

**KETCHIKAN GATEWAY BOROUGH  
WARD COVE  
RE-DEVELOPMENT PLAN**

**TASK 2  
SOCIO-ECONOMIC REVIEW  
WORKFORCE ANALYSIS  
PROJECT BRIEF**

**OCTOBER 2003**

**BY**

**E. T. ARCHER Corporation**

# WARD COVE RE-DEVELOPMENT PLAN

## TASK 2 SOCIO-ECONOMIC REVIEW WORKFORCE ANALYSIS PROJECT BRIEF OCTOBER 2003

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# WARD COVE RE-DEVELOPMENT PLAN

## TASK 2 SOCIO-ECONOMIC REVIEW WORKFORCE ANALYSIS PROJECT BRIEF OCTOBER 2003

### I. SUMMARY OF CURRENT SOCIO-ECONOMIC CONDITIONS

The Ketchikan Gateway Borough (KGB), located at the southern end of Southeast Alaska along the shoreline of Revillagigedo Island, lies between the Tongass Narrows and the steep forested mountains of the Tongass National Forest. The area encompasses 1,233.2 sq. miles of land and 520.8 sq. miles of water. The Borough is situated in the maritime climate zone noted for its cool summers, warm winters and heavy precipitation receiving on average 162 inches of rainfall per year making it one of the worlds wettest geographical regions.

The economy of the region has long been linked to the abundance of natural resources present in the area beginning with mining in the late 1800's, and fish harvesting and processing in the early 1900's. In 1954, the Ketchikan Pulp Company constructed a mill on 70 acres on Revillagigedo Island on the north side of the Tongass Narrows in a well-protected deep-water natural port known as Ward Cove.

With a 50-year contract for timber with the U.S. Forest Service and prospects for badly needed year round full time employment, the mill quickly became a centerpiece of the area's economy providing more than 500 comparatively high paying jobs. The mill produced high quality dissolving pulp, lumber, and paper pulp at the site from 1954 until March 27, 1997 when changing dynamics in the industry forced its closure, laying off 516 workers.

In his January 2001 paper, "The Ketchikan Gateway Borough, A profile of the island community in Southeast Alaska" labor economist Rachel Baker described the impact as follows:

"The loss of about 500 jobs, many of which were high paying and rear-round, was a big setback for the community. The effects of the mill closure radiated into other sectors of the economy. Ketchikan's total employment dropped from 1996 through 1999 and the borough's population has fallen by almost 700 since 1996. Vacancy rates in rental units have jumped and real estate sales have languished. The past few years have been a transition period for many Southeast Alaska communities, including Ketchikan, as the roles of timber and fishing in the regional economy continue to diminish."

Today, the Borough's economy is still dependant on fishing, fish processing, the wood products and maritime industries, the government sector and increasingly, the tourist industry. While the number has been on a declining trend for several years, a significant number of Borough residents hold commercial fishing permits, and the area is home to several fish processing and commercial cold storage facilities. The Alaska Ship and Drydock is building a growing reputation for quality workmanship and is making plans for a major expansion.

Approximately 92 percent of the cruise ships visiting Alaska stop in Ketchikan, bringing over 650,000 visitors to the area with another 50,000 independent travelers visiting annually. Industry

projections remain positive for this growing industry, making it an important component of the regional economy for the foreseeable future.

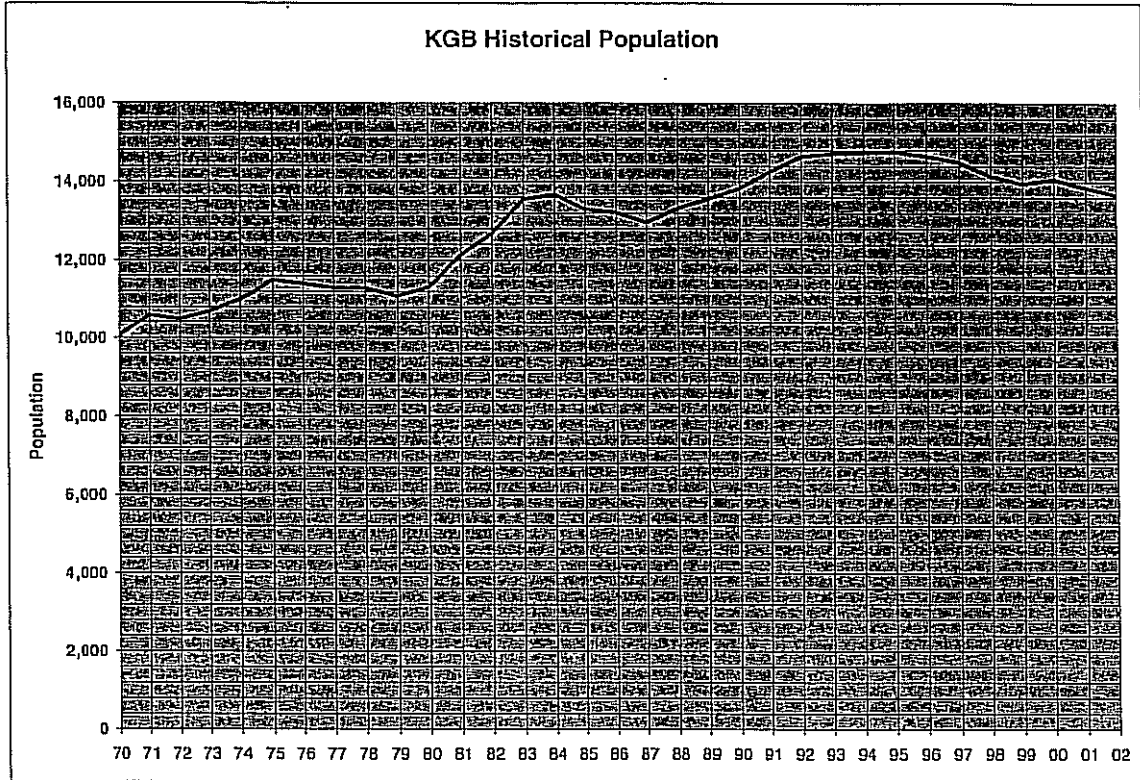
Transportation, healthcare and government services all also play an important role in the local economy. Ketchikan is a regional transportation hub, with a State-owned, Borough run airport that has a paved, lighted 7,500' runway, several air taxi services, and Alaska Marine Highway and other ferry vessel facilities. The Ketchikan General Hospital completed the addition of a new wing in the recent past helping it remain consistently as one of the community's largest employers and one area of focus for local educational job training activities. Consistently, half of the areas top ten employers are local, state and federal governmental agencies.

**A. POPULATION**

As Figure 1 shows, the total population in the Ketchikan Gateway Borough rose gradually from 1970, when the population was reported at 10,041 through the early 1990's until shortly before the closure of the Ketchikan pulp mill in 1997 and has been in an almost steady decline since that time.

**FIGURE 1  
KGB HISTORICAL POPULATION**

YEAR	SOURCE	TOTAL	YEAR	SOURCE	TOTAL
1970	US CENSUS	10,041	1989	US CENSUS	13,566
1971	US CENSUS	10,600	1990	US CENSUS	13,828
1972	US CENSUS	10,500	1991	STATE	14,255
1973	US CENSUS	10,700	1992	STATE	14,636
1974	US CENSUS	11,000	1993	STATE	14,716
1975	US CENSUS	11,500	1994	STATE	14,751
1976	US CENSUS	11,400	1995	STATE	14,764
1977	US CENSUS	11,300	1996	STATE	14,654
1978	US CENSUS	11,300	1997	STATE	14,500
1979	US CENSUS	11,100	1998	STATE	14,143
1980	US CENSUS	11,316	1999	STATE	13,961
1981	US CENSUS	12,131	2000	US CENSUS	14,070
1982	US CENSUS	12,682	2001	STATE	13,855
1983	US CENSUS	13,561	2002	STATE	13,670
1984	US CENSUS	13,678			
1985	US CENSUS	13,304			
1986	US CENSUS	13,221			
1987	US CENSUS	12,964			
1988	US CENSUS	13,319			



In 1998, The Alaska Department of Labor and Workforce Development Research and Development Section developed low, middle, and high growth rate population projections for each area of the state until 2018. The report estimates future population numbers as follows:

**FIGURE 2  
KGB PROJECTED POPULATION**

YEAR	LOW	MIDDLE	HIGH
2008	15,932	16,428	17,381
2013	17,155	18,075	19,648
2018	18,365	19,774	22,045

The fertility assumptions used at that time have proven to be higher than actual fertility. Also, the assumed population of the Borough in 2003 was 1,449 higher than actual experience. Accordingly, the population projections presented in Figure 2 appear to be artificially inflated by 10% or more given the information now available and the recent downturn in the Boroughs population figures.

Discussions with local educators who regularly interface with high school seniors throughout the Southeast Alaska region indicate that their informal surveys of this important age group tells them 80% to 90% of them plan to “get off the rock” to pursue educational and job opportunities elsewhere. Attaining these projected growth rates will only become a reality with a corresponding improvement in the local job market and economy in general.

## II. WORKFORCE ANALYSIS

### A. LOOK AT THE NUMBERS

In May 2003 *Alaska Economic Trends* magazine presented a "Two Year Industry Forecast" by Labor Economist Dan Robinson that projects a continued 1.5% employment growth in Alaska over the next two years on top of the fourteen-year record of continuing annual job growth the State has experienced. Unfortunately, the Southeast region has not been a beneficiary of this trend, as its economy has continued to contract with the declines in the timber and fisheries sectors.

In a companion article, Labor Economist Neal Gilbertsen predicts a continued contraction of the economy in the Southeast region with low prices for both milled timber and fisheries products resulting in fewer sustainable jobs in these sectors.

Figure 3 shows the Alaska Department of Labor and Workforce Development statewide labor market trend since 1994 and provides a forecast through 2004. Figure 4 shows similar figures from the Department for the Southeast region. The regions traditional economic dependence on the fisheries and natural resource industries, that have both suffered in recent years, is graphically shown in the marked difference in the positive overall labor market performance of the State as a whole and the decidedly mixed performance of the Southeast region.

FIGURE 3  
STATEWIDE FORECAST TO 2004

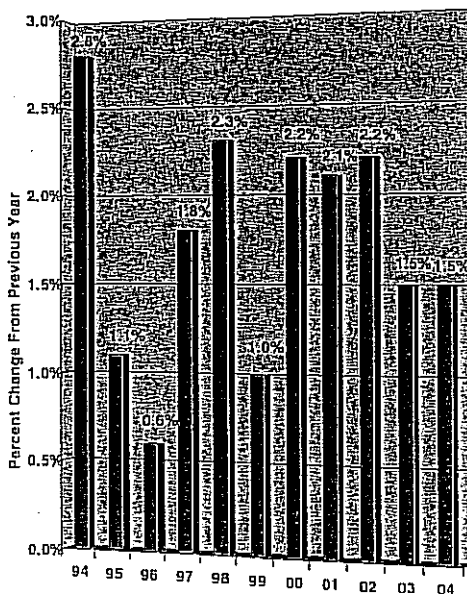
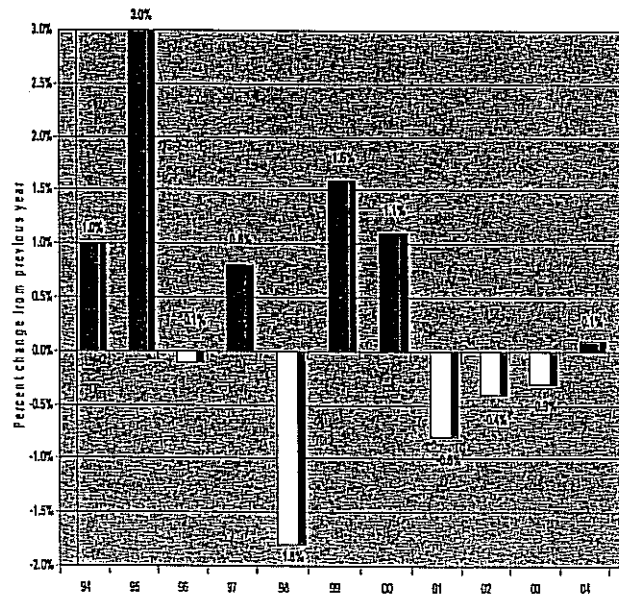


FIGURE 4  
SOUTHEAST FORECAST TO 2004



The Department's Research and Analysis Section also publishes labor force, employment and unemployment data for the Ketchikan Gateway Borough. Figure 5 presents this information from 2000 to the most recent estimate, while figure 6 presents historical information from 1990 thru 1999.

*(Note: this information has been revised back to January 2000 with 2000 Census population controls and changes in methodology. Therefore data from years prior to 2000 is not directly comparable with the more recent information so it is presented separately. Also, the 2003 numbers are preliminary in nature and subject to the possibility of significant change.)*

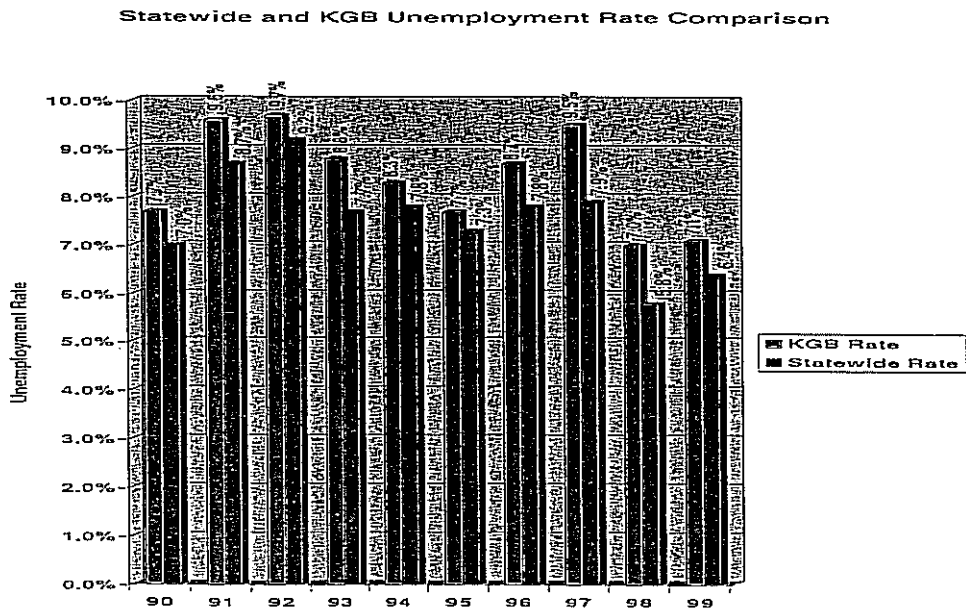
**FIGURE 5  
ANNUAL LABOR FORCE STATISTICS  
KETCHIKAN GATEWAY BOROUGH  
2000 - 2003**

	2000	2001	2002	2003* June est.
Labor Force	7,451	7,275	7,216	7,249
Employment	6,872	6,689	6,481	6,557
Unemployment	579	586	735	692
KGB Rate	7.8	8.1	10.2	9.5
Statewide Rate	6.7	6.4	7.7	7.8

**FIGURE 6  
ANNUAL LABOR STATISTICS  
KETCHIKAN GATEWAY BOROUGH  
1990 - 1999**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Labor Force	7,483	7,467	7,678	7,752	7,777	7,750	8,012	7,654	7,620	7,623
Employment	6,906	6,751	6,937	7,071	7,129	7,156	7,315	6,928	7,083	7,082
Unemployment	577	716	741	681	648	594	697	726	537	541
KGB Rate	7.7	9.6	9.7	8.8	8.3	7.7	8.7	9.5	7.0	7.1
Statewide Rate	7.0	8.7	9.2	7.7	7.8	7.3	7.8	7.9	5.8	6.4

**FIGURE 7  
KGB VS STATE UNEMPLOYMENT RATE  
1990 - 1999**



A review of these statistics shows that the Ketchikan Gateway Borough has consistently had higher unemployment rates than the state as a whole, averaging 1.1% higher since 1990. It also appears that the gap has been generally growing over the course of the last few years, pushing as high as 2.5% higher in 2002, the last year for which full statistics are available.

The size of the available labor force also reached its lowest point since before 1990 in 2002 at 7,216. This coincides with the remarks of local educators who commented to study team members on the number of students leaving the area for further educational or employment opportunities elsewhere.

These observations also coincide with conclusions presented in a paper published in March of 2002 in *Alaska Economic Trends* by Chris Miller who reviewed net migration figures in and out of Alaska and found "high school graduates tend leave the state at a faster rate than they arrive." In the same paper, titled "Alaska's Labor Force", he cites another major factor affecting Alaska's labor force, by noting that by the mid 1990's "Incomes in Alaska were no longer significantly above the national average. This major paradigm shift still prevails. The economic incentive for workers to come to Alaska no longer exists."

Mr. Miller's review of the data does not, however, conclude that the work force is in an unchangeable downward spiral. In fact, in stark contrast to the KGB he found that more workers between the ages of 22 and 35 are coming to Alaska than are leaving each year and that overall the prime working age population (18-54) is projected to remain flat over the next 15 years.

What Alaskan history has repeatedly shown is that in years of significant economic change, such as when major oil line construction is underway, the state has repeatedly shown the ability to attract workers. The key, not surprisingly, has been the relationship between Alaska residency and the ability of workers to find and keep year round consistent employment.

All of the above simply demonstrates the dramatic negative effect losing over 500 full time, year round jobs has had on the Ketchikan Gateway Borough and the wisdom of continuing efforts to bring new, similar year round job opportunities back to the community.

## B. COMMUNITY SHADOW UNEMPLOYMENT

The local Ketchikan Gateway Borough economy displays several attributes that are specific to the area including:

- Wide swings in temporary seasonal employment that attracts a significant number of non-resident workers particularly as associated with the fisheries and tourism industries.
- A traditional heavy reliance on natural resources industries that have undergone a dramatic and well documented decline in recent years.
- A several year general trend of declining population and shrinking labor force leading to the undeniable conclusion that the limited employment opportunities in the areas traditional industries are causing many of the unemployed to simply leave the area in search of gainful employment elsewhere.

The combined effects of these attributes is well documented in a June, 2002 paper entitled "Analysis of the U.S. Small Business Development HUBZone Empowerment Contracting Program As It Relates To The Ketchikan Workforce" principally written by Dr. William Taylor, Ph.D., an economist with the University of Alaska Southeast – Ketchikan. The paper examines the phenomena of the fleeing unemployed and defines it as "a form of community shadow unemployment".

The paper sets out a strong case that describes how traditional methods of calculating broad-brush community unemployment rates fail to accurately reflect the real unemployment picture in the Ketchikan area. Central to the argument are the effects of a fleeing workforce and a “perverse mathematical effect” created when this flight is not incorporated into the mathematical equations used to calculate traditional unemployment rates.

Dr. Taylor and his associates argue that when both the unemployment and the decrease in the labor force caused by worker flight are combined with the effect of seasonal employment and the high influx of non-resident workers associated with it are accounted for, the “actual” unemployment situation in the Borough is much worse than is reflected by traditional calculation methods.

The paper puts forth two separate methods for calculating a more reflective rate for a community like KGB that take into account changes in the available labor force and changes in the level of available jobs respectively. The traditional method unemployment figure published by the Department of Labor and Workforce Development for the year 2002 was 10.2%. Using Dr. Taylor’s calculation methods with 2002 information now available from the Department (the paper reports rates from 2001) results in 2002 unemployment rate estimates in the 21.2% to 24.2% range.

Rates this high are certainly not inconsistent with the verbal descriptions of the economic pressure in the community last year given to consultant team members by local business and community leaders over the course of this inquiry. The paper also notes that the concept of the unemployed leaving the community is strongly supported by 2000 census data that showed a remarkable 13.7% decline in the young adult population of the Borough since 1995.

### C. AN AGING BUT RESILIENT WORKFORCE

Much has been written about Alaska’s aging work force in *Alaska Economic Trends* and other sources. Since the 1990 census the number of Alaskans age 20 to 34 has declined by about 36,000, which has been attributed mostly to the natural influence of long-term demographic trends in the State. The work force in KGB is no exception. High School educators are seeing a large number of their graduating students leave the area, and the 2000 U.S. Census reported a decline in the young adults (25-44) category of the labor force from 5,110 in 1995 to 4,413 in the Borough.

In general, however, the area’s work force has proven to be a resourceful and resilient group. For example, a study of the workers laid-off in March of 1997 by the Ketchikan Pulp Company completed by labor economist Gerald Landry found that more than 59% of the workers were still working or residing in Alaska three years after the event.

Those that stayed were more likely to earn less, averaging 63.7% of their pre-layoff quarterly earnings, were more likely to hold multiple jobs, and many were forced to change occupations completely. As a result of this and other factors already discussed, the 30-35 year old age group, many seeking new skills to make themselves more flexible in a dynamic and changing employment environment, dominate The University of Alaska – Southeast student profile.

To some degree, the end result of a difficult economic downturn for businesses seeking employees in the KGB area has been the availability of what one prominent employer called “Swiss army knife employees.” They are defined by varied employment and skill set backgrounds and are not afraid to tackle new skill, educational, or employment challenges to help new companies establish themselves and become successful in the KGB area.

## BIBLIOGRAPHY

Alaska Department of Labor and Workforce Development, Research & Analysis Section

Taylor, Dr. William, Ph.D, *Analysis Of The U.S. Small Business Development HUBZone Empowerment Contracting Program As It Relates to the Ketchikan Workforce*, June 10, 2002

Hadland, Jeff, Economist, Dickinson, Jennifer, Research Analyst, *Nonresidents Working in Alaska-2001*, January 2003

Baker, Rachel, Labor Economist, *The Ketchikan Gateway Borough, A profile of the island community in Southeast Alaska*, Alaska Economic Times, January 2001

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Olson, Paul, Labor Economist, Keith, Brynn, Economist, *Ten Year Occupational Forecast, Health care dominates fast growth occupations; technology causes some occupations to decline*, Alaska Economic Times, May 2003

Hadland, Jeff, Economist, Williams, Greg, Demographer, *The Aging of Alaska's Workforce, Are labor shortages around the corner?*, Alaska Economic Trends, September 2000

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Demographics Unit, *Alaska Population Projections, 1998-2018*, Alaska Department of Labor, Research & Analysis Section

Miller, Chris, Chief, Research and Analysis, *Alaska's Labor Force, Will the next generation's numbers be too small to fill the gap?*, Alaska Economic Trends, March 2002

Research and Analysis Section, *Labor Force Statistics By Month For Ketchikan Gateway Borough 1990 To Present*, Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska Department of Community and Economic Development, *Alaska Community Database, Detailed Community Information*

## Current Ward Cove Leases 10-24-2003

	<u>Per month</u>
1. TY-MATT leases offices in the Admin Building storing 5 containers / stuff on upper lot - negotiating lease	\$2,385
2. Ridolphi - leasing 2 offices for storage in Admin Bldg	\$348
3. Borough - records storage, school storage Mayor's office - in Admin Bldg.	
4. Petro - leasing tanks, dock use	\$1,000
5. State of Alaska - docking of state ferry	\$12,750
6. Anderes - leasing 2 oil tanks, Dock landings 4-5 days a year included	\$1,000
7. Cape Fox - log sort yard for next 4 months	\$5,000
8. Dotson - leasing warehouse	\$500
9. Tongass Forest Enterprise - Drying kiln	\$500
10. Ktn. Canine - parking lot for dog training	- negotiating new lease \$17 per day
11. Lighthouse - leasing for boat storage	- per boat, about \$700 per month
12. KGB - shop for junk vehicle program	
13. Loggerville - uplands and floating camp	\$276
14. Pool - Repairing Crane - 4 months	- ended 3 weeks ago
15. Paulson - leasing for docking up to 5x a year	\$450 each time
16. Wood Tech - leasing bldg with kiln area outside	\$1,715
17. Hewitt - storing helicopter and car engines	\$320
18. Aloha Lumber - lease dock 3-4x year	\$450
19. Guard Island - leasing 'longshoreman's float'	\$400 average
20. State of Alaska (DOTPF) leases 1 office in Gateway building	\$271
21. Steve Seley - negotiating lease	\$500

**KETCHIKAN GATEWAY BOROUGH  
OFFICIAL BOROUGH DOCUMENT**

**New Document Number:**  
[To be assigned by Clerk's Office when document is filed.]

03-045

or

**Amendment or attachment  
to existing Borough  
Document No.:**

Type of Document:

PROFESSIONAL SERVICES AGREEMENT

Description of Document:

PROFESSIONAL SERVICES AGREEMENT FOR WARD COVE RE-DEVELOPMENT PLAN

Parties to Document:

KGB & E.T. ARCHER, INC.

Return This Form To:

ROY ECKERT, MANAGER  
[Department or Responsible Person]

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ITEMS TO BE COMPLETED PRIOR TO FILING DOCUMENT WITH CLERK'S OFFICE

DATE	ACTION
6/25/2003	Content Review - Responsible Department Head
7/2/03 SBE	Legal Review/Approved as to Form - Borough Attorney
6/23/2003	Assembly Approval [if required]
6/27/2003	Signed by Contractor, Lessee, Other
7/3/03 [Signature]	Certify Funds Available - Director of Administrative Services
7/3/03 [Signature]	Borough Manager
	Attest - Borough Clerk

CHECKLIST

The document to be filed must be the original with original signatures. If the document is a copy explain why and list location of original.

Attachments? [List]

Exhibits? [List]

EXHIBIT A  
\_\_\_\_\_  
\_\_\_\_\_

-----  
[For Clerk's Office Use Only]

Verify Originals   
Verify Attachments   
Verify Exhibits

DATE 7/7/03

[Signature]  
\_\_\_\_\_  
Signature/Clerklor Deputy Clerk

# PROFESSIONAL SERVICES AGREEMENT

FOR

## WARD COVE RE-DEVELOPMENT PLAN

This Agreement is made and entered into this 3rd day of July, 2003, by and between the Ketchikan Gateway Borough, hereinafter "Borough", a general law municipality and a Borough of the second class, whose address is 344 Front Street, Ketchikan, Alaska 99901, and E.T. Archer Inc., whose address is: PO Box 480048, Kansas City, MO 64148-0048, and licensed and qualified to do business within the State of Alaska, hereinafter called "Consultant."

1. Engagement. The Borough agrees to engage the Consultant to perform those services described below, for completion of the project described as follows:

Preparation of a Re-Development Plan for the Borough's Ward Cove Properties.

2. Services. The Consultant warrants that it is qualified and properly licensed and agrees to perform certain services necessary for completion of the project, which services shall include the following:

Consultant represents that it is ready, able and qualified to perform, and will perform, in all respects, all of the work, services, and materials as listed in Exhibit A are herein incorporated as part of this Agreement; and to otherwise perform all of the terms, covenants, conditions and provisions of the agreement in the manner, at the times, and for the consideration hereafter provided.

3. Relationship. The Consultant is an independent contractor and is not to be considered an agent or employee of the Borough. The Consultant has no authority to bind the Borough.

4. Compensation. As full compensation for the Consultant's professional services performed hereunder, the Borough shall pay the Contractor the fixed amount of One Hundred Fifty-five Thousand (\$ 155,000 ). All payments are subject to lawful appropriation. No additional compensation in excess of this amount may be claimed unless previously provided for by written amendment.

### Project Budget and Payment Terms

The Consultant will be paid in four installments as follows:

- 25% at the start of the project
- 25% at the completion of Task 1, Task 2, and Task 3
- 25% at the completion of Task 4 and Task 5
- 25 % upon delivery of the Implementation Plan for Ward Cove (Tasks 5 – 10)

5. Expense Reimbursement. Reimbursable expenses are included in the total amount stipulated in Paragraph 4.
6. Compensation for Additional Services. In the event the Borough requires services in addition to those described in Paragraph 2, the Consultant shall be compensated at a negotiated rate for professional services, plus reimbursement of expenses.
7. Method of Payment. Payment will normally be lump sum at the completion of the work and acceptance of said work by the Borough. Progress payments may be considered by the Borough upon written request from the Consultant for a total amount not to exceed 50% of the total contract value. Such payments, if approved by the Borough, will be payable no more frequently than monthly.
8. Ownership. All original documents, including but not limited to, tracings, plans, specifications, maps, reports, basic work notes, sketches, charts, computations, photographs and original negatives thereof, and all other data prepared, obtained or received by Consultant, in the performance of this agreement, shall be and become the sole and exclusive property of the Borough.
9. Term. The term of this Agreement shall commence on signing, at which time the Consultant shall begin work on the project and continue, subject to the termination provisions of Paragraph 10, until September 15, 2003 or until the project is completed, which ever occurs first.
10. Termination. This agreement may be terminated: (a) by either party at any time for failure of the other party to comply with the terms and conditions of this agreement; (b) by either party upon 10 days prior written notice to the other party; or (c) upon mutual written agreement of both parties. In the event of termination, the Consultant shall stop work immediately and shall be entitled to compensation for professional service fees to the date of termination; and the Consultant shall provide to the Borough all work product completed or in progress at such date and communicate such recommendations and conclusions to the Borough as may have been formed by such date.
11. Insurance. The Contractor shall maintain in force during the term of the agreement as applicable: General Liability Insurance including Personal Injury and Errors and Omission; Automobile Liability Insurance (Non-Owned and Hired Liability); Worker's Compensation and Employer's Liability Insurance. The Contractor agrees to appear and defend, indemnify and hold the Borough, its officers, employees and agents harmless from any and all claims, lawsuits, liabilities, penalties, or fines, including attorney's fees and costs relating to damages or loss during the course of and as a result of the Contractor's negligent acts, errors or omissions -- **\$ 500,000 per occurrence and \$500,000 aggregate.**

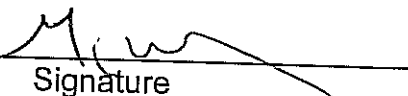
12. Miscellaneous.

- a. The entire agreement between the parties with respect to the subject matter hereunder is contained in this agreement.
- b. Neither this agreement nor any rights or obligations hereunder shall be assigned or delegated by the Consultant without the prior written consent of the Borough.
- c. This agreement shall be modified only by a written agreement duly executed by the Borough and the Consultant.
- d. The Consultant shall comply with all applicable local, state, and federal laws, including but not limited to, wage and hour laws and nondiscrimination laws.
- e. Should any of the provisions hereunder be found to be invalid, void or voidable by a court, the remaining provisions shall remain in full force and effect.
- f. This agreement shall be governed by and construed in accordance with the laws of the State of Alaska.
- g. All notices required or permitted under this Agreement shall be deemed to have been given if and when deposited in the United States mail, properly stamped and addressed to the party for whom intended at such party's address listed below, or when delivered personally to such party. A party may change its address for notice hereunder by given written notice to the other party.

APPROVED:

Dated: 6-27, 2002<sup>3</sup>

E.T. ARCHER, INC.

By:   
Signature

Gary Lee  
Printed Name

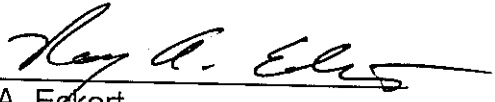
President  
Title

5799 Broadmoor, Suite 338  
Address

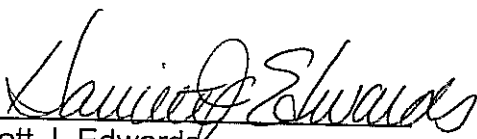
Mission, KS 66202  
City/State/Zip

Dated: \_\_\_\_\_, 2002

**Ketchikan Gateway Borough**

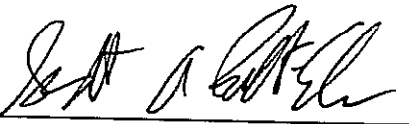
By:   
Roy A. Eckert  
Borough Manager  
344 Front Street  
Ketchikan, AK 99901


Attest:

By:   
Harriett J. Edwards  
Borough Clerk

Approved as to Form:

Certified Funds Available:

By:   
Scott A. Brandt-Erichsen  
Borough Attorney

By:   
Alvin E. Hall  
Finance Director

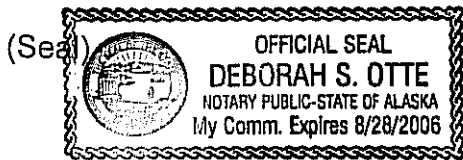
Account No.: 721-10-003 -6090

BOROUGH ACKNOWLEDGMENTS

STATE OF ALASKA )  
 ) ss.  
FIRST JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on this 3<sup>rd</sup> day of July, 2003, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared **Roy A. Eckert**, to me known to be the Borough Manager of the Ketchikan Gateway Borough, a municipal corporation, the corporation which executed the above and foregoing instrument; who on oath stated that he was duly authorized to execute said instrument on behalf of said corporation; who acknowledged to me that he signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.



Deborah S. Otte  
NOTARY PUBLIC FOR ALASKA  
My Commission Expires: 8/28/06

STATE OF ALASKA )  
 ) ss.  
FIRST JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on this 7<sup>th</sup> day of July, 2003, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared **Harriett J. Edwards** to me known to be the Borough Clerk of the Ketchikan Gateway Borough, a municipal corporation, the corporation which executed the above and foregoing instrument; who on oath stated that she was duly authorized to execute said instrument on behalf of said corporation; who acknowledged to me that she signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.



Kacie L. Holstrom  
Kacie L. Holstrom  
NOTARY PUBLIC FOR ALASKA  
My Commission Expires: 1/30/06

**CORPORATE CERTIFICATE**

I, Willis L. Lee, certify that I am the Secretary of the Corporation named as Contractor in the foregoing instrument; that Gary Lee, who signed said instrument on behalf of the Contractor, was then Pres. of said Corporation; that said instrument was duly signed for and on behalf of said Corporation by authority of its governing body and is within the scope of its corporate powers.

Willis L. Lee  
Signature

**CORPORATE ACKNOWLEDGMENT**

STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

**THIS IS TO CERTIFY** that on this 27 day of June, 2003, before me, the undersigned, a Notary Public in and for the State of Missouri, duly commissioned and sworn, personally appeared Gary Lee (Name) and Willis L. Lee (Name) known to be the President and Secretary of E.T. Archer, Inc., the corporation which executed the above and foregoing instrument, and who on oath stated they were duly authorized to execute said instrument and acknowledged that they signed the same freely and voluntarily on behalf of said corporation for the purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate above written.

Connie S. Johnson  
NOTARY PUBLIC FOR Clay County  
My Commission Expires: March 12, 2007

(Seal)

## Ward Cove Re-Development Scope of Work

### Introduction

It is the intent of Archer Engineering and its associated Team to provide a clear scope of work defining the approach to this endeavor. The Team will build on community input gathered in Work Order No. 1 to the Southeast Alaska Maritime Industry Feasibility Study and Strategic Plan being performed by TranSystems and its Team (which includes Archer). The approach will assure that the Archer/TranSystems Team produces a product that is commensurable with local expectations and whose recommendations are well grounded in market and community support.

The study effort for the redevelopment of Ward Cove will be lead by Archer Engineers (Archer) with assistance from TranSystems and other team members. Environmental considerations for Ward Cove will be the responsibility of Morrow Environmental Consultants Inc. (Morrow), a Canadian owned environmental engineering and consulting firm headquartered in Burnaby, British Columbia. TranSystems will provide the quality control reviews for the Ward Cove portion of the Project.

### Task 1 – Assessment of Current Conditions

**Purpose:** Assemble Background Data and Develop Site Maps for Ward Cove

A complete understanding and cataloging of all information relevant to Ward Cove is important. This information will be placed in Autocad format. The format will serve as the basis upon which all planning will be developed. The assessment information to be gathered will include the following:

- Project Geometrics
  - Cadastral Surveys
  - Geo-Political Boundaries
  - Utility Service Areas
- Physical
  - Geologic Reports & Mapping
  - Environmental Reports & Mapping
  - Water Quality Reports & Mapping
  - Utilities' Maps
  - Transportation Routes
  - Historical/Archeological Reports
  - Topographic Mapping
  - Structures/Facilities

- Socio-Economic
  - U.S. Census/State Track-Data (to be taken from Work Order No. 1)
  - Past Economic Structures (to be taken from Work Order No. 1)
  - Existing Workforce Analysis (to be taken from Work Order No. 1)
  - Schools
  - Tax Appraisals
  - Real Estate Appraisals
  -

**Deliverables:** Project Base Maps for Ward Cove Re-development and distribution of materials to the Project Team

### **Task 2 – Socio-Economic Review – Workforce Analysis**

**Purpose:** Prepare a “project brief” summarizing current socio-economic conditions including a workforce analysis as it pertains to Ward Cove, using data acquired under Work Order No. 1 of the Maritime Feasibility Study.

The Team will perform a workforce analysis focusing on the past and present workforce, but would also project future workforce issues. To accomplish this task we would analyze the immigrant workforce potential (those individuals likely to relocate to the area) and the existing workforce including input from local educators and students. The involvement of local schools in this effort is to appraise the likely make-up of future workforces and prepare the team to draw upon this sector of the community in forming redevelopment concepts that are coordinated with the capability of local training efforts, and expectations of area growth.

Paralleling the findings developed in Work Order No. 1 to the Southeast Alaska Maritime Industrial Feasibility Study and Strategic Plan, the workforce analysis will serve as a benchmark for “short-listing” redevelopment options

**Deliverables:** Letter report summarizing and documenting the analysis.

### **Task 3 - Asset Review**

**Purpose:** Define Ward Cove Assets and Conduct Environmental Overwrite Audit

A complete review of all assets will be composed in a “project brief”. This brief shall summarize the attributes of this redevelopment area, including the positive as well as negative. Significant project hurdles will be highlighted, and preliminary options for managing such issues will be presented.

The Team will conduct an environmental oversight audit for the Ward Cove Area. The audit will be based on available records, and a limited site walkover. The audit will highlight areas of concerns, identify areas where future work efforts may be needed, and summarize

the findings to date.

**Deliverables:** Letter report with accompanying Exhibits, including facility inventory, environmental audit, and summary of visual facility condition assessments.

#### **Task 4 – Charrette – Workshop**

**Purpose:** Local participation in Ward Cove planning process

As stated earlier, a list of stakeholders will be identified as representative of all parties that could impact or be impacted by planning.

It is intended that this effort would “piggyback” the open sessions planned in Work Order No. 1 of the Southeast Maritime Feasibility Study while the Team is in Ketchikan. Once identified, these representatives would be brought together in a workshop “charrette” specifically focused on Ward Cove. In this “open” process, the Team would summarize the project briefs. A planning process would be facilitated that engages all stakeholders. The object of this task is to let all stakeholders have a clear understanding of how the Team views the community, and to set the Team straight wherever erroneous conclusions have been drawn. In addition, it is an opportunity for the community to voice its ideas and issues directly to the Team. Upon completion of the charrette, a summary of effort will be produced and used as a reference during the planning process for Ward Cove.

**Deliverables:** Letter Report Summarizing Efforts

#### **Task 5 – Macro-Redevelopment Approach**

**Purpose:** Focus Opportunities Developed in Task No. 4

Based upon the previous tasks and findings developed in Work Order No. 1 of the Maritime Feasibility Study, the Team will assess the broad overview of the type of redevelopment within Ward Cove that is most compatible with the workforce, assets and community. The approach is to define whether the focus of future activities shall be based upon seeking singular major employers; a mixture of small enterprises; or, some combination. It may be found that the “right” answer is a mixture of small enterprises, all with a target of supporting the greater maritime industry or other industrial basis

**Deliverables:** Letter report with opportunity recommendations to the Borough

#### **Task 6 – Market Analysis**

**Purpose:** To Identify Potential Markets

Based on the market data and focus developed in Work Order No. 1 of the Maritime Feasibility Study, the Team will, with direction from the Borough, expand and then

summarize the market data specifically focused on Ward Cove. Examples of some early ideas are as follows:

- Ship-Breaking
- Relocation of the Ship Yard to Wards Cove
- Acetylene Plant
- Hydrogen Plant for Fuel
- New Timber and Wood Processing Operations

In this phase of the study, specific industries may be contacted to gauge their level of interest and their specific requirements.

**Deliverables:** Summary Report

### **Task 7 – Identification of Immediate Opportunities (Analysis of “Low Hanging” Fruit)**

**Purpose:** Analysis of Immediate Ward Cove Opportunities

While it is important to assess long-term market opportunities, it is equally critical in a public setting to identify early deployable redevelopment opportunities. Such planning often provides the economic cash flow to support long-range objectives while providing some immediate use of existing assets. As an example, the team is aware of the water and sewerage treatment facilities abandoned by the pulp mill. Our site visit uncovered the following facts:

- The City does not currently filter its drinking water
- The City provides only primary sewage treatment
- Many residents outside the City are served only with septic tanks, which must be pumped regularly with the sludge being composted at Ward Cove.

The Team believes that it would be prudent planning to consider retrofitting the existing water plant to serve the area with filtered water, and retrofitting the existing clarifier and aeration basins to provide the City with secondary wastewater treatment. Sewage, under this scheme, would be pumped to Ward Cove with un-sewered residents being served with sewers using a low-pressure grinder pump concept, pumping directly into the pressurized pipeline serving the City. Such a project may be eligible for governmental funding; (Not in general competition with economic development monies, i.e. USDA Rural Development Program.) The potential here is that a revenue stream could be set in place early to offset handling costs and redevelopment administrative costs.

A draft of the planning concepts developed under this task would be developed and circulated among all stakeholders, and a workshop conducted to solicit the endorsement or redirection of the group for review and comment. All comments will be collected and summarized. A final opportunities report will be drafted.

**Deliverables:** Summary Report

## **Task 8 – Issues and Action Plan**

**Purpose:** Develop an Issues and Action Plan for Two Opportunities

A specific short-term and long-term business plan would be composed for the top two opportunities. This plan would enumerate capital investment requirements in asset improvements, and other initiatives required to implement specific opportunities. In this phase of the report a budget would be compiled that would identify costs and revenues associated with the redevelopment effort along with a development contingency amount.

**Deliverables:** Draft Plan for two opportunities

## **Task 9 – Finance Plan Development**

**Purpose:** Financial Review of Elements of Business Plan

Drawing upon the objectives and projections set forth in the Issues and Action Plan the Team will develop a baseline finance plan. This plan will assess public and private resources.

The Team's financing plan will seek to evaluate the business plan for just such opportunities, and we are uniquely prepared to act. Should the Team be successful in identifying good redevelopment projects, they should be prepared to offer the Borough a complete solution that:

- Identifies costs
- Provides equity participation
- Insures reliable maintenance management

**Deliverable:** Letter to address financial issues relating to Issues and Action Plan

## **Task 10 – Summary Implantation Report**

**Purpose:** Summary Implementation Report for Ward Cove

An Implementation Plan will be developed for the two selected opportunities identified by the process. This plan will draw upon the global experiences and contacts of the Team. The Team intends to compose a highly focused targeted campaign directed at those parties most appropriate.

**Deliverable:** Implementation Plan for Wards Cove.

## **Schedule**

The work will be completed and delivered to the Borough within four months after receipt of baseline information referenced in scope of work above from Work Order No. 1 to the South East Alaska Maritime Industry Feasibility Study and Strategic Plan.

## **Communications**

The lines of communications for this contract are defined as follows:

All project communications to the Ketchikan Team will be directed to Roy Eckert, Borough Manager. Mr. Eckert will be responsible for coordinating these communications to the Ketchikan Team. All project communications directed to the Ketchikan Team are to be addressed to:

Roy Eckert, Borough Manager  
344 Front Street  
Ketchikan, AK 99901  
Phone: 907-228-6625  
Fax: 907-247-6625  
Email: [mgr@borough.ketchikan.ak.us](mailto:mgr@borough.ketchikan.ak.us)

Mr. Dan Slickman, COO of Universal Asset Management will serve as Project Manager for this contract. All project communications to the Archer Project Team will be directed to Mr. Slickman. Mr. Slickman will be responsible for coordinating project communications to the Archer Project Team whose address is as follows:

Dan Slickman  
PO Box 480048  
Kansas City, MO 64148-0048  
Direct Phone: 816-347-1332  
Fax: 816-347-1390  
Email: [dslickman@aum-llc.com](mailto:dslickman@aum-llc.com)