

**PETITION BY THE CITY OF HOONAH FOR INCORPORATION OF THE XUNAA BOROUGH
AS A HOME RULE BOROUGH, AND
DISSOLUTION OF THE CITY OF HOONAH**

Petitioner, the City of Hoonah (hereafter “Petitioner”), requests that the Alaska Local Boundary Commission (hereafter “LBC” or “Commission”) approve this Petition for borough incorporation, and for dissolution of the City of Hoonah, pursuant to Article X, Section 3 of the Constitution of the State of Alaska, Alaska Statutes 29.05.031 and 29.05.060-110, and Alaska Administrative Code Provisions 3 AAC 110.045 – 3 AAC 110.067, 3 AAC 110.400 *et seq.* and 3 AAC 110.900 – 3 AAC 110.990.

This Petition also requests that the proposed seasonal 1% seasonal areawide sales tax set out in Exhibit W to this Petition (as may be amended during the course of LBC proceedings) be offered for voter ratification at the same time as the incorporation election pursuant to AS 29.45.680.

The proposed borough’s home rule charter is attached as **Exhibit I**. Pursuant to AS 29.05.110, voter approval of borough incorporation constitutes ratification of that charter.

This Petition incorporates by reference all of the attached exhibits.

Section 1. Petitioner.

Petitioner is a political subdivision of the State of Alaska (first class city) and is authorized under 3 AAC 110.410(a)(4) to submit this Petition for proposed action by the Commission. Petitioner’s name and address is as follows:

**City of Hoonah
300 Front Street
Hoonah, AK 99829**

Attached hereto as **Exhibit A** is a letter from the Division of Elections specifying the number of voters who cast ballots in the last general election separately within: (i) the first class City of Hoonah; and (ii) the remainder of the proposed borough. Attached hereto as **Appendix II** are the petition support signatures of registered voters both: (i) within the first class city of Hoonah; and (ii) outside the city of Hoonah, in numbers in excess of those set out in AS 29.05.060(7).

Section 2. Petitioner’s Representative.

Petitioner designates the following individuals to serve as its representative and alternate representative in all matters concerning this proposed incorporation pursuant to 3 AAC 110.420(b)(2):

Petitioner’s Representative:

Name: Dennis H. Gray Jr., City Administrator

Physical address: 300 Front Street, Hoonah, AK 99829
Mailing Address: P.O. Box 360, Hoonah, AK 99829
Phone number: (907) 945-3663
Fax Number: (907) 945-3445
Email address: dgrayjr@cityofhoonah.org

Petitioner's Alternate Representative:

Petitioner designates the following persons to act as an alternate representative in matters regarding the incorporation proposal in the event that the primary representative is absent, resigns, or fails to perform his or her duties:

Name: Jon K. Tillinghast
Physical/Mailing address: Simpson Tillinghast Sheehan, P.C.
One Sealaska Plaza, Suite 300
Juneau, AK 99801
Phone number: (907) 321-3405
Fax number: (907) 586-3065
Email: jon@stsl.com

Petitioner requests that Petitioner's Alternate Representative be copied on all correspondence regarding this matter.

Section 3. Name and Class of the Borough for Which a Change Is Proposed.

The name and class of the proposed borough to be incorporated is:

Name: Xunaa Borough Class: Non-Unified Home Rule

Section 4. General Description and Nature of the Proposed Boundary Change.

This Petition, initiated by the City of Hoonah as a political subdivision of the State of Alaska, under the authority of 3 AAC 110.410(a)(4), requests that the Commission authorize the incorporation of a home rule borough using the local option method.

All existing powers of the City of Hoonah will become areawide powers of the Xunaa Borough. Unless otherwise required by applicable state law, such powers will be practiced and applied by service area.

Section 5. General Description of the Area Proposed for Incorporation.

The proposed Xunaa Borough includes the area currently comprising the City of Hoonah, and the neighboring communities of Game Creek, Elfin Cove, Glacier Bay and Funter Bay, as depicted on the proposed Xunaa Borough Boundary Map (**Exhibit C**). The cities of Gustavus, Pelican and Tenakee Springs are excluded from the proposed borough, and **Exhibits C 1-3** are maps depicting the precise boundaries of those exclusion areas. The proposed borough would adjoin the Yakutat City and Borough and the Haines Borough on the north, the City and Borough of Sitka to the south, and the Juneau Borough to the east, thus enclosing virtually the entire northwest quadrant of Southeast Alaska within an organized borough. The proposed Xunaa Borough's boundary largely coincides with the Department's June, 1997 Model Glacier Bay Borough, except that the cities of Gustavus, Pelican and Tenakee Springs are excluded.

Section 6. Reasons for the Petition.

- Voluntary incorporation is preferable to the potential alternative of either having a different borough government imposed upon residents by the state or leaving this entire region, except the existing City of Hoonah, unorganized;
- As described in detail in §d(i) of **Exhibit E** (the brief), the Xunaa Borough's proposed boundaries would encompass all of the Huna Tlingit's historic territory, save for a portion that was stripped away when the Local Boundary Commission ("LBC") expanded Haines' boundaries to include the lower Chilkat Peninsula. The proposed borough's boundaries likewise encompass most of the Huna Tlingit's core historic and current subsistence hunting and fishing grounds. *Id.* The ability of the Huna Tlingit to influence future decisions regarding these lands is of critical importance to the Tribe;
- The boundaries have been drawn to enclose a geographically distinct and interrelated region dependent on fishing and tourism from the abundant waters within and surrounding the borough, and in which all of the residents of the borough have a common interest. For its part, Hoonah has always had a strong link to Glacier Bay, Cross Sound, Northern Chatham Strait, and Icy Strait, which are part of the natural transportation corridor of the northern part of Southeast Alaska's Inside Passage. The key location of this corridor and its abundance of beauty, fish and wildlife is why the Huna Tlingit, who originated in Glacier Bay, settled in the corridor. This corridor has now become a destination for tourism, commercial fishing and fish processing in which all of the proposed borough communities participate. Moreover, the proposed borough follows natural geography, rooted along Icy Strait and then branching out along the Straits major termini and tributaries;
- The Xunaa Borough has been purposefully structured to honor the wish of the proposed borough's remote residents to live their lives independently. Funter Bay and Elfin Cove are remote, without road access or ferry service (ferry service is limited to the City of Hoonah), and it is difficult, if not impossible, to provide those residing there with a full range of community services. For its part, Game Creek has purposefully chosen an isolated, insular lifestyle. The residents of these areas reside there in order to enjoy their community's isolation, and they desire only limited

services (and the corresponding freedom from local taxation such a property tax). To ensure that these residents can continue to enjoy their remote properties with limited government intrusion, the borough's proposed charter (**Exhibit I**) provides that:

- the Xunaa Borough will not implement taxes on their real property;
 - while a seasonal 1% areawide sales tax described in §11.B of this Petition, *post* will be imposed areawide, no other tax will be imposed outside the Hoonah Townsite Service Area unless, for some reason, the areawide sales tax is limited or invalidated by a court; and
 - no zoning ordinance or building code will be imposed on these remote areas unless changed circumstances warrant convening a local advisory committee to address those changed conditions;
- Borough incorporation will enfranchise residents of the included region, enabling them to vote on issues affecting not only their immediate environs, but also borough-wide issues. Currently, residents outside the city of Hoonah have no say in areawide decisions;
 - Hoonah is the hub of the region proposed for incorporation, and even the proposed borough's more remote residents make significant use of Hoonah's infrastructure;
 - Hoonah is a prosperous community with more than adequate resources to support the new borough. Indeed, it was named 2022 Community of the Year by the Southeast Conference because of its economic vitality and outlook. **Exhibit AA**. Moreover, the waters surrounding the proposed borough represent untapped wealth that, through fair and uniform taxation, can better the lives of everyone within the borough;
 - The proposed Xunaa Borough's ability to select municipal entitlement lands will also give residents of the Xunaa Borough greater ability to support and enhance economic development in the region, including development of transportation links; and
 - The area proposed for incorporation constitutes a natural region, with Hoonah as the hub. Incorporation will improve the community of Hoonah's ties with the surrounding area and its ability to plan the future use and development of the region.

Section 7. Legal Descriptions, Maps, and Plats. 3 AAC 110.420(b)(7).

Petitioner has attached the legal descriptions and maps required by 3 AAC 110.420(b)(7) as **Exhibits C** and **C 1-5**. **Exhibit C-4** provides a legal metes and bounds description of the boundaries of the proposed borough. **Exhibit C** shows a map of that proposed borough, while **Exhibits C1-3** are more detailed maps of the Gustavus, Pelican and Tenakee Springs exclusion areas. **Exhibit C-5** provides a legal metes and bounds description of the boundaries of the Hoonah Townsite Service Area, which will be a service area at the time of borough incorporation. This service area encompasses the former City of Hoonah boundaries.

Section 8. Size of the Area Proposed for Incorporation. 3 AAC 110.420(b)(8)(A).

The area proposed for borough incorporation has 4,246.95 square miles of land and 6157.32 square miles of water, submerged lands, and tidelands, for a total of 10,404.27 square miles.

Section 9. Data Estimating the Population of the Area Proposed for Incorporation. 3 AAC 110.420(b)(9)(A).

The estimated population of the proposed borough is 980, according to the 2020 Decennial Census. This figure is inclusive of the following census data: ^{2/}

City or Community	Population
Hoonah	931 ^{3/}
Game Creek	23
Elfin Cove	24
Whitestone Logging Camp	2

Section 10. Information Relating to Public Notice and Service of the Petition. 3 AAC 110.420(b)(10).

Information relating to public notice and service of the petition is included in **Exhibit G**.

Section 11. Tax Data. 3 AAC 110.420(b)(11).

Petitioner provides the following tax data associated with the area proposed for incorporation and detachment:

(A) The assessed or estimated value of taxable property in the area proposed for incorporation. The City of Hoonah does not levy, and the proposed Xunaa Borough does not intend to levy, any real or personal property tax. Therefore, this information is not required under 3 AAC 110.420(b)(11)(A). However, the following information is provided for the Commission’s consideration under 3 AAC 110.055(1)(G): ^{4/}

^{2/} For the Whitestone logging camp, the figure is drawn from <https://live.laborstats.alaska.gov/pop/index.cfm>, as there is no Census Bureau report for the camp.

^{3/} For Hoonah, the American Community Survey’s (“ACS”) 2020 rolling average population is 850. <https://data.census.gov/cedsci/all?q=hoonah%20city%20alaska>. It is important to remember that the ACS provides a sample; it does not reach the total population. As a result, while the ACS is valuable to measure community characteristics, it is not a substitute for the Decennial Census in providing total population. <https://www.census.gov/programs-surveys/acs/guidance/comparing-acs-data.html>

^{4/} These estimates are drawn from the following sources:

Hoonah. The estimate is drawn from the State Assessor’s 2022 Hoonah valuation, as adopted by the Department. **Exhibit Y**; see also *DCC&ED Alaska Taxable 2022* at 33 (“*Alaska Taxable*”). The State Assessor acknowledges that even this is only a “rough estimate.” Phone Conversation, Jon K. Tillinghast and State Assessor Joe Caissie, Feb. 10, 2023 (“*Assessor Call*”).

Elfin Cove and Game Creek. According to the State Assessor, a property valuation for these communities “doesn’t exist.” *Assessor Call*. To produce some figure: *Alaska Taxable* does list an average *per capita* statewide property valuation of \$144,551/person. *Alaska Taxable* at 2.

Community	Property Valuation Estimate
Hoonah	\$99,447,983
Game Creek	\$3,324,673
Elfin Cove	\$3,469,224
Funter Bay	\$3,863,848

(B) Projected taxable sales in the area proposed for incorporation. The City of Hoonah currently levies a 6.5% sales tax on sales within the city.^{5/} The Xunaa Borough proposes to maintain that tax, but only for sales with the Hoonah Townsite Service Area. As set out in **Exhibit D** (proposed borough budget), Petitioner forecasts that revenues from this tax will generate:

Multiplying that figure by the Decennial Census counts for these communities yields the figures in the table above.

Funter Bay. As there is no published population enumeration for Funter Bay, additional steps are needed to produce even a gross valuation estimate. According to the Department of Natural Resources mapping, there are 26 cabins/homes in Funter Bay. <https://mapper.dnr.alaska.gov> That number is consistent with the housing estimates provided directly by Funter Bay residents. **Exhibit F, §9** (Transition Plan; Consultation). Multiplying that number by the average American family size (3.1) yields a seasonal population estimate of 81. The *Alaska Taxable's per capita* statewide valuation figure was an inappropriate multiplier for that number, since that figure subsumes the full range of commercial/industrial facilities one might expect in a community, of which Funter Bay has none. Moreover, Funter Bay residents acknowledge that, of the housing units in the bay, "many are in fact just shacks." *Id.* Accordingly, the *Alaska Taxable* figure was reduced by 67%, and the resultant quotient was then applied against the rough seasonal population total.

^{5/} The listed sales taxes in **Exhibit D** (ls, 25, 38-39) total only 5.5%. The other 1% sales tax is paid directly to the Hoonah School District and is thus not reflected in the general fund budget.

Year ^{6/}	Tax
2023 (<i>Budgeted</i>)	\$2,199,999
2024	\$2,268,199
2025	\$2,324,903
2026	\$2,342,207
2027	\$2,384,587

Petitioner also proposes to enact an areawide 1% seasonal sales tax. Estimated revenues from this tax are as follows:

Year	Tax
2025	\$378,248
2026	\$386,191
2027	\$393,915

See **Exhibit D**.

Pursuant to AS 29.45.680, Petitioner is requesting that the tax, as set out in **Exhibit W** (and as may be amended during LBC proceedings) be placed on the same ballot as the incorporation election. Incorporation is not contingent upon passage of the sales tax proposition. Any future change in the rate of the tax would require voter approval pursuant to AS 29.45.670.

(C) Taxes currently levied by municipal governments within the area proposed for incorporation. In addition to the 6.5% general sales tax, the City of Hoonah currently assesses a 6.5% alcohol and tobacco excise tax. The city's 2023 budget projects that this tax will yield \$190,000 in revenue. **Exhibit D.** Upon borough incorporation, this tax would continue to be assessed within the Hoonah Townsite Service Area only.

Section 13. Existing Long Term Municipal Debt.

The City of Hoonah's existing bonded indebtedness consists solely of the following:

Name/type of debt	Purpose of debt	Date debt will be fully paid	Amount and Frequency of	Current Balance
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^{6/} The City of Hoonah's (and the Xunaa Borough's) fiscal year is the calendar year.

			Principal Payments	
City of Hoonah GO School Bond	School Renovations	September 2, 2031	Twice annually: \$77,000 and \$15,000, respectively	Principal: \$660,000 Interest: \$169,000

Section 14. Municipal Powers and Services. 3 AAC 110.420(b)(15).

Upon borough incorporation, the powers of the City of Hoonah's will become areawide borough powers. Because of the remote area residents' preference for an independent lifestyle, certain services will initially be provided only within the Hoonah Townsite Service Area, as follows:

Power	City of Hoonah	Upon Incorporation Hoonah Townsite	Upon Incorporation Areawide
Administration	X	X	X
Taxation	X	X	X
Planning and Zoning	X	X	X
Education	X	X	X
Police	X	X	*
Emergency Services	X	X	*
Fire	X	X	*
Water and Sewer	X	X	
Solid Waste Collection and Disposal	X	X	
Harbor	X	X	**
Parks & Recreation	X	X	**
Health Clinic (operated by SEARHC)	X	X	**

Economic Development Planning	X	X	
Road Construction and Maintenance	X	X	

*---As described in **Exhibit F** (transition plan), some police, fire and EMT services are provided outside the City of Hoonah’s city limits under contract with the U.S. Forest Service, and that contractual relationship will continue under the proposed borough

**--Existing facilities within the city limits of Hoonah (and hence within the Hoonah Townsite service area) are open to the public, regardless of residency, subject to payment of any applicable fee

By operation of law under AS 29.06.450(c), upon borough incorporation the City of Hoonah would be dissolved, and all its assets and liabilities would be assumed by the borough. A detailed description of major City of Hoonah programs and capital facilities that will be assumed by the Xunaa Borough upon incorporation is provided in **Exhibit F** (transition plan).

In the future, additional services may be provided to settled portions of the borough on a service area basis. Because none are currently anticipated, listing those services would be speculative.

Section 15. Transition Plan. 3 AAC 110.420(b)(16).

Exhibit F presents a practical plan demonstrating the intent and capability of the proposed borough to:

- (a) extend essential services [as defined by 3 AAC 110.970(b)(1)-(3)] to the area proposed for incorporation within the shortest practicable time after incorporation;
- (b) perfect the assumption of all relevant and appropriate powers, rights, duties, and actions of the City of Hoonah, being the sole existing unit of local government within the boundaries of the proposed borough; and
- (c) receive the transfer of and integrate all relevant and appropriate assets and liabilities of the City of Hoonah.

The plan was developed after consultation with a wide range of public and tribal entities, all as set out in **Exhibit F.9**. The plan complies with the provisions of AS 29.05.130, AS 29.05.140, and 3 AAC 110.900.

Section 16. Borough Assembly Composition and Apportionment. 3 AAC 110.420(b)(17).

The proposed Xunaa Borough will be governed by the Xunaa Borough assembly. The assembly will be elected by the qualified voters of the borough and will consist of seven members, which will include the mayor and six other assembly members. All will be elected at large; therefore there are no issues of apportionment or overrepresentation of a district. The proposed composition and apportionment are consistent with the equal representation standards of the Constitution of the United States and complies with AS 29.20.060.

Section 17. Voting Rights Act Information. 3 AAC 110.420(b)(18).

Borough incorporation and the concomitant dissolution of the City of Hoonah will not discriminate against either Alaska Natives or any minority. The data on the table below is from the 2020 decennial census.^{7/} It provides population and ethnicity data for the City of Hoonah, Elfin Cove and Game Creek:

	City of Hoonah	Elfin Cove	Game Creek	Xunaa Borough
Population	931	24	23	978
White alone	308	23	18	349
Black or African Am.	1	0	0	1
Asian alone	3	0	0	3
Pacific Islander alone	1	0	0	1
Native alone	455	0	0	455
Native/1 Other	108	1	1	110
Asian/1 Other	1	0	2	3
Black/Other	9	0	1	10

^{7/} The Census tables used were abridged to make the chart more manageable (and more useful for Voting Rights Act purposes) by using these conventions: (i) where a person reported a two-race heritage, one being a racial minority, the entry defaulted to a “Racial Minority + 1” chart entry; and (ii) a small number of three-race responses (in Hoonah’s case, 15) were simply disregarded, since classifying such a respondent as minority/majority was impractical). As a result of these conventions, the individual figures may not sum to total population.

The individual Census pages used were:

Hoonah: <https://data.census.gov/cedsci/table?q=Hoonah%20city,%20Alaska>

Elfin Cove: <https://data.census.gov/cedsci/table?q=Elfin%20Cove,%20Alaska>

Game Creek: <https://data.census.gov/cedsci/table?q=Game%20Creek,%20Alaska>

White/Other	8	0	0	
Percent Native (Alone or with 1 Other)	60.4%	4.0%	4.0%	57.7%
Percent Minority (Alone or with 1 Other)	62.9%%	4.0%	17.3%	59.1%

Dissolving the City of Hoonah and forming the home rule Xunaa Borough will result in a very slight decrease in Alaska Native American Indian and minority voting strength. Given the at large structure of the borough assembly, there is no likelihood that incorporation of the Xunaa Borough would result in significant reduction in Alaska Native or other minority voting strength. All elected offices in the Xunaa Borough will be similarly voted on at large by all voters.

The tribal contact for voting rights information is:

Nathan Moulton,
Tribal Administrator
Hoonah Indian Association,
310 Hill Street, Hoonah, Alaska, 99829
(907) 945-3545

There was significant minority participation in the preparation of this petition. The principal officer involved in the preparation was City of Hoonah Administrator Dennis Gray, who is a shareholder in both Sealaska Corporation and Huna Totem Corporation (the Alaska Native Claims Settlement Act regional and village corporations for both the City of Hoonah and the proposed Xunaa Borough) and an enrolled member of the Hoonah Indian Association. As the "Consultation" section of Exhibit F documents, Petitioner has consulted with the Hoonah Indian Association, Huna Totem Corporation, and Sealaska Corporation on the Petition. Huna Totem Corporation has endorsed the Petition (**Exhibit X**), as has the Hoonah Indian Association. **Exhibit Z.**

The English language is the primary written and spoken language of residents of the proposed borough.

Section 18. Supporting Brief. 3 AAC 110.420(b)(19).

Exhibit E presents a supporting brief that provides a detailed explanation of how the proposed borough incorporation satisfies the standards set out in Article X of Alaska's Constitution; AS 29.05.031; 3 AAC 110.045 - 3 AAC 110.065; and 3 AAC 110.900 - 3 AAC 110.980. The brief references each of these standards and explains why the proposed incorporation is good public policy and is in the best interests of the state as required by AS 29.05.100. The brief demonstrates that:

1. The proposed incorporation promotes equal rights, opportunities, protections and obligations among all Alaskans in accordance with Article I, sec. 1 of the Constitution of the State of Alaska.
2. The proposed incorporation promotes maximum local self-government with a minimum of local government units in accordance with Article X, sec. 1 of the Constitution of the State of Alaska and 3 AAC 110.981(1).
3. The boundaries of the proposed borough maximize the area and population while maintaining common interests in accordance with Article X, sec. 3 of the Constitution of the State of Alaska.
4. The social, cultural, and economic characteristics and activities of the people in the proposed borough are interrelated and integrated as required by AS 29.05.031(a)(I) and 3 AAC 110.045(a).
5. The communications media and the land, water, and air transportation facilities throughout the proposed borough allow for the level of communications and exchange necessary to develop an integrated borough government as required by AS 29.05.031(a)(4) and 3 AAC 1 10.045(c).
6. All communities within the proposed borough are either connected to the seat of the proposed borough by customary means of transportation and by electronic media communications as required by 3 AAC 1 10.045(d).
7. The population of the proposed borough is sufficiently large and stable to support the proposed borough government as required by AS 29.05.031(a)(I) and 3 AAC 110.050(a). It is uncertain whether the proposed borough satisfies the regulatory 1,000 resident presumption in 3 AAC 110.050(b)—a figure that, at a minimum, the proposed borough virtually meets.
8. The economy of the proposed borough, which subsumes the Southeast Conference's 2022 Community of the Year, includes the human and financial resources necessary to provide essential borough services on an efficient, cost-effective level as required by AS 29.05.031(a)(3) and 3 AAC 110.055.
9. The boundaries of the proposed borough conform generally to natural geography, are on a regional scale suitable for borough government, and include all land and water necessary to provide the full development of essential borough services on an efficient, cost-effective level as required by AS 29.05.031(a)(2) and 3 AAC 110.060(a). Also, in accordance with 3 AAC 1 10.060(d), the area proposed for incorporation is contiguous. The three cities excluded from this petition do not constitute enclaves and, in any event, are unsuited for inclusion in the borough because of community opposition or, in the case of Tenakee Springs, failure to respond to multiple consultation requests from Petitioner.
10. The proposed borough will have the ability to extend services to the area proposed for incorporation in a practical and effective manner as required by 3 AAC 110.900.

11. In accordance with 3 AAC 110.910, incorporation of the proposed borough will not deny any person the enjoyment of any civil or political right because of race, color, creed, sex, or national origin.
12. Incorporation of the proposed borough is in the best interests of the State as required by AS 29.05.100(a) and 3 AAC 110.065.
13. The proposed borough will be providing all essential community services. 3 AAC 100.970.
14. The dissolution of the City of Hoonah will occur as a matter of law upon borough incorporation under AS 29.06.450(c).

Section 19. Documentation demonstrating that the petitioner is authorized to file the petition under 3 AAC 110.410 and 3 AAC.420(b)(20).

The City of Hoonah is a political subdivision of the State of Alaska, incorporated as a first class city in Alaska in 1946, and therefore authorized to file the Petition under 3 AAC 110.410(a)(4). **Exhibit H** is a certified copy of the resolution adopted by the City of Hoonah authorizing the filing of this petition.

Section 20. Charter.

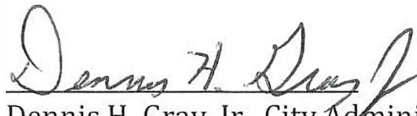
Exhibit I presents the proposed home rule charter for the proposed borough. The proposed charter, as may be amended as the public proceedings of this Petition progress, is adopted if voters approve incorporation of the home rule borough.


Section 21. Petitioner's Affidavit.

As required by 3 AAC 110.420(b)(21), an affidavit of Petitioner's representative affirming that the information in this Petition is true and accurate is provided as **Exhibit J**.

DATED this 28th day of June, 2023.

Petitioner's Representative

By: 
Dennis H. Gray, Jr., City Administrator
Petitioner's Representative

By: 
Jon K. Tillinghast
Petitioner's Alternate Representative