



MEMORANDUM

DATE: November 23, 2022

TO: Assembly Committee of the Whole

FROM: Alexandra Pierce, Tourism Manager

SUBJECT: Long-Term Tourism Strategy

This memo is intended to advise the Assembly on a long-term strategy for tourism management, provide an update on the big picture recommendations set by the Visitor Industry Task Force (VITF) in 2020, and provide context on current tourism management priorities ahead of a more detailed discussion at the Assembly retreat.

Adopting the VITF Recommendations

The VITF met in 2019 and 2020. The final report was delivered in March of 2020, as the cruise industry ground to a halt, followed by the rest of the world. The Assembly accepted, but never formally adopted the VITF recommendations because the immediate challenges of COVID-19 required the Assembly's full attention. The approach to date has been to deal with VITF-recommended issues as they arise. As a reminder, the four questions in the Mayor's charging document can be summarized as follows:

1. Management of the Visitor Industry
2. Long Range Waterfront Plan Updates
3. Restrictions on Numbers of Visitors
4. Public Opinion Surveys

The VITF created multiple recommendations for each of these questions (Attachment A). They range from straightforward and specific to nebulous and complicated. The more complicated, "bigger ticket" items help shape CBJ's strategic direction on visitor industry management and the public should have the opportunity to testify on that direction. The smaller, more functional recommendations can serve as a guide for minor operational decisions and appropriating ordinances. I recommend that the Assembly adopt a resolution that formalizes CBJ's intent on the following long-range policy objectives:

1. Five ship per day limit
2. Complete the Seawalk
3. Increased scheduling input and transparency
4. Dock electrification

5. Developing a strategy for meeting community and regional goals for emissions, congestion mitigation, and proactive industry management

The Assembly has never formally adopted these policy objectives. While staff is working on these issues, it is important that the Assembly have a public process and formally adopt a resolution articulating these objectives. One of the key recommendations was to create a centralized Tourism Management function and the Tourism Manager position was created and tasked with implementing the VITF recommendations. It is appropriate to go back and revisit these objectives and formally set a strategic direction for tourism management.

VITF Goals

We are making on progress on the following broader goals established by the VITF:

Five Ship Limit

A limit of five ships allows CBJ to make infrastructure decisions to support our existing ship capacity and manage passenger volume. The VITF determined that numerical caps are legally questionable, somewhat arbitrary, and difficult to enforce.

The VITF report states that “CBJ should negotiate a formal agreement with the industry to limit the number of ships to five larger ships per day, one ship at each dock or four ships at dock and one at anchor (if the fifth dock is not built or if a fifth ship chooses to anchor instead of dock).”

The VITF also extensively discussed scheduling considerations and the concept of “best ship at best dock”. The five ship limit is a first step towards scheduling improvements. Additionally, Juneau, Skagway, Ketchikan and Sitka sent a joint letter asking for increased regional transparency and context on scheduling to help inform scheduling discussions in our communities (for example, what does a five ship limit in Juneau mean for Sitka or Ketchikan?).

Waterfront Management

There are several significant infrastructure projects that will require passenger fee funding over the coming years. The COW recently received a presentation from Docks & Harbors about a potential bond package for shore power. CBJ staff is currently working with landowners between the Franklin and AJ Docks on planning and design for a seawalk extension. A dock development at the Subport may also prompt a seawalk project. The restrictive lease discussion below further explains the Assembly role in waterfront management specific to the Subport development project.

Emissions Reduction

CBJ continues to actively participate in Green Corridor discussions. Recently, the “First Movers” group (ports, cruise lines, NGOs) met and agreed to fund a technical feasibility study for net zero emissions cruise operations in Southeast Alaska. It was agreed that this initial study would be jointly funded by the ports of Seattle and Vancouver and CLIA’s member cruise lines. There is no financial request for Alaska ports at this time. Additionally, as mentioned above, Docks and Harbors has prioritized electrifying the Alaska Steamship dock and building the uplands infrastructure to electrify the Cruise Ship Terminal.

Maximizing Local Benefits

The VITF recommended maximizing “localism” through efforts to promote local business and stimulate economic benefit to the community. Another component of localism is ongoing communication with our regional neighbors and working together to collectively maximize benefits and minimize impacts. CBJ has led formation of the Port Communities of Alaska group, which meets monthly. One of our primary aims for this group is to develop a regional strategy where ports articulate their long-term goals for cruise tourism both individually and collectively.

As part of this regional effort, we have committed to working with the industry on port shopping programs, particularly Princess Medallion Pay, which was cancelled in Alaska last year due to local opposition. In recent years, local merchants have made progress in adapting port shopping programs to work for small, local businesses. CBJ’s intent is to support those efforts and advocate for onboard shopping programs that drive passengers to, rather than away from, local businesses.

Centralized Tourism Management

The VITF recommended “CBJ should establish a centralized tourism management function funded by CBJ with full-time staff” which is partially implemented through the creation of the Tourism Manager position. This has been a positive step for CBJ as it tries to negotiate with the industry – and by and large the industry greatly appreciates our approach. However, there is some complexity in the charges of the various pieces of CBJ that work in tourism issues. Some clarification of roles and responsibilities is necessary, and may necessitate updating Title 85. The complexities of Docks and Harbors charge are frustrating to carry out and this is compounded by overlapping roles with the Manager’s Office. Both functions have structurally different approaches to similar tasks and this is challenging and frustrating for all involved.

Scheduling:

For years, Cruise Line Agencies of Alaska has provided dock scheduling for the region. It is a complicated task, and CLAA provides value. CBJ would not benefit from taking over the scheduling function and doing so would create a piecemeal approach that would ultimately hurt our regional neighbors. However, CLAA has no contractual relationship with CBJ and no obligation to schedule to meet community goals. We have improved communication with CLAA over the past year and they have been helpful and responsive to our request for a 2024 schedule that respects the five ship limit. No other municipal asset is managed in this passive manner and it is inappropriate to have a for profit entity managing a municipal asset absent a contractual agreement. In order to meet broad community goals, dock scheduling of the CBJ owned facilities (Alaska Steamship Wharf and Cruise Ship Terminal) must be brought under a formal contractual relationship. An example of the need for a scheduling contractual relationship is the changing dynamics for ship visitation. CLAA and CBJ may have conflicting ideas about the “best ship at best dock” concept and about what arrangement is in the community’s best interest. We need a structured process for these discussions.

Methods for Achieving Goals

Regulation

One option for achieving the VITF goals is to simply pass an ordinance establishing a five ship limit. The VITF recommended, “At this time, the CBJ should not pursue a hard numerical ‘cap’ on numbers of visitors because it is legally questionable and logistically impractical. Limitations can be achieved through other measures, including port infrastructure capacity to better manage the impacts of visitors.” Establishing limits through regulation is a clear, straightforward process. However, it is difficult to anticipate how private dock owners and cruise lines would react, either individually or collectively. So, while regulation is straightforward in the short term, it is likely to present unforeseen challenges in the long-term.

Negotiated Agreements

Staff working on a second MOA with CLIA Alaska member lines that establishes and protects the five ship limit. Cruise Line Agencies has been asked to develop the 2024 schedule with five ships per day in Juneau. The MOA was discussed at CLIA’s Executive Council meeting in early November and we are awaiting comments on the draft.

In parallel to this effort, CBJ has approached private dock owners regarding a similar MOA to hedge against new cruise lines entering the market making arrangements with private dock owners to be the sixth ship in port.

Assuming both agreements are signed in the next few months, we will need to continue to work with the industry and our neighbors to manage growth. This means continued and improved coordination between Alaska ports and more control over our waterfront. These agreements will help focus the discussions around Huna Totem’s proposed development at the Subport.

While the industry prefers to work through negotiation and the VITF recommended achieving our long-term goals through negotiation, the process is slow and it is challenging to get all industry stakeholders in alignment on language and content, even if they have expressed their support for the intent. Next steps for negotiated agreements include a more formalized approach to scheduling and smaller negotiated VITF objectives.

Restricted Lease

Entering into a restricted tidelands lease with Huna Totem for development of the Subport allows CBJ to ensure the development reflects our management objectives. The VITF set a number of criteria for supporting a fifth cruise ship dock:

1. One larger ship per day using one side of the facility;
2. Maximum of five larger ships in port per day;
3. No hot berthing at the new facility;

4. No larger ships allowed to anchor as the sixth ship in town. Larger ships may anchor but the number of larger ships in port would still be limited to five (CBJ to consider legal ramifications of limiting size of ships at anchor);
5. High quality uplands development for community and visitors;
6. Year round development orientation;
7. CBJ manages dock to some extent through a public private partnership or management agreement;
8. Dock is electrified.

The VITF's intent was to put the dock development in context with other big-picture management objectives. Several of these criteria are beyond the control of any one cruise line, dock owner, or developer. As the Assembly works through tideland lease discussions with Huna Totem Corp., these criteria should be considered in combination with the other methods for achieving the VITF goals around scheduling and limits. Establishing the five ship limit allows the Assembly to evaluate the project on its merits and shifts the discussion around port capacity and away from a single development.

Ownership Authority

CBJ should seriously consider acquiring private docks and should begin to build a fund reserve to do so. Control over the waterfront will ensure that CBJ is able to manage volume appropriately, dictate scheduling to mitigate congestion, and allocate passenger fees across the entire waterfront. Dock acquisition also protects against business practices by private dock owners that do not support Juneau's visitor industry management goals.

It is difficult to negotiate limitations on use of private docks that anticipate future industry changes. Many modern waterfronts are controlled by Port Authorities that have more complete control of their waterfront decisions. When NCL wanted to add a berth in Seattle, the Port of Seattle negotiated an agreement whereby the Port built the facility and NCL entered into payment terms that facilitated use that it proposed.

Waterfront control provides the most flexibility for CBJ. It is also the most expensive option with the longest timeline. It is appropriate to consider the other options presented herein and set a long-term objective to control the Juneau waterfront.

Conclusion

In short, the long-term goals described above center around building a sustainable cruise industry presence in Juneau and the rest of Southeast Alaska that maximizes local benefits and prioritizes self-determination for Juneau and our regional neighbors. These goals also have implications for passenger fees. We will likely have several big ticket waterfront infrastructure projects in the next several years. This may mean that more of the passenger fee budget is dedicated to debt service with less room for smaller project requests. The rate study commissioned by Docks & Harbors should be part of the passenger fee discussion this year, and the Assembly should consider all options for funding visitor infrastructure projects.

Recommendation:

Staff recommends that the Assembly discuss tourism topics in depth at the retreat:

1. A round table to discussion about the pros and cons of the various policy objectives and the methods for which they can be achieved.
2. Direct the manager to provide administrative and legislative methods to achieve these objectives.

Attachment A: VITF Recommendations Graphic