

# Spruce Root and SSP Build Back Better Regional Challenge

## Southeast Alaska Sustainable Forest Products Cluster

### *Overarching Narrative*

#### **Synopsis**

**Vision:** Our Coalition envisions a Sustainable Forest Products Cluster that will establish Southeast Alaska as a leader in the transition from a legacy industrial old-growth logging economy to a sustainable forest products industry that is rooted in our Tribal communities, diversified to include young growth timber and non-timber forest products, and is networked across the region for collective impact. Rooted in Indigenous values and led by Alaska Native people, we envision a Sustainable Forest Products Cluster for Southeast Alaska where:

- The infrastructure that businesses and communities need to access the forest and process raw resources into commercial products is maintained and improved;
- Public and private sector entities are working together to localize lumber production and use in all forms of construction;
- A pipeline of talent helps local people get on career paths and develop the educational and vocational capacities necessary for our Tribal and rural communities to thrive;
- Communities transition from diesel fuels to more sustainable and cost-effective forms of energy, specifically wood biomass heating;
- Native village residents are employed by local Tribes, federal agencies, Native corporations and their own small business community to exercise their inherent sovereignty by stewarding their homelands for economic, social, and environmental sustainability.

**Opportunity:** Southeast Alaska's forest products industry has centered on old-growth logging for the past 50 years. This industry peaked at about 3,500 jobs in 1990 but has been in sharp decline for the past 30 years due to economic, ecological and social factors. Today, fewer than 300 jobs remain. We believe the region can and must pivot to a sustainable forest products industry that includes localized markets from young growth timber, and diversifying our forest products and its corresponding economy to include more Native arts, energy, and recreation and tourism markets.

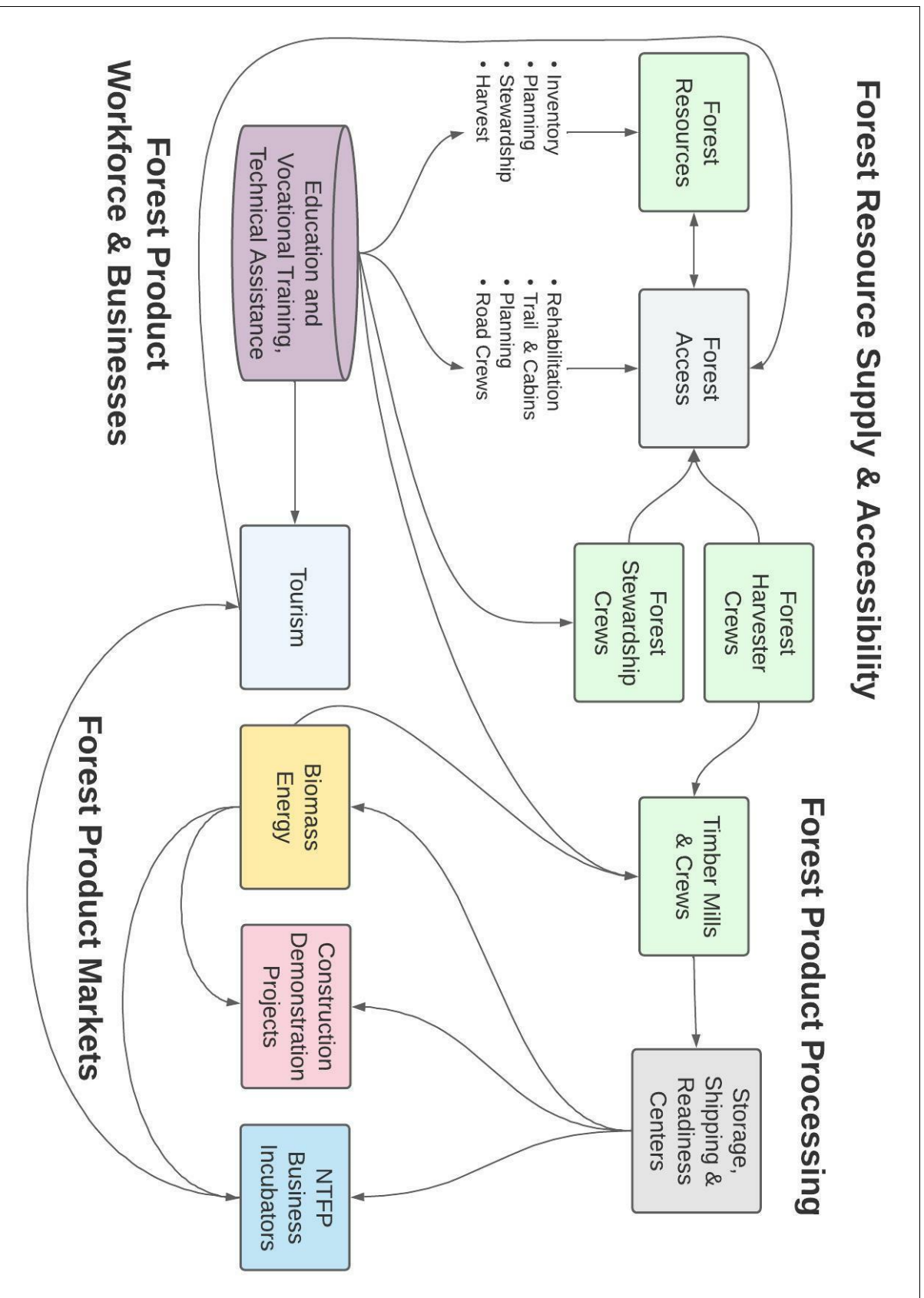
Southeast Alaska suffered crippling economic distress from the COVID-19 pandemic. The region lost 6,100 jobs – 16% of all jobs in the region – in the first 11 months of the pandemic. We also saw the price of construction lumber sky rocket because of a pandemic related supply chain disruption, and currently, the war in Ukraine is further destabilizing the global economy. These global market stressors are compounded in our Tribal communities because of the historical traumas Indigenous peoples have suffered during the past 150+ years, and the systemic inequities that exist in our country's economic system. Our coalition communities 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. We believe now is the time to implement a pandemic recovery strategy with features designed to overcome the deficits created by historical trauma and to add equitable solutions to our region's economy for Alaska Native peoples.

**Components:** Our coalition includes six complementary components, including: **1) Sustainable Forest Products Business Incubators, 2) Forest Resource Supply, Processing and Research, 3) Forest-fueled Energy in Southeast Alaska, 4) Wood Product Design and Manufacturing, 5) Workforce Development, Business Growth, and Inclusive Governance, and 6) Revolving Loan Fund.** These components have been strongly integrated through the coalition's early work developing our phase 2 proposal, and are intended to be holistic and adaptable for additional component additions in future years. The components can best be understood as essential elements in a forest products industry supply chain that has been tailored to work within our Tribal communities.

For example, investments in forest resource supply and processing will identify and provide access to raw resources, develop and network community lumber mills and conduct research necessary to diversify forest product markets. Investments in business incubators will catalyze substantial growth in our Native artist community, as well as other non-timber forest product small businesses. Investments in wood product design will help our region on the whole to reduce economic leakage by tapping substantial existing markets in home and other kinds of construction projects, and for those projects to be done in a way that results in durable, energy efficient and culturally relevant structures. Investments in forest-fueled energy will also assist our communities with reducing economic leakage, this time in the form of displaced fossil fuels, by tapping a substantial market in the form of heat for local buildings. The creation of a revolving loan fund will empower Spruce Root as a CDFI to increase their small business loan capacity and support small business growth specifically in our forest products industry. Investments in workforce development represents the most critical element of all because the entire coalition needs a healthy, happy and well-trained workforce to succeed and these investments are some of the most important forms of equity work that exist. We have developed a supply chain graphic that presents these components as part of a system that includes supply, processing, workforce and markets (see next page).

Overall, our goals for this proposal include the creation of over 1000 jobs and \$40 million in annual revenue over a nine year period from an initial BBBRC investment of approximately \$58 million. Most importantly, we believe this project represents a unique opportunity to achieve progress on the Administration's Just 40 Initiative and Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government. We have assembled a coalition that includes 7 lead organizations, 30 members and over 40 partners (see letters) who are ready to work together to achieve these outcomes.



## Description of Geographical Region(s) Served

Our sustainable forest products industry investments will take place in Tribal and rural communities in Southeast Alaska. Specifically, this proposal will implement projects and activities in the communities of Yakutat, Haines, Skagway, Hoonah, Angoon, Juneau, Sitka, Kake, Klawock, Kasaan, Craig, Hydaburg, Wrangell and Petersburg. Please see the FIPS attachment for FIPS areas served.

### Regional Assets

A wide range of regional assets will be critical to the success of this industry, including those that will be universal to all components and those most critical to the success of individual components (e.g. legacy logging roads). See below a description of universally important regional assets and please see component narratives for a description of other relevant regional assets.

**The Tongass National Forest:** At nearly 17 million acres, the Tongass National Forest is the largest national forest in the country and the asset that makes possible the Sustainable Forest Products Cluster. The Tongass is the northernmost extent of the largest intact temperate rainforest on earth and continues to be a resilient ecosystem home to all five species of salmon and abundant populations of wildlife such as brown and black bears, wolves, deer, bald eagles and many others.

**The Tlingit, Haida, and Tsimshian Peoples:** The Tongass is home to the Tlingit, Haida, and Tsimshian peoples. These Alaska Natives, many of whom continue to live in small villages in their traditional homelands, as well as their cultural and traditional knowledge, are one of our region's greatest assets. Indigenous peoples have a 10,000-year history of, and a vested interest in, sustainable management of the Tongass rainforest. Tlingit, Haida, and Tsimshian carving, weaving and traditional foods and medicine knowledge – knowledge that is irreplaceable and exists nowhere else in the world – present opportunities to diversify our forest products economy and create economic opportunity for historically underserved rural and Indigenous populations.

**The Sustainable Southeast Partnership:** The coalition and the corresponding partnership, the Sustainable Southeast Partnership (SSP), that we have built over the past ten years is another significant regional asset, and unlike anything else in Alaska or (to our knowledge) the nation. Our coalition and collective impact network successfully brings together diverse interests from across social, economic, and political spectrums. Over the past ten years, we have proven that if we focus on the values that we share, such as our commitment to Tribal and rural community sustainability, the differences of perspective within our partnership can serve as strengths when it comes time to pool resources and create larger impact.

## **Detailed Overview of Private-Sector Engagement**

Our region's Tribal and rural communities have relatively small private sectors in their economies. The vast majority of existing jobs are with Tribal governments, city governments, schools, health clinics and similar public entities. Private businesses in these 50-1,000 person communities are often small and seasonable by nature.

ANCSA Tribal corporations and Section 17 Tribal government subsidiaries represent the greatest near-term opportunities for private sector growth. Our coalition includes many of these entities as component leads and sub-recipients and our proposal includes a robust set of technical assistance and other services designed to grow their capacity to host private businesses or to incubate and spin-off small businesses within their communities.

With Native Tribal corporations and Tribal governments as anchors, we believe that increased economic activity will lead to small business start-ups in each community. Our early efforts in this regard will center on the business incubators and the Native artists community. We know there is unmet market demand and a strong competitive advantage for our Tribal peoples to meet this demand. Spruce Root and its coalition partners are poised to leverage their access to capital, training, and markets to catalyze a jump in private sector business development in the Native arts.

We also see great opportunity for growing a private sector business community in our Tribal villages through construction lumber market development. This market, especially as it is cultivated locally, will result in contractor opportunities in forest management, road maintenance, timber harvesting, and value-added processing for wood products such as cabinetry and furniture. Our strategy is to grow construction lumber milling capacity by developing Tribally-owned mills and networking with existing mills to create an economic engine around housing and other construction projects. We believe this activity will lead to these additional contractor and wood processing business opportunities over the course of the next 4 years.

Tribal housing is just one example of economic leakage that occurs in our Tribal villages. One of our overarching goals is to reduce this economic leakage with forest products, including in the energy market. Currently many villages are using expensive imported oil to heat their homes and public buildings. Projects like the Kake and Angoon biomass projects will serve to localize parts of the energy economy and recirculate dollars for a multiplier effect that localized construction lumber amplifies.

Our coalition will continuously seek to engage more private sector businesses. Toward that end, we will also be exploring the establishment of a forest products business alliance where small businesses and contractors who participate in Spruce Root sustainability training will become certified and encouraged to brand their businesses as sanctioned by our coalition and important to regional economic resilience. We have already made a good start in engaging small mills, wholesalers, and direct marketers throughout the region (see partner letters) and we will continue to grow and diversify the partnership to include more private sector businesses during the grant term.

## **Detailed Plan for Regional Growth Cluster Sustainability**

We are zealously committed to ensure that the Sustainable Forest Products Cluster will actually be sustainable, and in fact, grow, even after ARPA funds are expended in 2027. Our strategy is built on four cornerstones to ensure sustainable growth and success for the Cluster:

- 1) The Seacoast Trust, capitalized at an initial \$20 million with plans to grow substantially larger, is an investment fund that will begin vesting in 2022 to provide a long-term, sustainable source of funding for the projects and coordination outlined by the Cluster.
- 2) Our strong partnership with the USDA and strategic alignment with the US Forest Service's Southeast Alaska Sustainability Strategy (SASS). When launched in 2021, Secretary Vilsack specifically cited the leadership of the Sustainable Southeast Partnership in the agency's press release announcing the strategy. The USDA is investing \$25 million to implement SASS and intends to make longer-term investments that are responsive to Tribal and local priorities for sustainable economic development in Southeast Alaska. As key partners to the USDA and USFS, Spruce Root and the Sustainable Southeast Partnership will work with the agencies to realize the full potential of the Sustainable Forest Products Cluster.
- 3) Spruce Root, and its long-term commitment to the Cluster. As an Alaska Native Community Development Financial Institution, Spruce Root will invest capital in forest product businesses, and leverage its internal capacity to train forest product entrepreneurs, business, and employers on an ongoing basis, including well after 2027. Spruce Root has a strong record of accessing a diverse set of funding sources to support the Cluster, as well as deep relationships with communities in the region and a holistic approach to community and economic development. Spruce Root's Board of Directors consist of well-connected individuals who have a proven ability to bring funding to Southeast Alaska. As one of the largest and most profitable corporations in Southeast Alaska, Sealaska is a committed partner that provides Spruce Root a significant unrestricted grant annually to fund operations, which will help ensure the sustainability and success of the Cluster going forward.
- 4) The Sustainable Southeast Partnership network and the ongoing commitments of capacity, staff, and funding from the entities that comprise the Sustainable Forest Products Cluster partners. As the attached letters of support indicate, coalition members and project partners are committed to providing staff time, project leadership, and matching funds to advance the component projects of our proposal. Such commitments will serve as a key foundation for the long-term sustainability of the cluster and its projects.

## **Detailed Plan for Engaging Specific Organizations**

Our coalition intimately understands the challenges of equitable economic development in our region, and that much of this challenge cannot be met without significant investments in built and human infrastructure. We work directly with Tribal governments, corporations, city governments and businesses on a daily basis because it is our collective mission to grow their capacity for sustainable economic development. We understand that the challenge of regional economic development can only be met when the diversity of society is working together for the benefit of everyone, with each organization and business offering their strengths to the pool of resources made available to meet the challenge. We believe our coalition's proposal gets us heading in the right direction together because it formalizes our group's shared commitment to connecting the dots between local education, local employment, and local business growth for our Tribal communities in a way that is innovative and well positioned for success.

We also share a common understanding that although seasonal jobs in our Tribal communities will always be desirable and important contributors to our region's economy, our greatest challenge and opportunity is to create year round, family wage jobs for our Tribal and rural residents. This is something the forest products industry is well suited to do, as harvesting activities can be concentrated in the summer and processing activities can be concentrated in the winter. Dovetailing summer and winter activities into year round job opportunities in our Tribal communities will be key to the success of our collective effort.

## **Detailed Plan on Engaging Equitably**

This industry cluster is being led by Tribal organizations or organizations whose mission is to serve Tribal populations at all levels. The coalition includes non-Tribal members and partners, however, the majority of governance leadership, project leadership, business and workforce beneficiaries are Tribal citizens and live within Tribal communities. We are committed to monitoring representation in the coalition at all levels and will do that as a regular course of operations.

Our coalition's strategy for engaging equitably is to establish component leads who have the ability to fill gaps in community organizational capacity, especially for project management. Our communities are not currently able to add more to their plates and it is safe to say with the demands of other ARPA funding and the need to maintain basic services in isolated and impoverished communities through a pandemic, the situation might actually be getting worse.

A review of our component projects makes it clear that a large portion of the funding requested is dedicated toward community capacity development, especially engaging young adults in forest product career paths, catalyzing entrepreneurial development through business incubator activities, and localizing lumber production construction activities. This is because we all agree

that the goal is to cultivate local capacity at Tribal governments, Native corporations and a budding Indigenous business sector so that existing component leads develop into the localization of project management alongside the localization of the forest products industry over the long-term.

### **Detailed Overview on Expected Outcomes**

Our goals for our Sustainable Forest Products Cluster are inclusive of a “triple bottom line”, or social, ecological, and economic values (aka TBL). In general, we expect our metrics and outcomes to strongly align with all EDA investment priorities except Exports & FDI. We plan to build this TBL monitoring collaboratively with EDA staff and coalition members in 2022, prior to implementation of most projects and activities, but provide here some example outcomes that we expect to track.

**Economic:** We expect this project to create over 1000 jobs and \$40 million in annual revenue over a nine year period. We also expect a minimum 10:1 ROI for the EDA in leveraged dollars, similar to what we have documented for investments in the Sustainable Southeast Partnership.

**Social:** We will be targeting equity outcomes such as at least 75% of jobs and revenues created from the activities of Alaska Native public and private sector organizations and businesses. We will also continuously monitor the makeup of the coalition so that Alaska Native representation is at least 50% of the total membership, and that this representation includes at least 50% community organizations.

**Environmental:** We will be developing methods to conduct a full cost accounting for construction lumber and bioenergy, with the aim to reduce the carbon footprint of the forest products industry by at least 10%. We will also be tracking forest biodiversity and comparing the results of industry related active management to a no-action alternative. We are very confident that young growth stands that are actively managed as a working forest will provide significantly better biodiversity numbers than a no-action alternative but we will seek to quantify this over the long-term through monitoring, as well as project these outcomes through modeling.

Our coalition is committed to recording impacts via a shared dashboard system. This dashboard will be connected to a set of online reporting forms that each project lead and subrecipient will be required to fill out on an annual basis as a standard part of coalition governance and subaward agreements. Component and construction leads will use the dashboard to summarize impacts from all projects and activities and then report out to the coalition during annual retreats. Information sharing during annual retreats will be facilitated to support a transparent review of project performance, and lead to adaptations necessary for the Cluster to improve its performance across the TBL over time.



## **Overview of Work Conducted in Phase 1**

Starting with the announcement that our coalition had been invited to submit a Phase 2 proposal to the Build Back Better Regional Challenge (BBBRC), we immediately went to work on coalition building and community engagement. We began by notifying all Tribal Governments, Native corporations, city governments and our own substantial network of members in the SSP about this unprecedented opportunity and scheduled weekly open house meetings with our regional EDA representative. Next, we developed a system for gathering project and activity ideas from prospective beneficiaries in our region's Tribal communities. We created online forms and a dashboard to make this process as easy and transparent as possible.

By early January we had a Regional Economic Competitiveness Officer (RECO) in place and they, as well as others, attended all EDA office hours and TA meetings. Lessons learned via these meetings were shared in the open house meetings we held for our full coalition. Through January we collected prospective projects and activities to be implemented within each component project while each component lead completed their component proposals and organized the activities for construction projects and subrecipient implementation.

In February we filtered and modified project and activity ideas into a complementary whole, including a significant reduction in projects and activities to get our total budget closer to \$50 million, as recommended by our regional EDA office. During this time budgets were refined and narrative elements came together and were shared at the open house meetings and newly launched component lead meetings. During early March all component project and construction project proposals were organized under a Spruce Root Google Workspace for final collaboration on narratives, budgets, and all necessary forms. A checklist was created that allowed the full Spruce Root team to assist component and construction project leads to reach a state of readiness for submission before the March 15 deadline.

By March 15 we had double checked everything and asked each component and construction project lead to submit and communicate back to the RECO upon completion. Subsequently, we have tentatively scheduled an open house meeting and component lead meeting for the week of March 28 to discuss next steps for the coalition.

## **Detailed List of changes to the Phase 1 Concept Proposal**

The vision and core elements of our Phase 1 proposal remain intact, guided by our goal to build Alaska Native leadership, membership and beneficiaries into the foundation of all that we plan to do. Some structural and content related changes were required, as follows...

We reduced the number of construction ready projects in our proposal, especially community business incubators. Our coalition represents primarily underserved Tribal communities who are struggling to fill existing positions in the public sector and who have very little private sector business activity at this time, which we seek to change with this proposal. The short timeline of the BBBRC Phase 2 process did not allow for many projects to be brought to construction readiness because of the design and engineering required to meet EDA construction readiness guidelines and because each community would benefit from participating in a process to identify suitable sites, develop designs, and plan activities. Instead of proposing incubator construction, for example, we proposed to work directly with individual communities that were closest to construction readiness and had temporary locations for service delivery on incubator programming. We also proposed developing a process for additional communities to engage in planning for incubator development and getting to construction readiness for future funding opportunities.

We combined two component projects listed in our Phase 1 proposal (Tongass Transition Timber Products & Forest Products Accessibility Infrastructure) into one component project (Forest Resource Supply Processing and Research). This was done to strengthen the complementary nature of the included set of deliverables and simplify administration for the component lead.

We added a new component project (Wood Product Design and Manufacturing) to bolster our construction lumber market development efforts, particularly through our partnership with Tlingit & Haida Regional Housing Authority. The housing authority is responsible for developing Tribal housing in 13 of our region's communities. They also develop a wide range of other types of buildings for our Tribal communities, all of which are currently constructed with imported construction lumber, much of which we can source locally through investments described in their component project and construction project narratives.

Our Forest-Fueled Energy component lead organization was changed to a new organization because the original statewide organization determined that developing the capacity necessary to serve our Tribal and rural communities as envisioned in the BBBRC would be outside the scope of their primary operations. Instead of dropping this important component, which already had a completed construction project submitted, we worked with one of the Tribal subrecipients to elevate them into the leadership role for this component. We feel the component project is being strengthened by this change, as the new lead is an ANCSA Village Corporation. This adds value to our coalition by directly representing community interests in our governance leadership. We plan to add additional capacity to this component through developing partnerships with Southeast Conference, Alaska Power and Telephone, and the Alaska Center for Energy and Power.

We feel that our coalition handled change very well and we are ready to adapt continuously and continue to embrace change as a force for creating opportunity and seeding innovation.