




## Memorandum

Date: February 26, 2016  
To: Michael Powers, University of Alaska Fairbanks Interim Chancellor  
Thomas Case, University of Alaska Anchorage Chancellor  
From: Daniel M. White, UA Vice President for Academic Affairs and Research   
Re: Recommended Options for the Kodiak Seafood and Marine Science Center  
Cc: James R. Johnsen, UA President

### Background:

The University of Alaska Fairbanks (UAF) operates the Kodiak Seafood and Marine Science Center (KSMSC), formerly known as the Fishery Industrial Technology Center (FITC), out of the UAF owned Alfred Owen Building. The Alfred Owen Building, commonly referred to as the KSMSC facility, was phase funded via capital appropriations with a combination of state and Exxon Valdez oil spill (EVOS) funding totaling \$10.8M (in 1989, 1990, 1991 and 1994). UAF transferred \$3M of this funding to the Kodiak Island Borough as part of a twenty-year lease agreement for the Borough to construct, own and operate the Kodiak Fisheries Research Center facility with the provision that the facility include dedicated space for the university at no cost. The lease commenced on October 1, 1998. The Kodiak Fisheries Research Center is currently occupied by the NOAA Alaska Fisheries Science Center.

The University received one partial operating increment in 1992 from the state to cover some of the costs associated with operating the facility. In the 1990's and early 2000's direct non-competitive federal research funds provided faculty salary months which released state funds to help offset facility operating costs. Direct non-competitive federally funded research, which focused on seafood byproduct use, has declined sharply due to the elimination of the U.S. Agricultural Research Service (ARS) operations in Alaska in 2011.

The KSMSC facility currently houses five full-time faculty and 1.5 administrative/facilities staff. There is one resident full-time graduate student and another graduate student that uses the building to take classes. Over the last 20 years, there have been up to 9 faculty members in the building as well as several research technicians and graduate students. Research focus over the years has been on seafood product development and seafood safety, marine mammal-fisheries interactions, bycatch engineering, and harmful algal blooms.

In 2011, KSMSC was the subject of a UAF program review by a committee of University, community and industry representatives. The committee recommended that the building name change from FITC to the Kodiak Seafood and Marine Science Center along with a number of other recommendations. One recommendation was to embed KSMSC more fully in the UAF School of Fisheries and Ocean Sciences (SFOS) and to replace the administrative director position with a faculty member to increase capacity and hire a communications staff member. Dr. Brennan Smith was hired in September 2012, and resigned from his position in May of 2014. SFOS did not refill the position (nor other SFOS faculty positions) due to financial decrements in FY15 and FY16 and also never filled a communications position. Two existing

SFOS directors of Fisheries and Alaska Sea Grant took on the role of co-directors of KSMSC from Juneau and Anchorage, respectively. Since 2011, two other faculty members retired or resigned from KSMSC and neither position was refilled. Position loss has led to the current under-occupancy of the building.

FITC functions and location are mandated in Alaska Statutes, Title 16: Fish and Game, Chapter 52: Fishery Industrial Technology Center AS 16.52.010-070 (copied at the end of this document). Although the building is not named in the statutory expectations, a facility in Kodiak would be required. Last year, it cost UAF \$350,000 to operate the building (50% operations, 50% facilities maintenance schedule). The facility also has an identified list of deferred maintenance amounting to \$7.6M.

### **Current Uses**

Due to faculty retirements, the Alfred Owen Building will be under-occupied, with a number of open offices and three of five laboratories unused. By June, there will be four UAF SFOS faculty in the building full time - three Marine Advisory faculty (Marketing Specialist - tenured, associate professor; Coastal Marine Advisory agent - tenure-track assistant professor, Seafood Technology Specialist - research assistant professor) and one Fisheries faculty (Microbiology - tenured, associate professor). Also in the building is a ½ time program coordinator (permanent Marine Advisory staff), a ¼ time Cooperative Extension 4H staff member, and a full time facilities and grounds manager (paid in part by UAF SFOS and in part by Facilities). Despite current under-occupancy of offices and labs, the KSMSC is hub to an active program of teaching, research, technical assistance and outreach to community members and K-12 students.

From the FY15 Annual report (required by statute):

“The KSMSC hosted a meeting, training, class or event almost daily during the year and hosted 64 evening activities. Over 1,900 people used the building (including the classrooms, pilot processing plant, and labs) for a class, meeting, training, seminar or event during the year.

Three UAF undergraduate classes were taught to 11 students across the state via videoconference from KSMSC. Fish 261 Introduction to Fisheries Utilization, taught from KSMSC, is now a required course for all majors in the UAF Fisheries BA and BS degrees.

One hundred and seventy-four (174) people were trained at KSMSC in 13 trainings in Kodiak and four in other coastal communities. Several new training programs were developed and delivered this year including a 60-hour Seafood Processing Quality Control training program, Microbiology for Seafood Processors, Pest Control Techniques for Processors, and Starting your Specialty Food Business. Training classes were well attended and participants hailed from businesses across the state and nation as well as officials from DEC and FDA. Training program income for FY15 was \$38,000.

Six research projects were pursued by faculty in the areas of seafood science and product development, marine mammal and fisheries interactions, and harmful algal blooms and subsistence harvest of shellfish. Six publications were produced by faculty at KSMSC.

Technical assistance and information was provided on an ongoing basis throughout the year by all faculty. Recipients were from industry, state and federal agencies, non-profit groups, schools, youth and the public. A number of outreach and marine education projects took place in the building ranging from

ComFish forums, seafood processing energy efficiency audits, input on marine mammal regulations and city infrastructure, PSP community testing projects, and K-12 marine education events. Faculty at KSMSC engaged with over 400 local youth during the year in marine science classes and field trips.”

### **Current Status**

Since the building is under-occupied, UAF’s Chancellor and Provost and SFOS’ interim dean, in summer 2015, began in an internal dialogue with University of Alaska Anchorage’s (UAA) Provost and Kodiak College Director about the transfer of the facility to UAA for use by Kodiak College, which is in near proximity of KSMSC. The internal dialogue became external once the KSMSC Policy Council, faculty and KSMSC directors were notified of these internal discussions in late summer. Because no decisions had been made or communicated, a great deal of confusion was created. The KSMSC faculty responded with a written request to UAF and UAA to maintain the pilot seafood processing plant and access to three labs so that their training, technical assistance and research related to seafood processing safety and product development and harmful algal blooms could continue.

Industry and the Kodiak community members responded to the potential repurpose of the Kodiak Seafood and Marine Science Center with concern about the loss of the pilot seafood processing plant and labs and overall loss of mission focused activity at the Center. Letters demonstrating a need for the Center and the importance of the University’s role in sustaining the state’s seafood economy were received by President Johnsen from the Alaska Seafood Marketing Institute, the Alaska Fisheries Development Foundation, the Seafood Producers Association, Icicle Seafoods, Aleutian Pribilof Island Community Development Association, the KSMSC Policy Council (including Trident Seafoods, Ocean Beauty Seafoods, Westward Seafoods), and from the City and Borough of Kodiak. Resolutions were passed by the Alaska Municipal League and the United Fishermen of Alaska, both supporting the idea that KSMSC is needed to support the seafood economy and recommending more time to work with the University of Alaska (UA) to consider how to keep on mission at the Center.

In response to the community and industry, and because the discussion was one of statewide nature (UAA and UAF), President Johnsen asked that three months be taken to internally look at the issue. The KSMSC Task Force assigned to present options was comprised of Kodiak College Director Alan Fugleberg, UAF School of Management Dean Mark Herrmann, UAF Associate Vice Chancellor for Financial Services Raaj Kurapati, UAA Institute of Social and Economic Research Director Gunnar Knapp, Alaska Sea Grant Director Paula Cullenberg, and myself as chair.

President Johnsen and I held a face-to-face meeting with the KSMSC Policy Council, attended a public meeting of the City and Borough of Kodiak (approximately 50 in attendance), and attended a subcommittee meeting of local residents (including former legislator Alan Austerman, former commissioner of education, Larry LeDoux, North Pacific Fishery Management Council member Duncan Fields, representatives from Sen. Stevens and Rep. Stutes’ office, former UA Regent Chair Pat Jacobsen, seafood plant managers from Trident and North Pacific Seafoods and members of the KSMSC Policy Council).

Sentiment of the community was that they would like to see the KSMSC retain its mission-focused work and be more fully utilized. The community meeting was very positive in nature and the final comments

from City Mayor Pat Branson was a pledge to work creatively with UA to make the Center reach its full potential. The principle request of the local working group, led by former legislator Alan Austerman, was for more time to determine a local solution as well as a request for how much funding the community would have to come up with to help keep the facility solvent.

Changes have also occurred at UAF between the current time and the start of the discussion about the KSMSC facility transfer. Chancellor Brian Rogers has been succeeded by Interim Chancellor Mike Powers and SFOS Interim Dean Joan Braddock has been succeeded by Dean Brad Moran. I met with Dr. Moran about KSMSC to gather his opinions and share with him the status of the committee on February 15, 2016.

### **Review of Options**

Two issues were identified by the task force. The first was the building and the second was the program.

#### Building Owner

The universe of options include:

- UAF
- UAA
- UA Statewide
- A federal, state, or local government agency
- A private non-profit organization
- A private for-profit organization

In theory, the ownership of the building only matters to the extent that the owner must pay the building costs. If the users all “pay rent” then the same uses could continue regardless of whether UAF, UAA, or some other organization owns the building.

#### Program

The universe of options include:

- Marine Advisory Program (MAP) offices
- Other UAF offices, such as current Fisheries faculty member
- KSMSC facilities: labs, processing plant, etc.
- UAA/UAS/UAF non-seafood: other UA uses not related to KSMSC or the seafood industry
- Other seafood-related uses by other organizations related to KSMSC or the seafood industry (an example would be the Kodiak Regional Aquaculture Association (KRAA) who has expressed a formal interest in moving in and renting space)
- Other non-seafood uses by other organizations not related to KSMSC or the seafood industry
- Vacant: not used

## **Criteria for Evaluation**

The following options were identified by the KSMSC Task Force based on the defined criteria listed below.

### Criteria for whether or not option is "realistic"

1. The option provides a way of paying for the operating and maintenance costs of the Alfred Owen Building.
2. The option provides a way of generating income from the KSMSC program in whatever form it develops and those funds are dedicated to operating and maintaining the building or can offset faculty salary so that UA can use the funds to operate the building.

### Potentially realistic options

1. Continue status quo for a limited period of time to allow for a community solution, such as (but not limited to) one of the following to develop:
  - a. UAF retains ownership of the building. Space is leased to other organizations. An industry consortium that takes advantage of the educational tax credit forms a KSMSC foundation fund to pay for programs or a defined % of the operations/programs at the facility. A similar model is the Pollock Conservation Cooperative Research Center.
  - b. A public private partnership (PPP) develops. UA sells or leases operations and maintenance (O&M) of the building to the public or private organization that then uses it for mission-directed purposes. Current UAF staff and faculty could use or potentially lease back office, lab, pilot plant space.
2. UAF closes the facility and finds a different location in Kodiak from which to deliver programs as directed by statute.

### Not realistic options

1. The status quo is not an option for UAF.
2. Building transfers to UAA; UAA pays O&M. UAA Kodiak College has stated that it is not interested in acquiring the building.

## **Assessment of Potentially Realistic Options**

1. UAF retains ownership of the Alfred Owen Building through December 31, 2016, and works closely with the Kodiak City/Borough and industry to find a community solution.

Pros:

- Engenders community and seafood industry support for UA as a result of this commitment to extend the time for a UA/community/industry solution;
- Enables ongoing research, technical assistance and training to continue;
- Provides time to explore revenue generation/cost reduction opportunities;
- Demonstrates good faith with the seafood industry that has the potential to support continued relationships for research, workforce development and philanthropic efforts by UA;
- A PPP could save UAF money if operating and maintenance costs are relieved;

- A PPP may expand diversified funding options;
- A PPP grows deeper understanding, involvement and use of KSMSC by community and industry and support of UA;
- A PPP may enables the intent of the statute to be carried out by UA without the burden of building costs

Cons:

- UAF continues to pay for operating costs of building (estimated at \$350,000 per year) until relief in either income or reduced costs are achieved;
- Research foundations take time to set up and would require a major initial gift for which there are, at this time, no commitments;
- A PPP partner does not currently exist;
- UA potentially could become a lessee rather than lessor so savings are reduced somewhat;
- UA potentially could lose a valuable asset (building and equipment)

Option 2: UAF closes the facility and finds a different location from which to deliver programs.

Pro:

- UAF saves money

Cons:

- Loss of opportunity to serve Kodiak and the statewide seafood industry;
- Reduces UA commitment to the Fisheries, Seafood and Maritime Initiative that UA led and created;
- Expense of operating program with no facility – equipment, personnel will need to be moved to new rented space reducing or eliminating overall savings;
- Programs offered at KSMSC will be reduced or terminated (quality control classes, smoked seafood school, roe school, videoconference-delivered undergraduate and graduate classes, PCCRC funded research, HAB/PSP research, etc.)

### **Recommendation**

The task force recommends that UAF retains ownership of the Kodiak Seafood and Marine Science Center through the end of December 2016, for the following to occur:

1. UAF issue an external request for proposals as soon as possible to operate the KSMSC building as a public private partnership, and proposals be evaluated. Options could range from full operations by a non-University entity to continued operations by UA with shared funding. UAF staff and faculty should engage with community and industry members with the intent of developing the most creative options. UAF should identify clear requirements in the RFP.
2. UAF evaluate options for maintaining the facility/program within UAF such as:
  - A research foundation (or similar model) within the UA Foundation to provide the needed revenue to operate the facility in UAF. UAF should clearly identify how much funding they require to maintain the mission-focused programs.
  - UAF works with the community to reduce operating costs by leasing space to interested organizations and lowering utility bills as well as developing mechanisms to raise revenue through recharge and building use fees.

3. UAF develop a plan for meeting the statutory language outside of the facility, should the facility be closed at the end of December 2016.
4. UAF identify a specific person or team of persons to work with the community and industry in facilitating these recommendations. The task force recommends this be led by UAF SFOS Dean Brad Moran.
5. Kodiak residents raised the possibility of securing a legislative increment to fund KSMSC. By September, an update to the President should identify if such an increment is being sought.

## Chapter 16.52 FISHERY INDUSTRIAL TECHNOLOGY CENTER ALASKA STATE STATUTE

**Sec. 16.52.010. Fishery Industrial Technology Center.** There is established a Fishery Industrial Technology Center as part of the University of Alaska.

**Sec. 16.52.020. Duties.** The center shall create employment opportunities in the state's fishing industry and other benefits to the state by

(1) providing training opportunities to citizens of the state on the most efficient and appropriate technologies for the harvesting, processing, and conservation of the fishery resources of the state;

(2) providing information and technical assistance on the adaptation of existing and new technologies to the users of the fishery resources of the state;

(3) providing research and development activities to adapt existing technologies to enhance the economic viability of the industry;

(4) providing research and development activities to create new technologies that will enhance the effectiveness of the industry, and provide economic benefits to state citizens; and

(5) encouraging joint projects between industry and government in order to use industrial experience and government programs to enhance the productivity of the industry.

**Sec. 16.52.030. Fishery Industrial Technology Policy Council.** (a) A Fishery Industrial Technology Policy Council is established to provide program and planning guidance to the center. The policy council shall be composed of members of the state's fishing and processing industry.

(b) The policy council consists of seven members appointed by the president of the University of Alaska, including

(1) two members appointed from the seafood processing industry; the members appointed under this paragraph shall be owners or employees of firms that are in operation in the state and, insofar as possible, shall represent diverse processing operations;

(2) two members who are commercial fishermen; the members appointed under this paragraph shall be actively engaged in commercial fishing in the state and, insofar as possible, shall represent fishing for diverse fisheries resources;

(3) three public members.

(c) A member of the policy council serves a term of two years.

(d) At least five members of the policy council shall be residents of the state.

**Sec. 16.52.040. Location.** The principal activities of the center shall be located in Kodiak, Alaska.

**Sec. 16.52.050. Annual report.** The Board of Regents of the University of Alaska shall



prepare an annual report of the center's activities and notify the legislature by the 20th day of each regular session that the report is available. The report must include a description of the work conducted by the center, the training sessions held and number of students trained, and any other information that the Board of Regents determines should be included to describe the work of the center.

**Sec. 16.52.060. Cooperation with other agencies.** In the development of its programs the center shall consult with

- (1) the Department of Fish and Game;
- (2) the division of economic development of the Department of Commerce, Community, and Economic Development;
- (3) the Department of Natural Resources;
- (4) the Alaska Fisheries Development Foundation;
- (5) the Alaska Seafood Marketing Institute;
- (6) the North Pacific Fishery Management Council;
- (7) the National Marine Fisheries Service;
- (8) the Department of Education and Early Development; and
- (9) the Department of Labor and Workforce Development.

**Sec. 16.52.070. Definitions.** In this chapter,

- (1) "center" means the Fishery Industrial Technology Center;
- (2) "policy council" means the Fishery Industrial Technology Policy Council.