



KENAI PENINSULA BOROUGH

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**MIKE NAVARRE
BOROUGH MAYOR**

MEMORANDUM

TO: Dale Bagley, Assembly President
Members, Kenai Peninsula Borough Assembly

FROM: Mike Navarre, Mayor *MN*

DATE: August 18, 2015

SUBJECT: Mayor's Report for Ordinance 2015-24, Establishing the Central Peninsula Economic Development Service Area

Assembly member Kelly Wolf introduced Ordinance 2015-24 on July 28, 2015, pursuant to KPB 16.04.070. This proposed service area was not initiated by a petition process. However, a participant at the public hearing held on August 13, 2015 stated that a group of borough residents against annexation brought the idea to Mr. Wolf and requested that he pursue it. Mr. Wolf has stated that the purpose of the service area would be to "empower residents," "give people a voice," and increase the community's opportunity to be involved in development decisions.

When a service area is formed using the petition process the borough code requires the administration to submit a report to the assembly providing the proposed boundaries, describing the need for, and estimated cost of, the service area, the total assessed valuation within the area proposed, and the population of the area. Although this service area is proposed without using the petition process, following is a report to provide information for the assembly's consideration.

1. Boundary.

The proposed boundary is shown on the attached Exhibit A. The proposed service area includes a large portion of District 1, primarily the Kalifornsky Beach ("K-Beach") area from approximately milepost 20 to milepost 11 of K-Beach Road, and the Ridgeway area from Knight Drive until just south of Strawberry Road.

2. Need for Service Area.

At this time, no specific services have been identified by the sponsor or the community members who participated in the public hearing that would be different from, or at a higher level than, the economic development services provided on a nonarea-wide basis under KPB Title 19, Business and Economic Development.

Mr. Wolf noted that the K-Beach economic corridor is growing, and may be impacted by the proposed Alaska LNG project. However, no specific needs for services regarding this potential development have been identified.

A variety of businesses are currently active in the proposed service area and development has been occurring. According to the 2015 Kenai Peninsula Situations and Prospects, between 2010 and 2015, ten percent of land sales in the borough were in the Kalifornsky Census Designated Place ("CDP").¹ That same report indicates 15 percent of all construction, including residential and commercial/industrial, in the borough occurred in the Kalifornsky CDP. Of that, roughly 45 percent was for commercial/industrial purposes and the remainder for residential purposes.²

However, as it is not clear what new and different economic development services will be provided by the service area, it is difficult to determine the need for them.

3. Estimated Cost of Service Area.

Predicting the cost of this service area would be entirely speculative at this point, as there are many unknown variables. Because the scope of the services to be provided by the service area has not been identified, it is impossible to determine what costs might be incurred.

The only known cost of the service area is the cost of the special election that will be required if the assembly approves Ordinance 2015-24. The clerk has made a conservative estimate of \$10,000 for the special election, which will likely be by mail. (All special elections in the clerk's recollection have been by mail.) If the voters approve the service area, this cost would be paid back by the service area. If the voters do not approve the service area, the cost of the special election will be paid from the General Fund.

4. Total Assessed Valuation.

The assessing department provided information on current taxable assessed values and estimated tax revenue for the area within the proposed boundaries. The assessed value based on Certified Values for Tax Year 2015 is \$559,939,400. The anticipated annual revenue generated by a mil rate of 0.01 is estimated to be \$5,599.39.

5. Population.

According to the GIS division of the Planning Department, the 2015 population of the proposed service area is estimated to be 6,182 people.

Community	Population in 2010	Current Population
North Portion of Kalifornsky Community	4555	5392
Southwest Corner of Ridgeway	772	790
Total	5327	6182

¹ Kenai Peninsula Economic Development District 2015 Kenai Peninsula Situations & Prospects, p. 23. The Kalifornsky CDP includes a large part of the proposed area but is not identical to it.

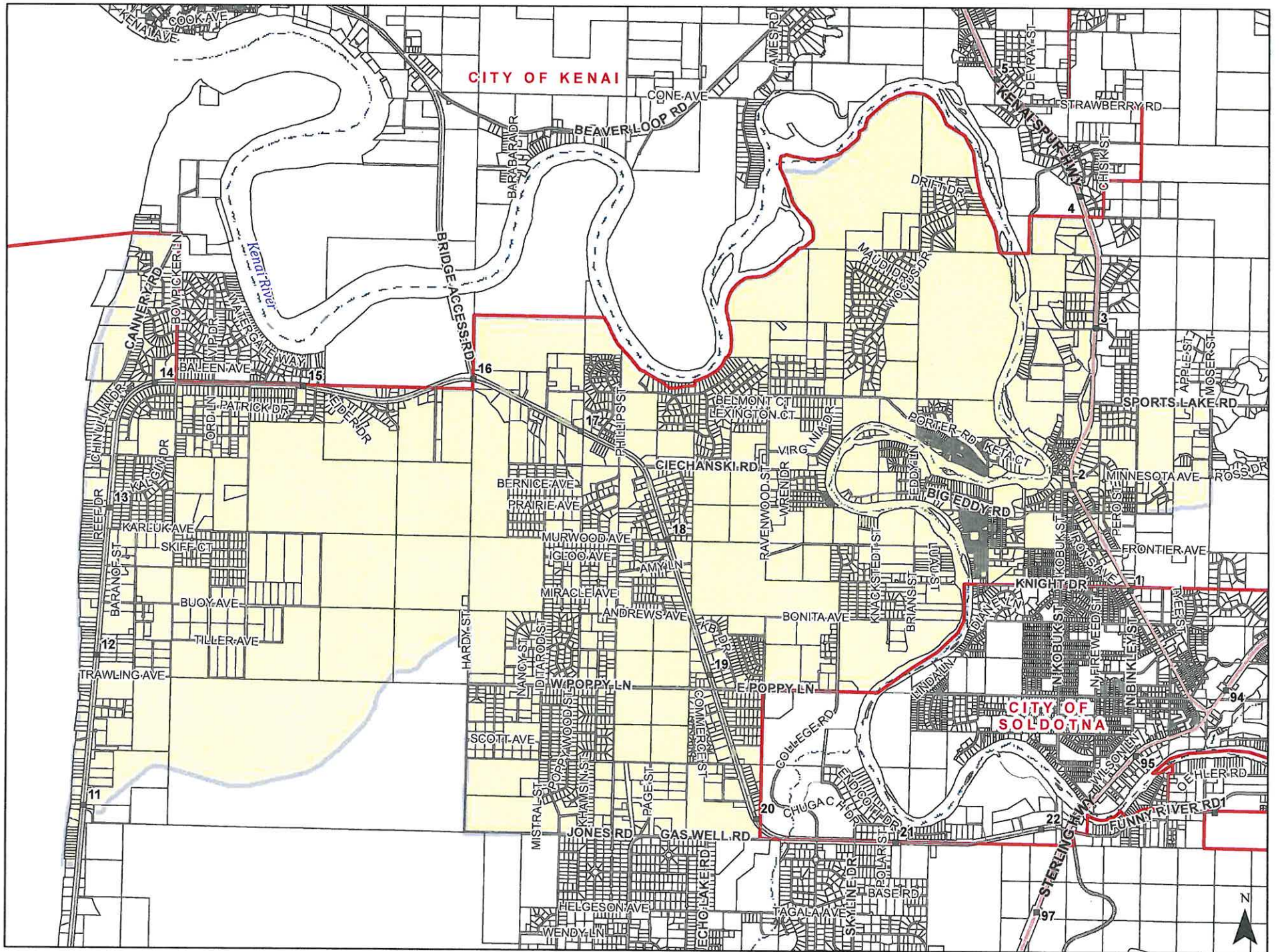
² 2015 Situation & Prospects, p. 24.

6. Miscellaneous.

During the community meeting held August 13, 2015, there were a number of comments made that reflect some misunderstandings about this service area. Following briefly addresses these comments:

- a. Nearly all of the residents who spoke in favor of the service area appeared to believe that the service area could impede or halt any effort by the City of Soldotna to annex land within the service area boundaries. However, the service area is unlikely to create an impediment to any annexation effort, as this type of service area may be altered or abolished by ordinance. Therefore voter approval would not be required to delete any portion of the service area that may be annexed by a city.³
- b. Some residents appeared to think that this service area could provide an avenue for flood relief relative to the 2013/2014 flooding that impacted the west K-Beach area. It should be noted that any efforts to use the service area to address flood relief, or any other issue, must be linked to the economic development purpose of the service area.
- c. As a general matter, there seems to be some confusion regarding the purpose of the service area, and what it can accomplish. There was some misperception that the service area board would be able to determine the purpose of the service area after it is formed.
- d. The sponsor has stated that the borough can make loans to the service area, for example, to pay for the installation of culverts. While the borough can make loans to service areas, this practice is rare. Such loans must be approved by the assembly by ordinance, and the project must be within the power of the service area to provide.

³ Local Boundary Commission regulations provide that territory may not be annexed to a city if essential municipal services can be provided more efficiently through a borough service area that, in the determination of the commission, was established in accordance with article X, section 5 of the Alaska Constitution. 3 AAC 110.090(b). However, this service area does not purport to provide all essential municipal services, only economic development services.



PROPOSED CENTRAL PENINSULA ECONOMIC DEVELOPMENT SERVICE AREA

Exhibit A