

MEMO:

April 17, 2020

TO: Mayor Beth Weldon & Members of the Assembly
Manager Rorie Watt
Max Mertz, Chair & Members of the Economic Stabilization Task Force

FROM: William Heumann

RE: Juneau's Economic Recovery

Below are some of my concerns and concerns of other business people as we consider restoring some economic stability to the CBJ in the aftermath of COVID-19. I am the owner of a commercial, tourist-related property in downtown Juneau and residential rental developments, a self-employed contractor and property developer in Juneau for the past 38 years, and a Juneau homeowner. I have invested in Juneau. Please feel free to contact me if you have questions at 723-4540.

- CBJ should hire a consultant to analyze what is necessary to do to allow cruise ships back in Juneau: a plan for August 2020 and for May 2021 or May 2022. They should reach out to the cruise companies and work with them to see what is possible. CBJ should also work with Ketchikan, Skagway and Hoonah on this. These three communities have an unique, incredible influence over the future of the industry now. Cruise ship companies should be encouraged to start talking to the city officials.
- We need to keep the tour businesses alive to be here when the ships return. It will be very difficult to make it until May, 2021 and impossible to make it until May, 2022 and we will lose many. Without these businesses next May, what we have to offer tourists will be greatly diminished. Beware that if cruise ships are required to wait until a vaccine is released, we may lose the 2021 season.
- Downtown property owners are talking about the CBJ forgiving property tax for empty buildings. CBJ should look at the vacancy rate of all classes of commercial real estate in September and adjust property taxes down by the increase of vacancies above what is normal. Tenants, owners, and banks (in that order) are working together. The CBJ, the player in the most powerful position, needs to share the pain. CBJ should assume significant property tax delinquencies. Assessments, especially in the commercial sectors, in January, 2021 will be significantly less than in January, 2020. Therefore, unless the CBJ seeks 2 property tax increases, one in 2020 and one in 2021, there will be less tax revenue in 2021. The property tax burden should be lessened this year and brought back to "normal" next year if the cruise ships come back.
- How is CBJ going to assess empty buildings in January? What is an empty building worth? How does one account for the unknown future in evaluating a building? What does the Assessor have to say about this? What will the values be if we expect to lose the 2021 season?
- A very important unknown is if people are going to start moving out of town when the "hunker down" is lifted. If they don't, residential real estate will not be devastated. Then we can all

work together. If they move, we are in real trouble. This goes for the overall economy as well as real estate. We need to look at this and encourage folks to stay. I am being asked by the bank to make assumptions about projected vacancy rates for the next year, which is very difficult. I am planning for the possibility of a 35% vacancy factor. I went through this in the 1980's and know what can happen. I believe we lost 5% of our population and property values dropped in the lower segments of the market by 40%. We lost 14 banks. This situation could easily be worse. Because we are dependent upon the cruise industry, the economy down south may come back faster and Juneauites may need to move to areas with better economic opportunities.

- Private sector is the only sector being negatively impacted financially by the shutdown at this time. Increases in property taxes will negatively impact the private sector far, far more than those employed in the public sector because they are going broke. Government employees still are employed and receiving a paycheck while private sector has had much of their income ripped away. Although union contracts have been negotiated, most contracts have a clause that states if there is as disaster (like this) they can be renegotiated. Why is the CBJ not furloughing any employees when all public activities have been curtailed?
- CBJ should consider a temporary 20% across the board pay cut for all employees. The State should do the same. Considering State and Federal unemployment benefits and food stamps, all employees who would equal 80% of their pay with unemployment and food stamps should immediately be furloughed to bring this federal and state money into the community and lessen the local taxpayer burden. The fact is that we don't need as much money to live on now. We can't travel, eat out at restaurants, go bowling, get a massage, etc. which is a justification for a 20% pay cut.
- There should be an intensive CBJ sponsored public relations campaign to "encourage" folks receiving retirement and 401 benefits to donate their excess discretionary income to local non-profits coupled with a policy that the CBJ will not be able to support these entities at this time. Those who do not share in the sacrifice, are living well at the expense of the others. This is not going to result in a happy community where the losers feels that everyone has pitched in.
- We need to be proactive about fish processing in Juneau. This statewide issue is the first test for how to bring back tourism. Discussion on this issue seems to be progressing.
- Testing is very important. We need several 15-minute Abbott machines and any other testing we can get our hands on. We need to do a "Cuomo" and acquire these. We should be pursuing that right now spending millions if necessary. With that we could test incoming people for summer industries other than tourism and get rid of the 14- day quarantine necessity for incoming people and meet many of the other testing needs. Apparently, some progress is being made on this front.
- Businesses should be encouraged to explore systems by which they can safely reopen their businesses. I can imagine how a bowling alley could operate at some capacity. How about hairdressers, dog groomers, etc.? Encourage business people to be creative and present their ideas.

- Ask CDD which projects can be jump started by focusing CBJ staff to assist permittees in fast tracking permits. Place a moratorium on fees. Cost is extremely important as bank financing has become very difficult to obtain. Getting projects going will ultimately offset the loss of fees.
- Place more projects on the Planning Commission Consent Agenda during this time when it is difficult to have public and permittee participation.