

# Public Cold Storage Facility for Juneau: Proposal for CBJ Docks & Harbors Seed Funding

Presented by

**CBJ Fisheries Development Committee (FDC)**  
**Jim Becker, Chairman**

The FDC seeks \$25,000 in Docks and Harbors financial support to help jump start the long discussed public, non-profit cold storage facility in Juneau. The funds would be used to:

- 1.) To update and fine tune the findings of the “Feasibility Analysis of a Publicly Owned Refrigerated Warehouse Facility for the City and Borough of Juneau” – prepared by Northern Economics, in association with MBA Consulting Engineers, March 1998.
- 2.) Conduct local seafood industry focus groups and workshops regarding the proposed facility.
- 3.) Analyze capital funding and organizational alternatives and prepare a complete set of recommendations for consideration by the Assembly.
- 4.) Establish the legal structure for the entity that will operate the facility.

The FDC also requests D&H support to “host” this initial stage of development administratively, including help with work items that must be bid and general administration of the funds.

The FDC believes that the proposed cold storage facility will generate significant new seafood business in Juneau that will result in substantial revenue increases for Docks and Harbors through

- increased revenue generating use of Juneau harbor facilities by both resident and non-resident fishing operations, and
- most importantly, higher Fisheries Business Tax revenues through greater fisheries landings in Juneau.

The principal source of additional landings will be through capture of a greater portion of the enormous DIPAC hatchery returns. Right now Juneau area processors are hampered by lack of capacity in competing successfully for these fish. For example, in 2009 fully 9/10ths of DIPAC’s cost recovery fish, valued at more than \$6.2 million, ended up outside Juneau, contributing nearly \$100,000 in FBT to other jurisdictions.<sup>1</sup> A cold storage will help local processors compete for those fish, as well as a greater proportion of DIPAC’s common property fishery production. A cold storage will also be boon to local direct marketers and small start-up processing operations, providing storage for product and freeing capital for investment in actual value adding and marketing activities. Quantifying these values will be one element in the work to be accomplished with D&H seed money financial support. The requested seed money investment by Docks and Harbors will be repaid many times over through increases on annual FBT receipts alone.

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<sup>1</sup> Some 9 million pounds of cost recovery fish went elsewhere. 6 million lbs to Sitka, 2 million lbs to Petersburg, and 1 million lbs to the XIP plant in the Haines Borough. This fish had a landed value of \$.67 /lb, totaling roughly \$6.23 million. The municipal share of the FBT on that – 1.5% - equaled approximately \$93,450.

## Juneau Meets a Significant Development Challenge

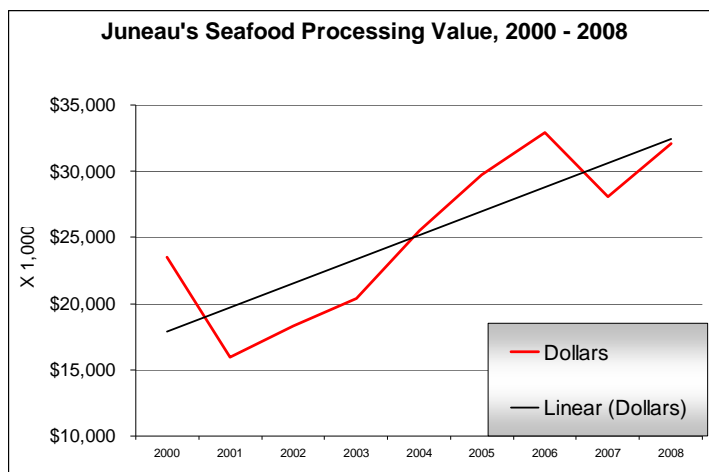
The Juneau seafood economy is in a unique position. After the “near death” of its seafood processing industry following the fires that destroyed the old Juneau Cold Storage and Douglas Cold Storage plants in the late 1980’s, Juneau has quietly reclaimed a position as an increasingly important fishing port. It ranked 8<sup>th</sup> in halibut deliveries in Alaska in 2008, and has placed in the top10 halibut ports every year in the last decade.<sup>2</sup> Total seafood deliveries put Juneau as the 37<sup>th</sup> largest fishing port in the entire country in 2008.<sup>3</sup>

A number of factors have contributed to this resurgence:

- Unlike many communities in Alaska, Juneau enjoys quite good transportation, giving it better than average access to the burgeoning fresh fish export market;
- Juneau has fairly low energy costs and good overall public infrastructure;
- It has access to a diverse and ample supply of seafood resources;
- Its decent sized home market is big enough to support a nascent direct marketing sector, which has often spawned larger, growing processing companies; and
- Though often characterized as a “government town” Juneau has shown remarkable entrepreneurship in its seafood sector, and enjoys a uniquely high level of local ownership in its processing sector when compared to other areas of Alaska.

All these things have helped make Juneau one of the more dynamic, higher paying ports in Alaska, serving as the principal buying port for northern Southeast Alaska. Drift gillnetters who fish Taku and Lynn Canal principally sell into the Juneau area. Trollers and longliners from all over northern Southeast and eastern Gulf of Alaska bring product to Juneau. Pelican, Hoonah, Gustavus and Elfin Cove fishermen sell to tenders from Juneau processors.

Table 1 on the following page provides a glimpse of the Juneau seafood processing sector from 2000 to 2008. With three larger processors and an interesting mix of smaller and medium-sized specialty processors and direct market fishermen - almost all residents - Juneau is leading a new economic development paradigm for Alaska<sup>4</sup>.



<sup>2</sup> Pacific Halibut – Sablefish IFQ Report Fishing Year 2008, NOAA’s National Marine Fisheries Service (NMFS) Alaska Region, Restricted Access Management (RAM), April 2009, pages 55 and 57.

<sup>3</sup> Fisheries of the United States – 2008, Fisheries Statistics Division, National Marine Fisheries Service, NOAA, July 2009, page 7.

<sup>4</sup> The three larger processors are Alaska Glacier Seafoods, Icy Strait Seafoods and Taku Fisheries. Taku and Icy Strait both operate out of the same facility in downtown Juneau.

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**Table 1 - Juneau Area Seafood Processing Sector - 2000 thru 2008 (ADF&G COAR Data)**

PROCESSOR TYPE	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Data	%	Data	%	Data	%	Data	%	Data	%	Data	%	Data	%	Data	%	Data	%
<b>Direct Marketer</b>																		
# of	29	62%	14	41%	18	45%	18	50%	18	56%	19	23%	17	27%	16	36%	23	36%
Pounds	1,524,193	18%	200,175	4%	740,268	12%	531,325	8%	1,285,498	13%	694,253	9%	930,711	8%	360,634	3%	426,709	5%
Dollars	\$ 1,087,750	5%	\$ 240,756	2%	\$ 197,970	1%	\$ 235,889	1%	\$ 351,967	1%	\$ 365,050	1%	\$ 470,584	1%	\$ 503,763	2%	\$ 493,617	2%
<b>Catcher/Seller</b>																		
# of	10	21%	12	35%	14	35%	9	25%	5	16%	53	65%	36	57%	20	44%	32	50%
Pounds	50,891	1%	1,703	0%	6,630	0%	3,366	0%	493	0%	25,062	0%	58,951	1%	54,265	0%	39,975	0%
Dollars	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%
<b>Small Shorebased Processor</b>																		
# of	5	11%	4	12%	3	8%	5	14%	4	13%	5	6%	6	10%	5	11%	4	6%
Pounds	56,727	1%	83,843	2%	79,745	1%	125,628	2%	89,988	1%	280,583	4%	123,850	1%	114,940	1%	93,267	1%
Dollars	\$ 317,009	1%	\$ 389,377	2%	\$ 377,527	2%	\$ 493,983	2%	\$ 520,397	2%	\$ 1,817,601	6%	\$ 801,933	2%	\$ 1,155,057	4%	\$ 1,359,136	4%
<b>Larger Shorebased Processors</b>																		
# of	3	6%	3	9%	3	8%	3	8%	3	9%	3	4%	3	5%	3	7%	3	5%
Pounds	6,961,568	81%	4,686,828	94%	5,587,134	87%	5,799,976	90%	8,469,665	86%	6,784,656	87%	10,380,522	90%	10,415,650	95%	7,724,623	93%
Dollars	\$ 22,107,374	94%	\$ 15,344,905	96%	\$ 17,712,583	97%	\$ 19,646,275	96%	\$ 24,628,437	97%	\$ 27,553,400	93%	\$ 31,656,197	96%	\$ 26,390,966	94%	\$ 30,249,805	94%
<b>Total</b>																		
# of	47		34		40		36		32		81		63		45		64	
Pounds	8,593,379		4,972,549		6,413,777		6,460,295		9,845,644		7,784,555		11,494,034		10,945,489		8,284,573	
Dollars	\$ 23,512,133		\$ 15,975,038		\$ 18,288,080		\$ 20,376,146		\$ 25,500,802		\$ 29,736,051		\$ 32,928,714		\$ 28,049,786		\$ 32,102,559	

## A History of Successful Public Investment

Juneau has made a number of important public investments that have been critical to the rebirth and continued growth of the seafood industry here.

- The crane dock at the University site between Harris and Aurora Harbors, built in 1989, has enabled small independent operations to successfully offload seafood products, providing a shared facility that none could have afforded to build on their own. The importance and success of this facility as a business incubator is unquestioned. Alaska Glacier Seafoods got its start with this facility and continues to use it to support tendering operations in the Taku River fishery. Northern Keta Caviar brought much of its product across this dock, and numerous smaller operators continue to depend on it.
- The investment in the dock and ice plant at Taku Fisheries in the early 1990's enabled that company to become Juneau's first significant, modern seafood player following the demise of the old cold storages. That investment has been fully repaid with lease payments and has generated over \$1.5 million in Fisheries Business Tax revenues.
- The complete rebuild of Harris Harbor and the ongoing upgrades of small boat harbor facilities throughout the Borough have been very important for both resident and visiting commercial fishermen.
- The recently opened Auke Bay Loading Facility is unique in the State and will provide important services to fishermen and processors and enhanced intermodal access to Juneau's airport and other freight facilities.

These projects demonstrate that thoughtful investment of public dollars can effectively stimulate economic growth – growth that is extremely important to diversifying and strengthening Juneau's economy.

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## **The Next Step?**

The CBJ Fisheries Development Committee believes that the next critical component needed to continue the positive progression of Juneau's seafood industry is a cold storage facility. Juneau's larger processors are actually quite small compared to the large Seattle-based processors like Trident or Ocean Beauty. Developing capital intensive freezer space is a challenge for these operators. But, having a modern freezing and holding facility will allow them to hold more inventory and create more year round jobs into the future.

A cold storage facility will assist Juneau's direct market fisherman and smaller processors. Albeit a small segment of the processing sector in terms of total value, fisherman direct marketers represent an important developmental stage within the seafood industry. Fishermen are constantly moving into processing. Many do not continue. Others remain small-scale. However, a few develop into significant market players. Trident, Icicle, and NorQuest are all examples of fishermen owned start-ups becoming major buyers for the industry. Right here in Juneau, Alaska Glacier Seafoods started in 1996 as a small father and son direct marketing operation, and Icy Strait Seafoods had its beginnings with one fisherman marketing his own catch and gradually adding the catch of other fishermen. These are now Juneau's largest, and growing processing operations.

With an eye towards the freight consolidation, this facility could also be very useful for other processors and operators in Northern Southeast who have limited ability to access Juneau's strength as a transportation hub. A cold storage/freight consolidation facility will help these outlying businesses as well as Juneau's own businesses that depend on air freighting fresh fish.

## **Updating Available Information**

The initial study conducted in 1998 by Northern Economics demonstrated the promise and feasibility of a cold storage facility in Juneau, but the idea was not acted upon. Since then a number of changes have taken place that bode well for building a cold storage project now.

- General resurgence of the wild salmon fishery
- Spectacular growth in value adding, primarily for the domestic market
- Changes and maturation in the local processing sector
- Good examples of successful similar projects in Sitka, Petersburg and Wrangell
- Strong public interest in diversifying our economy

Updating the Northern Economics study will include a number of elements. Preliminary discussion with local processors indicates widespread support, but more detailed needs surveys are required. The FDC will also review design and construction assumptions to ensure that the project is properly scaled for today's needs and capable of responding to future growth. Land availability and siting options will be carefully evaluated. All financial assumptions will also be carefully reviewed and updated to reflect current realities. We will also investigate various long-term management options for the facility.

If Docks and Harbors approves this request for seed funding, the FDC will return with detailed timelines and scopes of work for the various elements no later than the Board's April regular meeting.