



## MEMORANDUM

August 7, 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:** Request authorization of the use of \$1,000,000 from the Port's Capital Contingency Project to create and fund an economic assistance loan program for crab fishers impacted by the Pier 45 Shed C Fire.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution No. 20-34

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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 has collaborated 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 the purpose of these programs is to provide assistance to fishers to replace crab traps following the Pier 45 fire, the grant program is a separate endeavor led by Supervisor Peskin and is funded by private donations. Today's item approves the proposed loan program for purchase of replacement crab traps.

**THIS PRINT COVERS CALENDAR ITEM NO. 7B**

## **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 Shed C on Pier 45 at Fisherman's Wharf. 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 percent 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 fishers acquired over years, even decades.

In addition to the direct impact of the fire on the fishing and crab industries, waterfront tourism has also experienced direct and indirect effects. 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. More than 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 and the viability of Fisherman's Wharf.

One reason the fire was so devastating to crab fishers is the expense of and supply options for 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, accumulating necessary equipment over time.

The fire has forced these small business owners to replace equipment purchased over a career within 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) with favorable terms to assist fishers who lost crab traps in the fire.

### **Program Overview**

The Port proposes to provide funds for a new Crab Fisher Assistance Loan Program (Loan Program). The Port will enter into agreements with OEWD and Main Street to administer the Loan Program. OEWD has an existing contractual relationship with Main Street. The Loan Program will assist tenants with 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 Dungeness crab season and provide evidence of participation at the end of season.

Loan Terms

Port staff proposed the following general loan terms and anticipates that this loan program will provide needed help to impacted fisher tenants and encourage 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

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.

As a condition of receiving a loan from the Port, crab fishers must agree to release the Port from any liability related to the May 23, 2020 fire at Pier 45 Shed C.

Staff will monitor the program and the Executive Director may approve an alternate repayment plan to accommodate a borrower's demonstrated financial hardship. At this time, the most effective provisions are unknown because of the uncertainty with the COVID-19 pandemic and its impact on the economy and the state the 2020-21 crab fishing season.

### Loan Administration

The Port will enter into agreements with OEWD and Main Street to administer the Loan Program. Main Street will originate and service the loan: entering loan contracts with fishers based on the parameters described above and will collect payments, facilitate transfer of repayments to the Port, and complete all necessary reporting requirements. Main Street will charge an administrative fee of 10 percent on the full amount of the program to administer the program.

### **FUNDING**

Funding for the loan program in the amount of \$1,000,000 will be allocated on a one-time basis through the Port's Contingency Project which was appropriated in the Fiscal Year 2019-20 budget. The Port's Capital Contingency Project provides a flexible source of capital funds to cover emergency capital needs, overruns on key capital projects, and other unanticipated capital costs. If approved by the Port Commission, the Port will enter into agreements with OEWD and Main Street for administration of the Loan Program.

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**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 20-34**

- WHEREAS, Pier 45 Shed C, part of Fisherman’s Wharf, housed the equipment for nearly thirty local crab fishers who delivered approximately two-thirds of San Francisco’s fresh seafood annually; and
- WHEREAS, The crabbing and fishing industries are essential to the character and visitor experience of Fisherman’s Wharf and the waterfront’s lasting identity; and
- WHEREAS, Over 18 million people visited Fisherman’s Wharf in 2018, and the over century-old history of fishing and crabbing at the Wharf is a major draw to visitors, who enjoy the fishing boats lining the piers, the famous restaurants with fresh seafood, and numerous waterfront amenities; and
- WHEREAS, A four-alarm fire broke out at Fisherman’s Wharf on Saturday May 23, destroying Shed C on Pier 45, and approximately 8,000 crab traps and other fishing gear stored inside; and
- WHEREAS, Without replacement crab traps and gear, the San Francisco fishing community will not be able to participate in the 2020-21 Dungeness crab season, which would have significant direct and indirect impacts to the Port, including potential reduction in rents from Port tenants and potential reduction in use and enjoyment of Fisherman’s Wharf and other Port properties; and
- WHEREAS, During a regular crab season, a fisher would replace a small portion of their fishing gear – allowing individual fishers to spread out the cost of amassing and replenishing necessary gear over a lifetime, and the fire resulted in significant losses for impacted fishers, forcing these small business owners to immediately replace equipment purchased over a career; and
- WHEREAS, The cost of replacing crab traps will further exacerbate financial challenges experienced by the fishing community during the economic crisis brought about by the COVID-19 pandemic; and
- WHEREAS, The Port is empowered as trustee of lands and funds to be used for the promotion and accommodation of commerce and navigation, including its diverse maritime portfolio such as crabbing and fishing; and
- WHEREAS, The Port desires to create and fund a Crab Fisher Assistance Loan Program with \$1,000,000 in funding, which program will assist Port tenants negatively impacted by the May 23, 2020 fire that destroyed

Shed C of Pier 45 and tenants' property under substantially the same terms and conditions described in Attachment A to this Resolution (Loan Program); and

WHEREAS, The Port has identified \$1,000,000 funds to capitalize and pay for the administration of the Loan Program from the Port Project Contingency Project, which provides a flexible source of capital funds to cover emergency capital needs, overruns on key capital projects, and other unanticipated capital costs. ; and

WHEREAS, The Port will enter into agreements with Main Street Launch and the Office of Economic and Workforce Development to administer the Loan Program; and

WHEREAS, The Loan Program and its administration as described in this Resolution and Attachment A are necessary and convenient for the promotion and accommodation of commerce and navigation within the Port's jurisdiction; now therefore, be it

RESOLVED, That the Port Commission approves creating and funding a Crab Fisher Assistance Loan Program in substantially the same form as described in this Resolution and Attachment A to this Resolution; and further be it

RESOLVED, That the Port Commission hereby authorizes the Executive Director to allocate on a one-time basis \$1,000,000 from the Port's Contingency Project, as appropriated in the Fiscal Year 2019-20 budget, to capitalize and pay for the administration of the Loan Program; and further be it

RESOLVED, That the Port Commission authorizes the Executive Director to enter into a memorandum of understanding or other agreements, including loan documents, with Main Street Launch and the Office of Economic and Workforce Development, to approve of changes to borrower repayment plans based on a borrower's demonstrated financial hardship, and to enter any other agreement, work order, or purchase order necessary to effectuate the purposes of the Crab Fisher Assistance Loan Program and this Resolution that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director, or her designee, of any such documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 11, 2020.***

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Secretary



## Attachment A

### **Terms and Conditions Crab Fisher Assistance Loan Program**

#### **Loan Administration**

1. Port will enter into agreements with the Office of Economic and Workforce Development (OEWD) and Main Street Launch to administer the Loan Program
2. Main Street Launch, a community development financial institution certified by the U.S. Department of the Treasury, or another third party, to originate and service loans
3. The maximum administrative fee or cost from Port funds will not exceed ten percent (10%), and ninety percent (90%) of funds disbursed by the Port must either be disbursed to eligible loan applicants or be returned to the Port

#### **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 and 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**

1. 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
2. 5 year (60 month) repayment term with first regular payment due the first day of the month eight months after the loan was disbursed
3. Zero percent interest
4. No prepayment penalty
5. Loan balance forgiveness if 75 percent of initial loan is repaid within three years of loan disbursement
6. Two-tier formula to determine total loan amounts:
  - a. approved applicants receive \$100 per eligible trap applicable to the first 200 traps purchased; and
  - b. all remaining funds are allocated proportionally based on the outstanding debt of each applicant, such that each approved applicant's individual outstanding costs for the purchase of crab traps will be the numerator and the total outstanding costs of all approved applicants' crab pot purchases will be the denominator,

which fraction will be multiplied by the total amount of available loan funds

c. For example purposes only:

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

7. All applicants must agree to release the Port of any liability related to fire at Pier 45 Shed C.
8. Staff will monitor the program and implement hardship provisions for borrowers as needed.