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VIA Email

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Local Boundary Commission
Division of Community and Regional Affairs
Alaska Department of Commerce, Community, and Economic Development
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RE: Petition to Incorporate the Xunaa Borough and Dissolve the City of Hoonah

Greetings Local Boundary Commissioners and Staff:

I am writing to express my opposition to the Xunaa Borough as proposed by the City of Hoonah's petition to incorporate a home rule borough and dissolve the city government. I am a 23-year resident of both Gustavus and Juneau. I am also a former Division of Community Regional Affairs employee (2003 – 2014) and have previously served as intermittent staff to the Local Boundary Commission to evaluate incorporation petitions and facilitate local and regional discussions regarding borough formation across Southeast Alaska. I had the honor of serving under the esteemed leadership of Local Boundary Commission retired director Dan Bockhorst. I consider myself uniquely qualified to submit comments regarding the petition due to my knowledge related to the standards associated with incorporations and experience facilitating discussions regarding local boundary changes.

The State of Alaska's Constitution, Article X, Section 2 provides for two forms of local government – city government and organized boroughs. Alaska's Constitution also requires the state be divided into organized *or* [emphasis added] unorganized boroughs based on standards related to natural geographic boundaries, economic viability, transportation, and common interests. Each borough is intended to embrace an area and population with common interests to the maximum extent possible. Framers of the constitution did not intend to force a particular form of government on any community or region, but rather opted to provide maximum deference to residents in determining the most appropriate form of local government given local and regional context. Alaska Constitution's Article X provides "for maximum local self-government with minimum local governmental units." By design, borough governments were intended to provide services at a regional level and across multiple communities unified by a common social identity, shared economic interests, and a desire to form a regional borough government. Single-city boroughs were purposely discouraged.

The role of the Local Boundary Commission (LBC) is to consider municipal boundary changes and make decisions based on established standards and an evaluation of the evidence at hand – not debate the merits or

implications of the unorganized borough or to stretch borough formation standards to shoehorn in single-city boroughs. Decisions must have a reasonable basis based on an analysis of the evidence with adherence to standards. The City of Hoonah's petition to incorporate the Xunaa Borough is not reasonable nor supported by the standards that guide decisions regarding borough formation. The proposed borough is also not in State of Alaska interests because it 1) does not conform with 1997 *Model Borough Boundaries* or recognize the 2003 analysis of *Unorganized Areas of Alaska that Meet Borough Incorporation Standards*; 2) disadvantages three communities (Tenakee Springs, Pelican, and Gustavus) by isolating them as enclaves surrounded by borough governments, 3) does not meet minimum population requirements of 1,000 permanent residents, and 4) does not present evidence of diversified local revenue beyond a Hoonah townsite year-round and areawide seasonal sales tax that disproportionately burdens select industries across a vast uninhabited landscape.

The proposed Xunaa Borough spans approximately 10,000 square miles (land and water) and encompasses parts of northern Chichagof Island, Yakobi Island, Icy Strait and Cross Sound and associated islands, Glacier Bay National Park, parts of Admiralty Island's Mansfield Peninsula and nearby Horse and Colt Islands, and reaches approximately 90 miles offshore into the Gulf of Alaska. During recent years, Hoonah leaders and the media have reported the intent of the proposed Xunaa Borough is to encompass the traditional homeland of the Huna Tlingit. Tribal homelands, however, are not relevant to borough formation pursuant to State of Alaska constitutional, statutory, and regulatory guidance. For all practical purposes, the proposed Xunaa Borough is comprised of 95% Hoonah residents, encompasses vast unpopulated areas, applies a sales tax across expansive boundaries for the exclusive benefit of Hoonah residents, does not provide comprehensive borough services across the proposed region, and creates three enclaves by excluding the Cities of Pelican, Gustavus, and Tenakee Springs.

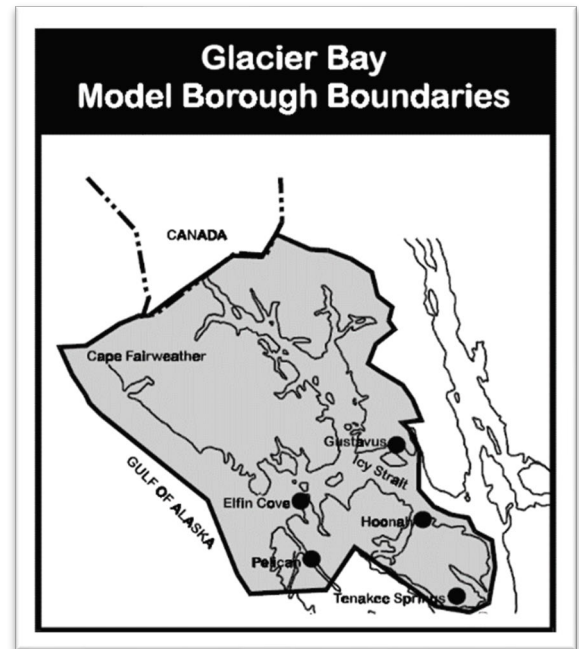


Proposed Xunaa Borough Boundaries. Local Boundary Commission website, Accessed 2/20/24

Of noteworthy importance, pivotal reports commissioned by the Local Boundary Commission, including *Model Borough Boundaries* (1997) and *Unorganized Areas in Alaska that Meet Borough Incorporation Standards* (2003), recognized the feasibility of a borough for the greater Glacier Bay region including the national park, Icy Strait, Cross Sound, Yakobi Island, and northern Chichagof Island, but only by unifying the surrounding communities in a common purpose including Hoonah, Pelican, Elfin Cove, Gustavus, Tenakee Springs, and Game Creek (and the prior Whitestone Logging Camp). The named Glacier Bay Borough purposely excluded Admiralty

Island's Mansfield Peninsula and associated Horse and Colt Islands as they were designated for future annexation by the City and Borough of Juneau. In an objective manner, both reports comprehensively explored the unorganized borough and proposed potential borough boundaries that were in alignment with constitutional, statutory, and regulatory guidance. They were landmark reports intended to facilitate public discussion and inform Local Boundary Commission decision-making around heated local boundary actions.

Despite numerous attempts by the City of Hoonah, the Glacier Bay Model Borough (or alternative variation) largely failed because the six associated communities have not agreed a borough government is needed to serve the interests of the region or individual communities. There are limited to no social, cultural, or economic ties that create a common community of interest other than residents valuing a subsistence and rural lifestyle with limited local government. The demographics, economies, culture, and histories of each of the six communities vary widely. Three of the four city governments (Pelican, Gustavus, and Tenakee Springs) provide sufficient public services that meet local needs and see no benefit in a regional government. Only the City of Hoonah – with multiple attempts during the prior three decades – has moved forward to form a borough government, but without the support of neighboring communities. Hoonah has yet to propose a borough that unifies surrounding communities in the pursuit of a regional form of government. If the Glacier Bay Model Borough met the spirit and intent of borough formation with widespread regional support, it would have incorporated long ago – and especially as Hoonah has invested significant resources in professional planning services.



Local Boundary Commission, Accessed 2/20/24

For all practical purposes, the proposed Xunaa Borough will incorporate a vast largely unpopulated landscape and tax select industries for the exclusive benefit of Hoonah residents while disadvantaging six neighboring communities. No tangible borough services or benefit other than taxation will be realized by the three unincorporated communities (or settlements) included within Xunaa Borough boundaries – Game Creek, Elfin Cove, and Funter Bay. An additional three incorporated city governments – Pelican, Gustavus, and Tenakee Springs – will be negatively impacted as they will effectively become enclaves surrounded by borough governments thereby limiting future annexation opportunity to accommodate community and economic growth. The seasonal cabin owners on Colt Island, Horse Island, and Funter Bay are likely seeking a property tax refuge due to recent City and Borough of Juneau efforts to annex the Mansfield Peninsula instead of arguing the merits of the proposed Xunaa Borough. As City and Borough of Juneau's resolution attests, cabin owners in these remote locations are more closely connected to Juneau than Hoonah as evidenced by permanent Juneau homes, mailing addresses, voter registrations, and small business ownership.

In a nutshell, the proposed Xunaa Borough is not aligned with the state statutes, regulatory standards, or the spirit and intent of borough formation as envisioned by the State of Alaska's Constitution that describes large regional forms of borough government that unite communities of common interest, provide taxation on a regional scale, and deliver services across the region in a fair and equitable manner. In contrast, the proposed Xunaa Borough embraces a vast unpopulated land base and generates tax revenue for the exclusive benefit of

Hoonah residents while alienating or limiting the growth potential of nearby excluded communities. Additional discussion regarding the merits of the proposed Xunaa Borough satisfying the most substantive borough formation standards are presented in the following sections, in summary fashion, by combining and paraphrasing constitutional, statutory, and regulatory guidance.

3 AAC 110.045 Community of Interests

Constitutional, statutory, and regulatory guidance provides that proposed borough governments should be of regional scale with the social, cultural, and economic characteristics and activities of the people within the proposed borough interrelated and integrated.

The City of Hoonah has erroneously suggested Hoonah is the regional hub and that surrounding rural communities are beneficiaries of Hoonah infrastructure and services. This assertion is disputed by comments submitted by nearby city governments, community association, and Pelican, Elfin Cove, Gustavus, Juneau, and Tenakee Springs residents. Comments submitted by Funter Bay and Colt Island cabin owners also indicate using Juneau infrastructure and services as the large majority also reside in Juneau.

The City and Borough of Juneau is the undisputable hub for northern Southeast communities due to simplified commercial transportation routes, health care and social services, communication services, retail sales and services, higher education, and as a government center. Air and marine travel to northern Southeast communities starts and ends at Juneau's docks, harbors, and airport – not Hoonah. The path to Tenakee Springs, Gustavus, Elfin Cove, and Pelican is via Juneau – not Hoonah. It is highly unlikely the residents of neighboring rural communities would opt to travel to Hoonah, via Juneau, to procure a narrow range of services at a higher cost. This is not a rationale assertion made by the City of Hoonah nor is it supported by commercial transportation routes or flow of economy dollars. Hoonah's investment in marine services, and its boat harbor and storage in particular, is a notable exception used by a limited number of neighboring community residents.

Neighboring rural communities have distinct local economies, social identity, and cultures. While all Icy Strait, Cross Sound, and Chatham Strait rural communities share a unique rural lifestyle with values steeped in rugged independence, self-sufficiency, and living in harmony with the environment, the communities are not interrelated or integrated. They are independent communities with distinct local economies, demographics, social identity, culture, histories, and oftentimes significantly differ in matters of region-wide interest including borough formation, natural resource development, environmental preservation, and economic development. For example, Hoonah's economy has notably transitioned from industrial logging to industrial tourism during recent years, while neighboring communities have purposely avoided industrial-scale natural resource extraction or cruise ship visitation in favor of local value-added small business opportunities. These deliberate economic development choices signify an incompatibility in economic, industrial, or commercial activities.

In terms of Glacier Bay National Park, Gustavus is gateway to the national park – not Hoonah. Independent tourists visit the national park by first taking an airplane, ferry, or private boat from Juneau to Gustavus followed by driving a paved road from Gustavus' airport or ferry dock to the national park. While Hoonah may have a future interest in developing commercial tourism opportunities at Glacier Bay, I question whether independent tourists are currently traveling from Hoonah to Gustavus to Glacier Bay National Park. Bartlett Cove and related national park visitor services are wholly located within the City of Gustavus municipal boundary. The national park meets its energy needs through hydropower generated and delivered by Gustavus infrastructure. Gustavus commercial enterprises provide services to the national park, associated employees,

and tourists. National park employees are Gustavus residents and community members that meet their personal and household needs via Gustavus utilities and retail services with occasional trips to Juneau, if needed, for advanced health care or provisioning.

3 AAC 050 Population

Constitutional, statutory, and regulatory guidance provides that proposed borough governments must be sufficiently large and stable to support borough government. Regulatory guidance, in particular, requires a minimum population of 1,000 permanent residents unless a persuasive argument can be made otherwise.

The proposed Xunaa Borough does not meet the minimum permanent population requirement of 1,000 residents. Hoonah's current population is 917 residents, which represents 95% of the proposed borough population (ADCCED 2022 Certified Population). The petition does not meet regulatory standards even after including the unincorporated communities of Game Creek (18 pop.) and Elfin Cove (38 pop.) (ADCCED 2022 Certified Population). With Hoonah comprising 95% of the total population, it is difficult to argue Xunaa Borough represents a credible *regional form* of government with sufficient population to support a borough government – and capable of providing services throughout a vast landscape for the benefit of all borough residents. Notably, Hoonah's population has experienced volatility during the past two decades with population loss 2000 – 2010 (-12%), followed by population growth 2010 to 2020 (+23%), and again followed by population loss 2020 – 2023 (-2%).

For all practical purposes, the proposed Xunaa Borough is a single-city borough with little to no intention in providing services to approximately 50 residents residing in three unincorporated communities – Game Creek, Elfin Cove, and Funter Bay (and Horse and Colt Islands). It is difficult to make the argument that Game Creek is an additional community considering it is a closed religious settlement. Funter Bay, Horse Island, and Colt Island are comprised of seasonal cabins, largely owned by Juneau residents, and fail to meet minimum population standards to be considered a community. Elfin Cove has an extremely small year-round population that is significantly lower than state certified population or US Census Bureau figures. Population may signify a settlement of people with a common interest of living a subsistence off-the-grid lifestyle, but that does not meet minimum thresholds to be considered a “community” by State of Alaska or US Census Bureau standards.

3 AAC 110.055 Resources

Statutory and regulatory guidance provide the economy of the proposed borough must include the human and financial resources necessary to provide the development of essential municipal services on an efficient and cost-effective level.

As previously noted, Hoonah residents comprise 95% of the proposed Xunaa Borough's total population. As a likely consequence, the petition indicates the borough will not provide services outside the Hoonah townsite service area. The petition explicitly acknowledges remote area residents prefer an independent lifestyle, provide for their own power needs, and there is no need for K-12 education. Collecting tax revenue to deliver services in outlying communities, including Elfin Cove, Game Creek, and Funter Bay (and Horse and Colt Islands), is not a point of focus of the petition despite application of a seasonal areawide sales tax.

It is likely the majority of small businesses operating on Glacier Bay, Icy Strait, and Cross Sound waters and shoreline are likely registered to Pelican, Elfin Cove, and Gustavus business owners and families. These same businesses will collect and remit seasonal sales tax revenue, but will not benefit from essential services. There

will be no delivery of power, fire, emergency, or safety services in the borough's outlying communities including Elfin Cove, Game Creek, and Funter Bay (and Horse and Colt Islands). The Cities of Pelican, Gustavus, and Tenakee Springs, notably excluded from the proposed Xunaa Borough, will be expected to deliver emergency services while the sales tax is collected and remitted to the borough. This raises issues of fairness and equity in addition to not meeting state standards related to right-sizing government for the efficient and cost-effective delivery of services.

The petition fails to disclose or provide an estimate of taxable property within proposed borough boundaries. It also fails to disclose personal income or employment across industries as a proxy for assessing the economic base, general wealth of the region, and financial capital needed to support a borough government.

While the City of Hoonah is the petitioner and represents Hoonah citizens, I question broader local community interest in the Xunaa Borough considering there is no public comment submitted in support of the borough as of the morning of the deadline to submit public comment (2/29/24). There is one public comment, from a Hoonah resident and business owner, opposing the Xunaa Borough and citing mismanagement and ethics violations by the City of Hoonah. What is the level of commitment and interest, in the broader Hoonah community, in sustaining a borough government and delivering services across borough boundaries?

3 AAC 110.060 Boundaries

Constitutional, statutory, and regulatory guidance require boundaries of a proposed borough must generally conform to natural geography, be on regional scale suitable for borough government, and include all land and water necessary to provide for the full development of essential services.

As previously stated, the proposed Xunaa Borough does not represent a regional form of government as envisioned by framers of Alaska Constitution nor by lawmakers. Ninety-five percent of the proposed borough's population resides in Hoonah and borough services will be focused on the Hoonah townsite. The unincorporated communities of Game Creek, Elfin Cove, and Funter Bay (and Horse and Colt Islands) will be subject to an areawide seasonal sales tax, but will not receive tangible services at the local level. Taxation will occur across a vast landscape with no intent to deliver services to far-flung communities or others living a remote and isolated lifestyle including Idaho Inlet, Inian Islands, and Lemesurier Island. The boundaries are inappropriate considering 95% of residents reside in Hoonah and there is little to no intent to deliver services on an areawide basis despite an areawide seasonal sales tax. Again, the Xunaa Borough petition represents an intent to incorporate a vast land base as a tax base for the benefit of a single community, which is not the spirit and intent of borough formation as provided by Alaska's constitution, state statutes, or regulations.

Regarding the issue of enclaves, it is illogical to contend the proposed Xunaa Borough will not create enclaves. The Cities of Pelican, Gustavus, and Tenakee Springs will be wholly surrounded by borough governments including Xunaa, Haines, and Sitka. This is the equivalent of creating a distinct and small unit enclosed within a much larger unit of differing social, economic, and cultural values. The opportunity for these communities to grow will be eliminated and their only remaining viable option will be to request annexation to a neighboring borough. This is particularly relevant in Gustavus, which has experienced steady population growth since 1970 while the majority of majority of Southeast Alaska communities have stagnated, experienced volatility, or lost population during more recent decades.

While City of Hoonah and Local Boundary Commission maps lack precision, it is difficult to understand the extension to the boundary to approximately 90 miles offshore into the Gulf of Alaska. Is there a legal basis for this extension of the western boundary? There is little to no discussion related to this boundary within the City of Hoonah's petition other than citing Huna Tlingit historic tribal territory and subsistence use areas.

In summary, boundaries of the proposed Xunaa Borough are not the optimum boundaries for the greater Glacier Bay, Icy Strait, or Cross Sound region as envisioned by Alaska Constitution, Article X, Section 3. Boundaries do not conform to 1997 *Model Borough Boundaries*, or embrace an area and population with common interests, or minimize number of local government units. The boundaries also limit future growth opportunity for enclaves. Xunaa Borough boundaries ultimately incorporate a vast landscape of approximately 10,000 square miles of land and water with no intent of delivering services across the majority of the land base other than collecting a seasonal sales tax with proceeds benefiting the Hoonah townsite.

3 AAC 110.065 Best Interests of the State

Statutory and regulatory guidance provide that proposed boroughs are in the best interest of the state government when they provide for maximum local self-governance, provide a minimum number of local government units, relieve the state government of providing local services, and will not expose the state government to risk in the case of dissolution.

The proposed Xunaa Borough incorporates a vast expanse of land and water reaching from Chatham Strait to 90-miles offshore into the Gulf of Alaska. For all practical purposes, the Cities of Tenakee Springs, Gustavus, and Pelican will become enclaves, wholly surrounded by borough governments, and with no opportunity for future growth. These city governments are political subdivisions of the state government and their future growth opportunity will be stymied thereby increasing the pressure on the state government to deliver services and provide funding. The Cities of Pelican, Gustavus, and Tenakee Springs will also likely experience a loss of current federal and state funding. There will be no reduction in total local government units as statutory and regulatory guidance requires.

Summary

I respectfully request the Local Boundary Commission deny the City of Hoonah's request to incorporate the Xunaa Borough and dissolve the city government as it does not meet constitutional intent, state statutes, or additional regulatory guidance regarding borough formation. It is also not aligned with 1997 *Model Borough Boundaries*.

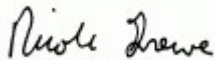
If the Local Boundary Commission is compelled to further study the proposed Xunaa Borough, I strongly recommend significantly reduced boundaries that incorporate only nearby sections of northern Chichagof Island, Port Frederick and nearby waters of Icy Strait, and wholly exclude Admiralty Island's Mansfield Peninsula and nearby Horse and Colt Islands, Yakobi Island, Cross Sound and associated Inian Islands, and Glacier Bay National Park and nearby Lemesurier and Pleasant Islands. Hoonah's pathway to a successful Xunaa Borough petition is to significantly reduce boundaries, avoid creating enclaves, fairly tax all residents and businesses, and provide essential services on an areawide basis – or wait until all communities are unified under a common vision for a true regional form of government that generates revenue and delivers essential services across the region.

Local government, community association, and public comment submitted thus far by Pelican, Elfin Cove, Idaho Inlet, Gustavus, and Tenakee Springs are aligned in opposition to the proposed Xunaa Borough. Support for this petition is largely limited to the City of Hoonah, with Hoonah residents as primary beneficiaries of taxation, and also a handful of Funter Bay and Colt Island cabin owners whose primary motivation is arguably to avoid the perceived threat of annexation by the City and Borough of Juneau and associated property taxes. This is an unfortunate situation as the majority of Funter Bay and Horse and Colt Island landowners are also Juneau residents and Juneau, not Hoonah, is their regional hub. As previously noted, 1997 *Model Borough Boundaries* provided guidance that Funter Bay and Horse and Colt Islands were to be annexed by the City and Borough of Juneau.

On a final note, I have deep appreciation for Southeast Alaska's first inhabitants as told through oral and written history – the Tlingit, Haida, and Tsimshian peoples. Living amongst indigenous peoples and learning from them has been one of the greatest joys of my personal and professional life. Borough formation, however, is not about recognizing tribal historic territory. Borough formation, as a modern-day concept established by state government and guided by state statutes, should not be confused with land ownership, potential to reclaim tribal homelands, or to exert greater tribal influence in public land or natural resource management. Boroughs are intended to be regional forms of government that unify communities of common interest and deliver services on an areawide basis. Society is changing under our very feet as we continue to grapple with indigenous land claims and acknowledging past wrongs by groups with power and influence, but borough formation is not intended to remedy these issues.

I encourage the Local Boundary Commission to steadfastly apply constitutional, statutory, and regulatory guidance as intended to guide local boundary decisions in a transparent, objective, and fair manner – and in the best interests of all affected communities and the State of Alaska.

Thank you for your time, effort, and consideration,

A handwritten signature in black ink, appearing to read "Nicole Grewe". The signature is written in a cursive, flowing style.

Nicole Grewe
Gustavus and Juneau Resident