



## MEMORANDUM

September 13, 2024

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Gail Gilman, Vice President  
Hon. Willie Adams  
Hon. Stephen Engblom  
Hon. Steven Lee

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Informational Presentation on the Port's Maritime Portfolio FY24.

**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 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.

### STRATEGIC PLAN

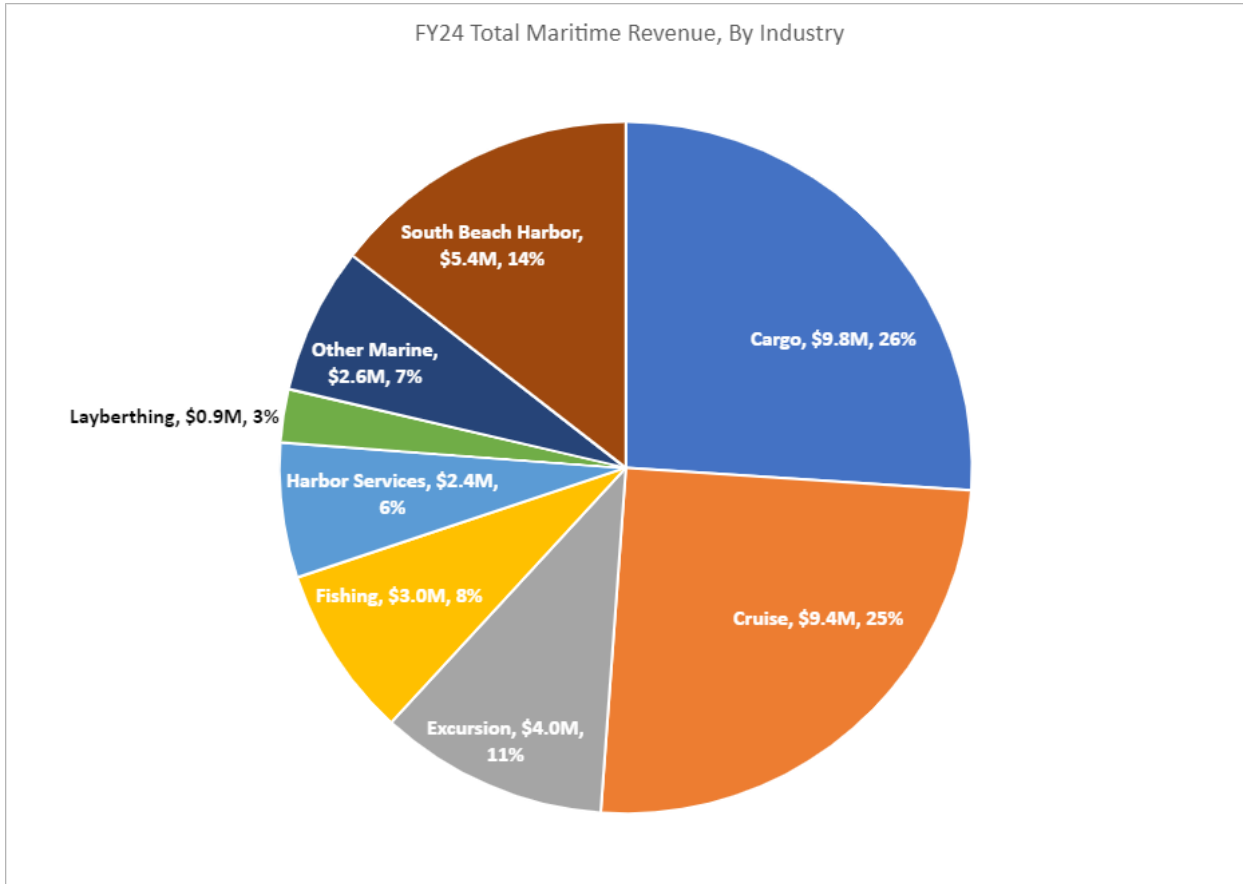
**Maritime Portfolio:** Advance the maritime business to increase revenue and activity:

- **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 cargo.
  - Grow cargo volumes within 10% of the previous three-year throughout average.
  - Seek grant funding for cargo terminal capital improvements.

**THIS PRINT COVERS CALENDAR ITEM NO. 14A**

- **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.
  
- **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.
  - Grow interim leasing revenues within 10% of the previous three-year average.
  
- **Commercial Fishing Industry** - Preserve and enhance commercial fishing at Fisherman's Wharf and Hyde Street Harbor:
  - Maintain an annual berth occupancy rate of 80%.
  - 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 that advance water transportation along the waterfront (e.g. Pier 70 Development).
  - Continue to support regional system growth and identify opportunities for collaborative funding strategies.
  - Collaborate with industry stakeholders to return ferry ridership to pre-pandemic levels of over 5 million passengers annually by 2025.

## BREAKDOWN OF TOTAL MARITIME REVENUE BY INDUSTRY FY24



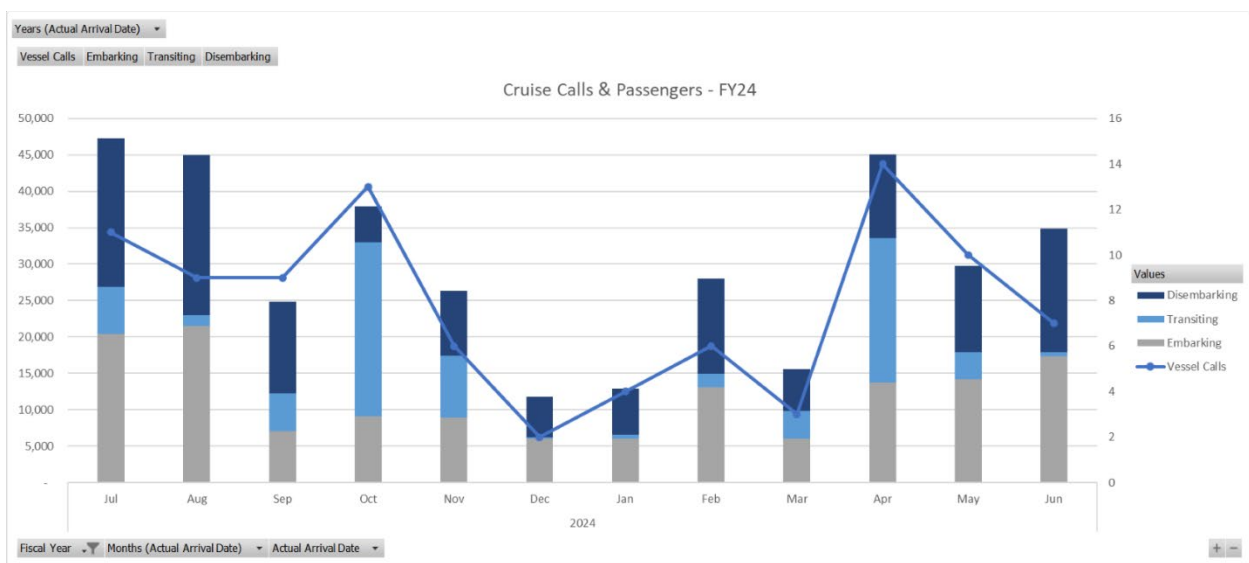
### CRUISE

The Port of San Francisco is a world-class international tourist destination, home to the only passenger cruise terminals in the San Francisco Bay Area. The James R. Herman (JRH) Cruise Terminal, located at Pier 27 in the heart of the Northeast Waterfront, is the Port's primary cruise facility. Now celebrating its 10th anniversary since construction, the JRH Cruise Terminal serves as the primary cruise facility for the Port's homeported vessels and hosts over 80% of all cruise activities at the Port of San Francisco. The Port's historic cruise terminal located at Pier 35, currently serves as a secondary berth for cruise vessels during the high season. Additionally, the Port maintains the capability to accommodate cruise vessels at Pier 30-32 & Pier 80. On days when there is no cruise ship in port, Piers 27 and 35 can be licensed for civic and special events, providing a supplemental revenue stream to the Port's maritime portfolio.

Averaging just over 100 cruise calls during the past two years, cruise operations at the Port of San Francisco continue to trend toward a strong post-pandemic recovery. While the Port can handle up to three cruise ships simultaneously, multi-ship bookings are generally limited to two ships in port simultaneously. When the largest cruise ships dock, there may be over 4,000 passengers, in addition to crewmembers, and longshore and terminal employees responsible for facilitating cruise operations.

This past fiscal year (FY24), the Port hosted 95 cruise calls and just under 365,000 passengers, generating approximately \$6.9M in cruise passenger revenue alone (passenger fee charge) to the Port. While this is slightly down from the 390,000 passengers during the prior year, long-term trends in the West Coast Cruise Market show positive indicators for California and San Francisco. The Port of San Francisco has seen both short-term and long-term trends which strongly signal that Passenger numbers are likely to continue growing for the near future. As part of a wider west-coast trend, passenger embarkations across California’s four cruise ports (Los Angeles, Long Beach, San Diego, and San Francisco) increased by 12 percent in 2019 and have continued to at similar levels post-pandemic. That wider west-coast growth is part of a more sustained trend in San Francisco, with total Passenger embarkations growing 63 percent from 2012, the most in the state during that period. These increases coincide with and reflect the investment the Port made in the James R Herman Memorial Terminal and the cruise business it has been able to attract and retain. The Port of San Francisco anticipates these macro-trends to continue, with passenger numbers continuing to increase alongside vessel bookings.

Looking ahead, a significant challenge for the Port is accommodating the growth in cruise activity while complying with the California Air Resources Board (CARB) requirements for “Ocean-Going Vessels.” Under the existing CARB regulations, all cruise vessels docking at the JRH Cruise Terminal must connect to shore power. If a vessel is neither equipped to connect to shore power nor is unable to connect to the Port’s system, it is assigned to berth at Pier 35 or Pier 30-32. These piers are permitted to handle 19 non-shore power connection calls per year under an exemption granted to the Port by CARB. This constraint makes berthing assignments challenging particularly during the Spring and Fall cruising season when multiple vessels are homeported in San Francisco with weekly arrivals and departures. To overcome these constraints, Port staff are actively analyzing options for a second electrified berth for homeport cruise operations, in addition to pursuing available grant funding.



## **CARGO**

Cargo shipping, a fundamental Port mission, is the industry that gave rise to San Francisco's development as a major West Coast city. Today, cargo shipping activity operates on approximately 180 acres within the Port's Maritime Eco-Industrial Center located on piers and upland properties that include Piers 80, 92, and 94.

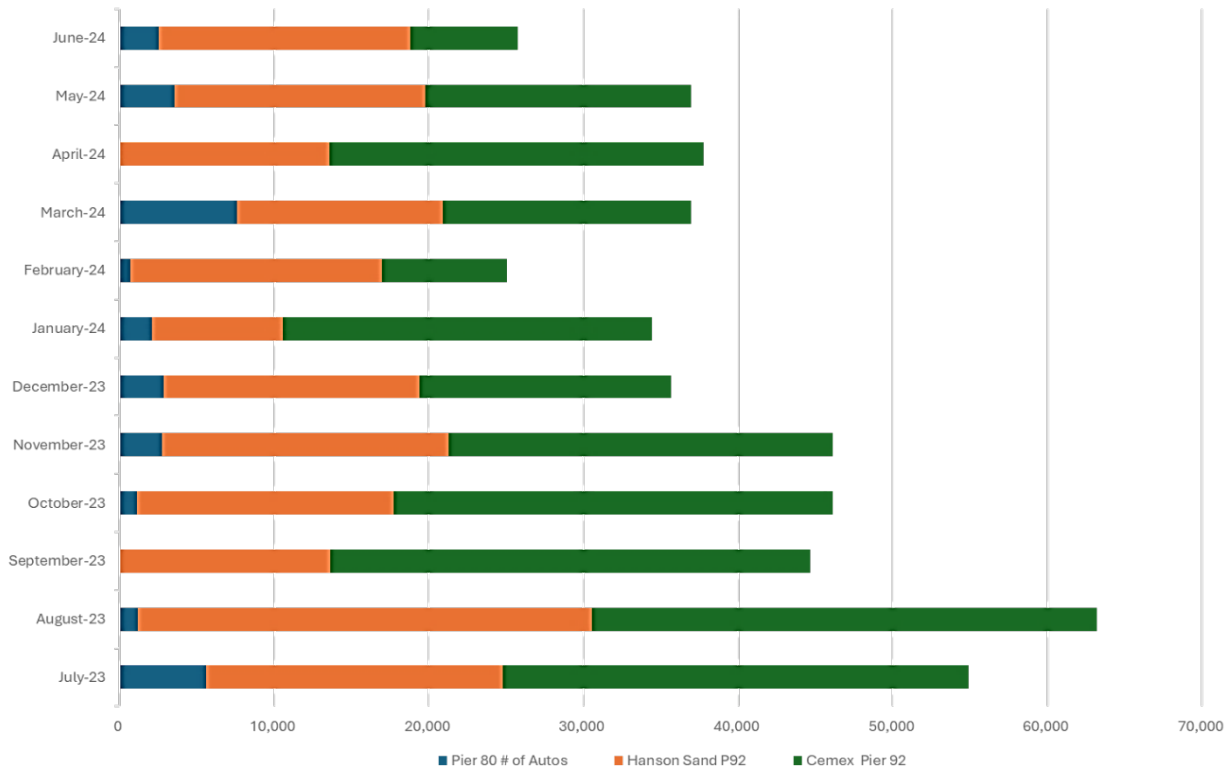
Pier 80 is used primarily for roll-on/roll-off vessels (Ro/Ro) for auto exports and imports, long-term lay-up of two Maritime Administration (MARAD) Ready Reserve Fleet vessels, and on occasion, for large non-containerized (break-bulk) cargoes used for major infrastructure projects throughout the Bay Area.

In FY24, the Port's cargo terminal operator at Pier 80, Pasha Automotive Services (Pasha) handled 29,841 autos, a 2.3% increase from the previous fiscal year, but still substantially lower than pre-pandemic numbers. The increase in volume over the previous year can be attributed to import auto operations. However, due to forthcoming California Air Resource Board regulations, the Port will be capped at no more than 19 Ro/Ro vessel visits in a calendar year until such time a CARB-approved emissions capture plan is in place. Pasha and Port continue to collaborate in attracting other types of cargo.

Piers 92-94 are the Port's active dry-bulk terminals for importing dry-bulk commodities (aggregate and sand materials) used by concrete batch plants situated along Pier 92. The batch plants produce concrete to serve the construction industry in San Francisco and the greater Bay Area. The piers are strategically co-located to significantly reduce truck trips for delivery of raw materials and Port's tenants are required to employ best practices for environmentally sustainable stormwater runoff treatment and rainwater reuse. Historically, dry-bulk import volumes fluctuate with the construction industry and in FY24 dry-bulk volume was 34% lower than the previous year. The decrease can be attributed to the overall reduction of construction projects in the Bay Area that require cement. Staff is actively negotiating a new long-term lease agreement with a current dry-bulk operator at Pier 92. The new lease terms will include capital improvements to enhance and modernize the facility.

Pier 96 is currently being utilized for the layup of one MARAD vessel. However, both Pier 96 and tare backlands are being analyzed for future Offshore Wind (OSW) energy manufacturing and the Port is optimistic Pier 96 and the backlands will be viewed as an attractive site to support OSW development. Port's Maritime and Legislative Affairs staff have engaged with a range of stakeholders to learn more about the offshore wind energy opportunity. Based on information shared by potential developers, the Bureau of Ocean Energy Management, and California Energy Commission staffers, the Port of San Francisco is well situated to compete for a key role in the development of the California offshore wind industry. In 2023 Moffat & Nichol, a US-based and global infrastructure advisor specializing in the planning and design of harbor facilities, completed a conceptual report and design for Piers 94 and 96 based on inputs from various OSW stakeholders. The conceptual report also concluded that a complete build-out of the piers and backlands for OSW will cost approximately \$900 Million.

Cargo Statistics 2024  
(Tons)



## PIER 68 SHIPYARD

Since taking control of the Shipyard operation in May 2019, staff immediately engaged in locating interim 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.

As a first phase to transitioning and optimizing the shipyard for a multi-purpose maritime facility, Port staff in coordination with the City Attorney and Office of Contracts Administration (OCA) developed a Request for Offer (RFO) for the sale of the drydocks which went live on the Port's website in early June 2023 followed by a second RFO in March of 2024. Both RFOs failed to find a successful respondent based on the specific requirements outlined in the RFO(s). However, in June 2024 one of the potential respondents, Desan Shipyard of Turkey, reengaged the Port to express their continued interest in purchasing the drydocks if the Port were to reconsider its initial requirements. Based on Desan Shipyard's level of confidence in repairing the antiquated drydocks before shipping. Staff is now in the process of reviewing their recently submitted proposal to purchase the drydocks.

Concurrent with negotiating the sale of drydocks, the staff is preparing cost estimates for demolition and salvage of the drydocks if negotiations with Desan are not fruitful. Staff intends to return before the Port Commission for approval to appropriate funds to support the potential disposal of the drydocks.

## **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 one 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, mackerel, halibut, and sole – occurs right on the pier, in the very early morning hours before most residents and tourists awaken. 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.

Fisherman's Wharf and Hyde Street Harbor have kept strong occupancy levels over the last year at 80%, an increase from years prior. Harbor staff continue to work towards growing the berth occupancy, by bringing in several new vessels that are active in the industry. Current improvement projects include Hyde St. Harbor dock repairs, J-11 temporary repairs, dredging, fuel dock pipeline remediation, and the Wharf J-9 Float and Gangway Project.

Focusing on the Wharf J-9 Project (Project), the Project scope of work includes the fabrication and installation of a new concrete float, gangway, and access platform to serve as an American Disability Act (ADA) accessible guest dock adjacent to the existing, red-tagged fixed berths of Wharf J9. The float and gangway are envisioned as the first phase of a planned Waterfront Resilience Program project to replace the Wharf J9 seawall and wharf structure with a modern resilient structure incorporating a floating berth. This Project enhances the Port's Retail Fish and Crab Sales program by providing public access to the Outer Lagoon. The outcome of this Project will provide a safer and more reliable space for commercial fishers and provide ADA access to the public.

## **EXCURSION / WATER TRANSIT**

The Bay Area's regional ferry system is centered at San Francisco's iconic and historic Ferry Building, with ten water transportation berths including six newly built to accommodate sea level rise. The Downtown San Francisco Ferry Terminal currently accommodates six ferry routes previously 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, Richmond, 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. While ridership continues to increase towards pre-pandemic numbers, current reports from ferry operators show approximately 85% ridership as

compared to pre-pandemic statistics, much of which is buoyed by tourism, weekend travel, baseball and basketball games, and numerous concerts.

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. Staff recently refreshed signage and promotion of use at the four water taxi landing sites and continue to explore opportunities for expanding landing locations. Current water taxi operators include SF Water Taxi, who will soon add both larger and faster vessels into their fleet.

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, City 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.

As interest in water transit grows regionally, the water transit providers are offering new and exciting ways to experience the Bay and the San Francisco waterfront. The newest ferry to the fleet, *Sea Change* is the world's first commercial passenger ferry powered 100% by hydrogen fuel cells. On July 19<sup>th</sup>, the *Sea Change* began free public transportation between Pier 41 and the Downtown Ferry Terminal as a demonstration project. These operations will continue throughout 2024 demonstrating how hydrogen can play a key role in achieving a lower carbon future for public transportation. In addition to this exciting news, the Port of San Francisco, with support from the US Coast Guard and SF Fire Department, has become the first Port to provide ongoing shore-to-ship Hydrogen (H<sub>2</sub>) bunkering in the United States.

## **SOUTH BEACH HARBOR**

South Beach Harbor continues to strengthen its reputation as the premier harbor in the Bay Area. Perfectly situated between Pier 40 and Oracle Park, and minutes away from the Chase Center. As one of the largest full-service harbors in the bay, the harbor is proud to remain a top destination for both local and visiting maritime enthusiasts. With occupancy rates consistently over 90%. As one of the largest full-service harbors in the bay, South Beach Harbor offers a range of secure berthing options. With over 700 berths, 20 guest slips, and a commercial guest dock, it has become a thriving hub for maritime activity, attracting locals and visitors seeking unforgettable experiences on the Bay.

South Beach Harbor recently welcomed innovative businesses that enhance the harbor's offerings and accessibility to the Bay. Notably, Spinout Fitness, a highly successful water bike company, has expanded its presence within the harbor. With multiple side ties and an increased fleet of 30 bikes, Spinout Fitness provides a unique fitness and recreational experience allowing visitors to explore the waterfront in an innovative and eco-friendly manner. In addition, the SF Brew Boat has become a sought-after attraction at South Beach Harbor, offering groups an interactive and enjoyable experience. Part boat, part



bike, guests enjoy the San Francisco waterfront scenic views by way of chartered boat. These exciting additions have contributed to the Maritime Division's unique portfolio of waterside recreation further both elevating South Beach Harbor's attraction and increasing revenues to the harbor.

This year, harbor staff strengthened its engagement with the South Beach Harbor tenants allowing us to deepen our collaborative efforts to enrich the Bay Area's maritime culture highlighting organizations at South Beach Harbor that support unique sailing experiences:

- The Bay Area Association of Disabled Sailors (BAADS) serves as a shining example within the harbor. Dedicated to making sailing accessible to individuals with disabilities, BAADS provides adaptive sailing programs that enable unique opportunities to experience the joy and freedom of sailing.
- The Red Bra Regatta, now one of the largest all-women sailing events on the West Coast, remains a standout on our annual calendar. This event not only highlights the growing presence of women in sailing but also reinforces our dedication to creating an inclusive and welcoming maritime community.
- The South Beach Yacht Club Junior Sailing Camp. This program offers young enthusiasts an introduction to the basics of sailing and teaches lifelong skills and appreciation for the bay.

Staff's commitment to tenant engagement remains at the forefront of South Beach Harbor's daily operations.

## **MARITIME CAPITAL PROJECTS**

The Port of San Francisco continues to identify funding opportunities to meet the continued costs of aging infrastructure. In addition to post-pandemic federal funding, in 2023 the Port was awarded approximately \$21.5 million by the California State Transportation Agency (CalSTA) to support infrastructure improvement projects that benefit goods movement along the waterfront. This award will focus on funding significant infrastructure projects at Pier 80 which are currently underway. The improvements will increase the facility's viability for growth in cargo operations and other maritime opportunities in the future. Additionally, the Port has a project underway to demolish the four non-operable container cranes at Pier 96. The project includes abatement, demolition, and disposal of the cranes and is scheduled to be completed in 2025.

The Port's small-craft harbors, including South Beach Harbor and Hyde Street Harbor/Fisherman's Wharf, need infrastructure improvements. Currently, projects are underway to upgrade the docks, potable water systems, and electrical systems. These improvements will benefit both recreational users of the waterfront and the commercial fishing fleet, which is essential for advancing maritime activity at the Port. Additional capital projects at Hyde Street Harbor/Fisherman's Wharf include repairing the fuel dock, replacing the aging ice machine, and the Wharf J-9 Float and Gangway Project.

## **EQUITY**

This past summer Port staff hosted its third Rising T.I.D.E.S. Mentor and Internship program which included a partnership with Opportunities for All, Enterprise for Youth, Project Pull, and SF YouthWorks. The program provided high school students and transitional youth with a 6-week paid internship at the Port of San Francisco. The program included an in-depth look at the Maritime industry through project analysis of Port operations, as well as educational and experiential visits to the Exploratorium, Justin R. Herman Cruise Terminal, and a Portwide boat tour. Port staff looks forward to continuing this amazing collaboration with Port Tenant, San Francisco Unified School District, and other organizations.

Also, last month Port staff conducted a series of visits, including to Tongue Point Job Corps in Oregon. Staff also met with the racial equity, small business inclusion, and workforce development teams at the Port of Portland and the Port of Seattle, and staff visited the Diver's Institute, Machinist Institute, and the Maritime High School all located near Seattle. These visits provided valuable insights into the challenges and successes of these organizations, offering new perspectives on how to approach and implement similar maritime-focused programs in San Francisco. Additionally, staff took the opportunity to tour both the Port of Astoria and Port of Seattle's cruise terminal. Staff will now evaluate all that they gleaned and will incorporate best practices beneficial to the Port of San Francisco.

## **RECOMMENDATION**

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 feedback from the Port Commission as staff works to continue to execute the strategic objectives identified herein.

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