

Agency: Commerce, Community and Economic Development**Grant Recipient: Hoonah****Federal Tax ID: 92-6001151****Project Title:****Project Type: New Construction and Land Acquisition**

Hoonah - Berthing Facility

State Funding Requested: \$17,000,000
One-Time Need**House District: 5 / C****Brief Project Description:**

Design and construction of a multiple use, deep water berthing facility near Cannery Point in Hoonah which includes a floating dock and road access to the dock.
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Funding Plan:

Total Project Cost:	\$17,000,000
Funding Already Secured:	(\$0)
FY2012 State Funding Request:	<u>(\$17,000,000)</u>
Project Deficit:	\$0

Detailed Project Description and Justification:

COMMERCIAL PASSENGER VESSEL TAX ACCOUNT PROJECT:

PROJECT DESCRIPTION

This project consists of the design and construction of a multiple use, deep water berthing facility near Cannery Point in Hoonah. A new floating dock secured by four separate three-pile, dock-restraint dolphins with energy absorbers will be constructed and will include five breasting dolphins, two forward of the dock and three aft, and three mooring dolphins, two forward of the breasting dolphins, and one aft. The facility will also include road access to the floating dock.

Once constructed, the Facility will be capable of accommodating one 1,000 – 1,050 foot cruise ship, accessible via a 16-foot by 140-foot long transfer bridge and a 20-foot by 420-foot access trestle. An additional float may be installed on the shoreward side of the dock to accommodate small charter boats.

Estimated Cost

Approximately, \$17.0 million based on conceptual design (updated March 10, 2010) prepared by PND Engineers, Inc. Juneau, AK. Cost estimate is for administration, design and construction of the Facility only.

PROJECT JUSTIFICATION

Like many communities in Southeast Alaska, Hoonah's economy was hard hit by the decline of the timber industry in the 1990s. Even with the substantial economic boost provided by Icy Strait Point, Hoonah's population declined from 873 in 2002 to 764 in 2009.

Tourism has become a major economic force for Hoonah since Icy Strait Point became a cruise ship port of call in 2004.

Given the decline of timber, the timing of the development has been important and welcome. ISP is now Hoonah's largest employer, and accounts for an estimated 20 percent of total Hoonah employment on an annual basis, and 28 percent in its peak month.

The construction of the Facility is expected to create approximately \$8.5 million in total labor income and direct employment of 40 to 50 jobs (for the 18-month construction period). It is further expected the Facility will provide for an increased number of passengers disembarking and increased time on shore due to increased efficiency in embarkation/disembarkation, greater perceived convenience, decreased anxiety in inclement weather, and increased likelihood of returning to shore after meals. This increase in the number of passengers in port (estimated at 19 percent) and their longer average length of time onshore (10 to 15 percent) will result in an estimated 30 percent increase in passenger spending. In 2009, ISP's 134,000 cruise visitors spent a total of \$5.24 million on excursions, activities, food and beverage, on-site shopping, shuttle service and fish processing. Based on this level of passenger traffic and spending, a 30 percent increase equates to \$1.6 million in additional spending. The increased spending would result in an increase in sales tax revenues to the City of Hoonah of \$96,000 annually; \$480,000 in additional payroll; and approximately 20 annual-equivalent (35 seasonal) jobs. (Full-detailed statistics of the project's projected economic impact are attached in the Economic Feasibility Study by McDowell Group, Dec. 2010).

The Facility will be designed and constructed to accommodate multiple uses on a year-round basis. It will be able to accommodate freight barges, commercial fishing vessels, large yachts, US Coast Guard Vessels, and Alaska Marine Highway System traffic.

Project Timeline:

Project can be completed within eighteen (18) months of full funding award.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Icy Strait Point and City of Hoonah

Grant Recipient Contact Information:

Name: Marlene Duvall
 Title: City Administrator
 Address: 300 Front Street, PO Box 360
 Hoonah, Alaska 99829
 Phone Number: (907)945-3663
 Email: mduvall@cityofhoonah.org

Has this project been through a public review process at the local level and is it a community priority? Yes No



March 10, 2010

PND 072031.02

Mr. Johann Dybdahl
Icy Straight Point
9301 Glacier Highway
Juneau, Alaska 99801

Re: Cannery Point Cruiseship Dock
Concept Design narrative

Dear Mr. Dybdahl:

Per your request, PND Engineers, Inc. (PND) has revised the cost estimate for the conceptual design for a new cruiseship docking facility at Cannery Point near Hoonah, Alaska. This letter contains a brief narrative describing the project background, design criteria, development options and cost estimates.

Project Background and Design Criteria

A cruise ship dock at Cannery Point near Hoonah, Alaska is desired to allow more convenient and safer transfer of passengers and crew from ship to shore and to provide longer passenger time ashore while the ship is in port.

The criteria for any cruiseship dock at the site include the following:

- The facility should be able to accommodate 1,000 foot to 1,050 foot ships that are anticipated in Southeast Alaska in the near future.
- The facility should provide adequate depth at the pierhead for the design vessel in the near future. The area is undergoing glacial rebound and ground rising due to tectonic plate action. The rate of rise is estimated to be approximately 12mm per year (1/2 inch). The pierhead should have adequate depth for a 30-foot draft vessel with a 5-foot safety clearance at a -5 tide, which is the estimated extreme low water tide level. With these criteria, a minimum depth at the pierhead of -40 feet, mean lower low water (MLLW), is desired and -45 feet MLLW preferred for longer term glacial rebound.
- Passenger embarking and disembarking is preferred by the industry using a floating dock with adequate length to accommodate separate on and off ramps at doors near the water level. In this manner, gangways at the ship's doors need not be moved while the ship is at berth. A floating facility better accommodates those with disabilities than a fixed pier facility.
- The floating berth should be accessed by a transfer bridge long enough to accommodate grades acceptable to the American's with Disability Act (ADA) at most tide levels. This

results in a 140-foot long bridge. The bridge should be capable of supporting a van or small bus that can transport those with severe disabilities and ambulances during extreme low tides.

- Breasting dolphins and other fendering should have adequate energy absorption capacity to accommodate the berthing energies of 1,000 to 1,050 foot ships.
- Mooring bollards should be adequate to support line loads for a ship subject to 60 mile per hour sustained winds. It is assumed that the ship will not be at berth when winds are at higher speeds.
- All mooring bollards should be readily accessible by walkable routes for longshoremen.
- Smaller floating structures exposed to winds and waves from the north should be designed in such a manner to be removed during winter months when large wave and winds are anticipated at the site.
- If possible, the cruise ship facility should be equipped with water lines so that the ships can load potable water while in port.
- The facility should have adequate lighting for night operations and for navigational safety.

PND received 2004 bathymetry for the Cannery Point site from NOAA. This bathymetry does not include information within several hundred feet of the shore. The survey data is generally adequate to locate docks with a pierhead aligned to the -50 MLLW contour. It is adequate for a concept design but will need to be supplemented for final design and construction.

Geotechnical conditions at the site are not well known. Near the existing dock and float facilities it is known that timber piles of lengths less than 100 feet could be driven to achieve adequate bearing. The cruiseship facility will need to have steel piles with much higher capacities than the timber piles that are found at the existing docks at Cannery Point. Many of the piles at the cruiseship dock will also need to resist tension loads. Those new piles may need to be anchored to shallow bedrock if there is not enough tensile capacity in the soils above bedrock elevations.

Conceptual Design and Cost Estimate

The facility for this concept is located north of Cannery Point sited mostly in Icy Strait. The ship will likely moor port-to in an east-west orientation. The facility will consist of a floating dock secured by four separate, three-pile, dock-restraint dolphins with energy absorbers. There will be two breasting dolphins forward of the dock and three breasting dolphins aft of the dock. Forward of the breasting dolphins will be two mooring dolphins to accommodate spring and bow lines. Aft of the rear breasting dolphins will be a mooring dolphin to accommodate the stern line. All dolphins will be accessed by catwalks and gangways from the dock.

All dolphins will be supported by a minimum of three steel piles and will be equipped with a pre-fabricated steel cap with an integral mooring bollard. All dolphins will be designed for mooring line loads. Breasting dolphins will also have fenders with energy absorbers so the ship can lay against them.

The floating dock will have floating energy absorbers along the face for the ship to breast against. The energy absorbers will have integral swivels at each end and will be secured to the dock with large galvanized chain.

The floating dock will be accessed by a 16-foot by 140-foot transfer-bridge and a 20-foot by 420-foot access trestle. The access trestle will have a concrete deck supported by steel girders which will be supported by steel pile caps and steel pipe piles. The sides of the access trestle will be equipped with bullrails and handrails for safety. The access trestle will connect to the shore near the north end of the existing shore path system. A future float can be installed on the shoreward side of the dock to accommodate small charter boats.

A site plan for the above described construction is attached. The estimated construction budget is \$14.58 million. This estimate includes a contingency for rock anchoring tension piles, and a 15% contingency for unknowns. The total project budget is estimated to be \$16.95 million and includes the construction costs, design, detailed bathymetric and topographic surveys, a geotechnical investigation, permitting, construction inspection and contract administration. A detailed breakdown of the cost estimate is attached.

Hopefully, this letter meets your immediate needs. If you have questions, need additional information or wish to examine other possible layouts, please feel free to call me. We look forward to your response and working with you again on this exciting project.

Sincerely,

PND Engineers, Incorporated | Juneau Office



Chris Gianotti, P.E.
Senior Engineer

**Cannery Point Dock
Icy Straight Point**

Conceptual Cost Estimate

Item No.	Item	Quantity	Units	Unit Cost	Cost
1.0	Mobilization	1	LS	\$1,152,000	\$1,152,000
2.1	Mooring Dolphins	3	EA	\$175,000	\$525,000
3.1	Breasting Dolphins	5	EA	\$300,000	\$1,500,000
4.1	Catwalk Support Piles	4	EA	\$15,000	\$60,000
4.2	Catwalk Support Caps	2	EA	\$8,000	\$16,000
4.3	Catwalk	780	LF	\$550	\$429,000
5.1	Trestle Piles - Vertical	12	EA	\$12,000	\$144,000
5.2	Trestle Piles - Battered	6	EA	\$18,000	\$108,000
5.3	Trestle Abutment - Concrete Cap	1	EA	\$40,000	\$40,000
5.4	Trestle Abutment Piles	4	EA	\$10,000	\$40,000
5.5	Trestle Pile Caps	6	EA	\$12,000	\$72,000
5.6	Trestle Girders	840	LF	\$1,200	\$1,008,000
5.7	Trestle Deck (420 ft x 20 ft)	8400	SF	\$50	\$420,000
5.8	Trestle Bullrail/Handrail	840	LF	\$120	\$100,800
6.1	Barge Anchor Piles - Vertical	4	EA	\$22,500	\$90,000
6.2	Barge Anchor Piles - Battered	8	EA	\$30,000	\$240,000
6.3	Barge Anchor Pile Caps	4	EA	\$25,000	\$100,000
6.4	Barge Anchor Pile Energy Absorbers	4	EA	\$25,000	\$100,000
6.5	Floating Barge (300 ft by 50 ft)	15000	SF	\$250	\$3,750,000
6.6	Transfer Bridge Abutment Piles- Vertical	2	EA	\$15,000	\$30,000
6.7	Transfer Bridge Abutment Piles- Battered	3	EA	\$20,000	\$60,000
6.8	Transfer Bridge Abutment Assembly	1	LS	\$60,000	\$60,000
6.9	Transfer Bridge (140 ft x 16 ft)	2240	SF	\$315	\$705,600
6.10	Transfer Bridge Support Float	1	LS	\$135,000	\$135,000
6.11	Transfer Bridge to Barge Apron	1	LS	\$65,000	\$65,000
6.12	Barge/Catwalk Access Gangways	2	EA	\$65,000	\$130,000
7.1	Floating Energy Absorbers	9	EA	\$15,000	\$135,000
8.1	Water Service	1	LS	\$200,000	\$200,000
9.1	Lighting	1	LS	\$200,000	\$200,000
10.1	Rock Anchor Contingency	53	EA	\$20,000	\$1,060,000
	Construction Subtotal				\$12,675,400
	Contingency	15.0%			\$1,901,000
	Estimated Construction Budget				\$14,576,400
	Bathymetric and Topographic Surveys				\$60,000
	Geotechnical Investigation				\$100,000
	Permitting				\$100,000
	Design	5.5%			\$802,000
	Construction Inspection	6.0%			\$875,000
	Construction Administration	3.0%			\$437,000
	Total Project Budget				\$16,950,400

- Notes:
1. Costs do not include tidelands leases with City of Hoonah or State of Alaska
 2. Costs do not include extension of existing utilities to trestle.
 3. Costs do not include future charter floats

Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska

Description

- New floating dock secured by four separate, three-pile, dock-restraint dolphins with energy absorbers. Facility will include five breasting dolphins, two forward of the dock and three aft, and three mooring dolphins, two forward of the breasting dolphins, one aft
- Facility will be capable of accommodating one 1,000 – 1,050 foot cruise ship, accessible via a 16-foot by 140 –foot long transfer bridge and a 20-foot by 420-foot access trestle
- An additional float may be installed on the shoreward side of the dock to accommodate small charter boats

Estimated Cost

- Approximately, \$17.0 million based on conceptual design (updated March 10, 2010) prepared by PND Engineers, Inc. Juneau, AK
- Cost estimate is for facility only does not include: public access, Icy Strait Point expansion & facility reconfiguration also excludes shoreward side float (No 3. In Description above)
 - \$1.5 million public access preliminary cost estimate based on January 2011 R&M Engineering preliminary alignment

Benefits Include

- **Preservation of existing tourism driven economic contribution**
 - Hoonah
 - ✧ 100 jobs (annual average)
 - ✧ \$2.24 million annual payroll, 31% of private sector payroll
 - ✧ \$1.1 million, 30% of all City revenues, 60% of sales tax revenues
 - Southeast Alaska
 - ✧ 115 jobs (annual average)
 - ✧ \$2.56 million annual payroll
- **Increased employment and economic contribution**
 - Dock Construction (18 months)
 - ✧ \$8.5 million labor income
 - ✧ 40-50 additional direct jobs
 - ✧ 60-80 additional total jobs
 - Dock Operation
 - ✧ \$480,000+ additional annual payroll
 - ✧ 35+ additional seasonal jobs (20+ annual average)
 - ✧ \$96,000 additional annual sales tax revenues to City of Hoonah
 - ✧ +19% increase in cruise ship passenger disembarkation
 - ✧ + 10 – 15% increase in passenger time ashore
 - ✧ Unquantified benefit resulting from increased port attractiveness & increased crew access, e.g. new cruise lines w/o tender capacity, additional calls & itineraries
- **Year-round, multiple use infrastructure for rural community**
 - Alaska Marine Highway, U.S. Coast Guard, private yachts pre & post Glacier Bay, freight barges, pre Gulf crossings
 - Given Hoonah population & significant employment provided by Icy Strait Point during peak tourism season significant employment opportunities and economic contribution will benefit neighboring Southeast Alaskan communities

Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska

Industry Support

- Facility is strongly supported by the cruise line industry
 - Multiple cruise lines currently call at Icy Strait Point
 - ✧ Royal Caribbean, Celebrity, Princess, Holland America, Oceana, Regent Seven Seas, Alaska Dream Cruises, World
 - Additional Cruise lines with Alaska itineraries not currently calling at Icy Strait Point have confirmed Cannery Point Dock would make Hoonah a much more compelling option
 - ✧ Disney has no tenders on its Alaska ship

Public-Private Partnership

- Huna Totem Corporation is working cooperatively with the City of Hoonah to develop, complete and operate this facility
 - Facility will be owned by the City, and operated by Huna Totem Corporation under a long term lease
 - See attached City of Hoonah Resolution of support No. 11-01-05

Substantial, Private Investment Made to Date

- Huna Totem Corporation has invested in excess of \$35 million to develop Icy Strait Point, into a unique Alaskan cruise ship destination
- Since opening in 2004, Icy Strait Point, now 100% wholly owned by Huna Totem Corporation has hired an average of 135 employees every season, in excess of 90% of Icy Strait Point jobs go to Native Alaskans and Hoonah residents
- Seventy-two cruise ships are scheduled to call at Icy Strait Point in 2011, affording 131,000 guests the opportunity to visit Hoonah and Icy Strait point, bringing total visitor count since opening to nearly one million
- Icy Strait Point is Hoonah's largest employer, accounting for:
 - 20% of total employment on an annual basis and 28% in its peak month;
 - 31% of private sector payroll;
 - \$2.2 million in direct payroll 2009
 - 60% of City sales tax revenues and 30% of total City revenues;
 - >\$3 million in annual direct economic contribution to the local community;
 - ✧ >\$21 million since start-up, excluding capital expenditures
- \$288,000 spent on dock-related feasibility work already
 - Original development plan included dock construction for 2nd season (2005)

Senate Bill 312

- Proposed dock meets requirements of AS 43.52.230 (b) for funds under shared revenue provision and legislative appropriations:
 - "...funds for port facilities, harbor infrastructure, and other services provided to the commercial passenger vessels and the passengers on board those vessels"
 - "Improve port and harbor infrastructure, provide services to commercial passenger vessels and passengers on board those vessels, or improve the safety and efficiency of the interstate and foreign commerce activities in which the vessels and the passengers on board those vessels are engaged."
- \$2.77 million Cruise ship head tax revenues attributable to ISP passengers 2007 – 2011e

Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska

- Cruise ship visitors to Icy Strait Point have paid nearly \$30 million in head tax to the State of Alaska since 2007
- As a private port facility owned by Huna Totem Corporation, an Alaskan Native Claims Settlement Act village corporation, Icy Strait Point has not had access to any of this money to maintain or improve its substantial tourism infrastructure

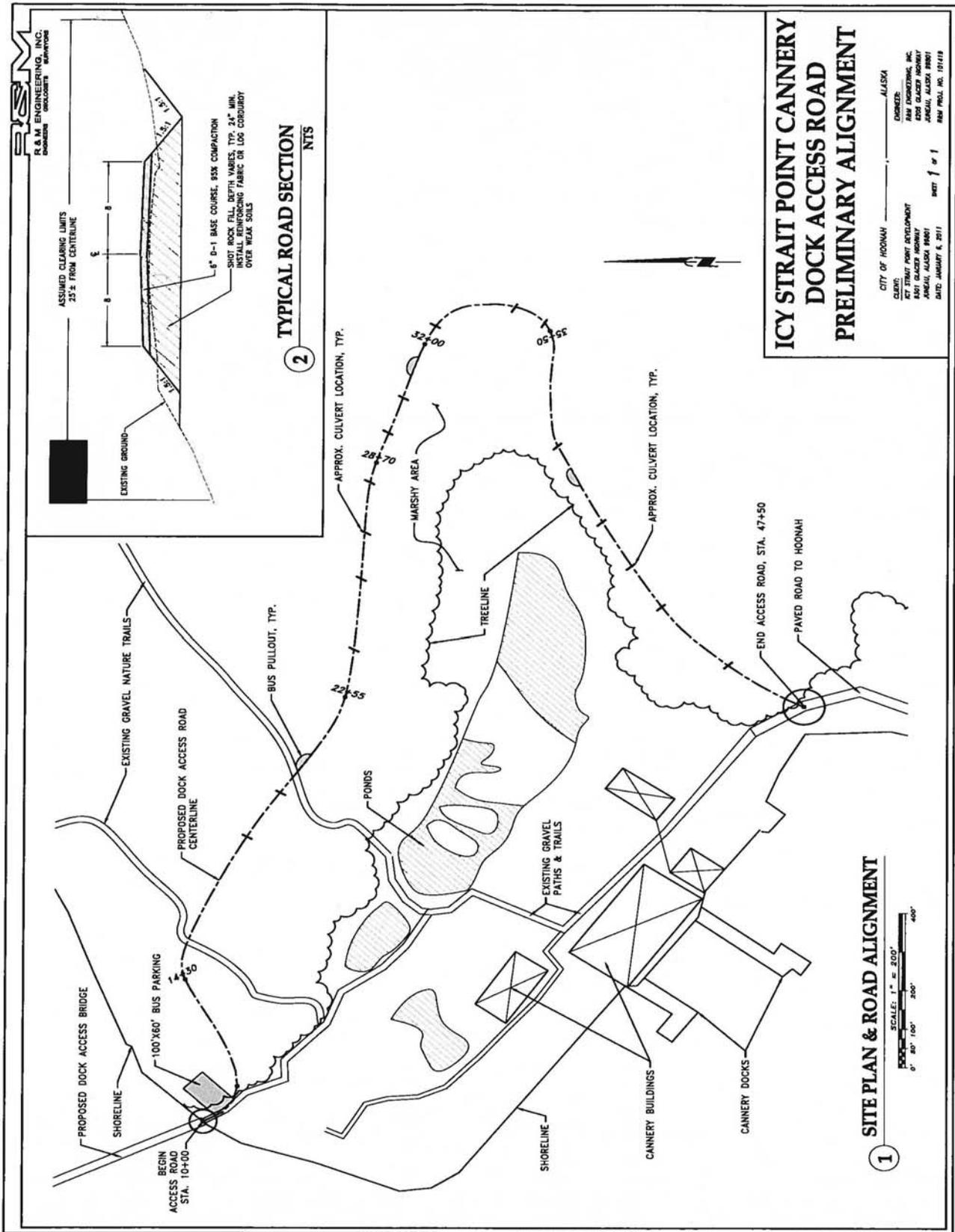
Attachments

- Preliminary Facility Concept Designs
- Icy Strait Point before & after photos
- Tendering dock photos from 2010 season
- *Economic Impact of Icy Strait Point and a Proposed Multi-Use Deepwater Dock* December 2010; The McDowell Group

Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska



Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska



Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska



Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska



Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska



Multi-use Deepwater Dock at Cannery Point, Hoonah, Alaska



***Economic Impact of
Icy Strait Point and a Proposed
Multi-Use Deepwater Dock***

Prepared for:
Huna Totem Corporation



Research-Based Consulting

Juneau
Anchorage

December 2010

***Economic Impact of
Icy Strait Point and a Proposed
Multi-Use Deepwater Dock***

Prepared for:

Huna Totem Corporation

Prepared by:



Juneau • Anchorage

December 2010

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Executive Summary

Huna Totem Corporation contracted with McDowell Group to examine the potential economic impact of a deepwater multi-use dock at Icy Strait Point (ISP), the cruise ship port located in Hoonah, Alaska. The study includes an overview of the port, a profile of Hoonah's economy, and a review of economic benefits ISP has brought thus far, in addition to anticipated direct, indirect, and induced impacts of dock construction and operation on local employment and payroll. Sources for the study included population and labor data from the Alaska Department of Labor and Workforce Development, head tax revenue data from the Alaska Department of Revenue, interviews with City of Hoonah officials, interviews with cruise industry experts, cruise traffic data from Cruise Line Agencies of Alaska, and ISP financial data.

Following are key findings from the study.

Icy Strait Point Overview

- Icy Strait Point is Alaska's only privately owned cruise port, located in Hoonah. It has been in operation since 2004; it received 123,000 passengers in 2010 (nearly double the volume in 2004). It is owned and operated by Huna Totem Corporation, the ANCSA (Alaska Native Claims Settlement Act) village corporation for Hoonah.
- Cruise passengers can participate in 21 separate shore excursions, including the largest zipline in the world, bear watching, whale watching, Native dance performances, biking, and fishing, among others. There are six dining options and 12 retail outlets onsite. Visitors can also walk along many paths throughout the property, explore the historic salmon cannery, and visit the village of Hoonah.

ISP's Role in Hoonah's Economy

- Like many communities in Southeast Alaska, Hoonah's economy was hard hit by the decline of the timber industry in the 1990s. Even with the substantial economic boost provided by Icy Strait Point, the village's population declined from 873 in 2002 to 764 in 2009.
- Tourism has become a major economic force for Hoonah since Icy Strait Point became a cruise ship port of call in 2004. Given the decline of timber, the timing of the development has been important and welcome. ISP is now Hoonah's largest employer, and accounts for an estimated 20 percent of total Hoonah employment on an annual basis, and 28 percent in its peak month.

Current Economic Benefits of ISP

- In total, from 2007 through 2009, ISP directly generated \$5.24 million in local payroll. ISP has directly generated 14 percent of all wage and salary payroll reported for Hoonah over that time frame, and 31 percent of all private sector payroll.
- The vast majority of ISP employees are residents of Hoonah. In 2010, 131 of the 137 people (96 percent) on the ISP payroll are Hoonah residents. (This is a measure of total number of individuals on ISP's payroll over the course of the year; it differs from the annual average employment figures presented below.)

- In addition to direct employment with ISP, Hoonah residents benefit from employment with companies under contract to ISP (such as kayaking and whale-watching businesses); retail businesses operating on-site but not owned by ISP; and businesses serving ISP guests independently, such as independent charter fishing operations and in-town restaurants.
- ISP spent a total of about \$3.6 million on goods and services in support of its operations in 2009. Approximately 20 percent of that spending, about \$730,000, occurred in Hoonah (the largest component of this is sales tax payments to the City of Hoonah). ISP purchased various goods and services from 20 different businesses and organizations in Hoonah in 2009.
- Including direct, indirect, and induced impacts, ISP generated 100 jobs and \$2.2 million in payroll in Hoonah in 2009. Including multiplier effects over the entire Southeast Alaska region, these figures grow to 115 jobs and \$2.6 million in annual payroll.

**Total Average Annual ISP-Related Employment and Payroll, 2009
Including Direct, Indirect and Induced Impacts**

	Direct	Indirect/Induced	Total
Hoonah			
Employment*	80	20	100
Payroll	\$1,720,000	\$520,000	\$2,240,000
Southeast Alaska			
Employment*	85	30	115
Payroll	\$1,780,000	\$800,000	\$2,560,000

Source: McDowell Group estimates. Employment does not include jobs associated with dock operation.

*Annual average employment.

- Since 2003, total annual sales tax revenues to the City of Hoonah have more than doubled, primarily due to the contributions of ISP. In 2009, ISP made \$327,000 in sales tax payments to the City of Hoonah. This is equal to approximately 60 percent of all sales tax revenues earned by the City. Total revenues to the City of Hoonah, from all sources, were approximately \$1.1 million in 2009. As such, ISP is directly accounting for about 30 percent of all City of Hoonah revenues.
- The City of Hoonah has received between \$359,000 and \$640,000 annually since 2007 from the state head tax on cruise ship passengers. (Because ISP is privately owned, none of these funds are spent on projects located at the site.)
- Icy Strait Point provides Hoonah with a large, private-sector basic industry that generates jobs and income for the local population. In small Southeast communities hard hit by the decline of the timber industry, private sector basic industries are critical, drawing new money into the local economy, and providing economic diversity in otherwise government-dependent economies.

Expected Economic Benefits of Deepwater Dock

- The construction of the deepwater dock is expected to cost approximately \$17 million, creating approximately \$8.5 million in total labor income and direct employment of 40 to 50 jobs (assuming

an 18-month construction period). Including indirect and induced employment effects, the project would be expected to account for about 60 to 80 jobs total.

- A deepwater dock will lead to increased numbers of passengers disembarking and increased time on shore due to increased efficiency in embarkation/disembarkation, greater perceived convenience, decreased anxiety in inclement weather, and increased likelihood of returning to shore after meals. The increase in the number of passengers in port (estimated at 19 percent) and their longer average length of time onshore (10 to 15 percent) will result in an estimated 30 percent increase in passenger spending.
- In 2009, ISP's 134,000 cruise visitors spent a total of \$5.24 million on excursions, activities, food and beverage, on-site shopping, shuttle service and fish processing. Based on this level of passenger traffic and spending, a 30 percent increase equates to \$1.6 million in additional spending.
- The increased spending would result in an increase in sales tax revenues to the City of Hoonah of \$96,000 annually; \$480,000 in additional payroll; and approximately 20 annual-equivalent (35 seasonal) jobs.

Economic Benefits of Deepwater Dock Construction and Operation at Icy Strait Point

Benefits	
Dock Construction	
Construction costs	\$17 million
Labor income	\$8.5 million
Direct employment	40 to 50 jobs
Total employment (direct, indirect, induced)	60 to 80 jobs
Dock Operation	
Number of passengers disembarking	+19%
Average time onshore	+10 to 15%
Passenger spending (%)	+30%
Passenger spending (\$)	+\$1.6 million
Payroll	+\$480,000
Employment (annual equivalent)	+20 jobs
Employment (seasonal)	+35 jobs
Sales tax revenues	+\$96,000

- An additional potential benefit of the dock is an increased likelihood of cruise lines adding ISP to their itineraries. Access to a deepwater dock is becoming more critical than ever to cruise lines as ships grow in size and passenger capacity, and lightering becomes more and more cumbersome. For example, Disney Cruise Line is introducing a ship to Alaska in 2011 that is not equipped for lightering. A deepwater dock will make ISP more appealing to cruise lines now and in the future.
- The dock will be designed to serve other vessels when it is not being used by cruise ships, including Alaska Marine Highway ferries, U.S. Coast Guard vessels, large yachts waiting for access to Glacier Bay, freight barges, and other vessels waiting out winter storms before crossing the Gulf of Alaska.

Summary Conclusions

- ISP has come to play a critical role in the Hoonah economy. In the absence of the local spending, jobs, payroll, and tax revenue, the community's economic picture would be bleak.
- Construction of a dock at ISP would increase the number of passengers coming ashore and the length of time passengers are ashore. These two factors together will result in increased visitor spending and generate additional payroll, employment and City taxes.
- A deepwater dock will make ISP a more attractive and competitive port of call, enhancing its sustainability, and the sustainability of its critical role in the Hoonah economy. If the dock is not built, conversely, cruise lines may choose to replace ISP in their itineraries with more convenient ports – taking with them all of the economic benefits they have brought to the community.
- Finally, construction of a deepwater dock at ISP would provide additional infrastructure supporting an industry with statewide economic benefits.

Profile of Icy Strait Point

History and Overview

Icy Strait Point was originally a salmon cannery, opening as the Hoonah Packing Company in 1912. It changed hands over the years before being purchased by Huna Totem Corporation in 1996. The site continued to serve a role in the local fishing industry until 1999, its last year as a maintenance and support facility for the seine boat fishing fleet.

Huna Totem Corporation has invested a total of \$20 million in capital (not including original purchase of property) to develop the site into a cruise port. Construction began in July 2001, with the first port call in May 2004.

The result is Alaska's only port-of-call designed for the cruise ship market. There is a strong emphasis on Tlingit culture, reflecting the site's proximity to the Tlingit village of Hoonah. In addition to shopping and dining opportunities, guests can participate in a wide variety of excursions and take walks along the paths throughout the property.

The popular website cruise critic.com deems Icy Strait Point "a refreshingly non-commercialized alternative..."

What they've created is an attractive new destination expressly for cruisers that's man-made but not commercialized. Icy Strait offers pretty woodland walks, an insight into Tlingit history and culture, a wide range of back-to-nature adventures, and good-quality restaurants. Up-market craft shops feature artisan crafts and locally made goods like woodland berry jam and confectionery, rather than "made in Taiwan" [products].

Shore Excursions

Icy Strait Point has developed a wide variety of excursions for guests, including the largest zipline in the world, which opened in 2007. There were 21 total excursions offered in 2010, including:

- Hoonah Bike Trek/ZipRider Combo
- Spaaski River Valley Wildlife & Bear Search
- Hoonah Sightseeing & Tribal Dance Combo
- Whale & Marine Mammals Cruise
- Wild Alaska Culinary Extravaganza
- Icy Strait Point Sportfishing
- Seafood Feast & Tribal Dance
- ATV & ZipRider Combo
- Icy Strait Kayak Adventure
- Hoonah Sightseeing Tour
- Tribal Dance & Cultural Legends
- Glacier Bay Flightseeing

- Forest Tram & Tribal Dance
- Wine & Whales Evening Cruise
- ZipRider Zip Line
- Hoonah Bike Trek
- Forest & Nature Tram
- ATV Expedition
- Halibut Fishing
- Whales, Wildlife, & Bear Search
- Stream Fishing

Most of these excursions are operated by Icy Strait Point, with a few operated by outside businesses under contract to ISP. The Glacier Bay flightseeing is operated by Wings of Alaska (ISP provides transportation to and from the airport). The Icy Strait Kayak Adventure is operated by a local resident, also a Huna Totem Corporation shareholder. The halibut fishing excursion is operated by Royal Charters, owned by a local resident and Huna Totem Corporation shareholder. The stream fishing excursion is operated by Game Creek Guides, owned by a local resident. The whale watching excursions are operated by Allen Marine Tours, a Southeast Alaska-owned and operated business.

In addition to the excursions listed above, passengers may also book tours with local companies not associated with ISP but which serve ISP guests, who book with them independently. These companies include Brown Bear Lodge (bear viewing, fishing), Glacier Wind Charters (whale watching, fishing), FISHES (whale watching, fishing), Alaskan Raven Charters (whale watching, fishing, kayak rentals), Game Creek Guides (whale watching, fishing), Teckk Outfitters (whale watching, bear viewing, fishing), Ear Mountain Charters (whale watching, fishing), Tok River Outfitters (whale watching, fishing), and Misty Bay Lodge (whale watching, bear viewing, fishing).

Dining

There are multiple venues offering dining at Icy Strait, including The Cookhouse, The Crab Station, The Landing Zone, and an Espresso and Snack Bar. Two new venues were introduced in 2010: a kiosk in the shopping area selling beer and serving samples of food available in the larger venues, and an outdoor grill where guests can select their own crab and salmon then watch it being prepared.

Shopping

There are 12 retail outlets in the shopping area, offering a range of products including locally made soap and wood products and Native artwork. Unlike many retail options in other Southeast ports, all of ISP's retail shops are Alaskan-owned, with most of them owned by local residents.

- Icy Strait Point Company Store
- Soap & Candle Shop
- Salmon Shop
- Hoonah General Store
- Gut Shu Wu
- Southeast Artworks

- Carey’s Handmade Glass Beads
- Alaskan Gift Shop
- Arctic Spirit
- Alaska Wood Creations
- Hoonah High School

In 2011, the retail options will be expanded by an open mall adjacent to the museum where local artisans can rent space by the day or week. This will be an attractive option for smaller-scale local artists who do not have the time or resources to rent a kiosk in the shopping area all season long. Also for 2011, an old school house will be moved to the base of the zipline to provide a retail venue at this strategic location.

ISP guests also have the option of taking a shuttle or walking into Hoonah and visiting retail and dining establishments there. ISP transported over 18,000 passengers via shuttle in 2010, while an estimated 7,000 additional passengers walked to town.

Cruise Ship Traffic

Icy Strait Point’s cruise traffic has fluctuated over the years. After a slight dip in 2010, traffic is projected to grow by 6 percent in 2011 to 131,000. Peak traffic was in 2007, at 162,000.

Celebrity Cruise Line brings the highest number of passengers to the site: 63 percent of total volume in 2010. Royal Caribbean Cruise Line (like Celebrity, owned by Royal Caribbean International) followed with 29 percent. Princess (6 percent) and Norwegian (2 percent) represented just a fraction of cruise volume in 2010.

Icy Strait Point Cruise Passenger Volume, 2004-2010 (2011 projected)

	# Calls	Volume	% change
2004	32	67,620	-
2005	36	77,498	+15%
2006	71	140,670	+82%
2007	80	161,920	+15%
2008	58	126,381	-22%
2009	69	134,685	+7%
2010	63	122,974	-9%
2011 (projected)	72	130,758	+6%
% change 2004-2011			+100%

Source: Cruise Line Agencies of Alaska and Icy Strait Point.

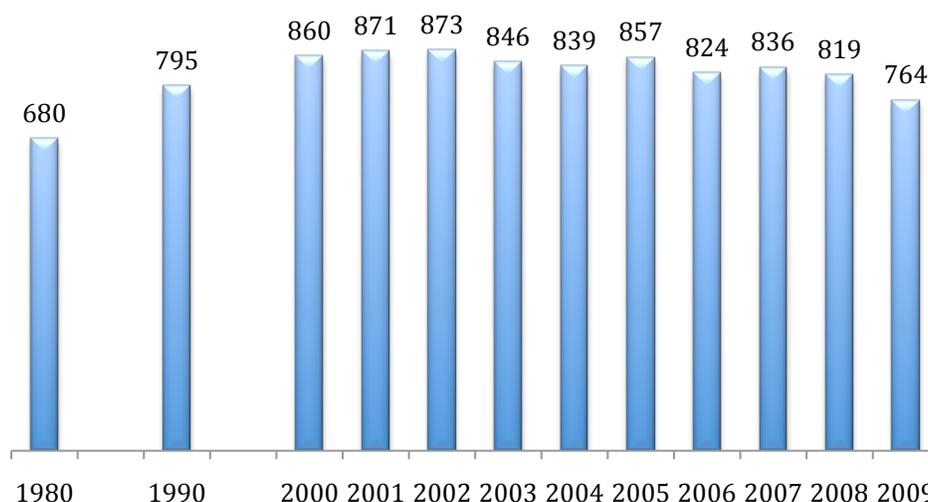
Role of ISP in the Hoonah Economy

Profile of the Hoonah Economy

Hoonah is located on the northeast shore of Chichagof Island, about 40 air miles west of Juneau. It is the largest Tlingit village in the state with an economy that has long depended on fishing and seafood processing. Timber was also important to Hoonah's economy; however, the regional forest products industry has been in steady decline since the mid 1990s. Today timber has a limited role in the Hoonah economy.

As in much of the rest of Southeast Alaska, the decline of the timber industry has caused some population loss. From 2002 to 2009, Hoonah's population fell from 873 to 764 after it had steadily climbed from 1980 to 2002.

Hoonah Population, 1980, 1990, and 2000-2007



Source: ADOL.

About 57 percent of Hoonah's population 16 or older worked in 2009, similar to the statewide percentage of 60. As one of many indicators of the seasonal nature of its economy, about 45 percent of Hoonah's resident working population filed unemployment insurance claims in 2009, compared to 17 percent statewide.

Hoonah's workforce is older than average for the state. Fifty percent of Hoonah's resident job holders in 2009 were 45 or older compared to just 34 percent for Alaska as a whole. Hoonah resident job holders consisted of slightly more females in 2009 (192) than males (187), a small difference from statewide numbers, which show 51 percent of jobs held by men and 49 percent by women.

Employment

Hoonah's largest employer is ISP, followed by the City of Hoonah, the Hoonah School District, and Wards Cove, which operates the Hoonah Trading Company and the Hoonah General Store. Total payroll employment – which does not include commercial fishermen, who are considered self-employed and are discussed separately below – fell from 370 in 2008 to 300 in 2009. The employment decline was due to a

combination of factors including a reduction in staff at the Hoonah Ranger District of the U.S. Forest Service and the effect of the deep national recession on consumer confidence and spending for both visitors and residents. A small portion the decline may also be due to a change in Forest Service reporting methodology.

Payroll Employment in Hoonah, 2003-2009

Year	Annual Average Employment
2003	415
2004	355
2005	365
2006	380
2007	380
2008	370
2009	300

Source: McDowell Group estimates based on unpublished data from ADOL.

Commercial Fishing

Commercial fishing activity is an important source of income for Hoonah residents. Since 2000, Hoonah residents have harvested over 24 million pounds of fish and generated over \$25 million in gross earnings. On average over the last decade, 58 Hoonah residents fished 85 permits each year and produced more than \$2.5 million in gross earnings.

Commercial Fishing Activity in Hoonah, 2000-2009

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	66	106	1,958,834	\$1,969,411
2001	65	100	2,672,322	2,534,972
2002	55	81	2,429,658	2,140,935
2003	57	87	3,027,157	2,843,567
2004	57	84	2,268,400	2,274,001
2005	61	85	2,659,362	2,456,287
2006	57	80	3,362,775	3,546,043
2007	59	87	2,088,218	2,591,765
2008	51	76	1,913,991	2,711,409
2009	51	67	1,635,967	2,062,922

Source: Commercial Fishing Entry Commission, Permit and Fishing Activity by Community, 2000-2009

From 2000 to 2009, the number of active Hoonah permit holders declined from 66 to 51, and the number of permits fished fell even more – from 106 to 67. Gross earnings have varied widely, from a high of more than \$3.5 million in 2006 to around \$2 million in both 2000 and 2009. These numbers reveal that commercial

fishing is a large and important part of Hoonah's economy, but also quite volatile from year to year and a shrinking contributor in terms of the number of Hoonah residents who participate.

The Importance of Tourism as a New Private Sector Basic Industry

Tourism has become a major economic force for Hoonah since Icy Strait Point became a cruise ship port of call in 2004. Given the decline of timber, the timing of the development has been important and welcome.

Economies of all size survive and grow based largely on the goods and services they can sell to broader markets. These goods and services exported out of the local economy bring income into the local economy; the industries that provide the goods and services are described as basic sector industries (as opposed to support sector industries such as retail stores that sell primarily to local residents, health care providers, and local government, among others). Without basic industries, the options for local economies are limited to a pure subsistence lifestyle or to government or other outside dependence.

As a very large state with a small population and vast resources, Alaska is especially dependent on government. That dependence extends to its cities, towns, and villages. Southeast Alaska communities in particular depend on federal and state government jobs and funds to sustain their economies. Dependence on government is not without drawbacks, however, and development of private sector industries provides critical diversity and local control.

Other than government, the region's primary economic resources historically have been fish, timber, mining, and tourism. Hoonah has always benefitted from fish, and timber was important until recently, but before the development of Icy Strait Point, Hoonah had participated only marginally in tourism. What Icy Strait Point provides Hoonah is a second large, private-sector industry that generates jobs and income for the local population. The key point is private sector basic industries are critical and qualitatively different to an economy than the support sector jobs that come after the basic industries have brought money into the economy.

Economic Benefits of ISP, 2004 to Present

Construction-Related Economic Benefits

Huna Totem Corporation has invested \$20 million in the development of infrastructure and facilities at ISP, not including the original purchase of the property. Pre-operations (prior to the inaugural 2004 season) development expenditures totaled approximately \$11.6 million. These expenditures included rehabilitation and remodel of the old cannery buildings, installation of utilities and other necessary infrastructure, as well as construction of the new buildings needed to serve over 2,000 visitors daily. This development activity generated business opportunities for local and regional contractors, and employment opportunities for skilled construction workers and laborers. Based on industry standards, \$20 million in construction activity generated approximately \$8 million in payroll for construction workers and others engaged in development of the ISP property. Including all direct, indirect and induced payroll, spending on ISP development likely generated \$10 million to \$12 million in total labor income for residents of northern Southeast Alaska.

ISP Operations Employment and Payroll Benefits

In 2009, ISP directly generated peak employment of 116 jobs with \$1.5 million in total payroll. This is a count of workers on the ISP payroll and does not include other employment at ISP associated with contracted services and independently owned retail establishments located on-site. This other employment is described in more detail in a following section of the report.

Seasonal ISP employment peaked in 2007 at 155 jobs, when port calls and passenger traffic were also at their peak. The 28 percent decline in port calls in 2008 resulted in a drop in employment of about 15 peak season jobs.

Icy Strait Point Employment, 2004-2009

Year	Annual Average Employment	Peak Month Employment
2004	65	118
2005	82	153
2006	71	144
2007	72	155
2008	62	140
2009	60	116

Source: ADOL, HTC, and McDowell Group estimates.

SHARE OF LOCAL EMPLOYMENT AND PAYROLL

Since 2007, employment data for individual employers has not been disclosable due to a change in federal reporting regulations. However, data for 2007 illustrates ISP's place among the largest employers in Hoonah. That year, ISP employed more workers than any other employer, both in terms of annual average employment and peak month employment. More recent ADOL data, though not providing employment counts for each business, does indicate that ISP remains the largest employer in Hoonah.

Top Ten Employers in Hoonah, 2007 Annual Average Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Icy Strait Point	72	155
Hoonah City Schools	54	77
US Forest Service (Department of Agriculture)	47	61
City of Hoonah	25	27
Hoonah Indian Association	24	28
Hoonah Cold Storage	23	58
Wards Cove Packing Co., Inc.*	18	21
Icy Straits Lumber & Milling, Inc.	15	19
Catholic Community Services, Inc.	12	15
The Office Bar	6	9
All Other Employers (36)	84	146
Total Employment	380	616

Source: ADOL, unpublished data *Ward Cove Packing Co. employment includes Hoonah Trading Company and Hoonah General Store, which is located at ISP.

Total Employment and ISP Employment in Hoonah, 2004-2009 Annual Average

Year	Total Annual Average Employment	ISP Annual Average Employment	ISP Percent of Total
2004	355	65	18%
2005	365	82	22%
2006	380	71	19%
2007	380	72	19%
2008	370	62	17%
2009	300	60	20%

Source: ADOL unpublished data and McDowell Group estimates.

Peak ISP employment in 2010 was recorded at 116 employees during the third quarter of that year, matching the 2009 peak month employment (see table below). Peak employment at ISP has ranged from the 2009 level of 116 to 177 in 2007.

Total Employment and ISP Employment in Hoonah, 2004-2009 Peak Month Employment

Year	Total Peak Month Employment	ISP Peak Month Employment	ISP Percent of Total
2004	420	118	28%
2005	435	153	35%
2006	475	144	30%
2007	524	177	34%
2008	490	160	33%
2009	420	116	28%

Source: McDowell Group estimates based on ADOL data.

For 2009, ADOL reported a total of \$10.1 million in payroll in the Hoonah statistical sub-area. This figure slightly overstates payroll in the Hoonah economy because it includes businesses in Elfin Cove and Pelican. Nevertheless it provides a reasonable measure of the relative importance of ISP payroll in the local economy. In 2009 ISP directly accounted for 15 percent of all Hoonah area payroll, and 30 percent of all private sector payroll. Again, these figures are conservative in that this analysis excludes payroll generated by ISP through contracted services.

Total Payroll and ISP Payroll in Hoonah, 2007-2009

Year	Total Hoonah Annual Payroll	ISP Total Payroll	ISP Percent of Total
2007	\$13.3 million	\$2.04 million	15 percent
2008	\$12.9 million	\$1.72 million	13 percent
2009	\$10.1 million	\$1.48 million	15 percent

Source: ADOL and HTC. Note: Total Hoonah payroll includes payroll paid by businesses in Pelican and Elfin Cove, therefore slightly overstates actual Hoonah payroll.

Total Private Sector Payroll and ISP Payroll in Hoonah, 2007-2009

Year	Total Hoonah Annual Payroll	ISP Total Payroll	ISP Percent of Total
2007	\$5.9 million	\$2.04 million	35 percent
2008	\$5.9 million	\$1.72 million	29 percent
2009	\$4.9 million	\$1.48 million	30 percent

Source: ADOL and HTC. Note: Total Hoonah payroll includes payroll paid by businesses in Pelican and Elfin Cove, therefore slightly overstates actual Hoonah payroll.

In total, from 2007 through 2009, ISP directly generated \$5.24 million in payroll. ISP has directly generated 14 percent of all wage and salary payroll reported for the Hoonah area¹ over that time frame, and 31 percent of all private sector payroll.

It is clear from this data that, in the absence of ISP, the employment picture in Hoonah would be bleak. ISP jobs were being created at a time when timber industry employment was in decline.

The vast majority of ISP employees are residents of Hoonah. In 2010, 131 of the 137 people (96 percent) on the ISP payroll are Hoonah residents. Five more are Juneau residents, and one is from out-of-state.

Other Employment Impacts

All of the employment and payroll presented previously in this report has been for employees of ISP and payroll paid by ISP. However, this does not fully capture all employment and income effects of ISP. There are several other sources of employment to consider, including:

- Jobs at ISP are created as a result of contracted services offered to cruise passengers. Kayaking, whale watching, charter fishing, and stream fishing opportunities are provided by firms under contract to ISP. Employees of these operations are not ISP employees and therefore not included in any of the preceding ISP employment and payroll data.
- Jobs at a majority of the retail establishments on site at ISP are owned and staffed by independent business people.
- Jobs made possible with off-site independent businesses that have no formal business relationship with ISP, but serve cruise passengers visiting ISP. Passengers sometimes purchase excursions with these businesses online, in advance of the cruise, and some are walk-up customers at businesses in town. An estimated 25,000 ISP passengers visited downtown Hoonah in 2010.
- Indirect and induced employment, which includes all of the jobs created in the local and regional support sector as a result of ISP spending and ISP employee spending of their payroll dollars.

Based on interviews and analysis of ADOL data, employment in the first three categories of other employment (contracted excursions, on-site retail, and off-site independent businesses) totals about 40 jobs during the visitor season, with an annual average of about 25 jobs. Annual payroll figures are not available for these sources of employment; however, an estimate of approximately \$300,000 is reasonable given the nature of these jobs.

¹ Includes Pelican and Elfin Cove.

Indirect and Induced Economic Impacts

Jobs are also created in the support sector as a result of ISP spending with local businesses. Jobs created by this spending are termed “indirect” employment. Still more jobs are created as a result of ISP employees spending their payroll dollars in the local economy. These jobs are termed “induced” employment. The two together, indirect and induced, are a measure of the “multiplier effects” of the ISP operations.

Multipliers in rural Alaska are typically quite low, as a result of limited retail and service sector development in small communities. Regionally, multipliers are significantly higher. Rural residents and businesses purchase goods and services in regional hubs, where a much higher level of support sector development offers greater service and supply opportunities.

BUSINESS SPENDING IN SUPPORT OF ISP OPERATIONS

ISP spent a total of about \$3.6 million on goods and services in support of its operations in 2009. Approximately 20 percent of that spending, about \$730,000, occurred in Hoonah (the largest component of this is sales tax payments to the City of Hoonah). ISP purchased various goods and services from 20 different businesses and organizations in Hoonah in 2009.

ISP spending throughout Southeast Alaska totaled just under \$2.3 million in 2009, which in addition to Hoonah, included spending in Juneau, Sitka, Ketchikan and elsewhere. Including Hoonah businesses and organizations, and all other non-payroll spending in Southeast Alaska, ISP purchased goods and services from 115 different entities throughout the region in 2009.

Total Private Sector Payroll and ISP Payroll in Hoonah, 2007-2009

	2009 Spending
Hoonah	\$730,000
Juneau	580,000
Other Southeast Alaska	940,000
Other Alaska	190,000
Outside Alaska	1,110,000
Total	\$3,550,000

The multiplier effects of ISP spending in Hoonah and region-wide, along with the effects of ISP payroll dollars being spent locally and regionally, can be estimated with input-output models such as IMPLAN. Precisely measuring the indirect and induced impact of any component of the economy requires econometric modeling beyond the scope of this study. However, by using models it is possible to broadly measure the magnitude of total direct, indirect and induced economic effects. IMPLAN is a predictive input-output model of local and state economies, and is widely used to measure the economic impact of industries and industrial/commercial development. IMPLAN uses employment and payroll data to define linkages between industries in the local economy and multipliers that predict the total impact of an economic activity, such as ISP spending and payroll.

Visitor industry-related regional multipliers for Southeast Alaska have been estimated in the range of 1.3 to about 1.5, based on IMPLAN analysis and previous McDowell Group research related to the economic

impacts of tourism. Regional multipliers developed by McDowell Group for the March 2010 study prepared for the State of Alaska, *Economic Impact of Alaska's Visitor Industry*, included a Southeast Alaska employment multiplier of approximately 1.3 and a payroll (labor income) multiplier of about 1.40. ISP's multiplier effects would be somewhat higher, given its nearly 100 percent resident employment, the high level of in-region spending, and very significant tax revenues it generates. For purposes of this analysis, an employment multiplier of 1.35 is used to estimate ISP's regional impacts, along with a payroll multiplier of 1.45.

For purpose of this analysis "direct" employment includes ISP employees (annual average of 60 in 2009) plus the "other" employment described in the preceding section of this report (annual average of 25 jobs, including employment with contracted excursions, on-site retail, and off-site independent businesses serving ISP visitors)

Applying these multipliers to ISP employment indicates total Southeast regional employment of 115 and \$2.6 million in total annual payroll.

Total ISP-Related Employment and Payroll in Southeast Alaska, 2009 Including Direct, Indirect and Induced Impacts

	Direct	Indirect/Induced	Total
Employment*	85	30	115
Payroll	\$1,780,000	\$800,000	\$2,580,000

Source: McDowell Group estimates. Employment does not include jobs associated with dock operation.
* Annual average employment.

As described above, multipliers for Alaska's rural areas are low, generally equal to about half the regional multipliers. However, ISP's multiplier effects on the Hoonah economy would be greater than what is typical for small communities, given its major impact of tax revenues flowing to the City of Hoonah. An employment multiplier of 1.25 is assumed for purposes of this analysis, along with a payroll multiplier of 1.30. Estimates of total ISP-related economic impacts are provided in the following table.

Total ISP-Related Employment, Payroll and Spending in Hoonah, 2009 Including Direct, Indirect and Induced Impacts

	Direct	Indirect/Induced	Total
Employment*	80	20	100
Payroll	\$1,720,000	\$520,000	\$2,240,000

Source: McDowell Group estimates. Employment does not include jobs associated with dock operation.
* Annual average employment.

City of Hoonah Tax Benefits

City of Hoonah operations are support by a combination of sales tax revenues, state revenue sharing, federal payments in lieu of taxes, state fisheries business taxes, and several other lesser sources. Development and operation of ISP has had a direct impact on City finances by generating a substantial increase in sales tax revenues. The community of Hoonah is also the beneficiary of a cruise passenger head tax levied by the State of Alaska. The revenue generated by that head tax is shared with ports of call.

SALES TAX REVENUES

Sales tax revenues earned by the City of Hoonah have increased substantially as a result of ISP operations. Since 2003, total annual sales tax revenues have more than doubled. Part of the increase is due to a change in the sales tax rate, from 5 percent to 6 percent (seasonally only in 2007, then year round in 2008). However, most of the increase is the result of taxes on sales at ISP.

The City of Hoonah levies a 6 percent sales tax, and generated a total of \$520,000 in sales tax revenues in 2009. Hoonah had a 5 percent sales tax rate in 2003, generating \$229,000 in revenues. In 2004, the first year of ISP operations, sales tax revenues totaled \$330,000, and by 2007, sales tax revenues had increased to \$597,000.

City of Hoonah Sales tax Revenues, 2003-2009

Year	Total Sales Tax Revenue	Sales Taxes Paid By ISP
2003	\$229,138	--
2004	\$330,407	--
2005	\$372,600	\$3,870
2006	\$459,375	\$241,745
2007	\$597,423	\$312,652
2008	\$565,355	\$300,289
2009	\$519,749	\$326,581

Source: City of Hoonah Audited Financial Statements. Hoonah’s sales tax rate increased from 5 percent to 6 percent in the summer only in 2007. In 2008 the rate became 6 percent year round.

In 2009, ISP made \$327,000 in sales tax payments to the City of Hoonah. This is equal to approximately 60 percent of all sales tax revenues earned by the City of Hoonah. Total revenues to the City of Hoonah, from all sources, were approximately \$1.1 million in 2009. As such, ISP is directly accounting for about 30 percent of all City of Hoonah revenues.

City of Hoonah sales taxes are allotted as follows: 3 percent General Fund, 1 percent Hoonah City Schools General Operation and Activities, 1 percent Hoonah City Schools Swimming Pool, and 1 percent Parks and Recreation.

STATE HEAD TAX REVENUES

At the end of December 2006, a State of Alaska head tax was established for passengers on large cruise vessels. The tax is \$50 per passenger, with \$46 dedicated to the Department of Revenue for redistribution, and \$4 dedicated to the Alaska Department of Environmental Conservation to operate the Ocean Ranger Program. These revenues are deposited in a special "commercial vessel passenger tax account" in the State’s General Fund. For each voyage of a commercial passenger vessel providing overnight accommodations, the Commissioner of the Department of Revenue must identify the first five ports of call and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner distributes \$5 per passenger of the tax revenue to each port of call. Each port of call must use

the funds to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to improve the safety and efficiency of interstate and foreign commerce.

The following table shows past and projected head tax revenues paid to the City of Hoonah by the Alaska Department of Revenue, via the cruise ship head tax started in 2007.

Cruise Ship Head Tax Revenues to Hoonah, 2007-2010 (2011 proj.)

	Revenues
2007	\$550,025
2008	\$359,155
2009	\$640,015
2010	\$544,013
2011 (projected)	\$676,355

Source: Alaska Department of Revenue. Projected 2011 revenues based on \$5 per passenger multiplied by expected volume.

These head tax revenues have contributed towards a wide variety of infrastructure improvements in Hoonah. It is important to note that because ISP is a privately owned facility, none of the tax revenues have contributed to projects directly at the site.

Expected Economic Benefits of Deepwater Dock Construction

Construction-Related Economic Impacts

Construction-Phase Employment and Payroll

The \$17 million deepwater dock construction project will have significant short-term employment and payroll benefits. The number of Hoonah residents employed on the project will depend on local contracting and local hire provisions of the construction contract. Further, while most construction materials will be purchased from suppliers outside Hoonah, some spending will occur locally, both by construction companies and by their employees.

ISP Deepwater Dock Construction Cost Estimate

	Revenues
Construction Budget	\$14,576,400
Bathymetric and Topographic Surveys	\$60,000
Geotechnical Investigation	\$100,000
Permitting	\$100,000
Design (5.5%)	\$802,000
Construction Inspection (6.0%)	\$875,000
Construction Administration (3.0%)	\$437,000
Total Project Budget	\$16,950,400

Source: PND Engineers. Note: this cost estimate does not include the cost of road to provide public access across HTC property, nor does it include ISP site costs associated with development of a new guest arrival point.

In Southeast Alaska, the total labor income generated by industrial-type construction projects is equal to about half of the total construction project, assuming the construction labor force is entirely resident of the region. This includes all direct, indirect and induced labor income. This suggests the \$17 million ISP dock construction project would create approximately \$8.5 million in labor income in Southeast Alaska.

In terms of jobs, this type of construction project would be expected to have a direct employment impact of about 40 to 50 jobs, assuming the dock is constructed over an 18-month period. Including indirect and induced employment effects, the project would be expected to account for about 60 to 80 jobs total.

Dock Operations-Related Economic Benefits

Disembarkation Rates, Tour Participation, and Visitor Spending

Icy Strait management estimates approximately 80 percent of passengers onboard ships that call at Icy Strait Point disembark their ship. This is based on the average percentage of passengers who purchase a tour (nearly 50 percent in 2010), plus an estimated 30 percent who disembark without purchasing a tour.

Many factors affect the rate of disembarkation, particularly weather, and where Icy Strait Point fits into the itinerary – passengers who are on their first Alaska port stop are much more likely to disembark compared to those who are on their last port stop. Tour participation also varies widely – in 2010, between 23 and 72 percent of passengers, depending on the day.

A dock would increase passengers' likelihood of disembarking, time onshore, and spending onshore, for several reasons.

- A dock would increase the likelihood of disembarking simply by its greater convenience. It would also eliminate any anxiety passengers feel about lightering in inclement weather.
- Passengers would save the time it takes to line up, embark on the lighter, journey to shore (approximately 10 minutes), and disembark. This time would again be saved on the way back.
- Currently, the first lightering tenders of the morning are reserved for those with tour reservations. Other passengers who might otherwise spend the time shopping or dining are prevented from disembarking until after tour participants have been lightered. A dock would allow those who wish to go ashore immediately upon arrival to do so without a tour reservation.
- Many passengers choose to return to the ship for lunch and/or dinner. Every time they return, they are less likely to come back ashore in a lightering situation. With a dock, they would be much more likely to return after meals.
- Some passengers feel increased anxiety about returning to the ship when it is at anchor, compared to when it is at dock. As a result, they tend to return to the ship earlier than necessary to ensure that they do not miss the ship sailing. This effect would be eliminated with a dock.
- While they spend significantly less money than passengers, cruise ship crew are also more likely to stay on board in a tender situation; seats on the tender are naturally given to passengers first, and crew tend to have limited time on their breaks to go ashore.

With the addition of a dock, all of these factors will combine to increase the number of passengers (and crew) disembarking, the amount of time they spend onshore, and ultimately their total expenditures. While each factor cannot be quantified individually, we can safely assume the following:

- Disembarkation is likely to increase from 80 percent to 95 percent (the current standard disembarkation rate of other Alaskan ports with docks). Applying these figures to the projected 2011 passenger volume of 130,800, without a dock ISP could expect to see 104,600 of these passengers; with a dock, that could increase to 124,300 (an increase of 19 percent).
- An analysis of cruise ship schedules reveals ships spent an average of just over nine hours in port at ISP in 2010. (Depending on the ship and the day, calls last either seven, eight, 11, or 12 hours.)

However, because of lightering and wait times to disembark and embark, in addition to the factors mentioned above regarding meals and inclement weather, the average amount of time spent by passengers is likely much shorter. We estimate a dock would increase the average amount of time spent onshore by approximately 10 to 15 percent.

- Passengers have shown in other Southeast ports that rather than having a fixed budget, they tend to spend more money the more time they have in port.

The expected 19 percent increase in the number of disembarking passengers, coupled with the anticipated 10 to 15 percent increase in passengers' time ashore, indicate a total spending increase in spending of approximately 30 percent, with the addition of a dock, all other factors being constant. In 2009, ISP's 134,000 cruise visitors spent a total of \$5.24 million on excursions, activities, food and beverage, on-site shopping, shuttle service and fish processing. Based on this level of passenger traffic and spending, a 30 percent increase in spending equates to \$1.6 million in additional spending.

There is some uncertainty in this estimate. The true percentage of cruise passengers currently disembarking at ISP is unknown (although estimated at 80 percent). It is likely with a dock, the percentage of disembarking passengers would approach the regional norm of about 95 percent; this could represent a larger increase than assumed in this analysis. There is also uncertainty about how much more time passengers would actually spend ashore with a dock. Finally, there is uncertainty about how both these factors might translate into additional passenger spending at ISP. One factor is how much more aggressively cruise line tour directors encourage passengers to book additional excursions, given the increased time ashore. Nevertheless, the increase of approximately 30 percent assumed in this study is considered reasonable.

Economic Benefits of Increased Visitor Spending

This increase in passenger spending associated with dock construction would have a number of economic benefits (in addition to increased revenue for ISP). First, it would result in an increase in sales tax revenues to the City of Hoonah of \$96,000 annually. The spending increase would also likely translate into an increase in payroll at ISP; increased spending would naturally imply an increase in demand for services. Based on past trends, for each million dollars of visitor spending, approximately \$300,000 in payroll is created at ISP. Therefore the anticipated increase in visitor spending would bring \$480,000 in additional payroll at ISP. This does not necessarily translate immediately into new jobs; however, staffing would be expected to eventually increase in response to the increased demand for services. On an annual average equivalency basis, \$480,000 in payroll corresponds with 20 additional ISP annual-equivalent jobs, or about 35 seasonal jobs.

Potential Effects of Dock Construction on Cruise Ship Port Calls

The addition of a dock would make ISP a more attractive destination for cruise lines, for the reasons previously mentioned: more efficient embarkation/disembarkation, more time for passengers on-shore, safer in inclement weather, etc. These factors are becoming increasingly important as ships grow in both size and passenger capacity – the logistics of tendering become more difficult, and the time involved increases, as passenger loads increase. When interviewed on this subject, an industry expert called the existence of a dock “critically important” for cruise lines when considering a destination.

Cruise lines consider a wide variety of factors when selecting ports of call – location in relation to other ports, tour opportunities, infrastructure, and costs, for example. By itself, the addition of a dock may or may not cause cruise lines to select ISP over other ports. However, it will serve to increase ISP’s appeal as a port of call, especially considering the trend towards larger ships. It will also ensure ISP’s sustainability as a cruise destination in the future. If the dock is not built, conversely, cruise lines may choose to replace ISP in their itineraries with more convenient ports – taking with them all of the economic benefits they have brought to the community.

Community Benefits from Year-round Dock Operations

The dock will be designed for multiple uses, operational on a year-round basis. It will be designed to accommodate freight barges and van loading/unloading, which may lead to better freight prices for Hoonah. Large trawlers, draggers and crab vessels will have access to the facility as well. The Alaska Marine Highway System and the U.S. Coast Guard are additional potential users of the dock. Finally, large yachts will be able to use the dock when cruise ships are not present. (Hoonah serves as a staging area for pleasure craft waiting for their turn to enter Glacier Bay.)

PASSED AND APPROVED BY A DULY CONSTITUTED QUORUM OF THE CITY COUNCIL

THIS 11th DAY OF January, 20 11.

ATTEST:

Alf R. "Windy" Hoonah
Alf R. "Windy", Mayor of City of Hoonah

Alice Williams
Alice Williams, City Clerk

VOTING:

Steve Brown	Yea <input checked="" type="checkbox"/> No <input type="checkbox"/>
Mary Erickson	Yea <input checked="" type="checkbox"/> No <input type="checkbox"/>
Alan Fisher, Sr.	Yea <input checked="" type="checkbox"/> No <input type="checkbox"/>
Karl Greenewald Jr.	Yea <input checked="" type="checkbox"/> No <input type="checkbox"/>
Joyce Skaflestad	Yea <input checked="" type="checkbox"/> No <input type="checkbox"/>
Nadine Morrison	Yea <input type="checkbox"/> No <input type="checkbox"/>



CITY OF HOONAH

P.O. Box 360 - Hoonah, Alaska 99829 - (907) 945-3663 - FAX (907) 945-3443

RESOLUTION NO. 11-01-05

A RESOLUTION IN SUPPORT OF THE CONCEPT OF A DEEP-WATER MULTI-USE, MARINE BERTHING FACILITY AT OR NEAR HOONAH.

WHEREAS: Icy Strait Point has undertaken investigation into the feasibility and benefits of a Deep-water Multi-use Marine Berthing Facility at or near Hoonah constructed on City-owned tidelands and Huna Totem Corporation owned uplands (the Facility);

WHEREAS: Construction and operation of such a facility would provide substantial benefit to entire community of Hoonah including:

- a. Local employment opportunities associated with the development, construction and operation of the Facility;
- b. Preservation of existing tourism related jobs and economic contributions to the community of Hoonah;
- c. Substantial increased local employment and economic opportunities (visitor and business spending) resulting from an increase in the
 - i. Number of cruise ships calling each season
 - ii. Number of passengers disembarking off each ship,
 - iii. Duration of each passenger's on-shore visit,
 - iv. Number of crew disembarking;
- d. Increased tax base and revenues to the City associated with above;
- e. City Acquisition of major infrastructure facility with the potential to be operated year-round.

NOW, THEREFORE, BE IT RESOLVED that the City of Hoonah is in support of working, in partnership with Icy Strait Point and Huna Totem Corporation for the Facility's timely and mutually beneficial completion and operation, it being understood that the Facility is based on a conceptual design at current;

BE IT FURTHER RESOLVED that the City Council, by passage of this Resolution of Support in no way commits financially to the proposed Facility project or its potential partners: Icy Strait Point and Huna Totem Corporation.

Kaci Schroeder

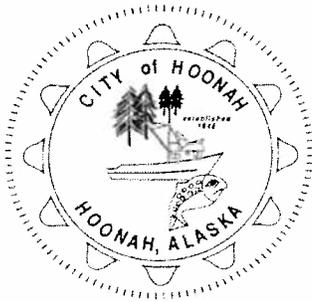
From: mduvall@cityofhoonah.org
Sent: Friday, February 18, 2011 10:08 AM
To: Kaci Schroeder
Cc: larrymarkleyak@aol.com
Subject: Multi-use deep water berthing facility Request

Hi Kaci,

The Hoonah City Council reviewed and acted on the "dock project" during their public meeting on Tues. Feb. 15th and recognized it as community priority project for Hoonah. Can you please go into Hoonah's submitted project requests on CAPSIS and change the box to "yes" indicating the **Multi-Use Deep Water Berthing Facility** project is a community priority.

Thanks for all your help, Kaci. I really appreciate it!

Marlene Duvall, City Administrator
City of Hoonah
(907) 945-3663p
(907) 945-3445f



City of
Hoonah

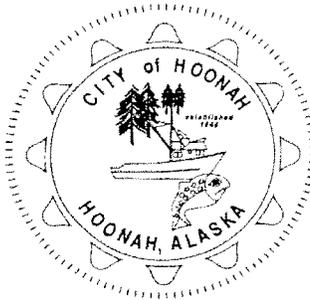
P.O. Box 360 Hoonah, AK 99829 (907) 945-3663 Fax 945-3445

February 15, 2011 Council Workshop Minutes

Call to order 5:00 pm

Present: Joyce Skaflestad, Steve Brown, Nadine Morrison, Mary Erickson, Mayor Skaflestad, Administrator Duvall, Clerk Williams, Community Members, and Guests.

- A. **Multi-use Deepwater Berthing Facility** – Presentation by Larry Gaffney. Funding by State looks promising. Supported by Alaska Cruise Association using Head tax Monies is appropriate and meets SB112. Head tax money has been clarified in the law. This project is consistent with that according to Alaska Cruise Association. Location has not been finalized. Need an action at council meeting to be supported as a community priority. Moves on to Council.
- B. **Hydraulic Trailer Lease** – Mr. Garrison will not seek renewal of Lease. City posted for proposals from others. Request from Administration is to amend current lease to March 6 and accept Hoonah Auto Marine Repair owned by John Croasman for the new lease. Move to council
- C. **Land Purchase by the Land Manner – Faggen Skaflestad** – applicant is not present. Recommend send on to CAAW. Would also like to see a hand drawn map attached. Move to CAAW.



City of
Hoonah

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

February 15, 2011
City Council Meeting – 5:30 p.m.
In Council Chambers

I. CALL TO ORDER at 5:30 pm.

II. ROLL CALL – Steve Brown – present, Joyce Skaflestad – present, Alan Fisher – absent unexcused, Nadine Morrison – present, Mary Erickson – present, Karl Greenewald Jr. – absent unexcused. Quorum Present. Other present: Mayor Skaflestad, Administrator Duvall, City Clerk, Community Members, and Guests from the Energy Meeting.

III. PLEDGE OF ALLEGIANCE

IV. AGENDA REVISIONS

V. APPROVAL OF CONSENT AGENDA

- A. Minutes Report
- B. Vendor Invoice

M/S S. Brown/N. Morrison – move to approve the consent agenda. N. Morrison – yes, S. Brown – yes, J. Skaflestad – yes, M. Erickson – yes. Vote 4 yes 0 no. Passes.

VI. REPORTS

- A. Mayor's Report – attended the AML Conference and was able to introduce our Administrator to many important people.
- B. Administrator's Report – Denali commission trip to Anchorage went well. Feedback is encouraging that our project will be funded. Met with DNR for capital projects for parks project, Coastal District plan with Alaska Coastal management, Denali Commission Community planning staff, and Rasmussen Foundation. Harbor Board has met twice in the past month and will have a joint meeting with the P&Z next week for Harbor parking and commercial lease lots across from the Industrial Center. Audit team will be coming next week. Budget. CIP officially submitted and was able to meet with Senator Kookeesh.
- C. Committee As A Whole Report - included
- D. Planning & Zoning Report – included
- E. Public Works Report – included

VII. COMMUNICATIONS/PUBLIC APPEARANCES

Jim Steinberg – Alaska Energy Authority – first meeting in town today about SE regional plan process. Out put will be ordered list of Capital projects to be used to get valid energy projects.

Robert Venables – Southeast Conference, integrated resource plan for energy. Also watching redistricting.

Ken Skaflestad – Channel construction, let you know we are here and applaud your efforts on the Berthing Facility, and urge you to look at and consult with local contractors. Thank you

Charla Wright – HCSD, express appreciation to have the opportunity to have the two ordinances go before the voters. This was a 2009 capital improvement project that we had submitted to the state. This allows us to use the 80/20 formula instead of the new 70/30. Brought a budget packet for our budget meeting tonight.

Sally Dybdahl – second everything Charla said.

VIII. Public Hearings – (official copies can be obtained from the clerk's office)

- A. **Public Hearing of Ordinance No. 10-12-10** an ordinance amending the fiscal year 2010 and adopting the fiscal year 2011 budget.
- B. **Public Hearing of Ordinance No. 11-01-01** authorizing the amendment to the zoning districts of the official map
- C. **Public Hearing of Ordinance No. 11-01-02** introducing proposition 1 General Obligation Bond for High School Building Improvements.
- D. **Public Hearing of Ordinance No. 11-01-03** introducing proposition 2 increase in sales tax for General Obligation Bond.

Mayor opened Public Hearing for All items A-D. Hearing none. Mayor closed Public Hearing for All items A-D.

IX. Ordinances and Resolutions

- A. **Final Reading of Ordinance No. 10-12-10** an ordinance amending the fiscal year 2010 and adopting the fiscal year 2011 budget.

M/S S. Brown/N. Morrison – Motion for Final reading of Ord. 10-12-10. J. Skaflestad – yes, N. Morrison – yes, S. Brown – yes, M. Erickson – yes. Vote 4 yes 0 no Passes

- B. **Final Reading of Ordinance No. 11-01-01** authorizing the amendment to the zoning districts of the official map

M/S S. Brown/N. Morrison – Motion for Final reading of Ord. 11-01-01 M. Erickson-yes, S. Brown – yes, J. Skaflestad –yes, N. Morrison – yes Vote 4 yes 0 no Passes

- C. **Final Reading of Ordinance No. 11-01-02** introducing proposition 1 General Obligation Bond for High School Building Improvements.

M/S S. Brown/N. Morrison – Motion for Final reading of Ord. 11-01-02 S. Brown – yes, M. Erickson – yes, N. Morrison – yes, J. Skaflestad – yes Vote 4 yes 0 no Passes

- D. **Final Reading of Ordinance No. 11-01-03** introducing proposition 2 increase in sales tax for General Obligation Bond.

M/S S. Brown/N. Morrison – Motion for Final reading of Ord. 11-01-03 J. Skaflestad-yes, M. Erickson – yes, S. Brown – yes, N. Morrison – yes Vote 4 yes 0 no Passes

- E. **Introduction of Ordinance No. 11-02-04** authorizing the disposal of certain city lands – Lot 8 Coho Creek Subdivision

M/S S. Brown/N. Morrison – Motion for Introduction of Ord. 11-02-04 N. Morrison – yes, M. Erickson – yes, J. Skaflestad – yes, S. Brown – yes Vote 4 yes 0 no Passes

- F. **Introduction of Ordinance No. 11-02-05** authorizing the disposal of certain city lands – Lot 7 Coho Creek Subdivision

M/S S. Brown/N. Morrison – Motion for Introduction of Ord. 11-02-05 N. Morrison – yes, S. Brown – yes, J. Skaflestad – yes, M. Erickson – yes Vote 4 yes 0 no Passes

- G. **Introduction of Ordinance No. 11-02-06** authorizing the disposal of certain city lands – Lot T28B ATS 29

M/S S. Brown/N. Morrison – Motion for Introduction of Ord. 11-02-06 J. Skaflestad-yes, N. Morrison –yes, S. Brown – yes, M. Erickson –yes Vote 4 yes 0 no Passes

- H. **Introduction of Ordinance No. 11-02-07** authorizing the disposal of certain city lands – Lot 9A Huna III Subdivision

M/S S. Brown/N. Morrison – Motion for Introduction of Ord. 11-02-07 M. Erickson – yes, S. Brown – yes, J. Skaflestad – yes, N. Morrison – yes. Vote 4 yes 0 no Passes

- I. **Resolution No. 11-02-06** adopting an alternative allocation method for FY '11 shared fisheries business tax program

M/S S. Brown/N. Morrison – Motion to pass Res. 11-02-06 S. Brown – yes, M. Erickson-yes, N. Morrison – yes, J. Skaflestad – yes Vote 4 yes 0 no Passes

X. Old Business

- A. Cooperative Agreement for Hoonah Boat Ramp Project

M/S N. Morrison/J. Skaflestad – Motion to approve City Administrator to work with them on the agreement. – J. Skaflestad –yes, M. Erickson – yes, S. Brown –yes, N. Morrison – yes Vote 4 yes 0 no Passes

B. Sale of Administrator Trailer/City Housing

M/S S. Brown/M. Erickson motion to sell trailer on Grant Street and on Harbor. N. Morrison –yes, M. Erickson – yes, J. Skaflestad- yes, S. Brown –yes Vote 4 yes 0 no Passes

C. Lot 26, Huna IV Subdivision, Amended

M/S N. Morrison/J. Skaflestad – Motion to dispose of land by bid. N. Morrison –yes, S. Brown – yes, J. Skaflestad – yes, M. Erickson – yes Vote 4 yes 0 no Passes

XI. New business

A. Multi-use Deepwater Berthing Facility

M/S S. Brown/M. Erickson – Motion to support as a community priority the icy strait point proposed multiple use deep water dock. J. Skaflestad –yes, N. Morrison –yes, S. Brown –yes, M. Erickson –yes
Vote 4 yes 0 no Passes

B. Hydraulic Trailer Lease

M/S S. Brown/N. Morrison – Motion for extension of current lessee to March 6 and approval of Bid application by Hoonah Auto and Marine Lease to Begin. M. Erickson-yes, S. Brown –yes, J. Skaflestad –yes, N. Morrison -yes

C. Land Purchase by the Land Manner – Faggen Skaflestad

Moved to committee as a whole

XII. COUNCIL COMMENTS

XIII. Potential Executive Session – probationary review of City Administrator

We are not unhappy with her.

M/S J. Skaflestad/N. Morrison – Motion of support of Administrator for the efforts she has put in. Vote of confidence. – doing a good job. Applause.

XIV. ADJOURNMENT

Adjourned at 6:18 pm

**MEMORANDUM OF UNDERSTANDING ON
DEEP WATER MULTI-USE, MARINE BERTHING FACILITY
JOINT DEVELOPMENT AGREEMENT**

This Memorandum of Understanding made and entered into as of May 17, 2011, is by and between Huna Totem Corporation, an ANSCA Alaska Native Village Corporation ("HTC"), and the City of Hoonah, a First Class City organized under the laws of Alaska (the City):

Whereas, HTC has developed and operated a destination cruise ship port known as Icy Strait Point since 2004; and

Whereas, the City and HTC lack a deep water, multi-use dock facility capable of handling large deep draft vessels; and

Whereas, the City unanimously passed resolution 11-01-05 on January 11, 2011 entitled "A Resolution in support of a Deep Water Multi-Use, Marine Berthing Facility at or near Hoonah; and

Whereas, the City Council unanimously designated the Project a community priority on February 15, 2011; and

Whereas, HTC has the ownership of uplands necessary and will provide access to a multi-use dock facility; and

Whereas, HTC has established relationships with the cruise lines serving the southeast Alaska Market which currently call at Icy Strait Point in significant numbers that can make immediate use of a deep water dock facility; and

Whereas, HTC has made significant lobbying efforts with the Alaska Legislature to obtain funding for the City of Hoonah for the construction of a deep water multi-use facility (hereinafter referred to as the Project); and

Whereas, the construction of the Project on tidelands owned by the City would result in increased economic opportunities for the City and HTC; and

Whereas, the City and HTC agree that the timely completion of the Project is in each Parties' best interests;

Now, therefore, in consideration of the covenants and agreements contained herein and other good and valuable consideration, the parties hereby agree as follows:

1.01 *Pursue Funding.* The parties agree that each shall use their best efforts to secure

funding from the State of Alaska Legislature.

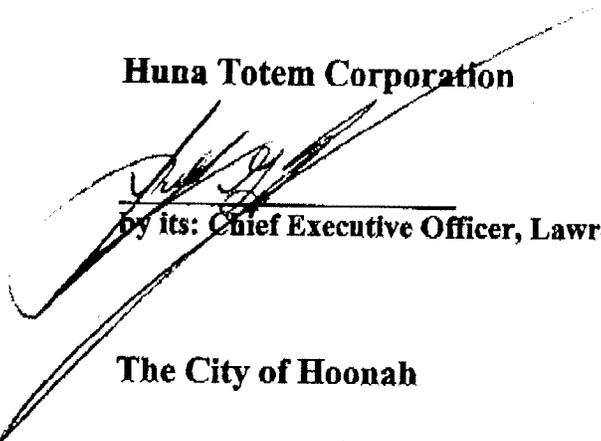
1.02 *Ownership of Facility.* Both parties shall pursue funding from the Alaska State Legislature for sufficient funds to cover the maximum amount of the Project as possible. The funding would be direct from the State of Alaska to the City as the City will be the owner of the dock facility while HTC shall retain its ownership of any adjacent uplands.

1.03 *Amount of Funding.* As of March 10, 2010 the conceptual design for the Project was estimated to cost Seventeen Million Dollars (\$17,000,000.00).

1.04 *Applicable Law.* This Agreement shall be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of Alaska as applied to contracts made and to be performed entirely within Alaska.

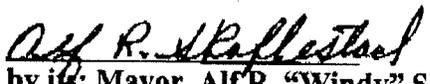
In witness whereof, the Parties have executed this Memorandum of Understanding as of May 17, 2011.

Huna Totem Corporation



by its: Chief Executive Officer, Lawrence Gaffaney

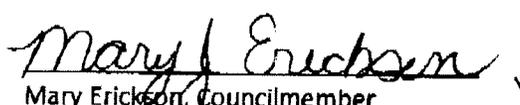
The City of Hoonah



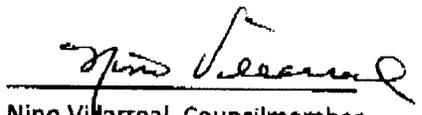
by its: Mayor Alf R. "Windy" Skaflestad



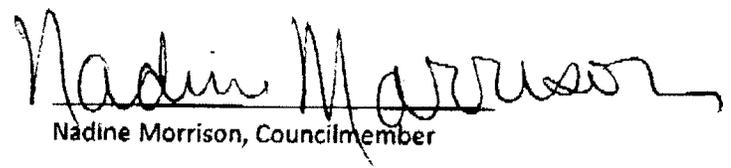
Stevan Brown, Vice Mayor



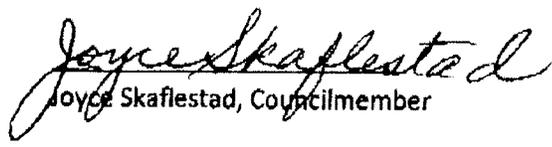
Mary Erickson, Councilmember



Nino Villarreal, Councilmember



Nadine Morrison, Councilmember



Joyce Skaflestad, Councilmember