



## MEMORANDUM

July 9, 2020

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Informational presentation on an economic assistance loan program for crab fishers impacted by the Pier 45 Shed C Fire to be administered in partnership with the Mayor's Office of Economic and Workforce Development.

**DIRECTOR'S RECOMMENDATION:** Information Only

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### EXECUTIVE SUMMARY

Commercial fishing is one of the Port's and City's most important maritime industries. On May 23, 2020, a four-alarm fire destroyed Pier 45 Shed C, a facility used to house fishing gear for the vast majority of San Francisco's crab fishing fleet. More than 30 fishers lost an estimated 8,000 crab traps in the fire, a potentially catastrophic event for the local industry.

Port staff is currently working with the Office of Economic and Workforce Development (OEWD), Supervisor Aaron Peskin's Office, and the San Francisco Crab Boat Owners Association to develop:

- 1) a grant program using private funds to help replace lost crab traps, and
- 2) a loan program using Port funds for to help cover remaining cost for traps.

While these programs work together, the grant program is a separate endeavor led by Supervisor Peskin and funded by private donations. Today's informational item describes the proposed loan program for purchase of replacement crab traps.

**THIS PRINT COVERS CALENDAR ITEM NO. 8B**

## **STRATEGIC PLAN**

This project supports the goals of the Port's Strategic Plan as follows:

*By preserving and enhancing the Port's diverse maritime portfolio and providing for the current and future needs of cargo shipping, cruise, ferry and water taxis, excursion boats, fishing, ship repair, berthing, harbor services, recreational boating, and other water-dependent activities.*

## **BACKGROUND**

On Saturday May 23, a four-alarm fire broke out at Fisherman's Wharf destroying Shed C on Pier 45. Approximately 150 firefighters were able to contain the fire and prevent any loss of life, but the fire destroyed Shed C, which housed approximately 8,000 crab traps and other fishing gear. Local fishers used this equipment to deliver approximately two-thirds of San Francisco's fresh seafood annually. San Francisco's crab fishing community produces almost two million pounds of Dungeness crab each year. Approximately 50% of all Bay Area crab flows through Fisherman's Wharf annually.

To prepare for the 2020-21 Dungeness crab season, which starts in November, fishers must replace a significant quantity of fishing gear much of which was acquired over many years, some over decades.

Not only were the fishing and crab industries directly affected by the fire, waterfront tourism was directly and indirectly impacted. The crab fishing industry dates back well over a century at Fisherman's Wharf and is an essential part of the Waterfront's lasting identity. The fishing industry has been a mainstay of the San Francisco and Fisherman's Wharf economy since the Gold Rush era. Over 18 million people visited the Wharf in 2018, and the fishing and crabbing industry are essential to the character and visitor experience at the Wharf. Fishing boats line the piers; diners can visit one of several famous restaurants with fresh caught seafood; and a Dungeness crab is the logo on the sign for the landmark district. Fisherman's Wharf's identity as a place of business and tourist destination is intricately tied to crabbing. In short, harm to the fishers and crabbers also harms tourism.

One reason the fire was so devastating to crab fishers is the expense of crab traps. Only a handful of manufacturers in Northern California and the Pacific Northwest produce crab traps, which consist of a welded metal frame covered in a thick layer of rubber and wrapped in wire mesh and cost at least \$200 each. Manufacturers build each trap by hand, production and delivery can take several weeks to complete. To start production on traps, manufacturers require a down payment between 25-50 percent of the total cost of the order. Accordingly, many crabbers will place small orders over the course of many years to accumulate necessary equipment over time.

The fire has forced these small business owners to replace equipment purchased over a career in a few months. Crabbers require financial assistance to replace lost equipment because the traps were not insured. Without replacement crab traps and

gear, the San Francisco fishing community will not be able to participate in the 2020-21 crab season.

Based on crab fishing permits issued by the California Fish and Wildlife Service, the size of the fishing operations storing equipment at Pier 45 Shed C ranged from single boats with 175 traps, to multi-boat businesses with several hundred traps. At a per trap cost of over \$200, a small fisher will need approximately \$40,000, while a large operation will need over \$150,000 to purchase the crab traps necessary to fish during the 2020-21 season. In addition to traps, fishers will also have to purchase several thousand dollars of related equipment for the traps such as fishing line and wiring. Many crabbers were struggling financially due to the COVID-19 pandemic, and the loss of their equipment in the Pier 45 fire has made an already challenging situation more difficult.

Because ordering replacement traps requires significant down payments, OEWD and Supervisor Peskin have generously partnered to create a down payment assistance grant with private funds. Supervisor Peskin is endeavoring to raise private funds with the goal of \$500,000 for the grant program, which will be administered by Main Street Launch (“Main Street”). Main Street is a community development financial institution certified by the U.S. Department of the Treasury, with a mission to support small businesses in Oakland and San Francisco. The grant assistance will help crabbers place timely orders for crab traps in anticipation of the Dungeness crab season that is expected to open in November.

The grant assistance from private donations will not cover the full cost to replace crab traps lost in the Pier 45 Shed C fire. To respond to this hardship on Port tenants and support the maritime industry, the Port proposes to fund a \$1,000,000 loan program (including administrative costs) to provide favorable terms to assist fishers who lost crab traps in the Pier 45 Shed C fire.

### **Program Overview**

The Port proposes to provide funds for a new Crab Fisher Assistance Loan Program (the “Loan Program”). The Loan Program will be administered by OEWD and Main Street. The Loan Program will assist tenants help pay for the outstanding costs of replacement crab traps. Port staff anticipates between 20 to 30 Port tenants of Pier 45 Shed C may be eligible for assistance, as outlined below.

### **Loan Eligibility**

To qualify for the loan, an applicant must:

1. Be a tenant of Shed C recognized by the Port of San Francisco, as evidenced by a copy of a lease with the Port or verification by Port staff of an active agreement.
2. Be an active fisher as defined by the Port Tariff, as evidenced by landing receipts demonstrating ten trips, ten tons, or \$10,000 in value landed in the last two years.

3. Confirm purchase of replacement crab traps ordered after May 23, 2020, and subsequently provide verification upon delivery of traps evidenced by a packing slip or similar documentation.
4. Provide their California Fish and Wildlife permit, which must include the maximum numbers of traps authorized. Loans will only provide funding for the purchase of traps up to this number.
5. Participate in 2020-21 Crab Season and provide evidence of participation at the end of season.

Loan Terms

Port staff anticipates the following general loan terms will provide needed help to impacted tenants and reasonably assure repayment of Port funds.

- A. Loan amounts for the sole purpose of purchasing crab traps based on the loan formula described below, and not to exceed the maximum number of traps provided for in the applicable California Fish and Wildlife permit
- B. Five-year (60 month) repayment term with first regular payment due the first day of the month eight months after the loan was disbursed
- C. Zero percent interest
- D. No prepayment penalty
- E. Loan balance forgiveness if 75 percent of initial loan is repaid within three years of loan disbursement
- F. Late payments:
  - i. First late-payment results in warning, no additional fees or penalties
  - ii. Second late-payment results in a 5 percent penalty assessed on the monthly amount due.

The formula determining the amount of the loan has two tiers:

1. Approved applicants will receive \$100 per trap for the first 200 traps they purchase.
2. All remaining funds will be allocated proportionally based on the outstanding debts of each applicant.

The table below illustrates an example of the two tiers of funding.

Fisher	Traps Purchased	Total Cost of Order (variable cost/trap)	Tier 1 Amt (\$100/trap, up to 200 traps)	Outstanding Cost of Order (Total Cost less Tier 1)	Individual Outstanding Cost / Total Outstanding Cost (%)	Tier 2 Amt (assuming \$50,000 loan funds after Tier 1)	Total Loan
A	150	\$ 37,500	\$ 15,000	\$ 22,500	25%	\$ 12,500	\$ 27,500
B	200	\$ 45,000	\$ 20,000	\$ 25,000	28%	\$ 14,000	\$ 34,000
C	300	\$ 63,000	\$ 20,000	\$ 43,000	47%	\$ 23,500	\$ 43,500
Sum				\$ 90,500	100%	\$ 50,000	\$ 105,000

Fishers will repay the loan over a five-year term – the approximate useful life of a trap – with the first payment due on the first day of the month eight months after the loan was

disbursed. The delay in collection will allow fishers to start the crab season, generate revenue, and stabilize their business prior to the first repayment. Additionally, if a fisher accelerates repayment to repay 75 percent of the loan within three years, the Port will forgive the outstanding balance.

If a fisher misses a single payment, no additional fees or penalties will be assessed. If they miss a second payment, Port staff proposes a monetary penalty of five percent of the monthly payment. Staff is considering hardship provisions and welcomes feedback.

#### Loan Administration

The Port will fund the loan program. OEWD will administer the loan program in conjunction with Main Street or another mutually agreeable third-party fiscal agent. Main Street (or another third party) will originate and service the loan: entering loan contracts with fishers based on the parameters described above and will collect payments and facilitate transfer of repayments to the Port. OEWD will not collect an administrative fee for its role in the loan program. Port staff must negotiate an administrative fee with Main Street and will provide the Port Commission with information about that fee at a subsequent meeting.

#### **FUNDING**

Funding for the loan program will be allocated on a one-time basis through the Port's Contingency Project which was appropriated in the Fiscal Year 2019-20 budget. If approved by the Port Commission, the Port will transfer funds to OEWD through an interdepartmental work order to administer the program based on a Memorandum of Understanding (MOU) between the two agencies.

Prepared by: Wyatt Donnelly-Landolt, Finance Analyst  
Finance and Administration Division

and

Boris Delepine, Legislative Affairs Director  
Executive Division

For: Katharine Petrucione, Deputy Director  
Finance and Administration Division