**Project Narrative:** Southeast Alaska Sustainable Forest Products Cluster

**Our Vision:** Our Coalition envisions a sustainable forest products cluster that will establish Southeast Alaska as a leader in the transition from a legacy nonrenewable old-growth logging economy to a 21st-century economy powered by sustainable forest products. This transition — and this sustainable forest products cluster — will create economic opportunity for Tribal and rural communities throughout Southeast Alaska. Rooted in Indigenous values and led by Alaska Native people, we envision a sustainable forest products cluster for Southeast Alaska where:

- Alaska Native artists have access to selectively and sustainably harvested old-growth timber and the infrastructure, equipment, training, business support, and access to markets they need to thrive as entrepreneurs in rural communities;
- harvesters have access to the foods and medicines of the forest and the resources and supports they need to succeed as entrepreneurs in rural communities;
- communities transition from diesel fuels to more sustainable and cost-effective forms of energy, specifically wood biomass heating.
- stands of young-growth trees are actively managed to improve overall forest health and to create opportunities for young-growth value-add wood products;
- the infrastructure that businesses and communities need to access the forest is maintained and improved;
- Native village residents are employed by local Tribes, federal agencies, and Native corporations to exercise their inherent sovereignty by monitoring, restoring, protecting, and managing their homelands for multiple uses such as recreation and tourism, subsistence hunting, the gathering and sharing of food and medicine, the sequestration of carbon dioxide to mitigate climate change, the production of commercial forest products and the enhancement of fish streams.

**Economic Opportunity:** Southeast Alaska’s forest products industry has centered on old-growth logging for the past 50 years. This industry peaked at about 4,500 jobs in 1990 but has been in sharp decline for the past 20 years due to economic, ecological and social factors. Today, fewer than 400 jobs remain. The region must pivot towards a new sustainable forest products economy. The projects in our proposal will directly benefit underserved Alaska Native populations in rural Southeast Alaska villages, where the unemployment rate averages 18.9%, (about triple the statewide and national rates) and the median household income is just over 50% of the statewide average.

Southeast Alaska also suffered crippling economic distress from the COVID-19 pandemic. The region lost 6,100 jobs — 16% of all jobs in the region — in the first 11 months of the pandemic. In particular, the $700-million-a-year cruise-tourism industry almost literally disappeared in 2020. Some rural communities, such as Skagway, lost 48% of their wage base in 2020 because of COVID-related impacts. The uncertain future of the cruise industry highlights the need to diversify the regional economy and to invest in the region’s recovery from pandemic-related economic distress.
Our coalition members share the belief that this is a perfect time for reinvestment in the forest products industry because of the conditions in the forest itself, and our network of forest product start-ups. We estimate the direct creation of over 250 new jobs, many of which will come from new small businesses, and we expect the number of new jobs to compound with time as the cluster succeeds and grows. Finally, we expect the cluster to have an indirect multiplier effect of 2.5 (Moretti and Thulin, *Industrial and Corporate Change*), driven by complementary industries such as tourism and construction, for a total number of over 625 new jobs.

**Coalition Members and Partners:** Our sustainable forest products cluster is made up of coalition members and partners from communities throughout Southeast Alaska, many of whom are already networked through the Sustainable Southeast Partnership, a collective impact network that advances a model of how diverse peoples can collaborate to create resilient communities. Our coalition members are Spruce Root (Native CDFI), Hoonah Indian Association (Tribe), Southeast Alaska Watershed Coalition (nonprofit), Central Council of Tlingit & Haida (Tribe), Sealaska (Tribal corporation), and the Renewable Energy Alaska Project (nonprofit). Additional partners include: Future Business Incubator Planners, Building Owners and Managers: the Organized Village of Kasaan (Tribe), Sealaska Heritage Institute (Tribal nonprofit); Timber Products and Resource Accessibility Infrastructure Asset Suppliers & Managers: USFS (fed. government), The Nature Conservancy (nonprofit), City of Hoonah (city government), Icy Straits Mill (timber business); Future Energy Infrastructure Planners, Owners and Managers: Southeast Conference (regional economic development organization), IPEC (utility), SEAPA (utility); Workforce Development Leaders: POW Votech (vocational training center), University of Southeast (higher education institution); Business Partners: Icy Straits Mill, Barnacle Seafoods, Salt and Soil, Coppa’s Coffee, Amalga Distillery, Sitka Flowers and Chocolate Moose and others.

**Component Projects:** Each of the component projects includes elements of planning, infrastructure, workforce and entrepreneurship. Each project will be led by a project lead working closely with the regional economic competitiveness officer:

**(1) Sustainable Forest Products Business Incubator:** We will create sustainable forest products incubators to support Alaska Native art, food, and medical products entrepreneurship. The incubators will provide collaborative spaces for entrepreneurs and small businesses to process forest resources into commercial products, while also supporting the healing process of Indigenous connection to traditional cultural practices. Artists will learn from masters in their crafts to produce items such as carved masks, totems and canoes, woven baskets and blankets, and jewelry. The business incubators will also include commercial kitchens for processing resources into value-added products that incorporate items such as berries and mushrooms into teas, tinctures, preserves, and other foods that can be sold to in-region institutional customers (schools, hospitals, senior centers, homecare & correctional facilities), addressing the expressed
need for more traditional foods in these facilities while also creating a new market for Alaska Native producers. The incubators will serve as hubs for training in planning, marketing, and sustainability. We anticipate creating 5 incubators, each spinning off 5 new businesses before 2027, with each business creating 2.5 new jobs, for a total of 63 new jobs, many of which will be in economically distressed rural communities.

(2) Tongass Transition Timber Products: The Tongass National Forest and Southeast Alaska’s largest private landowner, Sealaska, have recently committed to ending old-growth logging. Now is the time to map out a more sustainable future by investing in long-term planning, market analysis, and infrastructure projects that promote sustainable harvesting of young-growth timber and micro timber sales that support small local mills. This project will convene private industry and workforce development trainers to design projects that provide vocational opportunities for the harvesting, milling, processing, and use of local timber products. Intentional development of this emerging industry will help ensure that wood is supplied at a sustainable pace and scale, and that markets are optimized for community benefits. Our goal through this project is to support the harvest and processing of 10 million board feet (MBF) of young-growth timber by 2025 and 25 MBF by 2030.

(3) Forest-Fueled Energy: Space heating is a major economic burden for rural Southeast Alaskan communities. A 2012 report commissioned by the Alaska Energy Authority found that $72 million was spent on heating fuel annually in the region with just 70,000 residents, and suggested that transitioning to biomass heating fuel could halve heating costs. Sourcing the biomass from local forests would further spur economic development in the region by redirecting energy expenditures that currently benefit remote fossil fuel companies to locally owned small businesses. Since 2012, numerous organizations in the region have invested in local biomass projects proving that they are feasible and beneficial to their communities, including Southeast Island School District, Craig Aquatic Center, the Sealaska Corporation building and others. The concept of using local biomass for heat is now proven, but heating oil remains the primary heat source in the region. In communities such as Angoon and Hoonah where electricity rates ($0.63/kwh) exceed the national average ($0.07/kwh) by a factor of nine, biomass is the only viable alternative to heating oil. This program would aim to replace 30% of current heating oil consumption — $22 million in economic activity that currently leaves that region — with locally-sourced biomass within 10 years.

(4) Forest Products Accessibility Infrastructure: Most of the villages in Southeast Alaska are isolated island communities that are only accessible by boat or plane. However, most communities have access to hundreds of miles of old logging roads on their respective islands. Much of this system is in a state of disrepair because of the decline in the old-growth timber industry, but much also remains in a condition suitable for rehabilitation. Our goal for this project is to assess a minimum of 200 miles of road in
at least 7 Tribal communities so that we can identify targeted rehabilitation of logging road and forest access infrastructure for Phase 2 design and construction. These sites will be selected using criteria that balance the costs of road repair with the value of the forest resources made accessible by each road.

(5) Forest Products Workforce Development: We will prepare the local workforce in our villages for the construction and forest resource management related activities associated with each of the component projects listed above. Workforce development training will be integrated into each of the phase 2 funded projects from above. Collaboration with vocational training centers and local universities will provide certification programs in construction and natural resource management fields.

Metrics:

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<tr>
<th>Project 1</th>
<th>Project 2</th>
<th>Project 3</th>
<th>Project 4</th>
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<td>5 incubators established, 125 jobs</td>
<td>50 trainees, 5 new businesses, 50 new jobs</td>
<td>$22 million in new recurring intra-region economic activity</td>
<td>$20M value of infrastructure built, 75 jobs</td>
<td>100 adults trained, 50 youth trained</td>
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Matching Funds for Phase 2: Matching funds for Phase 2 include the newly funded Seacoast Trust, a $20M investment fund that will begin vesting in 2022. The Trust will serve as a permanent funding mechanism to support the people and communities of Southeast Alaska, including the community and economic development work led by Spruce Root and the Sustainable Southeast Partnership (SSP). Other match funds include: $25 million for the US Forest Service’s Sustainable Southeast Strategy, and a $750,000 USDA RISE grant for 2022 that will support ongoing strategic planning and capacity building efforts for the coalition. We also anticipate matching funds from Tribal governments, which receive US DOT Tribal Transportation Program funding, to support Phase 2 logging road rehabilitation investments.

Barriers: (1) The COVID-19 pandemic continues to disrupt markets — especially tourism markets — that will be important for the sustainable forest products cluster, specifically food and Native art products. Our strategy to mitigate this barrier is to increase internet-based marketing for these products.

(2) There is also market uncertainty for young-growth forest products, albeit the uncertainty presently favors the supply side of the market. Our strategy to mitigate this uncertainty is to closely monitor the market and to avoid over-expansion traps.

(3) Although our coalition has made great strides in diffusing historical conflict, there are still some relationships that require attention, especially around old-growth logging politics and Tribal-federal relations. Our strategy to mitigate the impact of this potential barrier is to continue our focus on equity dialogues and “neutral-setting” convenings that allow for positive, collaboration-oriented working relationships to be built.
(4) With a population of only 70,000 across the region, it can be difficult to find prospective workforce applicants and entrepreneurs. Our strategy for mitigating this barrier is to "go upstream," working with local school districts and education entities to create talent pipelines so that we can increase our labor pool and increase the region’s human capital. Working with our Tribal partners, we will also explore recruiting Tribal citizens who have moved out of the region to move back to their home communities.

**Timeline**

1. **Native Art, Food and Medicine Business Incubators:** Phase 1 includes community surveys and asset mapping to identify sites for business incubator construction, drafting of incubator management agreements and operational plans, and architectural and engineering designs for construction. Phase 2 will include business incubator construction and initiation of artist and food business training programs. First products will ship to market by year 4 of phase 2.

2. **Tongass Transition Timber Products:** Phase 1 includes outreach to small mill operators, investors, operators outside the region, Alaska Native Corporations, US Forest Service, and regional consumers of wood products. Phase 2 will include mapping young growth accessibility, assessing economic feasibility, engineering and design for cooperative wood processing facilities, market research, product testing, and convening industry with state/federal partners. Businesses will be given individualized support/advising by Spruce Root. Activities should be complete by year 2 of phase 2.

3. **Forest-Fueled Energy Projects:** Phase 1 activities identify shovel-ready wood energy projects that have been designed to offset fossil fuel use to update and refine for Phase 2. Phase 1 will also identify new energy projects, including “fish-friendly” hydroelectric resources and grid improvements, for design and engineering in Phase 2. Phase 2 will include the construction of shovel-ready energy projects identified in phase 1, as well as design/engineering for new projects identified in Phase 1. Activities should be completed by year 3 of phase 2.

4. **Forest Products Accessibility Infrastructure:** Phase 1 includes resource asset mapping of raw materials for Native artist businesses, Native food and medicine businesses, wood energy projects and Tongass transition timber projects. Asset maps will be compared to road system condition maps using a return on investment analysis to identify road construction projects for Phase 2. Phase 2 will include design, engineering, construction or reconstruction of high-priority road segments, industrial parks, and docks. Construction should be completed by year 4 of phase 2.

5. **Forest Products Workforce Development:** Phase 1 includes assessment of existing infrastructure available for workforce training to create training plans to bridge gaps that exist between current workforce availability and the workforce needed for phase 2 construction and resource management associated with each of the component projects listed above. Phase 2 will include updating existing training facilities and implementation of workforce training programs at these locations.