City of Hoonah

P.O. Box 360 Hoonah, AK 99829 (907) 945-3663 Fax (907) 945-3445

February 28, 2012

Scott Ruby, Director
Division of Community and Regional Affairs
550 W. 7th Ave, Suite 1770
Anchorage, AK 99501

Re: Hoonah Berthing Facility Grant

Dear Director Ruby:

Thank you for providing me with an update on the Division's position as it relates to the Hoonah Berthing Facility grant. I understand your Division's mandate to uphold Article IX, Section 6, of the State's Constitution. The City of Hoonah holds this same public purpose directive in utmost regard and believes that it has done so in its decision to locate the Berthing Facility at the site commonly referred to as Shaman Point. For your review, I have attached a letter by former Mayor Windy Skaflestad which demonstrates the City's public purpose view concerning the decision making process for determining the project location.

I also understand the sole reason your agency is unable to execute a grant agreement for the Berthing Facility project at this juncture is due to reasons outlining a lack of support by Royal Caribbean International (which owns Celebrity Cruises) for the placement of the facility at Shaman Point.

I find your reference to the abovementioned letter dated September 15, 2011, very noteworthy of discussion. Specifically, in terms of the premature timing of the letter, and the role this particular business is being afforded in terms of the project's ability to progress forward. You will recall from the letter that Royal Caribbean was aware of the September 26th meeting held at Hoonah City Hall where the location study was first revealed to all interested parties, and a decision was made to locate the facility at Shaman Point. To my knowledge, no representative from Royal Caribbean was at the meeting to partake in the presentation by PND Engineers. To date, no representative from Royal Caribbean has contacted the City to seek out a copy of the presentation, or in any way has asked for more detailed information concerning the presentation or the council's decision. Finally, the City has received no official objection to the location decision from Royal Caribbean. If the final say of location rests with the concurrence of this one business, which has not communicated objection to the City of Hoonah's decision since it has been made, then I do not understand

how it is that you have arrived at your conclusion that Royal Caribbean is either unable or unwilling to utilize this location. It should also be noted that other cruiseline businesses have ships that have and will call in our community including Holland America, Regent Seven Seas and Princess Cruises. None of these businesses have communicated any objection to the City's location decision.

Furthermore, the letter does *not* indicate that Royal Caribbean and Celebrity Cruises would not use the Shaman Point location. In fact, it states:

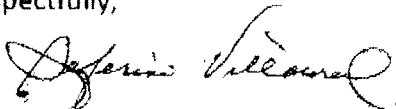
...."If the City locates the dock at Shaman Point, and causes an increase in fees for either docking or for shuttle costs compared to our current tender arrangements we plan to continue tendering passengers ashore directly to Icy Strait Point."

The City of Hoonah will, of course, heed this warning when a fee structure and operating plan for the facility is to be developed. Our ability and commitment to offer competitive rates for the cruiseline industry at the Shaman Point location, in a global market is paramount to ISP and Hoonah's ability to sustain and attract more ships to call in our community. I have one final comment about the letter: On July 19, 2011, our City Administrator, Marlene Duvall, boarded the MS Radiance of the Seas and spoke directly with Captain Sindre concerning the ability of the cruise ships to use the Shaman Point location if a dock was, in fact, built there. Captain Sindre indicated that his company's fleet could certainly dock at that location and assured Ms. Duvall that their fleet has the technological and mechanical ability to dock at Shaman Point.

The City has invested a significant amount of time and money into studying the three proposed locations, which the City pursued only after consultation with DCRA staff in August of 2011. PND Engineering was hired to provide the City with professional engineering services and thoroughly studied the three locations to provide crucial information about each site- which until September 26, 2011, was not previously known. An integral part of their research, findings and presentation incorporated cruiseline industry facility standards. These same standards that PND applied to this project are implemented in their regular course of business for municipalities with berthing facilities throughout Southeast Alaska. PND Engineers is a leading engineering firm in our region for projects such as this, and we have full confidence in the Site Analysis Report produced for this project.

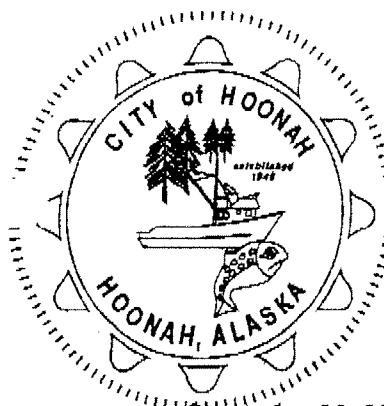
To this end, the City of Hoonah insists that Shaman Point is indeed a location that will provide for the two purposes for which the money was appropriated. The City also insists that this decision is defensible under Article IX, Section 6 of the Alaska State Constitution. I very much look forward to meeting with you in the near future and hope that you will continue to be of assistance to us in moving forward with this very important project.

Respectfully,



Mayor Seferino Villarreal

Enclosure: Letter from Mayor Skaflestad to Hoonah City Council dated 9/20/2011



CITY OF HOONAH

P.O. Box 360 • Hoonah, Alaska 99829 • (907) 945-3663 • FAX (907) 945-3445

September 20, 2011

Hoonah City Council
PO Box 360
Hoonah, AK 99829

Re: Multi-Use Deep Water Marine Berthing Facility project

Dear Hoonah City Council:

I am writing to you today to reiterate the City of Hoonah's role concerning the planning and development of the Multi-Use Deep Water Marine Berthing Facility project. This is an unparalleled capital project in our community and if done properly from site selection and design, to construction and operation; it will provide Hoonah and our Region with infrastructure which will provide opportunity for economic growth and expansion of critical water dependent industries for years to come.

As you know, this project is funded by the State of Alaska and administered by the City of Hoonah. Both entities are, of course, public agencies and share in the obligation to those they govern, to develop this project with a public purpose at the forefront of all major decisions to be made in furtherance of the project goal and objectives.

It is from this public purpose view that the City has developed the following goal for this project:

The City of Hoonah will provide a public dock, specifically a deep water berthing facility, in Hoonah which will allow for a variety of uses on a year-round basis, where such uses will provide economic benefits to the residents of Hoonah and the Region.

This goal will be accomplished by addressing the City's project objectives including:

- To identify uses for the Facility that will provide for economic opportunity on a year-round basis.*
- To develop a Facility design which will accommodate identified uses.*

-To designate a specific site which will be able to accommodate the design based on identified uses.

-To gain site control for necessary upland development and access to the Facility.

-To manage the development of the project in a responsible manner i.e. on time and within the set budget.

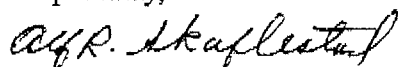
-To provide for the operation and maintenance of the facility in a fiscally responsible and sustainable manner.

I am urging you, the City Council, to carefully consider the City's goal and objectives for this project, particularly as you review the materials and information provided to you by PND Engineering Inc, on September 26, 2011. Determining the location of the facility is a crucial next step in progressing toward project development.

Location of the Facility is only one of several decisions to be made in the coming months at the city council level concerning this project. As this project progresses, I respectfully request the City Council to keep focused on our goal and objectives for the project. I urge you to make project decisions as a body, which will be in the best interest of the public.

Finally, my door is always open here at city hall. If you have any questions about this letter, or the project please come and see me.

Respectfully,



Alf R. "Windy" Skaflestad
Mayor

cc: City Administrator
Project Manager