



# AGENDA

## City Council Work Session

Monday March 20, 2022 at 4:00 PM

City Hall Cowles Council Chambers In-Person & Via Zoom Webinar

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### Homer City Hall

491 E. Pioneer Avenue  
Homer, Alaska 99603  
[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

### Zoom Webinar ID: 965 8631 4135 Password: 792566

<https://cityofhomer.zoom.us>  
Dial: 346-248-7799 or 669-900-6833;  
(Toll Free) 888-788-0099 or 877-853-5247

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**1. CALL TO ORDER, 4:00 P.M.**

**2. AGENDA APPROVAL** (Only those matters on the noticed agenda may be considered, pursuant to City Council's Operating Manual)

**3. DISCUSSION TOPIC(S)**

3.A. Homer Education and Recreation Complex (HERC)

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3.B. Appropriation Reduction related to Ordinance 23-11 and Veto of Resolution 23-017 in accordance with HCC 2.08.070 Mayor's veto. Mayor.

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**4. COMMENTS OF THE AUDIENCE** (3 minute time limit)

**5. ADJOURNMENT** Next Regular Meeting is Tuesday, March 28, 2023 at 6:00 p.m., Committee of the Whole at 5:00 p.m. All meetings scheduled to be held in the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.





# AGENDA ITEM REPORT

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## Homer Education and Recreation Complex (HERC) Work Session

**Item Type:** Informational  
**Prepared For:** Mayor Castner & Homer City Council  
**Meeting Date:** 20 Mar 2023  
**Staff Contact:** Julie Engebretsen, Economic Development Manager  
**Through:** Robert Dumouchel, City Manager

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\*This work session was originally scheduled to be two hours in length. Due to another pressing issue, the work session now has an additional agenda item. The HERC portion will be truncated accordingly.

### Introduction

There is a lot of community support for a new recreation center, especially one large enough to expand the athletic court space beyond what the HERC currently contains. In response to community and Council desire for progress, the purpose of this work session is to create a road map to accomplish the following four tasks:

1. To resolve the redevelopment hurdles of the HERC site, (HERC 2 Demolition)
2. To create a business plan and cost recovery model for a new facility,
3. The process by which decisions will be made on right sizing the building,
4. Plan for capital funding of a new facility

After discussion of each task, staff and Council will have the opportunity to discuss next steps, milestones, and reporting expectations.

The two items staff would like from this work session are 1) consensus with Council about the next steps; and 2) how to communicate progress with Council. The number of complex projects is increasing and the traditional means of communication are not working for staff or Council. Let's fix it! Please come to the meeting with two ideas of how you would like to receive project updates on the HERC and other long term projects. Updates in the Managers Report? At the Committee of the Whole? E-newsletter?

### **1. Redevelopment preparation**

#### **Goal #1 Demolish HERC 2**

Without the demolition of HERC 2, further site development is stalled. Due to hazmat concerns, there is uncertainty as to when the City will be able to make this site ready for new construction. Public Works Director Jan Keiser will give an update on the current status, next steps, and how Council would like to be kept in the loop.

**Timeline: Demolition in.....FY24/25?**

**2. The need for a business plan and cost recovery model for a new facility**

**Goal #2: Business Plan**

In an effort to efficiently operate a community recreation center we will propose to create a business plan to guide the overall cost of operations for the facility. The creation of a business plan would ideally include:

- An operation plan;
- The purchase and implementation of management software (registration, payment, membership, scheduling, etc);
- To establish cost recovery models for each program/event;
- Establish appropriate fees and charges for drop-in participants, memberships and rental fees;
- Determine appropriate staffing levels and total cost for facility operations to deliver the services/programs (that is contingent upon the size of the facility).

The proposed business plan will also include:

- Establishing initial facility and programmatic goals and objectives,
- Help determine what programs and scheduled times best meet the community needs,
- The utilization of the strong volunteer support, contracted instructors and partnering agencies to assist with staffing programs/events as a potential cost saving measure.
- This business plan will also be contingent to actual size and design of the proposed community center as this will determine the right size fees to the right size facility.

Some of the immediate tasks the City could take towards the proposed business plan would include:

1. Purchasing of annual management software (will assist with accurate participation data, volunteer management, scheduling and revenue projections),
2. Establish fee schedule rates for Community Recreation activities and possible rental rates for existing HERC space,



3. Expand existing relationships/partnerships, pursue program sponsorship guidelines/opportunities and update the volunteer/contracted instructor application process.

**Timeline: FY 24**

**3. The process by which decisions will be made on right sizing the building**

**Goal #3: Right Size Building**

Determining the right size building will be contingent upon two factors: 1) how much space is needed to meet the community's demand and 2) how much we are willing to spend. In addition to reviewing previous City of Homer recreational surveys and needs assessments, we will gather further feedback from the community seeking input on how the facility should be designed. We will establish stakeholder groups with citizens, existing user groups and partnering agencies, and possible future organizations that would utilize the facility. Staff will gather information from open house/special events, online comments and in-house promotional displays and flyers around the community. These tactics will help determine the best affordable design for multi-use options for the most popular existing recreational programs/classes while planning for options of possible new programs and events.

While the City Council has informally acknowledged the potential maximum bonding cost of a community recreation center to be \$15 million, this will also be contingent upon how we proceed with a final design that is feasible, designed for multiple uses, has a sensible business plan and is affordably accessible to all. Other factors to consider for right sizing would include the possibility of using the facility as a shelter during emergency events and to consider spectators needs/seating for special events or competition.

**Timeline: FY 24**

**4. Plan for capital funding of a new facility**

**Goal #4: Capital Funding**

The size of the building will be determined by what the community needs are, how much money the City spends on construction, and how the general fund will cover operational costs. In a prior work session Council identified a bond measure with a dedicated sales tax as the preferred construction funding mechanism, considering the current taxing tools available to the City. Sometime in 2025 the police station bond is forecasted to be paid off. Asking voters to approve a new sales tax, at the same rate after the police station bond is paid seems like a reasonable and likely capital funding plan.

Almost a year ago, the reauthorization of the 0.3% sales tax for the police station would've generated enough revenue to fund a 20 year, \$15M bond. While Council put a conceptual cap of \$15 million on the project, there has been no discussion on whether Council has consensus to spend up to this amount. The City has no long term capital plan for buildings. It would be reasonable to expect the City would need to bond for more than one building in the next 20 years, but there has been no discussion of the total amount the city may need to borrow. That's not to say the HERC project should be delayed while the City looks ahead; rather this is an acknowledgement that the construction cost needs serious discussion.

Additionally, bond funding is getting more expensive as interest rates increase. We find ourselves with a moving target of what any bond would build. This will likely cause the city to reduce the size or scope of the project, unless more cash is saved up or additional construction funds such as grants are awarded to the City. (We're always looking). Sales tax revenue is also increasing; whether it keeps up with inflation remains to be seen.

The community has expressed support for a sizeable building; if the city finances can't support it, we either need to understand and build support to change the financial picture, or right-size the project to the budget. Staff thinks the upcoming budget process will help shed light on what kind of budget surplus the City has available. Staff recommends a future work session after the budget has passed, for a deeper dive specific to building a new rec facility. As the business plan and cost recovery estimates develop, another work session could focus on planning for operational expenses. Perhaps this building will also require the City to consider a smaller, long term sales tax increase to support it.

**Timeline for bond/construction budget consensus work session:** June or August 2023

### **Background**

Fall 22/Spring 23 work: <https://www.cityofhomer-ak.gov/economicdevelopment/visualize-new-multi-purpose-community-center>

HERC Task Force Report: [https://www.cityofhomer-ak.gov/sites/default/files/fileattachments/city\\_council/meeting/28781/herc\\_tf\\_final\\_report\\_11\\_30\\_18\\_high\\_res\\_-\\_copy.pdf](https://www.cityofhomer-ak.gov/sites/default/files/fileattachments/city_council/meeting/28781/herc_tf_final_report_11_30_18_high_res_-_copy.pdf)

Historical Info: <https://www.cityofhomer-ak.gov/planning/herc-1-historical-information>

### **Attachments:**

HERC Task Force Final Report

# HERC TASK FORCE

## Final Recommendation Report

November 27, 2018







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## PREFACE

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The Homer City Council adopted Resolution 18-036(A) establishing the Homer Educational and Recreational Task Force, (HERC TF), to:

- (a) Determine the “financial resources required to use the building [HERC-1] and if leasing is a feasible option”;
- (b) Evaluate four scenarios for the HERC-1 to include a new facility “that meets the recreational needs of the community”; and,
- (c) Provide a “recommended preferred alternative”.

HERC-1, a 16,800 square foot wood building, and HERC-2, a 7,600 square foot concrete block building, were constructed in the mid-1950’s as educational facilities occupying a 4.3-acre parcel.

On 12 June 2018 the HERC TF began meeting to address the items identified in the Resolution. Those efforts were to focus on a feasibility study and consequent recommendations. Subsequent to the initiation of work, Resolution 18-036(A) was clarified in Council Memorandum 18-090 directing the Task Force to determine the cost to demolish HERC-2.

It was confirmed that both buildings require material renovations/repairs to extend usefulness over five-years, 10-years and longer. The longer the period, depending on community use, the more substantial renovations and associated costs. Building new, at comparable size, is determined to be extremely expensive.

Thus, given the results of the studies, the TF determined that any substantial construction and associated funding alternative necessitates further analyses. Consequently, the TF determined a 5-year period, using the lower level gym and exercise rooms while keeping the upper level in warm static status, will provide ample time for a follow-on group to further analyze a path forward and consequent funding.







## SECTION 1: HERC FEASIBILITY STUDY & RECOMMENDATIONS

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### Task Force Recommendations:

1. Keep HERC-1 in warm status for the next 5 years to allow continued public use while pursuing funding mechanisms for a determined use.
2. Within the first year, make the necessary repairs needed to maintain HERC-1 in warm status and prevent further deterioration. (Estimated Cumulative Expenditure \$60,000-\$100,000, see Chapter 3)
3. City Council form a new HERC committee or a task force this winter to investigate community capacity 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. Leasing HERC-1 is feasible in the near (5-year) and longer term (10-year) periods. A lease or rental agreement is based on building use and associated repair and/or renovation costs. Funding would be based on the agreements and sources of money such public-private partnership among other potentials. (Refer to TF Feasibility #5)
5. The Task Force has identified the 60-year-old HERC 1 building without substantial repairs may not have safe, ongoing or efficient use beyond 5 years. If a long term solution is not implemented over a five-year period, options for HERC 1 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.

### **Task Force Feasibility Determination Per City Resolution 18-063(A) and Memorandum 18-090**

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

Yes. The HERC Task Force 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. The Fire Marshal approved this occupancy in November 2018. There are some immediate costs, such as the roof, that requires attention to maintain the integrity of the building for five years. A further breakdown of this and other items can be found in Chapter 3.

#### **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. These improvements 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 its full potential for the next 10 years?**

The only way a ten-year timeframe would be a desirable financial consideration for the City is if there is a long term lease or partnership agreement in place. A partnership could be a school program, non-profits, or a 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. 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. These improvements would extend the life of the building approximately 10 years, but does not result in a modern, energy efficient building.

Briefly, a remodel of \$2.5 to \$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. Neither the complete extent nor all costs are currently determined. Chapter 3 provides more detail on these cost estimates. [Note: The above rough order of magnitude costs reflect 2018 dollars and are subject to possible 15%-20% inflation corrections.]

**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 square feet being an optimum size. The current HERC-1 offers 16,000 square feet. Roughly, new government construction costs about \$400 per square foot, therefore 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 Chapter 3 for further details. [Note: The above rough order of magnitude costs reflect 2018 dollars and are subject to possible 15%-20% inflation corrections.]

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

This question is answered in two ways: near term and long term. In the near term, existing operations and utility expenses are \$23,000 (2017); see Chapter 4 for a detailed analysis. Higher fees may cover more of the current operating costs, therefore the Task Force recommends analyzing and potentially increasing HERC user fees and consider gym and zumba room rentals.

If the building is used for longer hours, or if the upstairs is used on a regular basis, operational costs will correspondingly increase. Additional revenue is necessary to offset increased personnel and utility costs. Allowing community organizations/user group rentals may generate this additional revenue. 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, a commercial loan, or a service area.

#### **6. Is leasing HERC an option?**

The building in its current state and the lack of funding for major capital improvements precludes a viable long-term lease arrangement. However, there is initial interest in leasing the building. During the Task Force process, Fireweed Academy and Bunnell Street Arts presented ideas to use the building. In recommendation #3, the Task Force recommends a new group to continue working on the HERC, and include the opportunity for any other interested organizations to come forward (see Recommendation #3 and Chapter 5). A long-term lease may allow for financing options such as a commercial loan that could be repaid through rental income.





## CHAPTER 1: Acknowledgements, Methodology, & Process

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### **Task Force Members**

- ❖ David Derry
- ❖ Michael Haines
- ❖ Paul Knight
- ❖ Deb Lowney
- ❖ Karin Marks
- ❖ Crisi Matthews
- ❖ 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 specific tasks set by City Council by establishing small working groups; these efforts were merged into creating this final report.

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.

### **Limiting Conditions & Disclaimer**

This report contains costs, prices, expense analyses and forecasts that are based on Task Force members’ respective backgrounds/professional experiences. These are considered estimates, subject to further investigations and analytical activities as appropriate.

The report also includes construction, demolition, and repair/renovation cost estimates based on prior architectural and engineering studies, general construction research, and general knowledge and experience of Task Force members. Correspondingly, the report contains operational expense analyses, price/rent scenarios, and costs considered related to a valuation product. None of the data or comparisons constitute an appraisal and are not the result of professional analysis or an opinion of value. The information is provided based on data generated within the Task Force, as part of its collective work, thus all costs are estimates only, subject to professional/contractor analyses for confirmation and/or correction. Accordingly, the Task Force provides only a general perspective and assumes no liability for the data in the Task Force Report.





## CHAPTER 2: HERC Background & Opportunities

### **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 it. 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 Chapter 3).



*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 temporarily relocated 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 worksession 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 decision 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 conceivable that the City could secure \$500,000



for the sale of a 1.5 acres site corner of Woodside and West Pioneer Avenues. See Chapter 5 for more funding opportunities.



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





## **CHAPTER 3: Feasibility Analyses of HERC-1, Cost to Demolish HERC 1 & 2, and Proposals on New Facility**

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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 (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 Chapter 6 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. The prior reports the City has obtained indicate the building was built ‘well for its time.’ The Task Force explored the concept of rehabilitation with the assumption that the structure, although not new or efficient, has usable life left if investment is made to prevent further deterioration. While investigating renovation and demolition costs, it became apparent that a 5-year plan would better address the overall goals established by City Council.

If the City waits 10 years to renovate/remodel the HERC-1, the cost to do so would increase due to deterioration to the bones of the building. The continued aging of outdated systems, increasing code requirements and subsequent dollar escalations from 2018 prices all contribute to much higher renovation costs in the future. Without significant renovations, there will be continued and potentially accelerated deterioration of the building, resulting in greater operations and maintenance costs. A five-year time horizon allows time for further community and professional input while securing financing. Beyond five years and without a long-term solution the City will need to look closely at the structure; a new facility, demolition of the HERC buildings, or taking advantage of new opportunities are all options.

### **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 continued 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 also be 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.

**(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 (two rooms currently).

#### **Additional Notes Regarding the 5-year Plan**

**Note 1:** The upper level has been 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. If the City intends to use the upstairs, it should be reused on a minimal basis to keep the upper level Operation and Maintenance costs down.

**Note 2:** Some repairs are necessary before the classrooms can be used: ensuring life safety equipment is up to date and fixing the ADA entrance on the north side of the building. Also, other improvements should include fixes to restrooms, an HVAC inspection, bringing on line 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 than those associated with fire codes. Irrespective of Note 1 and 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.



*HERC-1 Lower Entrance Used to Access Gymnasium*



*HERC-1 Upper Level Entrance*

### **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 10-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 (see #2 below), 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, 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. \$4,500,000 - \$5,000,000 (16,000 sq.ft. at \$275/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 page 17).

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 as small as 8,500 square feet, up to about 12,000 square feet 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 New Construction Costs**

Construction costs are estimated to be \$400 per square feet for a public facility. 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
<b>Total cost:</b>	<b>\$8.22 Million</b>

#### **For a 12,000 sq. ft. building:**

Demolition costs incl. hazmat:	\$0.75 M
Construction costs incl A&E cost:	\$4.8 M
Contingency (15%):	\$0.83 M
<b>Total costs:</b>	<b>\$6.28 Million</b>

### **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 option will provide sufficient time for further input and analyses.

The City's 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 on whether to remodel the existing HERC, or demolish and build a new facility.







## CHAPTER 4: Operation & Maintenance Cost Analyses

This analysis section 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:

1. Using the historical expense data provided,
2. Comparing the step 1 expense to prevailing, typical expenses for commercial and public buildings in Homer, and
3. 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).

<b>Property Name:</b>	<b>HERC 1</b>								
<b>Date:</b>	<b>10/4/2018</b>								
<b>Building GBA:</b>	<b>16,800 sq. ft.</b>		<b>Breakdown:</b>	<b>Gym: 5,700</b>	<b>Lower: 2,800</b>	<b>Upper: 8,300</b>			
	<b>2009</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>	<b>2010</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>	<b>2011</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>
<b>Occupancy:</b>	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
<b>total</b>		\$ 0.287	GBA		\$ 0.268	GBA		\$ 0.279	GBA
	<b>2012</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>	<b>2013</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>	<b>2014</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>
<b>Occupancy:</b>	prtl.; Up-City out 3/12, Gym-B&GC			prtl.; Up-Enstar in, Gym-B&GC out			lmted.; 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
<b>total</b>		\$ 0.234	GBA		\$ 0.180	GBA		\$ 0.384	GYM only
	<b>2015</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>	<b>2016</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>	<b>2017</b>	<b>\$/sf/mo.</b>	<b>\$/mo.</b>
<b>Occupancy:</b>	lmted.; Up-vacant, Gym-CPRP			lmted.; Up-vacant, Gym-CPRP			lmted.; 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
<b>total</b>		\$ 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:

- The expenses reported for City of Homer buildings in 2017 was segregated and allocated into the \$/sf/month unit of comparison.
- 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.

<b>City of Homer Buildings</b>									
2017 FACILITY EXPENSES	Square Footage	FUEL/LUBE(*1)		ELECTRICITY		WATER	SEWER	W&S \$/sf combined	TOTAL**
		FUEL/LUBE	Cost per sq.ft. per month	ELECTRICITY	Cost per sq.ft. per month	WATER	SEWER		Cost per sq.ft. per month
Airport Terminal	8,588	\$8,808	\$0.0855	\$36,744	\$0.3565	\$2,143	\$3,966	\$0.0593	\$0.74
Animal Shelter	3,994	\$9,265	\$0.1933	\$8,501	\$0.1774	\$650	\$608	\$0.0262	\$0.67
City Hall	13,321	\$6,843	\$0.0428	\$20,389	\$0.1275	\$808	\$835	\$0.0103	\$0.32
Fire Station	9,000	\$8,229	\$0.0762	\$27,181	\$0.2517	\$1,519	\$1,531	\$0.0985	\$0.55
Library	17,200	\$15,441	\$0.0748	\$35,718	\$0.1731	\$1,294	\$1,535	\$0.0137	\$0.39
PH Harbormaster Office	4,784	\$8,822	\$0.1537	\$10,249	\$0.1785	\$517	\$414	\$0.0162	\$0.61
Police Station	5,500	\$1,270	\$0.0192	\$24,416	\$0.3699	\$930	\$1,076	\$0.0304	\$0.65
<b>Mean-all facilities:</b>			<b>\$0.0922</b>		<b>\$0.2335</b>	<b>all facilities:</b>		<b>0.0364</b>	<b>\$0.56</b>
(*1)all buildings natl. gas except Police Station									
<b>Costs in red are out of the typical ranges for the expense item.</b>									**excludes
									Janitorial

**(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. [ $\$11,707 \times 50\% = \$5,854/\text{yr.} \div \$19,000 = 3.25 \text{ yrs.}$ ].

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

### **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. These potential uses are not intended to exclude any additional user groups. We recommend the next task force or committee explore a full request for proposals.

[illegible]







## CHAPTER 5: Funding

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### **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.

### **Near Term Funding Options: Increase Revenue and Decrease Costs**

Utility costs were an estimated \$23,000 in 2017. Revenues are roughly \$14,000. Can the City increase facility revenues to pay the full utility costs? Some ideas that should be explored further include:

- Increase user fees at the HERC
- Investigate whether increased 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. (See page 21)
- 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**

Other potential funding opportunities include state and federal grant funds, partnerships with organizations that can leverage private foundation funding, taxes, bonds and a service area. Commercial loans were an option presented to the Task Force, which could be repaid through a long-term lease.

It is 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. (See Chapter 4, Scenario 4). However the Task Force, at this time, does not recommend subdivision or selling of the property.

### **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)

### **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, the Task Force has determined this is not supported by the public.

### **3P: Public-Private, or Public-Public 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 manage 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. Another option could be a commercial loan or revenue bond to pay for renovations, with a long-term lease agreement to repay the loan.

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. During the Task Force process, significant interest was received from Fireweed Academy and Bunnell Street Arts. A next step for the City might include a formal Request for Proposal (RFP) process to gather proposals and explore sustainable partnership options.







## CHAPTER 6: Economic Assessment

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 work 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 and some are complementary, while some have found a niche not addressed by another organization.

- 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 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.
- 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 (CRP). 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 work group examined current activities of the Homer CR and other Alaska com/rec centers, a usage pattern materialized. 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, and could provide income to address increased operations and maintenance expenses.

Chapter 3 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**

While the providers of community and recreation services in Homer are quite varied, a few stand out as major contributors. They are: 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. This list of providers is not all-inclusive, but these and others were used in the evaluation process. Each provides a unique contribution to the Homer community, but a HERC community recreation center would not be a major competitor.



### **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, AK is attached to this final report as an appendix.

### **Economic Impacts**

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 and recreation are integral parts of (a) and (d) above. Nationwide, community and recreation (com/rec) activities are shown to have positive impacts on communities that embrace it. These opportunities relate to either a renovated 'HERC-1' or 'New-HERC' facility. It should be noted that not all impacts are economic. On a broad scale, community health and wellness are important factors for quality of life in a way that is not fully quantified in dollars.

### **Community/Recreation Is an Integral Part of a Thriving Community**

Members from MAPP presented to the Task Force and reinforced two key principles.

- 1) Community Recreation opportunities and facilities have a direct impact on emotional and physical health, and increase overall resilience for children at risk. Reinforcing resiliency therefore improves the viability of a community as youth age into adulthood.
- 2) Community Services that include childcare helps retain workers, strengthen our workforce and support overall community health.

The Task Force felt the HERC facility currently contributes to a Thriving Community, and can continue to do so.

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 \$5 Million, 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.

Estimating 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 will be 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 (HHA). 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 29, 2018. The event hosted 62 guests, of which approximately 50 players not from Homer. 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, unable to find suitable employment or a means to sustainable income, or having the industry know-how (with the financial resources) to generate income. 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 the cost of providing and the availability of 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. (See economic impacts on page 29.) 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

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The Task Force requested information from six, similar size Alaskan communities. Valdez, Cordova, and Soldotna did not provide information. Kenai, Seward, and Sterling did. Below is the information from the Sterling Community Center to give an idea of the types of information the Task Force considered.



**HERC PROJECT**  
**Sample Community and Recreational Facilities**  
**Sterling (Alaska) Community Center**

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

Website: [www.sterlingcommunityclub.com](http://www.sterlingcommunityclub.com)  
<https://www.facebook.com/sterlingakcommunitycenter/>

Type: Recreation and Community Center

Facilities: Gymnasium, Multipurpose room, Weight Room, Commercial Kitchen, Library

Construction: 2013. Originally built to support the needs of children in the community (next door to local elementary school). But currently the major usage is by senior citizens.

Cost to build: \$1.3 million, with many in kind services donated by local businesses. Land was donated.

Activities: Pickle ball, weight room, soccer, basketball, open gym, roller derby, lending library, computer/internet access. Has offered an after school program K-6, \$80/month, but demand varies.

Hours of operation: 11 AM – 6 PM, varies

Population Catchment area: 6,000 people

#### Funding

Current operations funding sources: Private donations, sponsorships, memberships and in-kind services.

Number of Members: 50

Annual Dues: \$100

Annual Budget: \$80,000 (approximate). Includes the salary of 1 person, liability insurance, utilities.

Annual Revenues: \$60,000

Space available for Rent: Yes

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

Subsidy: 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.

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

Newsletter: Yes

Competition: None in Sterling. Most competition from Soldotna.

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





# AGENDA ITEM REPORT

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## **Appropriation Reduction related to Ordinance 23-11 and Veto of Resolution 23-017 in accordance with HCC 2.08.070 Mayor's veto. Mayor.**

**Item Type:** Action Memorandum  
**Prepared For:** City Council  
**Meeting Date:** 13 Mar 2023  
**From:** Melissa Jacobsen, MMC, City Clerk

---

In accordance with Homer City Code 02.08.070 Mayor Castner has reduced of an appropriation related to Ordinance 23-11, An Ordinance appropriating \$650,000 to update the Comprehensive Plan and Title 21 Zoning and Planning. He has reduced the appropriation to \$250,000.

Mayor Castner has also vetoed Resolution 23-017 awarding a contract to Agnew::Beck for their services to update the Comprehensive Plan and Title 21 Zoning and Planning.

A veto may be overridden by vote of two-thirds of the authorized membership of the City Council within 21 days following exercise of the veto, or at the next regular meeting, whichever is later. The City Council shall first consider a veto override at the first regular or special Council meeting, not including worksessions, that occurs following the veto, but the City Council may postpone taking action from time to time until the expiration of the time for override specified in the preceding sentence

### **Attachments:**

Reduction of appropriation and vetoed resolution signed by Mayor Castner and Memorandums from Mayor Castner Re: Reduction of and Appropriation (Ordinance 23-11) and Veto of Resolution 23-017.  
HCC 2.08.070 Mayor's veto



**CITY OF HOMER  
HOMER, ALASKA**

City Manager

**ORDINANCE 23-11**

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA  
AMENDING THE FY23 CAPITAL BUDGET BY APPROPRIATING AN  
AMOUNT NOT TO EXCEED ~~\$650,000~~ FROM THE GENERAL FUND  
CAPITAL ASSET REPAIR AND MAINTENANCE ALLOWANCE (CARMA)  
FUND FOR THE PURPOSE OF DEVELOPING A NEW  
COMPREHENSIVE PLAN AND A COMPLETE UPDATE OF THE TITLE  
21 ZONING AND PLANNING CODE FOR THE CITY OF HOMER.

REDUCED TO  
\$250,000  
KC

WHEREAS, An update of the Comprehensive Plan and modernization of the Zoning Code was identified as a Council priority during the 2022 Visioning work session held in March 2022 at the Pratt Museum; and

WHEREAS, The Comprehensive Plan establishes, at a high level, a vision, goals, and objectives for the future development of the City and underwent a technical update in 2018; and

WHEREAS, The City's Title 21 Zoning and Planning Code defines the processes, establishes zoning districts, and associated development standards for land use development in the City and is the regulatory framework that implements the vision, goals, and objectives established in the Comprehensive Plan; and

WHEREAS, The City's Title 21 Zoning and Planning Code was established in the 1980's; and

WHEREAS, In 2008 the Planning Commission drafted a substantial re-write of Title 21 that was adopted by Council in Ordinance 08-29; and

WHEREAS, A comprehensive update to Title 21 Zoning and Planning Code is necessary to modernize the code, improve efficiency and user friendliness, and align with and implement the vision of the Comprehensive Plan; and

WHEREAS, On September 27, 2022 a Memorandum was provided to the City Council where City staff proposed a two-phase project, starting with a new Comprehensive Plan and ending with a complete update of the Title 21 Zoning and Planning Code; and



WHEREAS, The Request for Qualifications developing a new Comprehensive Plan and a complete update of the Title 21 Zoning and Planning Code closed on December 9, 2022; and

WHEREAS, The Request for Proposals developing a new Comprehensive Plan and a complete update of the Title 21 Zoning and Planning Code closed on January 20, 2023; and

WHEREAS, A resolution providing a recommendation on selecting a consultant firm and awarding a contract will be provided at the February 27, 2023 Council Meeting; and

WHEREAS, A new Comprehensive Plan will guide the future development of the City over the next 20 years and address the unique planning challenges of the community, such as limited developable land, a strong demand for housing, and consideration of our unique geographical and topographical conditions; and

WHEREAS, An updated Title 21 Zoning and Planning Code will allow the City to realize the vision and goals defined in the Comprehensive Plan with updated processes and development standards, with greater efficiency, clarity, and user friendliness built into the code; and

WHEREAS, Upon project completion, the City of Homer Planning Commission will consider a resolution providing their recommendation for adoption of a new Comprehensive Plan and a complete update of the Title 21 Zoning and Planning Code; and

WHEREAS, Upon project completion, the City Council will consider an ordinance for adoption of a new Comprehensive Plan and a complete update of the Title 21 Zoning and Planning Code; and

WHEREAS, The City of Homer supports developing a new Comprehensive Plan and a complete update of the Title 21 Zoning and Planning Code proposal.

NOW THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. The Homer City Council hereby amends the FY23 Capital Budget by appropriating no more than ~~\$650,000~~ to secure the services of a professional consultant to facilitate the development of a new Comprehensive Plan and a complete update of the Title 21 Zoning and Planning Code through a competitive bidding process as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
156	Comprehensive Plan & Title 21 Updates	<del>\$650,000</del>

REDUCED to  
\$250,000  
K. Carter



CITY OF HOMER

Ker Abner

ATTEST:

YES:

NO:

ABSTAIN:

ABSENT:

First Reading:

Public Hearing:

## Second Reading:

Effective Date:



## City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

## Office of the Mayor

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(p) 907-235-3130

(f) 907-235-3143

## Memorandum

TO: The Homer City Council

THROUGH: Melissa Jacobsen, City Clerk

FROM: Ken Castner, Mayor

DATE: March 9, 2023

SUBJECT: Reduction of an Appropriation (Ordinance 23-11)

---

Under the authority granted to me by AS 29.20.270 and HCC 02.08.070, I am reducing the amount authorized for the expenditures identified in Ordinance 23-11 from \$650,000.00 to \$250,000.00.

This reduction is targeted at the section of the Ordinance authorizing an expenditure for “A New Comprehensive Plan”. The remainder is appropriated for code revisions, which can be done in compliance with the current comprehensive plan.

I’m fairly certain that the Commissions and the City Council would have liked to have discussed the parameters, milestones, priorities and sequencing of the various elements found in this expenditure. I know that there are some sections of the City’s Comprehensive Plan that need attention in the near term, but the current plan is only 5 years old and a complete rewrite does not seem warranted at this time.

Moreover, absent the guideposts of a comprehensive fiscal plan, off-cycle capital budget expenditures, where there is no emergency, should be met with firm resistance from the City Council. In this case, a new budget cycle begins in 4 months and this request can be measured against all the other capital requests.



**CITY OF HOMER  
HOMER, ALASKA**

City Manager

**RESOLUTION 23-017**

~~A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA  
APPROVING A CONTRACT WITH AGNEW BECK CONSULTING OF  
ANCHORAGE, ALASKA, FOR AN AMOUNT NOT TO EXCEED  
\$650,000 FOR THE PURPOSE OF DEVELOPING A NEW  
COMPREHENSIVE PLAN AND A COMPLETE UPDATE OF THE TITLE  
21 ZONING AND PLANNING CODE AND AUTHORIZING THE CITY  
MANAGER TO NEGOTIATE AND EXECUTE THE APPROPRIATE  
DOCUMENTS.~~

VETO BY  
Mayor  
K. Castan

WHEREAS, At the October 10, 2022, City Council Meeting, staff provided a memorandum recommending a two-stage process, a Request for Qualifications and a Request for Proposals, for soliciting professional planning services to develop a new Comprehensive Plan and a complete update of the Title 21 Zoning and Planning Code; and

WHEREAS, The Request for Qualifications was advertised in the Homer News October 27, 2022 and November 3, 2022, and sent to two plans rooms in the state and three plans rooms out of state, and posted on the city website; and

WHEREAS, Qualifications were due by 4:30 p.m. Friday December 9, 2022 and four statements of qualifications were received by the City Clerk's Office; and

WHEREAS, A committee reviewed statements of qualifications on December 13, 2022, selecting three of the four firms for the second stage Request for Proposals process; and

WHEREAS, Proposals were due by 4:30 p.m. Friday January 20, 2023 and three proposals were received by the City Clerk's Office; and

WHEREAS, A committee reviewed proposals on February 1, 2023, selecting the firm of Agnew Beck Consulting of Anchorage, Alaska as the most responsive fitting the requirements of the City; and

WHEREAS, This award is not final until notice is received by Agnew Beck Consulting from the City of Homer.

~~NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska, hereby  
awards the contract for developing a new Comprehensive Plan and a complete update of the  
Title 21 Zoning and Planning Code to Agnew Beck of Anchorage, Alaska in an amount not to  
exceed \$650,000 and authorizes the City Manager to negotiate and execute the appropriate  
documents.~~

VETO BY Mayor  
K. Castan 48



PASSED AND ADOPTED by the Homer City Council this 27<sup>th</sup> day of February, 2023.

CITY OF HOMER

\_\_\_\_\_  
KEN CASTNER, MAYOR

ATTEST:

\_\_\_\_\_  
RACHEL TUSSEY, CMC, ACTING CITY CLERK

Fiscal note: Ordinance 23-11



## City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

## Office of the Mayor

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(f) 907-235-3143

## Memorandum

TO: The Homer City Council

THROUGH: Melissa Jacobsen, City Clerk

FROM: Ken Castner, Mayor

DATE: March 9, 2023

SUBJECT: Veto of Resolution 23-17 (Award of a Contract for Services)

---

Under the authority granted to me by AS 29.20.270 and HCC 02.08.070, I am vetoing Resolution 23-17, which awards a contract in the amount of \$650,000 to Agnew Beck.

The appropriation supporting the contract award has been significantly reduced and the City Manager does not believe the contract amount can be reduced under the terms of the solicitation. The appropriation must precede the contract award.

**2.08.070 Mayor's veto.**

a. Except as provided in this section, the Mayor may veto an ordinance, resolution, motion, or other action of the City Council and may strike or reduce appropriation items.

b. A veto must be exercised before the next regular meeting of the City Council. A veto must be signed by the Mayor and be accompanied by a written explanation of the reasons for the veto. A veto that is not signed or that fails to include a written explanation of the reasons for the veto is ineffective. A veto may be overridden by vote of two-thirds of the authorized membership of the City Council within 21 days following exercise of the veto, or at the next regular meeting, whichever is later. The City Council shall first consider a veto override at the first regular or special Council meeting, not including worksessions, that occurs following the veto, but the City Council may postpone taking action from time to time until the expiration of the time for override specified in the preceding sentence.

c. The veto does not extend to:

1. Actions of the City Council sitting as the Board of Adjustment;
2. Adoption or repeal of a Manager plan of government;
3. The veto does not extend to an ordinance adopted under AS 04.11.501. [Ord. 96-01, 1996; Ord. 90-22, 1990. Code 1981 § 1.24.070].

**From:** [mary griswold](#)  
**To:** [Melissa Jacobsen](#)  
**Subject:** Fwd: Support for Comp plan veto  
**Date:** Tuesday, March 14, 2023 11:10:43 PM

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CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

(Please include in the packet for the March 20 city council work session)

----- Original Message -----

Subject: Support for Comp plan veto

Date: Tue, 14 Mar 2023 22:51:48 -0400

From: "mary griswold" <mgrt@xyz.net>

To: rachel lord <rachellord@ci.homer.ak.us>, caroline venuti <carolinevenuti@ci.homer.ak.us>, donna aderhold <donnaaderhold@ci.homer.ak.us>, storm hansen cavasos <stormhansen-cavasos@ci.homer.ak.us>, Ken Castner <mayor@ci.homer.ak.us>, jason davis <jasondavis@ci.homer.ak.us>, shelly erickson <shellyerickson@ci.homer.ak.us>, rob dumouchel <rdumouchel@ci.homer.ak.us>

I support the mayor's veto of comp plan funding and contract award. \$650,000 is too much money for what needs to be done. The comp plan need tweaking, not a major overhaul. I am not familiar with the needs of Valdez, which approved a large contract to address their comp plan. But I reviewed our plan and found the goals and objectives remarkably current and compatible with my views. Diversity of housing, encouraging infill, preserving the quality of natural beauty, promoting high quality buildings and site designs and a variety of well-defined business districts are some highlights that resonated with me.

The implementation strategies under the goals and objectives need updating.

I support hiring an outside facilitator to coordinate internal and public discussion. It is unfortunate that the city advertised it was willing to spend up to \$650,000 when it requested RFQs and RFPs. The project immediately grew to fit the budget. Please scale back the project from a major overhaul to a more moderate revision.

I fully support re-writing Titles 21 and 22 of city code. Process and enforcement are the two main drivers of development conflicts with what we want to see in Homer. I support hiring expert assistance with this re-write, but this is not reinventing the wheel. As was discussed at council meetings, consultants have access to extensive municipal codes in and out of Alaska. This re-write should not cost an exorbitant amount of money.

Perhaps we could make good use of Ryan Foster's planning expertise to coordinate



work with a code consultant.

Please scale down this project to something that passes the test of common sense.