

## JUNEAU

### ACCENT ON DIVERSIFICATION

By Christopher L. Miller

The many years of state and federal government presence in the city of Juneau has created a somewhat unique situation for the city's economy. Though private sector employment continued to experience seasonal fluctuations, the large government payroll acted as an insulator against major cyclical and to some extent even seasonal movements in the number of employed. Juneau's residents were quick to realize the benefits of having the state capital in their city. Government was the ideal industry, providing a steady economic base with none of the pollution problems associated with heavy industries.

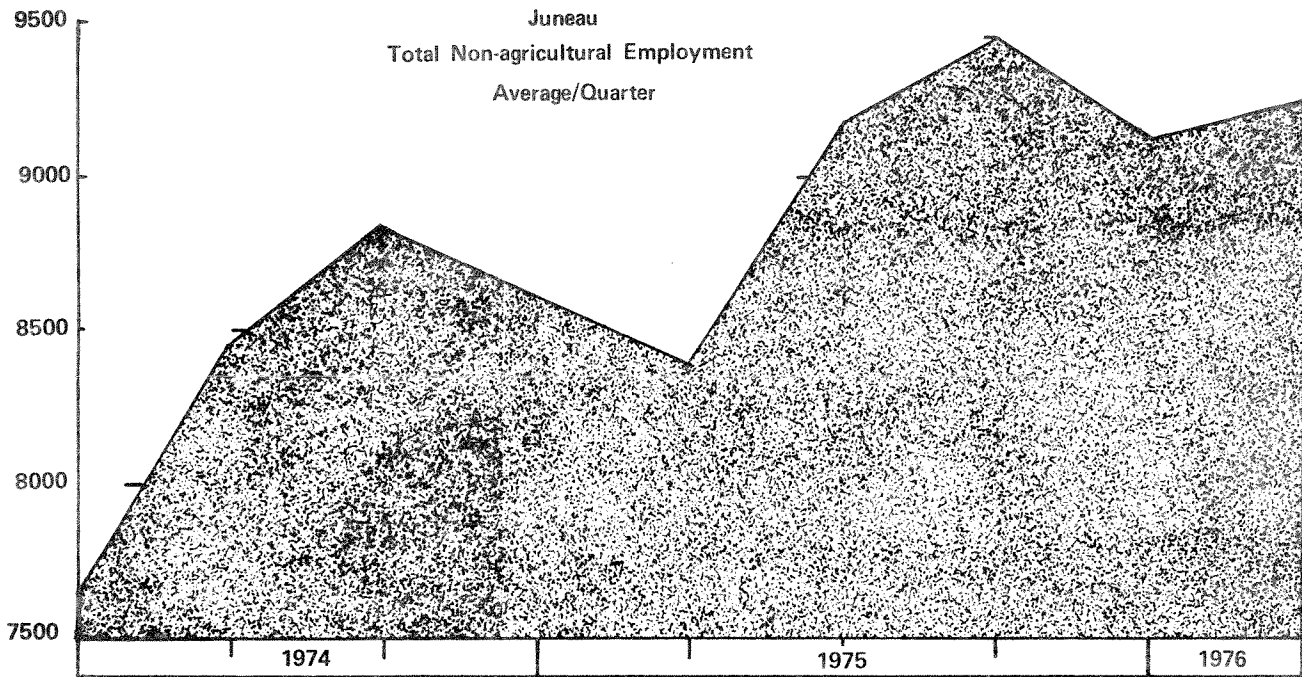
With the possible exception of tourism, active recruitment of other industries to the Juneau area was not vigorously pursued. The need for new industry was not seen as a high priority, as overall employment in the Juneau area was reasonably stable and continued to grow at a steady rate. However, the prime ingredient behind this improved employment picture was the growth of both state and federal government employment.

This cushion of government employment on which the economy of Juneau has so heavily relied was put in serious doubt, when on the 27th of August 1974 voters around the state decided that the capital should be moved to a more central location. The potential impact to the city of Juneau became very apparent to the city's residents. If Juneau were to continue to have a vital economy in the event of a capital move, the city would have to diversify its industrial base.

The first major step taken to soften the blow of a potential capital move was the enactment of the Juneau Indemnification Bill on May 15, 1975. The purpose of this act, as stated by the legislature, was to "establish a mechanism for the fair and equitable indemnification of individuals, businesses or corporations who experience financial losses when selling property located within the City and Borough of Juneau because of the relocation of the state capital."

The effect of passage of the indemnification bill on the Juneau area has already become apparent. Since 1974, despite the pending capital move, construction in the Juneau area has continued to be strong. Single family housing construction, which is often used as an indicator of current economic strength and expectations of future financial stability, has grown phenomenally in the last three years. In 1974, there were 66 single family housing permits issued with a total valuation of approximately \$2.4 million. Last year there were 114 single family permits issued with a total valuation of \$5.7 million, and through August of this year there have been 120 permits issued for single family housing valuing about \$8.4 million. This represents an 82 percent increase in the number of building permits issued for single family housing in the past two and one half years. The building of commercial units also has continued at a steady pace. In the last two years several new stores have been built in downtown Juneau and in the Mendenhall Valley. The most recent project to begin construction has been the new Sealaska Plaza, which began ground breaking in early July of this year. When compared to 1974, the total valuation of all building permits issued in Juneau through August of this year has increased more than 25 percent. It has become apparent that prospective home owners and builders are confident their investments will be protected regardless of the final outcome of the capital move initiative.

Though tourism has been a part of the Juneau economy for some time, efforts are now being made to improve the already existing summer season and to encourage tourism on a year-round basis. At present, tourism in Juneau could be characterized by the visitation of tour ships during the summer months. Though Juneau has benefited from tourship visits, for the most part the individual tourist is on a "packaged" tour which includes many stops thus limiting his or her stay in the community. It has now become a general view in the Juneau community that in order for this industry to take on a more important role in the local economy, tourist related activities should be developed to encourage travelers



to come to Juneau for an extended time. One of the first projects suggested as a means to promote a year-round tourist season was a winter sports development. With this in mind Juneau voters passed a one percent sales tax which helped provide the necessary funding for the recently completed Eagle Crest winter recreation area. However, whether this ski area will be developed to cater to large numbers of skiers from outside Alaska will depend on its success in the local community over the next few years. In the private sector, Alaska Trams, Inc. received a conditional use permit this summer to build an aerial tram and convention center on top of Mt. Juneau. Construction on this project will continue next year as soon as the snow recedes off the mountain.

Another development of considerable importance to Juneau's future economic well being was a proposal by Alaska Juneau Timber Industries Co. to build a sawmill in the Juneau area. The company has received preliminary approval from the city to build the mill on a 65 acre tract, just south of the city in Gastineau Channel. Construction of the mill has been scheduled to begin during the summer of 1977 with actual production beginning in 1978. Though

a source of raw timber has yet to be obtained, operators of the mill are confident sufficient quantities of timber will be available for the mill to operate. It has been estimated that the mill will employ approximately 250 workers when peak production is reached. This mill should provide a tremendous boost to employment in manufacturing which in the past has played only a minor role in the Juneau economy.

Generally speaking Juneau's economy and its labor force should remain relatively stable for the short term. However, if funding for the new capital is finalized, Juneau will have to face a large drop in its population and labor force as state offices are shifted to the new capital. The degree of difficulty in readjusting Juneau's economic base after the capital move will depend a great deal upon the city's ability to attract new industry into the community.

#### ALASKA LABOR MARKET IN AUGUST

**Employment—Unemployment:** Though total employment increased slightly, the unemployment rate in August remained unchanged from the July