

**Bering Strait Comprehensive Economic
Development Strategy
(CEDS) 2003 – 2008**

Annual Report
(7/1/05-6/30/06)

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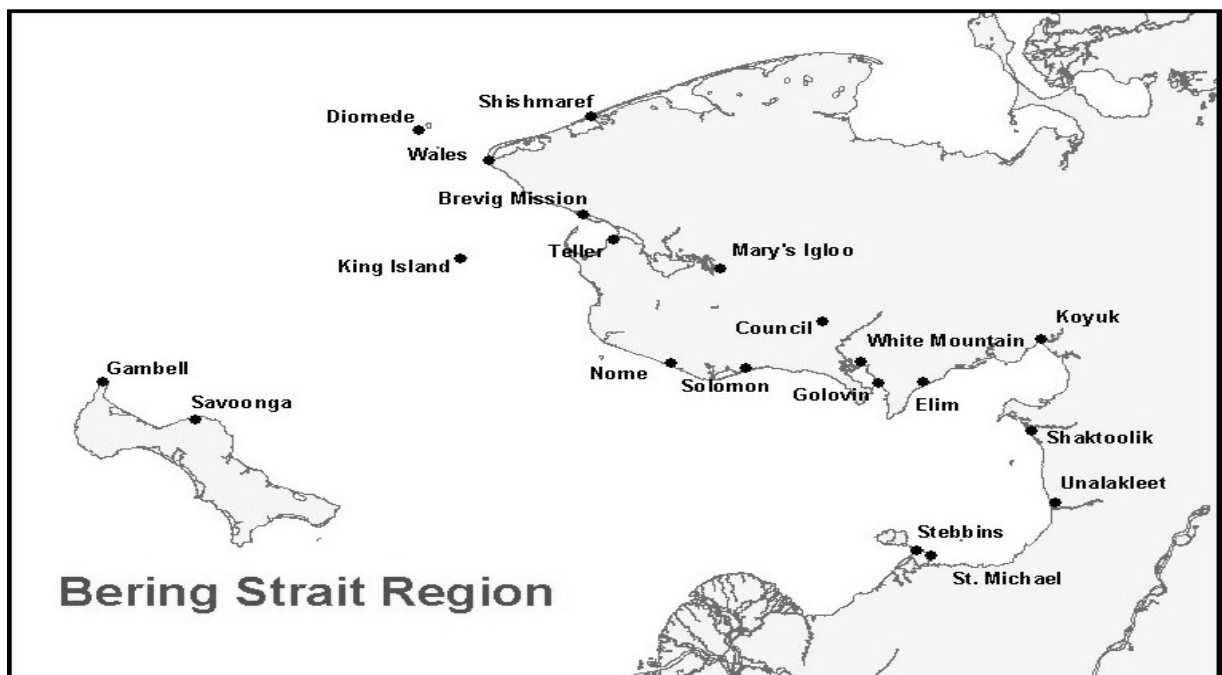
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I. INTRODUCTION

This document is the second annual report summarizing progress made since the adoption, approval and implementation of the 2003-2008 Bering Strait Comprehensive Economic Development Strategy (CEDS). The goals in the 2003-2008 strategic plan focus on infrastructure, workforce, business development, the quality of life and natural resources. This report includes the accomplishments and activities performed between July 1, 2005 and May 31, 2006 to meet these goals.

Kawerak's Bering Strait Alaska Regional Development Organization (ARDOR) was formed on January 15, 1997 with representation from various economic sectors of the local economy, including fisheries, mining, transportation, finance, tourism, housing and health services, to address the region's economic concerns. The Bering Strait Development Council (BSDC) serves as the ARDOR committee, who is responsible for maintaining and supervising implementation of the CEDS. BSDC has also been designated as the area's United States Department of Agriculture Resource Conservation and Development (RC&D) District Board.

The BSDC and Kawerak Community Planning & Development staff completed the CEDS in July of 2003 through planning grant assistance funds from the Economic Development Administration (EDA) and an annual ARDOR program grant from the Department of Commerce, Community and Economic Development (DCCED). The CEDS was officially approved March 31, 2004. The CEDS is an economic analysis and implementation plan for the Bering Strait region, which is also referred to as the Nome Census Area. The CEDS also serves as the Regional Economic Development Strategy (REDS) as required by the state's ARDOR program.



II. REGIONAL ECONOMIC OVERVIEW

Regional Economy

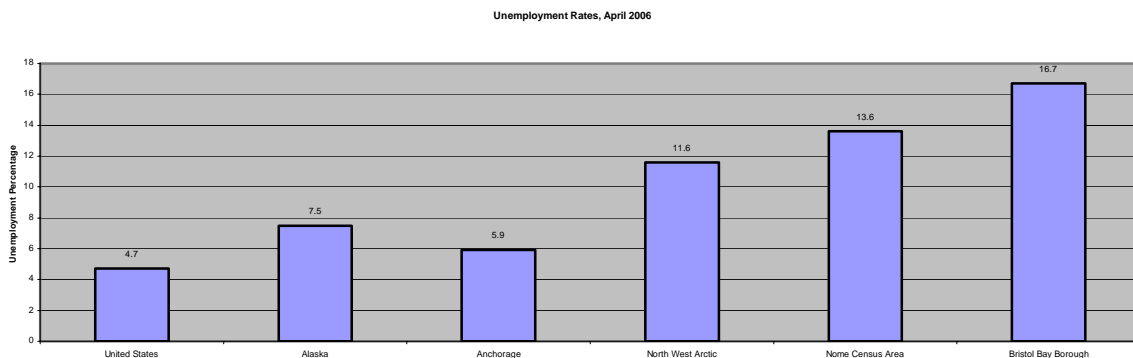
The economy of the Bering Strait region continues to be cash and subsistence based, unlike the dominant cash-credit-based economies of urban areas within Alaska and the lower 48 states. A mixed economy of subsistence combined with cash-based employment is common within Alaska's rural and/or coastal communities. Generally inaccessible by road, all but subsistence goods are transported into the region by either airplane during the winter or barge during the summer, resulting in high freight costs and a higher cost of living. Subsistence hunting, fishing, and gathering help supplement the exorbitant price of groceries. This augmentation of prices, in addition to strong cultural traditions is the two main factors that continue to sustain the subsistence lifestyle.

Nome is the supply, service, and transportation center of the Bering Strait region. Approximately 40% of employment in Nome is funded by local, state, and federal government agencies. Norton Sound Health Corporation (NSHC), the Nome School District, and Kawerak are the major employers and provide health care, education, and social services. Bering Strait School District (BSSD), with the majority of job opportunities in any given village, has approximately 569 full and part-time employees, while NSHC has 428 employees both within Nome and in the surrounding smaller communities. Kawerak Incorporated is the third largest employer with 217 regular employees. Retail and transportation services also provide year-round income. Construction, mining, commercial fishing, and tourism provide seasonal employment.

There are also limited employment opportunities available in the villages with the IRA Councils, Village Corporations, City, village stores, or other small private enterprises. Nevertheless, unemployment continues to be high in the villages, sometimes as high as 75%.

Changes in the Regional Economy

The Nome Census Area includes the City of Nome and 19 villages throughout the Seward Peninsula. The region's population has increased by 148 people (1.6%) between 2002 and 2005. The population in the hub city of Nome increased in this same period by 15 people (0.42%). The unemployment rate for the district increased substantially (3%) from 10.6% in April 2006, to 13.6% in April 2006. These figures are much higher in actuality when taking into consideration the population eligible to work and not considered "officially unemployed".



Gold mining and commercial fisheries historically generated many jobs and revenue for the Bering Straits region, although employment in these industries was primarily seasonal. Limited employment still exists in these sectors; however year round employment opportunities in mining are expected to be available before the end of the year. The salmon fishery crashed in the late eighties and has been slow to recover. The red king crab fishery is stable and at a 20 year high, in regards to both stock and catch. In 2004 ex-vessel prices totaled approximately \$1 million dollars. The 2005 catch totaled \$1.3 Million for ex-vessel prices. In 2002, herring crashed but in the last four years has been rebounding and is stable again. A 1,500-ton harvest is expected in 2006.

Airline ticket prices between Anchorage and Nome remain high and with the increase in fuel prices they will only get higher. The tourism industry is making a slight come back in the form of cruise ships. Four cruise ships are expected to dock in Nome with 114 passengers each this summer.

Without a year round basic industry, the region continues to struggle with high unemployment rates, lack of job opportunities, lack of properly trained professionals in the construction, technology or other highly skilled trades, and a high cost of living. However, the planned development of the Rock Creek Gold Mine is projected to create over 135 jobs within the year.

III. ADJUSTMENTS MADE TO THE CEDS

1. Structural Changes to the Committee

The Bering Strait Development Council serves as the committee for the ARDOR and the Bering Strait RC & D District Board. The CEDS meets the requirements for a Resource Conservation and Development Area Plan as per the USDA-NRCS.

The Bering Strait Development Council currently has 16 seats with the following representation:

Transportation	Mining	Finance/Banking
Tourism	Housing	Health
Fisheries	Kawerak Board	City of Nome
South-central sub- regional villages	Southeast sub- regional villages	Northern sub-regional villages
Nome sub-region	St. Lawrence Island	Workforce Development Bering Straits Native Corporation

Fisheries, Housing and Workforce Development seats are currently vacant due to employee changes. These seats will be filled at the June 7, 2006 meeting.

2. Operational Changes in the Committee

Funding for the Bering Strait Development Council is an ongoing issue. The State's Department Commerce, Community and Economic Development awarded the BSDC \$57,771 for FY 06; FY 07 funds are expected to be \$62,000. The Council continues to investigate additional venues and resources for future funding to operate more effectively. The Council has recently entered into a contract with Alaska Manufacturing Partnership Extension. Through execution of this agreement,

the BSDC can be awarded up to \$40,000 annually. To date the BSDC has received \$31,993.22. Per the 2006 work plan, the BSDC has had 4 meetings, all face-to-face meetings.

IV. 2005-2006 Activities and Accomplishments

The goals in the 2003-2008 strategic plan focus on infrastructure, workforce and business development, the quality of life and natural resources. Investments and improvements in these areas will help increase economic productivity and competition, increase job opportunities and earnings among residents and help reduce cost of living expenses. Following are accomplishment and activities performed between July 1, 2005 and June 30, 2006 to achieve these goals.

1. Infrastructure Development

Grant Writer Assistance Program

During this reporting period eight communities have received grant writer contracts. These contracts range from \$9,020 to \$10,214 to provide funding to the communities to hire a grant writer to implement priority projects from their Local Economic Development Plans (LEDP). Four additional contracts have been added to the budget and will be applied for in August. Over \$100,000 will have been provided in contracts.

Grant Symposium

The Annual Grant Writer Symposium was held in October 2005 and had great participation. There were 54 attendees over the three-day training event. Facilitators from Housing and Urban Development (HUD)/Indian Community Development Block Grant (ICDBG), Community Development Block Grant (CDBG), Office of Environmental Protection (OEP), Administration for Native Americans (ANA) and general grant writer workshops facilitated by hired consultants were the highlighted sessions. Tribal Coordinators as well as Symposium participants attended a joint session on tracking grant funds and accounting processes. Travel, lodging and per diem scholarships were available for 12 participants. For the upcoming October 2006 Symposium 18 scholarships will be available.

Local Economic Development Planning (LEDP) Program

All communities in the Bering Strait region have a current 5-year Local Economic Development Plan. CPD staff has assisted four communities this fiscal year in updating their plans to include implementation strategies to accomplish their priority projects. Teller and Shaktoolik are complete, Shaktoolik's plan still needs an approving resolution, King Island is at 75% completion and Brevig Mission is at 50% completion.

Kawerak, Inc. continues to receive Economic Development Administration (EDA) Indian Planning Grants and works closely with EDA on several projects: continuation of providing business plan technical assistance to the eight funded EDA multi-purpose buildings as well as business development workshops, small business start-up workshops, updating the Local Economic Development Plans (LEDPs), and the CEDS Regional Plan update and implementation strategies.

Regional Mapping Project

The Bering Strait Community Profile Mapping Project was implemented in July 2004 and will be completed July 1, 2006, for the purpose of updating land use development. Funds were made available from an Accelerated Infrastructure Development grant via the Denali Commission for a total project cost of \$218,785. Partners in this project included Kawerak, Bering Strait Regional Housing Authority, Norton Sound Health Corporation, Alaska Native Tribal Health Consortium, Bering Straits Native Corporation and Alaska Village Electric Cooperative. Final maps will be available through Kawerak Transportation program and the Department of Commerce, Community and Economic Development.

2. Workforce Development

Gold

Following the discovery of gold at Anvil Creek in 1898, (approximately 7 miles north of Nome) 10,000 miners hoping to strike it rich arrived into the Nome River area by 1899. Once the “golden sands of Nome” were discovered west of Anvil Creek, miners with shovels, bucket and wheel barrels extracted \$1 million dollars worth in gold (at \$16 per ounce) within 2 months (Bell’s Mile By Mile 1997). Since the first strike on Anvil Creek, mining efforts in the Nome area have yielded 6.8 million ounces of gold (20 % of the states total production) at a total of \$136 million.

The Nome Census area has been the center of placer mining since 1900 according to the Alaska Department of Commerce, Community and Economic Development. A byproduct of gold mining is millions of tons of washed gravel and sand, which has some potential if a market could be found. In the 2003-2008 CEDS it was stated, “very few prospect areas or mineral occurrences in the region are likely to be developed due to low metal prices, market demand, lack of power supply, and other infrastructure.” This is no longer the case. Nova Gold has obtained the sub-surface rights from Bering Straits Native Corporation and is in the permitting and hiring application process. Construction of Rock Creek Mine and Big Hurrah should start before the end of the year. An estimated 135 jobs will result from this project.

3. Business Development

Tourism

Tourism continues to be an important but declining industry in the region. Approximately 5,000 visitors spent the night in the region in 2005. This is not counting the 786 cruise ship passengers, some of whom may have spent the night on board in the region. This is a significant downturn from 2003 when the region had between 20,000 and 30,000 estimated visitors. The average amount spent in the region, per person, is \$802. If a tourist purchased native art (43% of tourists did not purchase native art) the average spent was \$95. Marketing of native crafts, particularly ivory could boost the number of tourists who buy native artist’s crafts, and the dollar amount spent.

Source: www.commerce.state.ak.us. A profile of visitors to Rural Alaska and the Bering Strait region, March 2006.

DART (Developing Alaska Rural Tourism), a program with in Alaska Department of Commerce, Community and Economic Development, is working with area villages to find ways to better develop tourism in the Bering Straits region. Meetings with community members in Gambell and

Savoonga have been held to discuss additional opportunities to bring tourist to St. Lawrence Island. Additional weeklong training sessions are being planned for the summer of 2006.

The W.A.L.R.U.S. Project

Kawerak, Inc. received a grant for the *W.A.L.R.U.S* (Web Access Links for Remote User Services) Project from the Technology Opportunities Program, National Telecommunications and Information Administration, U.S. Department of Commerce in early 2004 and the project has just recently been completed.

The goals of the Wireless WALRUS are twofold. The first is to link the tribal offices with computer and Internet access to available services, programs, eligibility, instruction, documents, and cultural information in an interactive, web based format to tribal members. The second is to provide community members and tribal council members with the means to interact with each other, interact with other tribes, share information, and become proactive in developing programs. These goals will encourage tribal members to participate in their tribal government programs and services, as well as the preservation and sharing of their culture, history and language.

This project is now helping to provide access to community and economic development plans, grant writer tools, business planning tools, and access to banking and financial alternatives that were simply not possible before. It allows our tribal reindeer herders to access the Internet tracking system for caribou so that they can protect their herds from caribou invasion. It facilitates communication between tribal members, tribal leaders, neighboring tribes, and program facilitators as they collaborate on community wellness initiatives in each village. It provides access to documentation for ordinances, procedures, roles and responsibilities for the new restorative justice Wellness Courts recently introduced to our region. Kawerak's village based Computer Learning centers will also be able to provide improved distance delivery of educational programs to compliment their current GED instruction and basic computer training. Our vocational training programs can also reduce their costs for enrollment in their village-based programs, which currently requires extensive travel.

Small Business Start-Up

Alaska Marketplace is an exciting new initiative aimed at uncovering ideas for stimulating economic development in rural Alaska by tapping into the deep cultural knowledge and skills of Alaska residents. A competition was held potential entrepreneurs were invited to submit concept papers describing their original ideas of novel and innovative ways to create jobs and stimulate village economies. A jury was selected to award seed money to each of the most promising entrepreneurs to assist in turning their ideas into action. As a part of the ARDOR work plan, CPD staff worked with two candidates from the region on their concept papers and business plans and each of these candidates were awarded funding. The two projects are:

Kinggeekuk's Parts & Repair Service, represented by John and Hogarth Kinggeekuk of Savoonga, was awarded \$30,000 for the business idea. Their business is a dealership program that sells parts, mod kits and motor oil products. It will now be able to provide basic repair services, engine overhauls, pistons, gasket seals, carburetor and maintenance work. The innovative portion of this business idea is that they will provide workspace and tools for a fee for those who would rather work on their own vehicles. Technical assistance will be provided to those who request it as well. The repair shop will also host a job training

program for local youth to gain hands-on experience with engine repair, cashiering, stocking, janitorial, reception and basic bookkeeping.

Bering Strait Inuit Cooperative (BSIC) was awarded \$10,000 for their project, *Artist Development in the Bering Strait Region*. Board officers are Mary Jane Lichard, Sterling Gologergen, Rose Fosdick and George Noongwook. The BSIC goals are to be a viable avenue for economic development in the region as it is home to a large population of renowned artists, all of whom are potential marketers. For the first year, the goal of the BSIC will be to attend five conferences to help increase membership, and to sell authentic Alaska Native arts and crafts. The BSIC will promote the cooperative through brochures, flyers and newspapers to gain awareness from prospective artisans.

The BSIC has recently partnered with the newly formed Nome Native Arts to collaborate efforts to sell Alaska Native arts & crafts.

E-Commerce Center Start-Up

The Bering Strait Development Council (BSDC) partnered with Alaska Manufacturing Extension Partnership (AMEP) to promote e-commerce in the region. This partnership gives rural community member's enhanced economic opportunities via the public use of the e-centers for buying goods online and selling arts and crafts and other goods to the global marketplace. To date e-commerce centers have been set up in Nome, Golovin, Elim and Savoonga. Unalakleet, Shishmaref, Brevig Mission and Diomedea will be completed this summer. Three different training workshops, including one week long session in Anchorage, have been held and attended by 25 participants who have volunteered to learn and then assist those utilizing the computers in the villages.

4. Quality of Life

Regional Conference

The annual Regional Conference was held April 3-5, 2006. The theme for this year's conference, which was funded by Norton Sound Economic Development Corporation, was "Traditional Knowledge Empowering Today and Tomorrow". There were a total of 54 workshops for participants to choose from.

Wellness

A new position within Kawerak for a Wellness Coordinator has been established to assist the Regional Wellness Forum (RWF). Current RWF priorities are youth and alcohol and substance abuse. Initial studies are being conducted to see what wellness programs in the regional are working and how can we get them in each of the communities.

Tribal General Assistance

In 2002 Kawerak's Tribal General Assistance assisted 133 individuals. Due to the higher rates of unemployment, and other circumstances in the region, assistance in 2005 rose to 604 assisted individuals.

5. Natural Resources

Commercial Fisheries

This year pacific cod, a by catch of halibut, will be purchased by Norton Sound Seafood and is expected to improve fishermen's monetary take. Interest in the areas of other potential fisheries is also developing. The feasibility of a red salmon season opening near Port Clarence is being explored. There is also a push for a blue king crab fishery. Interest is developing on several fronts; it is no longer just about salmon, although red salmon are doing well.

Erosion

Many of the Bering Strait coastal communities are facing erosion; the Native Village of Shishmaref's erosion is the worst in the region. For the last 50 years Shishmaref has been dealing with shoreline beach erosion. This continues to be the number one concern for the future of the community. Requests for complete protection from beach erosion have been made since the early 1970's. There is still not adequate beachfront protection. The situation has become so dire that the Shishmaref is requesting assistance to relocate the entire community.



Many projects have been implemented to mitigate the problems caused by beachfront erosion:

- 2004 Kawerak Seawall constructed along the west end of town. This \$2.2 million project was funded through the BIA/IRR roads program.
- 2005 Construction of seawall by the city, Bering Straits School District (BSSD) and the Corps of Engineers Section 14 program, totaling \$1.85 million.
- 2005 Legislative funding \$2 Million, \$400,000.00 used to match BSSD section 14 project
- 2005 HUD \$500,000.00 appropriated for the city for construction of barriers.
- 2005 USDA-NRCS completed depth sounding of port and gravel fill needs for Tin Creek site.
- 2005 Funding received by the Corps of Engineers of design of shoreline protection for the entire community. \$2 million of the estimated \$16 Million project to be constructed in 2006. Source for remaining \$14 million needed has not yet been identified.
- 2005 Funding received in the transportation bill to start construction of the relocation road. \$4.25 million appropriated in SAFETEA-LU.
- 2006 ADOT- planning a two-stage Airport Master Plan. Wind study will be completed at the same time, \$150,00.00.

Energy

Energy prices continue to climb, with some households paying over \$800.00 a month to heat their homes in the winter months. Kawerak and Nome Chamber of Commerce hosted an Energy Summit to discuss opportunities to decrease the dependence on imported fuel.

A wind energy feasibility study is underway in Nome, and, if implemented, has the potential to provide significant savings to electricity consumers in Nome. Nome Joint Utilities System (NJUS) is looking at two possible locations for a wind farm; the first is on the Snake River and the second is on Anvil Mountain. Preliminary indications are that both sites would be viable; the Snake River site would require less maintenance, while the Anvil Mountain site has stronger winds but also has icing problems. The 12-month study will be completed on October 1, 2006 and the findings will be published November 1.

A two-day Energy Summit was held April 6 & 7, 2006. The purpose of the Energy Summit was to look at the energy options that are available to reduce our dependence on diesel fuel for both power generation and home heating fuel. Facilitators included, Richard Siefert, University of Alaska, James Clough, Department of Natural Resources, Cameron Reitmeier, US Department of the Interior, Mineral Management Service, Mia Devine, Alaska Energy Authority, Brian Jackson, Renaissance Engineering, Steve Colt, Institute of Social and Economic Research, UAA, Michael Gunning, Triex Minerals Corporation, Peter Crimp, Alaska Energy Authority, Kirk Garoutte, Susitna Energy, Phil Kaluza, Alaska Building Science Network, Cary Bolling and Alaska Housing Finance Corporation.

Mayor Michels invited Cameron Reitmeier back to discuss the Norton Basin Natural Gas option with a joint meeting of the City Council and Nome Joint Utility Board. Also invited back by Bering Straits Native Corporation is Brian Jackson to address their Board on the feasibility of constructing a wind farm and discuss interest in the feasibility of solar hot water heating.

V. Continuing Development Activities

Kawerak's Community Planning & Development program and the Bering Strait Development Council continue to perform the following activities.

- Track changes to the regional economy.
- Develop implementation strategies for the CEDS.
- Conduct planning work sessions and public meetings in Bering Strait communities to update their Local Economic Development Plans and top priorities and provide implementation strategies.
- Conduct quarterly BSDC/ARDOR Board meetings to review progress of planning and implementation of CEDS projects, update activities and work plans, and make appropriate changes to the CEDS.
- Inventory projects funded by EDA that contribute to economic development in the region. Provide assistance to communities on submitting their applications to EDA for financial support to develop and construct multi-purpose buildings and other infrastructure projects.
- Provide outreach and technical assistance to potential entrepreneurs, hold workshops, and perform feasibility analysis for business plans. Facilitate business-training workshops for entrepreneurs.

- Coordinate efforts to improve markets and locate new market opportunities for regional entrepreneurs and artists. Promote e-commerce through out the region.
- Coordinate with state and federal agencies, and with the private sector to develop marketing strategies for expanding the arts and crafts industry through Internet based marketing.
- Work with the faculty at Northwest Campus, University of Alaska, and Kawerak's Education, Employment and Training Division to develop educational programs that will help increase job skill, encourage new entrepreneurship, and promote economic development.
- Respond to requests for various infrastructure projects on an ongoing basis; works with the state EDA office and other public agencies to help communities secure funding.
- Assist with business planning for the multi-purpose community buildings in the region so that they remain sustainable.

V. UPCOMING OPPORTUNITIES IN THE REGION

The Bering Strait Development Council is currently monitoring the following projects closely, as these projects have the potential to stimulate the local economy.

Rock Creek Gold Deposit

The Alaska Gold Company, a wholly owned subsidiary of Nova Gold, is currently developing a mining operation seven miles north of Nome along the Glacier Creak Road (currently under realignment by AKDOT&PF). They are in the final stages of permitting and plan to break ground in September or October of 2006, and are currently accepting applications and résumés. Test drilling indicated a resource of 850,000 ounces of gold, with a projected mining operation of eight years. Development of the deposit will greatly diversify and enhance the economy of Nome and the surrounding region.

Nova Gold expects to mine approximately 100,000 ounces of gold per year, from the Rock Creek mine, for the next several years. Doug Nicholson, a VP with Nova Gold, spoke at a lands issues meeting hosted by Bering Straits Native Corporation. Nova Gold, plan on hiring approximately 135 employees with a \$9.1 million payroll. They expect about spending about \$50 million a year, with \$30 million in expenditures and the remaining \$20 million in consumables. Nova Gold is also in the permitting process for a smaller mine near Nome, at Big Hurrah. The impacts of these activities have the potential to improve the regional economy.