



IN THE STATE OF ALASKA
LOCAL BOUNDARY COMMISSION

IN RE: PETITION BY THE CITY OF HOONAH)
FOR THE INCORPORATION OF THE XUNAA)
BOROUGH AS A HOME RULE BOROUGH)
AND DISSOLUTION OF THE CITY OF HOONAH)

REQUEST FOR RECONSIDERATION BY THE GUSTAVUS VISITORS
ASSOCIATION

The Gustavus Visitors Association (hereafter “GVA”) requests that the Local Boundary Commission (hereafter “LBC”) reconsider its decision granting the petition to dissolve the City of Hoonah (a First-Class City) and incorporate the Xunaa Borough pursuant to 3AAC 110.580.

The Gustavus Visitors Association is a non-profit organization representing the best interests of the following sector of the Gustavus and Southeast Alaska economy:

- 60 visitor-related businesses that are based within or operate from the City of Gustavus, including bed and breakfast accommodations, art galleries, charter sport fishing, tourism excursions (whale watching, river fishing, kayaking, bird watching)
- Independent travelers to Gustavus and Glacier Bay National Park & Preserve
- The seasonal businesses that employ community members in supporting the tourism industry, eg. housekeeping, maintenance, construction
- The community members that financially depend on tourism as an economy to support their families

The GVA seeks reconsideration for the following reasons:

The Local Boundary Commission failed to address a material issue of fact or a controlling principle of law (3AAC 110.580(e)(3)); further it failed to consider relevant factors in evaluating the best interests of the State (3 AAC 110.065, 3 AAC 110.300).

The LBC did not address the impact on the economic impacts and long-term stability of the finances of the Gustavus tourism economy (3 AAC 110.300(5) and (6)).

I. Taxation: Imposition of an areawide sales tax would result in an adverse financial impact on GVA businesses and the fishing industry.

The Petitioner, in reference to a fish tax in its petition, stated that “the waters surrounding the proposed borough represent untapped wealth, that, through fair and uniform taxation, can better the lives of everyone in the borough.” The benefit, however, would adhere only to the Hoonah Townsite. The waters are sustainably-used and enjoyed by all communities and critical to maintaining their resource-based economies and subsistence lifestyles. Activities include commercial, charter, personal use, and subsistence fishing; whale watching, ecotourism and kayaking. The areawide tax would be an economic burden on many businesses who operate on the waters in the proposed borough, within Glacier Bay National Park, USFS, Pleasant Island, Lemesurier Island and the Inian Islands. (GVA comments to LBC).

The LBC did not address how the administration and collection of taxes would be conducted in the proposed borough, of which 60% is in state and federal waters, and the land mass is largely governmentally-owned. Neither did the LBC address the scope of intended taxation of services, raising questions submitted by community residents: (City of Gustavus Resolution CY24-05 attachment):

Point of Sale: Charter boat operators were told they would be assessed taxes prior to the season, despite the point of sale being within Gustavus city limits.

Commercial Fishing: No information was provided about taxation of fish, whether caught or landed, whether in state or federal waters.

Transiting vessels: Also unaddressed is how taxation would apply to vessels passing through the proposed borough, such as commercial and charter fishing boats, whale watching and eco-tourism operators, fuel barges, and passengers on the state ferry.

In response to the public comment, Hoonah in its reply brief stated it would not tax vessels fishing or transiting through borough waters unless the sale occurred in the borough, however, Chairperson Wood commented during the hearing on September 5, 2024 that nothing would prevent the imposition of a fish excise tax. The LBC did not address this with a condition for approval during the decisional meeting or the written decision. Without a factual and legal resolution of the issue of taxation by the LBC, the GVA tourism community cannot plan for its seasonal economy nor adapt to the potential depletion of its financial resources.

II. Potential Reduction in Payment in Lieu of Taxes (“PILT”) and National Forest Timber Receipts.

The LBC failed to address the financial impact of a potential reduction in federal PILT funding and the National Forest Timber Receipts despite concerns raised by the GVA and the City of Gustavus in their public comments. As the GVA and the City commented the revenue sources constitute a significant portion of the annual income for Gustavus and the timber receipts are used to maintain the unpaved road system. While Chairperson Wood mentioned the concern during the decisional meeting, there was

neither discussion or consideration of the issue nor means for protection of the revenue sources.


Like the failure to evaluate the ramifications of an areawide sales tax or fish excise tax, the LBC did not consider or assess the impact of a reduction in federal funds on the tourism businesses. The decision to approve the borough without this consideration created the potential for reduced city funding for tourism-benefitting infrastructure improvements and a cascading effect of an increase in sales tax and bed taxes to compensate for the lost funding, impacting the likelihood of financial harm to a significant sector of the Gustavus economy.

CONCLUSION

The LBC refused to take into consideration public testimony and the findings and recommendations of its staff regarding the potential financial impacts of its decision approving the borough; accordingly, the decision was not reasonable, rationally-based, or fair, and the GVA respectfully requests that it be remedied by reconsideration denying approval of the petition.

DATED: January 14, 2025

GUSTAVUS VISITORS ASSOCIATION

By 
Leah Okin, President