



# AGENDA ITEM REPORT

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**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

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- 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

1 **CITY OF HOMER**  
2 **HOMER, ALASKA**

3 City Manager/  
4 Port and Harbor Director

5 **RESOLUTION 23-040**  
6

7 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA,  
8 EXPRESSING SUPPORT FOR THE HOMER PORT FREIGHT  
9 RESILIENCY & EFFICIENCY – IMPROVING GREATER HOMER-AREA  
10 TRANSPORTATION (FREIGHT) PROJECT, ENDORSING THE CITY’S  
11 GRANT APPLICATION TO THE UNITED STATES DEPARTMENT OF  
12 TRANSPORTATION MARITIME ADMINISTRATION’S FY2023 PORT  
13 INFRASTRUCTURE DEVELOPMENT PROGRAM AND COMMITTING  
14 LOCAL MATCH FUNDS.  
15

16 WHEREAS, The City of Homer strives to provide and improve city-operated facilities and  
17 services to meet the needs of the community; and  
18

19 WHEREAS, The City of Homer owns and maintains the Homer Port & Harbor, a regional  
20 maritime hub facility that provides broad community benefits, serving:

- 21 • barges and landing craft that deliver cargo and essential supplies to over 28 non-  
22 road connected communities and villages located in Southcentral, SW and Western  
23 Alaska,
- 24 • tugs and pilot boats that assist freight delivery to the Port of Alaska and industries  
25 located in Southcentral, SW, and Western Alaska, and
- 26 • commercial fishing vessels working nearly every fishery in the State of Alaska; and  
27

28 WHEREAS, A comprehensive Homer Port & Harbor Condition Assessment completed in  
29 2022 by R&M Consultants identifies the need to replace floating docks, trestles, and other items  
30 in poor or worse condition in Float Systems 1, 2, 4, and 5 due to decades of deferred  
31 maintenance by the State under its prior ownership and the age of the facility for a rough order  
32 of magnitude estimated cost of \$72.6M; and  
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34 WHEREAS, The assessment report also noted that electrical, fire suppression and water  
35 supply to these float systems are not up to code; and  
36

37 WHEREAS, The assessment further concluded that the issues that can no longer be  
38 adequately or economically addressed through continued maintenance and major repairs;  
39 and  
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41 WHEREAS, Demand for moorage and regional freight movement have increased over  
42 time, driving the need to safeguard and maximize moorage capacity and efficiencies in  
43 Homer's Port & Harbor to meet this demand; and,  
44

45 WHEREAS, the City of Homer has prioritized replacing Float Systems 4 and 1 and  
46 connecting float A, which range in age from 37 to 60 years old, are in serious to critical  
47 condition, were transferred to City ownership in 1999 through a Transfer of Responsibility  
48 Agreement from the State of Alaska, and would cost \$59,289,546 to replace; and  
49

50 WHEREAS, The Homer Port *Freight Resiliency & Efficiency – Improving Greater Homer-*  
51 *area Transportation* (FREIGHT) project designs, permits and replaces these two float systems  
52 to preserve the foundational integrity and maximum, efficient functioning of the Homer Port  
53 facility to serve regional maritime transportation needs; and  
54

55 WHEREAS, the Homer Port FREIGHT project will furnish float systems that are in  
56 compliance with modern safety, fire and electrical codes and ADA standards to address safety  
57 and accessibility issues; and  
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59 WHEREAS, The project has strong local and regional support evidenced by being  
60 selected as Legislative Priority project in the City's Capital Improvement Plan and by letters of  
61 support; and  
62

63 WHEREAS, The project is aligned with Alaska's Statewide Long-Range Transportation  
64 Plan goal of sustainability of Alaska's public harbor system; and  
65

66 WHEREAS, The project is identified as an objective in the Kenai Peninsula Borough  
67 Comprehensive Economic Development Strategy: to advance the stability and resilience of  
68 Homer's marine transportation infrastructure so that it continues its critical role in facilitating  
69 regional economic activity and community resilience; and  
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71 WHEREAS, The do-nothing option will require load restrictions in the short-term and in  
72 the mid-term that the float systems be condemned and decommissioned to mitigate the risk  
73 of sudden and catastrophic float failure; and  
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75 WHEREAS, Losing these float systems will displace a significant number of vessels,  
76 increase rafting of vessels on the remaining floats, increase safety hazards for vessel owners  
77 and their crews, create vessel delays, and disrupt reliable, affordable means to move freight,  
78 supplies and people; and  
79

80 WHEREAS, The United States Department of Transportation Maritime Administration  
81 is making Port Infrastructure Development Program (PIDP) grant funds available to support  
82 investments in the planning, design and construction that improves port resilience, efficiencies  
83 in freight movement, equity and workforce development; and

84  
85 WHEREAS, the Homer Port FREIGHT project aligns with PIDP’s intent and merit criteria;  
86 and

87  
88 WHEREAS, PIDP provides a key funding opportunity to complete the rehabilitation of  
89 this critical port infrastructure for the benefit of the communities, industry and other regional  
90 stakeholders in southcentral and Western Alaska, which would otherwise be out of reach for  
91 us; and

92  
93 Whereas, In light of the regional importance of the project, the City of Homer has  
94 developed a financial plan to provide significant match funds through bond/loans, and  
95 meeting loan payments utilizing current and new revenues in the Port & Harbor Enterprise  
96 Reserve Account.

97  
98 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska, supports  
99 the Homer Port FREIGHT project and the City’s application to the USDOT FY2023 PIDP Grant  
100 Program; and

101  
102 BE IT FURTHER RESOLVED that the City Council of Homer, Alaska commits to providing  
103 local match funds of twenty and one-half (20.5) percent of the project cost, the total of which  
104 is anticipated at \$59,289,546.

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106 PASSED AND ADOPTED by the Homer City Council this 24<sup>th</sup> day of April, 2023.

107  
108 CITY OF HOMER

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112 KEN CASTNER, MAYOR

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114 ATTEST:

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118 MELISSA JACOBSEN, MMC, CITY CLERK

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120 Fiscal Note: N/A