

MEMORANDUM

March 10, 2017

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Eleni Kounalakis
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational Presentation regarding Recology's proposed integrated Materials Recovery Facility (iMRF) at Pier 96

DIRECTOR'S RECOMMENDATION: Information Only; No Action Required

EXECUTIVE SUMMARY

Recology San Francisco (Recology) is seeking to construct and operate a new integrated material recovery facility (*iMRF*) at Pier 96, in the Port of San Francisco's Piers 80-96 Maritime Eco-Industrial Center (Maritime Eco-Industrial Center). The iMRF would serve the City and County of San Francisco by separating recyclable materials from construction and demolition (C&D) debris and material that the public, commercial customers and San Francisco Public Works delivers.

The Port defines the Maritime Eco-Industrial Center as an area that co-locates maritime and industrial uses at market rents to enable product exchange, optimize use of resources, incorporate green design and green technologies on-site, foster resource recovery and reuse, and provide economic opportunities that employ local residents, minimize environmental impacts and incorporate public open space for enjoyment and habitat.

Recology currently operates Recycle Central at Pier 96 under Lease L-12540, an operation that sorts the City's blue bin and office paper recycling and generates baled recyclable paper and material commodities for recycling markets that is trucked to the Port of Oakland and shipped overseas. Recology also operates a concrete crushing operation on five acres of undeveloped land in the Port's nearby Pier 94 Backlands

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under Lease L-14705. This operation accepts recyclable concrete from neighboring concrete batching tenants and the public, and produces recycled aggregate and sand for resale to the Port's concrete batching tenants who then use this material in recycled non-structural concrete products¹.

This staff report describes Recology's proposal to develop a \$70 million iMRF adjacent to Pier 96 to process C&D materials and meet the City's zero waste objectives. As further described in this report, the proposed *iMRF* is a critical part of the City's strategy to progressing toward zero waste by 2020. The proposed use also meets the goals of the Port's Piers 80-96 Maritime Eco-Industrial Strategy and would generate jobs, produce Port revenue, and deliver public benefits to the community.

This report also includes a discussion of planned public outreach and engagement regarding the proposed facility, along with staff's recommended next steps to analyze this opportunity.

STRATEGIC PLAN

Recology's proposed *iMRF* meets the following Port Commission Strategic Plan goals:

Renewal: Create a Maritime Eco-Industrial Strategy for southern waterfront lands from Pier 80 to Pier 96 to maintain a core area for maritime cargo and industrial uses to create jobs and Port revenue with uses that are designed and managed compatibly with the Blue Greenway open space network.

Sustainability: Limit climate change and employ strong environmental stewardship principles through implementation of Port-wide practices that protect the environment and promote ecological balance.

Livability: Promote living wage jobs at Port businesses, increase the proportion of funds spent by the Port with local business enterprises (LBEs) and micro-LBEs and meet mandates for Local Hire in all current and future construction projects.

Resiliency: Improve the Port's resiliency to earthquake and the impacts of climate change, including sea level rise.

Stability: Retain a diversified tenant base that will perform through economic cycles.

BACKGROUND

The majority of Recology's processing facilities serving San Francisco are located at Tunnel Road on Recology-owned land that straddles the border of San Francisco and Brisbane at 501 Tunnel Avenue. Recology's Transfer Station at 501 Tunnel Avenue is permitted to receive up to 5,000 tons per day and performs the following functions:

¹ There are piles of crushed material in this area generated by a predecessor operation and the current Sustainable Crushing operation that Port staff intends to use as part of the Backlands Improvement Project and that Recology is marketing to current users in the market.

- Receiving municipal solid waste (MSW) from City collection routes and shipping this material to landfill;
- Receiving commercial and residential compostables and shipping this material to composting facilities;
- Receiving C&D material collected within San Francisco or self-hauled to the facility and sorting this material into separate streams of recyclable material (wood, metals, inerts, etc.).

Recology collects materials from businesses and residents in San Francisco with a source separation collection system. In the residential sector, this system is referred to as the Fantastic Three, consisting of blue bins for recyclable materials, green bins for compostables, and black bins for trash. 501 Tunnel Avenue receives and processes materials from black and green bins.

The Pier 96 Recycle Central operation is permitted to receive up to 2,100 tons per day and has a 840 maximum vehicle trips per day limitation. The facility receives source separated recyclables from the general public and sorts recyclable materials (office paper, cardboard, beverage containers, metal and wood) from commercial office routes and the City's blue bins. The facility employs 175 employees and currently receives 400 truck trips per day.

Recology has established an outstanding record of hiring from the 94107, 94124 and 94134 zip codes for positions at Recycle Central, consistent with the Port's Southern Waterfront Beautification Policy. Recology has hired 161 employees from these neighborhoods. These are well-paid entry-level positions in a union-represented company that provides promotive opportunities to employees.

CITY ZERO WASTE GOAL

By Resolution 679-02, the Board of Supervisors adopted a goal of 75% landfill diversion by 2010 and a longer term goal of zero waste, and delegated to the Commission on the Environment (Environment Commission) the power to establish a date for the goal of zero waste. The Environment Commission has adopted a Zero Waste goal of diverting 100% of materials from landfill by 2020. The City met its' 2010 diversion goal by achieving 80% diversion, among the highest in the nation. According to both Recology and staff at the City's Department of the Environment (SF Environment), existing Recology facilities do not have the sorting capacity to reach the Zero Waste goal, so new facilities are needed to make further progress toward the goal.

According to Recology and staff at SF Environment, Recology's current processing capacities at 501 Tunnel Avenue are not adequate to meet current and growing demands. Constructed in 2003, the existing 46,000 square foot *iMRF* facility was designed to process only 400 tons per day and largely depends on antiquated technology and manual sorting. Because C&D debris is heavy and represents a significant volume of the waste stream, recovery of this material has the potential for additional diversion.

Recology is proposing to construct a new *iMRF* facility with upgraded equipment and relocate this recycling operation to Port property. Recology's proposal calls for a 110,000 square foot facility in an enclosed building with mechanical sorting equipment. The new *iMRF* building would be adjacent to Recology's existing Recycle Central facility at Pier 96, and would share certain ancillary features such as truck scales. The facility is expected to be capable of processing 1,000 tons per day and diverting 70 percent of delivered material as compared to the current rate of about 50 percent.

Relocation of the *iMRF* to Pier 96 will free up 46,000 square feet of space at Recology's 501 Tunnel Avenue location for other use. Recology proposes to repurpose this space for trash processing to capture additional organics and recyclables from the trash (black bin) stream to advance the City toward its goal of zero waste.

Recology's long-term goal is to build a consolidated Zero Waste Facility at 501 Tunnel Avenue capable of receiving and processing all of the City's recycling streams, and to eventually close its current and planned facilities at the Port.

PROPOSED iMRF AT PIER 96

Recology is proposing to construct and operate an *iMRF* at Pier 96 that would operate up to seven days per week, using an innovative dual stream design to accommodate up to 1,000 tons per day of C&D material. The total proposed investment in the site is projected to be \$50 million under Recology's proposal for site improvements and construction of new industrial buildings and an additional \$20 million for recycling processing equipment.

The proposed project would expand Recology's existing leased boundary by an additional 7.5 acres, for a total of 12.5 acres, or 150% increase in space. Recology proposes an amendment to or restatement of Lease L-12540 for Pier 96 to add this additional space. The two facilities would be included in the same leased boundary and share ancillary features such as internal roadways and scales.

Transportation

Access to the *iMRF* would be via 3rd Street. Recology trucks carrying debris boxes of C&D material from various locations throughout San Francisco would take 3rd Street to Cargo Way and proceed up Amador Street or Jennings Street to the facility entrance. Long haul trucks carrying Public Reuse and Recycling Area (PRRA) material from Recology's 501 Tunnel Avenue location would also utilize these roadways. Trucks carrying inbound material would proceed to the main scale for initial weighing. Once weighing is complete, trucks would proceed to the tipping area.

Recology estimates that the facility would receive approximately 200 to 300 truck trips per day at existing C&D generation levels,. At the same time, Recology is planning changes to its truck configuration and routes that would reduce the number of truck trips

to the Recycle Central facility² and would result in approximately the same number of total truck trips to the combined operations as occurs today. All of Recology's C&D trucks and MRF equipment meet or exceed all California Air Resources Board requirements and are fueled with renewable diesel, the same fuel utilized by the City's fleet.

Improvements

The proposed project includes the following components:

Site Work

Site work would include improvements to existing paving, installation of new scales and scale house, painting of new roadway lanes and parking lot stripping, and installation of storm water collection and treatment facilities.

***i*MRF Facility**

The proposed project would include construction and operation of a 110,000 square foot *i*MRF building and installation of new sorting equipment for improved processing of C&D debris and other materials. See Exhibit 1 for a rendering of the proposed facility.

Trucks carrying C&D and PRRA material would proceed east from the scale house on internal roadways and turn right into the northeastern entrance of the *i*MRF building. After unloading onto the *i*MRF tip floor, trucks would exit through the same northeastern corner. From the tip floor, material would be fed by an excavator to the processing lines' infeed systems. From there the material would flow via conveyors through a series of screens, shredders, air separation systems, manual and optical sorting, magnets and other equipment to separate various recyclable materials from the inbound

² Currently, Recology operates trucks that collect blue bins (recyclable materials) and black bins (trash) in two separate compartments. These trucks travel to Recycle Central to empty the contents of their recycling compartments for processing, and then travel to 501 Tunnel Avenue to tip their trash compartments.

Plans presented by Recology in the current refuse and recycling rate application to the Director of Public Works (see Refuse and Recycling Rates below) are to make the following changes:

1. Expand the size of blue bins and decrease the size of black bins offered to homeowners and businesses;
2. Reconfigure recycling collection vehicles with a single compartment for blue bin material and operate these trucks on routes with trips to Recycle Central at Pier 96 only (eliminating trips to 500 Tunnel Avenue);
3. Reconfigure composting and trash collection vehicles with two compartments for green bin material and black bin material and operate these trucks on routes with trips only to 501 Tunnel Avenue.

The net result of these changes will be to reduce the number of truck trips to Recycle Central by approximately one half, and substantially reduce the amount of vehicle miles travelled (VMTs) along Highway 101 and Interstate I-280.

material. Recyclable materials would be hauled off-site for beneficial reuse or additional processing and residual trash would be brought to a permitted disposal facility.

Administrative Building

The proposed project would include construction of a two story building approximately 15,600 square feet in size adjacent to the *iMRF*, and would be used for administrative purposes.

Retrofit of Existing Structure (Future Maintenance & Repair)

The proposed project would include retrofitting an existing structure into a Maintenance and Repair (M&R) shop for Recology equipment.

Demolition of Existing Structure

The proposed project would include demolition of a small existing structure, currently located in Recycle Central's parking area, which has offices and restroom facilities for Recology employees.

Other Site Improvements

Other site improvements would include:

- Landscaping to provide stormwater benefits and beautification;
- Various parking areas for employees and visitors around the site; and
- Bin storage area.

Rail Relocation

The proposed project would involve relocation of a rail spur serving Pier 96 to preserve and improve rail access to Pier 96, consistent with existing Port plans for loop track to serve the Pier 94-96 cargo terminals and deep water berths.

TENANT RELOCATION

There are a number of existing, valued tenants in the proposed lease area, which would be relocated, primarily to Pier 94. Shallow draft maritime berthing can continue in this area. All of the tenant uses in this area can be readily relocated to Pier 94 or other Port sites.

MARITIME ECO-INDUSTRIAL PARK SETTING

Pier 96 is located at the east end of Cargo Way in the Piers 80-96 Maritime Eco-Industrial Park. The project site is an approximately 7 acre area, along the southern edge of Pier 96 (Assessor's Block 9900, Lot 96), adjacent to Bay waters separating the site from Heron's Head Park to the south. Nearby industrial land uses include the marine terminal at Pier 94-96 north of the site and associated freight rail along Cargo Way, Hanson Aggregates, Darling International Inc., Central Concrete, and Sustainable Crushing. Nearby recreational land uses include Heron's Head Park and India Basin Shoreline Park.

The site is zoned M2, heavy industrial, 40-X. The proposed use is consistent with existing zoning.

Port staff will analyze the proposed use in light of Waterfront Land Use Plan (Waterfront Plan) policies for interim use of Port properties south of China Basin Channel, which permit interim uses up to 10 years, with exceptions for 20-30 years if necessary to amortize investment, as shown in Exhibit 2.

The Pier 96 area was initially filled and completed in 1972 as a Lighter Aboard Shipping (LASH) terminal. The Waterfront Plan Introduction states:

“In 1969, the Port sold \$20 million in bonds to finance the first LASH (lighter aboard ship) terminal on the West Coast at Pier 96 and improvements to break-bulk piers. Unfortunately, LASH technology proved to be an ineffective competitor to containerization.”

The area west of Pier 96 proposed for this project is a shallow area that cannot be accessed by deep draft vessels. The proposed lease would maintain non-exclusive shallow draft berthing in this area.

The proposed Project furthers the following goals of the Piers 80-96 Maritime Eco-Industrial Park Strategy developed by Port staff:

- Market Port terminals for ocean-borne cargoes and adjacent lands for business activities that foster synergies with industries in the Maritime Eco-Industrial Center; and promote resource recovery, reuse and exchange, including with nearby Port tenants;
- Provide economic development opportunities for local and minority businesses and residents within the community;
- Conduct Port and Port tenant operations in a manner that minimizes impacts or improves environmental Conditions in the area;
- Provide public realm and open space improvements and complete the Blue Greenway projects; and
- Invest in and improve transportation access to the site.

PROPOSED LEASE TERMS

Recology proposes to expand its lease at Pier 96 to occupy the area west of the current Pier 96 shed. Under the lease, Recology would build a new 110,000 square foot shed, 15,600 square foot administrative building and make other site improvements, including paving and improvements to the Pier 96 M&R building (Project). Increased annual rent to the Port from the expanded lease based on the Port Commission-approved parameter rents for the area would be approximately \$1.7 million, with some possible rent credits for Port Commission-approved improvements that would provide value to

the Port beyond the term of the lease. The cost of the proposed Project and the proposed rent credits would trigger fiscal feasibility analysis of the proposed Project under Chapter 29 of the San Francisco Administrative Code.

The lease would be a 12 year lease, with two five year options. Since the proposed use is not a maritime use and the lease exceeds 10 years and \$1 million in revenues, Board of Supervisors approval would be required under Charter Section 9.118. The lease would also include other standard Port provisions including compliance with the Southern Waterfront Beautification Policy, first source hiring and other City requirements. The parties would devise a plan to address sea level rise and current flood risk, which could include improvements to the aging Pier 96 Seawall.

PRELIMINARY PUBLIC TRUST ANALYSIS

The proposed site, while adjacent to water, cannot be used for deep draft cargo shipping purposes (in contrast to the Pier 96 berths). Water to the south of Pier 96 is shallow; only vessels such as barges can navigate in this area.

The proposed use is consistent with the industrial uses in the Eco-Industrial Center and with the character of the historic industrial use of this area of the waterfront. As described above, the lease would include non-exclusive access to the Pier 96 stringer for Recology and permit continued berthing of shallow-draft vessel berthing by Port maritime tenants.

In order to amortize Recology's proposed investment in the site totaling \$50 million, the term of the new, amended or restated lease would be 12 years, with two five year options, under the 30 year interim leasing limit for the Southern Waterfront in the Port's Waterfront Land Use Plan. The Port has not identified any foreseeable need for the site for other public trust uses during the term and option periods.

The proposed transaction would generate lease revenues to the Harbor Fund at market rent and promote multiple Port policy objectives that further the purposes of the public trust and the Burton Act and are in the public interest. The project would also preserve and improve rail access to Pier 96, and would make improvements to the project site, including stormwater and paving improvements. Port staff would consult with the California State Lands Commission and the Bay Conservation and Development Commission to ensure that the lease complies with the Burton Act and the McAteer-Petris Act.

RESILIENCY

The Piers 80-96 Maritime Eco-Industrial Strategy prepared by Port staff states:

“Emergency Response

Because of the unique conditions and location of the Pier 80-96 area, the Port's Backlands area has been designated a site to support disaster response. The large areas of open land in the Backlands, adjacency to Sustainable Crushing for crushing services, and access to waterborne goods movement and freight rail access make this

location ideal should there be a need to stockpile and process debris for export out of the City.”

The co-location of C&D Recycling to this area will allow San Francisco to better process and recover from a large seismic event that generates significant debris.

The Piers 80-96 Maritime Eco-Industrial Strategy can be found on the Port’s web site at:

http://sfport.com/sites/default/files/032216_Piers%2080-96%20Strategy.pdf

COMMUNITY OUTREACH

Port staff suggests a robust public outreach program to vet and receive input on the proposal, including the following groups and elected officials:

- Southern Waterfront Advisory Committee
- Maritime Commerce Advisory Committee
- India Basin Neighborhood Association
- Eco-Center meeting, including Bay Institute, Audubon Society and other Heron’s Head Park advocates
- Board of Supervisors President London Breed and District 10 Supervisor Malia Cohen

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) AND PERMITTING

The proposed use would require study under CEQA and the following permits:

- Port of San Francisco Grading and Building Permits
- San Francisco Department of Public Health Site Assessment and Remediation Program: Maher Ordinance Permit
- Solid Waste Facility Permit, issued by CalRecycle and implemented by the San Francisco City and County Department of Public Health (Local Enforcement Agency)
- Authority to Construct and Permit to Operate, issued by Bay Area Air Quality Management District
- Notice of Intent to the State Water Resources Control Board for Storm Water Discharges Associated with Construction Activities
- San Francisco Bay Conservation and Development Commission (BCDC): Permit

REFUSE AND RECYCLING RATES

Recology has submitted a rate application to the Director of Public Works. Director's hearings on the rate application have commenced, subject to public review and comment. Recology has proposed that the proposed lease and related construction costs would be funded through a contingent rate schedule, subject to Director approval.

For more information about the proposed rates, please see:

<http://sfpublicworks.org/refuserates>

NEXT STEPS

Staff recommends the following next steps, subject to further direction from the Port Commission:

- In conjunction with Recology staff, implement the proposed public outreach program, including outreach to existing Port tenants in the area, and report the results of this effort back to the Port Commission;
- If directed by the Port Commission:
 - develop a public trust and Waterfront Plan analysis of the proposed use of the subject site;
 - consult with the California State Lands Commission and Bay Conservation and Development Commission;
 - negotiate an Exclusive Negotiating Agreement and a Term Sheet;
 - seek Port Commission and Board of Supervisors endorsement of a Term Sheet and fiscal feasibility analysis of the proposed Project under Chapter 29 of the San Francisco Administrative Code; and
 - file an environmental evaluation application with the San Francisco Planning Department.

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Exhibits

A: *iMRF* Conceptual Design

B: Waterfront Land Use Plan Policies for Interim Leasing in the Southern Waterfront

**Exhibit A:
Pier 96 iMRF Concept Design**

Figure 1: Pier 96 Looking East (JRMA Architects, DEdwards, Inc.)



Figure 2: Pier 96 Looking West (JRMA Architects, DEdwards, Inc.)



Exhibit 2:
**General Policies for Areas South of China Basin Channel Including Sites Within
BCDC/MTC Bay Area Regional Seaport Plan Area**

- 8.** Permit interim uses generally for periods of one to ten years, with exceptions for twenty to thirty years as needed to make productive economic use of the property, by:
 - a.** Permitting interim uses on sites that are not necessarily maritime-related, as a means of supporting maritime industries suffering temporary decline.
 - b.** Encouraging interim uses, such as general warehousing and distribution operations, that can use existing facilities, thereby preserving those facilities for ultimate re-use for maritime purposes.
 - c.** Encouraging interim uses which can use raw land with a minimal level of improvement to the property, such as bus or truck storage or other open air uses. Screen such uses from view, where necessary, if adjacent to residential or commercial districts.
 - d.** Permitting construction of new facilities with a sufficiently long lease term to allow amortization of the improvements for long-term interim uses which are not necessarily maritime-related uses. Before allowing long-term interim uses, establish procedures for determining that sites can be encumbered without undermining the Port's future maritime business opportunities.
- 9.** Where appropriate, leases for longer term interim uses could include an amortization schedule with a buy out provision so that permanent uses can be developed as soon as feasible. The Port, as a public agency, has the power of condemnation, and can always recover its property for a public purpose.
- 10.** Maintain existing City zoning designation of M-1 or M-2 ("Light Industry" and "Heavy Industry," respectively, which permit a full range of commercial, industrial and manufacturing uses) to permit a broad range of productive uses.
- 11.** Provide affirmative action to maximize opportunities for minority and women-owned businesses to participate in waterfront business enterprises.
- 12.** Ensure compatibility of interim uses with current and anticipated future uses of adjacent non-Port areas by:

- a.** Limiting interim uses on Port property between Pier 52 and Pier 66 to terms of one to ten years, unless the uses would be compatible with uses planned for adjacent and nearby property approved in the *Mission Bay Redevelopment Plans*, as may be amended from time to time.
- b.** Complying with all existing environmental regulations (e.g. restrictions on noise, emissions, and transportation congestion) in order to avoid significant public health, safety and other impacts of industrial activities.
- c.** Avoiding interim uses that significantly contradict the overall goals and objectives of the Waterfront Land Use Plan.