



MEMORANDUM

Resolution 24-045, A Resolution of the City Council of Homer, Alaska, Expressing Support for the Homer Port Coastal FREIGHT Project, Endorsing the City's Grant Application to the United States Department of Transportation Maritime Administration's FY2024 Port Infrastructure Development Program and Committee Local Match Funds. City Manager/Port Director.

Item Type: Informational Memorandum
Prepared For: Mayor and City Council
Date: April 18, 2024
From: Jenny Carroll, Special Projects and Communications Coordinator
Through: Melissa Jacobsen, Interim City Manager and Bryan Hawkins, Port Director

The purpose of this Memorandum is to request City Council support for the City's FY24 Federal Port Infrastructure Development Program grant application via Resolution 24-045. A Resolution of support from the governing body is required to be included in the application, which is due May 10, 2024.

Background: With City Council support, the City applied to the FY23 PIDP for funds to assist with replacing Float Systems 1 and 4 in the Homer Port and Harbor. The FY23 application went to the US Department of Transportation Secretary's desk for final funding evaluation, but ultimately was not selected. In an application debrief with the Maritime Administration, we were encouraged to apply again.

Staff is currently working on the FY24 application, with support from HDR under a Task Order approved by Ordinance 24-12. The project application, named Homer Port Coastal FREIGHT (short for **F**reight **R**esiliency & **E**fficiency - **I**mproving **G**reater **H**omer-area **T**ransportation) is in the final stages. The project replaces float systems 4 & 1 which moor 503 of the harbor's 920 vessels and offer 3,100 linear feet of transient moorage and are in critical condition. Project scope includes design, environmental review and permitting and bringing electrical, fire suppression and water supply systems up to code and insure ADA standards are met.

The PIDP (with an infusion of Infrastructure Improvement and Jobs Act funds) provides a unique opportunity to leverage significant Federal funding (79.5%) to replace the Float Systems which is a Legislative Priority project in the City's FY24 Capital Improvement Plan, and a 2022 City Council Priority project. We are seeking to replace two float systems at an estimated cost of \$60.6M 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. The funder has the option to make a partial award to replace only one of the Systems.

A commitment to 20.5 percent local match, or \$12,423,000 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 \$12,423,000 would require annual payments estimated between \$860,000 and \$924,000 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 could generate an additional \$100,000-\$150,000 per season based on conservative estimates.

The US Department of Transportation offers low-interest Transportation Infrastructure Finance and Innovation Act (TIFIA) financing options for qualified transportation infrastructure projects listed in the State’s Transportation Improvement Program (STIP). The project has been included in the Statewide STIP and staff will schedule meetings with program staff to determine if the FREIGHT project is eligible.

Staff is seeking to leverage additional non-federal funds for the project. On April 12, 2024 we submitted an FY25 application to the Denali Commission for funding assistance with design, environmental review and permitting. We also submitted a FY25 State Legislative capital request, but it was not included in the House and Senate version of the Capital Budget. Once design is complete, staff can apply for construction funding assistance from the State’s Municipal Harbor Facilities grant program as well.

RECOMMENDATION: Approve a Resolution of support and match commitment for the Homer Port Coastal FREIGHT project FY2024 PIDP application.