

K. Deley, ASst.
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Orleans Shellfish & Waterways Improvement Advisory Committee

Minutes of the Meeting of September 11, 2012

In attendance were Rich Tyldesley (Chair), Mark Matheson (Vice Chair), Howard Steillin, Judy Scanlon, Jack Moran, Dawson Farber (Harbormaster & Shellfish Constable), David Dunford (Selectman), Sims McGrath (Selectman), Susan Phillips (Citizen) and David Slack. (Citizen)

The minutes of the May, 2012 meeting were voted on and accepted as written.

Rich introduced Bill Clark of the Barnstable County Cooperative Extension and Dick Krause one of the owners of ARC, located in Dennis, is the Cape's only shellfish cultivation company. Bill Clark presented the Committee the proposed acquisition by the County of the ARC facility. Mr. Clark wishes to sell the existing facility to the County. Mr. Clark emphasized that the preservation of this facility as an on-going shellfish cultivation company was a unique asset for the County and ARC provides all the Towns and 90% of all shellfish farmers on the Cape who receive their seed from ARC. Dawson Farber stated that the quality of the product was excellent and continued operation is "essential" to the town's shellfish program.

Mr. Clark proposes to finance the purchase ARC by raising user fees in each Cape town by \$10.00 per individual shellfish license and \$50.00 for each commercial license. Each community would " earmark" these fees and transfer the monies to the County. This would raise approximately \$3.2 million over 20 years and would be used to repay a note of \$3.2 million. The remaining amount of \$800,000 is being sought from the Town of Dennis and the County and Mr. Clark will investigate possible State development funds. Ms. Scanlon suggested federal grants.

The site requires extensive rebuilding which is estimated to cost \$1.0 - \$1.5 million. This amount will be paid for by ARC from the proposed sale price of \$4.0 million. The proposed refurbishment will be increased by 50% if the County owned the property because of the DCAM rules that require "prevailing rates". An agreement to have the improvements made by ARC to implement the refurbishment before the purchase by the County has to be negotiated. Mr. Krause will continue to operate the facility under a Purchase and Sale Agreement and Lease Agreement with County, which is to be negotiated.

Mr. Clark has received approval of this concept from the Brewster Selectmen, Chatham, Wellfleet and Dennis Shellfish Committees have asked their selectmen to approve this proposal. He will be meeting with remaining 11 towns on the Cape requesting their approval.

The Committee voiced concerns regarding the actual details of the Purchase and Sale Agreement and Lease Agreement and the ability to continue operations, if Mr. Krause was no longer involved. Orleans would have to bring this increase in the user fee to the Town Meeting for a vote which would implement the fees in 2014. The Selectmen present were unsure how to

implement the transfer of the additional user fees to the County. Mr. Tyldesley thanked Mr. Clark and Mr. Krause for their presentation and would have the Committee review the proposal at the next meeting.

Mr. Moran was elected Secretary.

Dawson Farber gave the Harbormasters Report:

- The harvest of shellfish was extensive and license fees were up.
- There were several boating accidents and searches and 8 channel markers were destroyed.
- 300,000 oyster seedlings were planted and in 3 weeks grew substantially and were planted throughout the Nauset estuary.
- Congestion at the town ramps during the striped bass season by commercial fishermen was a major problem. The police issued over 100 parking citations.. Illegal parking of the vehicles occurred at all ramps and needs to be addressed by the town.
- Seals are having a major impact on water quality and the increase in the presence of great white sharks. The potential impact on tourism is a factor that must be considered by the effected towns. Dawson is working with other towns on a regional approach to the problem. However, the sharks will continue to be here as long as there is a large seal population, which currently is protected by the Marine Mammal Protection Act. The Harbor Master continues to patrol off-shore and alerts the Beach Patrol to close the beaches from swimming if a shark is sighted.

Ms. Scanlon presented a "Chinese Hat" that was put into Mill Pond on August 10th, which was one month later than optimum. There was no evident set of new oysters. Had they been put in during propagation there might have been some set.

Mr. Tyldesley had two questions which he will discuss with Dawson at the next meeting:

- Complaints regarding the ignoring of the No Wake Zone on the "River"
- Why were boulders placed to the left of the Town dock at the Cove?

The meeting was adjourned.

To: Barnstable County Shellfish Advisory Members

From: William Clark, Extension Director

Subject: Aquaculture Research Corporation

As you may know, I have been working with the owners of ARC to acquire the facility by the County to ensure the production of local shellfish seed into the future. The County Commissioners are willing to acquire ARC and then lease the property to the private sector to operate the hatchery. The ARC owners are not in a position to borrow the necessary funds to rebuild their aging hatchery and, without the needed repairs, the hatchery could stop production within the next few years. In that scenario, it is possible and quite likely that ARC could be purchased by an individual not interested in continuing the shellfish hatchery.

I have met on numerous occasions with local, county, state and federal officials to locate grant funds for the purchase of ARC. Although we are waiting to hear from a couple of funding requests I would like to explore other funding opportunities. One possible funding source could come from a dedicated fee charged to shellfish permit holders. The idea would be to charge an additional \$10.00 for every recreational license sold and a fee to be determined for every commercial license (maybe \$50.00). Based on a survey we conducted a few years ago, there are about 17,000 recreational permits and 1,100 commercial permits sold annually throughout the County. If these numbers are correct, we could generate over \$170,000 per year to pay off the loan borrowed to purchase ARC. To do this, I believe special legislation would have to be filed by our state senator and representatives. They have been very supportive and I would anticipate full cooperation with the legislation if the towns are supportive.

To move forward, please give me your thoughts on this idea as soon as possible. For this to work, each town manager and selectman will have to know how important ARC is to the future of the shellfish industry on the Cape. This fee may seem to be a new tax to some people but it's actually a user fee which only affects individuals who are in some way participating in shellfishing. Without ARC producing local seed, both recreational and commercial shellfishing will not exist as it is today.

When you respond, please include the most recent (2011) information on the number of recreational and commercial permits in your town. Also, please let me know if you are willing to work with me on a committee to pursue this idea further. Thanks.

FACT SHEET

Aquacultural Research Corporation

Background

- located on 39 acres of barrier beach and marsh near Chapin Beach, Dennis, MA
- owned by three partners
- main building constructed 1961
- currently valued by Town of Dennis just under \$1.0mil
- appraised May 2011 by Paul V. O'Leary Associates at \$5,000,000 less 1 million cost to cure, arriving at a net value of the property at \$4,000,000.
- Supplies hard clam seed and remote-set oysters to the towns of Barnstable County as part of the Municipal Propagation and Restoration Program, in addition to supplying oyster and quahog seed to over 90% local/regional shellfish farmers

Modernization Proposal

- demolition of existing hatchery followed by construction of a commercial hatchery 4000 s.f.
- installation of 660kW wind turbine to provide DG electricity for high on-site energy consumption viewed as necessary for long-term sustainability. (Denied by regional historic commission.)

Project Cost Estimates

\$4mil purchase price
\$1 - \$1.5 mil hatchery construction
approx. 50% DCAM cost add-on if done after purchase.

Project Benefits

- 20 total permanent jobs at ARC
- 235 shellfish farms
- 1200 commercial diggers
- 16200 residential permit holders countywide
- construction jobs during rebuild of hatchery
- Plus indirect jobs for wholesalers, restaurants, equipment sales, retail markets, etc.

Economic Value:

ARC shellfish seed supplied to Barnstable County towns supports an annual average of 1200 commercial shell fishermen (jobs) and 16,200 recreational shell fishermen. ARC also provides seed for 90% of Barnstable County's aquaculture farmers. In 2010 commercial shellfishing was valued at \$6.3 million and shellfish aquaculture was valued at \$4.5 million. ARC sells about 150 million oysters and 30 million quahogs annually.

Aquacultural Research Corporation, Inc. (ARC)
Chapin Beach Road, Dennis, MA 02638

Description of ARC: Founded in 1960, Aquacultural Research Corporation, Inc. (ARC) is one of New England's largest commercial suppliers of wholesale shellfish seed for aquaculture and shellfish for seafood. It is one of only two suppliers in Massachusetts and the only commercial supplier. Located at the mouth of Chase Garden Creek estuary on Cape Cod Bay, ARC is ideally situated to grow high quality shellfish seed to stock shellfishing areas and larger shellfish for seafood. A well provides clean natural seawater used to grow shellfish from the larval stage to seed size and larger. Shellfish species that are grown include the American oyster (*Crassostrea virginica*), quahog (*Mercenaria mercenaria*), and bay scallop (*Argopecten irradians*). ARC also raises its own algae as food for the growing shellfish. Strict quality controls have enabled ARC to consistently provide clean safe shellfish to municipal and private customers for many years.

Regional importance: ARC provides shellfish seed and shellfish to all 15 towns on Cape Cod and many other customers throughout Massachusetts, New England, Atlantic states, the West coast, Midwest and to other countries. ARC consistently produces 4 to 5 times the output of all other New England hatcheries combined, and sells about 150 million oysters, 30 million quahogs.

Economic importance of shellfishing and aquaculture: Cape Cod's coastal economy relies upon safe clean shellfish for recreational and commercial shellfishing and the tourism and seafood industries. On Cape Cod alone, commercial shellfishing is valued at \$6.3 million annually and shellfish aquaculture is valued at \$4.5 million annually ⁽²⁾. ARC has proven to be a recession-proof industry, as demand for clean shellfish grows. It is estimated that ARC supports over 1400 jobs in commercial and recreational shellfishing and the seafood industry. Nearly 17,000 recreational shellfish licenses are sold annually on Cape Cod and ARC supplies the needed shellfish to sustain the demand for this fishery. For example, in 2009, it was estimated that there were 1,263 commercial shell fishermen, 220 aquaculture farmers and 17,755 recreational shellfish permit holders on Cape Cod ⁽³⁾. In 2006, Massachusetts was the seventh-largest producer of cultured shellfish in the U.S., with a significant portion of the shellfish originating from ARC ⁽¹⁾. ARC itself supports 18 full-time employees. ARC is the linchpin in the Commonwealth's shellfish industry.

Challenges and needs: The facility is aging and needs to be modernized to withstand the tough coastal climate, improve energy-efficiency and reduce operating costs. As the owner is considering retiring, the Cape Cod Cooperative Extension proposes to acquire the property and continue shellfish growing operations.

Contact: For more information, contact Bill Clark, Director, Cape Cod Cooperative Extension, Phone (508) 375-6701.

References: (1) Diane Murphy, Fisheries and Shellfish Specialist, Cape Cod Cooperative Extension, Barnstable County, letter to the Cape Cod Times, 2010. (2) USDA Natural Resources Conservation Service. Cape Cod Water Resources Restoration Project, Cape Cod Conservation District. (3) Cape Cod Cooperative Extension, June 28, 2012 meeting of the Barnstable County Coastal Resources Committee.