



## Legislation Details (With Text)

**File #:** 2015-1600    **Version:** 1    **Name:**  
**Type:** Action Item    **Status:** Passed  
**File created:** 9/3/2015    **In control:** Board of Port Commissioners  
**On agenda:** 9/23/2015    **Final action:** 9/23/2015  
**Title:** PRESENTATION BY DISTRICT AND CITY OF NATIONAL CITY STAFF REGARDING BALANCED LAND USE PLAN FOR NATIONAL CITY MARINA DISTRICT AND DIRECTION TO STAFF TO INITIATE PROJECT REVIEW AND DEVELOP A FUNDING PLAN

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 3. 2015-1600 Attachment A, 2. 3. 2015-1600 Attachment B, 3. 3. 2015-1600 Attachment C, 4. 3. 2015-1600 Attachment D, 5. 3. 2015-1600 Attachment E, 6. 3. 2015-1600 Attachment F, 7. 3. 2015-1600 Attachment G, 8. 3. 2015-1600 Attachment H

Date	Ver.	Action By	Action	Result
9/23/2015	1	Board of Port Commissioners	adopted	Pass
9/23/2015	1	Board of Port Commissioners	adopted	Pass
9/23/2015	1	Board of Port Commissioners	adopted	Pass
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**DATE:** September 23, 2015

**SUBJECT:**

**PRESENTATION BY DISTRICT AND CITY OF NATIONAL CITY STAFF REGARDING BALANCED LAND USE PLAN FOR NATIONAL CITY MARINA DISTRICT AND DIRECTION TO STAFF TO INITIATE PROJECT REVIEW AND DEVELOP A FUNDING PLAN**

### EXECUTIVE SUMMARY:

At the July 14, 2015 meeting, the Board of Port Commissioners (Board) received an update on efforts to optimize maritime operations at the National City Marine Terminal (NCMT). Responding to concerns about balanced development of the National City Bayfront, the Board directed staff to work with the City of National City (National City or City) to optimize NCMT while enhancing public access to San Diego Bay and identifying opportunities for new commercial development. The Board also directed staff to conduct a Special Meeting to discuss these issues in more detail and to try and create a path forward with National City. As more fully discussed below, after outreach meetings with numerous stakeholders including individual Port tenants, the Port Tenants Association, the Environmental Health Coalition (EHC), and labor, as well as extensive coordination with staff from National City, District staff believes a balanced plan for development within the District's jurisdiction in National City can be achieved, but it will require additional review and future Board actions to implement.

After the July 2015 Board meeting, National City presented District staff with a proposed plan for land use changes within the National City Bayfront District and other certain District-acquired lands in the area (City's Balanced Plan). The City's Balanced Plan extends beyond the District's jurisdiction. While the Board may want to consider the City's Balanced Plan as a whole, because portions of the plan are outside of the District's control staff is recommending that at this time, the District focus on land use changes that are needed to implement the portions of the plan within the District's jurisdiction and continue working with National City on the portions outside of the District's jurisdiction (see Attachment A). Additionally, in the City's Balanced Plan, the City has identified certain projects that it wishes to implement or be implemented by the District in the future, but those projects are not well-defined and are not before the Board for its review or approval at this time. National City is also seeking certain "mitigations" and "enhancements" as part of the City's Balanced Plan, which will require further detail and analysis. District staff is supportive of the City's Balanced Plan. However, due to jurisdictional limitations and the need for additional project specific details, staff's presentation and request for direction is limited only to those potential land use changes implicated by the City's Balanced Plan within the District's jurisdiction.

Based on staff's initial review, and solely as it applies to the District's jurisdiction, the City's Balanced Plan may achieve the three objectives outlined by the Board. First, it would optimize NCMT by clearly delineating its marine terminal and marine related industrial land use boundaries from potential commercial and recreational land use boundaries, expanding rail service with the addition of a potential new rail connector track through Lot K, closing Tidelands Avenue, and at some point in the future, providing a new main gate to NCMT. Second, public access to San Diego Bay would be improved through an additional one acre of park immediately west of Pepper Park on the First Point of Rest (FPR) for lumber, reducing the FPR from seven to six acres while still allowing sufficient space for lumber offloading. Other future public access enhancements could also include the reconfiguration of Pepper Park to maximize park land and improve connectivity to the National City Adventure Center. Third, new commercial opportunities would emerge adjacent Pier 32 through reconfigured roadways and consolidated commercial recreational parcels.

Notwithstanding these potential benefits, several important issues remain to be resolved. National City has expressed concern to staff that even if the Board eventually approves land use changes within the District's jurisdiction that are consistent with the City's Balanced Plan, there will be insufficient funding to implement the City's requested "mitigations" and "enhancements." National City is seeking a permanent alignment for San Diego Association of Government's (SANDAG) Bayshore Bikeway routed outside of the optimized NCMT and surrounding District marine industrial lands, an alignment which would require further study as part of the closure of Tidelands Avenue. Additionally, National City has stated that although it does not wish to change land uses on the balance of the FPR, it wishes to implement certain publicly accessible projects such as dry boat storage or maritime job training; however, these activities are inconsistent with the current "marine terminal" land use designation in the Port Master Plan. Furthermore, slight shifts to the acreages of the City's Balanced Plan may be needed.

As more fully discussed below, and for the reasons summarized above, staff recommends the Board direct staff to begin pre-design work and develop a project description to change the land use designations in the Port Master Plan generally consistent with the City's Balanced Plan, study an alternate alignment of the Bayshore Bikeway, and develop a funding plan.

## **RECOMMENDATION:**

Staff recommends the Board give direction to those portions of the City's Balanced Plan within the District's jurisdiction. Specifically, staff recommends the Board direct staff to:

- (A) Commence pre-design on land use designation changes to add approximately one acre of park to the FPR, reconfigure commercial recreation land use designations north of Pier 32 Marina, and adjust adjacent maritime land use designations. This work is necessary to begin the entitlement process for a future Port Master Plan Amendment.
- (B) Based on the pre-design work described above, develop a project description for California Environmental Quality Act (CEQA) analysis and return to the Board with the project description for further direction.
- (C) Incorporate into Pasha Automotive Service's (Pasha) Tidelands Avenue Closure project an analysis of a permanent Bayshore Bikeway route outside of the NCMT and the surrounding District's maritime industrial land uses.
- (D) Formulate a plan for funding improvements, including allocating enhancements and project features such as a noise buffer, to certain future projects.

#### **FISCAL IMPACT:**

Staff is proposing to utilize a total of up to \$469,500 in available, budgeted funds in ELUM's non-personnel expense budget and in the CIP for the necessary pre-design work necessary to develop a project description. In the District's ELUM FY 15/16 Budget (see Attachment B) \$75,000 has been allocated for "National City Bayfront Planning" to engage a design and land use consultant. Additionally, \$394,500 of CIP Funds for FY 16/17 is available for National City Planning and Entitlement efforts. Staff will follow Board-adopted policies for use of any funds related to planning efforts in National City. It is anticipated that Pasha, as project applicant/proponent, would fund all costs associated with the SANDAG Bayshore Bikeway permanent alignment analysis. Additionally, once a tenant project application is submitted for the potential rail connector track or a commercial development, the District may have the opportunity to share or recover costs for pre-design.

#### **COMPASS STRATEGIC GOALS:**

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A Port that is a safe place to visit, work and play.
- A financially sustainable Port that drives job creation and regional economic vitality.

#### **DISCUSSION:**

At the July 2015 Board meeting, staff presented the initial key findings from the Vickerman and Associates National City Marine Terminal Optimization Study (Optimization Study), which included recommendations to optimize the National City Marine Terminal. The Board also directed staff to

come back with a plan that optimized the marine terminal, considered additional public access to the Bay in National City, and allowed for additional commercial opportunities. Additionally, the Board directed staff to hold a special meeting of the Board to discuss National City Bayfront land use issues, specifically looking at marine terminal optimization, commercial development, and public access. Staff has been working with staff from the City to balance these land uses and find a “win-win-win” solution for the District, the City and all interested stakeholders.

On August 4, 2015, in response to numerous previous studies and the results of the Optimization Study, staff from the City presented District staff with a proposed balanced plan for land uses in the National City Bayfront and surrounding areas. The City’s Balanced Plan addresses land uses on District Tidelands, adjacent acquired District uplands and the surrounding area in the City. The proposed City Balanced Plan includes the City’s vision for the permanent alignment of Segment 5 of the SANDAG Bayshore Bikeway, the optimization of the NCMT and increased public access to the waterfront through park expansion and commercial development. City staff will be presenting its proposed Balanced Plan to the Board together with District staff at the Board’s Special Meeting on September 23, 2015. Staff’s understanding of the elements of the City’s Balanced Plan is discussed more fully below in the context of previous planning studies for the area.

The discussion is divided into the following sections:

- I. Summary of Previous Planning Efforts
- II. Elements of The City’s Balanced Plan within the District’s Jurisdiction
- III. Other Elements Outside the District’s Jurisdiction
- IV. Overview of Port Master Plan and Coastal Act Considerations
- V. Proposed Next Steps and Future Actions
- VI. Recommended Direction to Staff

## **I. Summary of Previous Planning Efforts**

For decades, the District, the City, tenants, and stakeholders have worked together on “win-win-win” solutions for the co-existence of maritime, commercial, and public uses in the National City waterfront area. The District has studied maritime uses while working to understand commercial opportunities and identify waterfront activation. Prior reports and studies provide valuable information, insight, and recommendations on ways to increase commercial uses, lease and tax revenues, public open spaces and access, while allowing for maritime growth in a synergistic approach that minimizes land use conflicts. Efforts to enhance the area continued, and over the last ten years, the parties have conducted and discussed numerous plans, studies, assessments, and project submittals towards additional “win-win-win” solutions. Below is a summary of the previous studies conducted since 2011 for the National City Marina Area.

### **A. 2011 National City Marina District Joint Vision Plan**

The District and City performed a joint vision planning process in 2011. At the Board’s January 2012 meeting, the joint planning efforts were presented to the Board (Attachment C). As a result of the joint planning effort, the Board directed staff to work jointly with the City to issue a solicitation to develop no more than 20 acres of land for Commercial Recreation land uses. A Request for Statement of Interest and Qualifications was issued and resulted in GB Capital’s interest (the District’s tenant at Pier 32 Marina and the sole respondent to the solicitation) in a recreational vehicle park development. The Board directed staff in 2013 to enter into an option to lease agreement with GB

Capital; however, despite diligent efforts, GB Capital determined it no longer wanted to pursue the project, due to high entitlement risk and project costs associated with GB Capital's proposed project.

B. 2013 Mercator Report on NCMT Operations

In 2013, in response to a Pasha project submittal to construct a connector rail track on Lot K, the District engaged Mercator International, LLC (Mercator) to assess land and rail capacity needs for NCMT. Mercator's analysis indicated that the NCMT is a highly competitive terminal that generates the highest vehicle through-put volumes as compared to other California RO-RO terminals. Additionally, Mercator found that while the vehicle import/export business is variable and fluctuates based on supply and demand and other shipping schedule factors, the NCMT land areas operated by Pasha are highly efficient and, combined with the terminal's on-dock rail access, is well positioned to capture projected demand growth in the automotive production industry. Mercator's findings suggested that reconfiguring certain NCMT land areas for more effective vehicle storage, combined with an increase of railcar storage, would allow Pasha to expand its business at the terminal.

Following the Mercator findings, at the June 11, 2013 Board meeting, staff presented a terminal reconfiguration proposal prepared by Pasha and received direction from the Board to pursue a two-part approach to implement terminal reconfiguration to facilitate the growth of Pasha's business. The first component of this approach would address near-term planning items (i.e., Tank Farm project) and the second component would address longer-term planning items (i.e., potential new rail infrastructure and land area configurations). Currently, the Tank Farm project is in environmental review and Pasha has submitted a proposal for the closure of Tideland Avenue.

C. 2015 NCMT Terminal Optimization Study - Vickerman and Associates

Earlier this year, the District contracted with Vickerman and Associates (V&A) for the development of an Optimization Study for NCMT. At the Board's July 2015 meeting, Mr. John Vickerman presented his initial findings. The Executive Summary and Final Report from V&A have been released to the public.

The four key strategies for the long-term vision (2040+) for Terminal Optimization are:

- Preserve and enhance the maritime cargo terminal areas at NCMT through realignment of parcels, street closures and terminal infrastructure improvements and improved terminal operations.
- Increase the intermodal rail switching, rail car storage and rail terminal capacity at the NCMT.
- Focus planning and marketing efforts to establish a new integrated National City Logistics Park using the current National Distribution Center as an anchor development.
- Continue to support the Pasha Hawaii Transport Lines (PHTL).

A summary of the NCMT options and recommended actions to implement the key strategies are as follows:

- Maintain existing marine industrial uses and "Mean High Tide Line" parcels for the Terminal

### Operations Agreement (“TOA”).

- Incorporate current Pasha Tidelands Occupancy Use Permits (“TOUPs”) into the TOA when practical.
- Expand the current Burlington Northern Santa Fe (BNSF) rail services to the NCMT loop and loading tracks to permit greater railcar (automobile racks) storage and switching.
- Plan for a future OEM import/export cargo growth in steps ~ short-term (400,000 units), medium-term (600,000 units), and long-term (800,000 units).
- Maintain a 24 to 27 acre portion of the TOA for the domestic Hawaii service. In the event the domestic Hawaii service is relocated (either to another Port of San Diego terminal or to another port of entry), this 24 to 27 acres should be used to expand the Pasha operations.

NCMT optimization is dependent upon short and medium term actions by the SDUPD, including but not limited to, road closures, CEQA project assessments, Port Master Plan amendments, and modifications to the current TOA.

As evidenced above, several previous efforts and studies have been conducted along the National City Bayfront, which support optimization of Maritime Operations and preservation of land for maritime use. Additionally, commercial and tourist uses should be located away from the maritime operations in the area adjacent Pier 32 Marina. District Staff recommends that any future studies within the National City Marina District be informed by the findings of previous studies.

## **II. Elements of The City’s Balanced Plan within the District’s Jurisdiction**

While the Board may want to consider the entirety of the City’s Balanced Plan, District staff recommends that the direction to staff remain focused on the area within the District’s jurisdiction, including the National City Marina District and certain District-acquired property, as described below:

- Land use changes on “Lot K” to accommodate potential future connector rail track, maximize the size of the “commercial recreation” property while maintaining with the goal of offsetting any loss of maritime uses.
- Addition of one (1) acre of park space on the existing FPR, west of Pepper Park.
- A permanent alignment of Bayshore Bikeway through National City routed outside of the optimized NCMT and adjacent maritime land uses.

### **A. Lot K - Potential Connector Track and Maximized Commercial Space**

Consistent with the City’s Balanced Plan, District staff is recommending land use changes on Lot K, which could facilitate a future connector track once a tenant project application is submitted to the District. This future connector track and any associated buffers could serve as the dividing line between maritime and commercial uses, whereby maritime uses would be located west of any future connector track and commercial uses would be located south and east of any future connector track. In addition to being reconfigured to accommodate a future connector rail, the new maritime land uses

on Lot K (west of the potential future connector track) could be used to offset the approximate one acre of maritime land that would be lost from the addition of park space on the existing FPR, with the goal of offsetting any loss to maritime uses.

To maximize the commercial opportunities, the area designated commercial recreation and park uses may benefit from a reconfiguration. For example, Marina Way could be relocated adjacent to a future connector rail and act as a potential buffer between the two uses. From preliminary discussions with BNSF staff and rail customers such as Pasha, it appears that the City's Balanced Plan land use configuration could accommodate a potential future connector rail track.

Discussed in further detail below, District staff is recommending that the District commence pre-design on land use designation changes to add approximately one acre of park to the FPR, reconfigure commercial recreation land use designations north of Pier 32 Marina, and adjust adjacent maritime related industrial land use designations. This effort may include the District engaging a rail designer and planning consultant to determine the best configuration for both Lot K and the commercial recreation and park land uses. For additional information on rail operations in San Diego please see Attachment D.

#### B. Additional Park Space and Reduced First Point of Rest

The District has approximately seven acres, east of Pasha's TOA area, directly adjacent to Pepper Park, which is commonly referred to as the "First Point of Rest" (see Attachment A). The FPR is used by Pasha, other District tenants, and cargo carriers to unload bulk cargo. This area is of specific importance to maritime operations. Historically, lumber has been unloaded and sorted on the FPR, before being transported to the National City Lumber Yards, among other cargoes that are unloaded on the FPR.

Consistent with the City's Balanced Plan, District staff is recommending an approximate one acre expansion to Pepper Park by shrinking the size of the lumber FPR, which primarily handles the District's lumber business. The existing FPR is designated "Marine Terminal" in the District's Port Master Plan, with a goal to offset any loss of maritime uses, District staff is recommending that the conversion of one acre of maritime land to park space be replaced on Lot K (see discussion above).

Additionally, the lumber companies have a favorable labor agreement, through an Arbitration Agreement between the Pacific Maritime Association (PMA) and the Labor Unions, which allows the International Longshore Workers Union (ILWU) to unload cargo from vessels onto the FPR, and non-ILWU labor to handle, sort and move lumber on and from the FPR. This creates a significant cost savings for lumber barged into National City or other spot cargoes that may offload.

While the District is not party to the Arbitration Agreement, it is in the District's best interest to maintain a non-location specific FPR to support the lumber industry in National City and handle bulk cargos not related to Pasha operations. Due to the most recent recession and housing slump, barges of lumber have slowed in National City and Weyerhaeuser, a former District tenant, pulled out of the San Diego market in 2014. However, Dixieline, the District's current lumber tenant at National City, forecasts a gradual return of lumber barges into San Diego over the next few years. Historically, over the last ten-years, on average the District has received 92,000,000 board feet of lumber annually. Assuming only one tenant brings in barged lumber, this would equate to average annual revenue from wharfage to the District of roughly \$250,000.

Staff has met with Dixieline, District Maritime Operations and barge operators to understand the operational requirements of the movement of lumber at NCMT. The largest size lumber barge anticipated to be off-loaded at NCMT can carry 6,000,000 board feet. In order to offload this size of barge, the FPR would need to be a minimum of roughly six acres. Staff is working diligently with the City, Pasha, Dixieline, and other stakeholders to ensure that a FPR of six acres is maintained within the NCMT area.

A FPR of six acres and access to the deep water berth is of critical concern to both the District and the Working Waterfront, including the importation of lumber. Should a viable project be constructed on a portion of the current FPR, the boundaries of the FPR would need to be adjusted, to retain six acres, and access to a deep water berth.

#### C. Other Uses on the Remainder of the FPR

Finally, the City has suggested that there may be other industrial uses available to the public on the remainder of the District's FPR (outside of the proposed expansion of Pepper Park). The "marine terminals" land use designation in the Port Master Plan identifies that this land use designation and the harbor constitute one of the State's primary economic and coastal resources, and serves as a strategic facility in the national defense system of the United States. Marine terminals provide facilities for handling, marshaling and unloading/loading cargo. Should a viable project be presented to the District, consistent with the Marine Terminal land use designation, a portion of the FPR could be used for such use. This topic will require additional analysis.

Pasha has agreed in concept, that if a viable project displaces a portion of the FPR, Pasha is amenable to accommodate a boundary adjustment if needed in the future.

#### D. Permanent Alignment of SANDAG Bayshore Bikeway

The Bayshore Bikeway, planned by SANDAG as a continuous bicycle path around San Diego Bay, is being designed, funded, and constructed in segments. Segment 5 is proposed to extend from Civic Center Drive to West 32<sup>nd</sup> Street via Tidelands Ave in National City. At the Board's December 9, 2014 meeting, the Board directed staff to pursue a Port Master Plan Amendment (PMPA), incorporating the alignment of an *interim* bikeway along Tidelands Avenue for the Segment 5 South (Bay Marina Drive to West 32<sup>nd</sup> Street) alignment. At the June 11, 2015 Board meeting, the Board approved the draft PMPA and on August 4, 2015, the PMPA was transmitted to the Coastal Commission to begin the PMPA certification process. On September 10, 2015, Coastal Commission staff verbally provided preliminary comments on the PMPA and expressed concern about the PMPA's inclusion of language that states that the interim alignment "may be relocated or closed at the District's sole discretion at any time." Coastal Commission staff indicated that they would follow-up with a letter to the District to formalize their comments on the PMPA.

As part of Pasha's proposal to close Tidelands Avenue, as discussed at the July 2015 Board meeting, Pasha has proposed that the permanent alignment of the SANDAG Bayshore Bikeway follow the Metropolitan Transit System (MTS) right-of-way east of Marina Way, then following an alignment along Cleveland Avenue to W 19<sup>th</sup> Street, to Tidelands Avenue, where the Segment 5 North section is planned. This proposed alignment is shown on Attachment E. District staff has had preliminary discussions with SANDAG staff regarding Pasha's proposed alignment. Preliminary feedback from SANDAG staff indicated that there would be three railroad crossings on W 19<sup>th</sup> Street, and that the multiple turns could be confusing for bicyclists.

The City's Balanced Plan also proposes a route for a permanent alignment following the MTS right-of-way. The City's Balanced Plan proposes to follow McKinley Avenue north to the intersection of Harbor Drive and Civic Center Drive, where it would connect with Segment 4 of the Bayshore Bikeway. The Bayshore Bikeway alignment identified on the City's Balanced Plan is shown on Attachment E. SANDAG staff met on-site with City staff to discuss this proposed alignment and SANDAG staff's preliminary feedback on this alignment was positive, indicating that preliminarily there do not appear to be any fatal flaws with this alignment.

Staff has had preliminary discussions with the Coastal Commission staff regarding the proposed alignments. Coastal Commission staff has concerns about the southern extent of the bike path traversing, or being immediately adjacent to, the National Wildlife Refuge, as it could potentially affect wetlands. Additionally, SANDAG staff, based on previous experience, indicated that the permitting process with the resource agencies (United States Fish and Wildlife Service, California Department of Fish and Wildlife, California Coastal Commission) may be lengthy for the area next to the National Wildlife Refuge and has suggested that the resource agencies be engaged as soon as possible.

For the area east of Marina Way, both the Pasha and City's Balanced Plan alignment are generally consistent with the proposed alignment identified in the Port Master Plan, as shown on Attachment E; however, only a small portion of this alignment is actually on District-owned property. Once outside of District property, both proposals differ in their alignment at the corner of Marina Way and Bay Marina Drive.

The current proposed timeline for the closure of Tidelands Avenue suggests that the closure of Tidelands Avenue could occur shortly after entitlements are complete, which is estimated to be as soon as Summer 2018. SANDAG has indicated to staff that they could begin commencement of construction of the *interim* bikeway along Tidelands Avenue as early as April 2016, with a 12 month construction timeline. Effectively, there could be a 12 month window between the end of construction of the *interim* bikeway on Tidelands Avenue and the beginning of the closure of Tidelands Avenue. Staff has been working with SANDAG staff to determine the timing of permitting and construction for the alternative routes. The estimated durations for the next steps associated with the Tidelands Avenue Closure and a potential permanent alignment of the Bayshore Bikeway are shown on Attachment F.

As part of the recommended next steps, District staff is recommending that the Board direct staff to work with SANDAG to study these two alternative alignments. Staff recommends that the District jointly hire a bicycle facilities planning firm with SANDAG and Pasha, whereby the costs would be borne by Pasha as the entity proposing a permanent alignment as part of a larger project (Tidelands Avenue Closure). Staff also recommends commencing consultation with the resource agencies and MTS regarding these potential alignments.

### **III. Other Elements outside the District's Jurisdiction**

Several components of the proposed Balanced Plan by the City go beyond the District's jurisdiction. These include road closures within the City's jurisdiction and a gate system on Tidelands Avenue, within the City's jurisdiction. Staff is recommending that the Board concentrate on the portion of the plan within the District's jurisdiction and continue to work with the City on the remainder of the plan and a path forward to entitle the same.

A. Road Closures

The City Map shows conceptual closure of roads, in and around the NCMT. Closure of some of these roads (Quay Avenue, 28<sup>th</sup> Street, 32<sup>nd</sup> Street) is currently under review in Pasha's *Tank Farm Paving and Street Closures Project Environmental Impact Report and Port Master Plan Amendment*. In addition, staff is conducting preliminary project review of another road closure project - Pasha's proposal to close Tidelands Avenue, between W 32<sup>nd</sup> Street and the Mean High Tide Line just south of Bay Marina Drive. While these road closures are contemplated by the City on the City Map, road closures are one of the key findings from the Vickerman and Associates' Optimization Study. As discussed in the Optimization Study, the closure of roads would create efficiencies within the NCMT; however, such closures should only be done once market demand dictates its necessity.

Additionally, some of the road closures that are contemplated by the City are not within the Port's jurisdiction. They serve as ingress and egress to both District Tenants and adjacent properties, including Navy Base San Diego. Before any closure of roads could occur, both in the Ports jurisdiction or adjacent, access to these areas would need to be addressed, and environmental review conducted.

B. Gates

The City's Balanced Plan has proposed a transition zone in alignment with the centralized gate recommended by the Optimization Study, which would direct traffic to and from the secure areas of NCMT. As discussed in the Optimization Study, this gate is contemplated sometime beyond 2040, when market conditions would support a centralized gate. At this time, there are no proposals for installation of a centralized gate, and the City proposed gate system is not within the District's jurisdiction. Similar to the road closures, if a proposal for a centralized gate is made, ingress and egress would need to be analyzed and entitlements would need to be obtained.

#### **IV. Overview of Port Master Plan and Coastal Act Considerations**

As background, the four primary land use designations in the National City Bayfront area are: Marine Related Industrial, Marine Terminals, Commercial Recreation, and Park/Plaza. These Port Master Plan land use designations with their related allowable uses, as well as other Coastal Act and Port Master Plan considerations are discussed below.

A. Marine Related Industrial

The "marine related industrial" land use designation in the Port Master Plan identifies that uses within this designation require sites within close proximity to water bodies. Activities suitable for the marine related industrial land use designation include, but are not limited to: marine terminals, railroad switching and spur tracks, berthing facilities, ship building and repair, aquaculture, marine related support and transportation facilities, and other uses associated with deep water and loading/unloading facilities.

B. Marine Terminals

The "marine terminals" land use designation in the Port Master Plan identifies that this land use designation and the harbor constitute one of the State's primary economic and coastal resources, and serves as a strategic facility in the national defense system of the United States. Marine

terminals provide facilities for handling, marshaling and unloading/loading of cargo and can include uses such as dry storage, warehouses, silos, and cold storage.

C. Commercial Recreation

The “commercial recreation” land use designation in the Port Master Plan identifies that this land use designation serves the needs of recreationalists for lodging, food, transportation services, and entertainment. Uses suitable for the commercial recreation land use designation include, but are not limited to: hotels, restaurants, RV parks, specialty shopping, pleasure craft marinas, water-dependent educational and recreational program facilities and activities, sportfishing, dry [boat] berthing, and off-season [boat] storage. District staff has received multiple inquiries regarding the siting of dry boat storage. Based on the certified Port Master Plan and existing dry boat storage sites, staff believes that dry boat storage is a use appropriate for the “commercial recreation” land use designation. Dry boat storage is typically related with a marina, and a marina is a use that is consistent with the “commercial recreation” land use designation. Existing dry boat storage sites currently exist adjacent to the Pier 32 Marina in National City, the Coronado Cays Yacht Club, and the San Diego Yacht Club. The land use designation at those sites is “commercial recreation.”

D. Park/Plaza

In the Port Master Plan, the “park/plaza” land use designation is for landscaped urban type recreational development and amenities that encourage and accommodate public access to and along the interface zone of land and water. Recreational facilities frequently associated with the park/plaza land use designation include, but are not limited to: public fishing piers, boat launch ramps, vista areas, public art, water dependent educational and recreational program facilities and activities, small food and beverage vending, and other park-activating uses that are ancillary to the public uses. Areas of District tidelands that have the park/plaza land use designation consist of active and passive park spaces, and landscaped and hardscaped spaces.

E. Coastal Commission Staff Comments

In a response to comments letter from the Coastal Commission staff (see Attachment G), the closure of streets should not count as ‘offset’ or credits associated with changing marine related industrial uses to other future uses.

“Under the Coastal Act and Port District mandates, the reservation of land for coastal-dependent and maritime uses is clearly prioritized. Although Commission staff acknowledges that the assessment of lands needed to be reserved for these high priority uses [...] initially, it would seem that the proposed street closures and associated land use designation change should not count towards any “offsets” or credits associated with changing Maritime Related Industrial uses to other future uses in the National City area. The proposed street closures already serve as access for marine related industrial uses and would continue to do so as part of the [Tank Farm] project. [...] Such future assemblage of available lands would also need to consider priority land uses and how different land configurations could be viably used to support maritime industry. Any change in marine-related industrial uses to other future uses in the National City area at this time would be premature and should be evaluated without reliance on the proposed [Tank Farm] project.”

Based on this letter and precedent, staff has determined that preservation and offsetting any loss of

maritime land is important. For example, the development of the Hilton Hotel in Downtown San Diego eliminated the former Campbell Shipyard, which was a maritime land designation, required the purchase of the National Distribution Center, to offset the loss of maritime designated land. The District's maritime business generates \$3.5 billion dollars in regional economic impacts annually. Additionally, 1,400 direct jobs are generated at the District's marine terminals, with an average worker compensation of \$72,000 annually. Being a natural deep water berth port, and possessing a federal strategic port designation, further demonstrates the importance of preserving maritime.

City staff disagrees with the notion that street closures do not count as offsets, as well as, the notion of a 1:1 replacement ratio for loss of maritime land uses. The intent moving forward is to clarify this with the Coastal Commission as part of pre-design work. Additional analysis and coordination with the Coastal Commission staff is necessary.

## **V. Proposed Next Steps and Future Actions**

### **A. Preliminary Design for Land Uses**

District staff's proposed preliminary land use configuration for the National City Marina District is shown on Attachment H. In order to facilitate the land uses shown on Attachment H, staff believes that the proposed land use changes would need to occur through a PMPA. Please note, however, a portion of land identified as Lot K is proposed to be added to the Port Master Plan as a "commercial recreation" land use designation with a maritime industrial overlay as part of Pasha's Tank Farm Paving and Street Closures EIR and PMPA, which is currently in process. The City Council of National City took action on September 15, 2015 to oppose the maritime industrial overlay. District staff extended the revised Notice of Preparation comment period to September 28, 2015 to accommodate further discussion.

In order to facilitate the land uses identified on Attachment H, District staff recommends that the Board direct staff to work with tenants or potential tenants to submit project applications and collaborate with the District to conduct pre-design and develop project descriptions for a potential rail connector track on Lot K, associated roadway realignment(s) and commercial developments. This may entail hiring a rail design professional to confirm that the proposed land use configuration on Lot K could accommodate a potential future connector rail track. In addition, staff recommends conducting preliminary design for the land uses, including but not limited to designing the park expansion on the FPR, optimizing the layout of the commercial space, as well as possibly realigning Marina Way to maximize the commercial space and create a gateway into the Marina District. Please note that the configurations shown on Attachment H are preliminary staff proposes to validate these layouts based on the preliminary design, in particular the acreages for marine related industrial and commercial recreation as they relate to the potential future rail track.

To conduct these preliminary design efforts, staff recommends utilizing the \$75,000 in the Environmental and Land Use Management (ELUM) department's FY 15/16 Budget (see Attachment B) that has been allocated for "National City Bayfront Planning." Funds for these efforts are also part of the District's Capital Improvement Program (CIP) for FY 16/17. Some of these expenditures may be reimbursed by project applicants or shared by the same.

Previous studies that have been conducted could serve as a basis for future studies. For example, a previous study discussed potential land use and development scenarios which could optimize the land use configuration between maritime and commercial recreation uses. Some of the proposed

uses identified light industrial, mixed-uses on a commercial recreation land use designation, which could complement, and be compatible with, a future rail track connector, and focused commercial uses located near the current Pepper Park.

#### B. CEQA, Project Description, and PMPA

After completion of the preliminary design described above, District staff will prepare a Project Description to facilitate the land use changes preliminarily identified on Attachment H. This may include, depending on applications received, other project components. Subsequently, based on this Project Description, CEQA analysis would be done. The land use changes would also require a PMPA, which would also be analyzed pursuant to CEQA. If the Board certifies the CEQA document and approves the PMPA, the PMPA would be forwarded to the Coastal Commission for certification. Certification of the PMPA would be required before any development could occur consistent with those land uses. The estimated durations for the next steps associated with the land use changes are shown on Attachment F. A portion of Lot K is proposed to be added to the Port Master Plan as a “commercial recreation” land use designation with a maritime industrial overlay as part of Pasha’s Tank Farm Paving and Street Closures EIR and PMPA, which is currently in process. Therefore, staff anticipates that the Project Description developed for the land use changes will not indicate a land use change from “undesigned” to “marine related industrial,” but “commercial recreation” to “marine related industrial.”

#### C. Tidelands Closure and the Bayshore Bikeway

At the Board’s July 2015 meeting, staff gave an update on a proposed tenant project to close Tidelands Avenue. Pasha is proposing to close Tidelands Avenue, in National City, between West 32<sup>nd</sup> Street and Bay Marina Drive and locate a permanent alignment of the SANDAG Bayshore Bikeway - Segment 5 South along or near Marina Way.

Staff is working with Pasha’s traffic consultant to confirm that the Traffic Study, submitted to the District by Pasha, has taken into account traffic that could be generated by future conceptual commercial land uses near the Pier 32 Marina. Staff will have the submitted traffic study peer reviewed by a third party consultant that is part of the District’s on-call services list.

Staff anticipates that the Tidelands Avenue Closure project entitlements (CEQA review and PMPA) could be completed as soon as Summer 2018. This would include an analysis of the permanent alignment of SANDAG’s Bayshore Bikeway, Segment 5.

Pasha has proposed that the permanent alignment of the SANDAG Bayshore Bikeway - Segment 5 South, go along or near Marina Way, connecting to Cleveland Street, through the backside parking lot of the Best Western Hotel, then heading west on 19<sup>th</sup> Street, finally connecting to the Segment 5 - North segment at the corner of Tidelands Avenue and 19<sup>th</sup> Street. This alignment is shown in blue on Attachment E.

As presented above, the City’s Balanced Plan suggests that the permanent alignment of the SANDAG Bayshore Bikeway - Segment 5 also follow along or near Marina Way, crossing Bay Marina to 23<sup>rd</sup> Street, then going north up McKinley Avenue, connecting to Segment 4 at the intersection of Harbor Drive and Civic Center Drive, as shown in green on Attachment E.

Staff is proposing that both Pasha’s proposed alignment, as well as the McKinley alignment be

studied as part of Pasha's proposal to close Tidelands Avenue, through a multiparty agreement, including Pasha and SANDAG.

D. Balanced Plan Funding Concept

The City's Balanced Plan proposes an infrastructure funding concept to pay for planned infrastructure. While this idea is only in concept, there are examples of similar concepts both on and off Tidelands. The City's general proposal is that incremental revenues from lease rents and other sources of revenue would pay for "mitigation measures and public enhancement." Mitigation measures and public enhancement terminology used in this context has a different meaning than mitigation under CEQA.

While the City's Balanced Plan infrastructure funding concept is conceptual in nature, staff recommends that as more detailed land uses and conceptual projects are further refined, District staff bring forth a conceptual infrastructure financing plan for the Board's consideration. This conceptual financing plan would only be brought forward at such time as the necessary information becomes available, such as specified infrastructure needs, costs, and potential revenue sources.

Additionally, at such time that tenant project and environmental review is conducted, tenant projects may be required to provide some of the proposed "mitigation measures and public enhancements" contemplated by the City's Balanced Plan. At such time that tenant projects are reviewed, the District may condition specific projects to provide mitigation associated with project impacts. Any conceptual financing plan should include consideration for tenant project mitigation measures, as applicable.

E. Stakeholder Outreach

Throughout this process, as part of the District's goal of transparency and engagement, District staff has conducted stakeholder outreach. District staff has met with all tenants in National City as well as adjacent property owners, including the Navy to gain stakeholder input on the City's Balanced Plan as well as staff recommendations. Additionally, District staff has met with other groups of interest, such as the National City Chamber of Commerce, the Port Tenants Association, and the Working Waterfront Group. Staff will continue to engage these stakeholders through the future next steps.

Staff met with the EHC on several occasions to understand community desires. EHC has put together a proposal for additional park space and public amenities. This proposal includes additional park space beyond one acre and conceptual ways to activate the park area. District staff is recommending as part of the pre-design work that we continue to engage with the community and EHC to activate and enhance the park and identify potential additional public amenities.

**VI. Recommended Direction to Staff**

Staff recommends the Board limit its discussion and direction to those portions of the City's Balanced Plan over which the District has jurisdiction. Specifically, staff recommends the Board direct staff to:

- (A) Commence pre-design on land use designation changes to add approximately one acre of park to the FPR, reconfigure commercial recreation land use designations north of Pier 32 Marina, and adjust adjacent maritime land use designations. This work is necessary to begin the entitlement process for a future Port Master Plan Amendment.

- (B) Based on the pre-design work described above, develop a project description for California Environmental Quality Act analysis and return to the Board with the project description for further direction.
- (C) Incorporate into Pasha's Tidelands Avenue Closure project an analysis of a permanent Bayshore Bikeway route outside of the NCMT and the surrounding District's maritime industrial land uses.
- (D) Formulate a plan for funding improvements, which may include allocating enhancements and project features such as a noise buffer between maritime and commercial development and public park enhancements to certain future projects.

### **General Counsel's Comments:**

The General Counsel's Office has reviewed the agenda sheet and attachments, as presented to it and approves them as to form and legality.

It is the General Counsel Office's understanding that the Board will give direction to District staff to further analyze the concepts as presented in the agenda sheet and are not approving any such items. Additionally, by giving District staff such direction, the Board is not pre-committing itself to any future approvals or actions prior to review under CEQA.

### **Environmental Review:**

This presentation to the Board and the Board's direction to staff does not constitute a "project" under the definition set forth in CEQA Guidelines Section 15378 and is therefore not subject to CEQA. Any direction received by the Board shall not be a binding commitment to any of the items presented. Analysis under CEQA prior to approval of any of the components of the balanced land use plan and infrastructure funding would be required. No further action under CEQA is required.

This presentation to the Board and the Board's direction to staff does not allow for "development," as defined in Section 30106 of the California Coastal Act, or "new development," pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations. Therefore, issuance of a CDP or exclusion is not required.

### **Equal Opportunity Program:**

Not Applicable

### **PREPARED BY:**

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Attachments:

Attachment A: National City Bayfront Map

Attachment B: May 12, 2015 Agenda Related Memo regarding FY 15/16 Preliminary Annual Budget Workshop - Questions to Staff Regarding Non-Personnel Expenses for Planning Efforts

Attachment C: Board of Port Commissioners January 10, 2012 - Agenda Item 27

Attachment D: September 17, 2015 Agenda Related Memo regarding Freight Rail Operations in the San Diego Region

Attachment E: SANDAG Bayshore Bikeway - Proposed Permanent Alignments for Further Study

Attachment F: Environmental Review Process Flow Chart and Timelines

Attachment G: Letter from Coastal Commission re: Street Closures (dated 01/15/15)

Attachment H: Conceptual Land Use Configuration for National City Marina District