



City and Borough of Juneau
City & Borough Manager's Office
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TO: Mayor Weldon and CBJ Assembly
DATE: November 13, 2024
FROM: Katie Koester, City Manager
RE: Financing Options for Phase 1 Flood Fighting: Local Improvement District

The purpose of this memo is to outline a process for a Local Improvement District (LID) under CBJ Code [Title 15.10 Local Improvements and Special Assessments](#), and provide a starting point for Assembly debate on essential components of the District.

Manager's Recommendation: Ordinance 2024-40 is summarized below.

Total Project Cost (Phase 1): \$7.83M

Assessment Methodology: Equal assessment per property with the exception of 4 lots that will benefit from bank armoring who will pay more because they are uniquely benefitted.

Estimated Cost per Parcel: \$7,972 for 462 parcels and an additional \$50,000 for the 4 parcels that will benefit from bank armoring.

Cost to District: \$3,915,000

Cost to CBJ Taxpayers at Large: \$3,915,000

Boundaries: 16-foot inundation map excluding parcels that will not be protected from phase 1. 466 parcels (Exhibits A and B)

Funding Mechanism: Central Treasury Loan

Terms and Conditions: 4.78% interest for 10 years

Details and Alternatives:

Total Project Cost: This amount will be lowered by any federal funding we are able to secure, after budgeting for the increased projects costs incurred with federal dollars (additional permitting, for example). Tlingit and Haida submitted a grant application that would offset \$750,000 of the total project cost. CBJ is also actively lobbying for emergency supplemental disaster assistance federal funding for the total project cost. Any federal funding that is secured would be applied to the total project cost thereby sharing the benefit between CBJ taxpayers at large and benefitted properties, unless the Assembly advises differently.

Assessment Methodology: At the October 21, 2024 meeting there was debate about assessing a percentage of actual costs to riverfront properties and splitting the remainder among properties in the inundation map and CBJ taxpayers at large. That methodology would be difficult to execute because of the need to validate the actual costs spent on each parcel in a legally defensible manner. Furthermore, it is unlikely a property owner that needs to remove a deck to fit HESCO barriers, as an example, sees that as an improvement to their property. Therefore, it makes sense for that cost to be borne by the entire district. The same rationale was used for properties that might need reinforcement of their armoring, or do not need armoring because they live on the inside bend of the river and do not experience erosion (but would need armoring to withstand the weight of the HESCO barriers). The exception to this is the 4 riverfront properties that are essentially holes in the armor. At \$50,000 a parcel, with favorable financing terms, those property owners are benefiting from the formation of the district. Assessing them at a higher amount attempts to address the equity concern. If those properties were to armor their bank as a stand-alone project, it would cost anywhere between \$70,000 and \$140,000 per property.

The Assembly can choose a different assessment methodology. For example, you could choose to assess everyone equally (and not single out 4 properties), you could assess each property proportionally based on the size of their

lot or based on assessed value. While possible, staff do not recommend the latter two of these paths due to the challenges associated with accurately and fairly determining up to date lot sizes and/or assessment values.

Cost to District / Cost to CBJ Taxpayers at Large: The ordinance proposes a 50/50 split between the benefited properties and CBJ taxpayers at large. The Assembly can adjust that ratio. If the Assembly chooses to pay the CBJ portion of the loan back with the same term as the benefited properties - over 10 years in equal installments, it adds \$373,800 to the operating budget annually. The Assembly could choose to pay it off early, as could any property owner. CBJ owns 6 of the 466 lots and would be assessed \$50,000 for those lots in a separate appropriation if the District is formed.

Boundaries: The proposed boundaries include every parcel within the boundary shown in Exhibit A, which are the properties identified to be impacted by the inundation maps at the 16-foot flood stage and expected to be protected by the deployment of Phase 1 HESCO barriers. Properties north of Marion Dr and south of Rivercourt Way are not included because that's the projected limitation on their flood containment effectiveness. There are 466 parcels within the proposed LID boundary (listed in Exhibit B). While some homes were spared in 2024 due to unique topography, all 466 parcels are at risk at a 16 ft or higher flood, which we anticipate will occur in the future.

Funding Mechanism: In the past, CBJ initiated LIDs have been funded through low interest DEC loans or our own CBJ capital projects. The LID is not eligible for funding through a revenue bond, which leaves traditional financing through a lending institution. A central treasury loan allows the Assembly the flexibility to give the most favorable terms and conditions. This is a non-traditional use of a central treasury loan, which means Ordinance 2024-40 exempts this loan from CBJ Code 57.05.045ⁱ that only allows for short term loans for capital acquisitions at a maximum term of 5 years. Other options include funding from the restricted budget reserve (current balance \$15M), fund balance (Finance will have a current update number on Monday), or deappropriating capital projects.

Terms and Conditions: The Manager proposes a 10-year term, which is common for CBJ LIDs. Any longer would be problematic because it would exceed the lifespan of the HESCO barriers (we are aiming to have a long-term fix in place by then). CBJ code dictates central treasury loans to be issued at current CD rate, which is 4.78%.

Timeline for LID

November 18 – introduction of ordinance with assessment roll (includes all the required information)

December 16 – public hearing #1 on ordinance to establish an assessment roll

Week of December 16 – certified mailing goes out to everyone on the assessment roll with information specific to their lot and assessment.

Mid- January – neighborhood meeting (not required by code)

February 3 – public hearing #2 (objections are heard here) on ordinance to establish an assessment roll.

March 3 – Ordinance is effective.

April 3 – last day for a legal challenge to assessment roll (90 days)

What other ways could we fund Phase 1?

Another mechanism to assess properties that are specifically benefited from an improvement is a special tax district. CBJ has a number of those – the roaded service area, for example, pays a higher mill rate than areas outside those boundaries. A special tax district is established by a vote of the district and then the Assembly sets the mill rate.

This mechanism should be considered for ongoing maintenance of the barriers and funding for long term flood prevention. However, it would be challenging to hold a special election and get the voter approval needed before next jökulhlaup season.

Formation of an LID

Ordinance 2024-40 is specific to an Assembly initiated LID and is governed under 15.10.030-060. After introduction of an ordinance, CBJ sends a certified mailing to all property owners with details relevant to their individual assessment and clear instructions on how to protest the LID. Property owners have 30 days to object in writing to the formation of the district. The proposed schedule affords them over 6 weeks to object.

If the property owners who will bear 51% or more of the cost borne by the owners object in writing¹, the LID fails unless a) the cost to those property owners who objected is reduced to under 51% OR b) the Assembly authorizes the LID by an affirmative vote of eight members. No action by a property owner is considered endorsement of the LID.

After the project is complete, the Assembly approves a final assessment roll by resolution. If the costs to be borne by the benefited properties is more than approved in the ordinance initiating the district property owners have an opportunity to object to the LID through a similar process as its formation. Property owners will pay the actual cost of the project distributed among the district per the assessment methodology. Before the assessment roll is finalized the Assembly can, by ordinance, exclude a parcel from the district but it cannot increase the boundaries without going through the objection process again. The Assembly will set the due date of the payment and when they become delinquent by resolution. After the first payment, all payments are included on the annual property tax bill as a separate charge.

Recommendation:

Discuss manager recommendations and amend as desired.

- Assessment Methodology: Equal with exception of 4 properties
- Cost share between CBJ taxpayers and benefited properties: 50/50
- Boundaries: 16-foot inundation map excluding parcels that will not be protected from phase 1.
- Funding Mechanism: Central Treasury Loan
- Terms and Conditions: 4.778% over 10 years

Set Ordinance 2024-40 for public hearing at the December 16th and February 3rd meetings.

Enc: Budget for Phase 1 HESCO Barrier Installation

¹ 57.05.045 - Central treasury loans.

(a)

The finance director may invest temporary idle money in the *central treasury* in shortterm *loans* to specified funds of the City and Borough for the purpose of capital acquisitions upon approval of the assembly by ordinance. Such *loans* shall be included in the *central treasury* investment portfolio.

(b)

Except as otherwise specifically provided in the ordinance establishing the *loan*, the balance of the *loan* shall bear interest at the rate estimated by the finance director to be the average rate the City and Borough earned or will earn on its certificates of deposit over the applicable period with interest computed on an annual basis; principal and interest on the balance shall be repaid to the *central treasury* from future revenues appropriated by the assembly for the purpose of repayment. The term of the *loan* shall not exceed five years.

¹As an example, given the staff recommendation of a 50/50 cost share, the cost borne by the property owners would be \$3,915,000. If property owners who represent \$1,957,501 of the assessed value in the LID object, the LID would fail without an Assembly override. The 50% of cost that, in the staff recommendation, is to be borne by taxpayers at large does not count in this objection process.

CBJ Phase ONE HESCO Flood Barrier Cost Estimate - 11.14.2024

Task	Unit Cost	Units	Task Total
Access and Barrier Pad Construction	\$350,000 / mile	2 miles	\$700,000
Stabilize unsuitable soils (silty yard material incapable of supporting barriers when saturated) - contingency item, unknown until excavation.	\$100 contingency	1000 cubic yard	\$100,000
Drainage pipe construction for drainage through levees (contingency item to address supersack plugs or culverts with check valves)	\$150,000 contingency	Lump sum	\$150,000
Trees, stumps, and organic removal from forested areas	\$35,000 per 1000ft	2000 ft	\$70,000
Bank armoring and bank construction for homes too close to the river to deploy HESCO barriers	\$175,000 each	2 properties	\$350,000
Bank armoring for properties with unarmored banks and less than adequate armoring to support barriers	\$1000 per foot of bank	4650 ft bank	\$4,650,000
HESCO Flood Barrier deployment and filling on prepared access pad	\$165,000 per mile	5.8 miles	\$957,000
Hand filling of barriers for properties lacking space for equipment access	\$9,000 per property	10 properties	\$90,000
Re-installation of property-owner structures (deck, fences, etc.) post barrier removal	\$500,000 contingency	Lump sum	\$500,000
Permitting Costs	\$250,000	Lump sum	\$250,000
		Total:	\$7,826,000

**Cost estimates are based on CBJ engineering investigations and USACE flood fighting guidance and expertise. Estimates may be refined with additional information gathered via updated hydraulic & inundation mapping.*