



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Community and Regional Affairs

Sean Parnell, Governor
Susan K. Bell, Commissioner
Scott Ruby, Director

February 28th, 2012

The Honorable Seferino Villarreal, Mayor
City of Hoonah
P.O. Box 360
Hoonah, AK 99829

Dear Mayor Villarreal,

DCRA is in receipt of the information that the city has submitted for Designated Legislative Grant 12-DC-610, Hoonah Berthing Facility. As you know, there has been a lot of concern regarding the scope of work of this grant and how best to use the \$17 million dollars appropriated for this grant.

DCRA's responsibility in administration of grants is to assure that funds are spent in accordance with the purpose that they are appropriated and that the use meets the public purpose requirement outlined in the State's Constitution (Article IX, Section 6). The documents supporting this appropriation make clear that this facility is dual purpose, to host large passenger vessels during the cruising season while also providing year-round transient berthing space for smaller vessels.

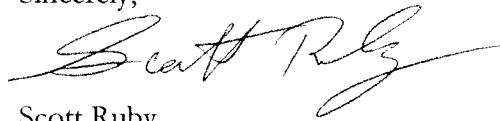
The City of Hoonah has proposed construction of the multi-use berthing facility at the location frequently referred to as Shaman Point. In a letter dated September 15, 2011, Royal Caribbean Cruises and Celebrity Cruises cruise lines have indicated that due to maneuvering and passenger handling issues their vessels will be unable to use a facility located in this specific location. A copy of this letter is attached. The majority of the use of the dock facility would be from these two cruise lines. So, if the cruise lines are unwilling or unable to use a dock in this location, the facility will fail to meet one of the two purposes for which this money was appropriated.

We also note that the other two potential facility locations also have significant issues. Site #1, the outer point location according to Site Alternative Analysis Report submitted by the city would not be feasible to use as a docking facility due to local environmental conditions. For Site #2, the inner location, the shore based access would preclude use as a multi-purpose dock as envisioned by the legislative appropriation, as with the site preferred by the City, the lack of meeting the major use criteria also raised the public purpose concern.

The division has consulted with the Department of Law, and they concur that until a location can be selected that will allow this appropriation to meet the goals prescribed by the Legislature; we cannot execute a grant agreement at this time.

If you have any questions about the division's position, or would like to discuss it more, please let me know. My phone number in Anchorage is (907) 269-4569.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Ruby", with a stylized, cursive script.

Scott Ruby

Enclosure: RCC/CC letter of 9/15/11

cc: Marlene Duvall, Hoonah City Administrator
Nancy Pierce, DCRA Grant Administrator



September 15, 2011

Dear Ms. Duval,

My name is Craig Milan and I am the Senior Vice President for Global Land Operations for Royal Caribbean Cruises Ltd. Our two North American brands, Royal Caribbean International and Celebrity Cruises deploy 5 ships in Alaskan waters each summer. My responsibilities include port operations, port infrastructure development and shore excursions.

We understand the City is currently evaluating three potential locations for the Hoonah cruise ship dock project and planning on making a decision on September 26. We would appreciate your distributing this letter to the Mayor and all City Council Members ahead of this meeting.

Royal Caribbean International and Celebrity Cruises have been calling at Icy Strait Point since it opened. We are Icy Strait Point's largest customers bringing more than 800,000 passengers to Icy Strait Point and Hoonah aboard over 400 ship calls. We would like to share a few comments which we believe will assist the City to realize the maximum economic benefit for the entire community as it moves forward with Icy Strait Point in the development of the dock. While we are only speaking for our two brands, we expect other cruise lines will share similar views.

As Andy Nelson communicated to the City Council on June 21, dock location and design are critical for us. Both Cannery Point locations will improve upon the current guest experience allowing guests and crew to efficiently exit and re-board our ships without the use of tenders. Direct, immediate access to Icy Strait Point preserves the guest experience that we and our passengers value. This direct arrival experience is valued by guests regardless of whether they purchase excursions from local operators, wish to visit town, or stay at Icy Strait Point.

Up to 97% of passengers disembark at ports with well located docks, a significant increase compared to tendering, along with significant numbers of crew who are far less likely to come ashore at tender ports due to logistical constraints. This increase in passengers and crew ashore will result in substantial additional community-wide spending and City sales taxes compared to current levels.

We do not see any advantages to locating a cruise ship dock anywhere other than at Icy Strait point. The Shaman Point location under consideration provides no benefit to us or our passengers. Substituting the current short tender ride for an extended walk or shuttle from the dock to the primary attraction will degrade the passengers' experience, and will not achieve the elevated passenger and crew

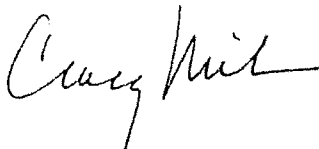
disembarkation numbers noted above. Additionally, it will likely have a disproportionate impact on passengers with limited mobility.

As Captain Sindre pointed out aboard the MS Radiance of the Seas on July 19, the Shaman Point location would add an additional 60 minutes total maneuvering time compared to the Inner Point Sophia location, resulting in reduced passenger and crew time ashore and spending. If the City locates the dock at Shaman Point, and causes an increase in fees for either the docking or for shuttle costs compared to our current tender arrangements we plan to continue tendering passengers ashore directly to Icy Strait Point. This will make Icy Strait Point a less attractive stop compared to other Alaska destinations going forward, negatively impacting not just Icy Strait point but the entire community.

Royal Caribbean and Celebrity have begun their 2013 planning cycle. In order to fully include the benefits of a cruise ship dock in our planning and marketing for 2013, we must have certainty regarding the location and firm construction schedule by October of 2011.

Finally, echoing Andy's comments to the Council, operating stability and cost control of dock operations are vital. Alaska is a high cost location compared to other parts of the world. Within Alaska, our deployment decisions therefore place increased emphasis on the relative cost competitiveness of alternative locations as well as the flexibility, professionalism and ease of working with the facility operator.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Milan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Craig Milan

Senior Vice President – Land Operations