

Alaska's Resources



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A Petrochemical Plant Next Door: What's In It For My Community?

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Potential petrochemical industry development in Alaska is a controversial issue. Valdez, Seward, Kenai, Point MacKenzie, Fairbanks and Fire Island are locations being considered as plant sites.

Why these sites and not others? Because local governments asked that these areas be considered. Those communities which didn't ask, are not being considered.

Why did six communities ask to be considered as the location of a major 2 billion dollar petrochemical complex? Perhaps the answer can best be understood by considering what happened to Valdez as a result of pipeline and oil terminal construction and operation there.

The valuation of Valdez real and personal property increased from less than 50 billion dollars to more than 1700 million dollars, a 24-fold increase in less than 10 years. This has allowed Valdez to reduce its property tax rate to 6.548 mills (\$654.80 on a \$100,000 home) and to drop its 4% sales tax. Other comparable cities have much higher tax rates. For example, Cordova and Seward have mill

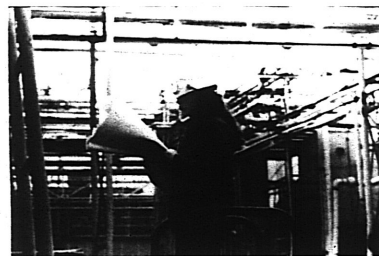
rates of 15.00. What does this difference in mill rates mean to the average citizen? A tax difference of about \$900 a year.

While the individual home owner saves about \$900 per year, the city of Valdez enjoyed 1979 tax revenues of \$9.7 million - the same tax revenues of the City and Borough of Juneau.

By comparison, Cordova had 1979 tax revenues of \$1.4 million and Seward about 6 million dollars while the entire Matanuska-Susitna Borough received only 6.7 million.

At the end of 1979, Valdez had a population of 4,066, while the Matanuska-Susitna Borough had a population of 23,177 and the City and Borough of Juneau 23,115. Is it any wonder that Valdez is actively seeking additional industry?

What would the petrochemical complex now being studied by the Dow-Shell Group mean to the various local governments who have asked that their area be considered? (The study is being conducted under contract to the State of Alaska.) Annual property tax revenues generated by such a petrochemical plant



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for each location, based on Alaska Tax Table 1980 mill rates, except Anchorage which is the May 1981 rate, would be as follows:

Municipality of Anchorage,
Fire Island \$17.7 million
Matanuska-Susitna Borough,
Point MacKenzie \$16.8 million
North Star Borough,
Bonanza Creek \$12.4 million

Kenai Service Area, Wildwood
/Nikiski \$9.9 million

Seward Service Area,
Fourth of July Creek \$20.0 million

Valdez Service Area,
Glacier Stream Valley \$13.1 million

In addition to the annual property tax revenues generated
(Continued on Page 4A)

A Petrochemical Plant Next Door...

(Continued from Page 1A)

by the petrochemical complex, additional tax revenues would be generated by the gas liquids line which would be built to feed the plant. Not that from a tax consideration, Kenai and Valdez have the edge as potential sites. Why? Because relative to their population size, they both have a large, stable tax base, and they want to increase it. Kenai has two refineries, an LNG plant, and a Urea plant; Valdez has the Trans-Alaska Oil Pipeline terminal.

Do they wish for the yesterdays of the pre-pipeline era? Do they want things to stay as they are now? Or do they want additional growth? Their request to be considered as a site for a petrochemical complex speaks for itself and indicates their desire for future growth.

Hopefully, one of the study areas will be lucky and acquire a petrochemical complex. I say hopefully, because the current Dow-Shell study is a feasibility study to determine if a petrochemical complex in Alaska is an