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Title: HUNTINGTON INGALLS INDUSTRIES (HII) SAN DIEGO SHIPYARD INC. MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT

A) PRESENTATION AND DIRECTION TO STAFF ON THE HII SAN DIEGO SHIPYARD INC. MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT; AND/OR

B) CONDUCT PUBLIC HEARING AND ADOPT RESOLUTION ADOPTING THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE HII SAN DIEGO SHIPYARD INC. MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT, ADOPTING THE MITIGATION MONITORING AND REPORTING PROGRAM, AND DIRECTING THE FILING OF THE NOTICE OF DETERMINATION; AND

C) RESOLUTION GRANTING CONCEPT APPROVAL TO HII SAN DIEGO SHIPYARD INC. FOR THE MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT; AND

D) RESOLUTION AUTHORIZING ISSUANCE OF A NON-APPEALABLE COASTAL DEVELOPMENT PERMIT TO HII SAN DIEGO SHIPYARD INC. FOR MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT

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DATE: April 9, 2019

SUBJECT:

HUNTINGTON INGALLS INDUSTRIES (HII) SAN DIEGO SHIPYARD INC. MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT

A) PRESENTATION AND DIRECTION TO STAFF ON THE HII SAN DIEGO SHIPYARD INC. MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT; AND/OR

B) CONDUCT PUBLIC HEARING AND ADOPT RESOLUTION ADOPTING THE FINAL MITIGATED NEGATIVE DECLARATION FOR THE HII SAN DIEGO SHIPYARD INC.

MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT, ADOPTING THE MITIGATION MONITORING AND REPORTING PROGRAM, AND DIRECTING THE FILING OF THE NOTICE OF DETERMINATION; AND

- C) RESOLUTION GRANTING CONCEPT APPROVAL TO HII SAN DIEGO SHIPYARD INC. FOR THE MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT PROJECT; AND**
- D) RESOLUTION AUTHORIZING ISSUANCE OF A NON-APPEALABLE COASTAL DEVELOPMENT PERMIT TO HII SAN DIEGO SHIPYARD INC. FOR MARGINAL WHARF REPAIR AND AS-NEEDED PILE REPLACEMENT**

EXECUTIVE SUMMARY:

In August 2017, HII San Diego Shipyard Inc. (HII), formerly Continental Maritime of San Diego, submitted an application to the San Diego Unified Port District (District) for their proposed “HII San Diego Shipyard Inc. Marginal Wharf Repair and As-Needed Pile Replacement Project” (Project). The Project proposes to repair, reconfigure or replace existing in-water facilities located at the approximately 27.3-acre HII shipyard leasehold at 1995 Bay Front Street in San Diego, directly under the San Diego Coronado Bay Bridge (see Attachment A, Project Vicinity and Attachment B, Aerial Photograph). The proposed changes to the shipyard’s water facilities would include the repair, rehabilitation or removal of existing aging and deteriorating in-water facilities, the construction of new in-water facilities, and the as-needed replacement of degrading pier piles. Staff subsequently commenced the environmental review process pursuant to the California Environmental Quality Act (CEQA) for the Project.

The District, as lead agency under CEQA, prepared a Draft Initial Study and Mitigated Negative Declaration (collectively, MND) for the Project and circulated it for the minimum 30-day public review period, which began on January 30, 2019 and ended on February 28, 2019. The District received comment letters from seven public agencies and one organization, and staff determined that these comments did not raise any significant environmental issues not already addressed and analyzed in the Draft MND or require substantial revision and recirculation was not necessary pursuant to State CEQA Guideline 15073.5. The comment letters and responses to all written comments received on the Draft MND are included in the Final MND. In response to the comments received during the public review period, the Final MND includes minor clarifications to the MND text and mitigation measures. The additional information contained in the District’s responses to comments clarifies and further substantiates the conclusions contained in the Draft MND. The Final MND finds that the Project, with the incorporation of mitigation measures identified in the Mitigation Monitoring and Reporting Program (MMRP), would not result in significant adverse impacts to the environment. The Final MND and MMRP have been prepared in accordance with CEQA, the State CEQA Guidelines, and the District’s Guidelines for Compliance with CEQA. Copies of the Final MND and MMRP (as part of the Final MND) have been previously provided to the Board via a memorandum to the Board.

Additionally, the Project requires concept approval pursuant to BPC Policy No. 357. Finally, pursuant to the District’s Coastal Development Permit (CDP) Regulations and the California Coastal Act, the Project requires the issuance of a non-appealable CDP. Staff has determined that the Project is consistent with the District’s certified Port Master Plan.

RECOMMENDATION:

HII San Diego Shipyard Inc. Marginal Wharf Repair and As-Needed Pile Replacement Project:

A) Presentation and Direction to Staff on the HII San Diego Shipyard Inc. Marginal Wharf Repair and As-Needed Pile Replacement Project; and/or

B) Conduct Public Hearing and Adopt Resolution Adopting the Final Mitigated Negative Declaration for the HII San Diego Shipyard Inc. Marginal Wharf Repair and As-Needed Pile Replacement Project, Adopting the Mitigation Monitoring and Reporting Program, and Directing the Filing of the Notice of Determination; and

C) Resolution Granting Concept Approval to HII San Diego Shipyard Inc. for the Marginal Wharf Repair and As-Needed Pile Replacement Project; and

D) Resolution Authorizing Issuance of a Non-Appealable Coastal Development Permit to HII San Diego Shipyard Inc. for Marginal Wharf Repairs and As-Needed Pile Replacement

FISCAL IMPACT:

The proposed Board action will have no fiscal impact to the District. HII currently pays the District annual flat rent in the amount of \$1,198,704, which would not change as a result of this Board action. HII would continue to be responsible for all applicable costs associated with the entitlement, construction, and operation of the Project.

This agenda item is subject to Board Policy No. 106 - Cost Recovery User Fee Policy.

COMPASS STRATEGIC GOALS:

This agenda item supports the following Strategic Goals:

- A thriving and modern maritime seaport.
- A Port with a healthy and sustainable bay and its environment.
- 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:

Background

HII began its shipyard operations at its leasehold located at 1995 Bayfront Street, San Diego, in 1985. The 27.3-acre leasehold includes both land-side and water-side facilities. The land-side facilities include surface parking, office buildings, warehouses, outdoor storage areas, stormwater facilities, and various other industrial buildings that are involved with HII's ship repair and maintenance operations. The focus of the proposed Project is the water-side portion of the leasehold where in-water facilities such as piers and wharves are used to moor military and other sea-going vessels undergoing repairs at the shipyard.

There are currently six piers within the Project site referred to as Pier 1, Pier 2, Pier 4, Pier 5, Pier 6, and Pier 7 (Pier 3 was removed and has not been in existence for several decades) and three marginal wharves referred to as Wharf 2, Wharf 5 and Wharf 7 (see Attachment C, Existing

Conditions). The piers and associated marginal wharves are essential to the maintenance and repair operations of the shipyard. All existing facilities are made of wood, steel, and concrete and are inspected on a regular basis.

HII's recent inspections of the water facilities determined that some piers and piles were aged and/or deteriorated to the extent that they are at the end of their serviceable life. Many of the wooden piles had degraded such that they are no longer providing support to the piers and marginal wharves. If these facilities are not replaced, berthed vessels could exert further stress onto the pier and/or support piles, causing damage and safety issues for the pier structures as well as the surrounding environment. In addition, many of the wooden piles are coated with creosote to help enhance the useful life of the wooden pilings. Creosote is a tar-based substance that acts as a preservative against rot but has been found to be carcinogenic to humans and bioaccumulation can cause effects on marine life.

Proposed Project

In August 2017, HII submitted an application for the proposed Project, stating that many of the existing in-water facilities on the Project site are in need of repair, reconfiguration or removal and replacement, as they have been on the Project site for over 60 years.

The Project proposes to remove and replace all wooden creosote coated piles with concrete, steel, or plastic piles, which are non-toxic to humans and the marine environment.

The Project proposes to implement two components (see Attachment D, Proposed Conditions). The first component is the replacement and reconfiguration of Wharves 2, 5, and 7 that have severely deteriorated, or in the case of Wharf 7, fallen completely into San Diego Bay. The second component includes installation of like for-like pile replacements that would occur on an as needed basis at the two main piers within the Project site (Piers 4 and 6) as well as Piers 1, 5, and 7 (Pier 2 would be demolished rather than be repaired). These functions would better support the ship repair and maintenance operations and would increase the overall efficiency of the shipyard. Also, the updated and reconfigured wharves would reduce the transit distances throughout the shipyard, thereby reducing the emissions from onsite vehicles and equipment generated at the shipyard.

The Project would result in a reduction of the total number of piles, as well as a reduction in overwater coverage and fill. The reduction in the number of piles, the types of piles to be used, as well as the reconfiguration of wharves and piers, would allow for these reductions in the amount of fill and overwater coverage at the Project site, as shown in Table 1 below.

Table 1

| Existing Overwater Coverage Area (SF) | Proposed Overwater Coverage Area (SF) | Net Change in Overwater Coverage Area (SF) | Existing Pile Fill Area (SF) | Proposed Pile Fill Area (SF) | Net Change in Pile Fill Area (SF) |
|--|--|---|-------------------------------------|-------------------------------------|--|
| 120,971 sf* | 115,590 sf | -5381 sf | 2406.4 sf | 660.9 sf | -1745.5 sf |

* square feet

The two components of the Project are discussed in more detail below.

Component 1 - Marginal Wharf Repair

Marginal wharf repair for the Project would occur at Wharves 2, 5, and 7, including reconfiguration and pile replacement. There would be an overall reduction in overwater coverage from the wharves (Table 1). Upon completion of the Marginal Wharf Repair component of the project, these wharves would be utilized for storage and staging for U.S. Navy contracts, as well as mooring small work vessels. The Project would streamline existing operations by providing for more staging and storage areas near vessel repair areas. Additionally, the Project would provide for greater safety by repairing or replacing the damaged and deteriorated piles and wharves. However, the Project would not result in an increase in operations; nor would it result in any additional employees, other than those needed during construction.

Component 2 - As-Needed Pile Replacement

The Project proposes the replacement of all 1,304 piles that currently exist within the Project site. The Project would not involve pile replacement associated with Pier 2, which would be demolished and would not be rebuilt. The existing 1,304 piles would be removed and replaced with a total of 1,169 piles on an as-needed basis over four phases (Attachment E, Phasing Plan), resulting in a reduction in the number of piles onsite. The proposed as needed pile replacements would involve removal of the existing 60-foot-long piles made of wood, concrete, and steel, and replacement with new concrete, plastic, or steel fender piles. This would protect the existing piers, provide the ability to continue to safely moor vessels, and remove creosote treated wood piles, which are hazardous to humans and the marine environment.

Construction activities are anticipated to begin in the mid-to-late-2019. Construction would take place over a five year period between 2019 and 2023. All construction staging would take place on the Project site.

Mitigated Negative Declaration

In April 2018, District staff initiated the environmental review process for the Project pursuant to CEQA. The District, as lead agency under CEQA, prepared a Draft MND for the Project entitled "HII San Diego Shipyard Inc. Marginal Wharf Repair and As-Needed Pile Replacement Project" (UPD #MND-2019-013). The Draft MND, which included, without limitation, an Initial Study and technical reports, was released for the minimum 30-day public review period that began on January 30, 2019 and ended on February 28, 2019. Upon conclusion of the public review period, seven comment letters were received on the Draft MND from seven public agencies and one organization: California Department of Transportation (Caltrans) District 11, California Department of Fish and Wildlife, San Diego County Regional Airport Authority Airport Land Use Commission, City of San Diego Planning Department, County of San Diego Hazardous Materials Division, California Office of Planning and Research (State Clearinghouse), and the San Diego Archaeological Society, Inc. The comment letters discussed issues related to: the potential for the Project to encroach on the existing Coronado Bay Bridge structure, biological resources, hazards and hazardous materials, hydrology and water quality, and cultural resources.

As required by the District's Guidelines for Compliance with CEQA, staff prepared written responses to each of the comment letters received on the Draft MND during the public review period. Staff determined that the comments submitted did not raise any significant environmental issues not already included in the Draft MND and did not require any substantial revisions. Consequently, the Draft MND did not need to be recirculated. In response to comments received during the public

review period, the Final MND includes minor clarifications to the MND text and mitigation measures, shown in ~~strikeout~~/underlined text. The additional information contained in the District's responses to comments clarifies and further substantiates the conclusions contained in the MND. The revisions do not amount to a substantial revision under CEQA Guidelines Section 15073.5 because they do not show or substantiate any new, significant effects, no new mitigation measures or project revisions required to reduce any new significant effects, and the District did not determine that any of the proposed mitigation measures or project revisions would not reduce significant impacts. Additionally, there were not any substantial increase in the severity of environmental impacts. Copies of the comment letters and staff responses to the comments are included in the Final MND. The Final MND is available for review in the Office of the District Clerk, was distributed to the Board for its consideration via a Board Memo dated March 28, 2019 and was also made available to the Board in the Commissioners' Office.

The MND finds that the Project would have no potentially significant adverse impacts to Aesthetics, Agriculture and Forestry Resources, Air Quality, Cultural Resources, Geology and Soils, Greenhouse Gas Emissions, Mineral and Energy Resources, Population and Housing, Public Services, Recreation, Transportation and Traffic, Tribal Cultural Resources, and Utilities and Service Systems. The MND also finds that, with incorporation of feasible mitigation measures identified in the MMRP, potentially significant adverse impacts to Biological Resources, Hazards and Hazardous Materials, Hydrology and Water Quality, Land Use and Planning, and Noise would be reduced to less than significant. These mitigation measures are enforceable through the proposed CDP. As concluded by the MND, construction of the project would result in various potentially significant environmental impacts. All impacts can be mitigated to below a level of significance with implementation of the mitigation measures included in the Final MND. The MMRP, which has been prepared in accordance with State CEQA Guidelines Section 15047(a), identifies the environmental issue area, all mitigation measures, timing and the party responsible for carrying out the mitigation measures, and procedure for documenting the mitigation implementation. The MMRP is included as Exhibit A to Attachment F of this Agenda Sheet. The MMRP is also included in the Final MND. Compliance with all the mitigation measures included in the Final MND will be required as a special provision of the CDP for the Project.

The Final MND has been prepared in accordance with CEQA, the State CEQA Guidelines and the District's Guidelines for Compliance with CEQA. Pursuant to State CEQA Guidelines Section 15074, prior to approving the Project, the District shall: (1) consider the proposed MND together with any comments received during the public review process; (2) adopt the proposed MND only if it finds on the basis of the whole record before it that there is no substantial evidence that the Project will have a significant effect on the environment and that the MND reflects the lead agency's independent judgment and analysis; and (3) adopt a program for reporting on or monitoring the changes which it has either required in the Project or made a condition of approval to mitigate or avoid significant environmental effects.

Concept Approval

Pursuant to BPC Policy No. 357, plans for new tenant development must be presented to the Board for approval if the project is estimated to cost more than \$500,000.

The Project involves redevelopment of the in-water facilities at the Project site including the repair, rehabilitation, or removal of existing in-water facilities and the construction of new in-water facilities, estimated to cost \$5,000,000. The proposed Project would allow aging in-water facilities that are deteriorated and at the end of their serviceable life to be repaired or replaced. The proposed Project

would also remove creosote-coated wooden piles that are degraded and toxic to humans and the marine environment and replace them with new concrete, or steel piles. Both project components would protect the existing piers, remove wood piles with hazardous chemicals from the Bay, and provide the ability to continue to safely moor vessels. Most of the new in-water structures would occur in the same footprint as the existing in-water structures, and the Project's proposed configuration would create an overall reduction in overwater coverage and fill at the site. In addition, the Project is consistent with the current use of the site as marine related industrial shipyard, and would facilitate streamlined operations and increased efficiency without increasing the shipyard's operational capacity. Staff recommends concept approval of the Project.

Coastal Development Permit

The Project site is located in Planning District 4, Tenth Avenue Marine Terminal, which is delineated on Precise Plan Map Figure 13 of the certified Port Master Plan. The Port Master Plan land and water use designations within the limits of the Project are Marine Related Industrial and Specialized Berthing. The Project is the repair, rehabilitation removal and replacement of existing in-water facilities at the shipyard and is consistent with the existing certified land and water use designations; therefore, the Project conforms to the certified Port Master Plan. The Project also satisfies the requirements of the Planning District.

The Project constitutes "development" under Section 30106 of the California Coastal Act as it will involve the demolition and construction of structures. Accordingly, a Coastal Act authorization from the District is required. Pursuant to the District's CDP Regulations, the Project has been determined to be a "non-appealable" development because it is not considered an "excluded," "emergency," or "appealable" development. Additionally, Coastal Act Section 30715 lists the sole categories of development that are appealable, and the Project is not within these categories of development. Therefore, the Project requires authorization of a non-appealable CDP.

The Project is located between the sea (as defined in the Coastal Act) and the first inland continuous public road paralleling the sea. The Project is fully consistent with Public Resources Code Sections 30604(c), 30210-30224, and the Coastal Act public access and recreation policies referenced therein since the Project is the repair, rehabilitation or removal of existing in-water facilities and the construction of new in-water facilities in a working shipyard that does not provide any public access amenities. A copy of the draft CDP is provided as Attachment F to this Agenda Sheet. Special conditions are incorporated into the CDP to ensure the Project's conformance with the Final MND's MMRP and related District requirements.

Next Steps

If the Board adopts the Final MND and MMRP and makes the necessary finding, grants concept approval, and authorizes issuance of a non-appealable CDP, HII will need to obtain other approvals before commencing construction including the Regional Water Quality Control Board certification and a U.S. Army Corps of Engineers permit.

General Counsel's Comments:

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

Environmental Review:

The proposed Board action completes the CEQA process for the Project.

In addition, the Proposed Board actions comply with Section 87 of the Port Act, which allows for the establishment, improvement, and conduct of a harbor, and for the construction, reconstruction, repair, maintenance, and operation of wharves, docks, piers, slips, quays, and all other works, buildings, facilities, utilities, structures, and appliances incidental, necessary, or convenient, for the promotion and accommodation of commerce and navigation. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed project is consistent with the Public Trust Doctrine.

Equal Opportunity Program:

Not applicable.

PREPARED BY:

Juliette Orozco
Associate Planner, Development Services

Attachments:

| | |
|---------------|----------------------------------|
| Attachment A: | Project Vicinity |
| Attachment B: | Aerial Photograph |
| Attachment C: | Existing Conditions |
| Attachment D: | Proposed Conditions |
| Attachment E: | Phasing Plan |
| Attachment F: | Draft Coastal Development Permit |