

CHENEGA BAY

LODGING PROJECT

Feasibility Study and Business Plan

December 2007



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■ INTRODUCTION

Purpose of this Report

The community of Chenega Bay is considering developing a Bed & Breakfast or another form of lodging in their community. This report reviews lodging alternatives, and then evaluates the feasibility of the particular style and scale of lodging identified as most feasible and beneficial for Chenega Bay. Considerations in this evaluation include the character of attractions in the area, access to Chenega Bay, expected demand for lodging by business and tourist travelers, construction costs, and operation costs and revenues. The option that is most feasible is the one that can best serve the needs of the marketplace while also fitting well with community goals. In addition to generating sufficient revenue to cover costs and eventually make a profit, these community goals include compatibility with Chenega Bay life, and creating local jobs and business opportunities for residents and shareholders



Summary of Conclusions

Market Opportunity

Chenega Bay's Prince William Sound location creates a compelling opportunity to develop lodging and related visitor services. The community is far enough from established tourist destinations to offer a "wild Alaska" character, and offers ready access to great fishing, scenery, kayaking, wildlife viewing, glaciers, hiking, and other sought-after experiences. At the same time, Chenega is close enough to Anchorage and the rest of Southcentral Alaska to be readily accessible, by air, private boat, and the Alaska Marine Highway system. In addition, there are few competing lodging operations in the whole of Prince William Sound. Areas like Kachemak Bay already support several dozen successful waterfront lodging operations, suggesting that demand would be strong if comparable facilities were available in Prince William Sound. This set of characteristics suggests there is real demand for lodging in the Chenega Bay area, and the likelihood this demand will grow over time.

A Conditional Conclusion – "Feasible If..."

At present, Chenega does not have lodging for travelers, other than a few rooms available for rent on an unpredictable basis, or for certain service providers. The conclusion of this report is that a lodging operation would be feasible after 5 years of operation *if* the full set of conditions outlined below can be met, and *if* "feasible" is defined consistent with community goals, that is, the project will create local economic opportunities and cover operating costs, but not be judged strictly as a for-profit business venture. While achievable, these are both big "ifs". Ultimately the lodge project needs to be seen as the tip of the iceberg – just one part of an integrated program of

capital investment, training, facility improvements, “beautification”, marketing, upgrades to utilities, and business formation – in short, a series of big, but positive, changes in Chenega.

Project Goals: Criteria for Evaluating Success

Defining how to judge the “feasibility” of this project is a key first step in this process. In reaching a conclusion about the most viable lodging option for Chenega Bay village we have used the set of goals that emerged from discussions with Chenega community residents and Chenega staff. These are outlined below. The overriding theme of these goals is the recognition that success requires more than maximizing profit; success requires a lodging project that can be supported and sustained over the long term, both in terms of financial performance *and* community support. Specific project goals include:

- Create jobs and business opportunities in Chenega Bay for local residents and Chenega Corporation shareholders; create opportunities for residents to gain business skills and experience
- Attract more full time residents to Chenega Bay, to help create a stronger, more vital community.
- Plan the lodging project to be a good neighbor to Chenega Bay resident and a project that is widely seen as a positive addition to community life.
- Plan the lodging project and associated tourism development to protect environmental quality and subsistence activities.
- Develop lodging and tourism development plans in consultation with community residents

While maximizing the “bottom line” is clearly one important goal, equally important is an approach that creates maximum local benefits and minimum disruption in the community. This consideration tempers the scale and rate of the growth of the facility. For example, as is discussed in Chapter 4, as the size of the lodging operation grows, operations costs are spread over a broader revenue base, and the facility becomes more profitable. But the recommended option (Option 1) already will bring 1200 plus visitors per summer to the community, and require 2-3 new sport fishing charter operations to serve these visitors. That scale of development is judged to be as much as can occur without going against the third goal above. If the lodge sponsors only seek a maximum return on their investment, there are certainly options with greater prospects for profit and less risk than investing in lodging in Chenega Bay.

Recommended Approach

The lodging option that best meets project goals would be a set of one and two bedroom cabins. Option One, described below, has capacity to serve 14-24 guests; a manager’s cabin that also serves as a dining facility; and a design and site that allows this operation to expand over time. This approach would let the facility serve the existing business traveler market and begin to build capacity to serve travelers interested in fishing, wildlife viewing and other local recreational opportunities. The details of Option One are outlined below:

- 3 one-bedroom cabins, approximately 484 square feet, with limited kitchen facilities, bathroom, a living room with a fold out couch – sleeps 2 to 4 people

- 2 two-bedroom cabins, approximately 560 square feet, with a kitchen, bathroom, a living room with a fold out couch - sleeps 4 to 6 people
- 1 bedroom manager's cabin, with full kitchen, dining area for up to 14 people, laundry room, tool and equipment room

A second alternative is also identified. Option Two has three cabins, without a manager's cabin, with only limited food service, and with less staffing, marketing and other expenses. This latter alternative costs less to construct and operate, and produces more revenue for the investment, but generates fewer economic opportunities for the community. The community, Chenega Heritage and Chenega Corporation need to weigh these alternatives, and decide which comes closest to meeting their goals.

Neither of the two options return enough revenues to be feasible under traditional private sector investment criteria.

Conditions for Success

Successful development of Option One or Two will not be possible without meeting the challenges outlined below. Both options require improving local recreation offerings, selecting a great site, building the right kind of cabins, hiring the right manager, and all the other conditions specified below. This is particularly true with the more aggressive Option One, but ultimately most of these conditions are needed for Option Two to be viable.

One particularly important assumption is that the lodge operations will not be required to pay back 100% of the initial construction and start up costs. In Option 1 this cost is approximately \$1,000,000. The financial analysis presumes \$12,000 a year is plowed back into paying off this initial investment. This totals \$360,000 over thirty years, enough to cover a portion of start up costs. Option 2 assumes \$15,000 per year goes towards paying off the initial construction, producing \$450,000 in 30 years, which matches the start-up and construction costs of this more modest option. The analysis presumes at least a portion of the initial start-up costs will come from a source that does not need to be paid back through project operations.

Specific conditions for success are listed below; Chapter 4 gives more details.

- **Right site** – a superior site, with great views out over the water, the feel of a wilderness setting, easy access to community amenities, and the capacity to grow to a substantially larger facility.
- **Right character of facility** – cabins that are simple and not too costly to build, but at the same time provide a clean, comfortable, attractive place to stay.
- **Access to good food** – convenient, satisfying means for visitors to have a good breakfast, lunch and dinner, preferably including local seafood. The recommended lodging option recommends offering cabins with kitchens as well the option to purchase meals. A skilled cook is essential.
- **Right set of recreational activities** – the primary draw for the site will be sport fishing; secondary attractions will be kayaking, wildlife viewing, sightseeing, hiking, hunting and enjoyable ways to learn about Chenega village life, history and cultural traditions. At least 2 sport fishing charter operations as well as other activities – which are not available in the community today – need to be in place prior to opening the facility.

Over time, a key to success will be phased improvement of Chenega’s “development sites,” beginning with tent platforms or small cabins. Improvements and use of these sites can give Chenega a key competitive advantage over other waterfront lodging, fishing and kayaking destinations in Alaska.

- **Good marketing** – the right system of information to promote the facility, including a solid website and a prompt, reliable and professional system for making reservations and getting answers to questions about the facility and its attractions.
- **Right partnerships** – including linkages to Chenega Corporation hotels, and to other travel partners in larger communities, both for marketing and provision of activities.
- **Good management and staffing** – to ensure that the facility provides a consistently high quality of service, and to guide the ongoing operation of the facility. This may require working with a management entity from outside the community, and providing training to local staff.
- **Right financial incentives** – to be successful, this project will require the owner/operator put in long hours of work, at modest pay. The defining feature of successful tourism ventures is a highly motivated, very committed manager. Owners commonly work 7 days a week for an entire summer season, and are on call nearly 24 hours a day. Owners work this hard knowing that this effort will ultimately be rewarded – 5 or 10 years later – with a viable, valuable business. Given that the project will likely be owned and operated by different people, the compensation package will have to be structured to provide a comparable level of financial incentives.
- **Construction Costs** – As mentioned above, in the recommended alternative, the financial feasibility assessment assumes the lodge can cover operating expenses, and a portion of construction costs
- **Community Compatibility** – The overall set of facilities, users, access, demands on utilities, jobs created etc. must fit harmoniously with Chenega Bay community life.

Phased Development

Phased development of this facility is a good strategy for a number of reasons. At present, Chenega Bay is not an established tourism destination. While the area has many strengths the community’s attractions are not developed, nor is the area known to the traveling public. Starting at a modest level provides time for Chenega residents to gain the skills and experience needed to operate the businesses visitors expect. This may require multi-year training programs that parallel the planning and development of the lodge, including training in starting and operating fishing charters, kayak rentals and guide services, day wildlife and glacier tours, craft production and sales and other visitor-related businesses. This facility can create opportunities for local youth interested in learning guiding skills, business administration, and customer service skills. The size of the facility can expand as these capabilities grow.

In addition to the need to develop activities based in the village, another unique potential draw is Chenega Corporation’s set of development parcels, located in strategic areas around southwest Prince William Sound. These parcels could be used as sites for cabins or tent platforms, and serve as destinations for guided or independent activities such as “hut to hut” kayaking, fishing and hunting, all tied to the hub lodging facility in Chenega Bay.

Phased development also allows the facility time to establish itself without saddling the developing entity with huge, risky up-front costs, and allows time for the community to adjust to a visitor presence. Ultimately the community benefits of developing a lodging operation are substantial, but these benefits must also be balanced against the community's desires to maintain the peaceful character of their community. A phased approach allows time to find this balance.

Financial Performance and Sensitivity Analysis

The financial performance of the two alternatives is summarized below in Table 1. As noted above, neither option generates the level of profit necessary to support a typical private investment.

It should be noted that the financial assumptions behind this analysis are conservative. A bolder and more aggressive approach could readily show this project generating larger profits. We have aimed to be cautious and to err on the side of conservative estimates of revenues, and generous estimates of project costs.

Table 1. Financial Performance of Options

OPTION 1 - 5 CABINS, MANAGER'S CABIN, FOOD SERVICE					
	year 1	year 2	year 3	year 4	year 5
Total Staff Costs	\$ 65,350	\$ 65,350	\$ 65,350	\$ 65,350	\$ 65,350
Total Non-Staff Costs	\$ 30,048	\$ 25,048	\$ 25,048	\$ 25,048	\$ 25,048
Payoff Construction Costs	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
TOTAL OPERATIONS COSTS	\$ 107,398	\$ 102,398	\$ 102,398	\$ 102,398	\$ 102,398
Revenues					
Summer	\$ 59,413	\$ 65,354	\$ 71,295	\$ 77,236	\$ 83,178
Non-Summer	\$ 11,139	\$ 11,139	\$ 22,278	\$ 22,278	\$ 22,278
TOTAL REVENUES	\$ 70,551	\$ 76,493	\$ 93,573	\$ 99,514	\$ 105,455
NET REVENUES (LOSS)	\$ (36,847)	\$ (25,905)	\$ (8,825)	\$ (2,884)	\$ 3,057
Total visitors (year round)	1,090	1,176	1,495	1,580	1,666
Money to cover start up operations	\$ 71,404				
Construction cost (6 cabins)	\$ 995,500				
OPTION 2 - BASIC OPERATION: 3 CABINS, LIMITED FOOD, LIMITED SERVICE					
	year 1	year 2	year 3	year 4	year 5
Total Staff Costs	\$ 26,990	\$ 26,990	\$ 26,990	\$ 26,990	\$ 26,990
Total Non-Staff Costs	\$ 13,129	\$ 12,129	\$ 12,129	\$ 12,129	\$ 12,129
Payoff Construction Costs	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
TOTAL OPERATIONS COSTS	\$ 55,119	\$ 54,119	\$ 54,119	\$ 54,119	\$ 54,119
Revenues					
Summer	\$ 28,389	\$ 31,228	\$ 34,067	\$ 36,906	\$ 39,745
Non-Summer	\$ 9,825	\$ 9,825	\$ 14,738	\$ 19,651	\$ 19,651
TOTAL REVENUES	\$ 38,215	\$ 41,054	\$ 48,805	\$ 56,557	\$ 59,396
NET REVENUES (LOSS)	\$ (16,904)	\$ (13,065)	\$ (5,313)	\$ 2,438	\$ 5,277
Total visitors (year round)	567	604	740	877	914
Money to cover start up operations	\$ 27,566				
Construction cost (3 cabins)	\$ 433,100				

Before drawing final conclusions regarding these options it is important to review the impact of small modifications in different elements of the financial analysis. The analysis is sensitive to quite minor changes in these assumptions. Several key assumptions, and the impact of changing these assumptions for Option 1 on year 5 performance, are outlined below:

- The base case for Option 1 assumes 5 rentable units: 3 one bedroom units and 2 two bedroom units. If one additional unit is added, and the staff is asked to work a little harder (that is, staff pay doesn't change), the bottom line in year 5 jumps from \$3,057 to \$21,607. While increasing the size of the facility to this size will ultimately be desirable, we judged that the community would not be ready by year 5 to provide the level of charter fishing and other services needed for this expansion. Going from 5 to 6 rooms increases the average summer months from 343 to 411 visitors. In our view the community will already be stretched thin to handle the level of visitation associated with 5 rentable rooms.
- The base case assumption uses \$2.50/square foot for annual costs for utilities and routine maintenance. This figure is based on the assumption that 2 to 3 of the five cabins in Option 1 would be closed down during non-summer months, significantly reducing operation costs, which average about \$5.00/square foot in the region on an annual basis. If this number is brought up to \$5.00/SF the bottom line in year 5 falls to an annual deficit of \$5,427.
- The base case assumption presumes a summer occupancy rate of 70% in year 5. Increase the average summer occupancy to 80% and profits rise to \$14,940; drop to 60% and the operation runs a \$9,000 annual deficit.

The Bottom Line Regarding the Bottom Line

Overall, the financial performance of both options is weak. Option 1 does not come close to covering the initial investment cost; and Option 2 does so only if it is assumed construction costs are loaned interest-free or come from a grant.

Despite this limitation, both of the options are judged worthy of serious consideration by Chenega Heritage, the Chenega Corporation and the community. If a means is found to finance initial construction and start-up costs, these projects are able to cover their operations and even begin turning a profit. Over time, as the facility earns a favorable reputation, profits are likely to continue to grow. This would lead to increasing occupancies, higher room rates, and the option to accelerate the rate of repayment of the initial investment. It is worth pointing out that the rule of thumb for small fishing lodges in Alaska is that typically it takes 5 years to generate a client base and enough of a reputation to begin turning a profit.

One strategy to increase the profitability of a Chenega lodging project was considered but not pursued. Most fishing lodges make their money more on the fishing component of the experience than the accommodations. This project deliberately leaves to the community the opportunity to offer a range of profitable day activities, including charter boat fishing, guided kayaking, cultural tours, etc. If this lodging project was solely focused on profit, those activities would be incorporated into its overall financial operation, and would have an important, positive impact on the bottom line.

LOCAL CONDITIONS

Location

Chenega Bay is located on Evans Island in Prince William Sound. Situated on Crab Bay, the community is 42 miles southeast of Whittier, 104 miles southeast of Anchorage and 50 miles east of Seward. It is located in the Valdez Recording District. The area encompasses 28.8 sq. miles of land and 0.3 sq. miles of water.

History

According to the historical record, the Chugach Alutiiq people have lived by the shores of Prince William Sound for at least 7,000 years. The village of Chenega, originally located on the southern tip of Chenega Island, was first established as a fishing village in the late 1700s.



Map I. Project Location

Prior to resettlement, Chenega was the longest-occupied village known in Prince William Sound. On March 27, 1964, a 9.2 magnitude earthquake struck Alaska; the largest earthquake recorded in North America to date. In addition to the damage caused by the earthquake, the tsunamis that were generated, one measuring 210 feet tall at the Valdez Arm, destroyed Chenega village and killed twenty-six people, over a third of residents.¹ The people of who had lived in Chenega relocated principally to Cordova and were later resettled in Tatitlek by the Bureau of Indian Affairs.² Eventually, some moved to other areas of the state, including Valdez and even as far as the lower 48.

The residents of Chenega, working under the 1971 Alaska Native Claims Settlement Act, formed the Chenega Corporation and were given the right to select approximately 70,000 acres in the vicinity of the original town site. In 1977, the members of the newly formed corporation selected the current village location in Crab Bay on Evans Island, south of the location of the original village. In 1984, following the construction of 21 homes, an office building, a community hall, school, teacher housing, a community store, and a church, former residents were able to occupy the site.³ They called their new home Chenega Bay.

A second disaster hit the community of Chenega on March 24, 1989 when the oil tanker Exxon Valdez struck Bligh Reef outside of Valdez, spilling almost 11 million gallons of crude oil in the waters of Prince William Sound. As the oil drifted west, it impacted area tidelands and devastated area wildlife. Following the spill, the Exxon Valdez Oil Spill Trustee Council established the “habitat restoration” program to buy large blocks of private land from willing sellers within the spill area. Once purchased, land was to remain in an undeveloped, natural state, to help restore resources impacted by the oil spill. The Chenega Corporation chose to participate in the program, selling the majority of its lands to the Trustee Council, but retaining a

¹ The Day that Cries Forever

² “Chenega Bay Master Plan.” GDM, Inc. September 2002.

³ Ibid.

partial ownership of Chenega Island, and full ownership of 10 carefully selected parcels to support future tourism development in the area.⁴

Today the community of Chenega Bay still has many former residents scattered around Prince William Sound and elsewhere. The Alaska Department of Commerce, Community and Economic Development estimated the 2006 population as 69 residents. The 2000 U.S. Census counted the residents of Chenega Bay at 86 individuals. Many of these village residents still rely heavily on subsistence activities.

Climate

Chenega Bay is located in part of the coastal rain forests of Alaska, which extend up through SE Alaska and into Prince William Sound. Summers are cool and cloudy and winters relatively mild. Temperatures range from 17 to 28 degrees Fahrenheit in the winter to 49 to 63 degrees Fahrenheit in the summer months. Average annual precipitation includes 66 inches of rain and 80 inches of snowfall.



Infrastructure

The Village Council operates both a piped water and sewer system. The surface water collection system with a dam, filter and chlorination allows for piped distribution to all 25 homes in Chenega Bay. Some improvements as well as a groundwater source are needed in the future as boil water notices appear on occasion. Sewage is piped to a 20,000-gallon community septic tank; some homes use individual septic tanks and outhouses. Refuse collection services are provided to the landfill. An oil and hazardous waste recycling center was completed in 1998. Funds are needed to complete the purchase of an incinerator. Electricity for the village is supplied by a diesel generator operated by the Village Council.

The village also owns a clinic run by Chugachmiut. The Clinic is a Primary Health Care facility. Emergency service is provided by volunteers and a health aide.

Local Lodging Options

Local lodging options are limited. The Chenega Bay Clinic has two apartments. These are reserved for itinerant health providers such as visiting doctors and dentists. These spaces are not available for lease to non-medical personnel due the fact that there is an entrance between the apartments and clinic, which creates a liability issue.

The North Pacific Rim Housing Authority (NPRHA) owns a three-unit apartment facility locally, one apartment of which is occupied. The remaining apartments are intended to support the elderly/disabled segment of the population with room for a caretaker. The caretaker's apartment is sometimes used by individuals coming into town who pay a nightly fee for its use.

⁴ "Chenega Corporation: Tourism Development Sites." Christopher Beck & Associates and HDR Alaska, Inc. 1997.

In the past, residents have housed workers coming through town in their homes in a bed and breakfast-style arrangement, though this service is not ongoing.

The local school has two houses that are used for teacher housing. Currently, only one is occupied. The remaining house is not available. Interest in developing the vacant housing as a lodging option would require working with the Chugach School District.

Two small fishing lodges currently operate in southwestern Prince William Sound. One is the neighboring Jumping Salmon Lodge, located on Evans Island, approximately 1.5 miles from Chenega Bay by boat; the second is also located on Evans Island.

Access Options

Chenega Bay is an island community and is accessible only by water or air. Individuals wishing to travel to and from the village have the following access options:



Alaska Marine Highway System

The Alaska Marine Highway serves Chenega Bay with several ferries that travel from Homer, Kodiak, Seldovia or Whittier. Ferries travel to Chenega Bay once every two weeks during the summer.

Summer and winter fares for 2007 for individuals range from \$89 to \$163 in the summer of 2007. Vehicles fewer than 15 feet traveling from those same locations are charged from \$159 to \$359.⁵

The Whittier Tunnel

The Anton Anderson Memorial Tunnel has been open for vehicle traffic since June of 2000, and offers a connection from Whittier to the Southcentral Alaska road system, including the Kenai Peninsula, Anchorage, and beyond. Individuals traveling the road system who wish to reach Chenega Bay can travel to Whittier and from there travel by ferry, charter or personal boat to Chenega Bay. The tunnel is open to traffic from 5:30am to 11:00pm during summer months and from 8:30 AM to 6:30 PM during winter months (October to April). Tunnel fees are \$12 for passenger vehicles when traveling to Whittier and no cost from Whittier. The tunnel opens fifteen minutes on the half-hour to Whittier and on the top of the hour from Whittier.

Flight Service

Flight service to Chenega Bay is provided by Alaska Air Transit. Passenger fares, one-way, to Chenega are \$128.71 from Anchorage, \$82.43 from Cordova and \$100.13 from Tatitlek. Freight charges are \$0.61 per pound up to 1000 pounds. Flights depart once-daily Monday, Wednesday and Friday.

⁵ Information from Alaska Department of Transportation.

Please see the Tourism Trends section below for a discussion of ferry and tunnel usage over time.

Previous Studies

Previous studies covering area tourism development, economic development and community and area planning include:

- Chenega Corporation: Tourism Development Sites. Chris Beck & Associates. 1997
- Tourism Development Strategies: Chenega Corporation. Christopher Beck & Associates, 1995.
- Native Village of Chenega: Marine Services Center Market Feasibility Study. Aurora Consulting. 2002.
- Prince William Sound: Ten Years after the Oil Spill - An Economic Profile. Alaska Economic Trends, March 1999. <http://www.labor.state.ak.us/trends/trendspdf/mar99.pdf>
- Chenega Bay Marine Service Center Market Demand Study. Ogden Beeman & Associates, Inc. 1992.
- Community of Chenega Bay: Comprehensive Economic Development Strategies. Aurora Consulting. 2001.
- Chenega Bay Masterplan. GDM, Inc. 2002
- Management Plan for State Marine Parks: Prince William Sound and Resurrection Bay. Alaska Department of Natural Resources. March 1995.
- Recreational Kayak Visitor Use, Distribution, and Financial Value of Beaches in Western Prince William Sound, Alaska, Between 1987 and 1998. USDA Forest Service Proceedings RMRS-P-15. Volume 4, 2000. Paul Twardock and Christopher Monz.
- Prince William Sound Regional Transportation Plan, State Department of Transportation, working with Parsons Brinkerhof Engineers, HDR and Christopher Beck and Associates, 2000.

■ TOURISM TRENDS

Overview

Travel to Alaska is a large and important sector of the state economy. After years of rapid growth, the industry has matured and is beginning to stabilize, with slower growth rates, and fewer new businesses entering the tourism sector. Tourism in Alaska and the world is an increasingly competitive business - Alaskan businesses and communities compete on a global scale, with businesses worldwide. A prospective traveler from the lower 48 states seeking a kayak trip in a beautiful setting can paddle in Patagonia, the south Pacific, or Prince William Sound – all for about the same price.

Statewide trends in visitation show that there are large numbers of visitors coming into Alaska for the May through September tourist season. From 1993 to 2006, visitation increased from 861,000 to 1.6 million – an increase of approximately 89 percent. As the rate of growth has steadily increased over the past 16 years, it is reasonable to expect that visitor numbers will remain strong and demand for Alaskan tourist activities, food and beverage services, and lodging will continue.



The majority of visitors are interested in traveling to Alaska primarily as a vacation destination (as opposed to business travel). Four out of five travelers reported that they visited Alaska for vacation and/or pleasure purposes. One third of these have previously visited the state, which represents a three-fold increase in return visitation since the early 1990's. About one quarter of cruise travelers are repeat visitors; just less than three quarters of air travelers have visited Alaska previously.

Travel Modes

The travel mode most favored by visitors to Alaska remains the cruise ship, with plane and ferry travel as the second and third most frequent travel modes. During the mid-90's, 3 out of 10 out-of-state visitors were cruise ship passengers. 59 percent of the travelers who came to Alaska in the summer of 2006 – 958,900 people – traveled by cruise ship, with seven out of ten of these travelers patronizing Southeast Alaska. Significant numbers also visited the two ports most closely neighboring Chenega Bay - Seward (8th most visited in the state) and Whittier (10th most visited in the state). 324,300 persons visited Seward in 2006, while 228,200 visited Whittier.

Though not a cruise ship port, Anchorage - which was more directly linked to Prince William Sound with the opening of the Whittier Tunnel - acts as a hub for flight traffic related to and separate from the cruise industry, as a jumping off point for road travel to destinations such as Denali and as the most popular overnight destination in the state. Anchorage was the fourth most visited community the state in 2006, with 50 percent of total visitors to the state spending time in Anchorage.

At the outset, a facility developed in Chenega Bay would likely draw both from travelers passing through Whittier, Seward, and Anchorage. It must be noted that although large numbers of tourists are visiting the state as a whole, Chenega Bay would be relying on a much more independent traveler base than the typical cruise ship passenger, who is primarily moved by package tour through Southeast Alaska with a small amount of time also spent in Anchorage, Fairbanks and Denali State Park.

Road Traffic via Whittier Tunnel

The Whittier tunnel opened to vehicle traffic in June of 2000. The tunnel’s opening offered Alaskan residents and visitors an additional gateway to the waters of Prince William Sound.

There have been several changes since the tunnel first opened that have impacted the volume of traffic moving through the tunnel, of which approximately 85 percent is automobiles (Source: AKDOT&PF).

The return of Princess Cruise lines to the Port of Whittier brought increased traffic to the community via bus. The tunnel’s operation has adapted to accommodate larger numbers of buses using it as an access point. Following the return of Princess Cruises to the port of Whittier, the cruise line increased their number of trips per season to Whittier and the numbers of tunnel visitors increased as well.

Table 2. Whittier Tunnel Usage

Month	2000	2001	2002	2003	2004	2005	2006
January		4,832	3,318	4,822	4,638	6,338	5,420
February		6,370	3,388	5,010	5,276	5,868	5,328
March		12,310	5,440	7,170	6,570	8,196	8,176
April		7,850	6,876	9,334	9,622	10,470	11,060
May		18,208	21,614	22,664	28,728	27,770	26,014
June	30,598	30,024	31,648	32,216	39,658	40,802	38,616
July	46,618	32,640	38,916	41,052	45,976	49,024	48,930
August	45,618	29,902	34,460	35,566	42,562	44,302	38,758
September	28,846	16,780	22,882	22,328	25,506	25,880	30,306
October	12486	6820	8698	9704	11816	9992	10976
November	6672	4056	6286	5468	5916	6094	6401
December	5268	3194	4944	4270	5868	5778	6069
Yearly Total	176106	172986	188470	199604	232136	240514	238059
Percent Change	100.00	-1.80	8.22	5.58	14.01	3.48	-1.03

Source: Alaska DOT&PF

The figures on tunnel usage offer several useful insights into tourism and recreation use in Prince William Sound. One theme is that total use is relatively stable. A second message is that use is highly seasonal, with winter use being only a fraction of summer use. The peak month,

July, corresponds to the period when fishing is best (red salmon are in), and the odds of relatively warm dry weather are the highest.

Alaska Marine Highway System

The Marine Highway System provides year-round ferry service to many Alaska coastal communities, allowing passengers and vehicles to be transported around Southeast and Southwest Alaska. Approximately 5% of visitors to the state reported using the ferry system as means of transportation. This translates to about 84,800 travelers. Over 60 percent of travelers using the Alaska Marine Highway system are Alaska residents. Passenger embarkation in Southwest Alaska has been generally falling since 1997. Between 2005 and 2006, however, when the quality of service increased, use rose from 282,236 to 307,220 passengers.

Table 3 presents the number of sailings and the sequence of ports traveled by the Marine Highway vessels during 2006 with stops in Chenega Bay. The numbers in Table 3 indicate the number of sailings with the October through April winter routes noted in parentheses. Despite the short summer season, summer sailings represent over 56 percent of the total.

The stops included in Table 3 are Cordova (CDV), Chenega Bay (CHB), Whittier (WTR), Kodiak (KOD), Seldovia (SDV), Homer (HOM) and Tatitlek (TAT). The routes that include Chenega have increased from 33 in 2004 to 45 in 2006.

Routes	Aurora	Kennecott
CDV CHENEGA BAY (CHB) WTR	(9)	
KOD CHB WTR		10
SDV HOM KOD CHB WTR		1
VDZ TAT CDV CHB WTR		(1)
WTR CHB CDV	(12)	
WTR CHB CDV TAT VDZ		(1)
WTR CHB KOD HOM		10
WTR CHB KOD HOM SDV		1

Table 4 details passenger travel to Chenega, Cordova and Whittier. Passenger traffic to Whittier has increased over the past 10 years, at an average rate of 13 percent. The large jump in travel to/from Whittier in 2006 may be related to the discontinuation of service to Seward in September 2005, which was re-routed to Whittier. The number of port departures has steadily risen for Chenega Bay over the period shown here, although the total number remains quite small.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Embarkment										
Chenega Bay	50	43	62	74	45	52	88	45	104	69
Cordova	5,414	5,077	5,088	5,075	5,438	5,769	6,293	5,132	8,136	11,532
Whittier	9,393	8,669	8,097	8,285	7,891	8,244	8,141	8,240	9,712	18,189
Disembarkment										
Chenega Bay	48	68	50	91	67	74	47	66	119	133
Cordova	5,567	5,082	5,019	5,418	5,872	5,871	6,456	5,206	7,974	11,650
Whittier	9,691	9,174	8,618	9,061	8,938	9,309	9,728	9,705	12,208	21,520

Port Departures										
Chenega Bay	30	26	27	27	28	36	24	33	34	44
Cordova	163	164	161	162	160	157	169	132	278	340
Whittier	116	116	117	123	129	129	134	111	213	419

A final important option for visiting southwest Prince William Sound is by charter boat. Both Seward and Whittier have a number of businesses offering charter fishing, hunting and kayak drop off service to the area. The number of businesses featuring these services grew steadily over the last two decades, although it has stabilized in recent years. Honey Charters, one established business in Whittier, will take kayakers and their boats to and from the Chenega area for approximately \$200 per passenger

Overall, travelers with an interest in southwest Prince William Sound and more specifically, Chenega Bay, have a good selection of ways to access the community, including small plane, ferry and charter or personal watercraft. Chenega residents report that biweekly ferry stops usually see passenger getting off the boat to briefly visit the village, with passengers interested in visiting the Russian Orthodox Church and the local museum. Because of the infrequent service, the ferry will not be a significant factor in the use of the proposed lodging, but nonetheless offers one additional way to market the facility. For example, visitors could fly one way and come by ferry on the other leg. For this to work well, the lodge operator would need to figure out and describe how to make the logistics work in their marketing material.

Reasons to Visit

Surveys have shown that the primary motivation for visiting Alaska is the natural environment – Alaska’s physical character is its greatest resource – its mountains, glaciers and wildlife. The most popular activities identified by visitors include:



- Shopping
- Wildlife viewing
- Culture/history
- Sightseeing
- Walking
- Sport fishing
- Adventure travel (including kayaking, camping, etc.)

Visitors spent \$1.5 billion on trips to Alaska during the 2006 tourist season, not including their travel to and from the state. Visitors spent:

- Over \$300 million on tours, activities and entertainment
- \$289 million on gifts and souvenirs
- \$191 million on lodging
- \$158 million on food and beverages

Market Segments

The remainder of this section reviews characteristics and trends of different segments of the Alaska travel market.

Package Travel

Scenery and wildlife viewing are Prince William Sound region's greatest attraction for out-of-state visitors, bringing several hundred thousand "package travelers" into the area each summer, on overnight and day cruises. Day cruises offered out of Whittier and Seward are dominant tourism activities in the area, offering travelers the chance to see glaciers and wildlife, including whales seabirds, seals, sea lions, and sea otters. Multi-night cruises cross Prince William Sound between Southeast Alaska and Whittier or Seward. Cruise ship routes take in the College Fjord area, and those that continue to the west pass nearby Chenega Bay.



Adventure & Cultural Travel

Industry research indicates that interest in cultural tourism, wildlife viewing, and nature-based tourism opportunities is growing worldwide. Culture and adventure travelers contribute more revenue per visitor day than any other visitor category. Additionally, more revenue generated from these types of activities is retained within the state as opposed to other types of visitor activities that funnel revenues to outside service providers such as cruise ship companies.

Cultural, nature-based tourism and ecotourism are some of the fastest growing tourism segments within the state market.⁶ Approximately half of the respondents to the summer 2006 Alaska Visitors Statistics Program participated in cultural activities during their visit to Alaska, representing half of the 1.63 million out-of-state summer 2006 visitors to Alaska.⁷ While cultural tourism attractions are popular, wildlife viewing remains the second most popular activity of those visiting the state (56 percent of participating visitors), behind shopping (71 percent).

Chenega Bay currently has the potential to take greater advantage of visitor interest in Native cultures. Subjects certain to be interesting to visitors include learning Chenega's long history in the sound, the change of the centuries of the glaciers and the landscape, traditional and current subsistence lifestyle, and the unique recent history of the Good Friday earthquake, as well as the challenges and recovery from the Exxon Valdez oil spill.

The community's Johnny B. Totemoff Museum, located near the dock where the ferry disembarks, could be a partner to the proposed lodging, for example, offering interpretative tours, craft demonstrations, dance exhibitions, creating and selling traditional crafts, or offering kayak tours themed around Chenega history and culture (see more in the Preferred Options section).

⁶ "Sustainable Economic Development for the Prince William Sound Region." National Wildlife Federation. September 2005.

⁷ Ibid. These numbers are based on intercept (in-person interviews) passengers only, approximately 2,700 of the over 5,000 total respondents.

Kayaking

Travelers interested in kayaking are drawn to the Prince William Sound by the area's spectacular wilderness and wildlife, offering the combination of mountain and ocean environments in a single setting. The lack of people in the area, and the resulting opportunity for solitude, is an essential dimension of the southwest area of Prince William Sound. The Sound's relatively protected waters make recreation relatively safe, and have contributed to growth in kayaking in the area. Data for recreational use of this area is not extensive; however a 1998 study by Paul Twardock and Christopher Monz of the USDA Forest Service estimated recreation kayak visitor use to Prince William Sound.⁸ The study collected data from sea kayak guide/outfitters, charter boats, lodges and rental businesses operating in western Prince William Sound. The results of their study showed that kayaker usage increased from 6,646 visitor-days in 1987 to approximately 12,786 visitor-days in 1998. During this period, the average annual rate increased by 7.5 percent. The study also found that the Prince William Sound area provides economic benefits for the Forest Service, who collects permit fees and cabin revenues. These have steadily increased with the increased usage of cabins and permits for use in the Prince William Sound area.

By 2005, several Prince William Sound kayaking businesses reported growth rates of 10 to 15 percent per year. With the benefit of favorable word-of-mouth reviews, continued marketing, and the growing numbers of visitors who return to Alaska for successive vacations, it is likely that interest in kayaking as a tourist opportunity will remain strong. Chenega Bay is well positioned to take advantage of this trend, offering a starting point in the heart of some of the Sound's most pristine, beautiful and least visited environments. Chenega Corporation's ten development sites, all located near to the village, were reserved specifically for their ability to support wilderness recreation, for example, by offering camping platforms or a hut system that could allow kayakers the pleasures of exploring the area, with the option of a comfortable place to stay at the end of the day.

Sport Fishing and Hunting

Prince William Sound is a popular location for sport fishing for halibut, several species of salmon, and other sport fish. The SW portion of the sound offers good fishing for halibut, cod and other bottom fish, but generally is not considered as a top fishing destination relative to other parts of Alaska due to the relatively limited opportunities for salmon fishing.

In the 2006 Alaska Visitor Statistics Program, twenty percent of all out of state visitors reported participating in fishing activities. Fishing lodges were also reported to be a popular choice among groups that participated in packaged tours. While a majority of those who participate in package tours are cruise passengers, almost half of the non-cruise visitors participating in a "packaged" activity reported visiting a fishing lodge. Specific figures are not available, but discussions with charter operators in the Seward and Whittier suggest that most of the anglers in the Prince William Sound area are Alaskan residents.

Competition for a share of the sport fishing market is quite high. Seward, Valdez, Cordova Whittier and Homer all have large charter fishing fleets. All these communities (but Whittier) host popular salmon and halibut derbies that attract many visitors. Almost all the land along the

⁸ "Recreational Kayak Visitor Use, Distribution, and Financial Value of Beaches in Western Prince William Sound, Alaska, Between 1987 and 1998." USDA Forest Service Proceeding RMRS-P-15-Vol-4. 2000.

coast from Cordova to Homer is held either by the US Forest Service, the National Park Service or Native Corporations, with very few non-native private properties. As a result, Southcentral Alaska has relatively few fishing lodges in remote locations, which contrast to Southeast Alaska where there are many such facilities. As mentioned above, there is only a handful (3-4) of fishing lodges in the Prince William Sound area, with two of these located on Evans Island near Chenega Bay. The Jumping Salmon Lodge, located 1.5 miles from Chenega Bay (see Comparable Facilities section) offers a number of fishing packages, as well as kayaking, hunting, and gourmet meals focused on local fare. The owners, who were interviewed for this project, report that they have a small but growing, successful business, and emphasized that running the lodge is hard work, requiring building a customer base over several years.

Hunting

The Prince William Sound area offers popular hunting opportunities for bear, deer, waterfowl and moose and mountain goats. Access is good to popular coastal areas by boat and floatplane. Table 5 presents a general harvest summary for the game management unit that includes most of Prince William Sound and Chenega (Unit 6). As the table shows, deer and black bear represented the largest numbers of species taken by hunters. Though these populations could draw the interest of non-resident hunters, other areas of the state are more popularly patronized for hunts focused on moose and bear populations. It is likely that the addition of guided hunts as part of a menu of activities would be supplementary to activities such as kayaking, eco-tourism and fishing.

Species	2001	2002	2003	2004	2005
Black Bear	459	370	416	364	507
Brown Bear	44	49	56	70	54
Deer	2654	1902	3000	2500*	2679
Moose	77	51	62	44	102
Mountain Goat	55	71	85	80	88
Wolf	2	4	-	7	7
Source: Alaska Department of Fish & Game, General Harvest Reports					

Business Travelers

While business travel does not draw large numbers of visitors to Chenega Bay, business travelers do come through the community on a regular basis, often seeking lodging. This is common in remote Alaska villages, and in many rural communities provides enough demand to support a small lodge or bed and breakfast. Chenega residents estimate between 8-10 visitors per month pass through the community, staying an average of 1-2 nights. This number is equal to 96-120 total business visitors per year. Additionally, several regional meetings per year are held in Chenega. Given the limited facilities currently available in the community, improvements in lodging or meeting space would likely encourage more business travelers to spend the night in Chenega (see more in Chapter 4).

Link to Future Plans for Other Chenega Bay Developments

Establishing a local lodging option will help to support future development of other services projected to take place in Chenega Bay, such as the Marine Services Center. The majority of users taking advantage of the services proposed for the Center are expected to be day travelers. However, it is likely that the combination of marine services – especially if food, communications and commercial services are offered in concert with marine fuel service, moorage and dock space, and vessel repair – will attract visitors that may later be enticed to patronize a lodging option, especially if it is located in a scenic area and offers an interesting menu of activities.

Chenega Bay presently offers very limited hiking opportunities. Visitors can walk out the road to the airport, explore the roads in town, or walk along the rocky beach (when the tide is right). The community does have one modest hiking trail located near the airport runway. Several plans have been developed to create additional trails or improve the trail that currently exists. As visitors to the state have indicated that “walking” is one of the primary ways they explore Alaska’s communities and wild areas, development of additional trails will add to the attractiveness of Chenega as a tourist destination.

As discussed above, Chenega Corporation’s in-holdings located around Southwest Prince William Sound were specifically selected to support tourism development. Selection criteria included elements such as aesthetics; proximity to visitor attractions; protected boat mooring; and physical character for development. With a focus on eco-tours, cultural tourism, hunting and fishing, these parcels offer greater potential to offer area visitors a high quality experience. Over time, development of these parcels could be key to increasing the reasons to visit Chenega Bay.

PRELIMINARY OPTIONS FOR CHENEGA BAY LODGING DEVELOPMENT

Introduction

When considering the development of a lodging opportunity for Chenega, it is helpful to look at lodging options as points along a “development spectrum” (see Figure 1). One end of the spectrum holds the most basic lodging options – starting with a single room in an existing residence. The size and complexity of alternatives progress from this point. Construction costs grow; operations costs and revenue potential increases. The numbers of visitors needed for success grows as well, as do visitor’s expectations for the range of available activities.

The potential impacts to the host community also increase with the size of a lodging option. In a physical sense, a large facility located within a community composed mainly of modest sized homes would become a dominant element of the built environment. More significantly, larger lodging options require a level of staffing well beyond the capacity of Chenega, triggering the need to bring in an out-of-town, seasonal workforce, and provide associated worker housing. This in turn triggers the need for expanded infrastructure services and facilities including increased capacity for electricity, water and sewer service, waste disposal and perhaps public safety, fire and medical services. Larger scale development also changes the character of community life, especially as the volume of visitors and lodging staff begins to exceed the size of the local population.



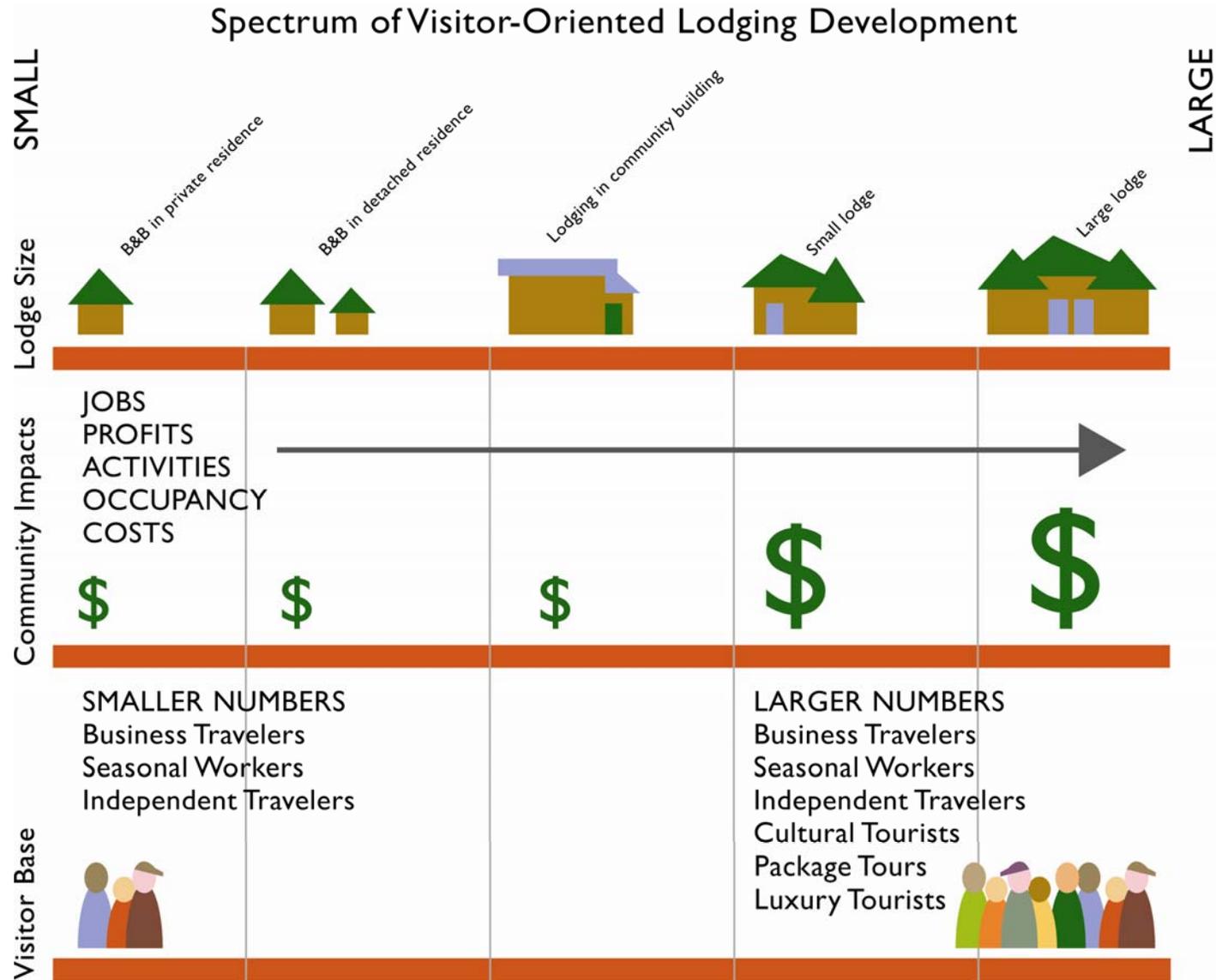
Community Impact – Local Perspectives

As part of the planning process for this study, community meetings were convened in Chenega Bay to determine community members’ feelings on the best level of development for the area, as well as their interest in owning, partnering to own, or being employed at the potential facility. The meetings did not receive a high level of attendance. However, conversations with community leaders, service providers and local youth provided a good cross section of the local perspective. Community members who did attend or agreed to comment acknowledged that there was need in Chenega Bay for some form of lodging. Most did not feel that there was sufficient local expertise in managing and maintaining a business of this type, even on a small scale.

Several expressed the belief that a business of this type could not only take advantage of visitation to the area but also provide employment experience/job training for local youth. Others felt that a smaller level of visitation would be positive for the community, but worried at the impact to their lifestyle should a larger facility be established, attracting large numbers of visitors to the community and the area.

Several residents agreed that should a local lodging option be developed, they would prefer that it mesh with the character of the community, with a more “rugged Alaska” design and feel, perhaps as a series of cabins with the capacity to grow to a larger facility at a later phase. Though open to various levels of development, the general consensus was that a smaller level of development would best mesh with the character of the community at this time. While residents expressed that some in the community are resistant to development attracting travelers from outside of the community, it was acknowledged that the community needs economic development. Lodging with associated tourism activities is a strategy that could expand on, and ultimately create incentives to maintain the qualities that people like about their community.

Figure 1. Spectrum of Lodging Developments



Points along the Spectrum

Following are five examples of lodging options that could be developed for Chenega Bay.



Example 1: Lodging as component of existing residence

The bed and breakfast within private residence is the simplest of all options considered here, and consequently, guests will have the fewest expectations of their stay. Most bed and breakfast patrons will expect to be served at the least, a continental breakfast, though some facilities around the state do not provide this service or invite guests to make use of a shared kitchen.

Operations costs quoted below are based on utilities costs only and provide a basis for estimating preliminary operations costs.

Estimated Square Footage	300- 500 per guest room; common space
Estimated Capital Cost	\$25,000 – 100,000 per room (as part of house)
Amenities	Linen service; continental breakfast; internet service; telephone service
Estimated staffing	1 staff member Duties include: janitorial, stocking and ordering supplies, room reservation and guest check in, light maintenance, food preparation, and generally serving as a source of knowledge about things to do



Example 2: Lodging as detached from but part of private residence

The example provided here assumes several simple cabin-style structures, supported by a private residence. Kitchen and laundry services could provide support services such as laundry and meals. The increase in rental rates per cabin (over rates quoted above for bed and breakfast in private residence) is related to the increase in privacy for each cabin structure.

Operations costs quoted below are based on utilities costs only and provide a basis for estimating preliminary operations costs.

Estimated Square Footage	400- 1000 SF per cabin
Estimated Capital Cost*	\$100,000-200,000 per cabin
Amenities	Small living room, dining space, continental breakfast and/or kitchen facilities; linen service; option for internet & telephone service optional
Estimated staffing****	1 – 2 staff members for 3-6 cabins Duties include: janitorial, stocking and ordering supplies, room reservation and guest check in, light maintenance



Example 3: Lodging as part of existing community building

The example provided here is similar to that provided in Example 1. As a means of sharing costs, guests could share kitchen facilities and restroom facilities located on-site.

Operations costs quoted below are based on utilities costs only and provide a basis for estimating preliminary operations costs.

Estimated Square Footage	300- 500 SF per room
Estimated Capital Cost	\$25,000 – 100,000 per room (as part of house)
Amenities	Access to cooking facilities preferred, linen service; internet service telephone service
Estimated staffing	1 staff member for every 4-6 rooms Duties include: janitorial, stocking and ordering supplies, room reservation and guest check in, light maintenance



Example 4: Small lodge

For the purpose of this comparison, a small lodge is defined as a stand alone facility that offers at least six rooms with an occupancy rate of at least 15 people. Also included here are three shared baths, a communal area that could potentially be used for serving meals and relaxation, a basic kitchen, storage, with additional space factored in for heating, ventilation and hallways.

Estimated staffing is based on total occupancy, with a ratio of one staff person to every five visitors. Also listed here are a range of additional activities/amenities that visitors might expect with this level of facility.

Estimated Square Footage	3000- 5000 SF
Estimated Capital Cost	\$1,000,000- \$2,000,000
Amenities	3 staff members Linen service; internet service; telephone service; television; meal service; planned activities; guided services
Estimated staffing	1 staff member for every 4-6 rooms Duties include: janitorial, stocking and ordering supplies, room reservation and guest check in, light maintenance



Example 5: Large lodge

For the purpose of this comparison, a large lodge is defined as a stand alone facility that offers greater than six rooms. For the example provided below, lodge capacity is estimated at twelve rooms – six double rooms with capacity for four guests, and six single rooms with capacity for 2 guests. The total occupancy is thirty-six guests. This example also includes private baths for each room, a larger communal area, a full commercial kitchen, and increased storage area. 25% additional space is factored in for heating, ventilation and hallways.

Operations costs quoted below are based on utilities costs only and provide a basis for estimating preliminary operations costs.

Estimated Square Footage	5000-10,000 SF and larger
Estimated Capital Cost	\$1,500,000- \$3,000,000 +
Amenities	Linen service; internet service; telephone service; television; meal service; planned activities; guided services
Estimated staffing	1 staff member for every 4-6 rooms Duties include: janitorial, stocking and ordering supplies, room reservation and guest check in, light maintenance

PREFERRED OPTIONS

Basis for Recommendation

As outlined in the introduction to this report, this project is intended to achieve a number of goals, listed below. The judgment regarding the preferred lodging option for Chenega reflects a balancing of these different intentions.

- Create jobs and business opportunities in Chenega Bay for local residents and Chenega Corporation shareholders; create opportunities for residents to gain business skills and experience
- Attract more full time residents to Chenega Bay, to help create a stronger, more vital community.
- Plan the lodging project to be a good neighbor to Chenega Bay residents and a project that is widely seen as a positive addition to community life.
- Plan the lodging project and associated tourism development to protect environmental quality and subsistence activities.
- Develop lodging and tourism development plans in consultation with community residents

Context

Market Support

There are many indicators that lodging in Chenega Bay has the potential to be successful. Visitation to Alaska is strong and continues to grow, and Chenega Bay offers the access and types of experiences – wildlife viewing, culture, mountains, and glaciers, fishing, kayaking and hunting – that visitors are seeking. The existence of this demand is clearly shown by the range of cabins, lodges, day tours, and charter fishing experiences available in nearby areas like Homer, Seward, Whittier, Valdez and Cordova. Western Prince William Sound, with comparable attractions, currently offers very few comparable businesses. Two small fishing/lodging businesses have recently been established in the Southwestern sound, immediately adjoining Chenega Bay. While they are small and are only beginning to develop their customer base – the Jumping Salmon is the more established of the two, the Port Ashton just completed its first summer of operation – they show that visitors are interested and willing to spend money to patronize Prince William Sound offerings.



Community Compatibility/Community Capacity

Compatibility with the community is a key part of determining the best type of lodging for Chenega Bay. As discussed earlier, the community largely recognizes that there is a need for local lodging, as well as a need for economic development. Some community members have expressed interest in personally working with visitors through providing boat tours and/or guide services. Community members also support the need for providing opportunities to local youth to gain work experience and training. While interested in economic opportunities, most residents enjoy the remote and small village feeling of Chenega Bay and are leery of large amounts of visitation, as well as the large influx of seasonal workers that would be needed to staff a large facility.

Conclusion - A midpoint on the spectrum of lodging operations

The lodging project that best meets project goals would be a set of one and two bedroom cabins; a manager's cabin that serves as a dining facility; and a design and site that allows this operation to expand over time. This approach would let the facility serve the existing business traveler market and provide a catalyst to build capacity to serve travelers interested in fishing, wildlife viewing and other local recreational opportunities.

The specific facility under this option (Option 1) would be a set of 5 rental cabins and 1 manager's cabin, as outlined below. This facility has a capacity to serve 14-24 guests.

- 3 one-bedroom cabins, approximately 484 square feet, with limited kitchen facilities, bathroom, a living room a fold out couch – sleeps 2 to 4 people
- 2 two-bedroom cabins, approximately 560 square feet, with a kitchen, bathroom, a living room and a fold out couch - sleeps 4 to 6 people
- 1 bedroom manager's cabin, with full kitchen, dining area for up to 14 people, laundry room, tool and equipment room

A second alternative is also identified (Option 2), which has three cabins, without a manager's cabin, with only minimal food service, and with reduced staffing, marketing and other expenses.

Market

The cabins should be designed to serve a number of different types of users, including business and recreation/leisure travelers. Specific target markets, in order of importance, are listed below:

- Anglers – the vast majority of Alaskan lodges located off the road system cater almost exclusively to anglers (and to a lesser degree, hunters). This reflects the fact that serious anglers can buy a very different quality of experience by traveling to remote locations, and they are willing to pay the extra cost. In contrast, wilderness adventurers, described below, can typically find a satisfying wilderness experience much closer to where they live, at a much lower cost. Anglers are estimated to make up 60% of the clients using the lodging.
- “Wilderness Adventurers” – this category includes people who want to see whales and other wildlife, enjoy the scenery, kayak and hike, and also those who merely want a quiet, wild retreat. While making up a smaller portion of the market for remote lodging, this is still an important market segment. One of the following sections describes actions

needed to attract this market. This sector is estimated to make up 25% of the clients using the lodging.

- Business Travelers – 10% of lodge clients, including regional service providers, technicians who maintain or repair local equipment, and representatives of the Chenega Corporation.
- Miscellaneous – 5% of lodge clients, including hunters and small tour groups.

Seasonality

January	2%
February	2%
March	3%
April	5%
May	11%
June	16%
July	21%
August	16%
September	13%
October	5%
November	3%
December	3%

Statistics on the Whittier Tunnel (summarized at left, full figure in Chapter 2) give a helpful reference point for considering seasonal use trends for the planned project. As the chart shows, over 50% of all travel through the tunnel takes place in the three prime summer months. To be successful, the lodge must maximize use during that period, but also lure at least some recreational visitation during the two shoulder season months of May and September, and even further into the winter. This can be done through focusing on Alaskans and offering lower rates than during the peak season.

The financial analysis presumes a 14 week “high season” with higher room rates and much higher occupancies during the remainder of the year. According to village residents, currently about a dozen business travelers come to Chenega monthly who would stay overnight if lodging was available. As the figure below shows, the analysis for Option One presumes a larger figure, under three assumptions: first, with better lodging, more business travelers will choose to spend the night; second, the lodge can market itself to “shoulder season” travelers, particularly Alaskans, who would come to the area to see wildlife, and take advantage of the nice weather

Average number of visitors per month		
	year 1	year 5
summer	245	343
non-summer	27	55

that does occur even during the frequently inclement spring and fall seasons, and finally; with overnight lodging available, more friends and relatives of Chenega residents will come to the community.

Conditions for Success

As outlined in the introduction, successful development of such a facility will not be possible without meeting the challenges outlined in the introduction. The remainder of this section reviews the conditions required for success, and along the way, reviews the assumptions made in the financial analysis. The full financial analysis for both options is presented on the following pages.

Table 6. Operation Costs & Revenues – Scenario I – Year Round Development

	year 1	year 2	year 3	year 4	year 5
OPERATION COSTS					
Employee Pay and Benefits					
<i>Summer</i>					
manager hrs/week (5 hrs/day) ¹	35	35	35	35	35
number of weeks	15	15	15	15	15
pay/hour	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
total salary	\$ 15,750	\$ 15,750	\$ 15,750	\$ 15,750	\$ 15,750
bonus	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
benefits	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225
Total Pay	\$ 19,975	\$ 19,975	\$ 19,975	\$ 19,975	\$ 19,975
support hrs/week (5 hrs/day)	35	35	35	35	35
number of weeks	15	15	15	15	15
pay/hour	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
total salary	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500
bonus	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
benefits					
Total Pay	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500
Summer Employee Pay	\$ 32,475				
<i>Non-Summer</i>					
mgr hrs/wk (avg 2 hrs/day)	14	14	14	14	14
number of weeks	37	37	37	37	37
pay/hour	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
total salary	\$ 15,540	\$ 15,540	\$ 15,540	\$ 15,540	\$ 15,540
bonus	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
benefits	\$ 2,975	\$ 2,975	\$ 2,975	\$ 2,975	\$ 2,975
Total Pay	\$ 21,515	\$ 21,515	\$ 21,515	\$ 21,515	\$ 21,515
support hr/wk (avg 2 hrs/day)	14	14	14	14	14
number of weeks	37	37	37	37	37
pay/hour	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
total salary	\$ 10,360	\$ 10,360	\$ 10,360	\$ 10,360	\$ 10,360
bonus	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
benefits					
Total Pay	\$ 11,360	\$ 11,360	\$ 11,360	\$ 11,360	\$ 11,360
Non Summer Employee Pay	\$ 32,875				
TOTAL ANNUAL PAY	\$ 65,350				
Option I Continued					
Other Operations Costs					
Annual operations cost/sft ²	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5
cost (utilities, routine maint)	\$ 8,080	\$ 8,080	\$ 8,080	\$ 8,080	\$ 8,080
Insurance - liability	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000

Office supplies	\$ 180	\$ 180	\$ 180	\$ 180	\$ 180
Telephone, internet	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Auto (rent truck for pickups?)	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Property Taxes (none?)	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement (1% of const cost)	\$ 9,955	\$ 9,955	\$ 9,955	\$ 9,955	\$ 9,955
<i>Food - covered under revenues</i>					
Room & housekeeping supplies	\$ 240	\$ 240	\$ 240	\$ 240	\$ 240
Miscellany	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
subtotal	\$ 23,855	\$ 23,855	\$ 23,855	\$ 23,855	\$ 23,855
Website, brochure, initial promo.	\$ 5,000				
Marketing (% 5 of operations)	\$ 1,193	\$ 1,193	\$ 1,193	\$ 1,193	\$ 1,193
TOTAL NON STAFF	\$ 30,048	\$ 25,048	\$ 25,048	\$ 25,048	\$ 25,048
STAFF	\$ 65,350	\$ 65,350	\$ 65,350	\$ 65,350	\$ 65,350
PAYOFF OF CONSTRUCTION	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
TOTAL OPERATIONS COSTS	\$ 107,398	\$ 102,398	\$ 102,398	\$ 102,398	\$ 102,398

REVENUES					
number of units	5	5	5	5	5
<i>summer (14 weeks)</i>					
average rate per room ⁴	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225
potential nights (# units*days)	490	490	490	490	490
occupancy	50%	55%	60%	65%	70%
revenue (rate*room nights)	\$ 55,125	\$ 60,638	\$ 66,150	\$ 71,663	\$ 77,175
<i>non summer (38 weeks)</i>					
average rate per room ⁴	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
potential room nights (# units* days)	1330	1330	1330	1330	1330
occupancy	5%	5%	10%	10%	10%
revenue (rate*occupancy*room nights)	\$ 9,975	\$ 9,975	\$ 19,950	\$ 19,950	\$ 19,950
Total room revenue	\$ 65,100	\$ 70,613	\$ 86,100	\$ 91,613	\$ 97,125
<i>Food related revenue</i>					
<i>summer (14 weeks)</i>					
avg profit per meal package	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
meals packages sold (50%)	429	472	515	557	600
revenue	\$ 4,288	\$ 4,716	\$ 5,145	\$ 5,574	\$ 6,003
<i>non summer (38 weeks)</i>					
avg profit per meal package	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
meals packages (50%)	116	116	233	233	233
revenue	\$ 1,164	\$ 1,164	\$ 2,328	\$ 2,328	\$ 2,328
Total Food related revenue	\$ 5,451	\$ 5,880	\$ 7,473	\$ 7,901	\$ 8,330
TOTAL REVENUE	\$ 70,551	\$ 76,493	\$ 93,573	\$ 99,514	\$ 105,455
NET REVENUE (LOSS)	\$ (36,847)	\$ (25,905)	\$ (8,825)	\$ (2,884)	\$ 3,057
START-UP OPERATIONS	\$ (71,404)				
Total visitors	1,090	1,176	1,495	1,580	1,666

OPERATION COSTS & REVENUES - SCENARIO 2 - MINIMAL OPERATION

	year 1	year 2	year 3	year 4	year 5
OPERATION COSTS					
Employee Pay and Benefits					
<i>Summer</i>					
manager hours/week (avg 3 hrs/day) ¹	21	21	21	21	21
number of weeks	15	15	15	15	15
pay/hour	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
total salary	\$ 9,450	\$ 9,450	\$ 9,450	\$ 9,450	\$ 9,450
bonus	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Total Pay	\$ 10,450	\$ 10,450	\$ 10,450	\$ 10,450	\$ 10,450
support/cook hrs/week (avg 0 hrs/day)	0	0	0	0	0
number of weeks	15	15	15	15	15
pay/hour	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
total salary	\$ -	\$ -	\$ -	\$ -	\$ -
bonus	\$ -	\$ -	\$ -	\$ -	\$ -
benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Total Pay	\$ -	\$ -	\$ -	\$ -	\$ -
Summer Employee Pay	\$ 10,450				
<i>Non-Summer</i>					
manager hours per week (avg 2 hrs/day)	14	14	14	14	14
number of weeks	37	37	37	37	37
pay/hour	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
total salary	\$ 15,540	\$ 15,540	\$ 15,540	\$ 15,540	\$ 15,540
bonus	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Total Pay	\$ 16,540	\$ 16,540	\$ 16,540	\$ 16,540	\$ 16,540
support hours per week (avg 0 hrs/day)	0	0	0	0	0
number of weeks	37	37	37	37	37
pay/hour	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
total salary	\$ -	\$ -	\$ -	\$ -	\$ -
bonus	\$ -	\$ -	\$ -	\$ -	\$ -
benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Total Pay	\$ -	\$ -	\$ -	\$ -	\$ -
Non Summer Employee Pay	\$ 16,540				
TOTAL ANNUAL PAY	\$ 26,990				
Option 2 Continued					
Other Operations Costs					
Annual operations cost/square foot	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5
annual cost (utilities, routine maintenance)	\$ 3,820	\$ 3,820	\$ 3,820	\$ 3,820	\$ 3,820
Insurance - liability	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000

Office supplies	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60
Telephone, internet	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Auto (rent truck for pickups?)	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes (none?)	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement (1% of const cost)	\$ 4,331	\$ 4,331	\$ 4,331	\$ 4,331	\$ 4,331
<i>Food - covered under revenues</i>					
Room & housekeeping supplies	\$ 240	\$ 240	\$ 240	\$ 240	\$ 240
Miscellany	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
subtotal	\$ 11,551	\$ 11,551	\$ 11,551	\$ 11,551	\$ 11,551
Website & brochure, up-front marketing	\$ 1,000				
Ongoing marketing (% 5 of operations)	\$ 578	\$ 578	\$ 578	\$ 578	\$ 578
TOTAL NON STAFF	\$ 13,129	\$ 12,129	\$ 12,129	\$ 12,129	\$ 12,129
STAFF	\$ 26,990	\$ 26,990	\$ 26,990	\$ 26,990	\$ 26,990
PAYOFF OF CONSTRUCTION	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
TOTAL OPERATIONS COSTS	\$ 55,119	\$ 54,119	\$ 54,119	\$ 54,119	\$ 54,119
REVENUES					
number of units	3	3	3	3	3
<i>summer (14 weeks)</i>					
average rate per room ⁴	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190
potential room nights (# units*days)	294	294	294	294	294
occupancy	50%	55%	60%	65%	70%
revenue (rate*occupancy*room nights)	\$ 27,930	\$ 30,723	\$ 33,516	\$ 36,309	\$ 39,102
<i>non summer (38 weeks)</i>					
average rate per room ⁴	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
potential room nights (# units* days)	798	798	798	798	798
occupancy	10%	10%	15%	20%	20%
revenue (rate*occupancy*room nights)	\$ 9,576	\$ 9,576	\$ 14,364	\$ 19,152	\$ 19,152
Total room revenue	\$ 37,506	\$ 40,299	\$ 47,880	\$ 55,461	\$ 58,254
<i>Food related revenue (breakfast only)</i>					
<i>summer (14 weeks)</i>					
avg profit per meal package	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
number of meals sold (50% of visitors)	184	202	221	239	257
revenue	\$ 459	\$ 505	\$ 551	\$ 597	\$ 643
<i>non summer (38 weeks)</i>					
avg profit per meal package	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
number of meals sold (50% of visitors)	100	100	150	200	200
revenue	\$ 249	\$ 249	\$ 374	\$ 499	\$ 499
Total Food related revenue	\$ 709	\$ 755	\$ 925	\$ 1,096	\$ 1,142
TOTAL REVENUE	\$ 38,215	\$ 41,054	\$ 48,805	\$ 56,557	\$ 59,396
NET OPERATING REVENUE (LOSS)	\$ (16,904)	\$ (13,065)	\$ (5,313)	\$ 2,438	\$ 5,277
START-UP OPERATIONS FUND	\$ (27,566)				
Total visitors - summer	368	404	441	478	515
Total visitors -non-summer	200	200	299	399	399
Total	567	604	740	877	914

Right Site

“A superior site, with great views out over the water, the feel of a wilderness setting, easy access to community amenities, and the capacity to grow to a substantially larger facility”

One of the principle draws for visitors to Chenega Bay will be breathtaking scenery and a strong sense of the natural world. A local lodging option should capitalize on local views with an emphasis on water and, if possible, beach access. The best site is one that connects visitors to the beauty of the place, and allows a unique and unmarred experience of the Alaskan environment.



During a September visit to Chenega Bay, the consulting team with representatives of the Chenega Corporation visited several locations to assess their potential as lodging sites. Table 6 lists the sites that were visited and assesses their strengths and weaknesses under the following criteria:

- Scenery and view: access to unobstructed views of the beach and ocean; quality of surrounding scenery; aesthetic appeal
- Access: how easy is it to reach the site; how close is it to the village?
- Access to utilities: are utilities such as water, sewer and electric currently offered onsite?
- Room to grow: is the site large enough and of the topographic quality that will allow for future expansion of the facility?

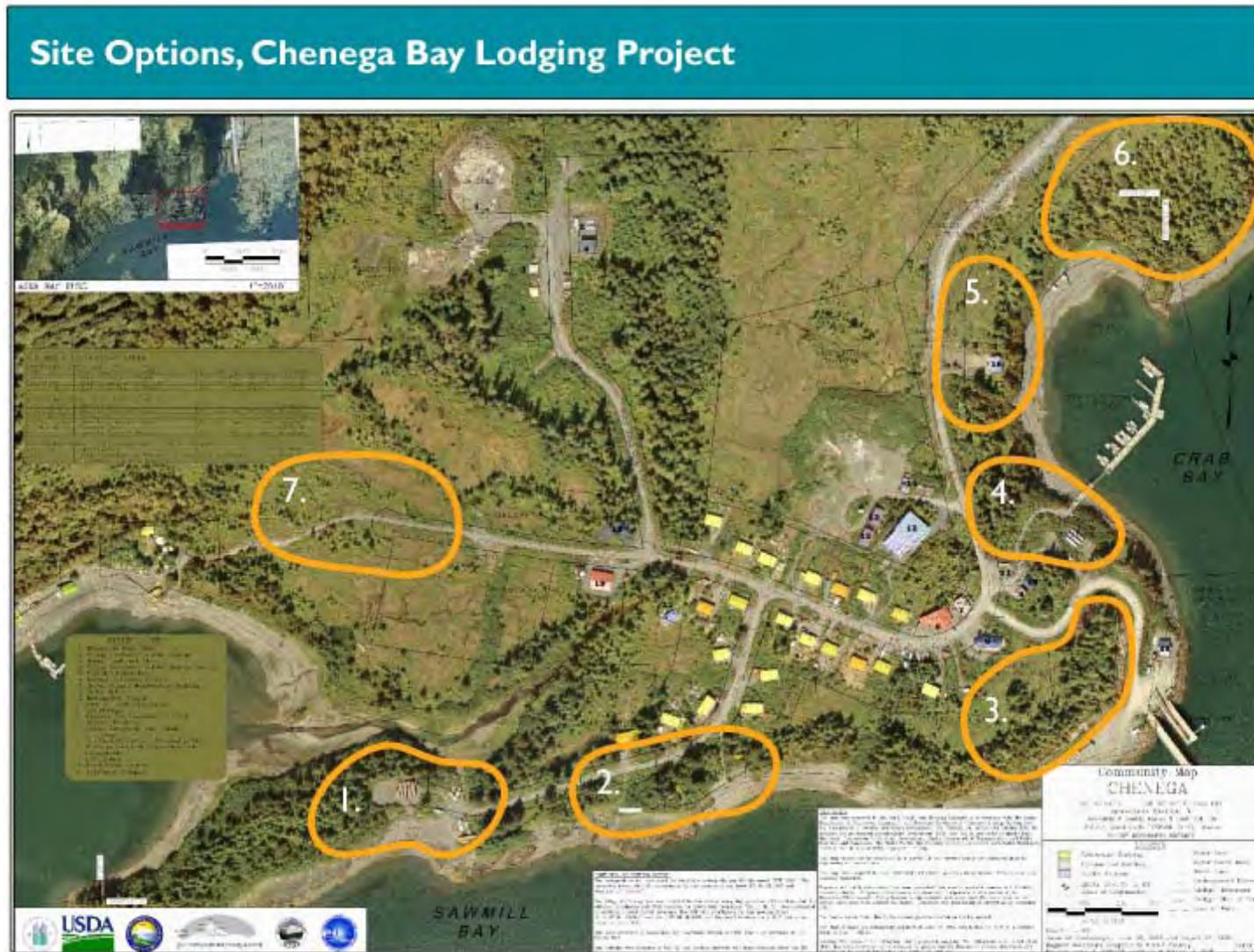
Though further analysis will need to follow this initial assessment, the Long Beach and Peninsula site was determined to have the best combination of attributes. The scenery from this location is excellent. The location (further from the village than other sites visited) was determined to be positive in that villagers and guests would enjoy a buffer between their activities. Some villagers did mention that the distance could pose somewhat of a problem in regards to maintaining the facility over the winter months, and for walking to the village during inclement weather, particularly for elders. However, with proper access and a maintenance plan, this issue could likely be mediated.

The table below, and the following site options map, provides details regarding characteristics and locations of each prospective site.

Table 7. Site Options

Site Name	Scenery & View	Access	Utilities	Room to Grow	Other Notes
1. Long Beach & Peninsula	Excellent	Further from village	Need to be developed	Much room for expansion	Beachfront; lagoon may have water quality issues
2. Don's Beach Area	Excellent	On Road, Close to village	Need to be developed	Some room for expansion	Lodge may conflict with local use; area frequented by locals
3. Overlooking ferry dock	Fair – road cut & dock create an "industrial" feel to view of water	Not on road today, need for a connector	Need to be developed	Some room for expansion	Close to dock
4. Old Fuel Storage Pad	Good		Need to be developed	Some room for expansion	Close to dock
5. Recreation Center Area	Good to excellent	Road access	Need to be developed	Some room for expansion	Potential conflict with rec center? Somewhat difficult to reach water
6. Knoll overlooking small boat dock	Good harbor view	Likely need for a connector	Need to be developed	Ample room for expansion	Difficult to reach water
7. Cemetery area			Need to be developed	Ample room for expansion	Set back from water, poor soils

Map 2. Site options



Right Character of the Facility

“Cabins that are simple and not too costly to build, but at the same time provide a clean, comfortable, attractive place to stay”

The lodgings described in this report take their inspiration from a number of small rental cabins found around Alaska. Such spaces, such as the one shown at right, can be very comfortable and still be relatively inexpensive to construct and operate.

The image in the picture is one of 6 one-bedroom cabins located off the McCarthy Road at the gateway to Wrangell Ste Elias National Park. These facilities were built and furnished for approximately \$100-125 per square foot. More information is available on these cabins at <http://www.curranridgecabins.com/>



Source: www.curranridgecabins.com

The table below shows the size and costs used for this financial analysis (figures shown are for Option 1; Option 2 uses the same size of cabins).

Table 8. Base Figures for Analysis

OPTION 1 - 5 UNITS + MANAGERS HOUSE	
1 bedroom	
number	3
square feet (each unit)	484
total square feet	1452
cost to construct/sf	\$ 250
cost to construct	\$ 363,000
furnishings (includes limited kitchen)	\$ 10,000
total construction cost	\$ 373,000
2 bedroom	
number	2
square feet (each unit)	560
total square feet	1120
cost to construct/sf	\$ 250
cost to construct	\$ 280,000
furnishings	\$ 12,500
total construction cost	\$ 292,500
Managers house/dining rm	
number	1
square feet (each unit)	660
total square feet	660
cost to construct/sf	\$ 250
cost to construct	\$ 165,000
furnishings (includes full kitchen, laundry)	\$ 15,000
total construction cost	\$ 180,000
Total Square Feet	3,232
Site preparation, utility extension	\$150,000
Total Construction Costs	\$ 995,500

Capital costs for construction are estimated at \$250 per square foot. This figure is twice what was used in places like Currant Ridge, a location in an outlying rural area but still on the road system. The extra cost is included to cover transportation costs. The North Pacific Rim Housing Authority spent \$375 per square foot when constructing the local clinic and a similar amount on other public projects around the Prince William Sound region. To be successful, this Chenega project will require a simpler product, with a standardized design, limited finish work, and lower construction costs.

The capital cost in the analysis also includes an estimated \$150,000 in Option 1 and \$100,000 in Option 2 for site preparation and extension of utilities.

Since this project is a for-profit venture, it is likely that funding such as grants would only be available for specific project elements, and not for straight capital costs. Grant dollars might support a local training program that could partner with the proposed facility to offer residents hands-on-the-job experience and prepare them for positions such as fishing/hunting guides, facility managers or maintenance personnel. Should the developing entity decide to develop cultural programs, it is also possible that grant dollars might be available to assist with this process. Arguing for funding for construction for this facility as a means of local economic development is an additional possibility, although the guidelines of most funders such as the United States Department of Agriculture or the Economic Development Administration will want to support a facility that directly serves the local community or provides essential community services. These funders may lend funds at below market rates. Ultimately, it is likely that the capital for the development of this facility will need to come from the developing entity⁹.

Access to Good Food

“Convenient, satisfying means for visitors to have a good breakfast, lunch and dinner, preferably including local seafood”

Visitors to the cabins will have to have some means of getting three meals a day. The cabins are planned so that visitors have the option to cook their own food. In both options, the one bedroom units have a simple “mini-kitchen” with a two burner stove top (but no oven), a small refrigerator, sink, counter tops and cookware; the two bedroom units have a small but compete kitchen. Also, in Option 1, the manager’s house includes a kitchen and dining area, so that clients who choose can buy meals. In Option 2 it is presumed that clients bring all their own food.

Option 1 is the preferred approach as many visitors, especially anglers, will be expecting to be fed. Food service ultimately can be an important profit center. A skilled, creative, and practical cook will be essential for Option 1.

The financial analysis uses a simple “profit per meal package” approach to estimating food-related revenues. The analysis assumes a three meal package offered at approximately \$40. The



⁹ A miscellaneous pessimistic/realistic note: if the tourism venture does not work out, this set of cabins could readily become housing for Chenega residents.

cost to buy and deliver ingredients is presumed to cost \$30, leaving the \$10 profit used in the analysis. Costs to prepare the food and for utilities are covered under staff and utility costs.

Right Set of Recreational Activities

“The primary draw for the site will be sport fishing; secondary attractions will be kayaking, wildlife viewing, sightseeing, hiking, hunting and enjoyable ways to learn about Chenega village life, history and cultural traditions”

As has been mentioned previously, the lodge operation will work only if there is a set of high quality, reliable, professionally-operated recreational offerings readily available to lodging clients. Most important will be setting up at least 2 sport fishing charter operations, which must be in place prior to opening the facility.

In addition to sport fishing, clients ideally would have access to the following activities:



- Kayaking – rental boats and gear, and experienced guides to help both novices and experienced paddlers enjoy the surroundings, which offer some of the best sea kayaking in Alaska, if not the world.
- Wildlife and Glacier Tours – “mountains, wildlife and glaciers” are Alaska’s big three attractions. The greater Chenega area offers prime examples of all three, but to be fully satisfying providing these experiences will require a capable, knowledgeable guide. Particularly if the goal is to see the spectacular Nassau Fjord area, with long stretch of Chenega glacier falling into the ocean, clients will need a boat-based tour.
- Hikes – strolling and more vigorous hiking is an important attraction to many of the visitors who might come to Chenega Bay. A good system of trails could allow visitors to satisfy their desire for a “wilderness experience” without a guide, and help make the lodge popular with the large percentage of the traveling public who doesn’t fish or kayak. As an example, Kachemak Bay lodges all emphasize the availability of trails in their vicinity.
- Cultural Activities – the presence of curious travelers in the community can be both an opportunity and a challenge. Finding a way to accommodate this interest can be a source of profit – for example, through guided walking tours, craft demonstrations and craft classes, craft sales, storytelling or dance. Option One is intended to provide enough magnitude of visitation to make these types of business ventures viable. Providing an outlet for interest in community life can lessen the problem of overly curious visitors irritating residents, and gently educate visitors about appropriate behavior.

Because these activities are not available in the community today, if Chenega chooses to move forward with the project, a first priority will need to be setting up a comprehensive program that will begin to put these business and facilities into place.

In addition to developing businesses, services and facilities in Chenega proper, one of the community's goals should be to, over time, improve Chenega's ten "development sites." This could begin with tent platforms or very modest small cabins in a handful of these locations. Improvements and use of these sites can give Chenega a unique competitive advantage over other waterfront lodging, fishing and kayaking destinations in Alaska.

Good Marketing

"The right system of information to promote the facility, including a solid website and a prompt, reliable and professional system for making reservations and getting answers to questions about the facility and its attractions"

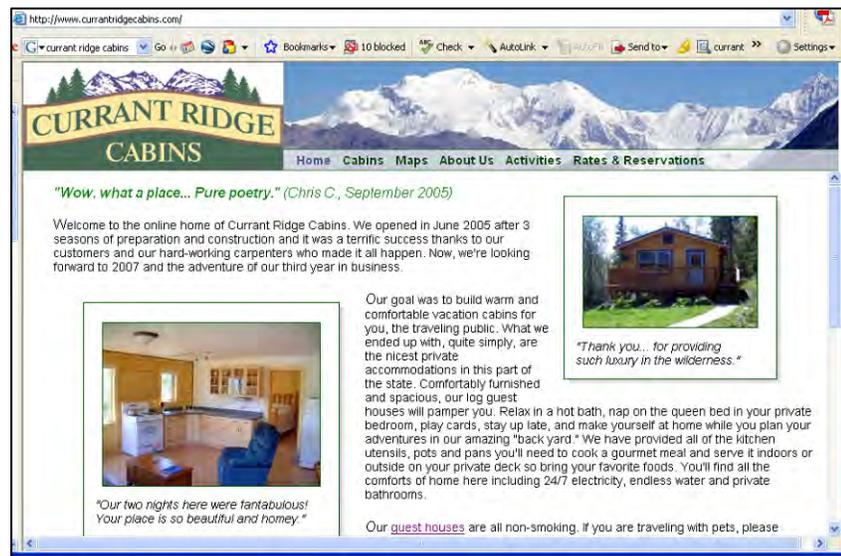
In real estate, the cliché about the road to success is "location, location, location;" in tourism the comparable refrain is "marketing, marketing, marketing."

Chenega is located in a well known destination – Prince William Sound – but the community itself has very little name recognition, even in Alaska. There are many strategies that could be followed to market this

facility. The two actions most needed are: great word of mouth referrals, and second, a simple but effective website. Along with this second objective is the need for an associated ongoing investment in a service like Google "ad-words" to ensure the site is seen. Good word-of-mouth comes from the simple but challenging requirement of ensuring that every customer is given a wonderful experience.

The financial analysis shows, for Option 1, an initial, up-front investment of \$5000 to create a good website, and a simple brochure. Thereafter the analysis shows 5% of the annual operations budget going to marketing, principally to maintain the website. Other marketing activities, that can be artfully implemented during the off season or when budget or serendipity allows, include:

- Becoming a member of the Anchorage Convention & Visitors Bureau, and having a link to the ACVB website, and taking advantage of ACVB access to travel writers
- Buying display ads – such as in the Alaska Milepost
- Printing and mailing brochures to select, high prospects
- Opportunistic road show attendance (e.g., buy combining a personal pleasure trip with an appearance at travel fair, perhaps done jointly with other Chenega area lodges)



Source: www.curranridgecabins.com

- Familiarization tours
- Magazine or newspaper articles – “earned press”

Good Management and Staffing

“To ensure that the facility provides a consistently high quality of service, and to guide the ongoing operation of the facility”

Running a small lodge is a challenging proposition, requiring a wide range of skills, and above all, a determination to do whatever is necessary to guarantee that every customer has an excellent experience. Tourism is not for everyone. Such work requires long hours, and for most business owners and nearly all employees, provides only modest pay. The people who are most successful love what they do, and commonly are more motivated by the life style, the people they meet and the chance to be in beautiful places, rather than the desire to make a lot of money.



Finding the right project manager is likely the single most important decision associated with the entire project. The project may require working with a management entity from outside the community, as well as providing training to local staff.

As mentioned previously, preliminary discussions with Chenega Bay residents have shown that there is little interest locally in developing, managing or owning a local lodging facility. Representatives of the IRA Council were amenable to the possibility of partnering with a developing organization, and acting as the applicant for any funding opportunities that the IRA might qualify for.

As development moves forward, a managing entity will be needed that will provide consistent, forward looking fiscal oversight as well as reliable, strong leadership to staff members. Staff will need to provide consistent, professional service to guests, and be responsible for ongoing maintenance and upkeep of the facility.

It may be that an outside entity manages the facility at the outset and over time trains interested local community members to take over operation when the time is right. One possible development scenario is that the Chenega Corporation agrees to build and own the facility and potentially leases it to a managing entity. Either of these options allows time for the development of local skills in providing guest services and tourism activities, while providing a way for the lodge project to get started in the near term.

Right Financial Incentives

“The defining feature of successful tourism ventures is a highly motivated, skilled and very committed manager”

Small tourism businesses succeed because owners commonly work 7 days a week for an entire summer season, and are on call nearly 24 hours a day. Owners work this hard knowing that this effort will ultimately be rewarded – 5 or 10 years later – with a viable, valuable business. Given that the Chenega project will likely be owned and operated by different people, the compensation package will have to be structured to provide a comparable level of financial incentives.

The financial analysis presents a simplified version of this concept, showing that the manager gets a reasonable salary, plus a modest benefits package (\$350/month) and a bonus of \$4000 per year. The actual business model would need to structure this bonus so it was given based on performance, for example with the manager receiving both a smaller fixed bonus, and a share of future profits.



Community Compatibility

“The overall set of facilities, users, access, demands on utilities, jobs created etc. must fit harmoniously with Chenega Bay community life”

A central challenge for this project is finding a balance point between a facility big enough to be financially viable, but not so big as to disrupt community life, and exceed the capacity of the community to provide needed services. The conclusion reached here is that Chenega Bay should start at a modest level – in the middle portion of the development scale offered in the earlier section. By starting development on a more moderate scale, community members will be exposed to some increased visitation, but will not be overwhelmed by the numbers of guests required to support a larger facility. By starting at a lower level of development, staffing requirements would be of a more modest nature. The suite of activities that would need to be developed to meet visitor expectations would also be achievable, which would allow locals with an interest to develop their skill set, perhaps mentored by a seasonal management entity. A community that is open to tourism is a greater guarantee that visitors will feel welcome, recommend that others visit and perhaps return for future visits themselves.



An additional way the proposed scale of facility is sensible is based on the experience of other, lodges that have been developed around the state. At present, there are very few larger lodges that exist off the road system in Alaska. The few that do exist have been built up over time, adding to their capacity as demand merits. Most of these have a particular “hook” to lure visitors, such as the Waterfall Resort on Prince of Wales Island in Southeast Alaska which provides access to some of the world’s best sockeye salmon fishing, proximity to a major attraction such as the Denali National Park, or have relationships with cruise ship companies

who help guests access package tours to their facilities, such as the Kenai Backcountry Lodge. Though Chenega Bay does boast superior scenery, it does not provide fishing opportunities in the realm of what is provided on Prince of Wales Island, it would need significant time to establish itself as a destination or to cultivate relationships with major tour providers.

The size of Chenega Bay is a great asset for those looking for a rustic experience; however, it also offers some limitations. Chenega has the capacity with its present infrastructure to support a small facility without substantial additions to utilities services, waste disposal, and housing stock. With the construction of a larger facility however; the ability to provide basic services to an increased population (even over the summer months) needs to be evaluated. With the larger staff needed to provide services such as house keeping, management and meal service, in addition to the businesses needed to provide tours, hunting and fishing guiding and interpretive tours it is also possible that new housing would be needed. At present, there are no houses available for purchase or rent within the community. Development at a smaller scale would allow the time for the variety of impacts to local infrastructure to be assessed and addressed.

The high cost of construction and operation in remote Alaskan locations with no sign that fuel prices will decline, also makes a phased approach to development advisable. Establishing a smaller facility with the capacity for expansion will ensure that the community can be ready, that the menu of high quality options visitors are looking for will be in place, and that the size of the facility will not outstrip its ability to attract patrons or operate sustainably.

Operating Costs – Other Notes

Insurance

Insurance estimates were provided in a preliminary sense only and will need to be refined as services offered are better defined and the concept for the building is fleshed out. According to a quote provided by the Anchorage-based Gwaltney and Associates, which insures a number of lodges around the state, liability insurance for three guides providing activities such as walking, sightseeing and kayak tours would run at about \$2,500 per year with an additional \$300 – \$400 per year per kayak insured. Rates for activities involving marine vessels vary and depend on the size of the vessel. This cost could run anywhere from \$3,000-\$35,000 per year, depending. The value of insurance for a facility of this type was estimated at about \$3,000-\$5,000 per year.

Should Chenega Corporation decide to be the owner/operator of this facility and work with a provider who is already serving other Corporation owned lodging facilities; it is possible that these numbers could be reduced.

Maintenance

For a facility with multiple pieces of valuable equipment and components, annual contributions to a reserve account that can be used for major repairs and eventual facility replacement is a necessity. For this analysis, an annual contributions of 1% is used, which is probably lower than the 2-3 percent that ultimately may be required to adequately fund replacement for roofs, boilers and furnaces, water heaters, computers and furnishings.

Community Infrastructure Needed to Support

In the near term, it has been determined that the impact to community infrastructure such as water and sewer, electric provision and trash service will be of a scale that will not significantly impact community systems.

■ APPENDIX A: COMPARABLE FACILITIES

Lodging services have been developed in many locations around rural Alaska. These vary in size and composition, in the level of services that they offer and in cost structure. As Chenega Bay looks towards establishing lodging locally, examples of lodging options that have been developed around the rural parts of the state should be reviewed to demonstrate the diversity of development alternatives.

Example 1: Lodging as component of existing residence

Beachside Bed and Breakfast, Kodiak, Alaska

The Beachside Bed and Breakfast is operated out of a private home in Kodiak, Alaska. Kodiak is located on Kodiak Island in the Gulf of Alaska. The Kodiak economy is based on fishing, seafood processing, retail services and government.

The Beachside offers guests a “3 room suite” which includes: full sized bed and full sized futon; sitting room with cable television; kitchenette; private entrance; private bath; telephone and Internet access; private bathroom; continental breakfast; laundry; beach access.

Rates:

Single: \$85.00

Double: \$95.00

Each additional person: \$10.00

Bev's Bed and Make Your Own Darn Breakfast, Kodiak, Alaska

Bev's is located about 1 mile from downtown Kodiak. Four bedrooms are available, each sleeping up to two persons. One bedroom offers a private bath, while the other rooms share a bath. Other amenities offered to guests include: freezer space; a vacuum packer; a smoker; a gas grill; cable TV; VCR and DVD players and laundry facilities. The B & B has its own private entrance. Guests share a fully stocked kitchen with the bed and breakfast hosts and cook their own meals.

Rates:

Rooms range from \$70.00 - \$85.00



Source: www.bevsbedandbreakfast.com

Example 2: Lodging as detached from but part of private residence

Highliner House Bed and Breakfast, Homer, Alaska

The Highliner House is located in Homer, Alaska. Homer is located on the north shore of Kachemak Bay on the southwestern edge of the Kenai Peninsula. It is 227 road miles south of Anchorage, at the southern-most point of the Sterling Highway. Homer has traditionally been a fishing community with a strong connection to the arts. In more recent years, tourism has become a much greater part of the local economy.



Source: www.highlinerhousealaska.com

Accommodations at the Highliner include 4 cabins with custom interiors and a large two bedroom suite in the main house. Cabins are newly constructed, have custom woodwork and covered decks.



Source: www.highlinerhousealaska.com

Cabin 1 (Angler's Dream) – includes 1 queen bed, hide-a-bed couch, kitchenette, large bed, and handicap access. Sleeps four.

Cabin 2 (Moose Den) – a 1.5 story cabin with one bedroom, loft, full kitchen, washer and dryer. Sleeps seven.

Cabins 3 and 4 (Captain's and Whalesong Cabins) – side by side one bed room units with full kitchens and covered decks. Each sleeps four.

In-house suite (Bracor Suite) – lower level of on-site house. Offers 1,000 SF of living area. Two bedrooms, large private bath, games. Includes private entrance, outdoor hot tub, refrigerator, microwave, washer and dryer. Sleeps six people.

Other activities offered include fishing guide service and outdoor tours. Fishing trips are available for 3/4 day (6 hour) and full day (8 hour) adventures. The rates are as follows.

3/4 day \$125 per person

Full day \$150 per person

The Outdoor Backcountry Tour is a wilderness tour aboard an 8 wheeled ATV. Rate:

\$125 per person per day

Rate:

Angler's Dream - \$120 peak/\$90 off season

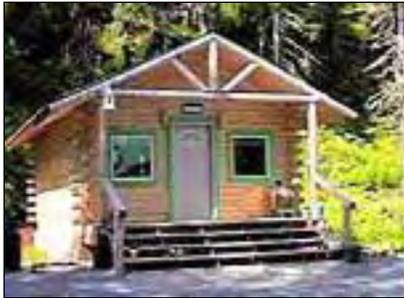
Moose Den - \$165 peak/\$125 off season

Captain's & Whalesong Cabins - \$135 peak/\$100 off season

Bracor Suite - \$165 peak/\$125 off season

Extended stay discounts are available for 4 nights or more

Allen's Alaska Adventures, Seward, Alaska



Source: <http://www.bedandbreakfast.com/alaska-seward-sweetcreationslogcabin.html>

Allen's Alaska Adventures is located adjacent to a private home, 5 miles outside the community of Seward. Seward is located on the road system and is approximately 125 miles from Anchorage. In addition, Seward is also the southern terminus of the Alaska Railroad and provides passenger and freight service to Fairbanks as well as many places and attractions between the two. The city is a major endpoint for many north-bound cruise ships and also receives service from the Alaska Marine Highway ferry system. The community provides ready access to Kenai Fjords National Park for boaters and kayakers and area waters are fished for halibut.

At Allen's Alaska Adventures, guests are lodged in a hand-crafted log cabin that has capacity to house 4 guests and includes a private bath and kitchenette. No breakfast is included with lodging, however beverages such as coffee and tea are included.

Allen's borders the Chugach State Forest and the Lost Lake Trail. Guests receive a 10% discount for stays of 3 days or greater. Guests also receive a 10% discount on sightseeing, fishing excursions or charters aboard the landing craft owned by the facility owners (vessel also has capacity to carry kayaks).

Double occupancy rate: \$135.00

Each additional person: \$10.00

Example 3: Lodging as part of existing community facility

Togiak Family Resource Center, Togiak, Alaska



The Togiak Family Resource Center is a community building located in the Bristol Bay community of Togiak. Togiak is located at the head of Togiak Bay, near the mouth of the Togiak River. It is the largest village in Bristol Bay.

Prior to the construction of this facility, the community had little in the way of lodging to offer visitors. Though the community does see some visitation due to tourism, a greater demand is for lodging for seasonal and itinerant workers and business travel. The Family Resource Center currently houses community service offices, a

UAF/Bristol Bay mini-campus, the City Public Works Department and a 2-bedroom apartment for long-term rental and two lodging rooms.

The two lodging rooms are located on the ground floor of this 6,400 SF facility. The lodging rooms are located in close proximity to the facility's shared kitchen and restrooms. The rooms are very simply decorated and guests are responsible for their own meals (with use of the shared kitchen located on-site).

Rate: \$100.00 per person per night

Example 4: Small Lodge

Hideaway Cove Wilderness Lodge, Halibut Cove, Alaska

The Hideaway Cove Wilderness Lodge is located 8 miles from Homer, Alaska, neighboring Kachemak Bay State Park, on the eastern shore of Halibut Cove. Halibut Cove is a small historic community located on Ismailof Island, across Kachemak Bay from Homer. Hideaway Cove is accessible only by boat or float plane.

The main structure of the Lodge is a hand crafted yurt which is used as a dining and gathering area for guests. The yurt is located on pilings overlooking the water and also has a large deck.

The lodge has a total capacity for twelve guests. Visitors are housed in small, private cabins. Based on their preference and budget, they can stay in beach front cabins with a shared, central restroom or hillside cabins with private restroom.

The Hideaway offers a variety of activities that guests can take part in. Guests can choose single activities or purchase packages, as well as independent activities or guide-led activities.

Independent activities marketed to visitors include:

- Beach Combing
- Berry Picking
- Fishing from shore (complimentary fishing gear provided by lodge)
- Kayaking
- Sauna

Guided trips and tours include:

- Glacier Kayaking & Hiking (\$140 per person; 8 hours)
- Glacier Lake Hiking (\$40 per person; 2 hours)
- Brown Bear Viewing (from \$550 per person; 2 days)
- Coastal Tour by Boat (\$75 per person; 2 hours)
- Whale Watching (\$130 per person)
- Halibut Fishing (Full-day \$225 per person; Half-day \$125 per person)

The Hideaway also offers “Lodge Packages” which include overnight, two-night, three-night, and five-night packages from \$295 to \$2,200. Activities include kayaking, glacier hiking, bear viewing and hiking. Meals are included in package fees.

Rate: \$159.00 per person per night



Source: www.hideawaycovelodge.com



Source: www.hideawaycovelodge.com

Alaska Jumping Salmon Lodge, Evans Island

The Alaska Jumping Salmon Lodge, located 1.5 miles from Chenega Bay offers visitors accommodations in fully furnished cabins. Each cabin is equipped with a deck and fire pit and has a view of Sawmill Bay. Bath services are shared between guests who use a “bath house” which includes restroom facilities and a cedar sauna. All meals are provided onsite and are advertised as “Alaska-style” specializing in fresh caught seafood. The lodge offers fish and game processing.



Source: www.alaskajumpingsalmonlodge.com

Activities offered through the lodge include:

- Full day fishing charters
- Multi-day fishing trips and packages
- Multi-day black bear hunting trips
- Multi-day fishing/hunting combination trips
- Wildlife viewing and sightseeing
- Kayaking (full day/multi-day)

Rates:

Day Fishing/Full Day Fishing

\$250.00 per client – 8 hours fishing

\$300.00 per client – 8 hours fishing with dinner

Multi-Day/Overnight Fishing

1 Day/1 Night

\$595.00 per client

2 Days/1 Night

\$795.00 per client

3 Days/3 Nights

\$1795.00 per client

4 Days/4 Nights

\$2395.00 per client

5 Days/5 Nights

\$2995.00 per client

Example 5: Large Lodge



Source: www.mccarthylodge.com

McCarthy Lodge & Ma Johnson's Historic Hotel, McCarthy, Alaska

The community of McCarthy lies on the Kennicott River, in the Wrangell-St.Elias Park and Preserve. Its old mine buildings, historic community buildings, artifacts and beautiful surroundings attract many visitors during the summer season. The estimated local population is 60 people. This number increases significantly during the summer season.

The McCarthy Lodge & Ma Johnson's Historic Hotel consists of a historic hotel, a hostel-style hotel and a restaurant. Ma Johnson's Historic Hotel has sixteen bedrooms with 6 baths (baths are shared). Rooms are decorated with local artifacts, in a style in keeping with the historic character of the facility.

Lancaster's Backpacker's Hotel has very simple rooms in a hostel style however, rooms are private not dormitory. Rooms can accommodate 1 – 4 people. Linens, blankets and towels are provided. The Hotel also has a reading room, shared bathrooms and showers.

Finally, the McCarthy Lodge Hotel offers guests gourmet meals in a historic atmosphere.

Rates:

Ma Johnson's Historic Hotel

Triple room (one double, one twin bed) - \$249.00

Triple room (one double, one rollaway bed) - \$179.00

Double room - \$159.00

Single room - \$109.00

Lancaster's Backpacker's Hotel

Quadruple occupancy - \$108.00

Triple occupancy - \$88.00

Double occupancy - \$68.00

Single occupancy - \$48.00

Waterfall Resort Lodge, Prince of Wales Island

Along the West Coast of Prince of Wales Island, extreme tides and surging ocean currents create a habitat for millions of bait fish that attract annual returns of trophy-size salmon, halibut, red snapper, and ling cod. These natural phenomena, which first attracted commercial fishermen, offer premier fishing grounds in Alaska for some of the best salmon and halibut sport fishing in the world.

The Waterfall Resort Lodge is located on Prince of Wales Island, in a refurbished historical cannery. The resort can hold up to 92 visitors per day. Packages include waterfront cabins or lodge rooms, with private baths. Waterfront townhouses with kitchens, tub-spas, washer/dryers and wood burning fireplaces are also available.

The resort also includes a conference room.

All resort packages include:

- Round-trip scenic float plane between the community of Ketchikan and Waterfall Resort
- Cottage or lodge accommodations
- Daily maid service
- All meals
- Guided fishing from cabin cruisers
- All fishing tackle, bait, and equipment
- Use of all-weather gear
- Cleaning, vacuum packaging, and freezing of fish
- Special wet-lock fish boxes for travel
- Alaska Airlines departure check-in agent at resort



Source: www.waterfallresort.com

Rates:

	Resort	Round Trip Float Plane	Waterfall Package
3 Nights/4 Days	\$3440	\$355	\$3,795
4 Nights/5 Days	\$4,290	\$355	\$4,645
5 Nights/6 Days	\$5,140	\$355	\$5,495

Additional Nights are \$850 per person based on double occupancy.

■ APPENDIX B: IMPLEMENTATION PLAN

OVERVIEW & BACKGROUND

This appendix is designed to assist the Chenega IRA Council, Chenega Heritage, Inc. or other organizations move ahead with the lodging project evaluated in this Feasibility Study and Business Plan report. As the report makes clear, the project is not feasible in the traditional sense of a strictly for-profit private sector project. However, if capital funding is available, and assuming the community can meet the conditions outlined in the report, both lodging options generate sufficient revenue after 5 years to cover operating costs. Both options also meet community goals with Option 1 generating more local economic development opportunities, but also requiring more upfront capital investment.

MARKET SUMMARY

As the report outlines, prospects are good for demand for a new lodging facility in Chenega. A very brief summary of the market analysis is presented below:

- Statewide use trends show substantial interest in experiences Chenega Bay can offer – fishing, wildlife viewing, kayaking, glacier viewing and sightseeing, hiking, and cultural experiences.
- The success of small lodges in other Southcentral Alaska areas (Homer, Seward, etc.) demonstrates viability of the proposed lodging product.
- Prince William Sound, with great potential to offer quality traveler experiences, has very few existing lodges, suggesting a niche is waiting to be filled.
- Two small lodges recently established in the area are apparently prospering; this shows the viability of a lodging operation in southwest Prince William Sound. Potential demand is far from saturated by these two small facilities.
- Business travel to Chenega Bay provides an important secondary market, particularly in non-summer months.

CONDITIONS TO BE MET

The body of this report sets out the key conditions that must be met for the lodging project to succeed. Moving forward with the project will require a careful, comprehensive program to deliver solid results in all of these categories. Chapter 4 of the report provides detail on each of these subjects.

- Acceptance in community, so visitors feel welcome
- Right site
- Access to good food
- Right set of recreational activities, including charter sportfishing, hiking, kayaking
- Phased improvement of Chenega’s “development sites”

- Right character of facility
- Good marketing
- Right partnerships
- Good management and staffing
- Right financial incentives
- Source for capital funding other than project revenues

SPECIFIC ACTION PLAN

The remainder of this appendix sets out specific steps that the project sponsor and community need to follow to develop a successful lodge in Chenega.

Start-Up

Hold a meeting with the IRA Council and the Board of the Chenega Heritage, Inc, to review the results of the feasibility analysis and business plan report (this report). Discuss findings and reach an agreement regarding specific objectives, responsibilities and a schedule to move forward (the tasks outlined below).

Products:

- A preliminary, 3-5 year schedule listing tasks, timing and responsibility, from project initiation to the end of the first year of operations
- A preliminary strategy regarding options for funding
- A one page project summary, to be used for informational purposes
- Agreement regarding the preferred lodging option - this is presumed to be Option 2, the smaller (3 cabin option) because of the lower capital costs

Community Meeting

Hold a meeting in Chenega Bay to present IRA/Chenega Inc. intentions. Confirm community support for the lodging project and associated needed community actions, including outreach to out-of-village shareholders. Work with the community to refine project objectives and schedule; inquire regarding individual interest in jobs related to the lodge.

Products

- A meeting summary clarifying community support and providing more specificity regarding particular community concerns and objectives
- Refined schedule

Training Programs

IRA/Chenega Heritage organizes access to training programs leading to expanded community-based recreation options. Topics to be addressed include 6-pack licenses, apprenticeships in

comparable businesses, preparation of business plans, access to loans, e.g. to purchase boats for charter fishing operation. Specific steps

Products

- Inventory of jobs and business opportunities that will be created related to the lodge
- Inventory of existing skills, equipment and services available in the community
- “Gap analysis” – what is needed, what is available
- Formal structure to provide needed training; options include scholarships to use established training programs, using grant funds or other resources for Chenega-specific training
- Advertise training opportunities to residents and shareholders

Options for Management & Funding

IRA/Chenega Heritage scope out preliminary options for capital funding and for a management entity

Products

- Inventory of options for capital funding
 - Preliminary judgment about likely availability of funding
 - Preliminary indication about capable entity willing to build and oversee lodge (not necessarily manage day-to-day)
- **PAUSE** – go/no go decision
 - Are residents/shareholders signing-up to get training needed to work at lodge, to provide support businesses?
 - Is there a preliminary indication of sufficient local financial commitment to be confident that full capital funding will be available?
 - Is there a preliminary indication of commitment by an appropriate entity to manage the development of the lodge project?
 - If yes, carry out training

Set Up Management Entity

Products

- Formal agreement on who will carry out project development
- Funding for project development, including funding for architectural and engineering work to refine building design and site improvements

Start-Up Funding

Finalize strategy for acquiring necessary start-up funding. This step will require carrying out a range of implementation actions necessary to persuade prospective funders that the management entity and community are capable and ready to move forward with a successful project. Specific tasks to be carried out, most likely as a precondition to capital funding, include:

- Secure site
- Finalize infrastructure assessment (access, capacity for water, waste disposal, solid waste, housing, etc.)
- Finalize building design (at least 65%)
- Finalize site improvement costs
- Finalize cost estimate to construct (get preliminary bids on materials, site improvement, utilities)
- Fine tune financial analysis
- Finalize local financial contribution

Products

- Refined, detailed feasibility assessment and business plan, suitable for soliciting funding

Capital Funding Requests

Solicit requests for funding (primary low interest loans, perhaps small supplementary grants)

- **PAUSE** – go/no go decision
 - Is site secured, building designed, and training process moving ahead?
 - Is start-up funding secured?
- If yes, carry out remaining steps in implementation plan

Construction Manager

Identify project construction manager (e.g. staff person with IRA council)

Staff

Set up operations staffing (job descriptions, salaries, identify prospective candidates)

Marketing

Set up pre-opening marketing program (e.g., website, reservations system)

Construction

Hire construction crew, proceed with construction

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