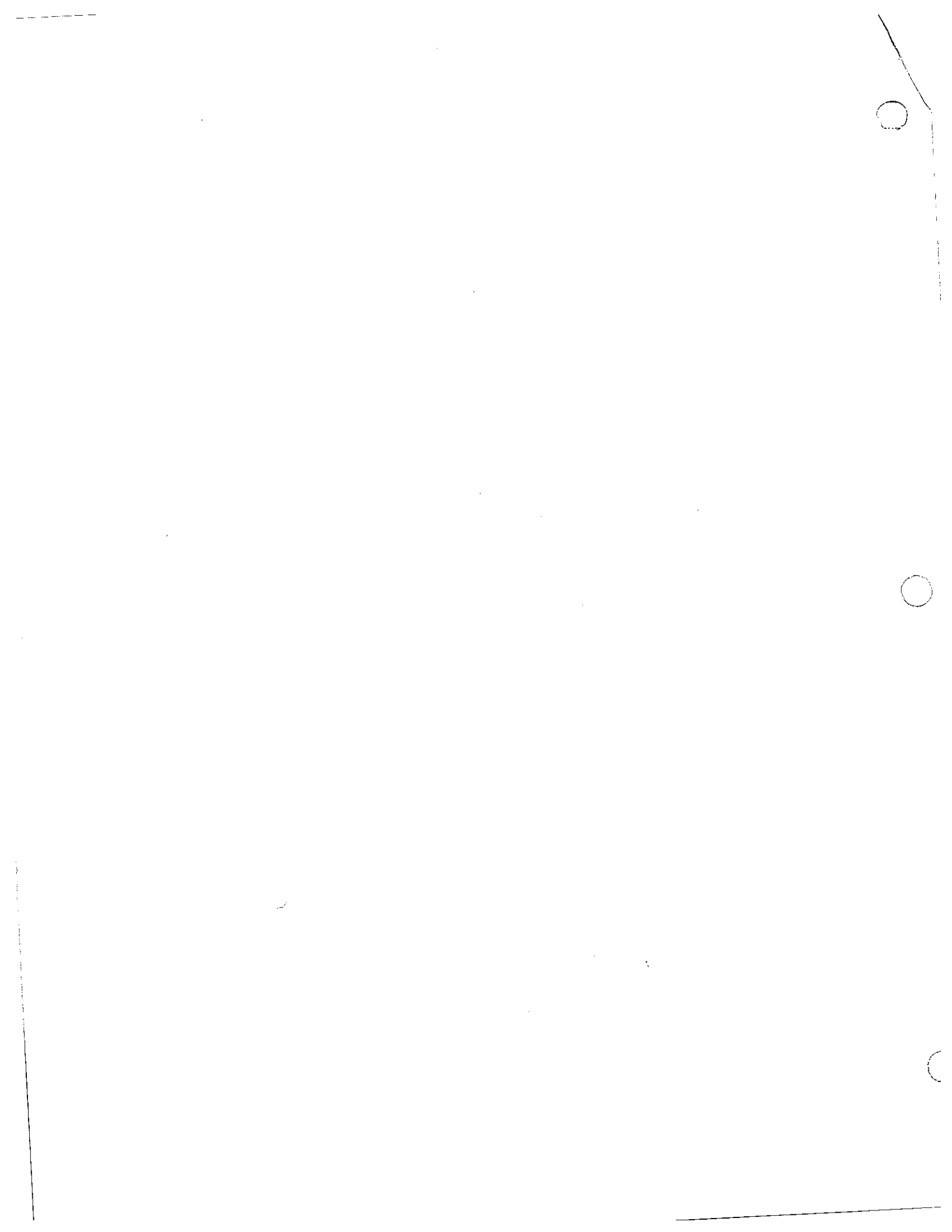


CITY OF HOMER ECONOMIC DEVELOPMENT COMMISSION
491 E. PIONEER AVENUE
HOMER, ALASKA

JUNE 8, 2010
TUESDAY AT 6 P.M.
COWLES COUNCIL CHAMBERS

NOTICE OF MEETING
REGULAR AGENDA

1. CALL TO ORDER/ROLL CALL
 2. APPROVAL OF THE AGENDA
 3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA
 4. RECONSIDERATION
 5. APPROVAL OF MINUTES of May 11, 2010
 6. VISITORS p. 1
 Kyra Wagner, Sustainable Homer
 7. STAFF AND COUNCIL REPORT p. 7
 8. PUBLIC HEARING
 9. PENDING BUSINESS
 - A. Comprehensive Economic Development Strategy (CEDS)
 - B. Sitka Economic Development Association - a model for Homer? p. 11
 10. NEW BUSINESS p. 27
 11. INFORMATIONAL MATERIALS (for discussion only)
 - A. Comments of City Manager and Port & Harbor Director re proposed changes to Lease Policies p. 29
 - B. Copy of EDC memo to City Council re store size cap p. 43
 - C. Memo from Sheri Hobbs re On the Job Training Program p. 45
 - D. Correspondence with state demographer Greg Williams re Homer population p. 47
 - E. News articles of possible interest p. 49
 - F. Items of possible interest from recent City Council meeting packets p. 51
 12. COMMENTS OF THE AUDIENCE
 13. COMMENTS OF THE CITY STAFF
 14. COMMENTS OF THE COUNCIL MEMBER
 15. COMMENTS OF THE CHAIR
 16. COMMENTS OF THE COMMISSION MEMBERS
 17. ADJOURNMENT/NEXT MEETING DAY AND TIME
- Next regular meeting is scheduled for July 13, 2010 at 6 p.m. in the Homer City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska. A work session on the Homer Spit Comprehensive Plan is scheduled for June 21 at 6 p.m.



Session 10-03, a Regular Meeting of the Economic Development Advisory Commission was called to order at 6:00 p.m. by Chair Erickson on May 11, 2010 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: COMMISSIONER DAUPHINAIS, ERICKSON, FAULKNER, NEECE, RAVIN, SIMPSON

ABSENT: COMMISSIONER HOPPE

COUNCILMEMBER: WYTHE

STAFF: SPECIAL PROJECTS COORDINATOR HOLEN
DEPUTY CITY CLERK JACOBSEN

APPROVAL OF THE AGENDA

The agenda was approved by consensus of the Commission.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

There were no public comments.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES

A. Meeting Minutes of February 9, 2010

RAVIN/NEECE MOVED TO APPROVE THE MINUTES AS WRITTEN.

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried

VISITORS

There were no visitors scheduled.

STAFF AND COUNCIL REPORT

Special Projects Coordinator Holen reported that there is about \$7 million in the State capital budget for Homer, most of that would be coming to the City of Homer. She reviewed some of the projects that may be funded. The budget still has to pass the Governor's approval. She reported that an RFP has gone out for teams of people to conduct energy audits and improvements on City buildings. The budget is \$500,000 for this project.

Councilmember Wythe commented that they have succeeded in getting the City of Homer

Permanent Fund established and selected the investment firm. She also said that with the re-appropriation of funds for the City Hall, there are other City monies that have been redirected into the City Hall project fund to bring the balance back up close to the \$2 million. Councilmember Wythe explained that Chair Erickson came to the last Council worksession and worked with Council on going through the Lease Policy recommendations.

PUBLIC HEARING

There were no items for public hearing.

PENDING BUSINESS

A. Lease Policies

Chair Erickson thanked Special Projects Coordinator Holen for her work on including the comments from the Port and Harbor Commission and the EDC at their worksession. She said they need to adopt the amendments brought up at the worksession and forward the revisions to Council.

Chair Erickson explained that the language in 18.1 needs to be amended because it needs to come in line with 11.3.

RAVIN/FAULKNER MOVED THAT THE CHANGES TO 11.3 WHERE THE LESSEE MAY BE GIVEN THE OPTION TO RENEGOTIATE A FULL TERM LEASE AT THE HALFWAY POINT OF THE LEASE BE INCLUDED IN THE SAME FASHION IN 18.1.

There was discussion that the words "may be" were used so that the City can be sure it is a viable business that would be in the City's best interest to maintain, and offering some flexibility to make sure the businesses would stay there. It would also be beneficial for the banking end of things as well.

Point was raised that the Port and Harbor Commission passed the language that was agreed on in the joint worksession. There was discussion of amending the wording to remove redundancy and also the wording of the motion. The motion was withdrawn.

RAVIN/FAULKNER MOVED TO REMOVE THE SECOND SENTENCE OF 18.1: ~~LAND LEASED UP TO 15 YEARS, IF VIABLE AND MEETS PERFORMANCE STANDARDS AS DESCRIBED IN CHAPTER 11.3, MAY BE PURCHASED BY THE LESSEE AT FAIR MARKET VALUE IF THE CITY DEEMS IT IN THE CITY'S BEST INTEREST~~

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried.

RAVIN/NEECE MOVED THAT THEY MODIFY 11.3 TO TAKE OUT THE OPTION TO PURCHASE LAND AND GIVE THE OPPORTUNITY TO RENEGOTIATE FOR A FULL TERM LEASE.

There brief discussion clarifying leaving the word may.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried.

NEECE/RAVIN MOVED TO FORWARD THIS REVISED COPY FOR COUNCIL CONSIDERATION.

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried.

B. Comprehensive Economic Development Strategy (CEDS)

There was discussion to bring this back on the agenda when Special Projects Coordinator Holen has finished the revised document.

C. Draft Homer Spit Comprehensive Plan

The Commission scheduled a worksession for June 21 to discuss the plan.

D. Sitka Economic Development Association-a Model for Homer?

There was discussion on how to proceed with this item. Commissioner Dauphinais said he would look at the SEDA program a little closer in relation to the City, the Chamber, and their EDC's and comment about it at the next meeting.

Chair Erickson asked that this be included on the next agenda.

NEW BUSINESS

A. Lease Committee Appointment

RAVIN/SIMPSON MOVED TO BRING LEASE COMMITTEE APPOINTMENT TO THE FLOOR.

There was no opposition and discussion ensued.

Chair Erickson advised the Commission that the status of her conflict of interest has changed for the time being and she would be willing to continue on until the Committee got through their Lease Policy discussions. Commissioner Neece said he would be willing to consider the seat after the summer.

B. Store Size Cap in Town Center

RAVIN/FAULKNER MOVED TO BRING TO THE FLOOR FOR DISCUSSION.

There was no opposition and discussion ensued.

There was discussion of how the size cap came to be.

- There was discussion of removing the size cap all together and the following points were raised:
- It was questioned if Planning & Zoning has the authority or mandate to regulate the size of buildings in Homer.
 - There is already fire code, set backs, and parking percentages.
 - Limiting development in Homer will push it back to Anchor Point.
 - Nobody is trying to build this big building and some Commissioners are reticent to open that can of worms.

Chair Erickson passed the gavel to Vice Chair Ravin at 6:50 p.m. and left the meeting.

Vice Chair Ravin recognized audience member Doug Stark and invited him to the table to address the Commission.

Doug Stark, former City Councilmember, commented to the Commission about the history of the size cap and the challenges when Fred Meyer was trying to develop here in Homer. Mr. Stark commented that he has talked to people with Fred Meyer and also with Target and they are still interested in developing in Homer, but don't want to apply with the 75,000 square foot size cap. He asked that the Commission consider a recommendation to Planning and Zoning to increase the size cap to 100,000 square feet. He noted that they are not making the final decision as this is the first step of many.

FAULKNER/RAVIN MOVED TO RECOMMEND AMENDING 21.20.040 E 1 AND E 3 TO INCREASE THE SQUARE FOOTAGE ALLOWANCE TO 100, 000 SQUARE FEET AND MOVE IT TO COUNCIL AND PLANNING COMMISSION AS A RECOMMENDATION FROM THE EDC.

There was brief discussion.

VOTE: YES: FAULKNER, DAUPHINAIS, RAVIN, SIMPSON,
NO: NEECE

Motion carried.

C. Media Apprenticeship Program

NEECE/FAULKNER MOVED TO BRING THIS TO THE FLOOR FOR DISCUSSION.

There was no opposition and discussion ensued.

Commissioner Neece gave the Commission an update on the status of his discussion with Homer High School Principal, Dr. Gee and others regarding the apprenticeship OJT program through the high school. The skills acquired could cross over into many other industries. He is also working through Bryan Zak and the small business programs. In the next couple weeks there will be internships teaching basic film techniques in an effort to have people to work on a film coming to Homer in a month or so.

Question was raised regarding what action Commissioner Neece was looking for regarding this topic. He commented on some of the things that have happened thus far and said he is looking for ideas to pass on to the City to help support the programs with the high school. He has talked to Mike Illg at Community Schools and Carol Swartz at the college, but working through the high

school and apprenticeship program is working well. He would like some sort of support mechanism from the City to create awareness through the schools and so forth.

Councilmember Wythe suggested Commissioner Neece prepare a presentation for the City Council.

D. Tax Free Zone for Local Agriculture

FAULKNER/NEECE MOVED TO DISCUSS.

There was no opposition and discussion ensued.

There was discussion about the proposed resolution included in the packet to give locally grown agricultural produce an incentive by making it tax exempt year round. Point was raised that the City Council has no authority to suspend collection of Borough taxes and therefore can't create a tax free zone.

Brief discussion ensued regarding fish tax and it was suggested that removing fish from the resolution would bring it more in line with our area.

INFORMATIONAL MATERIALS

- A. Notes from Mike Haines, Chamber of Commerce EDC
- B. "Putting Our Jobs Back in Place" - Project for Public Spaces article
- C. Items of possible interest from recent City Council meeting packets

There were brief comments regarding informational items.

COMMENTS OF THE AUDIENCE

Kevin Hogan, city resident, commented that it is good to see fresh faces; he appreciated what the Commission is doing. He appreciated Anne Marie's comments on the CEDS plan and recommended there try to be a focus on process and policy and leave lie the economic sectors because people start talking about tourism. He thinks they need to look at infrastructure and policy and things that can actually change. He noted there was interesting discussion on the free trade zone; we always are at a bit of a disadvantage because we have a 7.5% sales tax and people up the road don't pay anything and still manage to fleece the legislature at every session. He agrees that we need to establish incentives on a lot of different levels, but we can't break the bank either.

Wes Schacht, Homer Grange member and community activist, commented that he agrees with sustainable agriculture and that we should have an economic development area for sustainable agriculture. For years Homer has been on the barter system, trading eggs for potatoes and things like that. It would give an incentive for people to produce vegetables and so forth and it would teach our youth how to sustain agriculture. He believes there are state and federal programs that would be available to get revenue. Mr. Schacht spoke about the transportation proposal that was in the Homer Tribune. They are going to give \$100,000 to someone from Wisconsin to see if we need public transportation in the Homer area. He thinks we could have done a lot better with that money working together here locally. We had an opportunity to purchase vehicles at a greatly reduced price and could have gotten the ball rolling for much less. We could possibly make

money coordinating our own leases, there are a lot of people out of work, and we have several transportation companies in town. The article addressed the cost of a woman to go from Kenai to Homer by a taxi service. If we had a shuttle service between Homer and Kenai Soldotna area, it would be good for the whole local economy.

COMMENTS OF CITY STAFF

There were no staff comments.

COMMENTS OF THE COUNCIL MEMBER

Councilmember Wythe had no comments.

COMMENTS OF THE CHAIR

Vice Chair Ravin had no comments.

COMMENTS OF THE COMMISSION MEMBERS

Commissioner Faulkner commented that he spent 10 days at AVTEC taking maritime courses on marine safety and it was unbelievable what an economic engine is AVTEC is for Seward. He had to eat out for meals where it was primarily AVTEC students, also in the hotels. He noted the Port & Harbor sends their employees to the states to do their fire training, and they have a new fire training facility there in Seward. Any thing we can do toward having the Maritime Academy here would be great. He noted he would be absent at the next meeting.

Commissioner Simpson expressed his support for maritime education noting an example that there are 57 members on his ship alone some with GI bills who could benefit from the education programs here.

Commissioner Neece and Dauphinais had no comment.

ADJOURN

There being no more business to come before the Commission the meeting was adjourned at 7:47 p.m. The next regular meeting is scheduled for June 8, 2010 at 6:00 p.m. in the City Hall Cowles Council Chambers.

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MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

Approved: _____

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Proposed new project spearheaded by Homer Farmers Market and
UACED VISTA Economic Development Project Application

Sustainable Homer,

SECTION II: NEED IDENTIFICATION AND PROJECT DESCRIPTION

1. What is the title of your VISTA project? Please write a brief description of the project including the project goal and the target audience served.

Title: Local Food Network. Taken in stages over a three year period, this project will:

- 1.) Analyze present realities in the southern Kenai Peninsula's food systems, (including markets, production, and local projects promoting home food production) as well as developments and opportunities coming down from the federal, State, or local levels.
- 2.) Through the Homer Farmers' Market, work with the Homer Chamber of Commerce, the South Kenai Peninsula (SKP) Communities Project and other interested individuals and organizations to grow the market for local food by identifying strategies for the community to connect food producers with markets (restaurants, schools or individuals) and connect individuals with education on methods of production.
- 3.) Using these strategies, develop and promote a framework that enables locals to enter into the local food network in one of three ways: to buy their food locally, to sell their produce locally, or to grow their own food locally.

2. How will the VISTA project address the economic development needs of the community (or communities)? What are some of the economic development obstacles? How will the project alleviate poverty in the community (or communities)? Please state these in measurable/quantitative terms.

In the process of developing a South Kenai Peninsula Health Improvement Plan, the SKP Communities Project has identified local food as an important aspect of community health not only for individual physical health, but also for economic health. Promoting a food culture that builds community, sustains a local economy, nurtures a healthy environment, and produces delicious food can have far reaching benefits that strengthen families as well as community. Alaskan farmers only produce approximately 2% of Alaska's produce, so the food that most Alaskans have come to rely on is driven thousands of miles to supermarkets by way of a supply chain that is heavily dependent on cheap oil prices. As the oil price fluctuations of 2008 demonstrated, this supply chain is actually a weak link for the citizens of Alaska. Locally, one of the elementary schools recorded that in the fall of 2008 the low income students requesting subsidized school breakfasts skyrocketed from below half to over 60 percent. A national survey of low income families that year found that 70 percent of families chose to limit their purchases of food to cover the increased costs of oil for their transportation and heating.

The present obstacles are connected to lifestyle habits and lack of market development. Though individuals are increasingly connecting with restaurants to sell local produce in the summer and the Homer Farmers' Market is growing, the opportunities for growth greatly outweigh their utilization. The parts and pieces (including producers and entrepreneurs, canning and freezing facilities, buyers and markets) required for development of local, sustainable food systems are present in the community, but the connections and awareness required for a unified effort don't exist.

This VISTA project will alleviate poverty economically by creating new sources of income for producers and by identifying federal and state funding that the community can use. By keeping the circulation of money and resources local, this project will reduce the threat of volatile oil prices on the community. Besides the capital benefits, the dietary benefits of choosing whole local foods over imported processed

UACED VISTA Economic Development Project Application

foods will alleviate poverty through the less obvious means of saving money on the health care tied to food related problems such as obesity and diabetes.

Since the Local Food Network will have to be inherently collaborative, the VISTA member will be required to integrate their work into community action. In quantitative terms, the project will involve:

- Working with no less than 12 different entities to create a needs assessment of local markets (food use of restaurants, schools, businesses, and households).
- Working with no less than five producers to identify the varying production potential of the area.
- On the Homer Farmers' Market web page, create a page containing this information. At least three other organizations' websites will provide active links to this page.
- Yearly conduct one public meeting/forum/tour involving a qualified educator/presenter/film on a topic relevant to the VISTA project goals and community needs.
- Working with no less than five organizations, identify mechanisms for promotion of local foods. This will require meeting attendance and note taking to help the organization define implementation of the identified mechanisms.

3. How does this project fit into the comprehensive community development strategy? (Please include a copy of each community's local development strategy, including current development activities.) How will the VISTA project help meet the goals of the comprehensive community development strategy?

The citizens of Homer honor the importance of local food production from the days of the homesteaders immortalized in the Pratt Museum to the monument to fishing that our Homer Spit represents. On paper, that awareness can be found in the City of Homer's Overall Economic Development Plan (OEDP) under the third section titled, "III. Identification of Areas for Potential Economic Development". On page 12, on the list of 16 areas, the seventh listed states:

Agriculture

Agriculture may benefit the community by creating jobs. Farming can be divided into two phases: production and marketing. Complementary business services supply the needs of farms and enhance local employment.

- A. Support home-based agriculture operations
- B. Promote co-op form of marketing
- C. Encourage plant nursery/cut-flower production/hydroponics
- D. Consider export opportunities of area agricultural products

The OEDP is not the only place this sentiment can be found. Support for local food production can also be found in the City of Homer's 2007 Climate Action Plan.

The City of Homer will be proactive in helping to create a resilient local economy.

1. Work with other groups and individuals to encourage local economic self-reliance [...]
2. Encourage a culture of "entrepreneurial spirit" and seek to provide resources to encourage sustainable business development [...]
3. Encourage and support a curriculum at the UAA-Kachemak Bay campus [...]
4. *Anticipate and promote new opportunities in local agriculture.*

[Quoted from the City of Homer's Climate Action Plan, page 37 under "Adaptation Strategies."
Document can be found at: <http://www.ci.homer.ak.us/CLPL.pdf>]

UACED VISTA Economic Development Project Application

It was in response to the City of Homer's creation of the Climate Action Plan that the grassroots organization of Sustainable Homer was started. Sustainable Homer's mission is to "enhance the long-term quality of life for citizens of the Homer area by promoting a healthy natural environment, a prosperous economy, and an equitable community." With that stated, Sustainable Homer has been promoting local food production in the community and on its web page for years. [Quoted from the "About Us" page of the Sustainable Homer webpage at <http://sustainablehomer.org>]

That focus was also apparent at the SKP Communities Project's February 25-26, 2010 Planning Workshop. In the summary of the workshop, which involved over seventy participants representing dozens of community organizations, nine separate statements were highlighted as community visions. Two of them specifically stated:

- Local, affordable, safe, sustainable diverse food, energy and water systems
- Local, sustainable, equitable economy

[Quoted from the SKP Communities Project Summary of Planning Workshop of February 25-26, 2010, pages 8 and 11. Document can be found at:
http://www.skpcommunitiesproject.net//media/SKP_Summary_of_Planning_Workshop_Feb_2010.pdf]

In the end, one of the identified strategic directions for a healthier community was that of Creating Sustainable Economic Development [page 8]. The community discussion identified that one of the clearly resounding obstacles on many levels was the issue of disjointed collaboration [page 8]. In order to tackle issues of a sustainable economy and diverse food system, this community is ready to collaborate on levels we haven't seen before. This could be seen again at the April 30th, 2010 SKP Communities Project meeting when the thirty or more organizations represented identified Healthy Lifestyle Choices as one of the three top action focus topics for the year for the community as a whole to work on. As the community has continued to work to solidify this initiative, food production (including school, home, and community gardens) has risen to be a top priority because of the far reaching health benefits physically, economically, and socially. Meeting monthly, representatives from schools, non-profits, and health care providers as well as interested professionals are collaborating on this SKP Communities Project initiative.

No group, however is as dedicated to improving the local food economy as the Homer Farmers' Market. The Farmers' Market was established in 2000 to aid in the development of a sustainable local agricultural community for the benefit of the greater community of the Kachemak Bay area by:

- Being an outlet for producers of small quantities of products
- Providing the consumer with an opportunity to purchase excellent garden/farm fresh products
- Expanding economic activity
- Fostering consumer-producer education and relations

[Quoted from the Homer Farmers' Market Policy Handbook, the third page. Document can be found at:
<http://www.homerfarmersmarket.org/HFM%20Policy.pdf>]

You could say that there is no better place in the state for the promotion of local food production. With all these different, diverse organizations recognizing its importance, a little networking will go a long way.

UACED VISTA Economic Development Project Application

SECTION III: COMMUNITY INVOLVEMENT

1. How was the community involved in developing the VISTA project's work plan? (Please attach any relevant information/meetings)

The prospects for this VISTA project were discussed at Homer Farmers' Market board meetings as well as the SKP Communities Project April 30th Planning Meeting (open to the public) and with the SKP Communities Project steering committee. This project has also been discussed with City of Homer staff, the director of Chamber of Commerce, and the participating members of the Healthy Lifestyles Choices initiative including teachers at the Flex Alternative High School.

2. How will members of the community(ies) as a whole be actively involved in the future development of this project? What is your plan for generating community ownership of the project?

The outreach potential for this project is endless. This VISTA project is designed with the present community desires and enthusiasm in mind so that the member only functions a catalyst for action. Community involvement will be developed by:

- Promoting the project goals and activities through the Homer Farmers' Market e-newsletter. The VISTA member(s) will use an e-newsletter to keep people connected and up to date on the Project progress. Increasing membership on this list serv will directly show outreach success.
- Connecting the project with members of the SKP Communities Project and the Healthy Lifestyle Choices initiative. Announcing progress and getting feedback at the SKP Communities Project quarterly meetings.
- Connecting the project with the Economic Development Committees of the City of Homer and of the Homer Chamber of Commerce.
- The promotion of the yearly public events through the web, newspapers and radio.
- Paid advertising and earned media on an ongoing basis.

This is the beauty of collaboration. The actions and directives will be coming from the individual collaborative agencies so that when the VISTA member is no longer present the framework and direction will have already been determined and adopted. The quantifiable actions of the member merely create the groundwork that will be needed to continue the communication and collaboration of this Local Food Network in the future. The more organizations that the project includes in participation, the greater the potential longevity of the Network. Though there are specific topics laid out in the Project Plan as themes that the VISTA Project can follow, much of the specific activities of the work will be determined by the interests and desires of the collaborative organizations.

HOMER COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

Table of Contents

Introduction

What is economic development?
A vision for economic development in Homer
Nexus of the CEDS with other plans
Public participation in this planning effort
Homer history and demographics

*First draft
completed -
see attached*

The Bigger Picture: Factors That Influence Overall Economic Development

Local government policies and services
"Quality of life" factors
Affordable housing
Providing a skilled, educated workforce
Technical and financial assistance for business owners
The bigger world

Economic sectors

Commercial fishing and aquaculture
Other marine trades, Port & Harbor enterprises
Tourism
Arts and culture
Health care
Construction, manufacturing, and technology
Agriculture
Retirees and seasonal residents
Government (all levels)

Downtown revitalization

Conclusion

Appendices



INTRODUCTION

What Is Economic Development?

This Comprehensive Economic Development Strategy (which will also be referred to as Homer's "economic development plan") reflects a fairly broad view of economic development, which in turn reflects many of the comments made by members of the public in the development of this plan.

The following definition is taken from *An Economic Development Toolbox: Strategies and Methods* and is presented here as a useful definition for our purposes:¹

Economic development is the process of improving a community's well-being through job creation, business growth, and income growth, as well as through improvements to the wider social and natural environment that strengthen the economy.

Use of the word "economy" in the definition above necessitates a definition of that word as well. The following is provided as a simple, straight-forward definition of "economy":

An economy (or "the economy") is a social system that includes the production, exchange, distribution, and consumption of goods and services of a given area.

A discussion of economic development would not be complete without exploring the concepts of **basic vs. non-basic sectors**. These terms relate to the fact that no economy is self-sufficient. All economies have to buy goods and services that aren't produced locally. If that loss isn't offset by new money flowing in, the local economy will collapse. **Basic sectors** and industries are those which bring new money into the local economy. Examples in Alaska include oil and gas, seafood, minerals, and timber (export commodities) as well as tourism and air cargo (services). Scott Goldsmith of the University of Alaska Institute for Social and Economic Research provides another example of a basic economic sector: "Money also arrives via the mailboxes of retirees, who collect Social Security, federal retirement benefits, and pensions. Other Alaskans collect earnings from investments outside the state. The federal government doesn't produce commodities or services for sale in the market, but it's a basic sector because all federal money coming into Alaska is new money."²

Authors of *An Economic Development Toolbox* point out that "in most cases, the retail sector is not a basic one because it primarily serves local residents and therefore exchanges dollars within the community rather than bringing in new dollars. The exceptions are in tourist-serving communities, and in cases of import substitution."³

Non-basic sectors depend on money generated by the basic sectors, but they are also vital to the economy because they circulate money. As the money circulates, it generates additional jobs and income. This is known

¹ Moore, Terry, S. Meck, and J. Ebenhoh. *An Economic Development Toolbox: Strategies and Methods*. American Planning Association, October 2006, p. 5.

² Goldsmith, Scott. "What Drives the Alaska Economy?" UA Research Summary No. 13, Institute of Social and Economic Research, University of Alaska Anchorage, December 2008.

³ Moore, Terry, S. Meck, and J. Ebenhoh. *An Economic Development Toolbox: Strategies and Methods*. American Planning Association, October 2006, p. 14.

as the **multiplier effect**. The larger the non-basic sectors are, the more times the money turns over in the economy and the bigger the multiplier effect.

A Vision for Economic Development in Homer

The following vision statement is taken directly from the Homer Comprehensive Plan, adopted by the Homer City Council in April 2010 following three years of public input, including input from the Economic Development Commission (EDC):

Homer's economic industries including marine trades, commercial fishing, tourism, education, arts and culture remain strong and show continued growth. Quality of life is preserved as Homer benefits from the creation of more year-round living wage jobs.

It should be noted that the list of economic sectors in the vision statement is not meant to be all-inclusive. This plan will look beyond the five sectors listed to present a broader picture of the present and future economic growth in Homer.

Nexus of the CEDS with Other Plans

As seen above in the vision statement, this plan is intended to be consistent with other plans already approved by the Homer City Council. Most significantly, it reflects goals and objectives found in Chapter 8 ("Economic Vitality") of the Homer Comprehensive Plan. Other plans that will be referenced within the CEDS include the Homer Spit Comprehensive Plan, Town Center Development Plan, Transportation Plan, Non-Motorized Transportation and Trail Plan, Water and Sewer Master Plan, and Climate Action Plan.

This CEDS is technically an update of the City of Homer Overall Economic Development Plan (OEDP) last updated in 1999. The OEDP served as an important resource in the development of the CEDS. By way of explanation, the name was changed from "Overall Economic Development Plan" to "Comprehensive Economic Development Strategy" to reflect the recommendations and terminology used by the U.S. Economic Development Administration for local economic development planning.

Public Participation in this Planning Effort

The process of incorporating public input in the development of this plan was greatly assisted by the efforts of Carol Bevis, who joined the project as a VISTA (Volunteers in Service to America) in April 2009 and worked full-time for a year, producing a CEDS scoping document before she left. Carol reviewed economic literature as well as previous local plans and surveys, conducted 21 interviews with local citizens from diverse backgrounds, and helped compile the results of 99 interviews that were part of the Southern Kenai Peninsula Communities Project. In addition, Carol organized and facilitated two public forums on behalf of the City of Homer Economic Development Commission and the Chamber of Commerce Economic Development Committee, with the goal of brainstorming ideas and identifying priorities. A diverse group of citizens participated (35 at each meeting) and others contributed their thoughts and ideas via email. (See appendices.) Additional public input was received at City of Homer EDC regular meetings and work sessions.

Homer History and Demographics

The following timeline is not intended to provide a complete history of Homer but rather to describe a few events which serve to illustrate Homer's development and character as it has evolved over time. (The timeline is adapted from one originally published in the 2004 City of Homer Annual Report. Sources include local historians Janet Klein and Dave Brann and the Alaska Department of Fish and Game.)

- 6000 BC Native people inhabit the Kachemak Bay area then and now.
- 1896 Con man Homer Pennock promotes gold mining in the Homer area, but coal mining is much more successful.
- 1902 Homer is virtually abandoned between 1902 and 1915 due to lack of coal markets.
- 1915 Charlie Miller winters 95 horses at his homestead (Miller's Landing) for the Alaska Railroad.
- 1917 Delphina Woodard develops a dairy farm in what is now downtown Homer.
- 1919 First school opens at Miller's Landing.
- 1920 46 people reside in the census area designated as "Homer Spit and Vicinity."
- 1925 A rudimentary telephone system is established.
- 1930-40 Commercial and civic activity increases significantly. By 1938, Homer has an airplane runway, several general stores, two restaurants, and a new dock built by the Homer Civic League. Supply ships now bypass Seldovia to deliver goods directly to Homer. Homer's population in 1940 is pegged at 325.
- 1941-42 Alaska Road Commission creates Beluga Lake by damming the slough.
- 1945 Homer Electric Association is incorporated.
- 1946-47 The coldest winter in history is recorded for North America. Much of inner Kachemak Bay freezes over.
- 1948-51 Construction of the Sterling Highway puts Homer on the road system and fuels growth.
- 1950 Homer's population is 307.
- 1955 South Peninsula Hospital opens.
- 1960 The population of Homer, at 1,247, exceeds that of Seldovia for the first time.
- 1964 The Good Friday earthquake causes much of Homer to subside 2-8 feet, with serious damage to the harbor. Homer incorporates as a city on March 31. The damaged harbor is rebuilt with federal funds.
- 1969 Classes are offered for the first time at the Kachemak Bay Campus of UAA-KPC.
- 1971 Kachemak Bay State Park is created, contributing to the growth of tourism in Homer.
- 1976 The state of Alaska sells several oil leases in Kachemak Bay. After the jack-up oil rig *George Ferris* gets stuck in the mud, public outcry persuades the state to buy back the leases.

1980 Homer's population is 2,209.

1985 Homer gets its first fast-food chain restaurant (McDonalds).

1986 The Homer "Bypass" is built.

1989 Homer fishermen and others are impacted by the Exxon Valdez oil spill.

1990 Homer's population is 3,660

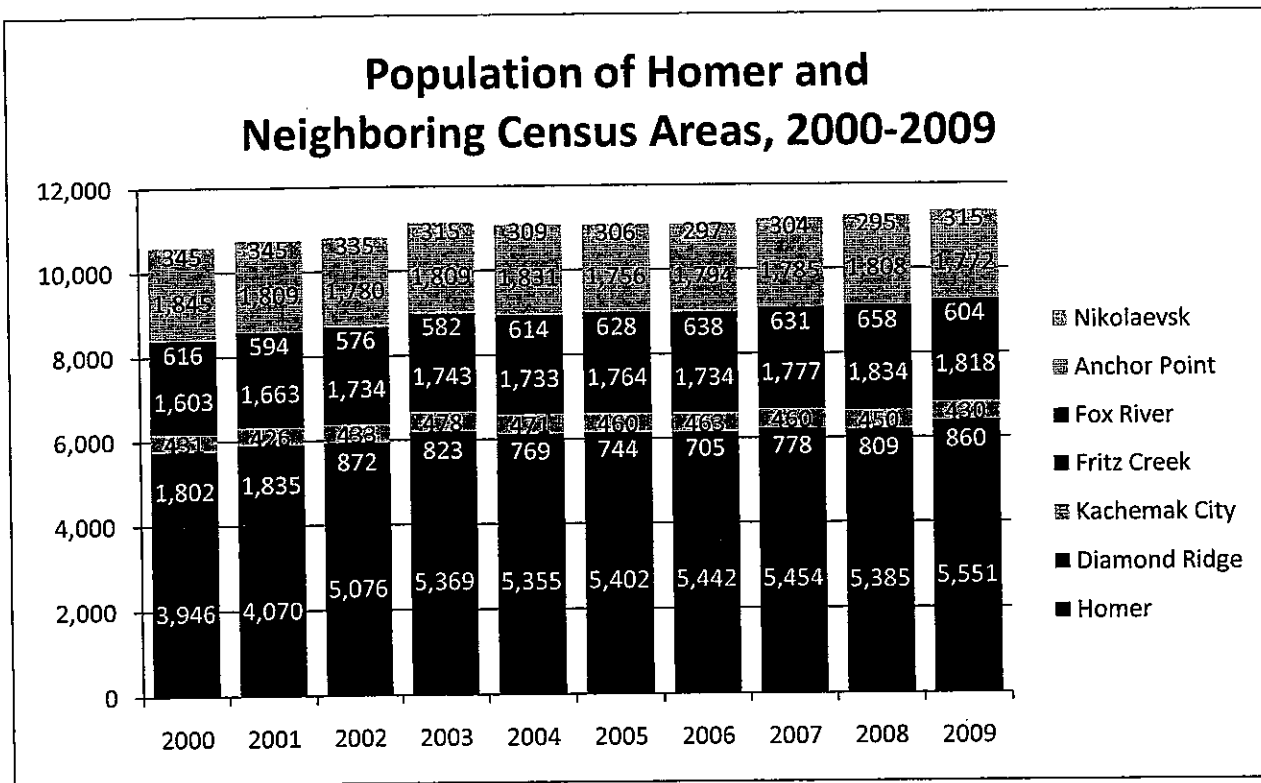
2000 Homer's population is 3,946

2002 Homer annexes 4.6 sq. miles

2009 Homer's population is estimated at 5,551 (Alaska Dept. of Labor)

Because detailed U.S. Census data (for the year 2010) is being compiled as this report is being written, we will leave it for the next update of the CEDS to include the latest demographic information about age, education, employment, and economic characteristics of Homer residents and note significant changes or trends.

The chart below illustrates Homer's population (2000-2009) in relation to the "greater Homer area." In general, it is safe to say that the greater community population is at least twice the population of Homer within city limits. Many of those who reside outside city limits commute to Homer for work. Most rely on Homer outlets for groceries and other goods and services.



Notes: Homer annexed part of Diamond Ridge and all of Miller's Landing in April 2002. (Miller's Landing is not shown in this graph. It had a population of 70 before annexation.) Year 2000 population is from the 2000 U.S. Census. Population figures for 2001-2008 are estimates provided by the Alaska Dept. of Labor and Workforce Development.

Data collected by the Kenai Peninsula Borough shows that in 2008, the top ten employers in Homer were:

- Kenai Peninsula Borough Schools
- South Peninsula Hospital
- Safeway
- South Peninsula Behavioral Health Services
- City of Homer
- State of Alaska (not including the University of Alaska)
- Land's End Resort
- Homer Senior Citizens
- Homer Electric Association
- University of Alaska

Only two of the above employers are private corporations. However, Homer is known for its many small, locally-owned businesses that together employ many local residents and help create a diversified economy. A 2004 article in *Alaska Economic Trends*, published by the Alaska Department of Labor, noted that "entrepreneurship is a key element in Homer's economic equation" and that Homer has the highest percentage of self-employed workers on the Kenai Peninsula as documented in the 2000 Census.⁴

More information on specific sectors of the Homer economy can be found in other sections of this plan.

⁴ *Alaska Economic Trends*, Alaska Department of Labor and Workforce Development, November 2004, p. 14.

THE BIGGER PICTURE: FACTORS THAT INFLUENCE OVERALL ECONOMIC DEVELOPMENT

In any community, there are certain factors that can either inhibit or encourage economic development. Some of them are reflected in the kinds of questions people ask when they think about moving to a new town: Does it have good schools? Is it attractive? Is it affordable? Will my family feel safe there? Business owners have additional questions: Is there property available in a good location? Can I find good workers?

Few would argue that Homer's greatest asset is its spectacular natural setting. We all know people who tell the story of driving over Baycrest Hill from the north and falling in love with the view—and that this is what made them decide to stay. After that, other factors either contributed to or detracted from their initial excitement.

The mountains and bay aren't going away, and for this we can be grateful. This section will explore some of the other "bigger picture" factors over which we, as a community, have more control.

Local Government Policies and Services

Government policies and programs will be addressed throughout this plan, with specific recommendations to support specific activities. This section will look more broadly at three key areas: Taxes, land use policies, and infrastructure/services.

The Role of Government Policies and Programs in Local Economic Development

Even though government cannot affect all the factors important to economic development, it can have a significant impact through both its traditional role as public service provider and regulator, and its entrepreneurial role as a deal-maker and business recruiter. Of these two roles, the former is essential—government must provide quality basic services and an efficient regulatory environment if it wishes to create economic development. Providing further incentives to businesses is optional—whether it makes sense depends on what government can reasonably offer, the extent to which such offerings are necessary to attract firms, and the cost of those offerings.

Public policy can affect factors that are important to businesses, primarily through regulation, taxes, and incentives.

- **Regulation**—Regulations protect the health and safety of a community and help maintain the quality of life. However, simplified bureaucracies and straightforward regulations can help firms react quickly in a competitive marketplace. Predictability is usually more appreciated by business than a lax regulatory system.
- **Taxes**—Firms tend to seek locations where they can optimize their after-tax profits. But tax rates are not a primary location factor; they usually matter only after corporations have made decisions on labor, transportation, raw material, and capital costs.
- **Financial incentives**—Governments sometimes offer incentives to businesses to encourage growth. Generally economic research has shown that most types of incentives have had little significant effect on firm locations between regions.

To evaluate the comparative advantages a local economy has with respect to government policies and incentives, consider whether government is using the tools above to create a climate for business that is welcoming and supportive but which is also financially and environmentally sustainable. A city with low taxes and an array of financial incentives does not necessarily have an advantage over a city with higher taxes and no financial incentives if it does not provide the infrastructure and services businesses need to thrive.

from *An Economic Development Toolbox: Strategies and Methods*, pages 8 and 30.

A. Land use policies and other regulations should serve the overall public interest without unduly restricting development. Chapter 4 of the Homer Comprehensive Plan provides detailed recommendations on land use which are aimed at finding the right balance between protecting community aesthetics and property values, on the one hand, while providing options and opportunities for both residential housing and business development.

1. The City should aim for fairness, consistency, and predictability in its land use policies (including lease policies) and regulations.
 - a. Speedy processing of permit and lease applications should be emphasized while ensuring that all reasonable conditions are met.
 - b. City employees involved in permitting should project a “How can we help you?” attitude to those navigating the permit process.
 - c. Existing policies and practices should be examined and possibly revised at least every five years with these goals in mind.
2. The increased emphasis on careful mixed-use development in the Comprehensive Plan highlights a welcome trend in land use policies. This trend should be embraced to allow greater latitude in land use, reduce vehicle miles traveled, and contribute to a more vibrant community. At the same time, concerns of landowners about aesthetics, noise, and safety need to be taken into consideration.

B. Government-provided infrastructure and services must be maintained to support and encourage private sector development. In Homer, local government builds and maintains roads, trails, sidewalks, and public parks; maintains and operates the port and harbor facilities, provides clean piped water to homes and businesses, and provides wastewater treatment services. In addition, the City provides police and fire protection, other emergency response services, public library services, an animal shelter, and limited recreation programs. The importance of these basic services to the overall economic health of the community should not be underestimated or taken for granted.

1. The City should leverage as much assistance as possible; e.g, through grant applications, requests for legislative appropriations, and public/private partnerships; to maximize investment in infrastructure at the lowest cost to local residents.
2. Maintenance of infrastructure should be a priority to protect the public investment and project a positive image of Homer.

We baby boomers in America and Western Europe were raised to believe there really was a Tooth Fairy, whose magic would allow conservatives to cut taxes without cutting services and liberals to expand services without raising taxes. —Thomas Friedman

3. The City should recognize that many so-called “amenities” are actually vital characteristics of a community that hopes to attract and retain business owners and workers. *See section below on Quality of Life factors.*

C. Tax rates should be kept as low as possible while still covering the costs of services that meet basic needs and enhance economic development. While Alaska has the lowest state/local per capital tax burden of any state in the country,⁵ the overall cost of living here is high and combined Borough and City taxes can create significant hardship for families and business owners. As noted above, government expenditures are important for creating the kind of community that attracts potential business owners (and workers and retirees); but at the same time, government spending must be kept in check to prevent high taxes from discouraging those same people from living here.

1. Property tax rates should be adjusted downward as property values increase. The City of Homer has done this in the past and should continue to do so if assessed values continue to rise.
2. Financial incentives for businesses should be viewed skeptically, in light of research that shows this is generally not an important factor in business location decisions and because it means that money used to provide the incentive is not available for other purposes or must be made up with increased taxes elsewhere.

“Quality of Life” Factors

The term “quality of life” lacks a precise definition, but when used to describe a town or community, the term typically includes factors such as those listed in the left column below, as compared to the right column.

Desirable Qualities	Undesirable Attributes
Visual impact is pleasing, creating impression of “a nice town.” (For example: Houses and businesses are well-maintained; streets and sidewalks are in good repair; attention is given to landscaping and public art; parks, greenways, and flower gardens are evident.)	Town looks run-down, trashy, uncared-for.
The city has a lively arts and culture scene (e.g., live music and stage productions; one or more movie theaters; a variety of art galleries; one or more museums and library; wide range of offerings for different tastes; opportunities to get involved with local art/music/writing groups or classes).	Very limited opportunities to enjoy art, music, drama or similar activities.
Educational opportunities exist for all ages. Town has a reputation for good public schools and options for private and/or charter public schools. Area includes one or more local colleges and/or trade schools.	Town has a reputation for problem schools, delinquency, high teacher turnover, etc. Little or no opportunity for non-traditional or post-secondary education.
Town is “easy to get around in,” including being bicycle and pedestrian-friendly. Larger towns have good public transportation system.	Town is plagued by traffic congestion/sprawl. Streets lack sidewalks or bike lanes. Walking is unpleasant and biking feels unsafe.

⁵ The Tax Foundation, 2008 data.

Diverse recreational/fitness opportunities abound for all ages, year-round.	Recreational opportunities are limited, especially those with outdoor/physical fitness benefits.
The community has one or more hospitals and an array of health care services.	No local hospital and limited health services.
Opportunities for shopping and dining out are enjoyed by residents and visitors alike.	Stores and eating establishments are boring and lack both quality and variety.
Festivals and events create a sense of fun and community spirit.	Not much ever happens that's fun. Little or no sense of community pride.
Town has an appealing, vibrant, well-defined downtown district.	Downtown is either dilapidated or essentially non-existent.

The above examples should make it obvious that no single entity—government, business, or non-profit—can create “quality of life.” In many ways it is synergistic, with different aspects working together to enhance each other. It is common for one feature (for example, a new public park) to attract another feature (for example, a café/espresso bar next to the park), which in turn makes the area more attractive for another business (a book store opens up shop next to the café), and also more attractive for residential development (an attractive apartment or condo complex is built on the other side of the park). With more people living in the area, more businesses are attracted, providing more jobs...

Rather than offer specific recommendations to enhance quality of life in Homer, this plan will simply note the importance of these attributes for promoting economic development and urge City Council members, business owners, and private citizens to work together to protect and enhance the qualities that make Homer an appealing place to live.

A local jurisdiction with a high level of amenity and other quality-of-life factors (e.g., good schools, a clean environment, affordable and appropriate housing, and a diverse and exciting culture) attracts people simply because it is a nice place to be. In particular, it attracts skilled workers, decreasing labor costs for businesses.
 —An Economic Development Toolbox, APA, p. 8

Affordable housing

Cost-of-living in general will influence economic development, particularly for those who are not wealthy. Nowhere is this more important than in the housing sector. The Urban Land Institute describes the problem this way:⁶

Housing that is affordable to workers and close to their jobs is essential to the proper functioning of the local economy. Housing costs are one of the determining factors in workers’ relocation decisions—and as housing affordability declines, it becomes more difficult to recruit and retain employees. In the tight labor market that results, employers must offer higher salaries in order to

⁶ *Developing Housing for the Workforce: A Toolkit.* Urban Land Institute, 2007, p. 12.

attract and retain employees, which increases the cost of doing business. A high cost of doing business, in turn, makes an area less desirable to employers.

Lack of affordable housing is a problem that plagues many resort towns. In Homer, where second-home buyers and wealthy retirees have helped drive up the cost of real estate, less wealthy workers commute from as far away as Ninilchik. For many of them, the main reason they settled so far from town is because that's where they found affordable property. Now with gasoline prices rising, these families are feeling financially stressed in ways they didn't foresee.

Kenai Peninsula Housing Initiatives, a not-for-profit Community Housing Development Organization, manages five affordable housing developments on the peninsula (___ of them in Homer). In a 2004 study commissioned by KPHI, these characteristics were noted in regard to affordable housing in Homer:

- A limited number of 1-2 bedroom affordable apartments (100% occupied) and no affordable 3-4 bedroom apartments.
- A limited number of 3-bedroom market-rate apartments (100% occupied) and no 4-bedroom market-rate apartments.
- Market rates in Homer are higher than the rest of the KPB and often do not include utility costs.
- Vacancy rates are typically low.

The Homer Comprehensive Plan (Chapter 4—Land Use, Goal 5, Objective A) notes the growing problem of affordable housing in Homer and offers several strategies to address the problem. The handbook *Developing Housing for the Workforce: A Toolkit* describes a more focused, comprehensive approach, as outlined below:

CREATING A WORKFORCE HOUSING STRATEGY

1. Inventory the current housing supply
2. Inventory public lands and structures
3. Inventory privately held vacant and abandoned properties
4. Assess workforce housing needs
5. Assess current workforce housing programs and policies
6. Assess the barriers to workforce housing production
 - A. Community opposition
 - B. Regulatory barriers
7. Set workforce housing production goals
8. Build a workforce housing coalition
9. Organize for action
10. Identify viable workforce housing tools
11. Create a flexible, multifaceted housing strategy
 - A. Land acquisition and assembly
 - B. Planning and regulatory approaches
 - C. Financing programs
 - D. Maintaining long-term affordability
12. Assess what is working, and revise what is not

If the City of Homer and others concerned about affordable housing in this community hope to prevent an existing problem from getting much worse, it would be wise to begin working together now to assess the problem and identify and implement solutions.

Providing a skilled, educated workforce

For companies and businesses needing to hire skilled workers, lack of workers will be a reason to pass up one community in favor of another. Small towns are at a distinct disadvantage compared to larger cities with one or more universities, other worker-training programs, and a larger pool of prospective workers of all types.

Strategies for addressing the need for skilled workers in Homer include:

- A. Continue to support quality public school programs offered by the Kenai Peninsula Borough School District.
 - 1. Advocate for vocational/technical training programs and basic skills classes as well as college-preparatory curricula.
 - 2. Support efforts to provide students with hands-on learning experiences, including apprenticeship and/or mentoring programs.
- B. Support growth of the UAA-KPC-Kachemak Bay Campus, especially programs that anticipate areas of future job growth and offer classes to provide workers for those jobs.
 - 1. Support efforts to market Homer as a place to go to college.
 - 2. Support KBC goals aimed at consolidating the campus in one location and adding buildings and facilities to allow for growth and attract students.
 - 3. Support the development of student housing for the local college.
 - 4. Support the development of new college programs to meet existing needs and likely areas of future job growth.
- C. Advocate for new vocational/technical training programs and centers in or near Homer.
 - 1. Support Homer as the location for a Maritime Academy.
 - 2. Support other vocational/technical programs; e.g., those that might be offered locally at the college, high school, through the Alaska Vocational/Technical Center, or by private companies.
- D. Seek to provide and protect the “quality of life” factors that are known to attract skilled workers. *See previous section on this topic.*

The more a region is able to attract employers on the basis of highly skilled workers, as well as high quality of life, good value-for-money public services, efficient regulations, and well-supported business clusters, the less pressure for a region to have a “low cost” workforce.
—An Economic Development Toolbox, APA, p. 27

Technical and financial assistance for business owners

Building a successful business is a challenging and financially risky proposition, particularly for someone with limited or no previous experience. Chances of success are greater for those who have access to capital as well as technical assistance in business management.

The Economic Development Committee of the Homer Chamber of Commerce has grappled with both of these issues during many of its meetings in 2009 and 2010. The following recommendations reflect input from the Chamber of Commerce EDC:

- A. Continue to support the Small Business Development Center housed within the Chamber of Commerce. This center, which operates with funding from the U.S. Small Business Administration and the University of Alaska, provides free consulting services and low cost educational programs to entrepreneurs. One-to-one sessions cover areas of management, marketing, sales, finance, accounting and other disciplines required for small business growth, expansion and innovation.
 - 1. Specific needs of the SBDC?
 - 2. ?
- B. Develop and implement a new program aimed at helping entrepreneurs identify and secure needed capital. Possible sources of capital would include a new microloan program, local angel investing network, traditional bank loans, and existing revolving loan programs.
 - 1. Secure funding for an economic development coordinator to develop and manage the program.
 - 2. ?
- C. Develop and implement a program to provide mentoring and other networking opportunities for local entrepreneurs.
 - 1. Utilize the same economic development coordinator described in B.1 above.
 - 2. ?

The bigger world

No economy is an island, and events far outside Homer's borders have influenced and will continue to influence economic prosperity here. Business owners in Homer, particularly in the retail/tourist sectors, experienced serious losses as a result of the global recession sparked in 2008 by the growing trend of securitization of real estate mortgages in the United States—something the average American can scarcely understand.

In the mid-1980s, all of Alaska was hit hard by a drastic drop in the price of oil. In a state where a third of all jobs are tied to the petroleum sector,⁷ a large drop in oil prices can be counted on to send shock waves throughout the economy.

Ironically, while rising oil prices are good for the Alaska treasury (because of the royalties collected), they nevertheless hit individual households and business owners hard. Arguably the greatest global threat to the local economy are the price shocks that will come from declining oil production. Among those who study global oil production, there is a growing consensus that "Peak Oil" is happening now and that production of all liquid fuels, including oil, will drop within 20 years to half what it is today.⁸ With declining production, oil prices will become more volatile and progressively higher when demand increases and supply can't keep up. Instability in oil supply and price has serious potential consequences for virtually all sectors of the global economy,

⁷ Goldsmith, Scott. "What Drives the Alaska Economy?" UA Research Summary No. 13, Institute of Social and Economic Research, University of Alaska Anchorage, December 2008.

⁸ U.S. Department of Energy. "Meeting the World's Demand for Liquid Fuels: A Roundtable Discussion," April 7, 2009.

particularly transportation, agriculture, and manufacturing. An example of a local vulnerability can be seen in the following statistic: Alaskan farmers grow only about 2% of the produce consumed in the state. For the rest, we rely on produce driven thousands of miles to supermarkets by way of a supply chain heavily dependent on cheap oil.⁹

Other cities have convened task forces to study community vulnerabilities to peak oil and make recommendations on how to prepare and adapt. It would be beyond the scope of this economic development plan to provide such a detailed analysis. However, the following recommendations are common-sense approaches to building community self-reliance and resilience in the face of a wide array of threats and uncertainties beyond our direct control:

- A. Support the growth of local, sustainably managed agriculture as a significant sector of the Homer area economy; e.g., by publicizing and promoting the "Local Food Network" program of the Homer Farmers Market and Sustainable Homer.
- B. Continue to support development of renewable energy sources to help reduce dependence on fossil fuels.
- C. Support "Smart Growth" principles such as mixed-use development, transportation options, and affordable housing to help reduce the need to drive.
- D. Support continued management of Alaska fisheries based on principles of sustainability.
- E. Support programs which help local business owners (as well as homeowners) improve energy efficiency in their buildings and facilities.

Peak Oil and Energy Uncertainty: A Changing World

"The days of inexpensive, convenient, abundant energy resources are quickly drawing to a close."

—Donald Fournier and Eileen Westervelt, US Army Corps of Engineers, "Energy Trends and Their Implications," September 2005.

"Oil (and natural gas) are the essential components in the fertilizer on which world agriculture depends; oil makes it possible to transport food to the totally non-self-sufficient megacities of the world. Oil also provides the plastics and chemicals that are the bricks and mortar of contemporary civilization."

—Daniel Yergin, in *The Prize: The Epic Quest for Oil, Money, and Power*.

"One of the issues that we keep running into is, oil is the economy."

—Rowan Wolf, sociology professor and member of the Portland, Oregon Peak Oil Task Force

"Identifying and mitigating community vulnerabilities is probably one of the more important—if often unwritten—expectations we have of our local governments."

—Daniel Lerch, *Post Carbon Cities: Planning for Energy and Climate Uncertainty*, 2007.

⁹ Source?



NOTES FROM PAUL DAUPHINAIS, HOMER CHAMBER OF COMMERCE EXECUTIVE DIRECTOR AND CITY OF HOMER EDC MEMBER

I have had the opportunity to spend a few hours reviewing the Sitka Economic Development Association (SEDA) website to see what comparisons and contrasts there may be between Sitka and Homer in the area of economic development. This brief review is broken down into three parts; a brief discussion of the website, a comparison and contrast of Homer and Sitka based on the website and my limited knowledge of both cities, and the apparent differences between the philosophical approaches of Homer and Sitka.

The website is bright, easy to navigate, and informative. The home page has appropriate and available downloads, an intuitive left sidebar for easy navigation, and links to a variety of information. The links to SEDA initiatives are easy to find and well organized. The entire site gives the reader the impression that Sitka wants to use the resources available to it to develop in a responsible manner. Surveys, presentations and reports are available to the reader. There is a specific link to available development opportunities. The site provides a good start for those seeking information on opportunities. This appears to be a unified site between the city/borough and SEDA.

In comparing Homer and Sitka it is appropriate to note that I have lived here only six months and have never visited Sitka so my comments on Homer are based on a limited experience base and my comments on Sitka are based solely on the website information. There appear to be a fair number of similarities between Sitka and Homer:

- 1) Both are situated on the ocean and have marine industries and deep water access;
- 2) Both have declining school enrollments;
- 3) A considerable number of residents are directly tied to the marine industries and fishing;
- 4) Both have issues where a demographic segment is missing—the 20 to 35 year old bracket;
- 5) Both have a considerable tourist sector in their economy.

There are also some clear contrasts:

- 1) Sitka has a bed tax;
- 2) Sitka has a relatively balanced economy with Government 28%, Health Care 14%, Trade 13%, and Leisure & Hospitality 11%;
- 3) Sitka has hired a consulting firm to look at the state of the Sitka economy;
- 4) Sitka has an inventory of building/sites available for development and has published that list;
- 5) Sitka is clearly marketing itself.

There appears to be a concerted effort on the part of Sitka/SEDA to market the city. Having an inventory of available sites such as the former Sheldon Jackson College campus is a decided advantage. While Sitka notes a balanced economy, 34% of the residents are directly connected with the commercial fishing industry. Sitka also has abundant fresh water and is inviting potential companies to use that water as a bulk resource for re-sale/export. The consulting firm has recommended that the city use a base economy approach to development. In very simplified terms develop basic activities to bring money in from outside and then export products to bring in more money from outside. The city has created a guaranteed loan program for potential businesses. Loan recipients must not compete with existing businesses and there are other criteria for securing a loan. The most striking feature is that there is a unified approach to economic development. I would not be surprised to learn that there was considerable debate and/or that there are those very dissatisfied with the approach and goals, but the fact that there is a common base for moving forward is an important facet of SEDA. Finally, Sitka apparently weathered the recession relatively well due to a balanced economy.

Many of the things I note regarding Sitka appear to be absent in Homer. First, there does not appear to be a common front. There is the city's EDC; the Chamber of Commerce has an Economic Development Committee; and Sustainable Homer has some economic development activities. The number of different committees/activities does not enable a common and united approach to economic development. While there may be sites available for economic and business development in Homer there is no apparent inventory of sites or way for interested businesses to find out what is available through a central source. Marketing Homer appears to have been done by the Chamber and aimed at tourism rather than the city as a whole or a place for business. There have been some websites developed regarding doing business in Homer, but they do not appear to be tied to any specific organization with the ability to "make things happen"; these efforts appear to be disjointed and not centrally organized. There is little that Sitka has done that Homer hasn't; but where Sitka has placed its materials under a single point of reference, Homer's efforts have not been as centralized. From an anecdotal standpoint I have heard repeatedly that it is extremely difficult to start a business in Homer and that the city is not disposed toward development. While I have no real evidence to support that perception, and new businesses have been started in the short time that I have been here, that perception could be an issue to overcome.

If I were to take one thing away from the website and Sitka's efforts it would be that there is a single approach to economic development and marketing Sitka.

Paul D.

CITY MANAGER COMMENTS
PROPOSED LEASE POLICY AMENDMENTS
ECONOMIC DEVELOPMENT COMMISSION

Introduction:

In reviewing the recommendations submitted by the Economic Development Commission, it became clear to me that there are several broad themes that provide the basis and foundation for the proposed amendments. Some of those themes are addressed below under General Comments.

It was also clear that the EDC has a philosophy and point of view regarding how City land should be managed which is significantly different from how it is managed today; a philosophy which represents a broad shift away from the interests of the City and the community at large and toward the interests of individual business owners. This is a good debate for the Council and the public to have and I look forward to the discussion. I also wish to commend the EDC for its hard work and commitment on this issue.

My comments below are limited to proposed changes to the lease policies themselves. I do not get into the base lease document. I think comments on that would be best coming from Tom Klinkner.

General Comments:

How Should the Land be Managed? The land surrounding the port and harbor is a public asset no different than the permanent fund, the depreciation reserves, parks, and other buildings and facilities. The City Council and the City Administration are the trustees for this asset and have a fiduciary duty to manage it in the overall best interest of City residents, who are in-fact the owners and landlord. The port and harbor facilities are a major economic engine and the uplands surrounding them should be managed in way that maximizes the long term economic potential of these facilities. The City's responsibility is to manage these lands in a way that enhances the long term benefit to the community at large. This means jobs, taxes to support public services, a vibrant and diverse economy, and promoting the type of economic activities that the public wants and has already invested in heavily. Our responsibility is to leverage these land assets into broad benefits for the entire community, not to do whatever we can to make it easier, or possible, for individual businesses to balance their books and make a profit. The City should always be attempting to strike a balance between promoting business development and protecting the long term interest and assets of the community. However, in my view, these recommendations go much too far and are unacceptably weighted in favor of individual business interests. Under these proposed amendments, the City (the landlord) would lose much control over its own lands and its ability to actively manage them. All development carries a certain amount of risk for both the investor and the landlord. These proposed amendments remove much of the risk for business and shifts it squarely upon the shoulders of the taxpayers.

The Lease Policies are not Business Friendly: The EDC would have you believe that the primary reason there is a lack of development on the Spit is because the Lease Policies are so onerous and anti-business.

I see it much differently. I believe that in general, the lease policies are fair, balanced and consistent with those of other municipalities. Many private landlords and owners of commercial and industrial lands who lease those lands have policies that are much more restrictive and weighted in favor of the landlord. We all know that there are many factors that weigh into whether development occurs. The terms and conditions of leases are just one of those factors. Those factors include the overall economy, the market for specific goods and services, the availability of credit, and the business plan, credit history, and financial backing of the developer. It is my experience that companies who have a good business plan and sound financial backing have no problem at all with lease policies and lease documents like the City of Homer's. That is not to say that the policies and lease document cannot be improved. They can and we should do so.

The City has too much Vacant and Unproductive Land. The EDC takes the position that the City has extensive amounts of vacant and unproductive land on the Spit and that therefore, the City should do whatever it can to get it leased; presumably to anyone willing to pay a lease fee. In my view, this is very short sighted and could actually cost the City in money and missed opportunities in the long run. If you have followed the Spit Plan discussions, you are aware that it is not too hard to envision a shortage of land and competing land use pressures in the not too distant future.

There really isn't that much vacant land on the Spit if you take a long term view. There are only three remaining lots available on Fish Dock Road. They are relatively small lots and would have difficulty accommodating large developments, like a major fish processor. Congestion is already a problem there. The remaining parcels are very valuable if the City wishes to continue to promote Homer as an important commercial fishing port. The City cannot afford to make mistakes. If it leases for a use that is not related to commercial fishing or leases to a company that does not perform or provides minimal benefits to the City, the City will pay the price for a long time, maybe decades, in taxes, jobs, and missed economic opportunities. The same goes for the 30 acres adjacent to the Deep Water Dock. The City is presently looking at the feasibility of spending millions of dollars to expand the Deepwater Dock so that it can attract more shipping and cargo services, create jobs, and lower the cost of living. The uplands surrounding the dock are key to maximizing it's economic potential. All the City need is one lease with a big shipper and much of that land will be occupied.

Why tie the City's hands and reduce future options by rushing to get as much land leased as possible? This might sound strange, but I think in some ways, the vacant land the City still has is more valuable vacant than it would be if the Council jumped into an effort to get it all leased at any cost. Vacant land is an asset and can be used to leverage the type of economic development the community wants; especially land immediately adjacent to infrastructure like docks and harbors. In my view, the focus should not be on simply getting the land leased, but rather, leasing it to the right company and for the right uses that meet the Council's overall long term objectives.

The Administration Setting Policy? One of the reasons the EDC gives for revising the Lease Policies is to "eliminate administration setting policy." I am not sure what this means. The Homer City Code and the Property Management Policy and Procedures (Lease Policies) are reviewed, amended, and adopted by the City Council. So, the Council is in-fact establishing the policies. It is the administration's job to advise

the Council on policies and then to carry them out after they are adopted. To the best of my knowledge, the administration has been doing exactly that. If the Council believes that the City Manager and by extension, the Administration is not implementing Council's adopted policies, is biased, working from its own agenda, or making up policy unilaterally as it goes, then it should bring that to the Manager's attention and if he or she does not fix it, get a new Manager.

The Council Should not Place Special Restrictions on the Use of Leased Land. One issue that was repeated many times at EDC meetings was the idea that the City should not place any special restrictions on the use of land beyond what is permitted in the zoning code. I understand this from a individual business point of view. However, I believe the City, as the landlord has an interest in and duty to restrict the use of certain properties. For example, the public has invested many millions of dollars in the Fish Dock, the cranes, and the ice plant. The uplands immediately adjacent to these investments are crucial to maximizing their potential. Why would the City want to lift that restriction (commercial fishing related uses only) and allow anything permitted within the zoning district along Fish Dock Road? That seems irresponsible to me. The same goes for the area around the Deep Water Dock. The City may be about to invest millions in expanding and strengthening the dock. Lease RFP's for lands adjacent to the dock have emphasized shipping and marine industrial uses. That seems to be appropriate and defensible from a policy and planning perspective.

Specific Comments

Chapter 1

1.1 (D). Why would it be in the City's interest to lease for a purpose or use that is not defined or to lease to speculators or those who wish to subdivide?

1.2 (A) and (B). These amendments are not consistent with HCC 1.20 which defines the duties and responsibilities of the City Manager. The CM is the executive and administrative officer of the City and among other duties, is responsible to "execute and enforce ordinances and resolutions of the City, administer all contracts entered into by the City and see that provisions of all franchises, permits, leases, and privileges granted by the City are observed." It is difficult and generally not advisable to delegate the functions of the executive to a committee. It is not a good idea to have a committee comprised of political appointments negotiating leases on behalf of the City. Further, the EDC has stated that it wants to simplify the leasing process, reduce bureaucracy, remove the appearance of bias and special interest, and establish public confidence. I believe this would do exactly the opposite.

Chapter 2

2.2 (A) Why would you want to eliminate all staff from the Committee? It seems like the committee would be losing a great deal of experience, expertise, and insight. The staff have a duty to work in the overall best interest of the City. They are bound by the ethics rules contained in the adopted personnel policies and can be terminated if they act in a biased or self serving way. The EDC appears at a minimum, to be accusing the staff of being biased and completely unsympathetic to the needs of business. I don't see it that way at all. It is not in the City's interest, or that of the staff, to go out of their way to restrain

growth or make it unnecessarily difficult for business to succeed. The City benefits by stimulating economic growth on the Spit and the staff reap rewards for being part of that.

Having said that, I don't think the amendment proposed is a bad one, provided that the scope of responsibility for the Committee is limited to those duties listed in Section B. The City might benefit from having a volunteer committee of citizens advising it on general lease policies. However, I would not recommend giving the committee the authority to negotiate leases directly with the applicant. I also have reservations about the committee evaluating and scoring lease proposals. In hindsight, I think the Council made a mistake when it added citizen members to the Committee several years ago but kept its responsibilities and authority unchanged. I think doing this has raised serious issues regarding proprietary information, confidentiality, due process, the open meetings act, and the handling of executive sessions.

If Council wants to move ahead on this, I would recommend a citizen based committee that is provided with adequate staff support, which is charged with making general recommendations on Lease Policies and recommendations on proposed leases brought forward by the Administration. The Administration should be responsible for carrying out the policies, posting RFPs, scoring and evaluating proposals, and negotiating leases. The Manager would assemble an internal committee that consisted of the City Planner, the Finance Director, and the Port and Harbor Director and one or two other Department heads to handle these functions; similar to the old Lease Committee.

Chapter 3.

3.2 (E). I discussed this topic above under General Comments. In my view, this amendment is bad policy and I would recommend that the Council reject it.

Chapter 7.

7.2 (A) (1-4) I would recommend that all of these provisions be retained. These provisions are necessary in order to provide the Council with the flexibility, tools and options it needs to achieve its public policy goals and objectives. I think provisions 2, 3 and 4 are particularly important. No private sector landlord would limit himself in such a way.

7.2 (B). The administration is not particularly happy with the current appraisal process either, but for different reasons. The proposal on how to determine lease rates offered by the EDC merits more discussion. This formula would certainly simplify the administrative process and it would relieve the lessee of the responsibility of obtaining and paying for an appraisal every five years. However, Borough assessments are not any more accurate than commercial appraisals, and they are often below market value and/or out of date. This approach significantly reduces the options of the landlord and eliminates any ability the City has to establish its own rental rates or make adjustments for special circumstances; an option that any landlord in the private sector has. One thing the Council might consider is the City taking responsibility for scheduling and paying for the appraisals. This past year, we found that significant money could be saved by doing appraisals in a bundle. Doing this would relieve leaseholders of this cost; a consistent source of irritation.

Chapter 8.

8.1. I would not necessarily recommend against expanding the scope of reconsideration however, the Council should be aware that Chapter 8 follows the code very closely (HCC 18.08.150). The Council, when it adopted this ordinance, clearly intended that reconsideration be limited to Council actions regarding the awarding of a lease and /or its terms and conditions. Opening reconsideration up to a broader set of actions and circumstances could fall victim to the law of unintended consequences. I would recommend caution.

Chapter 10.

10.2 (C). I would recommend that this language be retained and not deleted. This section provides great flexibility for both the City and the tenant. The City can use it to avoid having to take custody of improvements it might not want or that might be a liability. It gives the business owner the possibility of removing his improvements and protecting his investment at lease termination. This provision was just added several years ago and was a significant concession to those who complained that it was unfair for the City to wind up with ownership of the improvements when the lease ended. Council should know that a provision like that (the landlord retains ownership of improvements when the lease expires) is standard in almost all commercial leases.

10.2 (D). I think the proposed new language is a good suggestion and an improvement to the policies. I would recommend approval.

What new language?

Chapter 11.

11.2 (A). This language should be retained and not deleted. There may be cases where improvements desired by the City will be left on leased land, either because the City required it, the lessee desired it, or it was impractical to remove them. The chip pad and the barge facilities left by Gates and the boat harbor ramp to be left by SVT are good examples. These improvements have value and they benefit the City. If the City receives benefits in the form of useful improvements, why shouldn't the lessee be rewarded with a longer lease term?

11.2 (C) I am not aware of the reasons for changing this section. It is a pretty standard provision in leases and I would recommend leaving it as is.

11.2 (F). The sentence proposed to be deleted should be retained. The City Council should have the ability to reject a new lease submitted without a competitive bidding process. It should not be automatic that a new lease is awarded without competitive bidding simply because the former lessee requests it.

11.2 (H). In my view, this suggestion merits further discussion. The word may is key. Under no circumstances should the City be locked into purchasing improvements at the end of a lease.

11.2 (I). I would recommend rejecting this proposed amendment. Five years is way too long. The current practice is to require that construction begin and be completed in a much shorter period of time than that. If a developer needs five years, he is either speculating, trying to keep competitors out, has a bad

business plan, or no financing. The City cannot afford to take this risk and cannot afford to have the land tied up but vacant for that long.

11.3. I do not believe it is in the City's best interest to sell land around the port and harbor under any circumstances. The reasons are numerous and I won't try to list them here. I would strongly recommend that proposed 11.3 be rejected.

Chapter 12

12.2 (A). Whether this section is deleted in its entirety will be largely dependent upon how the Council decides to proceed with the EDC's recommendation contained in Chapter 7 regarding using the Borough assessment rather than a commercial appraisal to determine rental rates. Again, I think this idea warrants further discussion. There are definitely pros and cons to doing this.

12.2 (B). It is easy to see why business owners would want this section deleted. However, deleting this section is not in the best interest of the City. The Port and Harbor Enterprise Fund is established for the purpose of maintaining and operating the port and harbor facilities. Port and harbor operations are self sustaining and the services provided to customers (including lessees) are funded almost entirely with user fees and other revenues (including rents from leases). In order to provide those services, the City must keep up with inflation and the overall cost of living. I recommend retaining this section.

Chapter 13

This Chapter is essentially gutted. The EDC appears to be recommending that the City have virtually no control over subletting, either subletting of the land or within improvements upon the land. Further, the EDC also recommends that the City receive no financial benefit from subletting and that all of the benefit should go to the lessee. Again, this is great for the individual business owner and investor. Unfortunately, it is probably not so good for the City because it receives none of the financial benefit and accumulates extra costs and liability. The City could wind up with lost revenue, increased demands for services, increased traffic, congestion, and code enforcement issues, and poor planning generally. Sections H, I, and J were just added several years ago to address concerns about subletting. These sections were intended to provide clarification and opportunities for subletting. In short, the administration's view is that subleasing is fine, but it must be reviewed and approved by the City and the public should share in the benefits. I would recommend against the EDC's amendments for this Chapter.

NOTE: This chapter contains a rather glaring editorial error. Section 13.2 has to do with assignments and should be contained within the next Chapter; Chapter 14.

Chapter 18

18.1 Policy: Again, it is my view that it would be bad public policy to sell land on the Spit around the port and harbor. If this occurred, I think the City would regret it for many years to come. I would recommend that the proposed new language be rejected.

(Walt was looking at an earlier EDC draft)

18.2 (E). I recommend against deleting this section. This recommendation would shift all of the responsibility for environmental testing and clean-up to the City. I am not sure why the City should be responsible for that after the tenant has occupied the site for 20 or 30 years. The tenant is obligated to return the land to the City in its original condition. Environmental testing and clean-up is an important part of that responsibility.





City of Homer

Port / Harbor

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Web Site <http://port.ci.homer.ak.us>

MEMORANDUM

TO: WALT WREDE & HOMER CITY COUNCIL

FROM: BRYAN HAWKINS, PORT DIRECTOR/HARBORMASTER

SUBJECT: LEASE POLICY AMENDMENTS AS PROPOSED BY THE ECONOMIC DEVELOPMENT ADVISORY COMMISSION

DATE: MAY 21, 2010

Background

Economic Development Advisory Commission proposed amendments to the Lease Policy at the City Council May 10, 2010 Worksession under Business Item 4. The following are recommendations for some *housekeeping changes* and response to the EDC:

Table of Contents

Chapter 19 – still in table of contents but no information

Appendix A referenced in Chapter 15B – found in 1995 copy of policies

Chapter 1: Lease Policies/Goals, Purpose & Responsibility

1.1.D: GOALS AND PURPOSE

EDC is suggesting that the City remove restrictions of use. It is not in the public's best interest to lease properties on the Spit for the purpose of subleasing or speculation. If so why would we be endeavoring to use planning tools like the Spit Comprehensive plan? Do we want the lessee to direct the use or do we want the public to have control through the committee and council process?

1.2: RESPONSIBILITY

This removes the City Manager from the Lease Process. Who will do the work? The day-to-day business of upland leases cannot be managed by committee.

1.2A Add "purposes" to be consistent with 2.2.B (second bullet)

Chapter 2: Lease Committee

2.2: PROCEDURES

Outsourcing: What would be the cost? Is the EDC proposing that there would not be a Lease Committee? Would it strictly be managed by a contractor? What about new lease negotiations? Who would handle these? Where is the public process? Would the Council then be the board that carefully reviews the final lease documents prior to approval?

Currently we have the lease committee and the City Manager for that task.

Where are the fail safes?

- 2.2A Add member of the Port and Harbor Advisory Commission as member of the Lease Committee

Chapter 3: Properties Available for Lease

3.2.E: PROCEDURES

EDC is proposing we remove these restrictions, calling them micro-managing. They felt that “Zoning will determine what is appropriate for the lands being leased” An example of why this section should not be deleted is the Chip Pad. It is used for staging and support of the Deep Water Dock. Because we hold this facility aside for this use business comes to the Port for staging, shipping, and receiving goods. This benefit’s the enterprise by way of wharfage, dockage, and uplands rent. Another good example of this is Fish Dock Rd. The City by way of the Port Commission, Lease Committee, Land allocation Committee and finely the Council has restricted the use of these lots for fish processing and fisheries related uses only. We all know the value of our commercial fisheries and the trade they bring to the Homer region. All this commerce is centered on Fish Dock Rd. Would we be considered good stewards if we removed these restrictions and allowed non commercial fisheries related businesses to choke out this vital enterprise. This is not to say that we shouldn’t look at all offers for a long term lease, but we must always keep the big picture in mind for all our uplands on the Spit. The goal should not be just to lease out all properties, but to lease out properties for good solid uses that will be the most beneficial to the public. Of course we want the rental revenue but that is the smallest benefit that the public should expect from a lease on the Spit.

- 3B. New verbiage “After Land Allocation Plan is established for the year, an RFP is advertised for available lots. If there is no interest during this RFP, but interest later in the year, lots would not need to be RFP’d again. If there is interest in a lot not listed as available for lease in the LAP, then proposal must be reviewed by Port & Harbor Advisory Commission, recommended by the Lease Committee, an RFP advertised for this lot, proposals reviewed by P&H and Lease Committee and then successful proposal presented to the City Council through a Resolution to begin negotiations for a new lease.”

- F. New verbiage “After approval to begin negotiations for a new lease by City Council, the new lease must be completed within 2 years.”

Chapter 4: Request for Proposals

No changes recommended

- 4.1A second sentence refers reader to 10.2E for information on exceptions to the City sending a property out to RFP. It should read Chapter 11.2 E and F.*

Chapter 5: Lease Application Process

- 5.2A 1. *For consistency, the RFP asks for a “transmittal letter” and information on: qualifications, ability to finance, familiarity with the Spit, rental rate offer, term, amount of investment, and management ability.*

5.2.A.7: PROCEDURES

EDC stated that agency approvals, permits, and fees are usually done during the construction phase. As land owners, we need to know what the future lessee is planning to do with the public’s land and to confirm if it is permissible or not. We would most certainly not want to sign a lease with an individual whose plan was not approved or one they could not acquire permits for.

It we don't find out the answers to these questions during the application process then we are just putting it off until we are in negotiations for a lease.
How does that make us more business friendly?

Chapter 6: Application/Proposal Evaluation Process

6.2.D: Add a two year deadline for lease negotiations.

Chapter 7: Lease Rental Rates

Chapter title should be all caps

7.2: PROCEDURES

This is a big change. For your information, the City let out a contract for all leases that had expired or were overdue for appraisals last year, which resulted in lowering the costs to the Lessee for the appraisals from \$1,500 to \$500 each. Worksheets will show inconsistencies in Borough assessors' estimates. Bottom line is, the Port and Harbor enterprise fund would lose over \$50,000 the first year on leases. Would you sell your house for the amount the Borough assessed it to be worth? Should the public's property be leased at a rate set by this standard?

Possibly a good compromise for this issue may be for the City to have all it's properties appraised every five years at no cost to the lessee. It seems logical that since the land belongs to the public and the public is in the business of being landlords that the cost for maintaining this management tool should go to the landlord.

Chapter 9: Lease Implementation

No changes recommended

Chapter 10: Improvements

10.2.C: IMPLEMENTATION

This has been one of the main points of contention that we have heard from two of the lessees on Fish Dock Rd. The issue must be decided prior to the lease being finalized and that is why this sentence is in the policy.

10.2.D: IMPLEMENTATION

Does not seem unreasonable.

Chapter 11: Length of Leases/Options

This chapter of the policy was written to address the fairness issues concerning lease hold improvements and the possibility of a lessee losing equity in any improvements constructed on city leased land at the conclusion of a lease with the city.

Being public property the RFP process is what helps to protect the land from being locked up or privatized. But does it discourage business from entering into a lease with the city? Is the policy as fair as it can be to the lessee while still protecting the public's interests in the land?

11.2E states that "in general" it is the city's policy to go out to RFP. This gives the Lease committee and Council the option to extend a new lease and the guidelines under F detail what constitute an exception to the "General rule"

F also states that a current lessee must indicate in writing to the City Manager at least 12 months prior to the expiration of their lease their intention to seek another term lease with the City. On the other hand letter F does not give any time limit as to how long before the expiration of a lease that a lessee may seek a determination as to whether the City would extend a new lease to them. This is important because currently we have two leases that

are nearing the end of their terms. One ends in 2014 and the other 2016. If the lessee could get an earlier determination from the City it would be very helpful to them for planning purposes.

Question; What limit should the City put on letter F concerning how early a lessee may apply for a new term lease from the City with out going out for RFP?

11.2.H: This is not a bad compromise, but who pays for the appraisal? Of course this assumes that the buildings or improvements on the lease are of a value to the City.

11.2.I: PROCEDURE

I agree that there should be a performance probationary period, but this should be addressed in chapter 17 Performance Standards

11.3 This proposed change was struck in the EDC & P/C Worksession. The Port commission came out strongly against selling the public land on the Spit.

There were many proposed changes in chapter 11. They were written in the policy as guidance tools for the lease committee to use for grading new applicants length of terms for a new lease and for judging whether or not to grant the renewal of a lease that has expired. This language was written and adopted with great care and should only be taken out after we have received advice from the city's attorney.

If we have a lease that the city sees as an asset and a lessee who is requesting another term, council after hearing the lease committee's recommendation has the option in the current policy to extend a new lease to them with out going out to a RFP. Of course the council must state why doing so is in the public's best interest. If however we have a lease that is coming to an end and the lease committee and council determine that the venture has not been successful then council must have the power to require the past lessee to remove their personnel property from the public's land, or to take possession of the property.

Chapter 12: Lease Rate Adjustment

Recap shows that EDC recommends the City establish the rent rate at 8% of the borough's assessed evaluation of the property, as outlined in Chapter 7. Further, in Chapter 12, they are suggesting the City would not adjust the Lease Rate annually to follow the C.P.I.

Chapter 13: Sub-leases

The EDC has completely rewritten the City's policy on subleases to allow land to be leased for the purpose of speculation.

If a business comes to the City and proposes to rent a lot, they must state and show their intended use. Any change of use after the lease is signed would require an amendment to their lease with the City, is this unreasonable?

Should the City be allowed to adjust the rate higher for a lot that is being sublet to multiple businesses?

At what level should sub-leasing be allowed? Is there a percentage of the property that could be used for sub-leasing?

At some point the lessee becomes the land lord and their actual business is managing the sub-leases. Is that acceptable? If so, why should the City not be allowed to either have a percentage of the sub-lease revenues or adjust the lease rent to account for the use of the land? Why would the City not need to know how the lessee is planning to use this public land?

13.3 Procedures (under Subleases) should move to Chapter 14 Assignments

Chapter 13.2 > 14 procedures and assignments

This policy seems workable to me. The only change I would like to see is that the City makes assignments a part of the standard lease policy for all long term leases, rather than only including it if the potential lessee requests it in their new lease.

Chapter 15 Insurance

What we've learned about insurance so far is that this is really a case by case situation.

The starting point is the proposed land use in the lease proposal package. While one lessee may only need a rider on their policy to cover them if their stove oil tank spills on the ground their next door neighbor will need a million dollars to cover with two million in aggregate in case of a chemical spill.

All uplands leases should be reviewed by the city's carrier AML while it is in the planning stage so the proper coverage can be detailed out in the lease document prior to signing.

Any change in land use (requiring an amendment) would have to include a new review of the insurance coverage.

City should have their insurance carrier review and update this chapter.

Chapter 17 Performance Standards

No changes recommended by EDC

The proposed probationary period recommended by EDC in 11.2 should be addressed in this chapter.

Chapter 18 Conclusion of Lease

The 11.3 proposal was struck in a joint work session by EDC and the Port Commission. This proposal change to 18.1 should also be struck.

18.2E Considering the fact that we are talking about the conclusion of what most likely would be 30 years of occupation by the lessee, an environmental inspection seems responsible. When the City removed the Manly Terminal building on lot 9 there was a large soil remediation project that went on for two years due to a fuel tank leak.

What are the actual costs for a phase I study?

Recommendations:

Please review my recommendations to these Lease Policy Amendments;

I would only offer one note of advice to council on the matter of any policy changes, move carefully when making changes, there is a cause and effect to any change made to the City's lease policy. In my opinion the current policy is not too bad. That's not to say that there isn't room for improvement but any and all changes must be carefully considered and implemented. The current policy has over the years been reviewed by legal council and I would hope that any revisions would also be done with the oversight of the City's attorneys.



1. The first part of the document is a list of names and addresses of the members of the committee.





**CITY OF HOMER
CITY HALL**

MEMORANDUM

To: Mayor and Council and
Homer Advisory Planning Commission
Through: Walt Wrede, City Manager
From: Economic Development Advisory Commission
Date: May 13, 2010
Subject: Store size limit

At its meeting of May 11, the Economic Development Advisory Commission (EDC) approved a motion to recommend to the Homer City Council that the Homer City Code be revised to increase the size limit for retail and wholesale buildings in Town Center to 100,000 square feet in both sections of code. (See existing code attached.)



MEMO

TO: Anne Marie Holen, Special Projects Coordinator
FROM: Sheri Hobbs, Personnel Director *Sheri*
DATE: May 24, 2010
RE: EDC Minutes 5-11-10

In reading the EDC minutes of 5-11-10 I noticed the comments regarding the OJT program through the schools.

The OJT Program is a great program offering students at the High School and Flex School the opportunity for on the job training in local business. The City started working with the program in 1998 after Council approved the additional salary budget. From 1998 through 2007 we have hired 22 students to work in various departments in the City. I believe it has been a great experience for the students and the employees of the City. During 2008 we were unable to recruit any students for the program either due to lack of interest in the specific training areas we advertised or possibly the students looking for after school work already had jobs.

Unfortunately during the last two years we have had budget cuts and have been unable to sustain the funding for students. Hopefully if the City's fiscal situation improves we will be able to resume the program.



Anne Marie Holen

From: Williams, Gregory (DOL) [gregory.williams@alaska.gov]
Sent: Tuesday, May 25, 2010 2:54 PM
To: Anne Marie Holen
Subject: RE: This can't be right

Anne Marie,

We have reviewed the data and found that we had a geocoding problem back in 2002-2003 with some Diamond Ridge PFD addresses that we had coded as part of the annex which should have remained in Diamond Ridge. We had some turnover in the personnel who were doing our geocoding about then. Looks like you got credit for folks you shouldn't have for two years. Thanks for calling it to our attention. It has been corrected online and in the forthcoming 2009 Overview. By the way, most of the numbers in your table are not up to date. Most of the changes are small. The entire time series is revised each year because of revisions in the state total. The current time series can be found at:

<http://laborstats.alaska.gov/?PAGEID=67&SUBID=171>

Greg Williams

The corrected numbers are as follows:
Diamond Ridge- 2002: 872; 2003: 823
Homer city- 2002: 5076; 2003: 5369

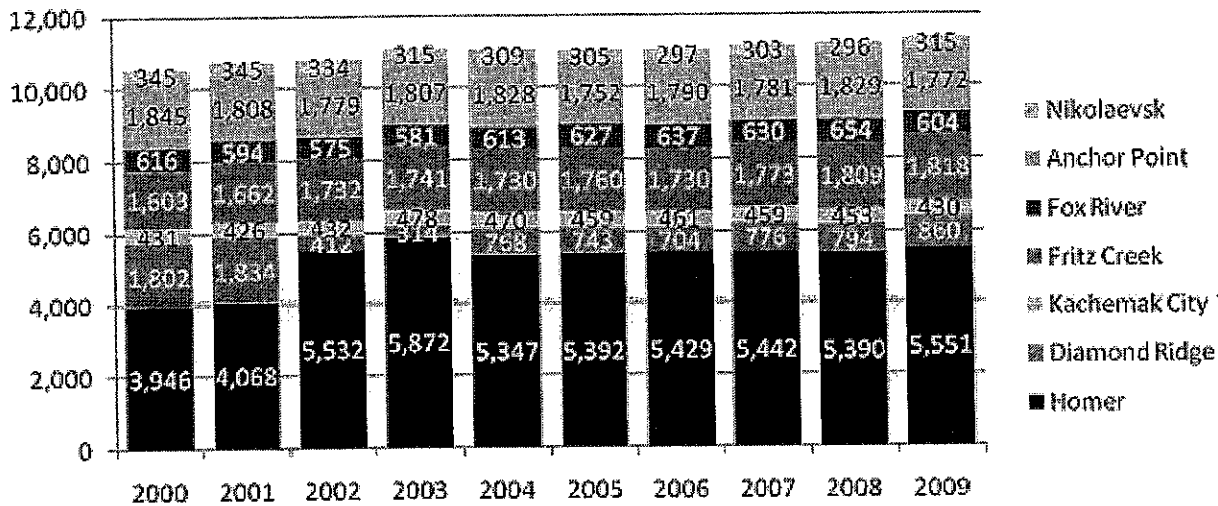
From: Anne Marie Holen [mailto:AMHolen@ci.homer.ak.us]
Sent: Wednesday, May 19, 2010 3:08 PM
To: Williams, Gregory (DOL)
Subject: This can't be right

Hi Greg,

I am looking at an anomaly in Homer population data that suggests a mistake was made. Please let me know if you have an alternative explanation!

Cover →

Population of Homer and Neighboring Census Areas, 2000-2009



Note the big increase in Homer population and decrease in Diamond Ridge population after Homer's annexation of part of Diamond Ridge in 2002. No surprise there. But then suddenly, Homer's population falls from 5,872 to 5,347 in one year (2003-2004), while the Diamond Ridge population skyrockets from 314 to 768. ??? That can't be right. The population of Diamond Ridge increased 144% in one year?

Can you comment?

Thanks,

amh

Anne Marie Holen
907-435-3101

Council OKs lease for SVT's new ferry

BY MCKIBBEN JACKINSKY
STAFF WRITER

The Homer City Council this week approved a long-term lease between the city and Seldovia Bay Ferry LLC, owned by Seldovia Village Tribe, for constructing staging and loading areas and making public access improvements related to operation of the new ferry.

In its regular Monday meeting, which lasted little more than an hour, the council unanimously supported the 20-year lease, Resolution 10-41, introduced by City Manager Walt Wrede.

Included in the agreement are storage, long-term parking, other "reasonably related" improvements and public access at floats AAA and JJ of the Homer Small Boat Harbor, supporting SVT's operation of the M/V Kachemak Voyager, an 83-foot, 150-passenger catamaran set to begin operations May 26.

The public access improvements include a 150-foot light-freight pier, a 50-foot fixed pier and 110-foot gangway for access directly to JJ float and the ferry's moorage; and improvements to JJ float to accommodate the new gangway. Two 120-square-foot structures also are included in the lease, as is surfacing of a 14,000-square-foot lot and fencing of its perimeter.

The lease includes the tenant's right to renew for two additional, consecutive five-year periods and an initial annual rent of \$9,800, or 70 cents per square foot. Rent is payable monthly in equal installments of \$816.67. As outlined in the lease, the tenant agrees to pay taxes levied against the property, improvements or personal property. The tenant also agrees to pay utilities and for services provided by the city, will complete a moorage agreement and will pay for Port and Harbor services.

During the council's Committee of the Whole meeting earlier in the day, council member Kevin Hogan asked if there was a separate terminal-use agreement for improvements not on lease property, but rather in the harbor.

NEWS

Thursday, May 13, 2010

... Council approves energy fund policies

FROM PAGE 1

Thomas Klinkner, the city attorney, pointed out that all improvements were included in the single agreement.

"Because it was a grant-funded project, it seemed to make more sense to put it in one document they can show their granting agency," Klinkner said.

Council member Beth Wythe, acting as mayor pro tempore in Mayor James Hornaday's absence, asked if the space used by the ferry would be available to others during the ferry's absence.

"We'll allow vessels to tie there, but stay out of the way when the vessel comes in," said Bryan Hawkins, Homer harbormaster. "During the winter, the off-season, it was always planned the vessel would homeport in Seldovia."

The ferry is due to begin operation May 26, although the presence of salmon fry has pushed construction of the improvements back to sometime after June 30.

"Then they are not going to be in business May 26 or are you putting them into business somewhere else?" said council member Barbara Howard.

"We'll put them in the same location, but customers will walk from Ramp 6," Hawkins said.

Returning to the concerns he expressed earlier in the day, Hogan was the only one to raise discussion prior to the council's vote on

the lease.

"I don't think I'll vote against it, but I would like to see the improvements that are going into the harbor be separated out from the uplands lease and have a terminal use agreement rather than have them incorporated into the lease," Hogan said.

In other business, after establishing a Revolving Energy Fund earlier this year, the Homer City Council approved policies and procedures for the fund Monday.

The purpose of the fund is to finance projects that will improve energy efficiency of city-owned buildings and facilities.

In March, the council passed an ordinance establishing the fund with \$315,691 from 13 depreciation accounts as seed money. Last month the city received word from the Alaska Energy Authority that the city's application for an Energy Efficiency and Conservation Block Grant of \$227,800 had been approved.

The fund's policies and procedures, as approved by the council Monday, include establishment of a three-member REF team to review and recommend potential projects, criteria for selecting projects, guidelines for project planning and implementation, how loans from the fund are to be repaid and reporting requirements.

McKibben Jackinsky can be reached at mckibben.jackinsky@homernews.com.



**CITY OF HOMER
HOMER, ALASKA**

MAYOR'S RECOGNITION

**FRESH SOURDOUGH EXPRESS
ALASKA SMALL BUSINESS OF THE YEAR AWARD**

WHEREAS, The Fresh Sourdough Express was awarded the 2010 Alaska Small Business of the Year Award; and

WHEREAS, Donna and Kevin Maltz started the Fresh Sourdough Express in 1982 and were the first green bakery and cafe in Alaska; and

WHEREAS, Donna and Kevin Maltz are recognized as socially responsible "green pioneers" in the food service industry by practicing the principles of "recycle, reduce, and reuse"; and

WHEREAS, Donna and Kevin Maltz are commended for their labors to obtain the Alaska Small Business of the Year Award.

NOW, THEREFORE, I, James C. Hornaday, do hereby recognize Donna and Kevin Maltz and their award as the 2010 Alaska Small Business of the Year.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the official seal of the City of Homer, Alaska, on this 24th day of May, 2010.

CITY OF HOMER

JAMES C. HORNADAY, MAYOR

ATTEST:

JO JOHNSON, CMC, CITY CLERK

