



## Legislation Text

---

File #: 2020-0344, Version: 1

---

**DATE:** October 6, 2020

**SUBJECT:**

**RESOLUTION AUTHORIZING AN AGREEMENT UNDER THE BLUE ECONOMY INCUBATOR WITH PACIFIC OCEAN AQUAFARMS, LLC (POA) FOR THE DISTRICT TO ASSIST WITH THE NATIONAL ENVIRONMENTAL POLICY ACT (NEPA) REVIEW PROCESSES AND CONDITIONAL USE OF DISTRICT FACILITIES FOR POA'S PROPOSED PROJECT DEMONSTRATING SUSTAINABLE OFFSHORE AQUACULTURE IN FEDERAL WATERS FOR A 15 YEAR TERM WITH AN OPTION TO EXTEND FOR AN ADDITIONAL TEN YEARS AND THIS AGREEMENT HAS NO ASSOCIATED FUNDING FROM THE DISTRICT**

**EXECUTIVE SUMMARY:**

On October 10, 2017, the Board of Port Commissioners directed staff to begin negotiating agreements for the second round of proposals under the District's Blue Economy Incubator (BEI). One of the proposals presented to the Board was a project to demonstrate sustainable offshore aquaculture in federal waters by Rose Canyon Fisheries, Inc., an entity partially owned by Hubbs-SeaWorld Research Institute (HSWRI).

Since then, HSWRI has joined with new partners and is continuing its same proposal under a new entity, Pacific Ocean AquaFarms, LLC (POA). Staff has negotiated a proposed agreement with POA, and recommends the Board authorize an agreement for the District to assist with the National Environmental Policy Act (NEPA) review processes for POA's proposed project demonstrating sustainable offshore aquaculture in federal waters, and, if such federal permits are granted, allow POA to use the District's Tenth Avenue Marine Terminal for loading and offloading of fish and other materials for the project in exchange for a certain share of POA's revenue. (Attachment A).

**RECOMMENDATION:**

Adopt a resolution authorizing an agreement under the Blue Economy Incubator with Pacific Ocean AquaFarms, LLC (POA) for the District to assist with the National Environmental Policy Act (NEPA) review processes and conditional use of District facilities for POA's proposed project demonstrating sustainable offshore aquaculture in federal waters for a 15 year term with an option to extend for an additional ten years. This agreement does not require funding from the District.

**FISCAL IMPACT:**

The Board action has no fiscal impact on the District.

**COMPASS STRATEGIC GOALS:**

Advancing the Blue Economy directly aligns with the District's core mission, the Public Trust Doctrine and Port Act for the promotion of commerce, navigation, fisheries, recreation and environmental stewardship. This agenda item supports the following Strategic Goal(s).

- A Port with a healthy and sustainable bay and its environment.
- 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:**

### **BACKGROUND**

In 2015, the District established the Aquaculture and Blue Technology Program to conduct studies, planning, and pre-development work to support and inform aquaculture and blue technology opportunities in and around San Diego Bay. Under this Program, in 2016, the District established the Blue Economy Incubator (BEI) to assist in the creation, early development, and initial scaling of new Blue Economy business ventures in and around San Diego Bay, focusing on aquaculture and blue technology. As the state-legislated trustee of tidelands around San Diego Bay, fostering sustainable domestic aquaculture and Port-related blue technology innovation assists in fulfilling the District's public trust responsibility to promote fisheries and commerce, as well as aligning with our mission to enhance and protect the environment. Ports can and are increasingly playing a critical role in the development of sustainable aquaculture and blue economy opportunities, given their familiarity and expertise in the permitting and entitlement processes for a variety of coastal and ocean uses, the unique role they often play as landlord, operator, and/or regulator, and as champions of the blue economy.

### **Aquaculture**

Aquaculture is a growing opportunity for new environmental and economic business development in Southern California. This opportunity is being driven nationally by the need to support the development of a sustainable domestic marine aquaculture industry. Currently, only three percent of domestically produced seafood comes from aquaculture and nearly seven percent from fisheries. The remaining amount that Americans consume is imported, half of which is already produced from aquaculture. In economic terms, this contributes to an annual \$16.8 billion national seafood industry trade deficit. In environmental terms, the carbon footprint or energy used to import seafood far exceeds the energy required to harvest and deliver seafood in and to United States seafood markets. Seafood is a critical source of protein for Americans and it is clear the domestic seafood trade deficit is not only unsustainable but presents a serious food security issue. In California alone, the current demand for seafood, based on per capita consumption exceeds 600 million pounds annually, an opportunity which represents nearly \$6 billion in total economic benefit if California could harvest this through sustainable fisheries and aquaculture. In agricultural terms, California already supports the fifth largest economy in the world, which can and should be bolstered by supporting sustainable fisheries as well as the development of a sustainable, domestic marine aquaculture industry.

While there is a clear food production component to this demand, aquaculture offers multiple co-benefits, such as fisheries enhancement, ecosystem restoration, bioremediation, carbon sequestration, mitigation banking, habitat enhancement and otherwise improving water quality and ecosystem productivity.

## **Blue Economy Incubator**

The District is a long-time champion and catalyst of the region's Blue Economy with its shipbuilding, commercial fishing, marine research, cruise, and cargo business lines. In 2016, the District began exploring new Blue Economy opportunities as a way to further support its core mission, diversify its portfolio of business lines, and strengthen its collective economic impact. To support this effort, the District established a Blue Economy Incubator (BEI) and strategic investment fund to assist in the creation, development, and scaling of new business ventures on San Diego Bay, focusing on aquaculture and blue technology.

The BEI acts as a launch pad for sustainable aquaculture and blue technology ventures by removing barriers to entrepreneurs and providing key assets and support services focused on pilot project facilitation. Incubator proposals are reviewed following a four-step cross-departmental due diligence process culminating in a staff recommendation to the Board of Port Commissioners. The review and selection process balance each proposal's potential social and environmental benefit, alignment with the District's core mission and Public Trust obligation, as well as potential financial return on investment.

Through its BEI, the District is seeking innovative aquaculture and blue technology proposals to inform present and future Port challenges and opportunities, from environmental compliance and remediation to asset management and security. By funding pilot projects, the Port is supporting entrepreneurship, fostering sustainable aquaculture, and helping drive port-related blue tech innovation. Ultimately, the goal of the program is to develop innovation partnerships to build a Blue Economy portfolio of new businesses who can deliver multiple social, environmental, and economic benefits to the District and the region.

Since the launch of the BEI, the District has received over 150 inquiries, and 45 proposals were officially submitted for review. Eight pilot projects are currently supported through the BEI and include: shellfish nursery operations; copper remediation technology; a drive-in boatwash; a smart marina application; a marine debris removal vessel; seaweed aquaculture; bio-enhancing shoreline armoring technology; and a new approach to soil remediation in marine environments. These pilot projects complement several environmental initiatives already underway at the Port, from sea-level rise adaptation, to copper remediation, marine debris removal management, and evaluating seaweed and shellfish aquaculture as a tool for bioremediation and restoration.

## **Pacific Ocean AquaFarms, LLC**

POA is a locally-based, aquaculture company proposing to locate an aquaculture operation in federal waters offshore of southern California. This project, with its proximity to major U.S. cities and an extensive seafood market, has the potential to be a regional-based model and an early proving ground that can provide an invaluable data base of information that could advance the aquaculture industry nationwide. By operating in U.S. waters, POA would be under U.S. regulatory oversight. Data generated and collected from the aquaculture facility could provide multiple benefits to government agencies, universities, fisheries managers, and the scientific community. Such a commercial-scale, offshore aquaculture facility would provide an opportunity for study, new technology development, with transferable knowledge and would be the first of its kind in California waters. POA is a collaboration between Hubbs SeaWorld Research Institute (HSWRI) here in San Diego and Pacific6 based in Long Beach, CA. POA is dedicated to pioneering sustainable, offshore aquaculture in the U. S. The POA team combines over 50 years of unique experience and

expertise as a scientific marine conservation organization.

POA is in the process of working with federal agencies to obtain the required permits. If POA is successful, the proposed project for sustainable offshore aquaculture would be located in federal waters and not be located on land or water within the jurisdiction or ownership of the District. Further, POA does not require approval from the District for the project, and the District does not have legal authority over the proposed project in federal waters. Given this, the District's proposed involvement will be to assist in, and consult related to, POA's federal permit applications and the NEPA processes, and, if such permits are granted for the San Diego operation, allow POA to use the District's Tenth Avenue Marine Terminal (TAMT) for loading and offloading of fish and other materials for the project in exchange for a certain share of POA's revenue. Furthermore, the TAMT has adequate capacity to accommodate the loading and offloading of fish and other materials for the project and such activities are within the scope of the certified Final Environmental Impact Report for the Tenth Avenue Marine Terminal Redevelopment Plan and do not require any discretionary action on the part of the Board.

### **Conclusion**

Therefore, to further the BEI, staff recommends the Board authorize an agreement with POA LLC for the District to assist in the NEPA review processes for POA's proposed project demonstrating sustainable offshore aquaculture in federal waters, and, if such federal permits are granted for the San Diego operation, allow POA to use the District's Tenth Avenue Marine Terminal for loading and offloading of fish and other materials for the project in exchange for a certain share of POA's revenue.

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

The Office of the General Counsel has reviewed and approved this agenda, the proposed agreement with Pacific Ocean Aquafarms, LLC, and resolution, as presented, as to form and legality.

### **Environmental Review:**

The proposed Board action does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because the Application/NEPA Review Process and the Project do not constitute "projects" within the meaning of the California Environmental Quality Act (CEQA) because it does not have the potential to result in a direct or indirect physical change in the environment within the jurisdiction of the District and does not require discretionary decision of the District in order to be approved or carried out. Any use of Tenth Avenue Marine Terminal (TAMT), if it occurs, would be processed under the tariff. Additionally, the potential throughput would be considered within the total cargo analyzed in the Final Environmental Impact Report for the Tenth Avenue Marine Terminal Redevelopment Plan, prepared and adopted/certified by the District on December 13, 2016, which analyzed cargo throughput at TAMT. No further action under CEQA is required.

This Board item complies 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 operations 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 established by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed project is consistent with the Public Trust Doctrine.

Additionally, the proposed Board action 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 Regulations in areas within the jurisdiction of the District. Therefore, issuance of a Coastal Development Permit or exclusion is not required.

**Equal Opportunity Program:**

Not applicable.

**PREPARED BY:**

Paula Sylvia  
Program Director, Aquaculture & Blue Technology

Eileen Maher  
Director, Environmental Conservation

Attachment(s):

Attachment A: Pacific Ocean Aquafarms, LLC - Agreement