HERC TASK FORCE **NOVEMBER 6, 2018**
491 E. PIONEER AVENUE **THURSDAY, 2:00 PM**
HOMER, ALASKA **CITY HALL COWLES COUNCIL CHAMBERS**

NOTICE OF MEETING
WORK SESSION

1. **Call to Order**

2. **Visitor: Fireweed Academy** Page 3

3. **Discussion of Recommendation on Fireweed Lease Opportunity** Page 5

4. **The Slone proposal, version 3, of the final report** Page 9

5. **Draft Final Report** Page 17

6. **Comments of the Audience**
   The Audience may comment on any item. 3 minute time limit

7. **Comments of City Staff**

8. **Comments of the Task Force**

9. **ADJOURNMENT NEXT REGULAR MEETING IS SCHEDULED FOR TUESDAY, NOVEMBER 13, 2018** at 3:00 p.m. at the City Hall Cowles Council Chambers, 491 E. Pioneer Avenue, Homer, Alaska.

A Proposal to Explore Financing & Contract Options for Fireweed Academy in the HERC Building

Summary: The City of Homer has a valuable asset – the HERC building – which is currently losing money. While the building requires considerable upgrades to meet occupancy standards, these hurdles are not insurmountable. Fireweed Academy currently divides its students into two separate facilities, which creates a variety of safety, logistical and fiscal concerns and inefficiencies. As a public Charter School, Fireweed obtains regular school funding just like any other public school. As a result, Fireweed has a unique capacity to lease the HERC building, create efficiencies through a unified campus, provide the City of Homer with long-term revenues, and revitalize a neglected public asset.

Recommendation: The HERC Task Force requests the City of Homer to look closely at options to finance necessary renovations and develop a long-term lease agreement with Fireweed Academy.

Julie Engebretsen

From: Crisi Matthews <broker@cmreagent.com>
Sent: Wednesday, October 31, 2018 12:51 PM
To: Larry Slone
Cc: Julie Engebretsen
Subject: Fwd: email still work?

Larry-
Renewed interest from Fireweed following the Rotary Presentation Meeting. Being you felt this was viable from the beginning, I wanted you to know my suggestion they come to the next work session/meeting to speak briefly to the whole TF.
I was approached by two separate City Council members to rethink this 'opportunity' at our next work session so I suggested Erik and Bob come to speak at Public Comments. These are the numbers you were hoping for from Principal Todd. Erik feels there is a real possibility as the Fireweed Comptroller and Bob Shalveson is on the APC for Fireweed and is hoping to get more involved with the one campus realization. He is in support of FWA at HERC. Many people realizing we may not be making a strong recommendation to the council to pursue FWA are coming forward to ask that we do and to help bridge the question of how will the city be paid back for renovations to keep HERC going...

> Dave,
> Hoping this email still works, I wanted to email you because it sounded like my input wasn't fully passed on to the HERC task force.
>
> I think this is known but I want to make sure it's clear that Fireweed is a public school and our funds come from the same source at the same rate as the other public schools within the KPBSD. Primary funding is via state formula based on student count and then there is a borough level "additional allowable" added at the borough level again based on count. Each individual school then "pays" the school district for use of specific facilities and overhead. Fireweed is a split campus with K-2 (aka Little Fireweed) in a private building while 3-6 (AKA Big Fireweed) is in a borough building.
>
> The following numbers are based on last year's actual utilities or this year's estimated costs for rent/building use school (which are still in flux a little and won't be finalized until December). After doing this for 5 years these figures aren't going to move drastically so are reliable and sound.
>
> Our facilities costs are;
> $44,695 (2019 Prelim Maintenance In-Kind)
> $3,278 (2019 Prelim Property Ins In-Kind)
> $84,937 (FY2019 BFW "Rent")
> $52,990 (FY2019 LFW Rent)
> $185,900 Sub total

$32,507 (FY2018 Janitorial actual)
$20,788 (FY2018 Electric actual)
$2,661 (FY2018 Water/Sewer)
$1,170 (FY2018 Garbage)
$12,461 (FY2018 NG –BFW)
$3,512 (FY2018 Oil –LFW)
$73,099 Sub Total

Totaling $258,999

Pretty staggering difference between LFW and BFW all because one is a borough building and one is a not, the difference is primarily in the Maintenance and Insurance "in-kind" contribution. The district adds up all their facilities costs (everything!!!) and divides that by the total square footage and multiplies that by your occupancy space, in this case the area we use for BFW. No equivalent on the LFW side.

Details on cost need to be explored by us but the figures you shared today seem favorable and in line with what I was anticipating. Based on my understanding of the size of the building and the split between the instructional space vs the gym area my own my calculation for a market occupancy cost should be around $180K a year just 10% less than your $201M figure. I think your number included all operating costs. What's not included for sure on my side is maintenance which I believe should be covered by the owner. I'm estimating that boils down to $130K in rent and $50K in expense once updated and converted to LED lights and NG.

Funding is the hard part because the school is public and doesn't have savings and has no reasonable mechanism for completing the needed improvement. If the city could find a way to fund the required improvement debt service could be paid from lease payments. At the high end number of $1.5MM and a 15 yr repayment the lease payment equals the debt service when calculated at 4% (I don't know the city's bond rating but this is a decent tax free equivalent to a low risk commercial deal). I figure the building could continue to be used for public rec and additional income may be generated. The city would have a renovated building really without having to pay for it and in 15 years the building turns into a revenue center.

My thoughts. Unfortunately you guys are wrapping up you task force and this info is coming in way late. Because I'm basically the school's comptroller I usually do not to get involved with deciding how the funds are spent but after hearing the presentation today wheels in my head just started turning, honestly the figures you guys discussed today were way different

than what I would have guessed. Thanks for being a part of it I bet you really helped push the discussion fwd.

Erik

Erik Niebuhr | Vice President
Homer Branch Manager/Loan Officer III
NMLS #685939

<image006.jpg>
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Julie Engebretsen

From: Larry Slone <larryslone543@gmail.com>
Sent: Thursday, November 01, 2018 1:37 AM
To: Julie Engebretsen; Crisi Matthews; Larry Slone
Subject: HERC Slone plan 3

Slone #3 HERC FINAL REPORT

Slone plan #3 for consideration by the TF.

For the benefit primarily of the interested public as well as the CC, I propose to "amend something previously adopted" (what we adopted last meeting) and replace it with this proposal which, with the exception of the 5 yr LAP, removes any "long-term/beyond 5 year"references. I believe such references constitute mission-creep. We don't know what the conditions/expectations will be then; that concern properly falls under the purview of the new committee which, presumably, will still be in existence when this tf is long dead and buried. They'll figure it out!

I've verified that a link exists between the 5 year LimpAlong Plan, as suggested by Barry, and the proposal to create a new committee for pursuing funding, as the central component of the TF's recommendation.

Lastly, there is an element in Res036A which we haven't yet addessed: Line 63, providing a recommended preferred alternative.

Can the 5yr LAP be considered as our answer? I think it can.

FINAL REPORT, HERC TASK FORCE

Line 1 - Slone note: The following section will precede the Reference Version's (Julie's) verbiage which begins on line 1

Line1 - <u>SECTION 1: SUMMARY</u>

This report constitutes the HERC Task Force's Summary, including its recommendations and proposals. Supplement data attached.

Background

The City Council, with Resolution 18-036A, authorized the formation of the HERC Task Force to examine, and report back, on the future use or disposition of the HERC and associated costs. The HERC, a 60 year old ex-schoolbuilding currently providing limited community recreational use, is nearing the end of its designed useful life. However, the Task Force estimates that with modest repair costs up-front (within first year), totaling perhaps $100,000 cumulatively, portions of HERC1 (gym, Zumba, and perhaps several upper classrooms) can continue serving the public for 5 years without major maintenance. During that time frame a diligent effort should be made by a subsequent HERC committee to pursue and obtain funding for any one of the three primary use/disposition options, which are: refurbish - $500,000 to $1.3 million; demolish - $1 million; or build new - $6 million. The Task Force has termed this dual function the "5 year Limp-Along Plan" (5 yr LAP).

The Task Force adopted lines 58- 76 (see page 2) of the Resolution as its goals, summarized as determining costs and funding methods for the various options: lease, recondition, demolish and/or build new, sell, or just "limp-along". For the past four months the TF has reviewed those options through engagement in the public process, as a result of which the TF has identified public recreation and education as the two primary potential uses of the property. Selling the property (Line49) is premature and has not received any significant support at the Task Force level

Line 5 - <u>SECTION 2: Task Force Recommendations - the LAP</u>

[Slone notes:

Line 7 - Changed the first word "Plan" to "Consider".

Lines 7-9 - Rewords items 1 and 2 to clarify time ambiguities (Near Term, 5 years, short-term)

Line 16 - Removes entire paragraph. The next committee/task force will be making their own recommendations 5 years hence.]

The entire Slone response to ITEM 1 reads as follows:

L7 - 1. Consider maintaining HERC at current level of use (warm status) for up to 5 years. Doing so will require up-front repairs costing $60-100,000 to assure reasonably safe, code-compliant use.

L10 - 2. Create a new committee this winter to manage any HERC proposal.

3. The committee's focus should be on developing a suitable financial structure, with emphasis on a Public Private Partnership (3p), or similar arrangement, to generate adequate funding to meet the

community's decision on disposition or development of the HERC. Any future HERC development should emphasize community recreation and education.

L16 - Paragraph removed

L23 - <u>SECTION 3: RESOLUTION 18-036A (line 58 - 76) and MEMO 18-090 TASKS</u>

ITEM1

1. Can the upstairs of the HERC be safely used with no capital improvements?

[Slone notes:

1. Virtually all of Barry's notes have been incorporated in this proposal]

2. This proposal has significant differences from the Reference Version, especially removal of the comment "then yes the upstairs can be used without capital improvements".

3. Definition of "Capital Improvement" is too vague. Does a cumulative $100k equal a capital improvement?]

Replace Lines 25-31 with my verbiage below:

L25 - In conjunction with current use of gym and Zumba room (A3 Classification) on the lower floor, the TF has initiated the process of obtaining a building code-compliance review by the state fire marshal to allow retention or reactivation of the B (business) Classification for the upper floor.

If the fire marshal approves use of several upstairs classrooms the cumulative cost to reactivate is estimated at $60-100,000. Activating the entire upstairs would cost considerably more. .

See section 4.x for a cost breakdown

ITEM 2

2. What are the minimum improvements that would be needed to safely use the entire HERC facility and cost associated with those improvements?

[Slone note: Same as Reference Version; No changes]

ITEM 3

3. What are the desirable improvements that need to be made to the entire HERC facility to allow it to be used to its full potential for the next ten years?

[Slone note: Same as Reference Version but swapped position of the "Note" from line 52 with that of line 53, " Section 4.1.2 provides more detail . . ."

L52 - Section 4.1.3 provides more detail on these cost estimates.

L54 [Note: Above costs subject to minimum of 15%-20% correction, not included in above costs, and reflect 2018 estimates].

ITEM 4

I4. What would it cost to demo the HERC and build a new facility that meets the recreation needs of the community on the existing site?

[Slone note: Similar to Reference Version. Includes Barry's grammatical/paragraph-shifting recommendations. Added paragraph on demo cost. Removed place-holder comment about "minimum size" and "optimum size" from line 60. Otherwise, entire Reference Version verbiage structure is superseded by mine]

L58 - Demolition of HERC 1 is estimated at $750,000, and HERC 2 at $250,000.

L59 - Cost may be mitigated using in-house resources. Additional costs may be incurred from potential environmental contamination issues.

L60 - For any new recreation facility the City would need a plan to pay for **L61, etc**. construction and ongoing maintenance and operations costs. The City's financial plan and revenue stream would dictate the size of building the City could afford to build and operate.

New government construction costs are approximately $400 per square foot. The current HERC encompasses 16,000 square feet. The Task Force suggests a minimum new building size of 8500 square feet, with 12,000 considered optimum.

See section xxx for justification of size recommendations.

If a private party were to construct a pre-engineered metal building, costs could be lowered to about $250 per square foot, or $2.13 million dollars.

See section 4.2xxx for details

The ENTIRE SEGMENT of the Slone ANSWER TO ITEM 4 starting on line 58, would read:

L58 - Demolition of HERC 1 is estimated at $750,000, and HERC 2 at $250,000.

Cost may be mitigated using in-house resources. Additional costs may be incurred from potential environmental contamination issues.

For any new recreation facility the City would need a plan to pay for construction and ongoing maintenance and operations costs. The City's financial plan and revenue stream would dictate the size of building the City could afford to build and operate.

New government construction costs are approximately $400 per square foot. The current HERC encompasses 16,000 square feet. The Task Force suggests a minimum new building size of 8500 square feet, with 12,000 considered optimum. See section xxx for justification of size recommendations.

If a private party were to construct a pre-engineered metal building, costs could be lowered to about $250 per square foot, or $2.13 million dollars.

See section 4.2xxx for details

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iTEM 5

5. How can the City pay for operations, maintenance, and any required capital expenditures AND SELECT A PREFERRED FUNDING PLAN TO RECOMMEND TO COUNCIL

[Slone notes: This item has already been decided and adopted by TF. I added the segment (capitals) in the question above, about selecting a preferred funding plan]

In hind sight this motion, adopted at the last meeting, is a good response to the question of funding - if we remove those pesky references to "long term"! That would remove any direct semblence of "kicking the can . . ." which, as you all know, is anathema to me. Furthermore, the matter is properly balanced by focusing on O&M and Capital Expense as the fulcrum of the response, not NearTerm or FarTerm.

Otherwise, just some minor wordsmithing.

L71 -<u>Operations and Maintenance Costs</u>. Existing operations and utility expenses are $21,000 (2017) . . .

L74 - consider INCREASING gym and . . .

L76 - rentals. A key component for successful revenue and more intensive use is active building management by a designated building manager. CITY FINANCES (from Line 84) do not allow for increased HERC building operating/maintenance expenses unless offsetting additional revenue is generated. At present, fireweed Academy could be a possible lessee but would require substantial capital improvement to meet public school occupancy requirements.

L81 - Capital Expenditures. Capital expenditures (from line 77) could be funded from the existing HERC building depreciation reserve fund, potential operating surplus, or other sources as Council deems appropriate.

Currently there does not appear to be broad community support for increased taxes to pay for changing building uses (i.e.building code classification changes for the upstairs) or a significant renovation. Ultimately, a partner (from line 81) will be needed that would have access to foundation grants or other private funding sources, not readily available to the city. Considering this, (from line 88) IN FURTHERANCE OF CAPITAL FUNDING, the Task Force recommends the city actively promote a public-private partnership OR OTHER SUCH ARRANGEMENT TO FUND ANY RECREATIONAL OR EDUCATIONAL USE OF THE HERC PROPERTY.

—

The ENTIRE SEGMENT ANSWERING ITEM 5 would read:

L71 -Operations and Maintenance Costs. Existing operations and utility expenses are $21,000 (2017) . See Attachment 5 for a detailed analysis.

The Task Force recommends analyzing and potentially increasing HERC user AND RENTAL fees. City finances do not allow for increased HERC building operating/maintenance expenses unless offsetting additional revenue is generated.

At present, fireweed Academy could be a possible lessee but would require substantial capital improvement to meet public school occupancy requirements.

In any case, a key component for successful revenue and more intensive use is active building management by a designated building manager.

Capital Expenditures. Capital expenditures could be funded from the existing HERC building depreciation reserve fund, potential operating surplus, or other sources as Council deems appropriate.

Although conventional means of funding exist, such as state grant funding, a new-tax ballot measure, or a service area, currently there does not appear to be broad community support for increased taxes to pay for changing building uses (i.e.building code classification changes for the upstairs) or a significant renovation.

Ultimately a partner will be needed that would have access to private foundation grants or other private funding sources, not readily available to the city. Considering this the Task Force recommends the city actively promote a public-private partnership OR OTHER SUCH ARRANGEMENT TO FUND ANY RECREATIONAL OR EDUCATIONAL USE OF THE HERC PROPERTY.

ITEM 6

6. Is leasing space a feasible option?

[Slone note: different verbage from Reference Version. Main difference is my reference to restriction is on short-term lease, not long-term.

L98 - Not currently. The cost of code-compliance issues restricts the viability of a short-term lease agreement. However, Fireweed Academy has expressed distinct interest in a long-term (10 year) lease.

SECTION 4: Notes

SECTION 5: Appendix

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To: HERC Task Force
From: Julie Engebretsen, Deputy City Planner
Date: November 2, 2018, 2018
Subject: Draft final report

Meeting Goal: Review draft document; provide direction on any edits.

Attached is the draft HERC Task Force Recommendations document. The Recommendations chapter has numbered lines corresponding with Mr. Slone's comments in this packet. This chapter will be formatted to match the rest of the document.

Ideally, the task force will work through any changes at this work session, so the whole document can be adopted by motion on the 13th. No motions can be made at a work session, so if there are sticking points, they may need to wait and be acted on by motion on the 13th.

HERC TASK FORCE

Final Recommendation Report

November 2, 2018

TABLE OF CONTENTS

10/23/18 revisions

Section 1: Evaluation of HERC Uses and Task Force Recommendations

City Council of Homer Resolution 18-036(A), created the HERC Task Force and assigned a set of tasks. This report provides recommendations to address these five items.

Task Force Recommendations

Near Term:

1. Plan to keep HERC 1 in warm status for the next 5 years.
2. Make short-term repairs needed to maintain HERC-1 in warm status and prevent further deterioration. ($60,000-$100,000, see section 4.1.4)
3. Recommend CC form a committee or a task force to investigate community capacity and solicit interest to spearhead funding methods to address community recreational and educational needs. Preferred funding is, but not limited to, a public-private partnership for occupancy options (to include the upstairs) and funding of HERC-1
4. See #5 below for short and long term funding options.

Long Term: 5 years +

5. If nothing happens over a five-year period, options could range from planning a new facility, demolishing HERC 1 and 2 or taking advantage of any major changes that are not foreseeable right now, while reserving the property as a park until a long term plan for the property is developed for the site.

Resolution 18-063(A) Tasks and memo 18-090 Tasks

1. Can the upstairs of the HERC be safely used with no capital improvements?

The HERC Task Force has applied to the State Fire Marshal, to determine if the upstairs can be used as is and retain its previous International Building Code (IBC) Business B-Classification. If the Fire Marshal approves, without requiring substantial upgrades, then yes the upstairs can be used without capital improvement and a minimum of utility services to protect the area. There are some immediate costs, such as the roof, that require attention to maintain the integrity of the building for five years. A further breakdown of this and other items can be found in section 4.x.

2. What are the minimum improvements that would be needed to safely use the entire HERC facility and cost associated with those improvements?

Approximately $500,000 would be a bare minimum to maintain IBC assembly occupancies of A-3 on the lower level, and B on the upper level. If an Educational (E) occupancy or K-12 school is desirable, then the cost rises from $900,000 to $1.3 million dollars, mainly for sprinklers and

basic safety upgrades. This would extend the life of the building approximately 10 years, but does not result in a modern, energy efficient building.

3. What are the desirable improvements that need to be made to the entire HERC facility to allow it to be used to it's full potential for the next 10 years?

A ten-year timeframe would only be a desirable consideration for the City financially if there is a long term lease or partnership agreement in place. A partnership could be a school program, non-profits, or for profit start-up, and would allow the city to retain the building without having to pay all of the increased facility costs, such as operations and maintenance. Building use in this scenario is limited to IBC A-2 thru A-4, B & E (including day care) Classifications.

Briefly, a remodel of $2.5 - $3 million dollars would extend the life of the building approximately 20 years. A full renovation of $4.5 M to $ 5M would extend the building 30 years or more. Seismic upgrades would liekly be required but neither the extent nor costs are currently determined. [Note: The above rough order of magnitude costs reflect 2018 dollars and are subject to possible 15%-20% corrections]. Section 4.1.3 provides more detail on these cost estimates.

4. What would it cost to demo the HERC and build a new facility that meets the recreation needs of the community on the existing site.

Demolition of HERC 1 is estimated at $750,000 and HERC 2 at $250,000.

A new 8,500 square foot building would be a minimum size, with perhaps 12,000 being an optimum size. The current HERC 1 offers 16,000 square feet. Roughly, new government construction costs about $400 per square foot. An 8,500 square foot structure would run about $3.4 million dollars for conventional construction. If a private party were to construct a pre-engineered metal building, costs could be lowered to about $250 per square foot, or $2.13 million dollars. The City would need a plan to pay for construction and ongoing maintenance and operations costs. That financial plan and revenue stream would dictate the size of building the city could afford to build and operate. See Section 4.2 for further details.

5. How can the City pay for operations, maintenance, and any required capital expenditures?

This question is answered in two ways: short term and long term. In the near term, existing operations and utility expenses are $21,000 (2017). See Attachment 5 for a detailed analysis. The Task Force recommends analyzing and potentially increasing HERC user fees, and consider gym and zumba room rentals. Potentially additional revenue could be generated to

offset increased personnel and utility costs by allowing community organizations/user group rentals. A key component for successful short-term revenue and more intensive use is active building management by a designated building manager. Capital expenditures could be funded from the existing HERC building depreciation reserve fund, potential operating surplus, or other sources as Council determines appropriate.

In the longer term, 5+ years or more, a partner is needed that would have access to foundation grants or other private funding sources, not readily available to the city. Currently there does not appear to be broad community support for increased taxes to pay for changing building uses (i.e. building code classification changes for the upstairs) or a significant renovation. City finances do not allow for increased HERC building operating/maintenance expenses unless offsetting additional revenue is generated. At present, Fireweed Academy could be a possible lessee but would require substantial capital improvement to meet public school occupancy requirements. Considering this, the Task Force recommends the city actively pursue a public-private partnership for investment and use of HERC 1. Other options include state and foundation grant funding, a ballot measure for a new tax, or a service area.

JE comment: need to add a section 6, Is Leasing the HERC an option. Draft language is proposed below; we can edit at the work session and make a motion on the 13th.

6. **Is Leasing HERC an option?**
   Not currently. The building in its current state, and lack of funding for major capital improvements, precludes a viable long-term lease arrangement.

Task Force Members

- David Derry
- Michael Haines
- Paul Knight
- Deb Lowney
- Crisi Matthews
- Karin Marks
- Barry Reiss
- Larry Slone

Staff

- Julie Engebretsen

Process

The City Council adopted Resolution 18-036(A), creating the HERC Task Force and assigned a set of tasks. The Task Force held a series of meetings between May and November 2018.

Using their diverse backgrounds, the HERC Task Force approached the tasks set by City Council by establishing small working groups. Each working group focused on a specific area set by the City Council ordinance. These efforts were merged into creating the final recommendations in this report.

But, the Task Force also realized that any recommendations to City Council would require at least some justification for a refurbished or new building: a "build-it-and-they-will-come" approach was not a viable strategy. To achieve this, the Task Force "listened". They listened to City Council, listened to Homer residents, listened to Homer City employees, listened to non-profit organizations, and listened to for-profit businesses. Brown bag lunches, focus groups, one-on-one meetings, broadcast interviews, City Council presentations, site visits, and presentations by interested parties all aided the information-gathering efforts.

The results provided in this final report represent a reasonable estimate of a future building configuration, the needs of the community, and the construction costs.

Background

The HERC property encompasses 4.3 acres in downtown Homer. The property was originally donated by community members for school use, and included a deed restriction. While the deed restriction has since been lifted, there is still strong community attachment to the land, and desire to honor the public use of the land. The property presents the opportunity to provide a gateway to downtown Homer, and is centrally located on the corner of the Sterling Highway and Pioneer Avenue.

There are two older school buildings on site: HERC 1 is approximately 16,000 square feet and includes a gymnasium. HERC 2 is the second building; a smaller, two story concrete structure that was formerly the high school. The Task Force study of HERC 2 was limited to estimating demolition costs (See Section 4).

2003 photograph of the HERC property. HERC 1 (on left) is the focus of this report. HERC 2 (on right), is only discussed in terms of demolition costs.

HERC 1 was built in the late 1950's and has served as an elementary, middle and high school. Day use as a school ended in 1997, with the opening of West Homer Elementary School. In 2000, the Kenai Peninsula Borough deeded the property to the City for the purchase price of $1. At the time, the Kachemak Bay Campus of the Kenai Peninsula College leased the upstairs, and the Boys and Girls Club used the gym for after school and summer programs. In 2010, the college moved out and some of the City Hall offices were relocated temporarily to the building while City Hall was renovated. In the spring of 2013, the Boys and Girls Club closed permanently.

Currently, the City's Community Recreation program uses portions of the lower level of the building for recreation programs. A full history of the building, its uses, and engineering reports can be found on the City website under the Homer City Council January 18, 2018 work session meeting packet.

Opportunities

One key asset this property presents is an anchor for Pioneer Avenue and the entrance to downtown Homer. The public expressed sentiment that this land was donated for public purpose, and that it has high value as public space. Site planning should be on a long-term basis, not a short-term horizon. Even having a large mowed park for a period is a community asset, until the community determines to renovate or build a new facility. This could be 10- 15 years in the future.
Another opportunity is to sell a portion of the land, to pay for a new building or renovate the HERC. With some subdivision, utility and demolition expenses related to HERC 2, it is conceive able that the City

could secure $500,000 for the sale of a 1.5 acres site corner of Woodside and W Pioneer Avenues. See Section 6 for more detail.

Skate Park that was constructed while the Boys and Girls Club occupied HERC 1.

CHAPTER 3: Analysis of Existing HERC-1 & Proposal on New Building

The City Council resolution required both (a) recommendations and estimates of costs to renovate the existing HERC-1 building given various scenarios; and (b) the costs to demolish the existing HERC-1 and construct a new building "that meets the recreation needs of the community," (City Resolution 18-036(A), lines 58 thru 76). The HERC-2 building is not included in these recommendations other than providing a cost to demolish (City Memorandum 18-090).

When reviewing the following recommendations and implications, it is also important to relate them to the forecast of demand for services for any renovated or new building. For example, as discussed in Section 3 of this plan, immediate demand for potential HERC-1 uses are relatively small and primarily focused on recreational activities, (gym and exercise space). Yet demand is expected to grow over the next five years and may encompass other uses, e.g. education.

Implications of Renovating the Existing HERC Building

The original Task Force directive from the City Council was to use a "10-year" timeframe when considering improvements that need to be made to the entire HERC-1 facility to allow it to be used partially or to its full potential. While investigating renovation and demolition costs, it became apparent that a 5-year plan would better address the overall goals established by City Council. A ten-year timeframe without more significant upgrades would result in continued and potentially accelerated deterioration of the building, resulting in greater operations and maintenance costs.

If at the end of the 10-years, and a decision is made to renovate/remodel the HERC-1, the cost to do so would increase due to deterioration to the bones of the building and subsequent dollar escalations from 2018 prices. A five-year time horizon allows time for further community and professional input while exploring financial mechanisms to bring a project forward.

A 5-Year Plan

This 5-year plan is based on a strategy of "sustainability without major capital improvements." Under this strategy, only minimum upgrades will be made. As stated previously, it provides the City time to cement a way forward with continuing use of the facility while developing strategies and funding that would enable a "final" decision. Thus, at the end of the 5-year period, the City will have two paths: (a) substantially rehabilitating/remodeling the building, or (b) demolishing the building and moving to an alternate solution addressing community needs and financial constraints.

The 5-year period enables HERC-1 to be serviced using current operations and, on an as-needed basis, maintenance costs. This plan is weighed against risk assessments: community needs/uses, funding and best practices.

More detailed renovations would include:

(a) HERC-1 lower level – Maintain minimum renovation improvements within International Building Code (IBC) Assembly Group A-3 Classification, (gym without spectators, community and lecture halls, etc.)

Currently, the HERC-1 gym is certified and the "Zumba Room" will be so certified when a few fire related upgrades to the room are made. The remaining lower level rooms are not fire code certified and should continue to be used for storage. The restrooms require minor attention: showers are inoperable; the faucets, water closets and urinals need minor fixes; wood ramp in the women's room entrance should be changed to concrete and painted; and a few other checks/fix-its.

HERC-1 Lower Entrance Used to Access Gymnasium

(b) HERC-1 upper level – Continue to keep the upper level in a quasi-stasis state. Use is currently restricted to storage of Public Works' materials, (2 rooms, currently).

HERC-1 Upper Level Entrance

Additional Notes Regarding the 5-year Plan

Note 1: The upper level could be recertified as an IBC Business Group B Classification, which could include uses such as professional services or service-type transactions, civic administration, educational occupancy for students above 12th grade, and training and skill development not within a school or academic program, etc. Interestingly, the Kachemak Bay Campus was housed in the HERC-1 upper level. If considered for B Classification it should be reused on a minimal basis (for example, two classrooms) while the remaining rooms are kept as is. This would keep the upper level Operation and Maintenance costs down.

Note 2: To reuse the upper level under a B Classification, the main stairwell will probably require construction of walls to establish a "fire barrier" with the lower level. This would enable dual occupancy classifications for the HERC-1 building, (e.g. A-3 lower and B upper levels). Also, other improvements should include fixes to restrooms, an HVAC inspection, bringing online room ventilators, adding flooring and ceiling tile patches, lighting changes to E-florescent tubes, and other minor actions.

Additional Notes: There are more fixes needed then those associated with fire codes. Irrespective of Note 1 and Note 2 above, immediate fixes will be required to bring the building into near term usefulness: level roof and hot mop, address parking lot lights, and fencing repairs. These items would not require capital expenditures, apart from possibly the roofing items, since most can be accomplished incrementally by Public Works.

Rationale for A 5-year vs. a 10-year Plan

It is important to understand that NOT completing significant upgrades to HERC-1 within a reasonable, near-term, timeframe would result in continued and potentially accelerated deterioration over a ten-year period. If a decision is delayed to renovate/remodel HERC-1 (to, say, 10 years as directed by City Council), the cost to do so would increase significantly due to deterioration to the basic structure of the building. This would result in escalated renovation costs.

The 10-year plan is primarily a "do-nothing strategy" and is NOT a recommendation of the HERC Task Force.

Estimated Upgrade Costs

The Task Force arrived at three estimates for building renovation, depending on how major a renovation is undertaken. The task force does not make a recommendation in the absence of funding and increased operation and maintenance costs for the full building. This information is provided as a guide for what incremental improvements could be built, and an order of magnitude cost estimate.

1. $900,000-$1,300,000, bare bones remodel. A scaled down version of the $2.5M effort, to address an E Classification for a 10-year period, would be on the order of $900K to $1.3M. This version would include: hot mop roofing; upsized water service & sprinkler system; upgrades to ventilators, kitchen, bathrooms and lighting; and ADA items. Code/compliance procedures and a risk assessment would be appropriate prior to this effort.

2. $2,500,000- $3,000,000 basic remodel. The effort would focus on primary systems for Health and Safety and American Disabilities Act (ADA) upgrades, seismic upgrade, complete re-roofing, installing a sprinkler system, replacing other items as required by fire code, replacing galvanized pipes, and making interior upgrades to all rooms, etc. This would extend the life of the building by approximately 20-years and be sufficiently robust to achieve an Educational Group E Classification, (potentially including day care use), per 2017/2018 International Building Code (IBC) and 13AAC50 designations/requirements.

3. $5,000,000 (16,000 sq.ft. at $250/sf) full renovation. This effort would extend the life of the building to 30+ years. This total upgrade/remodel would include roof and wall insulation to improve heat efficiencies, structural modifications, new flooring and ceiling tiles, new windows, the addition of alternative energy systems, and exterior upgrades. The upgrade would create a structure with a life expectancy of 30+ years, while meeting modern "green building," sustainability, and energy efficient building standards.

Implications of Building a New Facility ("New HERC")

A "New HERC" building could be constructed on the present HERC site if the current HERC-1/HERC-2 buildings were demolished or could be constructed on another suitable property. Costs associated with site acquisition have not been included in these cost estimates. If a "New HERC" building is constructed on the current HERC-1/HERC-2 site, both HERC-1 and HERC-2 would be demolished. This adds to the total costs associated with a "New HERC" (see cost estimates below).

The current HERC-1 building is approximately 16,000 square feet. This represents a potential community/recreation building that would more than meet the needs of the Homer population. A smaller building with an area of 12,000 sq.ft. would probably suit the needs for the foreseeable future.

Estimated Demolition Costs

The demolition costs for the HERC-1 building are estimated to be on the order of $750,000 to $1,000,000. The demolition costs for the HERC-2 building are estimated to be on the order of $250,000. If HERC-2 were to be demolished first, it would help inform the costs of demolition of HERC-1 at the prevailing costs.

The above estimates are subject to changes due to the continuing increase in costs associated with demolition trucking expenses, the demolition and disposal of the HERC-1 boiler, additional hazmat items such as unforeseen expenses due to fuel spill, etc.

Off-setting these costs, both buildings could potentially contain items that would be salvageable and recyclable, such as the fuel tanks, temporary generator and interior wood doors. The value (undefined at this time) of these and other salvageable items could decrease the above demolition costs.

Estimated Construction Costs

Construction costs are estimated to be $400 per square feet for wood frame construction. This represents a total estimated cost for a direct replacement of the 16,000 per sq.ft. HERC-1 building at $6.4 Million. A smaller community/recreation center sized more appropriately for Homer's needs of 12,000 sq.ft. has an estimated cost of approximately $4.8 Million. The above estimates are for the construction of the facility only. It does NOT include design architectural & engineering (A&E) fees. A third option for a smaller building would be approximately 8,500 square feet, to encompass a gymnasium (7,000 sq ft), restrooms, an exercise room, minimal office space, and mechanical space.

The Sterling (Alaska) Community Center (a 12,000 sq. ft. structure) represents an example of escalating construction costs over recent years. In 2014, the construction year for the Center, construction costs approximated $200 per sq.ft. Construction costs in the Kenai Peninsula are expected to continue upward trends in the near future. Note: The $200 per sq. ft. was actual costs of the labor and materials purchased, even though completion of the facility relied heavily on volunteer/donated labor and materials from local residents and businesses.

Total Costs (including demolition, design, construction and contingency)

For a 16,000 sq. ft. HERC-1 replacement:

Demolition costs incl. hazmat:	$0.75 Million (M)
Construction costs incl. A&E cost:	$6.4 M
Contingency (15%):	$1.07 M
Total cost:	**$8.22 Million**

For a 12,000 sq. ft. building:

Demolition costs incl. hazmat:	$0.75 Million
Construction costs incl A&E cost:	$4.8 Million
Contingency (15%):	$0.83 Million
Total costs:	**$6.28 Million**

Building a New Facility vs Remodeling the Existing HERC-1

Currently, the preferred action is for the City to implement a 5-year plan that would extend the use of the existing lower level for recreational purposes with minimal use of the upper level. This will provide sufficient time for further input and analyses.

Given the cost of a complete renovation/remodel of HERC-1 to full potential, which would include an Educational (E) Classification, is $5M x 25% ~ $6.25M for a 16,000sf facility versus $9.5M or $7.25M for a 12,000sf building. Potential cost savings could be incurred on either, especially given, for example private-public partnership arrangements.

Since constraints exist that would affect a decision at this time, no recommendation is tendered by the Task Force.

This section and analysis addresses HERC-1 only. The industry standard for comparison, on the Kenai Peninsula, is dollars per square foot per month ($/sf/month), which is used in the following analysis. Operating expenses are analyzed in a three-step process:

- Using the historical expense data provided,
- Comparing the step 1 expense to prevailing, typical expenses for commercial and public buildings in Homer, and
- With expenses forecast based on the use scenarios or alternative uses.

Historical Expenses

The following table reports the historical data provided to the Task Force, then calculated based on the proportion of the building in use/occupied during that time frame. Understand that exact details and timing of occupancy are not available, and accordingly the expense data is recognized as approximations.

The table encompasses 2009 thru 2017, with the use ("Occupancy") and proportion of building in use listed on the first line. The expense per square foot per month reported is based on the size of that portion predominately in use during the respective year. Since the actual months in use or transitioned from uses are unknown, the costs are based on a twelve month period (year). "GBA" is the gross building area, with 2009 thru 2013 using the total GBA (16,800 sf) and 2014 thru 2017 using the Gym only (5,700 sf).

Property Name:	**HERC 1**									
Date:	**10/4/2018**									
Building GBA:	**16,800**	**sq. ft.**	**Breakdown:**	**Gym:**	**5,700**		**Lower:**	**2,800**	**Upper:**	**8,300**
	2009	**$/sf/mo.**	**$/mo.**	**2010**	**$/sf/mo.**	**$/mo.**	**2011**	**$/sf/mo.**	**$/mo.**	
Occupancy:	full; Upper-UAA, Gym-B&GC			full; Upper-UAA, Gym-B&GC			prtl.;Up-UAA out, City in, Gym-B&GC			
Electricity	$ 20,600.75	**$ 0.102**	**$ 1,716.73**	$ 18,110.14	**$ 0.090**	**$ 1,509.18**	$ 18,139.42	**$ 0.090**	**$ 1,511.62**	
Water/Sewer	$ -	**$ -**	**$ -**	$ -	**$ -**	**$ -**	$ -	**$ -**	**$ -**	
Fuel Oil/gas	$ 37,266.42	**$ 0.185**	**$ 3,105.54**	$ 35,824.29	**$ 0.178**	**$ 2,985.36**	$ 38,177.32	**$ 0.189**	**$ 3,181.44**	
total		**$ 0.287**	**GBA**		**$ 0.268**	**GBA**		**$ 0.279**	**GBA**	
	2012	**$/sf/mo.**	**$/mo.**	**2013**	**$/sf/mo.**	**$/mo.**	**2014**	**$/sf/mo.**	**$/mo.**	
Occupancy:	prtl.;Up-City out 3/12, Gym-B&GC			prtl.;Up-Enstar in, Gym-B&GC out			lmtd.; Up-vacant, Gym-CPRP			
Electricity	$ 14,688.71	**$ 0.073**	**$ 1,224.06**	$ 11,617.38	**$ 0.058**	**$ 968.12**	$ 9,867.49	**$ 0.144**	**$ 822.29**	
Water/Sewer	$ -		**$ -**	$ -		**$ -**	$ -		**$ -**	
Fuel Oil/gas	$ 32,413.97	**$ 0.161**	**$ 2,701.16**	$ 24,673.44	**$ 0.122**	**$ 2,056.12**	$ 16,416.78	**$ 0.240**	**$ 1,368.07**	
total		**$ 0.234**	**GBA**		**$ 0.180**	**GBA**		**$ 0.384**	**GYM only**	
	2015	**$/sf/mo.**	**$/mo.**	**2016**	**$/sf/mo.**	**$/mo.**	**2017**	**$/sf/mo.**	**$/mo.**	
Occupancy:	lmtd.; Up-vacant, Gym-CPRP			lmtd.; Up-vacant, Gym-CPRP			lmtd.; Up-vacant, Gym-CPRP			
Electricity	$ 11,248.28	**$ 0.164**	**$ 937.36**	$ 10,915.40	**$ 0.160**	**$ 909.62**	$ 10,948.32	**$ 0.160**	**$ 912.36**	
Water/Sewer	$ 1,119.00	**$ 0.016**	**$ 93.25**	$ 1,246.00	**$ 0.018**	**$ 103.83**	$ 2,000.00	**$ 0.029**	**$ 166.67**	
Fuel Oil/gas	$ 11,533.91	**$ 0.169**	**$ 961.16**	$ 8,660.38	**$ 0.127**	**$ 721.70**	$ 10,217.78	**$ 0.149**	**$ 851.48**	
total		**$ 0.349**	**GYM only**		**$ 0.304**	**GYM only**		**$ 0.339**	**GYM only**	

Comparison to Prevailing Homer Building Expenses

To provide a perspective of the historical operating expenses of HERC-1, to typical expenses for commercial and public buildings in Homer, two separate analyses were made:

a. The expenses reported for City of Homer buildings in 2017 was segregated and allocated into the $/sf/month unit of comparison.
b. Expenses for a variety of Homer commercial buildings was reviewed, from the database of one of the HERC task force members.

(a) The City of Homer building expense data used is from a table prepared by Public Works, provided to the Council as part of forecasting maintenance expenses for a new police station. Some of the categories in that table are excluded in this analysis, since they are not considered typical operating expenses, comparable to the HERC building.

In the following table each category of expense lists the cost per square foot per month for that category (i.e. heating, electrical, etc.), then those expenses out of the typical range for private commercial building are shown in red. Some of the out of range variation is due to the nature of the building or operating hours. For example the electrical expense for the Airport Terminal is well above typical ranges, but would reflect lighting for the parking lot, aircraft apron, tarmac, etc. Also the longer hours/lighting and equipment used likely accounts for the higher Police station electrical expense.

JE comment: this is a shortened table. Do we want the full table in the appendix, or does this provide enough information?

City of Homer buildings

		FUEL/LUBE(*1)		ELECTRICITY		JANITORIAL		*TOTAL***
2017 FACILITY EXPENSES	Square Footage	FUEL/LUBE	***Cost per sq.ft. per month***	ELECTRICITY	***Cost per sq.ft. per month***	JANITORIAL	***Cost per sq.ft. per month***	***Cost per sq.ft. per month***
Airport Terminal	8,588	$8,808	$0.0855	$36,744	$0.3565	$22,892	$0.22	$0.74
Animal Shelter	3,994	$9,265	$0.1933	$8,501	$0.1774	$10,646	$0.22	$0.67
City Hall	13,321	$6,843	$0.0428	$20,389	$0.1275	$35,508	$0.22	$0.32
Fire Station	9,000	$8,229	$0.0762	$27,181	$0.2517	$23,990	$0.22	$0.55
Library	17,200	$15,441	$0.0748	$35,718	$0.1731	$45,848	$0.22	$0.39
PH Harbormaster Office	4,784	$8,822	$0.1537	$10,249	$0.1785	$12,752	$0.22	$0.61
Police Station	5,500	$1,270	$0.0192	$24,416	$0.3699	$14,661	$0.22	$0.65
Mean-all facilities:			**$0.0922**		**$0.2335**		**$0.22**	**$0.56**

(*1)all buildings natl. gas except Police Station

Costs in red are out of the typical ranges for the expense item.

Buildings & grounds maintenance and snow removal are all excessive, based on comparable expenses for private comm

**excludes Janitorial & non colored columns

(b) To summarize the results of the HERC-1 and City building expense analysis and compare to prevailing private commercial building operating expenses, the following table is provided. Here the expenses of HERC-1 for 2014 thru 2017 are listed, compared to the City Library and the ranges of costs typical for private commercial buildings.

For the HERC-1 building, expenses reported are the average of the last four years. The library building is used, since the expenses calculated per unit of comparison fall more within the typical ranges expected in Homer. The "typical range" column summarizes the costs calculated from actual operating data of a variety of Homer buildings, maintained over the years in a proprietary data base.

The HERC electrical expense is at the high "typical" range, but within that range. The heating expense reflects the biggest variation from typical expenses, attributed to the HERC's fuel oil heat and insulation deficiency. With the availability and conversion to natural gas, commercial property owners report a reduction in their heating expense to about 1/3 of their prior fuel oil cost. A comparison of City buildings before and after conversion to natural gas shows a reduction of:

- Airport terminal: -64%
- City Hall: -58%
- Library: -51%
- Average of these three: -58%

A simple cost/benefit calculation, based on the average heating cost with a 50% savings and a conversion cost at $18,000 - $19,000 (from Memo 13-077, 5/2/13) shows a cost recapture in 3.25 years. [$11,707 × 50% = $5,854/yr. ÷ $19,000 = 3.25 yrs.].

Homer commercial buildings ~ operating expense comparasion

Property Name:	**HERC 1**		**Homer Library**		**South Peninsula typical**	
Building GBA:	**5,700** (Gym only)		**17,200**		**range; City of Homer**	
Occupancy type:	**Recreation**		**Municipal**		**Office & retail**	
year	2014 - 2017	**$/sf/mo.**	2017	**$/sf/mo.**	2017/18	**$/sf/mo.**
	(average)					
Electricity	$ 10,744.87	**$ 0.157**	$ 35,718.00	**$ 0.173**	$ -	**$0.12 - 0.16**
Water/Sewer	$ 1,455.00	**$ 0.021**	$ 2,829.00	**$ 0.014**	$ -	**$ 0.025**
Fuel Oil/gas**	$ 11,707.21	**$ 0.171**	$ 15,441.00	**$ 0.075**	$ -	**$.04 - .07**
Refuse		**$ -**	$ 1,000.00	**$ 0.005**	$ -	**$ 0.015**
Lawn/yard Care		**$ -**	$ 13,187.00	**$ 0.064**	$ -	**$.015 - .025**
Snow/sanding		**$ -**	$ 11,885.00	**$ 0.058**	$ -	**$.020 - .030**
Repairs		**$ -**	$ -	**$ -**	$ -	
Janitorial		**$ -**	$ 45,848.00	**$ 0.222**	$ -	**$ 0.200**
**Heat type	fuel oil		natl. gas		natl. gas	
Total w/Janitorial				**$ 0.610**		**$.445 - .525**
Total w/o Janitorial		**$ 0.350**		**$ 0.388**		**$.245 - .325**

Expense Forecasts and Use Scenarios

Using the expense data developed in the preceding tables, and considering the alternate potential uses of the HERC building, the following scenarios are presented. These scenarios consider the proportion of the building used for each alternate, an approximate cost to accommodate that use, and the operating expense to the city. Note that the repair/renovation costs are rough approximations only and forecast revenues are subject to adjustment based on the specific use and user.

How Do We Pay For It?

The Task Force reviewed the municipal funding mechanisms presented during the new police station discussions. Fairly quickly, the Task Force determined there is probably low public support for more taxes to pay for any increase in city services or facilities. This sentiment was echoed in our conversations with non-profits and businesses. However, the concept of public–private partnerships did garner some support. Homer has at least two great examples of public private partnerships: the hockey rink and the courthouse. Private entities built those facilities, which are leased long-term or mortgaged by the state or non-profit.

Short Term Funding Options: Increase Revenue and Decrease Costs

Utility costs were an estimated $21,000 in 2017. Revenues are roughly $14,000. Can the city increase facility revenues to pay the full utility costs? Some ideas include:

- Increase user fees at the HERC
- Investigate whether gym rentals would raise enough revenue to not only cover the cost of staff time and utilities for the event, but also contribute to overall utility costs.
- Investigate allowing community organizations/user group rentals to offset increased utility and personnel costs
- A key component for successful short-term revenue and more intensive use is active building management by a designated building manager
- Investigate the payback time for converting to natural gas.
- Capital expenditures could be funded from the existing HERC building depreciation reserve fund, or potential operating surplus, or any other funding mechanism available to the City Council

Long Term Funding

It may be possible to subdivide a portion of land where HERC-2 currently sits, and sell the property to generate some revenue. There would be some expenses in moving utilities and subdivision costs, but it's possible as much as $500,000 could be generated by selling a portion of the land.

Other funding opportunities include state and federal grant funds, partnerships with organizations that can leverage private foundation funding, taxes, and a service area.

Legal Entities and Investment

The Task Force considered three different models of building ownership and operations.

1) Government owned and managed, paid for by new taxes and increased fees (Government model)
2) Government owned facility, with a private or nonprofit partnership for management
3) Private or non-profit ownership and management, with a partnership for building use. (3 P, or Public Private Partnership; City retains land ownership, with 3P new build)

JE COMMENT: will update here to include a partnership with a lessee such as fireweed if appropriate.

Funding: Government Model

If the City decides to renovate the HERC building, or build a new facility, new revenue will be required to pay for it. Financial projections over the coming years do not show enough increase in tax revenue to pay the anticipated expenses. The City is able to raise revenue through sales tax, property tax, and user fees. Through focus groups and Task Force discussions, there seems to be little support for an additional tax increase at this time.

The police station bond and corresponding sales tax increase was just approved by voters. A bond with increased taxes to make the payments may be an option the community wishes to pursue in the future. But as of 2018, this is not the mechanism supported by the Task Force.

3P: Public-Private Partnerships

There are many ways a 3P partnership could work: the City could own the building, or it could be privately owned. The City could manage and maintain it, or a private party could provide those functions.

In the case of the Homer Court House, the state provided funds to expand the privately owned building. The building owner provides all maintenance and janitorial services, and the state is a long-term tenant. As long as the building owner can profit from the lease, it's a great opportunity for the private sector, and significant cost savings to the state; they didn't have to manager a renovation, nor are they responsible for long term maintenance. To apply this example to the city, perhaps the City would provide some funds for a private entity to build a building that includes a gymnasium. The City would contract to use the gym during certain hours (say after school and evenings) and the building owner could use or rent the space all other times. Perhaps they provide scheduling services to the City, or maybe the city provides that in exchange for reduced space rental.

There are many options; it's a matter of seeing if there is an entity in the City that would be interested and has the resources to enter in to such a partnership, and if the public supports the city entering in to such an agreement.

With the design of any new facility (including a renovated, or new HERC building), it is important to insure the final product meets the needs of the market it is planned to serve. For example, with the current floor space of the HERC-1 building at 16,000 sq.ft., would a renovated HERC-1 (on the same foundation) provide sufficient space for Homer? Is this space too small, or larger than actually needed? And, what would the building layout need to be to accommodate the activities planned for the facility?

Pickleball Players in the HERC-1 Gym

To address these concerns, the HERC Task Force used a multi-pronged approach to determine the market needs (present and future) of the Homer community. And, importantly, to obtain a better understanding of how these needs would fit into a renovated or new HERC.

A "marketing working group" was established to obtain market data by:

- Conducting individual meetings/discussions with organizations and individuals currently offering community and recreation services.
- Creating a focus group to obtain a better understanding of the needs of certain business organizations.
- Hosting brown bag lunches, with invitations extended to community residents.
- Reviewing current community and recreational studies (for example, the "Parks, Arts, Recreation, and Culture Needs Assessment" dated 2015).

The results of this effort allowed the task force to forge a reasonably good assessment of the size, space needs, and growth demands on a HERC facility.

A second working group was established to evaluate the success factors of community and recreation facilities in other Alaska communities. This activity included site visits, surveys, and discussions with senior management at these locations.

In general terms, the working groups determined:

a) Many community and recreational products and services are currently available in Homer. They vary not only in the types offered, but in the locations offered. Some are provided by private, for-profit, organizations, others by non-profit corporations, and others by the City of Homer "Community and Recreation Program" (CRP). Some compete, some are complementary, while

some have found a niche not addressed by another organization. Examples are shown in Section 4.1 of this report.

b) With few exceptions, most community and recreational programs are growing, some faster than others. For example, Pickleball (a recreational activity favored by the relatively older population) grew 365% over the past three years (according to City of Homer's Community Recreational Program statistics). But, growth in wrestling and volleyball (which represents a pastime of the more younger generation) has slowed or stagnated.

c) Changes in demand reflects a change in the Homer population demographics and the demand for products and services offered. For example, the growth of senior citizens settling in the area far outstrips the number of births and non-seniors settling. While nationwide the overall population is aging, the aging of the Homer population far exceeds the nation average.

d) Population changes aside, Homer has a dire need for childcare, which could provide a market opportunity for a HERC facility (see further discussion below).

e) Any HERC facility will complement current community and recreation services offered (see Section 3-1 for examples of those currently offered).

f) In general, market demands for HERC products and services are expected to grow steadily over the near future.

g) Statewide, there are both successes and less-than-successful community and recreation centers. Not all centers have met their initial goals.

The changes described above will impact the future size, the types of products/services offered, and the growth of a HERC building.

The principal user of a renovated/new HERC building will be the Homer Community Recreation Program (CR). Currently, CR programs are spread through a number of different physical locations, with the associated management opportunities. Regardless of the size of a renovated/new HERC building, however, some CR activities will remain at non-HERC locations, but the majority will migrate to the HERC.

As the marketing working groups examined current activities of the Homer CR and other Alaska com/rec centers, a usage pattern materialize. Demand management is an issue. Early morning hours and late afternoon/evening hours dominated the demand in both community and recreational activities. Senior groups and childcare needs, however, tend to gravitate towards morning and afternoon use. From the market research of (c) and (d) above, a HERC facility that accommodates senior citizens and childcare will provide significant value to the Homer community, resulting in more efficient use and management of the facility. This determines a market niche that is currently under-served.

Chapter 4 in this final HERC report describes the building size that best fits the needs of Homer. Marketing data from this marketing assessment was used to aid in this size determination.

Examples of Major Alternative Sources of Community and Recreation in Homer

The following represents the major community and recreational providers in the Homer area. It is not all-inclusive, but was used as an aid in the evaluation of the market. Bay Club, SPARC, Homer Public

Library, Community Recreation and Public Schools, Island and Oceans Center, Kachemak Community Center, Lands' End Resort, and the Homer Senior Center.

Examples of Regional Community and Recreational Centers

As explained previously, part of the market research effort included a review/survey of the history and current operation of other, select, Alaska community and recreation centers. Of the twelve plus communities researched with a population the size of Homer, only two (Homer and Dillingham) did NOT possess a physical, self-contained community/recreation center. As noted in (g) above, some statewide community/recreation centers are successful, while some are less than successful. Of the twelve, three centers were evaluated in some detail: Sterling Community Center, Kenai Boys and Girls Club (formally Kenai Recreation Center), and Seward Recreation Center.

A copy of the survey completed by Sterling, is attached to this final report.

Thriving small communities are economically successful communities, for four primary reasons:

a) Community and environment that encourages entrepreneurship in business and the arts;
b) Public sector friendly to the private sector;
c) Processes that facilitates a highly educated workforce; and,
d) Community that excels in providing a positive quality of life.

Community/Recreation Is an Integral Part of a Thriving Community

Nationwide, community and recreation (com/rec) activities are shown to have positive impacts on communities that embrace it. These opportunities as they relate to either a renovated 'HERC-1' or 'New-HERC' facility.

Three primary HERC-related activities have the potential to positively impact Homer's economy:

1) Renovation of the existing HERC-1 or construction of a new HERC building;
2) Visitors participating in events offered within and through a HERC building; and,
3) Local entrepreneurial endeavors created within or through a HERC building.

This economic assessment is based on the amount of money injected into the economy from sources outside the Homer area. Public/community money recycled within the Homer are not considered in this economic analysis.

Economic Impacts Directly Related to the Actual Construction/Renovation

Use of taxpayers' money to underwrite the construction cost of a renovated or new HERC is not considered as having an immediate positive economic impact. However, obtaining construction funds from sources from entities outside the service area has a positive economic impact. Correspondingly, positive economic benefits are achieved when construction costs are underwritten directly through private sources, or through a public private partnership (PPP).

Note: Not all construction costs can be directly attributed to economic value. For example, when construction materials are purchased from outside Homer those costs, while part of the original construction cost estimate, are not captured by Homer.

The economic value for either a renovated HERC-1 or new HERC are:

(a) Renovated HERC-1, assuming construction costs of $5Million, the labor to materials ratio is approximately 70%/30%. The economic impact to the community would be positive. This assumes 30% of materials are purchased from outside the community.

(b) $7.7 Million (using New HERC, assuming construction costs of $5 Million, and a labor to materials ratio of approximately 50%/50%, the economic impact to the community would be approximately the same as a renovated HERC-1.

From a building construction economic impact basis, there is little difference between renovating the HERC-1 or constructing a new HERC.

Economic Impacts Created By Visitors for Recreational Events

In any economic impact assessment, determining the type and number of "visitors" to a community for an event is prime. A visitor is considered a person from outside the service area who would not normally travel to Homer except to participate in or support an event. The key is to capture visitor data. Unfortunately, very little data has been captured in the past, so comparing the economic impacts of a new or refurbished HERC building can be difficult.

Any comparison between the economic impact of a renovated or new HERC creates challenges. There are a variety of facilities (Homer High School, existing HERC gym, Homer Middle School, West Homer Elementary School, etc.) where recreational activities currently take place. But, there is circumstantial evidence through various nationwide studies to suggest that a renovated or new facility will increase the demand for services offered, increase the number of events provided, or increase the number of visitors from outside the service area. In the case of HERC, it is a focus for recreation and an identity for the community. Participant visitors will visit because there's a nice place to go and play.

Although not part of this HERC Task Force directive, it is highly recommended that Homer organizations involved in community recreation and arts make a concerted effort to track visitor-related activities which directly impact their contribution to the community's economy. Standardized procedures for collecting data, including a check-list, goes a long way to adding value to grant funding requests.

Economic Impact Example 1: The Kevin Bell Arena (Homer Hockey Association, Inc.)

Construction of the Kevin Bell Arena was completed approximately twelve years ago and is managed/owned by the Homer Hockey Association. Prior to its construction, hockey enthusiasts played in an open-air hockey rink exposed to the weather or traveled to Kenai. In economic terms, that resulted in a net negative outflow of money wherein Kenai benefited at the expense of Homer.

With the new arena and active marketing, visitors come to Homer. In a recent request for grant funding, the HHA claimed approximately $600,000 in positive economic value in the year 2016, and approximately $700,000 in the year 2017. HHA calculated these dollar values by multiplying the total recorded number of visitors by a standard per-diem dollar amount provided by the Homer Chamber of Commerce.

Economic Impact Example 2: Homer Community Recreation Program – "Pickleball"

Little historical visitor data has been captured for recreation and community events in Homer. But, there is one event where some data has been captured: the "End of the Road Pickleball Tournament" last held June 25 through June 29th, 2018. The event hosted 102 guests, of which approximately 50 players were visitors from 3 countries and 16 states. Early interest in next year's event, (it's planned to be an annual event), indicates a 50% increase in participants. Visitor interest indicates Homer could become a major stop on the "pickleball circuit".

For the 2018 event, it was estimated the average stay in Homer was 2 ½ nights, with an average expenditure per person of $500, a positive economic impact of approximately $45,000. Data used was captured from a combination of surveys and estimated expenditures from the pickleball organizing committee. A viable HERC com/rec facility is fundamental to the growth needs of pickleball, the annual pickleball tournament, and an aid to the increased economic well-being of Homer.

Economic Impact Example 3: Homer Community Recreation Program- "Popeye Wrestling"

The Popeye wrestling club is part of the Homer CRP program. It hosts a 2-day tournament annually at the Homer High School. It attracts more than 400 wrestlers from throughout the State, and an estimated 250 adult supporters (parents, grandparents as spectators). Using similar expenditure estimates from the pickleball tournament above (no actual economic/expenditure data was captured by the organizers during the wrestling event), the estimated positive economic impact to Homer is approximately $125,500.

Economic Impacts Associated With Entrepreneurial Endeavors

Overall, the growth in the national economy has shifted towards the increase in small, entrepreneurial endeavors. Homer is one of those entrepreneurial-driven economies supporting this trend. One of the most positive impacts that entrepreneurs make on an economy is job creation and the reduction of unemployment levels.

Individuals often resort to entrepreneurship for a number of reasons: profiting from a specific market niche. Assuming two entrepreneurial endeavors per year potentially results in viable businesses employing two people, grossing $75,000 per year in sales. Five years of activity could yield ten new businesses, employing a total of twenty people, grossing $750,000 per year in sales, and contributing to the Homer economy.

Michael Illg, Recreation Manager for Homer's Community Recreation Program (CRP) has instituted an ad-hoc program within the CRP to encourage entrepreneurship in a "maker-space" or "incubator" environment. With a HERC building, budding entrepreneurs may be able to use the CRP facilities and services to test their enterprises in a real business environment. The major hurdle for expanding this program is both permanent physical space that meets health and safety requirements for these

endeavors and a coordinated commitment (including marketing) to promote/manage the program. A permanent home at HERC would go a long way to help growing this program.

In conclusion, Homer largely has the four items that contribute to economically successful communities. Integral to a successful community, are quality-of-life issues. This attracts entrepreneurial-minded people and keeps others here. This junction of recreation, arts entrepreneurship and quality of life adds jobs to the community.

APPENDIX

1. Sterling, Alaska Community Center Report

HERC Project
Sample Community and Recreational Facilities No. 1

Sterling (Alaska) Community Center

Location: Sterling, Alaska.

Contacts: Kelly Reilly (Facility Coordinator) 907-262-7224
Deb Debnam, Board Member and Treasurer

Web Site: www.sterlingcommuniytclub.com

Type: Recreational and Community.

Facilities Include: Gymnazium. Multi-purpose room. Weight room. Commercial kitchen. Library.

Year Facility Constructed: 2013

Facility Space: Originally build to support the needs of children in the community. But the major usage is by seniors.

Facility Original Cost to Build: $1.3M, with much in-kind services from local businesses. The land cost was zero… thru a donation.

Build Funding Source: Private donations, sponsorships, and in-kind services.

Types of Services Provided: Pickleball. Weight room. Soccer. Basketball. Open gym. Roller derby, Lending library. Computer/Internet service. Previously had an after-schools program (since cancelled).

Legal Organization: Not-for-Profit 501(c)3.

Membership: Yes.

Hours Open: 11AM to 4:30PM, Monday thru Saturday.

Number of Members: 50

Annual Dues: $100

Annual Budget: $80K (approx)... includes salary of 1 person, liability insurance, utilities. Annual revenues are $60K.

Subsidised By: The budget difference is made up from donations (mainly local businesses). But, with the recent downturn in the local Sterling/Soldotna economy, donations are becoming harder to obtain.

Space Available for Rent: Yes

Population Catchment Area: 6,000

Newsletter: Yes.

Sponsors: Yes ($400 to $2500 per year).

Competition: None in Sterling. Most competition from Soldotna.

Other Notes: Their commercial kitchen is a problem… low usage and high (relatively) rental fees. No tax base to support the facility and programs. Board currently working with senior center to attempt a push for a local service district tax.