



MEMORANDUM

Next Steps for Lot 88-2, Homer Spit Road No. Two Amended

Item Type: Informational Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: May 6, 2026
From: Melissa Jacobsen, City Manager

Background: Lot 88-2, Homer Spit Road No. Two Amended (Lot 88-2) on the Homer Spit had a long-term lease that expired in November 2025. As the expiration date approached, the City recognized some unexpected challenges related to the subleases that were managed by the City's tenant in that most of the buildings were owned by the sub-tenants and not the City's tenant, as required in the City's ground lease. To mitigate the situation, each building owner was offered an individual short-term lease with the City for the area where their buildings are located, that commenced upon expiration of the long-term lease. The three building owners agreed to the terms and their leases expire December 31, 2026.

Discussion: At Council's April 13th meeting Memorandum CC-26-083 provided options for next steps for Lot 88-2 and Council asked for a worksession for further discussion.

Homer City Code (HCC) 18.08 provides direction for City Property Leases and in this memo, I'll be referring to HCC sections [18.08.020 Land Allocation Plan \(LAP\) – Property Available for Lease](#), [18.08.045 Lease Applications](#), [18.08.050 Request for Proposals](#), and [18.08.060, Criteria for Evaluation and Approving Proposals and Competing Lease Applications](#).

18.08.020 (b) and (c) directs that the City will have a LAP that identifies

- City owned property available for lease,
- Property description, lease rate, preferred length of lease term for each property, and
- Requirements, preferences or restrictions regarding use and/or development.

Subsection (d) reads that Council may identify property in the LAP that is subject to competitive bidding.

Pursuant to section 18.08.045, people interested in leasing city property can submit a lease application for the City Manager (CM) to consider and determine if it's complete and meets the criteria in the LAP and HCC 18.08.060. Section 18.08.045 also gives directions if there are multiple

people competing leases the CM evaluates the application(s). The CM forwards their recommendation to the Port and Harbor Advisory Commission for review and recommendation before coming to Council for approval.

HCC 18.08.050 provides that the CM may issue a request for proposals (RFP) to lease specific property identified in the LAP and goes on to outline the process involved in the competitive bidding process.

Putting the property out for RFP entails drafting the RFP document that would include at a minimum, the location, legal description, and allowable uses for the property based on the zoning district. It would also include a list of documentation needed as required by 18.08.060, a copy of a ground lease and additional attachments. Here is a link to a past RFP - <https://www.cityofhomer-ak.gov/cityclerk/request-proposals-lease-city-property-homer-spit>

Proposals would be reviewed by a committee made up of staff from relevant departments, including the Port and Planning, and others if needed. Staff recommendations are submitted to the CM, who would forward their recommendation to the Port and Harbor Commission. Upon completion of review and recommendations, the lease would then to Council for final consideration and approval.

Points of this situation-

- There are multiple building owners currently located on lot 88-2.
- Upon expiration of the long-term ground lease on lot 88-2, short-term leases were provided to each of the building owners for the portions of the lot their buildings are located to allow the City time to consider with next steps for lot 88-2.
- The LAP provides for this property to be leased as one property.
- The LAP does not direct that it be put out for RFP.
- Allowing the opportunity for current building owners on the property to apply for a lease of lot 88-2 seems fair and reasonable and is allowable by code.
- The final decision will make it necessary for one or more building owner(s) to take action to remove their building or buildings.

Recommendation: My recommendation is that we do not put this property out for RFP and that we advise the building owners of their opportunity to submit a lease application for lot 88-2 in accordance with HCC 18.08.045. The lease application fee will apply, and applications will be considered in accordance with sections 18.08.045 and 18.08.060.

If no applications are received or if no applicant is successful in the application process by September 1, 2026, I will come back to Council for further direction.