

PETERSBURG STRATEGIC DEVELOPMENT PLAN

**PREPARED FOR:
CITY OF PETERSBURG**



Research-Based Consulting

**Juneau
Anchorage**

IN ASSOCIATION WITH:



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PETERSBURG STRATEGIC DEVELOPMENT PLAN

***PREPARED FOR:
City of Petersburg, Alaska***

PREPARED BY:



Juneau • Anchorage

WITH ASSISTANCE FROM:



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Table of Contents

| | |
|---|-----------|
| Introduction: Petersburg Strategic Development Plan..... | 1 |
| City of Petersburg Economic Development Mission Statement and Goals..... | 2 |
| Summary: Major Action Plan Recommendations..... | 3 |
| Summary: Petersburg’s Assets, Challenges and Outlook..... | 5 |
| Petersburg’s Assets..... | 5 |
| Petersburg’s Challenges | 6 |
| Petersburg’s Outlook..... | 7 |
| <i>Resource Industries Action Plan</i> | |
| Seafood Industry Action Plan..... | 10 |
| Assets, Challenges and Outlook..... | 10 |
| Strategic Action Plan | 13 |
| Tourism Industry Action Plan..... | 17 |
| Assets, Challenges and Outlook..... | 17 |
| Strategic Action Plan | 18 |
| Forest Products Action Plan | 22 |
| Assets, Challenges and Outlook..... | 22 |
| Strategic Action Plan | 23 |
| Mining Industry Action Plan | 24 |
| Assets, Challenges and Outlook..... | 24 |
| Strategic Action Plan | 25 |
| <i>Government Industries Action Plan</i> | |
| Government Industries Action Plan | 27 |
| Assets, Challenges and Outlook..... | 27 |
| Strategic Action Plan | 29 |
| Stimulating the Economy Through Local Government..... | 30 |
| <i>Support Industries Action Plan</i> | |
| Senior Economy Action Plan..... | 34 |
| Assets, Challenges and Outlook..... | 34 |
| Strategic Action Plan | 36 |

| | |
|---|-----------|
| Health Care Action Plan | 37 |
| Assets, Challenges and Outlook..... | 37 |
| Strategic Action Plan | 38 |
| Nonprofit Industries Action Plan | 40 |
| Assets, Challenges and Outlook..... | 40 |
| Strategic Action Plan | 41 |
| Transportation Action Plan..... | 42 |
| Assets, Challenges and Outlook..... | 42 |
| Strategic Action Plan | 43 |
| Telecommunications Action Plan | 45 |
| Assets, Challenges and Outlook..... | 45 |
| Strategic Action Plan | 45 |
| Retail Sector Action Plan | 46 |
| Assets, Challenges and Outlook..... | 46 |
| Strategic Action Plan | 47 |

Introduction:

Petersburg Strategic Development Plan

The *Petersburg Strategic Development Plan* is a long-term action plan for enhancing the local economy in a manner desired by the people and businesses of Petersburg. This document is the final product of the *Petersburg Economic Analysis and Strategic Development Plan* – a cooperative effort between the City of Petersburg Economic Development Steering Committee and their economic development planning contractor, the McDowell Group, Inc. of Juneau and Anchorage, with assistance from Sheinberg Associates of Juneau.

The *Petersburg Economic Analysis and Strategic Development Plan* is a three-phase process conducted between August 2000 and May 2001.

Phase I: Economic Analysis. This is comprised of a preliminary assessment of Petersburg's economic assets and challenges that included history, status, and an outlook of major economic influences in the Southeast Alaska region. Phase I also included two major scientific surveys – the *Petersburg Household Economic Issues Survey* and the *Petersburg Employers Economic Survey*. Each survey was analyzed and reported in a separate published document early in Phase I. This phase concluded with a two-day public workshop in November of 2000 where survey and research results were presented and discussed with the public, and community economic development mission statement and goals were crafted.

Phase II: Economic Analysis, Part II. This research phase included an inventory, assessment and factual documentation of the recent and current Petersburg economy. The results were compiled in the 94-page document, *Petersburg Economic Profile*, produced and distributed in April 2001. This document's purpose was to provide complete knowledge of the Petersburg economy and establish a baseline of economic data for future comparison. This phase concluded with a committee workshop presenting preliminary recommendations for the *Petersburg Strategic Development Plan*. The committee and study team then refined the strategies to provide the basis for the next phase of the project.

Phase III: Development Planning. This phase focused on the action plan and the creation of a new document, the *Petersburg Strategic Development Plan*. With preliminary guidance from the Economic Development Steering Committee, community and business survey results, and public workshop input, a draft plan was presented in a May 2001 public meeting to gather comments and additional input. The document, *Petersburg Economic Analysis and Strategic Development Plan*, was finalized as the end product of Phase III.

Follow-up Phase: The consulting team is available for consultation and will visit Petersburg six months and again twelve months following completion of Phase III.

City of Petersburg Economic Development Mission Statement and Goals

The following mission statement and goals originated in public process and were finalized by the City of Petersburg Economic Development Steering Committee:

Petersburg's economic development mission is: *"to provide steady, moderate growth that results in a strong, diversified economy compatible with our traditional resources-based lifestyle."*

Goals – We will accomplish this mission by:

- Encouraging growth of our traditional fishing, seafood processing and timber industries.
- Supporting local businesses in their efforts to grow.
- Diversifying our economy in ways that are compatible with our lifestyle and interests by nurturing: visitation by independent tourists; telecommunications; recreational opportunities; and the services, businesses, activities and facilities that support retirement and comfortable living for our residents.
- Building upon our strategic location at the geographic center of Southeast Alaska.
- Developing and growing in a manner compatible with both use and enjoyment of our natural surroundings and resources.

Summary:

Major Action Plan Recommendations

- **Provide the means to achieve economic success.** Create and fund the means for implementing Petersburg's economic development mission, goals, and agenda as detailed in this document. This means hiring a qualified economic development professional(s) and providing the structure, assets, and authority necessary for the community of Petersburg to enhance the economic well-being of its citizens. Local economic development councils, convention and visitors bureaus, and professional economic development staff within municipal government are all common structures used successfully by other Alaska communities. Without a structure and professional assistance, Petersburg will not be as successful as it could be at stimulating its own economy.
- **Market Petersburg to enhance the value of the community's assets.** Create a structure and budget for marketing the Petersburg brand of independent tourism, seafood, forest products, medical services, and other economic production of its citizens. Marketing Petersburg would be a major responsibility for the professional economic development staff operating in the structure the city chooses.
- **Establish the seafood industry as the top development priority.** Once the means to implement Petersburg's economic development agenda is in place, the leading priority is to focus on strategies to maintain and enhance the contribution of the seafood industry. This includes strategies for retaining locally owned harvesting rights, attracting new seafood harvesters, and improving support for both established and emerging processors.
- **Selectively develop independent tourism.** Focus targeted marketing on enhancing the economic contribution of independent and small ship tourism in accordance with community guidelines. A marketing program is the first step followed by development of attractions, services, and infrastructure.
- **Use government to enhance the economy.** Recognize the significant economic contribution of government in all its forms – federal, state, local and tribal governments, grants, capital projects, health care, education, housing, utilities, and economic development funding. Place major emphasis on using government to grow the economy. Strategies should include both direct government activity (such as the USCG operation) and the stimulation of private sector growth (such as government marketing to independent tourists). A premium skill necessary for success in this area is quality grant writing.
- **Look beyond traditional resource industries for diversification.** Support strategies that capitalize on obvious and favorable demographic and social trends. These include the desirable economics of seniors and retirees, increased demand for more medical care services, the growing U.S. and overseas travel market, and the growing role of nonprofit organizations and programs in our society and economy.

- **Recognize the realities of Tongass policies and support targeted development.** Recognize the real limitations of national policies and national public attitudes regarding resource extraction. Within these limitations, support selective strategies to enhance the economic contribution of specialized forest product manufacture and mineral exploration activity.
- **Conduct economic development activity in accordance with community consensus.** Develop the economy in accordance with clear community guidelines as expressed in the Petersburg Economic Development Mission and Goals Statement, and in the detailed results of the two scientific surveys conducted as part of this project – the *Petersburg Household Economic Issues Survey* and *Petersburg Employers Survey*. In these documents, the community offers clear, detailed direction for moderate, steady growth on an appropriate scale that maintains the integrity of the community and compatibility with Petersburg’s way of life and traditional resource industries.

Study Team Recommended Top Development Priorities

Based on our professional opinion after studying the Petersburg economy as well as our understanding of community goals, the study team recommends the following four immediate priorities:

Priority #1: Establish the means to pursue economic development. Create, staff and fund a professional community economic development organization for the purpose of carrying out the mission and goals of the community. Only after these means for success are established can the community proceed with implementing the development plan. The staff must be professionally qualified for sophisticated economic development and professional marketing, including Internet marketing.

Responsibility: City of Petersburg. *When:* First six months of FY 2002.

Priority #2: Implement Seafood Industry Action Plan. Implement the seafood industry action plan with the design of a program to retain and attract harvesting rights for local residents as the first priority.

Responsibility: Economic development staff, seafood industry and City of Petersburg. *When:* FY 2002.

Priority #3: Improve transportation infrastructure, starting with air freight service as the first priority. Implement a program leading to improved transportation access with the first priority being increased air freight capacity and frequency. The first priority is the hiring of an aviation consultant to consider all aspects of improved air access, including technology, airport facilities, runway length, load-bearing capacity and carriers.

Responsibility: City of Petersburg. *When:* FY 2002.

Priority #4: Market Petersburg. Design a “Market Petersburg” program that considers marketing for tourism, seafood, forest products, health care services, arts and crafts, senior and retirement living, and a general desirable community image. The recommended initial priority is independent tourism marketing. Begin by retaining a marketing consultant to first design and recommend a tourism marketing program and structure, and then to advise on the development of the overall “Market Petersburg” program.

Responsibility: City of Petersburg, consultant, and development staff. *When:* FY 2002.

Summary:

Petersburg's Assets, Challenges and Outlook

Petersburg's Assets

- The community clearly supports economic diversification as well as growth in seafood, forest products, telecommunications, recreation, and independent tourism. According to the results of the statistical survey of Petersburg households conducted for this plan, 85 percent of Petersburg households favor economic diversification and 94 percent support slow to moderate economic growth.
- According to the statistical survey of businesses conducted for this plan, Petersburg's business community is in agreement with most households. Ninety-four percent of Petersburg businesses favor economic diversification and 87 percent favor slow to moderate economic growth.
- Petersburg is home port to the region's most productive seafood harvesting fleet. It includes a highly-skilled professional crew, a strong processing sector, and a good fleet support infrastructure.
- Central Southeast Alaska has considerable forest and mineral resources that are geographically accessible to Petersburg.
- The community has land, water, and power available at reasonable cost.
- Petersburg has a strong, diverse and generous nonprofit sector.
- A growing senior and retiree population with substantial income and assets resides in the area.
- Daily mainline jet service and frequent, economical ferry service are available.
- The community has a stable government sector with good-paying family-wage jobs.
- Available federal dollars for support of economic development are already in-hand. This federal support is accompanied by a supportive local government.
- Due to the status of Alaska's congressional delegation, Petersburg is in a positive political position for federal support of development efforts.

Petersburg's Challenges

- The Southeast Alaska economy continues to be affected by increasing constraints on resource development in the Tongass National Forest.
- The related issues of retention of locally owned harvesting rights and the high cost of entry for new harvesters are the community's most significant seafood industry challenges.
- Petersburg's economic base is dominated by an almost fully utilized mature seafood industry characterized by fluctuations in available resources and market prices.
- National attitudes, policies, and development procedures are reducing the likelihood of major mineral development in the region.
- Limited air freight service, capacity, and facilities restrict access to fresh seafood markets. This discourages product diversification and restrains growth of emerging processors.
- Alaska Marine Highway System policies and operations have reduced ridership of both residents and interested visitors.
- A flat independent visitor market – both statewide and in the region – is a challenge to Petersburg businesses trying to encourage that market.
- From a peak in the mid-1990s, Petersburg's population, school enrollment, private sector jobs, and housing occupancy have declined. Overall, population grew by less than 1 percent total between 1990 and 2000 census counts.
- Lack of an organizational structure, professional personnel, and budget prevent the community from pursuing Petersburg's economic development mission and goals.
- Recent state fiscal policies abdicate some responsibility for the social and economic well-being of communities by shifting the fiscal and service delivery burden onto local governments.
- A modest marketing program exists for increasing the economic contribution of Petersburg's independent tourism industry. However, significant additional marketing effort is needed for increasing Petersburg tourism volume and for marketing other local products such as seafood.

Petersburg's Outlook

The seafood industry is mature and the resources near fully utilized. Future growth must come from three sources:

- Successfully competing as a homeport for more seafood harvesters.
- Increasing production of high-value product forms and improving market access for those products.
- Increasing resources available to the local area through aquaculture and mariculture production.

The Alaska and regional tourism outlook is positive due to national demographics and the prospect of an increased general Alaska tourism marketing effort. The independent, small ship and large ship markets are all expected to grow. However, Petersburg's outlook depends primarily on its own marketing effort. Without marketing, the prospect for Petersburg is flat. Because the overall market is expected to increase, Petersburg could expect moderate, independent tourism growth with more marketing. Conversion to a shuttle ferry system is not likely to generate additional visitors unless the community begins meaningful marketing efforts that encourage visitors to stay.

Due to U.S. Forest Service politics, changing national attitudes, and wood supply issues, the forest products outlook is poor for any large scale regional operations. There are limited, but positive, long-term prospects for small, specialized value-added manufacturing.

Mineral development is unlikely despite abundant resources in the general area. National policies, changing public attitudes, and market conditions make any prospect a lengthy, expensive, and uncertain proposition. However, the outlook for mineral exploration activity is more positive and Petersburg may be able to participate in supporting that aspect of the industry.

The government outlook is mixed. State government and political and fiscal policies have hurt the Petersburg economy. If politics change and revenues increase, state government could once again stimulate the local economy. The study team offers no predictions in this regard. The outlook for state government's impact on Petersburg's economy is more likely to be one of stability or decline, not growth.

Federal government has been a double-edged sword for the Petersburg economy. The U.S. Forest Service has eliminated some of the community's highest-paying family-wage jobs. Despite this, a powerful Alaska congressional delegation has driven federal dollars to Alaska and to Petersburg. The new Bush administration's development policies may also lead to a replacement of these jobs.

Local government is a function of community economic and population trends. The size and fiscal ability of the community's local government is determined by these factors. Assuming some of the development planning has a positive effect, modest growth in the community will result in the need for slightly more local government service. No growth in Petersburg means little or no growth in local government services.

Petersburg's tribal government outlook is positive. The local tribal entity is small, but a number of programs and funding sources are available to local tribal government organizations should they choose to seek them for their tribal members. Federal support for tribal programs has increased as part of the national self-determination movement. Tribal governments in Juneau, Sitka, and Ketchikan are major influences in those local economies, employing hundreds of people in total. An obvious beneficial strategy for the City of Petersburg is to develop a positive and cooperative relationship with local tribal government.

The "senior economy" in Petersburg and the rest of Alaska has a positive outlook. Alaska's population is aging. Alaska is considered a senior-friendly state by national standards, and more older Alaskans want to stay near home and family as they age. Some retirees, from outside Petersburg, are expressing interest in seasonal homes in Petersburg. Accompanying the senior outlook is the positive forecast for more local health care services.

The outlook for the full mix of support industries is mostly dependent on what happens or what Petersburg chooses to do in the rest of the economy. The short-term outlook for support businesses (trade, service, finance, transportation, telecommunications) is likely to be flat until some evidence of growth appears in the industries that drive the economy.

Conclusion: Some of the outlook depends on local choice

With no concerted effort to develop the economy, Petersburg can probably anticipate a stable or moderate softening of the economy. A return to the growth of the early to middle 1990s is unlikely, at least in the near term. The prospect of the loss of seafood harvesting rights as the current generation of high producers retires would certainly mean economic decline. Presently Petersburg cannot look to state government for help and the federal outlook is even less encouraging. The study team's strong recommendation is for the local government to begin a proactive economic development effort – within the already clear community guidelines – to enhance those economic sectors that can be stimulated by Petersburg's very own constructive actions.

Resource Industries Action Plan

Assets, Challenges and Outlook

Assets

Harvesting Rights

The commercial harvesting rights held by Petersburg residents are one of the community's most valuable assets. Harvesting access to the most valuable of Southeast Alaska's seafood resources has largely been transferred to private individuals. Petersburg residents fared well in the distribution of these harvesting rights, and the community has access to a large, diverse and valuable seafood product line.

Local Fleet

The local fleet is modern and efficient with seasoned, professional crews. This has benefits beyond good harvest rates in competitive salmon and crab fisheries. As "stacking" of harvest rights continues to increase in the IFQ fisheries, harvest volume and profits accrue to fewer, larger vessels such as those of the Petersburg fleet.

Seafood Industry Infrastructure

Petersburg has very good support services and facilities available to the commercial fleet. Private businesses offer a wide range of services and public marine facilities are excellent. Excess industrial power and water, plus ample industrial property is available to support additional processing growth. Crystal Lake Hatchery is also an infrastructure asset with substantial production potential.

Challenges

Retention of Harvesting Rights

Petersburg's most valuable fishing industry asset is also one of its greatest challenges: ownership of harvesting rights. Some 374 active fishermen hold harvesting rights with a combined market value exceeding \$100 million. Many fishermen, including some of the top producers, are at or near retirement age. When these fishermen sell their harvesting rights, Petersburg is at risk for losing the economic activity generated by their harvest and landings.

Maturity of the Regional Industry

The seafood industry in Southeast Alaska is mature. Opportunities in new or under-utilized fisheries do exist, but at present none of them appears to have the potential for large-scale development. With the exception of salmon, harvest levels of high value species are in most cases limited to specific levels. Access for new entrants carries a high permit cost.

Air Freight Access

Market access, particularly air freight, is a major issue for Petersburg. New or small-scale processors do not have adequate air freight service to consistently access high-value live or fresh seafood markets. This is an apparent growth sector elsewhere in the region.

Outlook

Today Southeast Alaska's commercial fishing fleet faces a unique set of business challenges. In the 1970s and 1980s salmon was the premium commercial species in the region. Boats and permits were expensive, but the equipment and skills needed for salmon fishing could be used to catch halibut, sablefish, crab and shrimp at no additional permit or vessel cost. During the 1990s these fisheries became increasingly lucrative and were eventually limited to protect the resource.

Commercial fishermen face the traditional costs of vessel ownership and operation, plus a requirement for massive capital investment in harvesting rights. Fishermen who were not initially granted harvesting rights now make business plans heavy with debt service. Their financial risk is heightened by a general absence of large-scale, open-access fisheries and by an increase in political influence on allocation and management actions. As a result, ex-vessel prices are no longer always sufficient to meet harvesters' increased capital demands resulting from purchase of harvesting rights.

Before IFQ implementation, processors were able to pay ex-vessel prices adequate to stimulate large-scale investment and growth in seafood harvesting. That investment and growth appears to have stalled. The seafood industry in and around Southeast Alaska is mature, which has constrained large-scale growth. But small-scale processing activity in Southeast Alaska appears to have increased. Between 1990 and 2000, permits issued to shore-based and floating processors increased from 84 to 105. Catcher-processor permits increased from 90 to 243. Although Southeast catcher-processor permits are mostly for salmon, 50 permits were issued for non-salmon species last year.

The regional outlook for Southeast Alaska's four primary commercial species is mixed, but generally stable.

Salmon

Ninety percent of the commercial salmon harvest in Southeast Alaska is pink and chum salmon, species that are largely unaffected by farmed salmon production. Demand for canned pink salmon remains stable and demand for chum salmon has increased considerably in recent years. Pink salmon returns vary widely, but the current forecast is for a statewide harvest of 93 million fish in 2001, about 10 percent below the decade average. Chum harvest is projected at 15 million fish, consistent with the decade average but down one-third from last years' record

harvest. The short-term outlook is for continued stability in pink prices and an increase in chum prices based on the strong chum roe market in Japan.

Halibut and Sablefish

The halibut and sablefish longline fisheries are healthy and stable. Prices are at or near record levels and halibut stocks appear healthy, within six percent to eight percent of the ten-year average quota. Sablefish quotas are down one-quarter from the ten-year average, but fishery managers consider stocks stable at that level.

In the long term, halibut and sablefish will likely have some market competition from aquaculture producers, but it is unlikely that these species will have the dramatic market impacts of farmed salmon. The initial success of farmed salmon came from exploiting the fresh market, a market segment essentially devoid of competition. During the 1980s Alaska produced half the world supply of salmon, but until 1996 less than five percent was in fresh product forms.

Like salmon farmers in the 1980s, halibut and sablefish farmers today are developing their operations during a time of record and near-record high prices. This will certainly bolster their chances for success. However, the absence of competition that fueled the explosive growth of farmed salmon production is not there for halibut and sablefish.

Halibut and sablefish farmers will have to compete with an existing fresh market focus, an Alaska supply season that is eight months long, and a fleet capable of flexible delivery schedules throughout the season. In the long term, large-scale aquaculture producers must also deal with feed supply issues and public concern that is likely to increase environmental regulation (and cost) for the industry.

Crab

Like other seafood commodities, crab prices are responsive to supply. For the three Southeast Alaska species (Dungeness, Tanner and king crab), most of the market supply comes from outside the region, so crab prices don't necessarily respond to the Southeast harvest. Southeast typically supplies only about 10 percent of West Coast Dungeness crab and a fraction of Alaska's Tanner and king crab production.

During years when market supply is down and the Southeast harvest is strong, this works to the benefit of fishermen and processors. But when supply is high, prices are generally low regardless of the Southeast Alaska harvest. The short-term prospect for crab is a lean market supply for all three commercially important species of Southeast Alaska. Bering Sea harvest quotas are down substantially and landings in the Washington/Oregon Dungeness fishery are down. For the near future, price outlook for all three species is good.

Strategic Action Plan

Strategy: Retain harvesting rights now held by Petersburg residents.

Action: Establish an Interest Rate Forgiveness (IRF) program to provide financial incentive for Petersburg resident fishermen to purchase harvesting rights. We recommend an incremental program of up to 5 percent reduction of interest on loans for harvesting rights.

Responsibility: City of Petersburg should create a nonprofit organization whose specific purpose is to administer the IRF program. Funding would be granted from the Economic Development Fund. When: Research and finalize the program in FY 2002, and implement ASAP.

- One percent to 2 percent interest rate forgiveness for Petersburg residents. Residency qualifications to match Alaska Permanent Fund requirements.
- Up to 3 percent additional forgiveness for delivering all IRF-fishery harvest to Petersburg.
- One percent additional interest forgiveness for vessel home-porting in Petersburg.

For example, a fisherman who takes out a loan to buy halibut quota may have an interest rate of 10 percent. If he qualifies for all three IRF incentives, the program would write him a check equal to 5 percent interest on that loan. In effect, his interest rate drops from ten percent to five percent.

We recommend the program be restricted to in-region fisheries where delivery to Petersburg is viable, and that salmon permits and possibly Dungeness crab permits be exempted from the program. Southeast salmon permits are relatively inexpensive, and incentives to increase the local Dungeness fleet may drive down Catch Per Unit of Effort (CPUE) rates, canceling out potential benefits for local crabbers.

We recommend an incentive program be based on forgiveness of interest for existing loans. A community-based loan program would compete with banks for commercial loan business, and is not recommended. A forgiveness program would be based on existing commercial loans, eliminating the need for Petersburg to assess applicants' credit risk.

Strategy: Encourage nonresident fishermen to relocate to Petersburg.

Action: Promote the IRF program to fishermen who are considering relocating to Petersburg.

Responsibility: City of Petersburg Economic development staff. When: upon establishment of IFR program.

Action: Identify business and community features that are attractive to non-resident fishermen. Actively promote Petersburg as a place of residence based on those features.

Responsibility: Economic Development Staff. *When:* First six months of FY 2002.

Action: Create a relocation packet and send it in response to permanent moorage inquiries. Include comparative business costs such as moorage, family features such as public school test scores, and costs of residential property. Direct economic development staff to make follow-up contacts and assist in researching a move to Petersburg.

Responsibility: Economic development staff. *When:* FY 2002.

Strategy: Increase and promote desirability of Petersburg for the full range of processors, both established and emerging.

Action: Review commercial dock design of phase five South Harbor expansion with small cruise line representatives. Assure dock can accommodate convenient delivery and loading of locally produced seafood onto the ships. Small cruise-ship passenger volume through Petersburg is over 10,000 during the summer with average cruise length of one week. This could be an important high-value market for small producers.

Responsibility: City of Petersburg and small cruise line representatives. *When:* FY2002.

Action: Continue to assess and meet the need for public waterfront loading facilities.

Responsibility: City of Petersburg economic development staff. *When:* ongoing.

Action: Conduct an inventory of waterfront and other commercial properties suitable for seafood processing and related businesses. Assist in creating a business response packet to send to commercial property inquiries. Include such items as power cost, concrete pour rates, city tax structure, etc.

Responsibility: Economic development staff and local realtors. *When:* FY2002.

Action: Investigate water transportation alternatives for shipping seafood products to Skagway, Prince Rupert, and Bellingham to improve Petersburg's competitive position as a processing port.

Responsibility: Economic development staff, transportation firms and seafood processors. *When:* FY2002.

Strategy: Stimulate air freight carrier interest in Petersburg.

Action: Hire an aviation consultant to professionally assess air freight access problems that can be overcome with improved navigational aids, runway modifications, load-bearing capacity, additional apron facilities and other factors.

Responsibility: City of Petersburg economic development council. *When:* First six months of FY 2002.

Action: Based on aviation consultant recommendations, explore timely funding options for airport improvements needed to stimulate air freight carrier interest in Petersburg.

Responsibility: Economic development council. When: Immediately upon completion of aviation consultant work.

Action: Provide partial or full funding to an air freight carrier(s) to purchase all navigational aids recommended by the aviation consultant.

Responsibility: Economic development council/economic development fund. When: Immediately upon completion of aviation consultant work.

Action: Consider working with communities like Wrangell and Sitka to jointly fund a navigational-aid grant to an air freight carrier.

Responsibility: City of Petersburg Economic development staff and seafood processors. When: FY2002.

Strategy: Assist in consolidating air freight demand, if necessary.

Action: Assist in researching potential for a local seafood consolidation facility. Such a facility may include limited public cold storage space to smooth out variations in day to day air freight demand.

Responsibility: Economic development council, processing and harvesting representatives, and Sea Grant program. When: FY 2002.

Strategy: Increase harvest volume landed in Petersburg.

Action: Consult with Petersburg vessel owners hired by nonresident IFQ holders for longline fishing. Identify best IRF strategy to create incentive for vessel and crew (including nonresident quota holders) to land the entire trip's harvest in Petersburg.

Responsibility: IRF program organization, Petersburg Vessel Owner Association. When: FY 2002.

Action: Form a committee or task force to thoroughly explore establishing a commercial-quantity pink and chum hatchery or remote release site in the area.

Responsibility: Economic development council, Sea Grant program, and PVOA. When: FY 2003.

Action: Conduct an evaluation of the potential role of Crystal Lake Hatchery in production of commercially-caught salmon.

Responsibility: Economic development council with assistance from PVOA. When: FY 2003.

Action: Thoroughly explore the possibility of a local shellfish test lab using existing facilities and/or equipment at the Petersburg Medical Center.

Responsibility: Dive fishery representatives, processors, and Sea Grant program. When: First six months of FY 2002.

Action: Encourage ongoing stock assessment efforts for dive fisheries.

Responsibility: Economic development council and dive fishery representatives. *When:* First six months of FY2002.

Action: If requested, assist in market research efforts for green urchin stocks.

Responsibility: Economic development council, Sea Grant program, dive fishery representatives and processors. *When:* As requested.

Action: Assist in research efforts for local shellfish aquaculture. If demand merits, consider hosting an informational workshop on shellfish aquaculture.

Responsibility: Economic development council, Sea Grant program, dive fishery representatives and processors. *When:* As requested.

Assets, Challenges and Outlook

Assets

Petersburg has a good inventory of attractions for selective development of independent and small ship tourism markets. The attractions include abundant natural attractions, plus cultural and historical features of interest. (Please refer to the tourism chapter in the *Petersburg Economic Profile* for a detailed assessment of Petersburg tourism).

The community is home to a creative tourism business community that has developed local tours, marine wildlife excursions, charter operations, attractive accommodations, adventure experiences such as kayaking, and unique retail offerings of interest to visitors. The community is also headquarters for a major travel agency that is an important contract marketing and reservations agent for the Alaska Marine Highway System.

Petersburg has adequate infrastructure for a moderately increased tourism business. Harbor facilities (for marine charters, private vessels and small ships), campgrounds and RV facilities, and frequent air and marine transportation access are examples of these infrastructure assets.

According to local sources, travelers who visit Petersburg express a very positive response to their experience. This indicates a quality product that, if marketed, would attract additional people.

Challenges

Petersburg has a low market presence as a visitor destination. This is the result of a very modest marketing program during a time when most communities have significant marketing budgets managed by professionals. Petersburg does maintain an Internet Web site and responds to inquiries from potential visitors.

Community competition is intense with other Southeast cities such as Haines and Sitka that budget \$200,000 or more to attract visitors. Petersburg's budget is estimated at less than 10 percent of that amount. Juneau's tourism marketing budget is nearly \$1 million.

The independent visitor market is of highest interest to Petersburg. This market is flat or declining in Alaska, due to the loss of state funds for generic tourism marketing, and other factors.

Recent visitor arrival data show some market targets for Petersburg. Alaska Marine Highway System arrivals have declined due to changes in AMHS policies of operation. Arriving air volume has also declined over the past several years. A significant increase in small ship arrivals has compensated to some degree.

Outlook

Petersburg's outlook for tourism development in the markets favored by the community is primarily dependent on a local marketing effort by city government and businesses led by the Petersburg Chamber of Commerce. While the outlook is favorable for increased regional and statewide visitation of independent, small ship and large ship tourism, Petersburg is unlikely to participate fully without a larger, competitive marketing presence and program.

Favorable trends in U.S. demographics (Baby Boomers like to visit Alaska) and a likely increase in statewide marketing through the Alaska Travel Industry Association are positive long-term factors for tourism market growth.

Strategic Action Plan

Community guidelines for tourism development

Clear community guidance is an asset for development planning. Fortunately, the Petersburg community provides very specific guidance to both private business and government for selective and moderate tourism development. The Petersburg economic development mission statement is clear about the potential impacts on residents of any development: "Developing and growing in a manner compatible with both use and enjoyment of our natural surroundings and resources." The mission statement adds that diversification can only occur, ". . . while maintaining compatibility with our traditional resources-based lifestyle." The mission statement specifically encourages selective tourism development: "Diversifying our economy in ways that are compatible with our lifestyle and interests by nurturing: visitation by independent tourists . . ."

Further, the *Petersburg Household Economic Issues Survey* gives detailed direction with statistical certainty. Sixty percent of households favor growth in independent tourism vs. 7 percent that would like to see a decrease. Forty-five percent favor small ship growth vs. 12 percent selecting decline. The community is also very clear on large ship tourism with 63 percent preferring decline (or no increase) vs. just 10 percent favoring growth. The community specified the forms of independent tourism preferred for future growth. Between 65 percent and 76 percent favored growth in local sightseeing (both guided and unguided), active adventure tourism, ferry foot passengers, and guided marine sightseeing. Finally, the community says that slow to moderate (but not fast) growth is acceptable.

Strategy: Develop a competitive market presence for Petersburg.

Discussion: Marketing is necessary to both increase and guide tourism markets. Marketing carries the message to the prospective visitors that the community prefers. It can also communicate what Petersburg does not want. Without advertising, the community is not likely to attract many additional, desirable visitors and will not be able to communicate its selectivity (no big ships, no crowding) to the market. The city should retain a tourism marketing consultant to help develop the following actions.

Action: Retain a tourism marketing consultant to design and recommend an effective marketing program and image, including evaluation of participation with other programs and the AMHS. The consultant should also recommend in detail a structure for overall marketing success. The report should include a plan for incorporating marketing of other Petersburg products in an overall “Market Petersburg” program. Tourism marketing should also include some consideration of attracting Alaskans for pleasure travel and for meetings and smaller conventions.

Responsibility: City of Petersburg. *When:* Early in FY 2002.

Action: Following the consultant’s report, develop an organizational structure for a much larger tourism marketing program and commit professional staff and sufficient budget to have a strong, competitive impact. Coordinate this effort with the recommendation for marketing all aspects of Petersburg (tourism, seafood, forest products, medical services, arts and crafts, senior living, etc.). Most communities in Alaska use a convention and visitors bureau (CVB) structure to accomplish tourism marketing and guide community tourism development. While the Petersburg Chamber of Commerce structure has made good use of very limited marketing resources, most communities have left general economic promotion with the chambers and moved targeted tourism marketing to a CVB structure. This specialized structure can attract professional talent to compete in today’s market. Local governments – primarily through dedicated hotel bed tax proceeds – provide most of the money in the CVB structure. Private sector members who benefit from the program also contribute to the common CVB budget.

Responsibility: City of Petersburg. *When:* FY 2002 and 2003.

Action: Focus particular professional attention and financial resources to develop a competitive Internet marketing program for Petersburg. The Internet is becoming a very cost-effective way for communities to market tourism. A small community or small business can appear as attractive as large ones on the Internet.

Responsibility: New marketing structure. *When:* FY 2002.

Action: Evaluate benefits and costs of participation in cooperative marketing programs of the Alaska Travel Industry Association (statewide program), Southeast Alaska Tourism Council (regional), and Tourism North! (international – Alaska and Western Canada).

Responsibility: New marketing organization with consulting assistance. *When:* FY2002.

Action: Coordinate Petersburg program with the new Alaska Marine Highway System marketing director. The AMHS is renewing its long-dormant effort to increase traffic through marketing. The AMHS has a new, well-qualified marketing director and is allocating money to marketing. The AMHS is also improving the speed of the tedious reservations system that has discouraged interested customers in recent years.

Responsibility: New marketing organization. *When:* FY2002.

Action: Develop a preferred market image and market position for Petersburg. Hire a tourism marketing consultant to assist in developing marketing image and marketing plan. This image should be irresistibly attractive to independent visitors in preferred segments of adventure travel, local tours, overnight visitors, AMHS foot passengers, and those appreciating cultural and historical aspects of Alaska. The image should also be attractive to people who want to meet local Alaskans, who appreciate living in a smaller community, and who travel in small groups. An image that communicates these features will also let those who prefer large group, pre-programmed travel know that Petersburg is not the place for them.

Responsibility: New marketing organization with consulting assistance. When: FY2002.

Strategy: Continue to develop a unique visitor attraction base that differentiates Petersburg from competing communities and locations.

Action: Provide financial and marketing support to attractions related to premium Alaska natural experiences. The primary motive for visitors to Alaska is the spectacular scenery, opportunity to view wildlife and marine life, and have experiences in the Alaska environment. Visitors do and will visit Petersburg because they see it as a place to have these experiences. Attractions that can provide this, such as the Marine Mammal Center, deserve support. Infrastructure that embraces marine sightseeing and adventure experiences is also important.

Responsibility: City of Petersburg, special interest supporters, and tourism businesses. When: Ongoing.

Action: Support and market cultural attractions and events. While Alaska's natural attractions are the major motivator for visiting, cultural features can be support motives for visiting Petersburg and they can deliver satisfaction. Specifically, support the proposed Petersburg Cultural Center facility that would house the museum, library and the Marine Mammal Center. Petersburg's Norwegian history is an asset, but the typical visitor, unless visiting in May during the Little Norway Festival, has little exposure to this special part of Petersburg. Additional Norwegian exhibits and entertainment would add to the attraction base. Petersburg's Alaska Native heritage has been under-represented in the past. The expected raising of two Tlingit totem poles in 2001 could be the beginning of making the community known for this attractive heritage.

Responsibility: City of Petersburg, supporters of the museum, Marine Mammal Center, library, and economic development staff. When: Secure funding by June 2002.

Action: Support the development of attractions, infrastructure and tour content that educate visitors about Petersburg's economic lifeline – commercial fishing and fish processing. To maintain the community as residents want it and to clear up misconceptions about how Alaskans manage their resources, it is imperative that visitors be exposed to and accurately educated about the seafood industry.

Responsibility: New City of Petersburg economic development staff, tourism advocates, and community. When: List priorities by December 2001.

Action: Develop the attraction base to differentiate Petersburg as unique. The attraction base needs to support the recommended market position that Petersburg is the place in Southeast Alaska to go for premium natural experiences (spectacular scenery, wildlife/sea life, and adventure activities for the independent visitor). The secondary appeals are: The Norwegian and Native cultures, being a real Alaska working town, and being a community that is free of large-volume, impersonal tourism. No other regional community can make this collection of claims.

Responsibility: New economic development staff, tourism advocates, community. *When:* List priorities by December 2001.

Strategy: Develop infrastructure for selective tourism industry growth supported by the community.

Action: Improve infrastructure that supports operators serving the small ship, private vessel, independent, adventure, local tour, charter fishing, and marine sightseeing markets. Particular attention should be paid to the scale of operation the infrastructure supports. Clearly the community does not want large ships, so developing the waterfront to accommodate primarily smaller operations is recommended.

Responsibility: City of Petersburg and transportation interests. *When:* Identify priorities by December 2001.

Action: Seafood industry needs must be considered when building a base for tourism. Seafood is the priority industry and tourism development needs to be compatible with the infrastructure used by the seafood industry. Visitors should be encouraged to observe and learn about the seafood industry, but in a safe way that does not interfere.

Responsibility: Tourism and seafood industry advocates. *When:* Ongoing dialogue.

Strategy: Support infrastructure development that serves the interests of both residents and visitors.

Discussion: Surveys of both business owners and households revealed strong support for growth of recreation facilities. This is an area where residents' local goals can be assisted by visitor industry growth. Visitors and residents jointly use a number of recreation facilities and infrastructure. Examples can include campgrounds, trails, public telephones, museums and visitor centers. Revenues from visitor fees can augment resident fees.

Petersburg's tourism preferences are to target independent visitors who are attracted to activities such as guided walks, local sightseeing, active adventure tourism, and marine guided sightseeing. Recreation facilities and infrastructure that could generate visitor fees include:

- Trails where brochure guides can be purchased at the trail head.
- Maps or brochures with walking tours that highlight the working waterfront.
- Museums and cultural centers with displays and information on local flora, fauna, and marine mammals, and on area Norwegian and Tlingit cultural history.

Responsibility: City of Petersburg. *When:* Ongoing planning process.

Assets, Challenges and Outlook

Assets

- Petersburg's location in the middle of the Tongass National Forest in an area not previously harvested under long-term pulp company contracts is an asset.
- Much of the most accessible Tongass timber is in this part of the region. In addition, the Alaska Mental Health Trust Authority holds timber lands in the area and is considering selling 40-45 million board feet (MMBF).
- The official federal government approach is supportive of small, value-added operations. The USFS is experimenting with smaller, quicker sales. Approximately 375 MMBF of timber has been identified in the Petersburg Ranger District for potential sale.
- Technical assistance for smaller operations is available through the Sitka Wood Utilization Center, the Western Wood Products Association Grading Project, and other sources.
- The community has three small forest product manufacturing operations plus a long history as a location for timber processing.
- The community ranks forest products among the most desirable industries for economic development.
- There appears to be good long-term demand in the Pacific Northwest for yellow and red cedar products. Japan and Korea are also strong specialty markets.
- Excess power, water and industrially zoned land is available at reasonable cost.

Challenges

- Future Tongass harvests are estimated to be less than 100 MMBF and could be as low as 30 MMBF under the so-called "Roadless Rule."
- National attitudes and national policy are significant constraints on potential Tongass timber harvest activity.
- World markets are highly competitive. The local market is undeveloped and relatively small.
- Local operators need marketing and technical assistance to maximize product value, access markets, and increase production efficiency.

Outlook

Small timber sales oriented to small, value-added processors is the likely future of the Tongass timber industry. The national battle for land use policies in the Tongass will continue indefinitely regardless of a particular federal administration's policies.

Strategic Action Plan

Strategy: Conduct preparatory work, laying the groundwork for operators to choose Petersburg as a manufacturing location.

Action: Inventory and evaluate government assistance programs targeting forest products, including availability of capital.

Action: Inventory all public and private potential timber sources, including USFS, Alaska Mental Health Authority, and Native, State, and private lands. Following the inventory, develop action steps for acquiring timber supplies for modest scale operations.

Action: Evaluate the option that the City of Petersburg might acquire timber using it to attract local operations. This may seem like a radical proposal but it may be possible through federal legislation for communities hurt by Tongass policies.

Action: Inventory workforce development options in support of manufacturing and harvesting labor needs.

Action: Evaluate forest products as a part of a coordinated community marketing program.

Responsibility: Professional economic development staff, forest products supporters, and local operators. When: Complete inventories by December 2002.

Strategy: Build slowly and stay flexible, tackling items that deal with the current forest products situation in Petersburg and the region.

Action: Integrate forest products with other development efforts. This includes such actions as workforce training, looking at the visitor market for local wood product opportunities, and using local lumber in community projects.

Action: Investigate demand for local wood consumer products that complement community images and themes.

Responsibility: Professional economic development and marketing staff, forest products supporters, and local operators. When: FY 2002.

Assets, Challenges and Outlook

Assets

Petersburg is in the middle of a highly mineralized region. In the Petersburg Quadrangle alone there are 761 active federal and state mining claims.

Several Petersburg residents have expert knowledge of mining and mineral deposits.

Mineral exploration in the region by major mining interests is continuous, regardless of short-term mineral market conditions.

Excess power, water and industrial land is available at modest cost.

Olympic Resources Group, LLC, a proactive mining industry support organization, has considerable expertise to assist Petersburg with mining exploration and development issues.

Other regional development interests are intensely interested in studying and encouraging the long-term mineral development potential of Southeast Alaska.

Challenges

National policies, changing national attitudes regarding public land resource extraction, market factors, plus permitting and public process requirements all prolong the process and cost of mine development, decreasing the likelihood of operation.

Distance to market is a challenge for remote Alaska deposit locations, as is the cost of operating in these locations.

Outlook

The outlook for near or intermediate-term mine development in central Southeast Alaska is not favorable. However, the likelihood of continued mineral exploration is good. This represents a development opportunity for the community. If the major proposal to study the feasibility of mining development in the region is implemented, the long-term outlook for development is more positive.

Strategic Action Plan

Strategy: Position Petersburg as a support location for the mineral exploration business.

Action: Review active claims, identify companies potentially interested in exploration and those currently involved in exploration in the region.

Action: Develop a support services plan for each likely exploration firm. Contact them and assess their interest in using the Petersburg area, people and companies for exploration support.

Responsibility: Economic development staff assisted by Olympic Resources Group. *When:* By end of FY 2002.

Action: Participate in the proposed study of the feasibility of mineral development in the region, with specific attention paid to central Southeast resources and support infrastructure.

Responsibility: Economic development staff assisted by Olympic Resources Group. *When:* When study process begins.

Government Industries Action Plan

Assets, Challenges and Outlook

Assets and Challenges

Though many in the “Last Frontier” proclaim disdain for government, and all Southeast Alaska communities have directly experienced distress over fluctuating U.S. Forest Service policies, it is critical for Petersburg to recognize the importance of government jobs, programs, and capital projects to the local economy

Government is the second largest economic force in Petersburg, after seafood. Government payroll in Petersburg totals \$17.3 million, nearly equal to seafood harvesting take-home pay. Government sector jobs account for half of the town’s top 10 employers, including the USFS, Petersburg School District, City of Petersburg, Petersburg Medical Center, and state government. Government jobs are stable and high paying – 480 jobs average \$36,000 per year, 60 percent above the local private sector wages. Federal jobs pay the most, an average of \$45,500 annually; state, an average of \$35,800; followed by local government, at an average of \$31,900.

Many government employees and their families are exceptionally active as community members. They serve on boards, commissions, and committees as well as contribute special skills that are needed in Petersburg.

Government also provides funding for capital improvement projects and very significant portions of Petersburg’s household non-wage income. Some examples are:

- Federal government economic development funds for Petersburg economic recovery and Tongass Forest Receipts.
- Transportation and capital improvement project funding from the federal and state governments for the new USCG recreation center, post office, National Guard Armory, Scow Bay water system, harbor improvements, etc.
- Retirement income. In 2000, federal retirement income in the form of Social Security and SSI was an estimated \$17.5 million.
- Longevity bonuses to residents from the state totaled \$0.5 million in 2000.

Compared to other Southeast Alaska communities, Petersburg has fewer state jobs and more federal and local government jobs. This makes the USFS and the USCG policies and employment all the more important to Petersburg.

Outlook

The Alaska Department of Labor and Workforce Development (ADOL) is forecasting flat or slightly declining government employment over the next decade. Significant factors are privatization of the Alaska Native Medical Center jobs in Anchorage and - - particularly relevant to Petersburg - - predicted declines in USFS employment as a result of reduced timber harvest in the Tongass National Forest. Declining local government revenues will also be a factor. ADOL notes that in general, "The importance to Alaska of a continuing stream of federal dollars and stable state revenues in the long term can't be overstated." Due to the seniority of our senators and congressman, Alaska is in a uniquely favorable, but temporary, position to receive U.S. Congressional funding. Many anticipate fewer federal funds for Alaska when Senator Ted Stevens retires.

Locally, none of the federal agencies in Petersburg anticipates any significant increases or decreases in employment in the medium-term future. USFS funding has, however, been in a downward spiral the last several years and this, as well as implementation of the Roadless Initiative, could affect employment levels. In fiscal year 2003, the U.S. Coast Guard plans to build a community activity center for USCG personnel. The U.S. Post Office does not anticipate any new positions as a result of the new post office.

State government employment has been declining over the last decade throughout Alaska as the State Legislature shifts more fiscal responsibility to local governments. With one exception, there are no planned changes to state employment levels in Petersburg in the medium-term future. Alaska Department of Transportation & Public Facilities upgrades to the south Mitkof Highway and construction and operation of a new Alaska Marine Highway System ferry terminal at the south end of the island will likely mean one to three new ADOT&PF positions in Petersburg.

Statewide, and in Petersburg, local government employment has been increasing over the last decade, largely because the State Legislative has been shifting program and funding responsibilities to local governments. Statewide, the ADOL is forecasting overall declines in local government employment over the next decade. The picture will likely be different in Petersburg, however, as the Petersburg Medical Clinic and Mountain View Manor are both owned by local government. Employment and operations at these institutions, as well as other local government functions, are controlled and managed to some degree by local residents. Since health care and senior and other services are expected to grow in the next decade, local government employment may increase as services and programs expand. This trend is evident in the medium-term, because Mountain View Manor will hire additional staff as the size of the facility doubles and assisted-living services are offered

Strategic Action Plan

Federal Government Strategy: Maximize federal funding for timber harvest, recreation, and non-consumptive uses of the Tongass.

These activities and the local presence of the USFS, USCG, and Postal Service offices, vessels, and staff benefit the Petersburg economy.

Action: Evaluate political and fiscal condition of these federal programs.

Responsibility: City of Petersburg.

Action: Actively support USFS funding for both timber and recreation programs with Alaska's Congressional delegation and the Secretary of the Interior.

Responsibility: City of Petersburg residents and elected officials.

Action: Support long-term home-porting in Petersburg for the USCG Cutters Anacapa and Elderberry.

Responsibility: City of Petersburg residents and elected officials.

Action: Take local measures to welcome the USCG's young men and women into community life.

Responsibility: Civic groups.

Action: Survey federal employees in regard to their retirement plans. Identify services and features that would help ensure retirees stay in the Petersburg area. Provide greeting packets for new families.

Responsibility: City of Petersburg and Chamber of Commerce.

State Government Strategy: Maximize the economic benefits of state government programs to the Petersburg economy.

Action: Identify operating and capital budgets that benefit the Petersburg economy. Actively support these programs to the Alaska Legislature, to state agencies, Alaska Municipal League, and Southeast Conference.

Responsibility: City of Petersburg residents and elected officials.

Action: Survey state employees in Petersburg regarding their retirement plans. Identify services and features that would help ensure retirees stay in the area. Provide packets for state employee families showing advantages of staying in Petersburg.

Responsibility: City of Petersburg.

Action: Lobby for regional state-funded programs to be located in Petersburg. Use state funding to leverage other government and nonprofit funding to establish support services and programs in Petersburg.

Responsibility: City of Petersburg residents and elected officials.

Tribal Government Strategy: Strengthen the relationship between the Petersburg Indian Association and the City of Petersburg.

Action: The Petersburg Indian Association and the City of Petersburg should renew and expand a Memorandum of Understanding to work together.

Responsibility: City of Petersburg and Petersburg Indian Association.

Action: Have an annual joint meeting of the Petersburg City Council and the Petersburg Indian Association (PIA) Board and/or the PIA administrator and city manager to discuss upcoming programs, capital improvement needs, projects, and funding sources. Identify best time of year for this regular meeting so each organization can include results in fiscal and grant-planning cycles.

Responsibility: City of Petersburg and Petersburg Indian Association.

Action: Raise the community's new Totem Poles in a prominent location. Develop promotional brochures and materials celebrating historic and current Tlingit culture and events in Petersburg.

Responsibility: Nonprofit Totem Group, City of Petersburg, Petersburg Indian Association, and others.

Action: Work through the PIA and directly with the Central Council of Tlingit Haida Indian Tribes of Alaska (the regional tribal government organization) to apply for economic and other services available to tribes and communities.

Responsibility: City of Petersburg and Petersburg Indian Association.

Stimulating the Economy Through Local Government

Special note: The following statement is the study team's #1 recommended economic development strategy. It is then followed by our #1 recommended action item – establishing a structure for economic development.

Local Government Strategy: Utilize local government assets to provide leadership in implementing the *Petersburg Strategic Development Plan*.

Discussion

The city has two general choices for an economic development structure – an Economic Development Council structure, or a position(s) within city government.

The study team recommends the independent, non-profit Economic Development Council structure, used successfully in Sitka and Juneau. In this structure, the city provides initial funding, appoints board members and issues general guidelines for the use of municipal funds. An economic development professional is then hired and an office and budget are established. Advantages are a more independent atmosphere important for economic development work, ability to attract both grant and membership money, but with local control through funding, appointments and general guidelines. For the Juneau Economic

Development Council, the city provides \$100,000 in funding and this has been leveraged into nearly \$700,000 in overall development program resources. In Sitka, the funding of \$200,000+ is a combination of city funds, membership “investor” contributions and a proposed EDA matching grant. The Sitka Economic Development Association also has a management contract with the city for industrial park management and promotion.

The city employee (Economic Development Specialist) alternative has been used in Skagway, Haines and Wrangell. Skagway recently eliminated the position, whereas in Haines it is a new one. The Wrangell position has other duties as the community development planner, limiting the time available for economic development. While a municipal position may be the simplest solution, being inside an established government structure that has many diverse goals and responsibilities, and one that is not focused primarily on business and industry, are disadvantages in the opinion of the study team.

The purpose of our recommendation for creating a structure is to have clear focus on economic development. This is probably best done through the Economic Development Council (EDC) structure.

In addition, the city may choose to establish a convention and visitors bureau (CVB) structure to conduct tourism marketing. Many Alaska CVBs get good results from their marketing. The study team recommends establishing a tourism marketing program either under the EDC structure or a CVB organization.

The CVB structure is very common in Alaska and allows for additional revenue from bureau members who are beneficiaries of increased tourism. The CVB structure also allows for targeted focus on a single function rather than dissipating limited resources among many functions. The Petersburg Chamber of Commerce has done a good job of filling this gap, but with very limited resources compared to the substantial assets committed by most other communities in the region. The result was no growth in independent tourism in recent years. Most communities in Alaska started promoting tourism through their local chambers, adding it to a long list of chamber priorities. However, as the market became more competitive, most Alaska communities went to the specialized CVB form to capitalize on professional expertise and secure substantial local government funding not usually available to chambers of commerce.

CVBs are typically funded through a bed tax allocation formula, direct municipal appropriation, general membership dues, and fees for member services. Like the economic development councils, they have guidelines from their municipal governments. The most common guideline is to focus on attracting overnight visitors of all kinds to enhance bed and sales tax revenues.

Tourism branding can also be achieved so that Petersburg attracts primarily high-value independent visitors. Messages about small groups and independent travelers, meeting real Alaskans, and visiting a “working town” can help brand the community for desirable visitor markets.

Action Plan

Action: Create a structure, professional staff, and budget to pursue the economic development mission of the City of Petersburg through implementing the recommendations of the *Petersburg Strategic Development Plan*. The structure(s) and staffing should accommodate both the need for implementing economic development recommendations and the specialized need to market Petersburg tourism and other local offerings.

Responsibility: City of Petersburg. *When:* July 2001.

Action: Create a structure to implement a strategy of branding Petersburg as a desirable (but selective) visitor destination and a producer of superior seafoods. This could be a CVB or a program within the economic development council. Tourism would be the initial priority, followed by seafood, medical care and other assets of the community. For example, in Alaska a number of places have succeeded in raising the market value of their seafood production through branding. The best example is the Copper River brand of king and sockeye salmon. Though no different than fish caught elsewhere, these fish demand a premium price far above normal market rates.

Responsibility: City of Petersburg, economic development staff, and industry representatives. *When:* Late FY 2002.

Action: Continue to use local government as the initiator in projects and programs of major economic and social importance. For example, the medical center and senior housing projects exist because of Petersburg local government initiative.

Responsibility: City of Petersburg. *When:* Ongoing policy implemented through economic development structure.

Action: Evaluate budget ranges for the four priority recommendations in the executive summary of this document. The study team provides the following estimates.

Economic Development Council: \$100,000 to \$150,000 for economic development professional, limited support staff, office space and operations (travel, communications, etc.).

Aviation consultant contract for air transportation improvements: Estimated at \$25,000 to \$40,000, depending on consultant's role in implementing recommendations.

Tourism and "Market Petersburg" consulting contract for designing and recommending tourism marketing program, marketing structure and overall "Market Petersburg" program: This is recommended prior to creating any tourism marketing structure or program. Estimated at \$25,000 to \$40,000.

Tourism marketing program and structure: An initial marketing budget is estimated at approximately \$100,000, but would not be allocated until the city has the consultant's recommendations.

Responsibility: City of Petersburg. *When:* FY 2002

Support Industries Action Plan

Assets, Challenges and Outlook

Assets

Retirees and senior citizens are part of the life-blood of a community. When older citizens are not able to age in place among family and friends it is a deep loss for all involved. What many do not realize is the incredibly important economic role our retirees and senior citizens play in our communities.

In Petersburg, a review of all income coming to local households shows that 65 percent is earnings from labor and 35 percent is from other types of income. Half of the “other types” of income is from seniors. The senior-related income of \$18 million accounts for 18 percent of Petersburg’s total annual household income of approximately \$101 million. (See Table 2 in the Petersburg Economic Profile for details on senior income.) In addition to this, seniors also bring in income from rents, interest, and dividends.

- Nearly one of every five Petersburg households (16 percent) said retirement is their main source of income. Seniors also bring in millions of dollars in the form of Medicare and Medicaid payments to the Petersburg Medical Center and other health care providers, and in projects such as senior housing.
- In July 1999, 12.8 percent of the Wrangell-Petersburg Census Area residents were age 60 or older, (statewide, 8.1 percent were aged 60 or older).
- Petersburg is very supportive of senior needs. For example, in a 2000 municipal election, 90 percent voted in favor of expanding senior housing at Mountain View Manor.
- Many seniors are active participants in the betterment of the community by serving on boards, commissions and committees and providing their special skills and talents to many worthy causes.

Challenges

Retention of the resident senior population takes a concerted effort in terms of public policy and community resources.

Retention of resident seniors and attraction of new ones is based on a high level of available health care, reasonable livings costs, and housing appropriate to senior needs.

While seniors are an important part of the economy and many of them have good income and assets, a significant portion of them suffer economically.

Outlook

National demographic trends suggest that the senior population will be of increasing importance and power. The aging of the “baby boomers,” sharply lower birth rates, and breakthroughs in medical science are leading to a dramatic rise in the proportion of the global population over age 65. Today, about 16 percent of the U.S. population is 65 years and older. In 30 years, more than 25 percent will be over the age of 65.

Between 2000 and 2025 the number of seniors aged 60 and over in Alaska is expected to triple and, as a percent of the Alaska population, will grow from 8 percent to 20 percent. According to a recent McDowell Group survey, 92 percent of Alaskans plan to remain in Alaska.¹ Alaska’s seniors are one of the largest sources of money flowing into the state. Senior retirement income and medical payments have a significant beneficial effect on the state’s economy.

At the same time more than half of Alaska’s seniors live precariously on the edge of solvency. For some, financial considerations may determine whether they continue to reside in the state. For many others, the combination of financial benefits available from the state and municipal governments are critical to their well-being.

Other related trends indicate a growing national population is moving westward and looking for places to retire. Baby-boomers are moving up the housing ladder leading to a glut of starter homes on the market. Older and better-off boomers are also giving serious thought to where they'll live next. They are asking, “Ten years from now where do I want to be?” One answer is that they want to increasingly live (at least part of the year if not all year) in communities with abundant recreational resources that are near to nationally recognized park and park-like areas. The West, in particular, is experiencing gains -- especially rural areas.

We see some evidence of these trends in Petersburg. In the mid to late 1990s a number of high-end single-family homes were built in town. This is attributed to low interest rates, and a number of homes built by government retirees, as well as the consolidation of the local fishing fleet with concentrated wealth enabling some to build homes, and “outside” retirees building well-appointed summer homes in the area.

The number of retirees and people wanting a second or summer home is noted by the recorded addresses of transferred property, and also by a realtor who now gets calls from people who have traveled to Alaska and are looking specifically for land or homes in the Petersburg area.

The growing senior and retiree segments of the Petersburg population create a demand and market for certain services and qualities:

- Access to high caliber and diverse health care services (see health care industry).
- Housing and support services catering to senior needs.
- Scenic beauty is highly valued.

¹ *Issues Affecting the Economic Well-being of Alaska Seniors*, McDowell Group, Inc. 2000.

- Interest in access to developed and undeveloped recreational resources.
- Interest in art, music, cultural events, and educational classes, lectures and other offerings.

Strategic Action Plan

Strategy: Maximize retention of retirement-age Petersburg residents. Attract seniors and retirees from other locations.

Action: Market to the audience: "Petersburg is THE town" for those looking for affordable waterfront property with marine mammals and pristine vistas. There is an abundance of diverse arts, music, cultural, recreational, and educational offerings. A quality medical center and health care is locally available along with assisted-living quarters and long-term care. Utility rates are moderate and stable.

Responsibility: City of Petersburg, Chamber of Commerce, civic organizations, and Web sites as appropriate.

Action: Provide for basic senior needs of housing, medical services, living support services, and income support.

Responsibility: City of Petersburg, State of Alaska, Petersburg Medical Center, Mountain View Manor, Petersburg Indian Association, Tlingit & Haida Regional Housing Authority, and Tlingit & Haida Central Council.

Action: Assess and forecast senior housing needs. Develop programs and grants to provide that housing.

Responsibility: City of Petersburg and the State of Alaska.

Action: Improve health care services specifically oriented to senior needs.

Responsibility: Petersburg Medical Center, private sector, Mountain View Manor, and the State of Alaska.

Action: Inventory current living support services for seniors. Assess living support services needed and desired by seniors.

Responsibility: City of Petersburg, Mountain View Manor, State of Alaska, Petersburg Indian Association, and Tlingit & Haida Regional Housing Authority.

Action: Survey the senior population to determine major issues affecting their decisions to stay in town.

Responsibility: City of Petersburg and Petersburg Indian Association.

Assets, Challenges and Outlook

Assets

A wide variety of public, private, and nonprofit health care providers offer a fairly complete network of physical and mental health services within the community.

Petersburg's community health care facilities and services are substantial for a community of its size. The physical health care facilities typically have excess capacity, while the mental health and substance abuse resources seem to presently be at or near capacity.

Health care is important to the economy. Health care related jobs account for 5 percent of all employment in Petersburg and about 5 percent (est. \$2.9 million in 1999) of its payroll. Growth of the health care industry will be an integral part of economic diversification.

Local government plays a key and pro-active role in providing health care services. The 27-bed Petersburg Medical Center and Clinic is a City-owned facility managed by an independent, nonprofit corporation and board.

The Petersburg Medical Center has a network relationship with Bartlett Regional Hospital in Juneau, Ketchikan General Hospital, Virginia Mason and University of Washington in Seattle.

The medical center hopes to be certified as a Critical Access Hospital by July 2001. This will allow it to capture an estimated \$100,000 more per year in increased reimbursements for services.

The medical center has embarked on a forward-thinking program to acquire adjacent property as it becomes available. It plans to expand the facility to offer either acute or more long-term care services as opportunities and needs arise.

Challenges

Alaska's, and probably Petersburg's, most costly social problem is substance abuse, primarily of alcohol. Local addiction treatment options are limited to outpatient counseling.

Since the medical center does not have an anesthesiologist, emergency surgery requiring general anesthesia cannot be performed.

There are a substantial and growing number of seniors in Petersburg. Seniors typically have substantial local health care needs. Current senior health care needs are being met in some areas and exceed local capabilities in others. Retention of seniors is a challenge that centers around health care.

Fluctuating census of long-term care patients creates a wide variability in revenues.

Outlook

The health care industry and related services should be very important to future economic growth in Petersburg. And, with a locally owned medical facility that already offers long-term care services within the community, Petersburg is well-positioned to take advantage of forecasted opportunities in health care.

The industry and several health care occupations are forecasted to be among the fastest growing in Alaska during the next decade. This is due to the aging of the Alaskan (and national) population which will require more health care services. The increased use of innovative medical technology for intensive diagnosis and treatment allows a community the size of Petersburg to satisfy the needs of seniors. Other expected trends include an increasing shift of patients out of hospitals and into outpatient facilities, and from long-term care in nursing homes to home health care. Home health aides, medical records technicians, nurses, physical therapists, medical assistants, and respiratory therapists are forecast to be high-growth occupations in Alaska.

Strategic Action Plan

Strategy: Maximize Petersburg's physical and mental health care services and revenues. Maximize the ability to meet the senior population's health care needs.

Action: Increase the flow of Medicare and Medicaid dollars into the community by certifying the Petersburg Medical Center as a Critical Access Hospital.

Responsibility: Petersburg Medical Center.

Action: Raise Emergency Medical Service fees to recoup more of the actual costs. (For example, Petersburg charges \$100 while other communities in Alaska charge \$250-\$550.)

Responsibility: City of Petersburg.

Action: Establish separate and higher EMS fee for non-residents. (For example, in Juneau a basic ambulance call for residents is \$250 and for non-residents is \$300)

Responsibility: City of Petersburg.

Action: Review services offered nearby at the Wrangell Medical Center and target those services that Wrangell does not provide.

Responsibility: Petersburg Medical Center.

Action: Identify most-needed and most lucrative medical services and procedures that could be offered with advanced scheduling. Expand locally available elective surgery and other opportunities.

Responsibility: Petersburg Medical Center.

Strategy: Raise awareness throughout the region of services offered at Petersburg Medical Center.

Action: Do more advertising, marketing and public outreach to expand awareness of the services (elective and otherwise) that Petersburg Medical Center offers. This will expand business and increase the awareness, profile, and esteem of the hospital. Consider increasing the PMC Community Education position from part to full time.

Responsibility: Petersburg Medical Center, new community marketing program.

Action: Advertise services and provide community education and medical training classes in Kake, Wrangell, northern Prince of Wales Island and Meyers Chuck.

Responsibility: Petersburg Medical Center, new community marketing program.

Strategy: Use health care services to support other economic development priorities including serving the local industry, the senior population and the regional population.

Action: Advertise and market the medical training offered at Petersburg Medical Center that serves local industries, including Mariners First Aid, Industrial First Aid, CPR, Certified Nurse Aide courses etc.

Responsibility: Petersburg Medical Center.

Action: Advertise Petersburg Medical Center's scholarships to respondents for medical training. Re-institute the requirement that the scholarships are in exchange for work commitment of a certain duration within Petersburg.

Responsibility: Petersburg Medical Center.

Action: Following the Petersburg Medical Center lead, local businesses should pay the fee for employees to take first aid and other medical training in exchange for a work commitment of a certain duration at the business.

Responsibility: Various businesses, Petersburg Medical Center, etc.

Action: Research opportunities (programs, funding, distance learning combined with short term high intensity clinical training) that residents can obtain to meet local medical workforce shortages (nurses, radiology technologists, and medical technologists). Advertise and promote opportunities.

Responsibility: Petersburg Medical Center, Petersburg School District, Community Schools.

Assets, Challenges and Outlook

Assets

Petersburg has a strong and generous nonprofit sector. A wide variety of nonprofit civic, fraternal, religious, and education organizations play a significant role in Petersburg by providing services and employment, and by capturing and re-circulating money within the community.

Nonprofit organizations are important to the economy and to the quality of life in the community. A snapshot review of just a dozen of the primary nonprofit organizations in Petersburg shows 13 full-time and 36 part-time employees and operating budgets totaling over \$2 million. In addition, these organizations raise considerable funds for charitable causes in the community.

Other significant sources of revenue from outside the community are state and federal government grants and funding and church-related missionary grants.

The Chamber of Commerce is supportive of nonprofits and has provided training programs for them.

Challenges

The economic development challenge for Petersburg is to assist nonprofit organizations in maximizing their ability to attract grants, money, and programs into the community from outside sources.

Outlook

The last decade in Alaska has seen consistent reductions in state funding for nonprofit and similar organizations. In response, nonprofits have had to fundraise much more strategically and work harder than before. As a result, individual charitable giving has risen to generally provide stable funding for nonprofits. There is a sense, however, that individual giving in Alaska has peaked. Today, nonprofit and related organizations are realizing that there are limits to corporate giving. Planned giving (individual or corporate) is also limited in Alaska. Nonprofits around the state are talking about taking responsibility collectively to help develop and grow those segments of the charitable-giving “market” that are common in other states. Over the next decade, Alaskans in all communities can expect to hear more about corporate giving, large endowments and bequeaths, capital, and planned-giving campaigns.

Strategic Action Plan

Strategy: Acknowledge the importance of nonprofits and encourage programs that contribute to the community economic mission.

Action: Actively support the growth, funding, and maturation of local civic, fraternal, nonprofit, religious, and educational organizations. As appropriate, assist with funding, donations, grant-writing, Web site hosting, information about grant or funding sources, city council resolutions stating support for an organization, donation of a building, reduced rent or utilities, etc.

Action: Look for opportunities for private public nonprofit partnerships and assistance.

Action: Pool resources to provide training and support service to directors and board members of all groups.

Action: Fund visitor information and marketing functions.

Action: Support nonprofits engaged in senior services.

Action: Provide resolutions of support and other assistance as appropriate for nonprofits eligible for capital funds.

Responsibility: City of Petersburg through economic development structure. *When:* Ongoing.

Assets, Challenges and Outlook

Assets

Petersburg has daily mainline jet service for passengers and freight to major regional centers and Seattle.

Ferry service is frequent, economical and has available space, even during most of the summer season. Contrary to popular belief, most summer voyages are not completely full.

Petersburg's location is central to the region, with reasonable access to communities, resource locations, and natural attractions.

Substantial federal funding is available for transportation planning and development.

The Petersburg community is especially active in the public process for regional transportation planning.

Harbor facilities for commercial and private vessels are very good.

Petersburg is well served by two barge lines – Alaska Marine Lines and Northland Marine.

Challenges

Air freight service has significant limitations in the form of frequency, capacity and airport-holding facilities. This hinders seafood industry access to fresh markets – a competitive disadvantage for large and small processors. Established large processors consider themselves at a competitive disadvantage to Juneau processors because of this.

Air routing is inconvenient, but not prohibitive for visitor access.

Current apron capacity at the airport is limited.

Past AMHS policies and operations have reduced both resident and visitor traffic to Petersburg.

The Southeast Alaska Transportation Plan will change logistics and market behavior of ferry travelers. Ferry travelers will transit Mitkof Island and may be more likely to stop in the community. However, Petersburg must actively market in advance to visitors in order to realize substantial economic benefits from the change to a Southeast ferry shuttle system.

Outlook

The outlook for visitor traffic is dependent in part on Petersburg's future choice about marketing the tourism industry. Most independent visitors to Alaska use air travel and the daily passenger service should be an asset.

The outlook for ferry travel is more positive than the recent past because the AMHS now has a professional marketing director and is devoting some budget to marketing. AMHS visitor traffic is likely to increase but Petersburg needs to market in order to share in this likely increase in ferry travelers.

Strategic Action Plan

Strategy: Improve air access, frequency, dependability, and facilities for both passenger and freight service.

(for more detail see Seafood and Tourism Industry Action Plans)

Action: Retain an aviation consultant to advise on methods for improving service dependability through instrument technology, runway improvements, apron capacity, on-site facilities and recruiting of carriers.

Action: Investigate feasibility of air freight holding facilities.

Action: Develop a marketing program to attract preferred visitor segments (independent, adventure, overnight, etc.) using air transportation.

Action: Initiate new airport master planning process with DOTPF and FAA.

Responsibility: City of Petersburg, marketing staff, transportation committees, and seafood processors. *When:* Complete consulting report by end of FY 2002.

Strategy: Maximize the economic value of the AMHS to the Petersburg economy.

Action: Continue intense participation with the Department of Transportation and Public Facilities in implementing the Southeast Alaska Transportation Plan.

Action: Develop logistical plan for accommodating shuttle ferry traffic between arrivals and departures from the two terminals.

Action: Develop a marketing plan for encouraging shuttle ferry travelers to spend time and money in the community, preferably staying overnight for maximum economic benefit.

Action: Inventory and prioritize federal transportation capital and operating funds. Then identify those most likely to benefit Petersburg.

Action: Evaluate water transportation alternatives for shipping seafood to Skagway, Prince Rupert and Bellingham to improve Petersburg's competitive position as a delivery and processing port.

Action: Develop ferry visitor marketing program coordinated with the new AMHS marketing director. Take advantage of the fact the AMHS is once again marketing this unique transportation system.

Responsibility: City of Petersburg, transportation committees, economic development and marketing staff, tourism businesses, and local AMHS contract agent. *When:* Begin in FY 2002, then ongoing.

Telecommunications Action Plan

Assets, Challenges and Outlook

Assets

Petersburg's telecommunications rates are competitive with other regional communities.

High-speed, broadband Internet will soon be available.

Challenges

Technology in communications will continue to evolve rapidly as the Southeast Alaska economy continues to shift from timber and other natural resources. As a small community, it may be difficult to attract some types of new businesses until high-speed telecommunications infrastructure is in place.

Outlook

Planned fiber optic cable is expected within the next three years throughout Southeast including Petersburg. One Internet service provider is bringing in wireless connections. DSL service is expected in 2001 and may require upgrading of the phone lines.

Telecommunications will play an important role in education, providing jobs, and improving the quality of life throughout the region.

High quality Internet access can help attract retirees and the semi-retired as well as people whose work can be done from remote locations at home.

Strategic Action Plan

Strategy: Support technology development important to priority economic goals.

Action: Support the building of infrastructure that will improve telecommunications connections throughout Southeast Alaska. For example, one company is developing the South East Alaska Fiber Link, a high-speed fiber optic network connecting Southeast communities to Juneau and the rest of Alaska, and the Lower 48 states. This and other telecommunications projects designed to better interconnect Petersburg will help strengthen the local and regional economy.

Responsibility: City of Petersburg, economic development staff. *When:* Ongoing.

Assets, Challenges and Outlook

Assets

Aside from gas stations, there are no large chain or franchise stores in Petersburg. Petersburg prides itself on its many independent, locally owned stores with varied and creative retail goods in its downtown.

Challenges

The market share of corporate chains has expanded significantly. More than 5 percent of *all* retail spending in the U.S. is now captured by a single chain, Wal-Mart. Wal-Mart is also one of the nation's largest grocers. These discount mass merchandisers are fiercely competitive, hurting or eliminating small local businesses. Another retail trend is corporate "consolidators" that buy up existing small to medium-sized businesses. These businesses are locally managed and have the appearance of a local store but are absentee-owned. At issue here is that profits leave rather than recirculate in the community. Another significant portion of the national retail and service sector is occupied by franchise businesses, prevalent in the fast-food business, gas stations and hotels.

While local consumers can benefit from low prices (sometimes only initially) and expanded product lines, the shift from local to absentee-owned businesses can impact communities and local economies in other ways. Small, locally owned businesses provide diversity and stability. Local businesses have a tenacity for weathering local economic ups and downs. Local ownership also ensures that business decisions are made by community members. Finally, local merchants also have a vested interest in the health of their communities, and often contribute time and money to civic life and charitable causes.

The corporate-chain, "big-box" stores in Juneau and Ketchikan are already having a noticeable effect on the local Southeast economy. Some locals who travel by air or call on these ports are taking advantage of discount prices in these major retailers. The Petersburg retail economy may be feeling this leakage.

Outlook

The outlook for Petersburg's retail, service, and finance sectors is one of stability to some decline. These industries react to changes in the basic industries that drive the economy. Until seafood, tourism, forest products, and state and federal government grow further, the support sectors are likely to continue the current level of business activity. No chain or franchise competition (except Internet sales) is expected in Petersburg, due to the relatively small market of the area.

Strategic Action Plan

Strategy: Maintain the prevalence of independent, locally owned stores with varied and creative retail goods in Petersburg's downtown.

Action: Ensure an adequate supply of commercially zoned property in downtown. Without this a lack of supply drives up prices.

Responsibility: City of Petersburg.

Action: Track commercial leases and rents. Raise a “red flag” if prices increase dramatically and are out-of-scale with other costs or inflation.

Responsibility: City of Petersburg.

Action: Continue the current Petersburg Chamber of Commerce “buy-local” education campaign through periodic advertising and flyers/mail-outs.

Responsibility: Chamber of Commerce.

Action: Offer a tax incentive/break/low-interest economic development loan for a certain number of years for accomplishing a community goal. For example, a three-year reduction of property tax could be given to a business for opening a new, locally owned retail store that employs at least two people year-round.

Responsibility: City of Petersburg.

Action: Ensure there are some statements in the Petersburg Comprehensive Plan similar to, “It is Petersburg’s intention to preserve and strengthen local businesses...to limit commercial development to the downtown and upper Haugen/Airport area...to encourage small-scale, diverse businesses...to prevent commercial sprawl outside the community’s traditional commercial centers...to prevent the proliferation of corporate chain stores....”

Responsibility: City of Petersburg.