



AGENDA ITEM REPORT

Resolution 23-040, A Resolution of the City Council of Homer, Alaska, Expressing Support for the Homer Port Freight Resiliency & Efficiency – Improving Greater Homer Area Transportation (FREIGHT) Project, Endorsing the City’s Grant Application to the United States Department of Transportation Maritime Administration’s FY2023 Port Infrastructure Development Program and Committing Local Match Funds. City Manager.

Item Type: Resolution
Prepared For: Mayor Castner and Homer City Council
Meeting Date: 24 April 2023
From: Jenny Carroll, Special Projects & Communications Coordinator

- I. **Issue:** The purpose of this Memorandum is to request City Council support for the City’s FY23 Federal PIDP Grant application via Resolution 23-040. A Resolution of support from the governing body and match commitment is required to be included in the application, which is due April 28, 2023.
- II. **Background:** Resolution 22-018 authorized a Task Order for HDR to provide grant writing and cost benefit analysis services for the FY2023 PIDP grant to support the Homer Port & Harbor Float Replacement Project and authorized the City Manager to negotiate and execute the appropriate documents.

The project application, named Homer Port FREIGHT (short for **F**reight **R**esiliency & **E**fficiency - **I**mproving **G**reater **H**omer-area **T**ransportation) is in the final stages. The scope of the project designs, permits and replaces the floating docks, gangways and trestles on System 4 and System 1, brings electrical, fire suppression and water supply systems up to code and insures ADA standards are met.

A comprehensive Port & Harbor Condition Assessment performed by R&M Consultants in 2022 identified the need to replace Systems 1, 2, 4 and 5 which were found to be in poor or worse condition due to decades of deferred maintenance by the State under its prior ownership and the age of the float systems at a rough order magnitude cost of \$72.6M.

The Homer Port FREIGHT project prioritizes replacing Systems 4 and 1 and connecting float a, which range in age from 37 to 60 years old, were transferred to City ownership in 1999 through a Transfer Of Responsibility Agreement from the State of Alaska and are in serious to critical condition. Project cost is estimated at \$59.3M.

System 4 is in most need of repair:

- CC, DD, EE, GG, AAA are wooden floats built in the 1960’s – when the port itself was first built - and have far exceeded their life expectancy. All are rated as Serious or Critical.

- Many timber structural members are split or broken, and others have significant rot. Water has infiltrated uncontained Styrofoam floatation billets causing deterioration and loss of buoyancy. Due to listing and low freeboard, this float system is unable to support full design live load or full design snow loads without sinking. Winter ice often puts the floats just underwater. The weight load capacity of these floats is currently restricted.
- Reduced freeboard has exposed more of the wood and steel connecting hardware to the salt water, accelerating their degradation.
- The system does not include a built-in fire suppression system and does not meet NFPA standards.

System 1 also needs replacement:

- Seven floats (the 1986 concrete floats K, L, M, N, P, Q, plus connecting portions of A) are rated as Serious-Critical due to deterioration and broken structural elements.
- Three floats (the 1992 concrete floats B, C, D, plus connecting portions of A) are rated as Serious.
- Failures have occurred at the ends of K through Q floats, causing the fingers to wrack and twist to the point where we have condemned them.
- The fire suppression system is rated as being in poor condition; it does not meet NFPA standards.

These floatation, corrosion and wracking issues can no longer be adequately or economically addressed through continued maintenance and major repairs. In the near-term, doing nothing will require that we impose further load restrictions on the float systems; in the mid-term the float systems will need to be condemned and decommissioned to mitigate the risk of sudden and catastrophic float failure.

The PIDP (with an infusion of Infrastructure Improvement and Jobs Act funds) provides a unique opportunity to leverage significant Federal funding (79.5%) to rehabilitate critical port infrastructure and make significant progress on the float replacement project, a Legislative Priority project in the City's FY24 Capital Improvement Plan, and a 2022 City Council Priority project.

While ambitious, the City is seeking to replace two float systems to capture as much financial assistance as we can during this short window of Federal IJA funding, and maximize project cost savings by having to mobilize only once for construction of two float systems.

A commitment to 20.5 percent local match, or \$12,156,500 is required for application competitiveness.

The PIDP grant program gives extra consideration to projects with match in certain percentiles, and a match above 20% and under 39% appears to offer the best combination of competitiveness and match affordability for the City. Direction from the NOFO follows, with emphasis added in italics:

“MARAD will sort project applications’ non-Federal leverage percentage from high to low, and the assigned ratings will be based on quintile: projects in the 80th percentile and above receive the highest rating; the 60th-79th percentile receive the second highest rating; 40th-59th, the third highest rating; *20th-39th, the fourth highest rating*; and 0-19th, the lowest rating. A project in a higher quintile will be more competitive than a comparable project in a lower quintile.” (NOFO page 53, emphasis added)

“Projects that receive a “High” rating in Safety, Efficiency, or Reliability Improvements, no less than a “Medium” rating in Port Resilience, *and whose calculated non-Federal share of the project’s future eligible costs exceeds 20 percent* will be designated “Highly Recommended” and automatically advance for second-tier analysis.” (NOFO page 61, emphasis added).

The plan to meet local match is bonding. The Alaska Municipal Bond Bank Authority (AMBBA) provided the City with a Projected Debt Service Schedule that provides annual payments for a 20-year \$1M bond, which can be scaled to any estimated bond amount. Based on current interest rates, the bond for the 20.5% match amount of \$12,156,500 would require annual payments ranging between \$860,072 and \$923,894 over the lifetime of the bond. The actual payment may be lower as the draft FY24/25 Port Enterprise budget is proposing to set aside significant funds (over \$2 million by the end of FY25) to support large partially grant-funded projects.

These payments will be funded from a combination of new revenues and a diversion of existing Port & Harbor revenues currently in the FY24/FY25 budget under transfer to reserves. New revenues anticipated and/or proposed include campground revenues estimated at \$130,000 per season (beginning in FY23), and parking revenues estimated at \$130,000 per season (beginning in May of 2024). The Port & Harbor is also considering proposing a Passenger Vessel Transit Fee, which holds potential to generate an additional revenue source that could be utilized in the future.

The US Department of Transportation offers low-interest Transportation Infrastructure Finance and Innovation Act (TIFIA) financing options for qualified transportation infrastructure projects. USDA Rural Development makes Community Facilities direct loans available. Staff have scheduled meetings with program staff to determine if the FREIGHT project is eligible, and if so, what the interest rate would be.

Staff is seeking to leverage additional non-federal funds for the project. We submitted a State Legislative capital request for project support, and also plan to submit an application for FY25 State of Alaska Municipal Harbor Grant Fund and potentially to the Denali Commission. Even if successful, these grant program might potentially provide only small amounts of funding.

Recommendation:

Adopt Resolution 23-040.

Attachments:

Resolution 23-040