

Agency: Commerce, Community and Economic Development

Grants to Unincorporated Communities (AS 37.05.317)

Grant Recipient: Naukati Bay

Project Title:

Naukati Bay - Regional Shellfish Processing Facility

State Funding Requested: \$ 75,000
One-Time Need

House District: 5 - C

Brief Project Description:

Planning and design phase of a regional shellfish processing facility.

Funding Plan:

Total Cost of Project: \$75,000

<u>Funding Secured</u>		<u>Other Pending Requests</u>		<u>Anticipated Future Need</u>	
<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>
There is no other funding needed					

Detailed Project Description and Justification:

Processing farm grown shellfish includes sorting, grading, final cleaning, and boxing for shipment. In Southeast Alaska, processing farmed shellfish is done on an individual basis and each and every farm has a DEC certified facility, which includes a refrigerated holding area. The processing facility and its operation is the single most expensive and time-consuming portion of a new shellfish farm, and as the farm grows in size this facility has to be expanded to carry the load. Post harvest labor takes as much as 70% of the farmer's time. With a regional facility in Naukati Bay, local farmers would be able to "drop off" their product at a central processor and devote much more of their time to growing shellfish, which what they do best. A regional processor would be huge factor in the growth of the mariculture industry and would likely evolve into a processing and marketing cooperative.

Naukati Bay already has a shellfish nursery that produces large, healthy spat to shellfish farms throughout Alaska. This nursery has helped shellfish farmers overcome one of their greatest hurdles, a reliable spat supply. The Naukati shellfish nursery provides an operator and a manager position. A shellfish processor would create two full time jobs of up to \$35,000.00 per year, with the potential of four full time jobs. As the mariculture industry grows there would also be other jobs created that are related to product transportation, increased nursery demand, and farm equipment supply.

Naukati Bay was a timber dependent community and has turned its economy toward shellfish mariculture (oyster farming) that has benefited the local farmers as well as the economy of Naukati Bay.

At the present time we do not have matching funds, but will have in-kind contributions. This project has not been requested before and no other funding has been applied for at this time.

Naukati Bay is asking for \$75,000.00 for planning and design of a regional processing facility and will be applying for grants/funding from other sources to complete this project once the design and planning phase is complete.

For use by Co-chair Staff Only:

4:46 PM 4/29/2008

Project Timeline:

Begin this phase by August 2008 and complete by February 2009.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Naukati West, Inc.

Grant Recipient Contact Information:

Contact Name: Art King, Grant Administrator

Phone Number: 907-629-4266

Address: Box 1 NKI, Naukati Bay, AK 99950

Email: claireking@starband.net

Has this project been through a public review process at the local level and is it a community priority? Yes No

14 January 2008

Eric R. Wyatt
Starr Fisheries LLC
Box 441
Naukati, AK 99950

Senator Albert Kookesh
State Capitol
Juneau, AK 99801

Subj: Regional Shellfish Processing Facility

Dear Senator Kookesh:

My wife and I have started a new shellfish farm, out here, near our home on Token Cove (between Edna Bay and Naukati). We contacted you last year about PSP test funding. Thank you for your efforts there.

Lately, I have been working with a number of other interested persons, including Art King and John Sund, to pinpoint the issues that are most constraining to the growth of a shellfish mariculture industry. I have become personally convinced that the one single thing that would allow our segment of this industry to grow rapidly in profitability would be a local centralized shellfish shipping facility.

Last spring, my wife and I finally completed the constructing, permitting and inspection of our farm's DEC certified Shellfish Shipping Facility. This was quite a time consuming and red tape affair, but necessary to sell any volume of product, at all. Now we find ourselves increasingly in the position of oyster sorter, boxer, shipper and salesman. Our remote location gives us an advantage in growing wonderful oysters, but not an advantage in these post-harvest jobs. All other shellfish farmers, and potential farmers, face this same tremendous challenge. We have an easier time of it than other farms in our area - at least we have a working telephone.

British Columbia has a shellfish growing industry that Alaska can aspire to. One of the most noticeable differences between their industry and ours is that the average shellfish farmer is NOT also a processor.

The region around Naukati Bay is the most likely area in our state to be a "hot zone" of shellfish mariculture. Funding to aid in the construction of a regional shellfish processing facility in Naukati Bay should reap large rewards for all in this area.

Sincerely,

Eric R. Wyatt
Starr Fisheries LLC
featuring Blue Starr Alaskan Oysters

P.S. Find our product at the Nature Conservancy's Near Shore Event in February in Juneau

Regional Shellfish Processing Facility

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At the present time we do not have matching funds, but will have in-kind contributions. Art King will be the administrator of the grant and his time will be an in-kind donation. This project has not been requested before and no other funding has been applied for.

We would like to begin the project by August 2008 and complete it by February 2009.

The contact person will be Art King at (907) 629-4266 or e-mail at claireking@starband.net

Naukati Bay was a timber dependent community and has turned its economy toward shellfish mariculture (oyster farming) that has benefited the local farmers as well as the economy of Naukati Bay.

Naukati Bay is asking for \$75,000.00 for planning and design of a regional processing facility.

Naukati Bay Subdivision West Addition No. 1
Naukati Bay, Alaska
Grant request for Rock on State of Alaska Pioneered
Right-of Way in Naukati Bay's new Subdivision

Naukati Bay Alaska



The Alaska Department of Natural Resources (DNR) held a land sale in 2007 referred to as "Naukati Subdivision Addition Number One". The community requested the land sale to help Naukati Bay grow and after much discussion with community members the size and number of lots were agreed on.

The DNR surveyed the lots to be sold as well as the road that would be required to access the lots. The DNR agreed to brush, clear and rock the road in the new subdivision and, in fact, did issue a contract to clear and pioneer the access road which is a DNR Right-of-Way owned by the state. This clearing was done in the winter of 2006/07 and the sale took place in May of 2007.

Naukati Homeowners Association
NKI Box 1
Naukati Bay, Alaska 99950
Art King Vice President
(907) 629-4266 claireking@starband.net
www.naukatibay.com

The year 2007 also saw a new administration in Juneau and placing rock on the road was eliminated by the DNR. Many folks knew that the DNR had promised to rock the road and had purchased lots with the intent of beginning construction on new homes in 2007/08. Now the new owners can not get to their property without the rock on the road.

Naukati Bay, in the past, has received a CPMG grant and put the \$25,000 into road maintenance and building. That grants are no longer available.

Seeing the need for the completion of the access road and DNR's waffling on their promise to complete the road in 2007, folks in Naukati Bay decided to go around the DNR and request a legislative grant in the amount of \$150,000 to put rock on the road. The request was vetoed by the governor, with the reason being "It Was Not the States Responsibility". Naukati Bay contacted the State DOT and could apply for a grant with them but it would be a low priority and would probably fail. The need for the road is high and we hope somehow funding can be found.



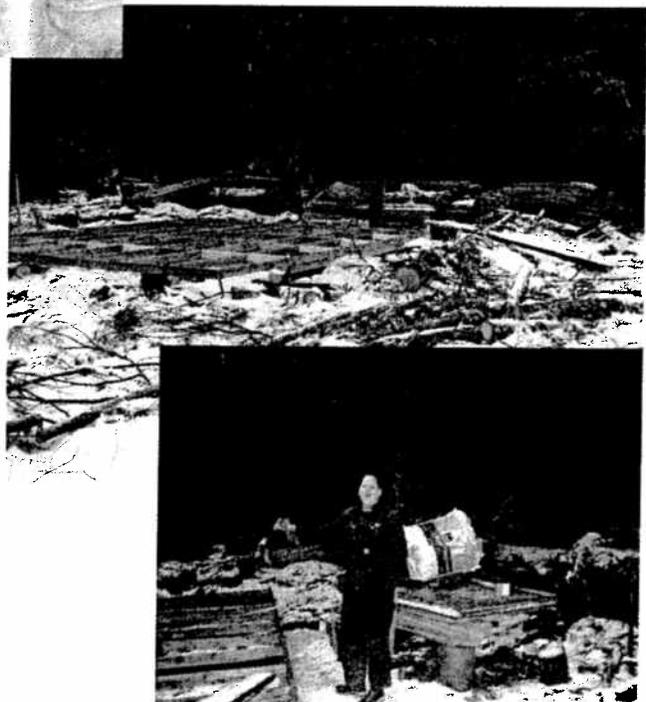
Dan & Julie Gallo and son Eugene can't afford to rent and build at the same time and have chosen to live in temporary living quarters while building.

In the event on an emergency, Naukati Bay First Responders including the Naukati EMS and Naukati Fire Department would have difficulty reaching their facility.

Dan works as a laborer around the community and Julie substitutes as a teacher at the Naukati Bay School and also teaches music. Dan, Julie and young son Eugene walk up and down the pioneered road nearly 1/2 mile packing all of their supplies and building materials by hand.

Life would be much easier on Dan Julie and young Eugene if supplies and building materials could be delivered to their lot.

This is a simple and common road construction in South East Alaska. This will be a 14' wide road with turn outs, a type of construction concurred with by the State of Alaska DOT.





ORGANIZED VILLAGE OF KASAAN

P. O. Box 26-Kasaan
(907) 542-2230

• Ketchikan, Alaska 99950-0340
• (fax) 907-542-3006

January 25, 2008

Art King
Naukati Shellfish Nursery
P.O. Box 1
Ketchikan, AK 99950

RE: Regional Shellfish Processing Facility

Dear Mr. King,

On behalf of the Organized Village of Kasaan, we are submitting this letter of support for your efforts in developing a Regional Shellfish Processing Facility in Naukati on Prince of Wales Island. The Organized Village of Kasaan is interested in pursuing aquaculture opportunities. We have identified sites near Kasaan that are suitable for growing shellfish, and obtained permits from the State of Alaska.

We understand that becoming our own independent processor, in conjunction with growing and selling oysters, can be very expensive and logistically difficult given our limited resources. Therefore, we wholly support the idea of a regional shellfish processing facility. A facility in Naukati would serve Kasaan well, since both communities are link by the Prince of Wales Road system.

Your experience in the Prince of Wales shellfish industry makes you the logical choice in developing a processing facility, and we look forward being able to work with you in the future as we develop our economic development in aquaculture.

Sincerely,

Cathy A. Needham
Director of Natural Resources



January 20, 2008

**Art King
Naukati Shellfish Nursery
P.O. Box 1
Ketchikan, AK 99950**

Dear Mr. King:

The Alaskan Shellfish Growers Association (ASGA) is pleased to support your proposed regional processing facility in Naukati. Your project meets our statewide goals of helping reduce operating costs and making Alaska shellfish farms more efficient.

Market forces and difficult logistics force most growers to become independent processors, and this is very expensive and time consuming for selling relatively small amounts of product. Consolidating processing, marketing and logistics under a central facility could allow many growers to forego these expenses and time demands to spend more time being a farmer.

We're confident Naukati will be successful if you get the grant as this is an idea whose time has come, and, if the success of your nursery is any yardstick, the community certainly has the business skills to make the project a success.

Sincerely,

A handwritten signature in black ink that reads "Rodger Painter".

**Rodger Painter
ASGA President**



Marine Advisory Program

University of Alaska Fairbanks
School of Fisheries and Ocean Sciences
1007 W. 3rd Ave. • Anchorage, AK 99501
907.274.9691 • fax 907.277.5242
map@sfos.uaf.edu • www.marineadvisory.org

January 25, 2008

To: Art King

From: Raymond RaLonde, Aquaculture Specialist

Subject: Support for fund of shellfish holding facility

The intent of this letter is to contribute my support for your project to construct and operate a shellfish receiving, storage and processing facility in support of the shellfish aquaculture industry on Prince of Wales Island. Your effort to support the industry with an oyster nursery operation has been an impressive success for the multiple oyster farms located in the area, and expansion of the industry because of your efforts is expected. With expansion of the shellfish aquaculture in your area, a facility that can receive oysters and process them for transportation to markets is essential.

For nearly a decade, the farmers of Prince of Wales Island and your community have worked diligently with the University of Alaska Sea Grant Marine Advisory Program to expand the industry from independent small farms towards developing an industry. The Oceans Alaska program also recognized the essential need for infrastructure support. Shellfish staging facilities such as yours are fundamental to the success of all of our efforts.

If you need any assistance with technical information for your project, please feel free to contact me. I commend your initiative and have no reservations in supporting your project.

Respectfully,

Raymond RaLonde
Aquaculture Specialist

Harmony Seafoods
Box NKI 438
Ketchikan, Ak 99950

January 13, 2008

To: Senator Kookesh
And Representative Bill Thomas
Alaska State Capitol
Juneau, AK 99801

Re: Proposed Shellfish Processing Facility In Naukati Alaska

Dear Sirs,

This letter is being written in support of a shellfish processing and shipping facility being proposed by the community of Naukati Ak. Having moved from Juneau in 2005 to the Sea Otter Sound area to become involved in the shellfish industry, I have worked on three shellfish farms since that time. All of these farms have their own facilities on site. I have become aware of a number of problems that they face moving their products in this way. Some of these appear to be:

- 1) Construction of a facility, buying equipment, permitting and inspections
- 2) Extra labor usually required at shipping times
- 3) Erratic shipping dates, buyers want orders on different days or bi-weekly in some cases (much time spent on shipping and less on other duties of a shellfish operation)
- 4) Logistics of making contacts w/buyers, airlines etc. especially in this area of limited or non-existent cell phone service
- 5) Icing over of some bays in colder weather preventing float planes from picking up product. Fog and wind other times may prevent flights for days. Live product then has to be unboxed and returned to the water wasting additional time and some materials.
- 6) Potential billing problems w/ numerous accounts
- 7) Inability to meet customers order or requested amount for whatever reason on occasion.

This is just some of the problems that I have seen while working and talking with these shippers. I'm sure that their lists would be longer, but I think they may agree that the above problems consume an unreasonably large amount of time especially given that time and expenses are needed elsewhere on the farm.

The development of the shellfish, business on Prince of Wales Island is one of the best opportunities available to create new environmentally and economically sustainable jobs in coastal Alaska. The Alaska Economic Trends, October 2007 article on Population Projections, 2007 – 2030 is very disturbing for Southeast Alaska. In particular Prince of Wales Island population is projected to decline by 28% in the next 25 years.

	2006	2010	2020	2030	% change
Southeast Region	70,053	70,315	68,335	65,073	-7.11%
Haines Borough	2,241	2,095	1,854	1,571	-29.90%
Juneau Borough	30,650	31,691	32,252	32,260	5.25%
Ketchikan Gateway Borough	13,174	12,836	12,088	11,095	-15.78%
POW-Outer Ketchikan Census Area	5,477	5,261	4,658	3,894	-28.90%
Sitka Borough	8,833	8,964	8,864	8,658	-1.98%
Skagway-Hoonah-Angoon Census Area	3,020	2,862	2,415	1,945	-35.60%
Wrangell-Petersburg Census Area	6,024	5,960	5,580	5,076	-15.74%
Yakutat Borough	634	646	624	574	-9.46%

We have a great opportunity to create a sustainable shellfish industry on Prince of Wales that will begin to turn the tide on the population decline. Shellfish jobs are year around, environmentally sustainable. And over 70% of the revenue to shellfish farms is spent within ten miles of the farm. This is a huge impact on the local economic structure of Prince of Wales and coastal Alaska.

The creation of a regional shellfish processing facility in Naukati is one of the many steps needed to bring this shellfish industry into a reality and become the basis for vibrant coastal communities in Alaska.

Sincerely yours,

John Sund
Project Manager
OceansAlaska

P.O. Box 6383 – Ketchikan, Alaska 99901
T 907 225 7900
www.oceansalaska.org



OceansAlaska

MARINE SCIENCE CENTER

January 23, 2008

Art King
Box 431
Naukati, Alaska 99950

Re: Regional Shellfish Processing Facility
Naukati

Dear Art,

This letter is in support of the project to develop a regional shellfish processing facility in Naukati.

The strategic plan for the development of the shellfish industry in Alaska was recently completed. "Tipping the Balance – Removing the Barriers" strategic plan is grounded on a sustaining vision that "Alaska has a strong and sustainable shellfish industry that supports vibrant coastal communities."

One of the main major hurdles identified in the strategic plan is the need for regional processing facilities. The goal is to facilitate and assist the industry in the development of processing facilities to meet the needs of individual and collective organizations of shellfish farms to reduce the overall cost of transportation and access to markets.

The "Tipping the Balance – Bringing Alaska's Shellfish Industry to the Takeoff Point" report issued by OceansAlaska Marine Science Center in 2006 documented the growth potential of the Alaskan Shellfish industry. The report called for a strategic plan to define solutions to barriers restricting the fledgling shellfish industry in coastal Alaska and the development of an organization capable of implementing the strategic plan.

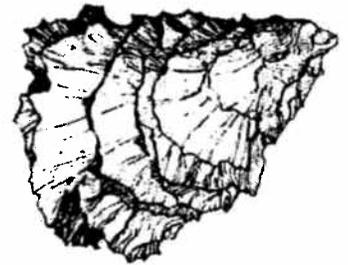
OceansAlaska recently completed a year long project of stakeholders to develop a strategic plan for the shellfish industry. Three major conferences, stakeholder meetings, and public input have resulted in the issuance of the report, "Tipping the Balance – Removing the Barriers."

The report identifies several basic hurdles and adopts a strategy grounded in Education and Training, Research and Development, and Product Development and Markets. One of the major hurdles to overcome is the cost of operations in Alaska. A regional processing facility is one of the options to reduce individual costs to farms and introduce some economy of scale in the shellfish business.

P.O. Box 6383 – Ketchikan, Alaska 99901
T 907 225 7900
www.oceansalaska.org

Tenass Pass Shellfish Company

Gourmet Oysters and Clams from Alaska Pure Waters



January 20, 2008

Art King
Naukati Shellfish Nursery
P.O. Box 1
Ketchikan, AK 99950

Dear Mr. King:

As a long-time shellfish grower in the Naukati area, I'd like to give an enthusiastic endorsement for your proposal to plan a regional shellfish processing facility. I believe Naukati is reaching critical mass in shellfish farming operations to support such a facility.

I have been processing and selling oysters and clams at my farm for nearly 20 years, and I'd be happy to shed that expense and hassle. Dealing with DEC, maintaining and operating our processing/marketing side of the operation consumes a great deal of time, adds stress, and generally gets in the way of farming. We'd have much better recovery rates if we could spend that time tending our crops.

I'd sell my product to a centralized processing facility in a heartbeat if I had that option. I wish you the best of luck in securing the grant.

Sincerely,

Rodger Painter