



City of Homer

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Port and Harbor

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Memorandum

TO: PORT AND HARBOR ADVISORY COMMISSION

FROM: BRYAN HAWKINS, PORT DIRECTOR/HARBORMASTER

DATE: JANUARY 9, 2020

SUBJECT: PROPOSAL FOR ADDITION OF OVERSLOPE DEVELOPMENT AREA TO LAP

Recently, the Port Commission asked the council that the area next to the SW corner of the fish dock adjacent to the road be added to the land allocation plan as part of the overslope development property available for lease.

The concept floated at the commission meeting is that, if advertised as an option for a long term lease, a company could build a dock in the corner next to the current City owned Fish dock that would be managed as a private owned fish dock. This company would then offload fish from fishing vessels in Homer's harbor while avoiding having to pay wharfage fees and crane fees to the city.

The first pragmatic hurdle that needs to be addressed is that this is not an overslope project it's a dock project, and being such, the proposal by the Port Commission for the building of a dock doesn't fit the current Homer city code for overslope development (see Attachment B- Overslope Code Sections). Before Planning and City Council can consider approving such a proposal the supporting city code must be developed through work by the Port Commission in conjunction with the planning dept. But, as we stand at the beginning of that large investment of both commission and staff time, I think it would be beneficial to take some time to look at the project in overview, as a whole and consider:

- ✓ Could this be an economically enticing and viable prospect for a potential private business
- ✓ Would it be in the best interest of the City and the public

#1 Question- Would this be an economically viable venture for a private business?

Possible Benefits

Private Business- A private company could build, own, and maintain their very own dock, cranes, fish pumps, without having to pay the City set rates and fees for the public use of the existing city dock next door. They would also benefit from City infrastructure above and below, using existing access roads, and benefiting from the dredging and harbor protection without having to maintain or develop this support structure themselves. Lastly, while the City is an equal public use facility for all, a private

company could be more selective and choose just the vessels or individuals that are the most profitable for their business.

Concerns

Private Business- Any construction would need to meet City standards for a commercial dock facility. The proposed area would be difficult and costly to develop and, because they would never own the land, any money spent by the business to develop the dock would need to have economic returns of equal or greater value within the terms of the lease. While trying to achieve these economic returns they would not be an exclusive provider of services for the area, the proposed location being immediately adjacent to the City dock.

In the originally stated proposal there was an assumption that wharfage rates would not apply to a private dock during the commission meeting but I would like to clarify that. Wharfage will be, and is, charged to a business or individual under applicable circumstances, even if they are operating on a privately operated dock, if that dock is located within the Homer harbor terminal. Petro Marine currently operates under this exact situation. They manage and operate the fuel floats located on the leased property as part of their private business, however the floats operate as part of land that is owned by the City and part of the city terminal, thus they are required, and do, pay wharfage on the fuel transferred over the docks, as well as the overslope land lease rent fees (for further reference please see Rule 13 Wharfage of the Homer Tariff No1, and the definition of “terminal” as listed)

There is no adjacent property roadside which would mean that the owner of the dock would either have to keep all their activities on the dock (staging, loading, storing of equipment and so on) or they would have to acquire a long term lease on an adjacent property. Lots 9 and 10 are listed as land available for lease for commercial fisheries related activities.

#2 Question- Would this be good for the City and the public of Homer?

Possible Benefits

The Public/City- The possibility of a private business creating a second fish dock could generate additional commerce if they could pull in vessels and fisherman that don't currently already come to Homer. Any private investment in infrastructure would, in theory, per the lease agreement revert to City ownership at the end of the lease.

Concerns

The Public/City- A lease contract would have to be agreed to that gives the owner the length of term needed for them to realize a profit from the venture. Given the above listed under #1, it's reasonable that this term could be quite lengthy. If the private business were to sell their investment before the term of the lease were up, the new purchaser would have to enter into a new lease with the City for the land and the original consideration of term length to realizations of profits would reset and continue. This potential cycle means that any private investment may remain in private hands indefinitely and the “pro” of the City benefiting from the eventual ownership of that infrastructure growth and investment may never be realized. It must also be considered that care is needed to make

sure that if the dock were to end up in the public's hands that it is still an asset, not an liability that costs the Harbor Enterprise dollars to upgrade or remove when or if time comes.

As mentioned above, while the City is an equal public use facility for all, a private company could be more selective and choose just the vessels or individuals that are the most profitable for their business. Given that the proposed private dock development cite is right next to the City's public dock providing the same services, there is potential that the private dock would pull business away from the City's existing fish dock. Potentially negative economic impacts on existing public owned infrastructure should be weighed as part of this discussion.

RECOMMENDATION

For discussion. Any recommendations or direction to staff must be done by way of motion.

Attached: 2020 LAP Map Indicating Proposed Overslope Area Addition
Overslope Code Sections

