



CITY OF SAINT PAUL

ALASKA

April 3, 2023

The Honorable Gina M. Raimondo
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, D.C. 20230

Re: City of Saint Paul Request for Forgiveness of 1987 Coastal Energy Impact Program Loan

Dear Secretary Raimondo:

As you are aware, the historically unique Unangan community of Saint Paul Island, and its approximately 400 residents, is facing a critical juncture in its existence due to the unprecedented declines and closures of various Bering Sea crab fisheries. For reasons explained in previous submissions, these closures affect almost the totality of Saint Paul Island's economy and the outlook remains grim for the foreseeable future.

The expeditious fisheries disaster determinations issued on December 16, 2022, by you and your Department that commercial fishery failures took place in the Bering Snow Crab (BSS) and Bristol Bay Red King Crab fisheries (BBRKC) in 2021/2022 and 2022/2023 seasons, were well received by our community and other crab fishery stakeholders. We are grateful for your speedy response to this grave situation. These determinations, made pursuant to the authority of Magnuson-Stevens Act (MSA) Section 312, together with the appropriations totalling \$300 million, recently made available by Congress through the Consolidated Appropriations Act, should provide some relief to our community and similarly situated communities in the near future.¹ We look forward to working with your department in the development of spend plans pursuant to Section 312 requirements, and with other departments and federal and state agencies to respond to these disasters, and provide effective assistance to affected fishing communities and stakeholders.

However, there is a long overdue matter in the hands of your department that would provide meaningful relief to our community: forgiveness of the Coastal Energy Impact Program (CEIP) loan. The City of Saint Paul (the City) obtained this loan in 1987 pursuant to a Tripartite Agreement between the City, NOAA, and the Alaska Municipal Bond Bank. The original loan was made in the amount of \$6,562,878 and was secured by a pledge of the net revenues of the port facilities built with the loan. During the crab fishery boom years in the 1990s, Saint Paul Island repaid

¹ Although, it must be noted that the funds made available by Congress are insufficient to cover the totality of nationwide losses resulting from various fisheries disasters. It is estimated that the losses deriving from the 2022-23 BSS and BBRKC closures alone total approximately \$300 million.

\$3,064,084 on the loan including principal and interest. As of May 2020, per the City's records, Saint Paul owes \$5,855,878 in principal and \$2,083,581.77 in interest.²

The 1986 CEIP loan application was premised in part on the effort at the time to americanize the US fisheries by providing marine support services on Saint Paul Island, in the strategically located central Bering Sea, for an anticipated year-round fishing industry. The infrastructure built with the loan proceeds included replacing a non-compliant bulk fuel farm facility left behind by the federal government in the aftermath of the phase-out of the commercial fur seal harvest in 1983, and the installation of basic facilities at the City dock.

These and other multimillion dollar investments in harbors and other fisheries-related infrastructure were part of the effort made by the community with the support of Congress and the State of Alaska to "promote the development of a stable, self-sufficient, enduring and diversified economy not dependent on sealing" pursuant to the directives of the Fur Seal Act Amendments of 1983. In the process, Saint Paul Island and its Native residents became one of the most heavily indebted communities on a per capita basis in Alaska.

Nonetheless, the premises upon which the loan were based, worked. For about a decade during the 1990s, Saint Paul Island was able to attract investments from the Bering Sea crab harvesting and processing sectors, and associated businesses, that were involved in the commercial development of the BSS resource. The activities generated by these businesses, made Saint Paul Island one of the preeminent ports in Alaska in terms of fisheries tax revenues.

Starting in 2000, with the collapse of the BSS fishery (which resulted in a fishery disaster determination), the revenues from the port facilities pledged to repay the CEIP loan were no longer sufficient and the City sought repayment assistance under the terms of the Coastal Zone Management Act (CZMA). Options under the CZMA statute for repayment assistance include: modifying the loan; refinancing the loan, or; recommending forgiveness of the loan to the US Congress. Although the Office of Coastal Management (OCM), responsible for administering the CEIP program, initially declined to recommend forgiveness, it proposed a modification of the loan terms by way of a moratorium on principal and interest payments. This moratorium was implemented in 2005 under the terms of the last and fifth amendment to the Tripartite Agreement (the 5th Amendment) and its terms continue to the present.

While the City has been not required to make principal or interest payments since 2005, the loan remains an obligation on the City's books for accounting purposes, affecting its creditworthiness and its ability to undertake new initiatives to revitalize the community's economy. In 2019, the City reached out to OCM for a final determination on the loan's status pointing out that after nearly 20 years of repayment assistance, and given the poor condition of the BSS stocks, the loan was clearly not financially viable. Pursuant to Section 308 of the CZMA, therefore, the City argued that the Secretary of Commerce should recommend the loan's forgiveness to Congress.

On April 16, 2020, OCM concurred with the City and stated that it would proceed with supporting a recommendation to forgive the loan, but would require first that the City pay NOAA \$150,000.

² The City reduced the principal amount due from \$6,005,878 to \$5,855,878 in April 2020 when it made payment to NOAA of \$150,000 held in a Reserve Fund.

This amount had been set aside by the City in a Reserve Fund in 2000 pursuant to the terms of the 4th Amendment to the Tripartite Agreement, when the City first sought repayment assistance after the first collapse of the BSS stocks. The Saint Paul City Council took immediate action on this matter on April 27, 2020, and promptly submitted payment to NOAA (see Attachment A).

Having done its part and having complied with all the requirements of the CEIP loan program and those requested by OCM, the City is anxious to finalize this matter. The City understands that although OCM has found that forgiveness of the loan is warranted, that a final recommendation by the agency has not yet been made even though 3 years have passed since the City took action on the \$150,000 in the Reserve Fund. The City also notes that there have been various opportunities to resolve this matter through Congress as it has enacted comprehensive infrastructure, renewable energy, and climate change legislation, and that other communities in the US with CEIP loans are similarly situated.

Resolving this long overdue matter and recommending forgiveness of Saint Paul Island's CEIP loan to Congress is the legal and equitable course of action. This action would also be consistent with this Administration's efforts to promote Equity and Environmental Justice in federal policymaking, to engage more meaningfully with underserved Native communities, and to help prepare communities on the front lines of the effects of climate change, such as Saint Paul Island, for the challenges of the future.

Sincerely,



Phillip Zavadil
City Manager

cc: Jeffrey L. Payne, Director NOAA Office for Coastal Management
Nicole LeBoeuf, Assistant Administrator, National Ocean Service
The Honorable Lisa Murkowski
The Honorable Dan Sullivan
The Honorable Mary Peltola

Attachments:

1. Letter from NOAA Office of Coastal Management, dated April 16, 2020.
2. Saint Paul City Council Resolution 20-10, dated April 27, 2020.