



## **KENAI PENINSULA BOROUGH**

*Legal Department*

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441, Ext. 2120

**PHONE:** (907) 714-2120 • **FAX:** (907) 262-8686

www.borough.kenai.ak.us

**DAVE CAREY  
BOROUGH MAYOR**

### **MEMORANDUM**

**TO:** Milli Martin, Assembly President  
Members, Kenai Peninsula Borough Assembly

**FROM:** Scott Bloom,<sup>SB</sup> Assistant Borough Attorney

**DATE:** January 22, 2009

**SUBJECT:** Information on Methods of Determining How Costs Will be Allocated Amongst  
USAD Properties.

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#### **QUESTION PRESENTED:**

What methods of assessment are available to determine how cost will be allocated amongst  
USAD properties?

#### **BRIEF ANSWER:**

Currently KPB 5.35.090 provides that the assessor may assess lots in a USAD either equally or  
in proportion to the assessed property values for land. Other methods of assessment may be used  
that bear a proportional relationship to the benefit received. Examples include allocation of cost  
on a frontage basis, on a lot size basis, or providing for a distinction between subdividable versus  
unsubdividable properties.<sup>1</sup>

#### **DISCUSSION**

Any method of assessment may be used for USADs that bears a proportional relationship to the  
benefit received. Currently KPB 5.35.090 restricts the borough to two methods of assessment,  
equal allocation on a per lot basis, or on a land value basis. It is certainly arguable that neither  
method is absolutely fair in all circumstances. The ability to match a method of assessment with

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<sup>1</sup> Other municipalities make a distinction between various types of zoning which is not necessarily applicable in a  
broad sense to Borough projects.

a project becomes increasingly difficult when there is a greater disparity within a project among lot sizes, values, and uses.

Typically, the borough utilizes a method based on equal allocation. The theory behind this is that each lot receives the benefit of one connection regardless of its size or value. At least for the utility provider Enstar, any additional connections must be paid for separately, either to the project through Enstar's tariff within the first three years, or separately to Enstar after that time. Other providers may have differing approaches to capturing future connections. Arguments can be made that this method is not proportional as some parcels may be of greatly disproportionate size and amenable to more than one hookup either in connection with a future subdivision or not,<sup>2</sup> while the small size of some lots may preclude any reasonable use for more than one connection to the main line.

An assessment method based on land value also presents potential unfairness. For example, within the K-Beach USAD, access to the main line was proposed to be provided to lots on the Kasilof River with proportionally high land values as well as lots off the river with low land values. If an assessment were based on a land value, a one-acre lot on the river would have had to pay approximately \$10,000 while a one-acre lot not fronting the river would have only had to pay closer to \$1,000. This method does not account for any improvement values. It is arguably unfair that households on the river would have to pay close to ten times the amount as an equal size lot not on the river for the same benefit, access to natural gas. This method may be better, however, in a situation where all lots within a proposed USAD have a more equal square foot value and the method more accurately reflects potential for increased use of the main line.

Other municipalities utilize a front foot basis. This method bases the assessment on the amount of property footage fronting the main line. As with other methods, it has its strengths and weaknesses. Disparate parcel shapes, homesteads, or agricultural lands could affect the propriety of using this method.

Another method used is an assessment based on square footage or lot size, as opposed to lot value. While this would address the concerns described above with an assessment method based on land value, it is also subject to question when large parcels such as homesteads or agricultural land is subject to the USAD and a larger parcel may not be proportional to the benefit received as compared to smaller parcels.

The City of Kenai distinguishes between subdivided and unsubdivided parcels. Costs are allocated on a square foot basis extending one lot deep in subdivided areas, and up to 150 deep in unsubdivided residential areas. An additional distinction is made on commercial and industrial areas, which is arguably not applicable to the Borough. This may be a way to account for the potential of future subdivisions and related additional connections; however, it again may be less fair to large homesteads and agricultural lands which one would reasonably expect to be more common outside city limits.

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<sup>2</sup> With a larger lot, it is reasonably more likely that there is the possibility for multiple structures, commercial or residential, that have the capacity to utilize natural gas.

Each method of assessment has its advantages and disadvantages given the circumstances. Greater uniformity of lot sizes, uses, and values simplifies the task of matching an assessment method with the benefit to be received. A broad approach requiring an allocation based on the benefit received without a definition of a particular method might allow the best possible match, but could also lead to greater disagreement.