



MEMORANDUM

Report to Council re: Resolution 24-024 Annual Review of the Land Allocation Plan Large Vessel Haul Out Facility

Item Type: Informational Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: January 30, 2025
From: Bryan Hawkins, Port Director
Through: Melissa Jacobsen, City Manager

Summary

In Resolution 24-04, the Council directed the Port and Harbor Advisory Commission (Commission) to consider the use of the parcel located at 3954 Homer Spit Road, just past the Fishing Hole. The Commission held multiple discussions in 2024 regarding the best approach to land use for this lot that shares use between Pier One Theatre, summer camping, parking, and a large vessel haul out area. The Commission's conclusion was that the current mixed-use format, while unconventional, allows the City to maintain flexibility in a way that would not be possible if the land were divided into distinct areas designated only for separate uses.

The Commission supports the continued mixed use of the facility, with a priority for haul out activities. This would require that the City continue to manage the boat activity on the facility rather than leasing out a portion of the parcel to a private entity. They recommended that the City fund all improvements to the lot because there is no private party that has expressed interest in taking on a lease and paying for improvements themselves. While the cost of improvements is steep, an economic impact study could demonstrate the return on investment for those improvements, and could potentially help the project qualify for economic development loans or grants. Commissioners emphasized that it was important that the full parcel be made available for lease in a hypothetical future leasing scenario, because any smaller portion of the parcel would not be attractive to business owners.

Review the Revenue vs. Cost of a City Run Campground on this Parcel.

In a year-end report for 2024, Harbormaster Matt Clarke reported nearly \$200,000 in campground revenues, with \$108,000 of that associated with the Fishing Hole Campground. The program had more than \$82,000 of expenses in staff time, benefits, and maintenance costs. Improvements to the Large Vessel Haul Out facility could coexist with this camping program.

Commissioners expressed that the comparison between camping opportunities and haul out opportunities was a “false equivalency.” For vessels, this is the best spot to haul out on the spit. It’s not perfect, but it has the widest tidal window for getting boats on and off the facility. The closer you get to the base of the spit the shallower the approach to shore gets. At this site there’s access to deeper water with a (relatively) short run on the shallow approach, and a good amount of uplands available.

When it comes to camping, the land vessels haul out on is the overflow area, and the most in-demand areas would still be available. This land is one of the last choices for campers. If it becomes unavailable, campers will go somewhere else in Homer to camp. If boats can’t haul out in this spot, then they’ll go to Seattle instead. This was emphasized as one of the essential points in this discussion. Millions of dollars of activity take place in the haul out facility in the winter, and that money stays in the community and ultimately increases sales tax revenue to the City.

Commissioners also challenged the idea that these improvements would make the site completely unavailable for camping. Depending on the management arrangements, the City could still run camping in this area when not in use as a boatyard. Only certain improvements, like fencing, would make this area unavailable or undesirable for camping. We considered how boat work affects the experience for campers on the adjacent parcel. Limitations on hours of operations, installing a fence, and noise restrictions were all discussed—but also it is part of an authentic experience on a working waterfront! Commissioner Pitzman noted that imposing limitations on what times a vessel can haul out could be challenging because tides happen when they happen, and you have to work those tides to get your boat in the water for the season, even if the tides are at 3 AM.

One commissioner inquired whether the Chip Pad would be a suitable area for boat work that could substitute for the existing facility. Moving a boat from shore at the haul out facility to the Chip Pad on airbags is possible but the crew hours and equipment required make it cost-prohibitive. Even transporting a vessel to the back of the existing lot by airbag costs \$7,000 more than it does for a boat to haul out at the lip of the facility. A Travelift is an alternative method for boat moves that has a prohibitively high up front cost, and the chip pad does not have the necessary space to help a Travelift facility pay off. Finally, the chip pad needs to be available as a laydown yard for freight operations so it cannot be committed to storing boats.

Work with staff to determine the cost of the initial improvements

The cost of initial improvements to electrify the facility were estimated at \$546,604 in plans developed in 2020, not including mobilization and demobilization costs. We estimate the costs for the electrical improvements at less than \$1 million. More details are available in the City’s Capital Improvement Plan.

The requested improvements will make meaningful differences for vessels operating on the haul out facility. They will reduce the cost of projects and make them logistically simpler. Energizing the facility is also an environmentally responsible move that will reduce

the carbon footprint of the operations. It is not clear that the requested improvements would result in increased demand on their own; rather, it's more about making the existing users more comfortable.

Make a recommendation to the City Council on what part of the improvements the City should fund and those that a tenant would fund

Commissioners had varying recommendations for what might be funded by the City or by a tenant. Most hoped that the City would cover the cost to energize the facility, and that a tenant might make further improvements such as fencing, adding lighting and cameras to increase safety on the job site, a winch to assist with hauling out larger vessels, a structure for painting, and a wash-down pad with filtering for runoff. It was proposed that the City could offset part of the cost of improvements by lowering the lease amount. Port Director Hawkins specifically called out the mooring dolphins that were included in the original design as a feature that we would not recommend building in response to feedback from vessel owners.

The Commission also discussed the Small Shipyard Grant, which could provide up to \$1 Million to fund improvements to the haul out. The applicant must be the operator of the shipyard. The City could consider lease terms that consider this grant such as a trigger to extend the duration of lease if the grant were awarded.

Commissioner Siekaniec noted that the fact that a shipyard like this is not already in existence in Homer should not be taken as proof that a haul out is not economically viable. However, he noted, if the City offers a lease to a private entity to invest in infrastructure and they don't do it because it's not worth it as a business then there may be a role for government support to promote economic development. Partners like the Kenai Peninsula Development District (KPEDD) and the Federal Government could help advance this project and help stretch limited capital funds. At least one commissioner suggested that the City take on the cost of improvements and complete it in a shorter period.

Make a recommendation to the City Council on lease terms that would attract long-term private investment to develop the facility

As mentioned above, Commissioners recommended that the City fund all improvements to the lot. Commissioners emphasized that it was important that the full parcel be made available for lease in a hypothetical future leasing scenario, because any smaller portion of the parcel would not be attractive to business owners.

Other Considerations

Commissioners also discussed what demand for boat work might look like in the summer. Most boats are busy in the summer, so there would be fewer projects in progress. A

tenant looking to maximize revenue might diversify into another activity during the summer months such as small boat storage, a boat wash, or other activity.

A second area of concern was delinquent boats. This risk could be managed by the requirements of the City's lease and any agreements made with vessel owners. The shipyard manager could require a bond or institute time limits. Many shipyard applications require that the applicant include a timeline and a return to water plan. Some facilities have escalating rates that get higher the longer your boat stays.

Commissioners emphasized that there's time to get this right—the airbag solution is temporary but it's working, and these improvements are worth doing well.

RECOMMENDATION:

Informational Only

Attachments:

Resolution 24-024

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A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA
PROVIDING DIRECTION TO THE PORT AND HARBOR ADVISORY
COMMISSION AND PARKS, ART, RECREATION AND CULTURE
ADVISORY COMMISSION REGARDING THE ANNUAL REVIEW OF
THE LAND ALLOCATION PLAN.

WHEREAS, Chapter 18.08.020(c) requires the City to adopt a land allocation plan; and

WHEREAS, The property located at 3854 Homer Spit Road, Tract A-1 of the Fishin Hole Sub KPB parcel ID 18103117 is used for several different activities during the year; and

WHEREAS, The Large Vessel Haul Out Task Force in 2014 recommended the construction of a barge and large vessel haul out facility; and

WHEREAS, The project has been included in the Capital Improvement Plan since 2015, and the City has subsequently conducted initial engineering and cost estimation; and

WHEREAS, The property is currently used seasonally for camping and theater productions in the summer, and is leased on an annual basis for the remainder of the year for as a large vessel haul out facility; and

WHEREAS, In December the Port and Harbor Advisory Commission has expressed interest in development of some features of the Large Vessel Haul Out facility; and

WHEREAS, The Parks, Art, Recreation and Culture has expressed interest in retaining camping in this location; and

WHEREAS, The Pier One Theater lease expires in September 2026; and

WHEREAS, The City will be reviewing the Land Allocation Plan in the coming months, the Comprehensive Plan over the next year, and now is a good time to discuss how the City as a land owner should plan for this property; and

WHEREAS, It behooves the City to have an open and transparent dialogue about the use and future development of this property and to utilize the Commissions in their respective roles.

NOW, THEREFORE, BE IT RESOLVED by the Homer City Council requests the Port and Harbor Advisory Commission to:

1. Review the revenue vs cost of a city run campground on this parcel.
2. Work with staff to determine the costs of the initial improvements.
3. Make a recommendation to the City Council on what part of the improvements the City should fund and those that a tenant would fund.
4. Make a recommendation to the City Council on lease terms that would attract long term private investment to develop the facility.
5. Respond to Council by the end of calendar year 2024.

BE IT FURTHER RESOLVED, the Homer City Council requests the Parks, Art, Recreation and Culture Commission:

1. Consider the future of this property as a City run campground, and consult with Port and Harbor staff with regard to revenue vs cost to operating the campground.
2. Engage with Pier One Theater about their long term facility plans.
3. Report back to Council by the end of 2024.

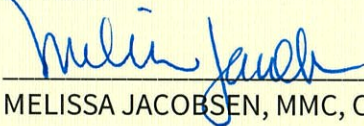
PASSED AND ADOPTED by the Homer City Council this 12TH day of February, 2024.

CITY OF HOMER



KEN CASTNER, MAYOR

ATTEST:



MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal Note: N/A

