	Business Earnings (Net)
Total for all sectors	1,326	\$76,430,000
Agriculture, forestry, fishing and hunting (vast majority are commercial fishing)	627	\$47,393,000
Construction	90	\$4,840,000
Manufacturing	20	\$768,000
Wholesale trade	10	\$272,000
Retail trade	60	\$1,312,000
Transportation and warehousing	32	\$1,745,000
Information	9	\$244,000
Finance and insurance	9	\$456,000
Real estate and rental and leasing	73	\$6,735,000
Professional, scientific, and technical services	111	\$5,117,000
Administrative and Support and Waste Management and Remediation Services	41	\$689,000
Educational services	37	\$720,000
Health care and social assistance	49	\$1,816,000
Arts, entertainment, and recreation	69	\$1,262,000
Accommodation and food services	38	\$1,178,000
Other services (except public administration)	51	\$1,883,000
<i>Source: US Census Nonemployer Statistics, 2014</i>		

Figure 10 - Non-Resident Workers in Sitka, 2014

Industry	No. Employees who are not Sitka Residents	Wages to non-Sitka Residents
Total for all sectors	1,591	\$28,107,543
Agriculture, Forestry, Fishing and Hunting	44	\$777,321
Construction	155	\$6,178,353
Manufacturing	514	\$7,447,051
Wholesale Trade	3	\$25,866
Retail Trade	91	\$979,740
Transportation and Warehousing	184	\$3,003,321
Professional, Scientific, and Technical Services	31	\$769,112
Administrative and Support and Waste Management and Remediation Services	60	\$1,113,297
Education	82	\$276,015
Health Care and Social Assistance	94	\$2,964,930
Arts, Entertainment and Recreation	30	\$513,557
Accommodation and Food	243	\$3,089,315
Other Services	29	\$329,341
Other	31	\$640,324
<i>Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Occupational Database</i>		

Figure 11 - 2015 Sitka Maritime Economy (updated 1/24)

Type of Maritime Work/Job	No. of Firms	Total Earnings or Wages	Average Annual Employment	Average Annual Wage
Fishing (self-employed) ¹ (2014 data) <i>Note: wages/earnings are gross, before expenses are deducted.</i>	608	\$46,182,000	608	\$75,957
Marine transportation (self-employed) (NAICS 483) ¹ (2014 data)	7	\$883,000	7	\$126,143
Subtotal, maritime small businesses	615	\$47,065,000	615	\$76,528
Fishing and Seafood Processing ² <i>(e.g. employees and payroll, for aquaculture, fishing, seafood processing, wholesalers, seafood markets)</i>	14	\$33,313,356	736 (much higher in summer)	\$45,263
Water Transportation ² <i>(e.g., water transportation, guides, tours, support)</i>	15			
Marinas, Boat Dealers, Boat Building ²	5			
Subtotal, maritime employment	42	\$43,194,305	945	\$45,708
Mixed Marine Leisure & Hospitality ² <i>(e.g. marine museums, marine or fishing guiding services, fish camps with accommodations)</i>	15	\$3,069,119	65	\$47,217
Mixed Marine Professional, Scientific, & Technical Services ² <i>(e.g. fisheries research and development laboratories or services, Oceanographic research)</i>	2			
Mixed Marine Construction, Manufacturing, Education, Boat Repair & Maintenance ²	3			
Mixed Marine Manufacturing ² <i>(e.g. textiles/canvas)</i>	1			
Mixed Boat Repair & Maintenance ²	2			
Subtotal, mixed maritime employment***	23	\$4,665,393	105	\$44,432
State Maritime Employees ² (ADF&G)	1	\$1,146,250	22	\$52,102
Federal Maritime Employees ² (NOAA, USCG civilian)	2	\$459,246	6	\$76,540
Federal enlisted (USCG) ³				
Local Harbor/Marine Svcs Center Employees ⁴	1	\$1,061,890 ⁴	7	\$68,779
Subtotal, government maritime	4	\$2,667,386	35	\$59,627
Total Sitka Maritime***	684	\$97,592,084	1,700	\$57,407

*** Total includes only 75% of mixed maritime to account for portions of these businesses not linked to the ocean.

Sources:

1 US Census nonemployers statistics, 2014

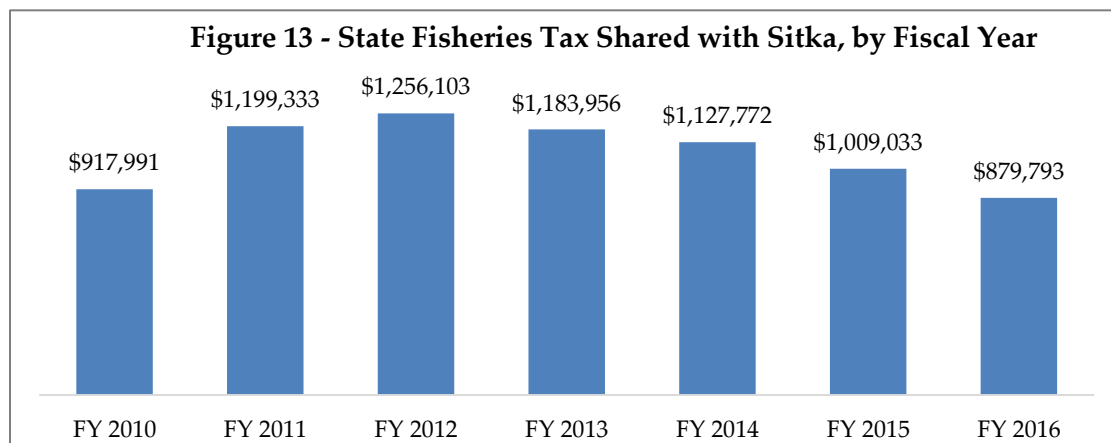
2 ADOLWD, special data run, C. Bell, 1/24/2017 update

3 USCG Air Station Sitka

4 Sheinberg Associates review of Sitka Municipal Budget

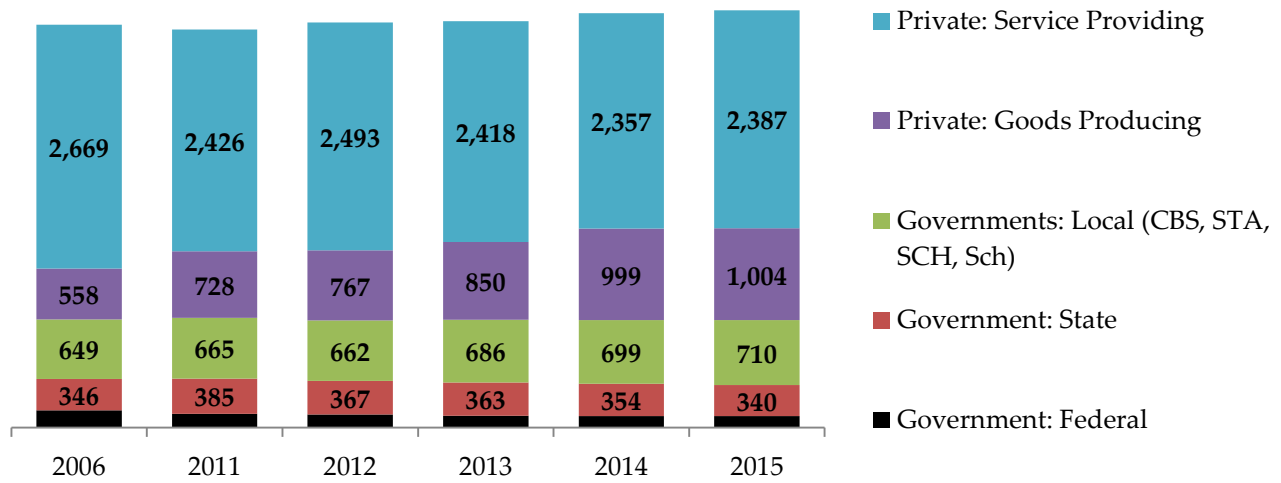
Figure 12 - Sitka Resident's Commercial Fishing Activity						
Year	2005	2011	2012	2013	2014	2015
Homeported Commercial Fishing Vessels (all types)**	585	641	631	632	631	-
Permit Holders	578	569	572	572	562	566
Permits Issued	1,160	1,082	1,117	1,109	1,072	1,055
Residents who Fished	446	467	482	457	457	446
Permits Fished	746	777	794	768	755	718
Pounds Landed	37,919,735	37,442,480	25,565,723	50,353,988	35,756,224	36,501,044
<i>Salmon (all)</i>	25,894,857	26,645,615	16,449,881	40,113,439	23,320,029	16,976,278
<i>Halibut (all)</i>	3,525,658			1,753,778	1,421,475	1,660,835
<i>Sablefish (all)</i>	4,156,787		3,559,072	3,228,620	3,096,597	3,149,756
Est. Gross Earnings	\$33,352,846	\$48,506,319	\$43,158,640	\$48,112,236	\$44,012,277	\$38,345,845
<i>Salmon (all)</i>	\$11,336,345	\$21,532,192	\$17,481,984	\$28,927,166	\$23,319,851	\$16,976,278
<i>Halibut (all)</i>	\$10,362,490			\$6,291,970	\$6,484,718	\$7,556,741
<i>Sablefish (all)</i>	\$8,876,986		\$12,871,718	\$8,059,451	\$9,657,665	\$10,555,645

Source: CFEC Permit and Fishing Activity and Vessel Reports



Source: Alaska Department of Revenue, Annual Shared Taxes Reports

Figure 14 - Number of Sitka Employees (Average Annual), 2006-2015



**Figure 15 - Number of Employees and Monthly Wages,
by Type of Work, 2015**

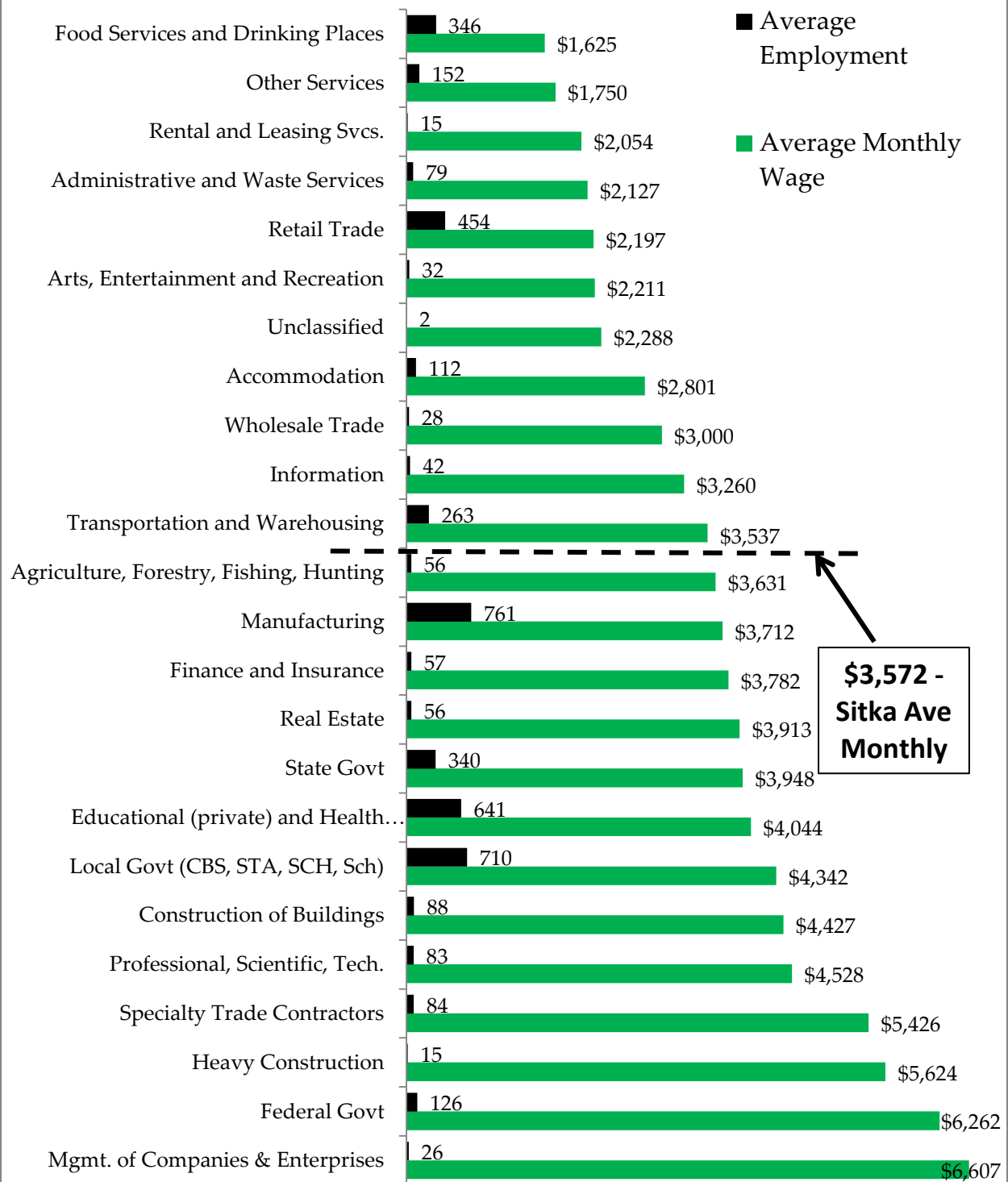


Figure 16 - Sitka Visitor Attractions and Assets

Category	Attractions/Assets
# Tour Companies	Alaska Dream Cruises, Alaska Wildlife Tours & Water taxi Alaska travel Adventures Alaska ATV Torus Allen marine Tour4sa Sea Otter and Whale Quest Annahootz Alaskan Adventure Dove Island Lodge
# Attractions	Raptor Center ANB Hall Naa Kahidi Dancers New Archangel Dancers Sitka National Historical Park, historic houses and structures, interpretation, Totem Trail Sheldon Jackson Museum Fortress of the Bear Castle Hill Sitka Sound Science Center St Michaels Russian Orthodox Church Totem Square Whale Park Sea Mountain Gold Course National Cemetery
# Accommodation Options / # Rooms	Over 200 hotel rooms, B&Bs, Lodges, vacations rentals, campgrounds, RV facilities, USFS cabins, Sitka International Hostel,
# Arts/Meeting Venues	Harrigan Centennial Hall Sitka Performing Arts Center Sheldon Jackson Campus – various venues
# Charters	Many
Festivals and events	Russian Christmas Sitka Jazz Festival Arti Gras Sitka Salmon Derby Sitka Summer Music Festival Sitka Fine Arts Camp Fourth of July Celebration Sitka Jazz Week Sitka Arts & Science Fest. Paths Across the Pacific Mudball Classic Softball Tournament Annual Running of the Boots Alaska Day Festival Native American Heritage Fest Sitka Whalefest Sitka Artisans Market Sitka's Holiday Fest

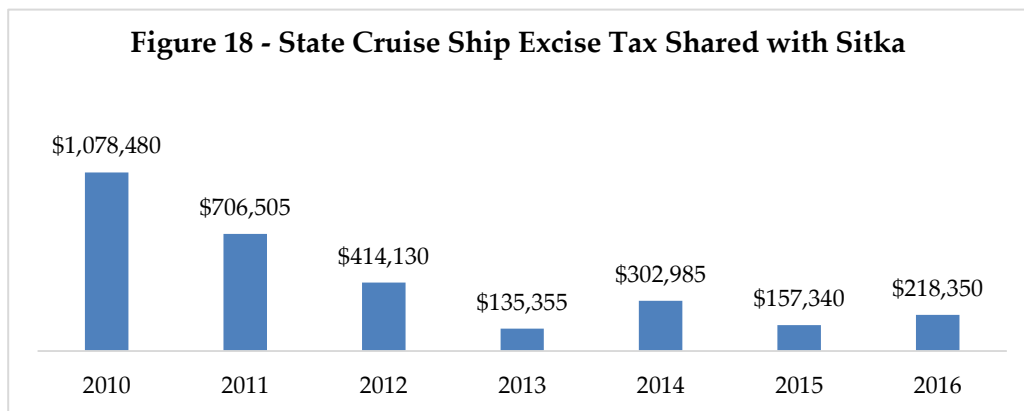
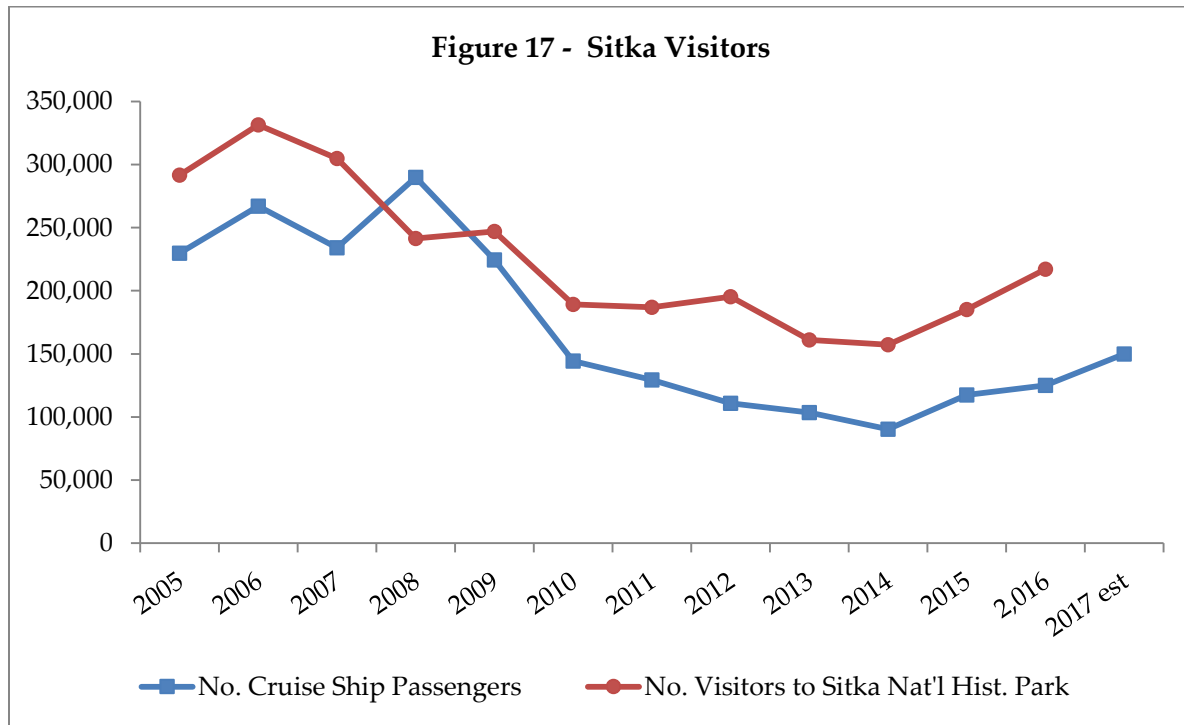


Figure 19: Manufacturing Location Quotient Comparisons

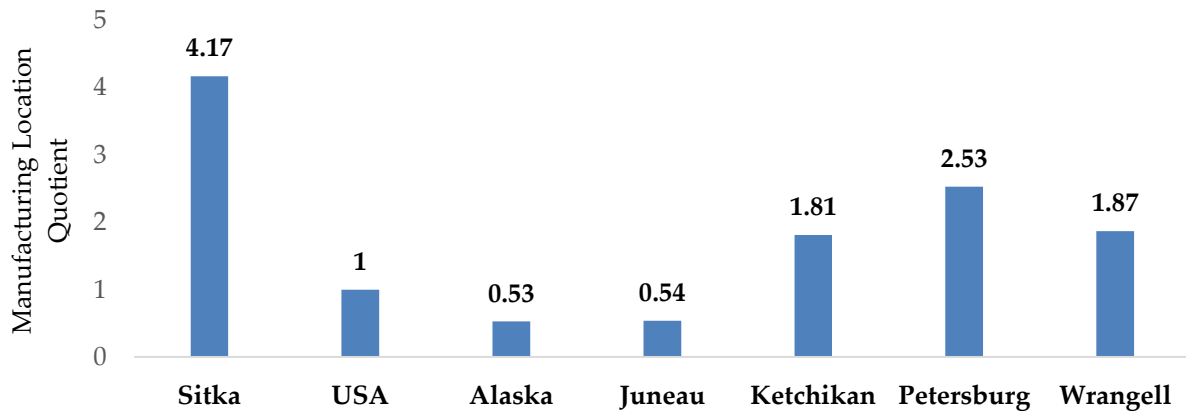


Figure 20: Manufacturing Workforce & Earnings Details 2014 & 2015 Combined

Manufacturing Sole Proprietors (2014)	-	Businesses	Earnings
Food Manufacturing (<i>Code 311</i>)	-	6	\$347,000
Other Manufacturing	-	415	\$421,000
Total Manufacturing Proprietors	-	20	\$768,000
Manufacturing Wage and Salary Employment (2015)	Number of Employers	Average Annual Employment	Wages
Food	6	*	*
Beverage and Tobacco Products	1	*	*
Textile Products	1	*	*
Chemicals	1	*	*
Nonmetallic Mineral Products	1	*	*
Transportation Equipment	2	*	*
Total Wage & Salary Employment	12	761	\$33,895,919
Grand Totals Proprietors & Employment		781	\$34,663,919

Sources US Census, Non-Employer Statistics (2014), ADOLWD, QCEW database (2015)

Figure 21: Monthly Manufacturing Wage & Salary Employment 2015

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
276	365	542	482	676	883	2,002	1,626	801	532	442	500	761

Source: ADOLWD, QCEW database (2015)

ENDNOTES

¹ Source: ADEED, Free and Reduced Price Meals Report and Eligibility Guidelines. To qualify for a free lunch (using January 2016 federal poverty thresholds in Alaska) a family of four made less than \$39,494, or for a reduced fee lunch, made less than \$56,203. A single parent with one child made less income than \$26,026 to qualify for a free lunch, or made less than \$37,037 to qualify for a reduced fee lunch.

² Ibid.

³ Source: ACS 2011-2015 5 year estimate, Table S1701

⁴ Source: ACS 2011-2015 5 year estimate, Selected Economic Characteristics

⁵ Rovner, M. 2013 "The Next Generation of American Giving: The Charitable Habits of Generations Y, X, Baby Boomers and Matures." Blackbaud.

⁶ The margin of error is ± 55 , thus the range is 92 to 202 grandparents living with grandchildren.