

# **Adak Community Development Corporation**

## **Community Quota Entity Leasing Plan**

### **Background**

Adak Community Development Corporation (“ACDC”) has been recognized by National Marine Fisheries Service (“NMFS”) as the Community Quota Entity (“CQE”) for the coastal community of Adak in halibut regulatory area 4B. As such, it is eligible to purchase halibut individual fishing quota (“IFQ”) in area 4B and Aleutian Island sablefish IFQ.

The application to NMFS included a plan for soliciting interest and determining the assignment of the IFQ to specific individuals, as well as certification by the City of Adak that the city approves ACDC as the CQE entity for Adak.

This document constitutes ACDC’s plan for soliciting applications for the use of community IFQ, determining the eligibility of potential applicants, selecting successful candidates for annual assignment of the IFQ and evaluating performance.

### **Overview of Process**

ACDC developed a community CQE IFQ plan for distribution, selection, and evaluation that focuses on creating equal opportunity for all local CQE community residents who have the capability and interest in executing the halibut and/or sablefish IFQ fishery.

In general process terms, the Board of Directors develops specific eligibility criteria. Harvesters who meet the criteria are invited to apply for an applicable CQE IFQ use permit. Prior to 2019, the Board implemented a local preference/priority system. Those harvesters who met certain priority criteria were given preference guided by a point system. If there were more applicants than available quota, winning applicants were selected based on the highest royalty bids and/or through a lottery system. This initial system, with its point based priority ranking of the applicant pool, was used in the first three years of the program. The ACDC Board of Directors updated this plan for the 2019 season and beyond.

Starting in 2019 ACDC is required to distribute IFQ only to residents of the community of Adak. As such and to assist in promoting more interest in the program the Board has decided that rather than base distribution on a point or priority system it would split the available quota into two separate pools of distribution, described in further detail below.

### **Solicitation of Interest**

ACDC will post notices prominently at several locations on bulletin boards throughout the community of Adak. Attempts will also be made to contact vessel owners who have delivered halibut, sablefish, or cod to Adak in recent years. An application packet, explanation of the program and instructions for applying will be made available through the ACDC office. Deadline for application submission in will be March 31<sup>st</sup> of that Year or a date chosen by the board based on the date of final IPHC quota setting and season start date decisions.

By no later than 2 weeks following the deadline for application submissions, the Board will review applications for eligibility. The Board of Directors will determine assignment of the CQE IFQs from the pool of eligible applicants, according to the selection criteria outlined below.

**Eligibility Requirement Criteria**

Applicants and operators must meet all NMFS eligibility requirements at set out in regulations, including U.S citizenship, residency in Adak and not claiming residency in any other community for three consecutive months preceding the application deadline.

**Regulatory Compliance**

Applicants and operators must agree to comply with all applicable regulations and reporting requirements, as well as disclosing any citations or violations of NMFS or ADFG regulations within the past 5 years. ACDC reserves the right to reject an applicant based on its judgment concerning an applicant's record of regulatory compliance.

**Active Participation Requirement**

Applicants must attest they are capable and intend to use the CQE IFQ, and specify the vessel on which the quota will be harvested in the application (through ownership, operator agreement, or crew position).

**Fees/Royalty Requirement**

Applicant must pay a \$250.00 non-refundable application fee. The application fee will be waived for first time applicants.

Applicant must pay a royalty based on a percent of the ex-vessel sale of fish delivered against the CQE IFQ. The royalty payment shall be calculated on the ex-vessel price net of taxes. The royalty rate will be set by the Board of Directors on an annual basis.

Applicant will make arrangements for the CQE royalty payments to be withheld by the processor and paid directly to ACDC at the time of settlement before the boat or applicant is paid.

**Local Resident Crew Royalty**

The royalty fee for a local resident who is awarded quota as crew will be discounted by 5% of the ex-vessel price. ACDC will set aside an additional 5% of the ex-vessel price from the lease fee which will be made available to the individual for purchase of individual quota shares

**Local Delivery Requirement**

Fish harvested with CQE quota must be delivered to a buyer operating in Adak who is willing to buy the fish, as long as such buyer is current on payments to harvesters

**Residency Requirement**

Applicants must submit a sworn statement indicating that he/she has resided (been domiciled) in the Adak for a total of at least 3 consecutive months, without claiming residency in any other community, within the 12 months prior to the application deadline.

Domicile, as defined in Alaska's fish and game code, will be considered the "true and permanent home of a person from which the person has no present intention of moving and to which the person intends to return whenever the person is away" (Alaska Statute 16.05.940).

ACDC may optionally request evidence outlined in the Alaska Administrative Code, such as address information on a license to drive, hunt, fish, or engage in an activity regulated by a government entity. In cases of disputed residency, the Board of Directors will review evidence presented by the applicant against applicable federal or state definitions or criteria.

### **Distribution Process**

The Board, in determining the amount of quota available for distribution to applicants will follow a multi-factor formula.

After the annual meeting of the International Pacific Halibut Commission, wherein halibut quotas are set for the upcoming year, the Board will compute the amount of IFQ available for lease. The quota available for distribution will be first deducted by any committed obligations or legal deductions. The result will be the Net Quota for Distribution.

After determination of the number of eligible applicants for the program year, the Board will determine the amount of quota that will be available in the following two pools: Vessels Pool and Crewmembers Pool. The amount of quota appropriated to the Vessels Pool will be no less than 50% and no more than 80% of the Net Quota for Distribution amount. The amount of quota appropriated to the Crewmembers pool will be no less than 20% and no more than 80% of the Net Quota for Distribution amount. The Board will set these percentages on an annual basis.

*Crewmembers Pool:* The quota made available to the crewmembers pool will be divided on an equal basis amongst eligible applicants for the program year.

*Vessels Pool:* The quota made available to the vessels pool will be made on a stacked allocation basis as follows.

First, all applicants will be allocated an amount based on the lowest request or common denominator of all eligible pool applicants, not to exceed the amount of the pool.

Second: remaining applicants will be allocated an amount based on the lowest request or common denominator of remaining eligible pool applicants, not to exceed the amount of the pool. This process will be repeated until the amount available in the pool is fully distributed.

An example of distribution formula for a year:

Net Quota for Distribution		150,000
Crewmember Pool:	20%	30,000
Vessel Pool:	80%	120,000

**Crewmember Pool:**

Crewmember Applicant 1	6,000
Crewmember Applicant 2	6,000
Crewmember Applicant 3	6,000
Crewmember Applicant 4	6,000
Crewmember Applicant 5	6,000

**Vessel Pool:**

	<u>Requested</u>	<u>Allocated</u>	<u>Round 1</u>	<u>Round 2</u>	<u>Round 3</u>	<u>Round 4</u>
Vessel 1	15,000	15,000	15,000			
Vessel 2	20,000	20,000	15,000	5,000		
Vessel 3	25,000	25,000	15,000	5,000	5,000	
Vessel 4	40,000	30,000	15,000	5,000	5,000	5,000
Vessel 5	50,000	30,000	15,000	5,000	5,000	5,000
Total	150,000	120,000				

Winning applicants will be required to sign agreements that includes a promise to use the quota, that the CQE quota will be used on the specific, named vessel, and that all applicant, operator, and vessel eligibility requirements are met. Additionally, the applicant must agree to the payment terms set by ACDC.

ACDC will issue letters of authorization for each CQE quota assigning it to a specific individual for use on a specific vessel.

**Performance Criteria**

Successful applicants must assure continued eligibility and pay applicable fees.

Successful applicants are expected to fully utilize the CQE quotas assigned to them. If a minimum of one landing not been achieved in prior to July 31<sup>st</sup>, the lease may be revoked and quota assigned to another applicant.

Applicants whose vessels are successfully assigned a CQE quota, but do not fulfill the terms of the lease agreement may have access to the CQE quota revoked and/or lose their applicant eligibility or priority selection status for the following year.

