

# SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

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July 20, 2009

**TO:** Seaport Planning Advisory Committee  
**FROM:** Linda Scourtis, Coastal Planner (415.352-3644 lindas@bcdc.ca.gov)  
**SUBJECT: Staff Report and Recommendation on Proposed Interim Use at Port of Richmond Terminals 5-6-7 (Pt. Potrero Marine Terminal)**  
(For Committee consideration on July 31, 2009)

## Staff Recommendation

BCDC staff recommends that the Seaport Planning Advisory Committee determine that the construction and use of an automobile facility on an interim basis at the Port of Richmond Point Potrero Marine Terminal through 2030 would not prevent Bay Area ports from achieving adequate cargo throughput capabilities during this period.

## Staff Report

This staff report describes the Port's request for an interim use, the analysis needed for the SPAC to consider the request and the staff's recommendation. Following SPAC review, the San Francisco Bay Conservation and Development Commission ("Commission" or "BCDC") will consider the Port's permit application, relying in part on the Committee's recommendation.

**Background.** The *San Francisco Bay Area Seaport Plan* (Seaport Plan) designates port priority use areas<sup>1</sup> at the five Bay Area ports and other sites that have the potential to be developed for port purposes in the future. Within port priority use areas, marine terminals<sup>2</sup> are designated for receiving or shipping either containerized or bulk cargoes.<sup>3</sup>

The amount of land designated in the Seaport Plan for marine terminal use is based on a forecast of the ocean-going cargo demand expected in the Bay Area through the year 2020 in combination with the expected capacity of designated terminals to handle the projected cargo. The forecast was developed for the 1988 Seaport Plan update and the Seaport Planning Advisory Committee ("SPAC") and during the comprehensive Seaport Plan update in

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<sup>1</sup> *Port priority use areas* are shoreline sites needed for regional maritime port use that include within their premises marine terminals and other directly-related ancillary activities such as container freight stations, transit sheds and other temporary storage, ship repairing, support transportation uses including trucking and railroad yards, freight forwarders, government offices related to the port activity, chandlers and marine services, and employee parking.

<sup>2</sup> *Marine terminals* are any public, private, or military waterfront facility utilized for the receipt or shipment of waterborne cargo. Marine terminals serving an industrial function where the product transferred over the wharf is processed (e.g., crude oil refineries) are not included in this plan. For purposes of this plan, a marine terminal includes the wharf, storage area, offices, rail and truck facilities, container freight stations, intermodal container transfer facilities, areas for maintenance of containers or container-handling equipment, and other functions necessary to the efficient operation of a terminal; it does not include employee parking.

<sup>3</sup> *Containerized Cargo* is general cargo packed in standard size weather tight boxes 20-40 feet in length. Cargo remains in container from origin to destination. *Bulk Cargo* refers generally to non-container cargo.

1996 was found to remain adequate for port planning purposes. Annual cargo monitoring conducted by staff with the ports since that time has shown that container cargo activity in the Bay continues to closely follow the forecast.

The Port of Richmond has submitted a permit application to BCDC) to develop a Honda automobile terminal that would include on-dock rail service at Terminals 5-6-7, which comprise the Point Potrero Marine Terminal, or PPMT. Terminals 5-6-7 are designated in the Seaport Plan) for future container terminal use. The proposed automobile handling facility would install a non-container terminal use for a lease period of 15 years (plus two optional five-year lease extensions), which would extend the use beyond the Seaport Plan 2020 forecast horizon. To be allowed on a longer-term basis, it is necessary for the SPAC and the Commission to find that the non-container use will not prevent Bay Area ports from achieving adequate cargo throughput capabilities during this period nor interfere with development of a container terminal at the site if needed to address future demand.

Because the 1988 Seaport Plan container cargo forecast projects Bay Area container activity only to 2020, the SPAC will need to consider cargo levels expected to occur beyond this planning horizon when evaluating the proposed non-container interim use at the Port of Richmond. The SPAC also needs to review the capacity potential of the region's ports to handle container cargo. To assist the SPAC in its review, the Port of Richmond funded the preparation of a report entitled *San Francisco Bay Area Containerized Cargo Outlook* prepared under BCDC staff supervision that reviews and updates the Seaport Plan container cargo forecast as well as the capability of the remaining sites designated in the plan for future container terminal development.

**Interim Use Proposal.** The Port of Richmond's proposed auto handling facility would provide a Northern California Port of Entry for imported Honda automobiles, and would entail extending the BNSF rail line into the Port to allow single transfer of the vehicles as they are taken off the ship. The proposed lease term is 15 years, with two optional five-year extensions. The area currently receives imported automobiles other than Honda.

**Seaport Plan Policies.** The Seaport Plan policies state in part, "Uses that would impair the future use of a port priority use area that is not currently used for port purposes may be allowed only on a finite, interim basis. Interim uses should be of a nature that allow the site to be converted to port use when it is needed for marine terminal development or other port priority use. The length of the interim use period should be determined on a case-by-case basis for each site and proposed use. Factors to be considered in determining the length of the interim use should include, but are not limited to: (1) the amortization period of investments associated with the proposed use; (2) the lead time necessary to convert the site to the designated marine terminal or port use; and (3) the need for the site as measured by the Bay Area volume of the cargo type specified to be handled at that site and the available capacity at other ports in the Bay Area to accept the specified cargo."

Other Seaport Plan policies that apply to the interim use of terminals at the PPMT include the regional container cargo forecast; regional container cargo throughput capacity requirements; and expected cargo throughput capacities at the Port of Richmond. The Seaport Plan provides that these estimates of capacity and cargo throughput demand be used as approximate guides. The Seaport Plan directs the SPAC to review the proposed interim use to determine if it would undermine the region's capability to handle the forecast

container cargo volume or whether the project would prevent timely use of the terminal for container cargo. To approve the interim use of the terminal for non-container cargo, the SPAC must find that the forecast container cargo volume could be handled at alternative sites.

**Forecast and Capacity Report.** Because the PPMT is designated in the Seaport Plan for the future handling of container cargo, a review and update of the Seaport Plan maritime container cargo forecast was conducted to provide the SPAC current information with which to assess the interim use request. The *San Francisco Bay Area Containerized Cargo Outlook* (July 2009) (Report), prepared by the Tioga Group, Inc., is included with the meeting materials mailed to the Committee July 20, 2009, and referenced in this staff report. The Report—prepared under BCDC staff supervision—evaluates the Seaport Plan forecast and, based on a number of factors, including global economic trends and their effect on trade, applies current assumptions to project expected future growth of container cargo along the West Coast and in the Bay Area. The updated forecast extends to 2030. The Report also updates assessments of the throughput capability of the sites designated in the Seaport Plan for present and future container cargo.

**Container Cargo Forecast.** The amount of land designated in the Seaport Plan for marine terminal use is based on a forecast of the cargo activity expected in the Bay Area through the year 2020. Annual cargo monitoring conducted since the mid-1990s has shown that container volumes have closely followed the levels projected; however, because the proposed use at the Port of Richmond would extend beyond the 2020 Seaport Plan forecast horizon, it was necessary to review and update the forecast. The Tioga Group was contracted by the Port of Richmond to provide BCDC the updated information it needs to consider the proposed interim use.

The updated container cargo forecast shows that the Bay Area demand for container cargo will grow from a lower base following the current economic recession and will grow steadily from about 2 million twenty-foot equivalent units (TEU<sup>4</sup>) per year today to about 3.4 million TEU in 2020, 4.2 million TEU in 2025 and 5.1 million TEU in 2030.

The cargo study found two major differences between the previous and the updated forecast:

- A multi-year downward shift: the 2009 volume will be approximately the same as it was in 2003, therefore growth has been set back by about six years due to the recession.
- Faster growth in 2010-2020: the growth rates in the previous forecast appear very conservative. Although the 2010-2020 period is not expected to see the rapid growth experienced in 1995-2005, it is still expected to see growth at a bit over 5 percent annually versus 3.9-4.0 percent in the previous forecast.

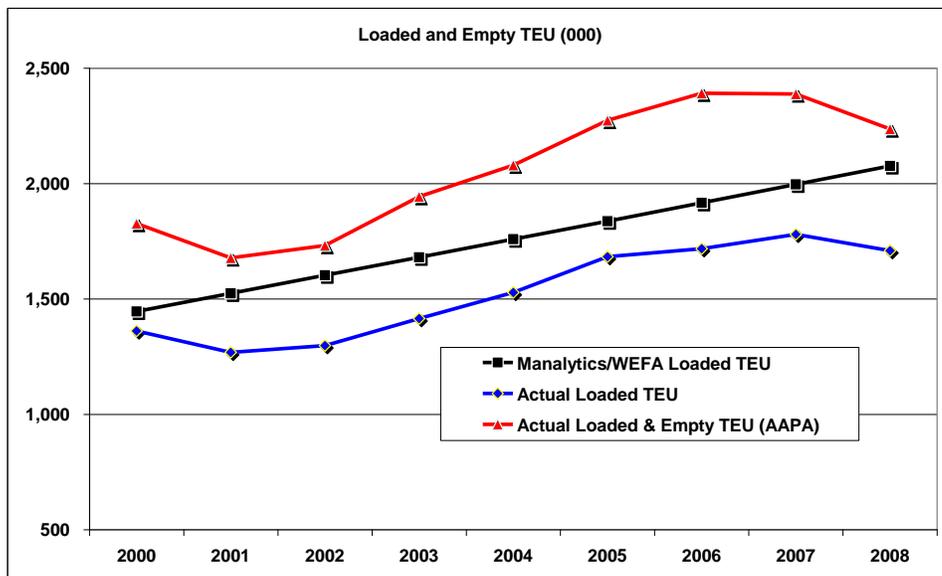
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<sup>4</sup> Although the Seaport Plan projections for all cargo types are calculated in metric tons, the 1988 forecast also included a projection in TEU for container cargo. Because the TEU is the unit now used to quantify container cargo movements, this report refers to TEU for both the forecast and port cargo handling capacity. Additionally, in order to more accurately assess future land area available in the Bay Area to process containers, empty container movements are included in TEU counts.

These changes result in an estimated demand of 3.4 million TEU of container cargo and empty containers at SF Bay Area ports in 2020, and 5.1 million TEU in 2030, as shown in the table below (Tioga study, Exhibit 4: TEU Forecast Comparisons).

Measure	Containerized Cargo - 000 TEU							CAGR			
	2000	2005	2010	2015	2020	2025	2030	00-05	05-10	10-20	20-30
<b>Loaded Containers</b>											
Manalytics/WEFA Loaded TEU Forecast	1,446	1,837	2,236	2,724	3,303			4.9%	4.0%	4.0%	-
Actual Loaded TEU	1,361	1,683						4.3%	na	na	
Revised Forecast Loads	1,361	1,683	1,564	2,066	2,599	3,181	3,844	4.3%	-1.5%	5.2%	4.0%
<b>Loaded and Empty Containers</b>											
Actual Loaded & Empty TEU (AAPA)	1,827	2,274						4.5%	na	na	
Revised Forecast Loaded & Empty	1,827	2,274	2,064	2,727	3,431	4,199	5,073	4.5%	-1.9%	5.2%	4.0%

However, as illustrated below (Tioga study, Exhibit 5), the revised forecast for loaded TEU also reflects the shift downward created by the recession.



According to the revised regional container cargo forecast prepared by The Tioga Group, the Bay Area demand for container cargo would increase 1.2 million TEU (combined loaded and empty) from current levels by 2020 and an additional 1.6 million TEU by 2030, or an overall growth of 127 percent. In reviewing the interim use proposal and its effect on the region’s capacity to meet the forecast cargo growth, the container handling capability of the designated container sites must be analyzed.

**Container Cargo Capacity.** Seaport Plan, Port of Richmond Policy 6 states, in part, “Terminals 5-6-7 should be combined as a 3-berth container terminal with on-dock intermodal rail facilities” to meet future container cargo demand. The duration of the proposed non-container cargo interim use at this location requires an evaluation of the remaining regional container capacity that will be available to meet the projected demand beyond the current 2020 Seaport Plan horizon.

The Report updates the projected demand for container handling in the Bay Area as well as the capacity of Bay Area ports to meet the container cargo forecast. Container port capacity is a function of terminal space available and the throughput per acre, as measured in TEU, the worldwide standard unit for comparing port capacity and volume. Multiple factors affect the average metric tons per container (metric tonnage is used for all cargo types in the Seaport Plan), therefore TEU are reflected in this port capacity discussion.

The Report capacity update focuses primarily on the Port of Oakland's current and planned terminal use, because it is currently the only port in the region handling container cargo and is expected to continue to be the sole regional container port during the revised forecast horizon. No container activity has occurred at the Ports of Richmond or San Francisco for 12 and four years, respectively. The Report suggests these facilities could handle specialized niche container cargo, perhaps relieving some future demand at Oakland.

Annual TEU per acre throughput at Oakland has increased by 73 percent since the 1988 forecast and capacity analysis. Additionally, with the downward shift in trade caused by the global recession, the demand for the Port's handling capacity is delayed six years, extending the Port's ability to absorb future growth in container cargo. In 2008, during the early stages of the current recession, the Port processed 2.23 million TEU, a decrease from 2007. (This number will decline sharply in 2009 and take several years to again reach a pre-recession level.)

At its current size, Oakland could accommodate 5.1 million TEU annually, based on an average 6,667 TEU per-acre throughput used for planning purposes by the Port. The per-acre throughput reflects road and rail, as well as marine terminal, improvements that are anticipated at the Port.

### **Staff Analysis and Conclusions**

The Seaport Plan recognizes that container terminals are costly to construct, therefore the container terminals designated in the plan are expected to be developed over a period of years and are intended to ensure adequate future terminal capacity to accommodate increased Bay Area cargo volumes, and not to restrict non-designated cargo activity.

The plan allocates a 2020 throughput to each of the designated active and future container terminals in Oakland, Richmond and San Francisco. The proposed interim use would preclude container activity at Richmond's Terminals 5-6-7 for a period beyond the 2020 horizon, delaying the availability of the site for construction of a container terminal until at least 2025, and likely longer. Seaport Plan implementation policies state that the SPAC should review requests for interim use permits within port priority use areas, and should forward its recommendations on such requests to BCDC. As required by the plan, when considering interim uses, the SPAC should assess each proposal on a case-by-case basis.

It is important to determine the capacity at remaining facilities that will be available to handle the projected container cargo volume. As shown above, the combined number of loaded and empty TEU projected for the Bay Area by 2020 is 3.4 million, increasing to 4.2 million by 2025, which would coincide with the Port's proposed base lease term for the Honda facility prior to the potential two five-year lease extensions. By 2030, the demand for Bay Area container handling is forecast to reach 5.1 million TEU.

At its current size of 770 acres and with infrastructure improvements including modernizing several older terminals and increasing rail capacity, the Port of Oakland is estimated to reach an annual capacity of 5.1 million TEU by 2020, providing a potential surplus container capacity of 1.7 million TEU (see table below). Even in 2030, the revised forecast demand for 5.07 million TEU can be met by the projected capacity, without additional marine terminal acreage. The Port of Oakland plans to increase its terminal space to 866 acres, which would provide an additional margin of 700,000 TEU, or 13 percent, handling capacity over the 2030 forecast demand.

	UPDATED REGIONAL CONTAINER CARGO FORECAST (IN TEU)	REVISED CONTAINER CARGO CAPACITY AT PORT OF OAKLAND (IN TEU)		CONTAINER CAPACITY SURPLUS (IN TEU)
		CURRENT 770 ACRES	ANTICIPATED 866 ACRES	
2010	2,064,000	2,500,000-3,500,000	—	436,000-1,436,000
2020	3,431,000	5,134,000	5,774,000	1,703,000-2,343,000
2025	4,199,000	5,134,000	5,774,000	935,000-1,575,000
2030	5,073,000	5,134,000	5,774,000	61,000-701,000

Given the constraints at the Ports of Richmond and San Francisco for container handling identified in the *San Francisco Bay Area Containerized Cargo Outlook*, their Seaport Plan designated capacities are not reflected in the assessment of the future regional container cargo capacity. As shown above, the proposed automobile handling facility would not prevent the region from meeting the future volume of container cargo with the remaining inventory of designated terminals. Therefore, the proposed interim use should not lead to a regional container cargo capacity shortfall or unanticipated Bay fill for new terminals. The staff believes that the non-container interim use proposed by the Port of Richmond will not detract from the capability of the Bay Area ports to meet projected growth in container cargo through 2030.

The committee also must find that the proposed use is of a nature that will allow the site in question to be converted to port use when needed for marine terminal development, taking into consideration the amortization period of investments associated with the proposed use. In the case of the automobile facility, the Port of Richmond has stated that a 15-year period is sufficient to amortize the costs of developing the project and provides the basis for the original lease term. The alterations proposed to the PPMT could be modified when needed for future container terminal development when viewed in the context of the future capacity planned at the Port of Oakland.

The staff therefore recommends the Seaport Planning Advisory Committee recommend to the San Francisco Bay Conservation and Development Commission that the interim use at the Port of Richmond PPMT be allowed for the lease term of 15 years, plus one five-year extension, or through 2030, with the option to extend if sufficient alternative capacity is available.