



City of Homer

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Memorandum 20-074

TO: Mayor Castner and Homer City Council
FROM: Marvin Yoder, Interim City Manager
DATE: June 3, 2020
SUBJECT: Follow-up to May 18, 2020 Seawall Worksession

At the May 18 worksession, Council requested staff answer the first two questions posed in City Engineer Meyer's 14 memo as well as additional follow-up questions. Below provides responses compiled by staff in Administration, the Clerk's Office, Public Works, and Finance. Prompt response from homeowners and Council is required in order for the installation of armor stone to occur this year. Otherwise, the Seawall in its current form must be reinforced before the winter storms hit.

From May 14 memo - 1) Does Council wish to consider and have staff evaluate expanding the ODLSA to incorporate properties receiving indirect benefit from the Seawall as demonstrated by the Coastal Erosion Study?

Council requested staff address this question. City Engineer Meyer has provided this information in his June 3 memo that includes a map and associated spreadsheets for review.

From May 14 memo - 2) What is the will of City Council to install the proposed Seawall Armor Rock improvements (estimated at \$1.5M - 2.1M) with City financing that would create a new special assessment district (also known as a local improvement district)?

Staff have received mixed responses from Councilmembers regarding their interest in the City financing the Seawall's improvements itself. An alternative suggested by staff is Council granting authority for the City to pursue an Alaska Department of Environmental Conservation/Environmental Protection Agency revolving loan which has a low interest rate that otherwise would be difficult to secure with private financing. The benefit to the City using its own financing for this project is there would be no interest rate or the City could potentially establish a low interest rate to the SAD for borrowing funds from the City to construct the improvement, however City financing would require obligating public dollars for this project. Private financing would most likely have a higher interest rate, adding cost to the project.

Insuring the Seawall

In the fall of 2019, staff contacted the Alaska Municipal League Joint Insurance Association to follow up on homeowners' requests to see if the City's insurance would consider covering the Seawall again. Below is the response received from AMLJIA'S Executive Director Kevin Smith:

"Originally, I worked with Walt Wrede on this issue when Homer first built the Seawall for the neighborhood/district. Until we had losses, I was unclear that the ownership was not the city's, as Rachel

points out in her email below. As [Alaska Statute 21.76.010 \(a\)](#) spells out, the AMLJIA can only cover “Municipalities and their public corporations, city and borough school districts, and regional educational attendance areas” for risks to the participants on a group basis. Our interpretation has long been that pooling is not allowed for private individual homeowners, Native corporations, or others that, albeit lucrative, would not satisfy a strict reading of state law. For this reason, the AMLJIA declines to cover the sea wall.”

Clarity on How an Assessment District Gets Set Up

Per HCC 17.02.040 Initiation of special assessment district:

a. A special assessment district may be initiated by:

1. A resolution, initiated by a Council member, the City Manager, or through the developer reimbursement application process set forth in this title and approved by a vote of not less than three-fourths of Council; or
2. A petition signed by 50 percent of the total record owners who receive notice from the City Clerk’s office that they will be assessed a portion of the costs of a single capital improvement.

Staff to present how a SAD would work for the Seawall - Staff will be pulling together an outline of a possible SAD process for a shoreline stabilization/seawall protection project, including: an improvement plan that further nails down and details costs, a proposed district (see above notes/questions on impacted properties), several allocation methods with detailed fiscal impacts (similar to what Carey provided in tonight's packet), and a memo outlining the process for notification and what is required to move forward.

Please see the attachments provided in City Engineer Meyer’s June 3 memo. This includes the map, spreadsheets, cost estimate, and timeline enclosure. City Clerk Jacobsen outlines the process for notification and what is required to move forward below (this process is also briefly explained in Resolution 20-056):

If Council adopts Resolution 20-056 to initiate the SAD by a vote of not less than three-fourths the City Clerk shall:

- Schedule a neighborhood meeting for owners of real property in the proposed district, properly notice the meeting by mail and newspaper advertisement, and
- Refer the district to the Public Works director who shall prepare an improvement plan to be provided at the neighborhood meeting as outlined in HCC 17.02.040(c)(2)
- Set a time for a public hearing on the necessity of the improvements and proposed improvement plan and mail notices not less than 60 days before the hearing
- A record property owner in the proposed district may file a written objection to the plan no later than the day before the date of the public hearing of the improvement plan
- If owners of real property that would bear 50 percent or more of the assessed cost of the improvement file timely written objections, the Council may not proceed with the improvement unless it revises the improvement plan to reduce the assessed cost of the improvement that is borne by objecting record owners to less than 50 percent of the assessed cost of the improvement.
- At the noticed date and time, Council shall hold a public hearing and shall adopt a resolution approving the assessment if Council finds, via resolution, that the improvement is necessary and benefits the properties that will be assessed. Council must also approve the proposed improvement plan.

- If record owners of all real property in the proposed assessment district waive in writing the notice, protest period and public hearing required under this section, the question of creating the district may be submitted to Council without such notice, protest period or public hearing.

Staff to show the \$45k in maintenance and how that differs from the \$100k in replacing wooden planks

The \$45K was spent so far this year to complete routine maintenance (several timber panels repaired, sink holes at two locations repaired). The \$100K represents estimated costs to repair an additional twenty timber panels that are recommended to be repaired before significant damage occurs (damage would be expected during next winter storms, with significant potential of severe damage if not addressed). If the armor stone improvement can occur before this winter's upcoming storms, the timber panels may not have to be fixed so the potential \$100k cost can be allocated to another maintenance need.

If we talk about modeling out to 2054, we can see the road is wiped out and thus all of the 'downstream' (or down-road) properties possibly no longer have access? Or maybe their access from the other side makes it a moot point? It would be wise to put a critical eye on the evaluation of 'impacted' properties.

The map provided by City Engineer Meyer in his June 3 memo shows road access to many of the lots in the proposed district would be lost if anticipated erosion occurs.

What value does the City's right-of-way have in that assessment?

The 60' wide Lake Street right-of-way and the 30' wide pedestrian assess right-of-way (between Ocean Drive Loop and the seawall) have no real value to the City; they do not provide valuable access to any lots and no City owned utilities exist within these rights-of-ways. They do have frontage on the wall, therefore when seawall construction costs were assessed in 2002 on a linear foot of wall basis, the City assumed some costs for wall construction because of these two ROW portions. These ROWs are depicted in spreadsheet #1. The other rights-of-way within the area (Ocean Drive Loop, Krueth Way and Lake Street north of Ocean Loop Drive) projected to be impacted by erosion by 2054 provide road and utility access to properties within the proposed districts. If erosion was to occur as projected, this right-of-way (that serves these lots) would be of no value to the City, since the lots that benefit from the right-of-way would no longer exist. It is therefore not recommended that additional rights-of-way be factored in to the City's contribution towards the potential Seawall Improvement SAD.

Timeline for Project

The timeline for the armor stone capital improvement project is contingent upon how the project is initiated.

There was interest from a homeowner currently residing in the ODLSA (Ocean Drive Loop Service Area) to expand its boundaries through the Special Assessment District process outlined in code under HCC 17.02.040. If that application and filing fee were received, the Clerk would have 10 days from time of receipt to send the application for Public Works Director and Finance Director review and notify the applicant of any insufficiencies if present. Once complete, the Clerk would: 1) send out a petition to all record owners of property in the proposed district no more than 30 days after the petition application is approved and 2)

schedule a neighborhood meeting with all properties included in the proposed district. Petition signatures of the record owners of real property in the district to be benefitted must be received by the City Clerk within 60 days after the mailing of the petition. Approval of the SAD would then be granted by resolution.

If the City does not receive an application and filing fee from a benefitted property owner, Council could initiate the SAD to install armor stone through a resolution (like the resolution before Council at the June 8th meeting). If the resolution is passed, below is a tentative, idealistic timeline for the armor stone capital improvement project to occur per the City Clerk. This timeline assumes the City is willing to finance the project as it is currently unknown what financing options could be provided through private or state issued loans and what liabilities each of those loans would place on the City.

Tentative/Idealistic Timeline

-June 8 - Council adopts a resolution initiating the Seawall Improvement SAD

-Week of June 8 - City Clerk schedules a meeting of record owners of real property in the proposed district

-Week of June 8 - Public Works works with coastal engineering firm to perform a more detailed analysis regarding the installation of armor stone to advance the designs to a preliminary level and obtain more informed potential costs. This is funded by the account that collects mill rate deposits and the City's annual \$10,000 contribution.

-Week of June 8 - City Clerk notifies the record owners by mail of the date, time and location of the meeting, and includes a copy of the notice in the City's regular meeting advertisement

- June 24 or 25 - Neighborhood meeting is held. Public Works presents improvement plan for the proposed district.

-July – Design complete; Corps permit submitted, Financing in place.

-August – Plans competitively bid, Bids opened,

-August 24 - Council holds a public hearing and adopts a resolution approving the assessment if Council finds, via resolution, that the improvement is necessary and benefits the properties that will be assessed. Council must also approve the proposed improvement plan. At this same meeting, Council passes a resolution expanding the Service Area to include all new properties incorporated by the Assessment District and awards construction contract.

-Week of August 24- Public Works issues Notice to proceed for construction of armor rock installation.

-September 1 – Contractor begins quarrying rock

-October 13- Contractor begins placing armor rock

-November 30 – Armor rock placement complete.

Mill Rates

At the May 26th Council Meeting, City Manager Yoder provided a memo clarifying maximum mil rates for the Service Area.

Alaska State Statute 29.45.090 Tax limitation: “(a) A municipality may not, during a year, levy an ad valorem tax for any purpose in excess of three percent of the assessed value of property in the municipality. All

property on which an ad valorem tax is levied shall be taxed at the same rate during the year.” Ten mills is synonymous with 1% so the maximum mill rate the City of Homer could set is 30. If there is bonded debt, the mill rate could exceed 30.

Maintenance and Mill Rate

There was a request for additional information on what the maintenance budget would look like if the mill rate is not raised. In July, property tax bills are issued by the Borough and are due in one installment by Oct. 2020 or in two installments due September and November 2020. Staff provided Council with an updated projection at the May 26th Council meeting, estimating \$26,886 will be received by the City in mill rate deposits by the end of the year. Please see financials enclosure. If this is the case and no additional maintenance work occurs by the end of 2020, there will be an estimated \$92,959 remaining in the maintenance account.

History

There was a request for history concerning the Seawall. Resolution 20-XXX briefly outlines the history of the Seawall’s creation. Staff have also provided a few letters that were sent to homeowners over the years for context along with one letter from property owners sent to the City.

Responses to Memorandum 20-008

Staff did not receive a written response from Attorney Gatti concerning Memorandum 20-008. Instead, Attorney Gatti elected to address Council regarding those questions at the May 18th executive session.

Consider using cement block to 75% for more volume then come in with armor rock as a more economical approach.

Per City Engineer Meyer, the use of cement block should be evaluated during the design of armor rock placement. Based on my experience, concrete block cost more per ton than rock and would not break down wave energy as effectively as rock.