



## MEMORANDUM

July 8, 2022

**TO:** MEMBERS, PORT COMMISSION  
Hon. Willie Adams, President  
Hon. Kimberly Brandon, Vice President  
Hon. John Burton  
Hon. Gail Gilman

**FROM:** Elaine Forbes   
Executive Director

**SUBJECT:** Informational Presentation on the Port's Maritime Portfolio

**DIRECTOR'S RECOMMENDATION:** Information Only – No Action Required

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### **Executive Summary**

The Port of San Francisco is one of the most diverse ports in the country. The diversity of maritime industries along the San Francisco waterfront is unique; few other places in the world host the array of shipping, industrial, passenger, and recreational maritime activities all in one place. The Port of San Francisco's 7½-mile waterfront is home to cruise and cargo shipping; ferries, excursion boats, and water taxis; tugs, barges, and harbor services; commercial fishing and recreational marinas; lay-berthing and railroad service. This staff report describes the Port's maritime portfolio and details aspects of the Port's Strategic Plan that improve and enhance the Port's maritime assets and operations.

### **Cruise Operations**

The Port San Francisco waterfront is an international tourist destination, home to the only passenger cruise terminals in the Bay area, located at Pier 27 and Pier 35 near some of the city's most scenic landmarks and famous tourist destinations. Pier 27 is the Port's modernized cruise terminal where most cruise calls to San Francisco berth. Pier 35 is the Port's historic cruise terminal, currently used as a secondary facility with the capacity to berth two vessels simultaneously.

The cruise terminals are high-activity areas. The Port can accommodate up to three cruise ships simultaneously, and it is common for two ships to be in port on the same day. When the largest cruise ships dock, there can be over 6,000 passengers and crewmembers leaving, joining, or working on the vessel. In addition, there are approximately 300 longshore and terminal workers, plus 20 provisioning trucks and up to 1,200 busses and private vehicles picking up or dropping off passengers. Pre-pandemic, over 400,000 people per-year utilize the terminals for cruise and special events, with periodic spikes in on-site population of over 12,000 persons. San Francisco received 85 cruise ships and 280,000 passengers in 2019, over a total of 105 days in port. On days when there is no cruise ship in Port, both Piers 27 and 35 are marketed for both civic and corporate events, which supplements cruise ship revenues.

In 2020 the Port of San Francisco was scheduled to establish records in both ship calls (117) and passengers (380,000), with a total of 33 different ships operated by 16 cruise lines frequenting San Francisco. Nearly 60 percent of the calls were to be homeport sailings (where passengers disembark and embark) and 40 percent were planned transit calls (where passengers visit the city for sightseeing, dining, and shopping). However, due to the pandemic the 117 ship calls did not materialize as cruise lines voluntarily suspended operations in March of 2020. The subsequent Centers for Disease Control and Prevention (CDC) conditional no-sail order resulted in an 18-month pause in cruise activity for all US ports.

In the summer of 2021, Port staff, along with local authorities, worked closely with individual cruise lines to develop local agreements that establish strict guidelines and protocols for the safe resumption of cruise in October 2021. Protocols included in these agreements exceed CDC Covid-19 guidelines for cruise.

Since resuming cruise in October of 2021, the Port has hosted 69 cruise calls and approximately 148,420 passengers to date. In 2022, the Port is scheduled to establish a record in cruise ship calls, hosting 115 calls during the calendar year. The Port was also able to secure new business through its longstanding partnership with the Carnival Corporation, first-class operations by the Port's cruise terminal operator Metro Cruise, the International Longshore and Warehouse Union workforce and by promoting the numerous benefits of cruising in this region, including iconic attractions, unparalleled cuisine, boundary-breaking culture. diversity.

The safe return of cruise is an important milestone in the City and Port's economic recovery and the revitalization of the tourism and hospitality sectors. Each cruise call brings thousands of passengers and crew members to the city and waterfront that support small and family-owned businesses.

### **Cargo Operations**

Cargo shipping is a fundamental Port mission, an industry that gave rise to San Francisco's development as a major West Coast city. Today, cargo shipping occurs on roughly 180 acres within the Port's Maritime Eco-Industrial Center located on piers and upland properties between Pier 80 and Pier 96 at the Port's southern edge. Pier 80 is

used primarily for roll-on/roll-off auto exports, and Piers 92-94 are active dry bulk terminals. Berths at Pier 80 and Pier 96 are currently used for long-term layup of Maritime Administration (MARAD) Ready Reserve Fleet vessels. The Port's cargo terminals also see occasional use for large non-containerized (break-bulk) cargoes used for major infrastructure projects throughout the Bay Area.

The dry bulk terminals at Piers 92 - 94 primarily import raw materials used in the production of concrete to serve the construction industry in San Francisco and the greater Bay Area. Concrete-batch plants that utilize imported aggregate and sand materials are strategically located within the Pier 80-96 complex, significantly reducing truck trips for delivery of raw materials and employing best practices for environmentally sustainable stormwater runoff treatment and rainwater reuse. Dry bulk import volumes fluctuate with the construction industry. However, in 2021 dry-bulk volumes landed just shy of 1-million metric tons, which is consistent with previous years

The Port's cargo terminal operator at Pier 80 handled over 63,000 autos in 2021. The decline in volumes from the previous calendar year (100k autos) can be attributed to supply chain disruptions and semi-conductor shortages. However, the forecast is strong for the second half of 2022 and into 2023. Additionally, the Port and Pasha have engaged other cargo interest to further grow and diversify cargoes handled at Pier 80.

### **Pier 68 Shipyard**

Since taking control of the Shipyard operation in May 2019, staff immediately engaged in locating interim rent tenants for vacant office space, under-utilized shed and storage facilities, and available paved open space throughout the yard while reducing operating expenses by limiting utilities and services to isolated and underutilized areas and reducing staff. None of the interim rent agreements, of which there are currently four, required modification or a change of use, and each can be terminated in ninety days or less. Port staff has initiated discussion and is contemplating creative reuse of the 10-acre facility as a multi-purpose maritime complex that would incorporate multiple marine businesses involving heavy and light industrial uses true to the Public Trust principles. Staff has contacted over half a dozen entities such as barge operators, ship management companies, a marine exploration vessel builder, a maritime salvage company, and an excursion and small water transit vessel operator, as well as related educational institutions and training programs that can teach the skills required for a future career in maritime commerce.

As staff continues to identify a long-term maritime dependent tenant for the Shipyard, there have been multiple small scale short-term maritime leases executed at the facility including: Silverado Contractors, a short-term berthing agreement for the first hydrogen powered vessel, MV Sea Change, which is scheduled to operate on the San Francisco Bay, and a forthcoming short-term lease where the Port will host a Department of Energy (DOE) project demonstration of hydrogen fuel cell systems and hydrogen fueling infrastructure for commercial harbor craft. This project will support the DOE's goal of

reducing air pollutant and greenhouse gas emissions produced by commercial harbor craft.

### **Hyde Street Harbor/Fisherman's Wharf**

Fisherman's Wharf is home to San Francisco's historic fishing industry. Pier 45 is a focal point of activity, housing the largest concentration of fish processors of any Port in California. Long-line vessels that fish between the Wharf and Hawaii can deliver upward of \$1 million dollars in fish to a Pier 45 processor in a single landing. A significant amount of fish trading - crab, salmon, swordfish, herring, shrimp, squid, abalone, mackerel, halibut and sole – occurs right on Jefferson Street, in the very early morning hours before most tourists awake. The Fisherman's Wharf Harbor is home to over 160 commercial fishing vessels, between Hyde Street Harbor and the wharves and piers in the Inner and Outer Lagoon.

In 2021 the Port Commission approved a Retail Fish Sales pilot program permitting the sale of live crab directly from commercial fishing vessels at select locations at Fisherman's Wharf. The pilot program was widely popular and returned many local residents and attracted others from neighboring cities. Port staff intends to return before the Port Commission for consideration of permanent program permitting the sale of live crab from commercial fishing vessels.

The Port remains firmly committed to "keeping the fish in Fisherman's Wharf" although new challenges continue to occur. Environmental challenges to the fishing industry such as drought and climate change wreak havoc on the more lucrative crab, herring and salmon fisheries.. The Port continues to work closely with industry tenants to respond to these challenges. The continued presence of a healthy fishing industry is essential to meeting a huge local demand for seafood as well as maintaining the colorful ambiance and the economic well-being of Fisherman's Wharf.

### **Excursion/Water Transit**

The Bay Area's regional ferry system is centered at San Francisco's iconic and historic Ferry Building, with 10 water transportation berths including 6 newly built to accommodate sea level rise. The Downtown San Francisco Ferry Terminal currently accommodates six ferry routes serving more than 5 million passengers per year with approximately 130 ferry arrivals and departures daily. The Downtown Terminal is a connection point to ferry terminals in Vallejo, Larkspur, Sausalito, Tiburon, Treasure Island, Oakland, and Alameda. The Downtown Terminal site provides convenient access to the San Francisco Financial District and other transit connections located in Downtown San Francisco.

Water taxis are a popular form of transportation in many of the world's major cities, and San Francisco's industry is growing, with many viable locations for water taxi stops

along its shore. Currently, there are four water taxi landing sites on Port property, dispersed for easy access to public attractions along the waterfront.

In addition to along-the-water transportation, San Francisco provides berthing and landing facilities for a variety of water excursions, including: sightseeing tours, Bay voyages, and dinner cruises. Multiple tour operators call the San Francisco waterfront homeport, including: Alcatraz Cruises, Blue & Gold Fleet, Hornblower Cruises, and Red & White Fleet. The Port also has licenses in place for excursion operators, homeported at other Bay Area harbors and marinas, that seek to land at the Port's facilities.

While the pandemic brought ferry ridership to near zero in 2020, the current trends of 2022 show a rapid return by riders to the ferry system. Currently both legacy transit providers are seeing approximately 60% weekly ridership compared to pre-pandemic levels. Both SF Bay Ferry (WETA) and Golden Gate Ferry (GGF) have reported stronger ridership on the weekends compared to weekdays, as regional tourism seems to be returning faster than the commuting workforce.

### **Strategic Plan Update – Economic Growth**

As detailed in the Port's strategic plan update, Port staff identified the following objectives towards advancing the Port's maritime business portfolio to create an economically successful and vibrant water:

- **Cargo.** Maximize cargo opportunities at the deep-water cargo terminals.
  - Develop and implement a focused marketing strategy in collaboration with the Port's terminal operators to attract various types of cargoes.
  - Maintain cargo volumes within 20% of previous three-year throughput average.
  - Seek grant funding to improve aged terminal infrastructure.
- **Cruise.** Evaluate facilities to support the Port's expanding cruise business.
  - Collaborate with key stakeholders to identify and electrify a secondary cruise berth.
  - Identify capital improvements at Pier 27 to improve operational efficiencies.
  - Host ten cruise calls at Piers 30-32 in 2022
- **Pier 68 Shipyard.** Identify maritime opportunities for revitalizing select parcels at the Shipyard.
  - Create leasing opportunities that attract light maritime industrial uses.
  - Develop a leasing strategy for historic landside buildings.
  - Promote interim and long-term berthing at the facility.
- **Commercial Fishing Industry.** Preserve and enhance commercial fishing at Fisherman's Wharf and Hyde Street Harbor.
  - Maintain an annual berth occupancy rate of 80%.
  - Expand the retail fish sales policy by 2023.
  - Seek grant funding for harbor infrastructure improvements.
  - Identify capital improvements at Pier 45 to improve operational efficiencies.

- **Water Transportation.** Expand the Port's water transit system and promotion of water transit.
  - Identify strategic locations and partnerships that advance water transportation along the waterfront (ie. Pier 70 Development).
  - Continue to support regional system growth and identify opportunities for collaborative funding strategies.
  - Deploy marketing strategies that promote water transit along the waterfront.
  - Return ridership to pre-pandemic levels of over 5 million passenger annually by 2025.
  - Work to identify and attract new excursion operators to existing landing facilities.
  - Work with City Risk Management to review Insurance thresholds that have historically limited smaller operators from excursion business.
  - Continue to support alternate-fuel powered ferries to provide emission-free water transportation along the SF waterfront.
  - Seek to improve access to affordable water transportation options to communities adjacent to the Port

## **Equity**

As the Port continues to do the hard work of championing Racial Equity and the work towards an anti-racist society, I'd like to bring to the Commission's attention a great win for our local Port community. In 2021, the Port led an effort to promote a partnership between the Boys and Girls Club in District 10, the South Beach Yacht Club Youth Sailing Program at South Beach Harbor, and our Pier 80 Terminal Manager, Pasha Automotive Services (Pasha). This successful Port of San Francisco initiated partnership has led to full scholarships for two junior sailors from the Boys and Girls Club 2021. And staff is happy to report Pasha increased their sponsorship to three scholarships in 2022. Two students from 2021 are returning to the program and one new student will be joining the program in 2022. Staff is working to build upon this successful partnership by collaborating with other Port maritime tenants to promote access for all to the waterfront. As we see more success with these and other Port initiated partnerships, staff will bring them to the Port Commission's attention.

Port staff seeks comment, input, and guidance from the Port Commission regarding the strategic objectives for the Port's maritime portfolio. Port staff looks to incorporate the feedback from the Port Commission as staff works to execute the strategic objectives identified herein.

Prepared by: Andre Coleman  
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