



Memorandum 22-043

TO: City Council
THROUGH: Rob Dumouchel, City Manager
FROM: Janette Keiser, PE, Director of Public Works
DATE: February 15, 2022
SUBJECT: Recognizing the sufficiency of the Charles Street/Bunnell Ave Water & Sewer Special Assessment Districts

I. Issue: The purpose of this Memorandum is to recommend that the City Council recognize the sufficiency of the Charles Street/Bunnell Avenue Water & Sewer Special Assessment Districts.

II. Background

The 27 properties involved in the proposed special assessment districts currently rely on on-site sewage disposal systems, hauled water and/or “spaghetti lines”. One of the property owners filed a petition to create special assessment districts to bring City water and sewer to the neighborhood. On May 10, 2021, the City Council passed Resolution 21-030 initiating the process for creating the districts.

The project is challenging because of the neighborhood’s geography – flat ground, high water table and surrounding wetlands. Plus, it is a mixed-use neighborhood, with seasonal homes, full-time residents, multiple businesses, undeveloped areas and a popular City park. Since the adoption of Resolution 21-030, we’ve held multiple neighborhood meetings, talked with individual property owners, as well as heard multiple public testimonies at City Council meetings to better understand the neighborhood’s needs and concerns. In response to this outreach, we’ve conducted preliminary engineering to better understand the neighborhood’s technical constraints and experimented with multiple assessment strategies. This work has led us to adopt the following strategies:

- a. **Boundaries of the District.** We have limited the size of the District to properties, which would newly benefit from City water and sewer; that is, we excluded properties, which are already served by City water and sewer via a “spaghetti line”, which was permitted and inspected by the City.
- b. **Spaghetti Lines.** We plan to re-purpose two existing “spaghetti lines” by connecting the new main extensions to them, thereby reducing costs and environmental impact.
- c. **Disruption to Wetlands.** Multiple residents expressed concern that construction would adversely affect the neighborhood’s extensive wetlands. We have re-aligned the water/sewer main routes

to avoid the most sensitive part of the wetlands, next to Beluga Slough. Further, we plan to use “directional drilling” rather than open trenching to install most of the water/sewer main extensions. These strategies will minimize environmental impact.

- d. **Method of Assessment Recommendation and Findings.** We are recommending a Hybrid Method that blends elements of the Equal Share and the Benefitted Area methods of assessment computation, based on the following Findings:
1. **Finding #1** – The Hybrid Method results in the fairest distribution of costs among the private property owners. We did some sensitivity analysis to find the fairest distribution of costs. We computed what the assessments would be using Equal Share Method and the Benefitted Area Method, limiting the application of the Benefitted Area Method to the Developable Area, as provided in HCC 17.01.010. Then, we created a Proposed Assessment Roll, which applies the lesser computation for a particular property. For the smaller lots, the lesser computation is the Benefitted Area Method. For the larger lots, the lesser computation is the Equal Share Method. The Benefitted Area Method penalizes the larger lots who will receive no greater benefit for their higher assessment.
 2. **Finding #2** – The Hybrid Method does not unreasonably penalize the City as the owner of Bishop’s Beach Park. The Hybrid Method results in a proposed assessment for the City, which is about 15% higher than what it would be under the Benefitted Area Method. This is appropriate as this park, one of Homer’s most popular, provides community-wide benefit.
- e. **Expanded Financing.** We will be installing the E-One units for existing buildings as part of the project. This should make the costs eligible for the long term financing and thus, more affordable for existing homes and businesses. It also ensures that opportunities for contamination from existing outhouses and sewage tanks is eliminated.
- f. **Grant.** The “Principal Forgiveness” subsidy, in the amount of \$225,000 for the water line is still available from the AK Dept. of Environmental Conservation (ADEC).

III. Public Notice

On or about November 16, 2021, the City Clerk’s office and Public Works sent the property owners listed on the original Preliminary Assessment Roll, updated information about the status of the project and a revised Preliminary Assessment Roll. Another notice was sent in early January with a second revised Preliminary Assessment Roll. Another mailing was sent in late January with a third revised Preliminary Assessment Roll and a final notice was sent out in February, using the Hybrid Method.

IV. Recommendation

That the City Council pass the proposed resolution recognizing the sufficiency of the Charles Street/Bunnell Avenue Water and Sewer Special Assessment Districts, using the Hybrid Method of assessment that combines the Benefitted Area Method and the Equal Share Method.