



## MEMORANDUM

February 19, 2021

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. John Burton  
Hon. Gail Gilman  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Informational presentation to review the Port's Proposed 2021 Federal and State Legislative Priorities

**DIRECTOR'S RECOMMENDATION:** Informational Only – No Action Required

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### EXECUTIVE SUMMARY

Due to the COVID-19 public health emergency, the Port of San Francisco is suffering an unprecedented drop in revenues. Economic activity from restaurants, tourist attractions, cruise ships, and parking has significantly dropped or, in some cases, stopped entirely. As an enterprise agency, the Port supports all operations and capital budget with its own revenues. The uncertainty of the pandemic's long-term impacts on hospitality, tourism and office rental demand pose challenges to the Port's economic viability and its ability to recover which could have long term impacts on the Waterfront and the City.

Federal and state relief funding and support is necessary for the Port to address the unique and unexpected challenges posed by the COVID-19 pandemic to avoid longer term impacts from abrupt and deep cost cutting. The Port's state and federal legislative agenda for the coming year includes pursuing funding that prioritizes investment in resilient and green infrastructure projects, strategies to reinvigorate the tourism economy to generate revenue, and identifying capital opportunities that invest in the maritime industrial sector.

Legislative actions and responses to the COVID-19 pandemic are changing on a weekly basis. This report is a working document that provides an overview of the Port's state and federal legislative priorities for 2021 in a dynamic and changing context.

## **KEY STATE AND FEDERAL LEGISLATIVE GOALS**

- Support for a federal stimulus package that supports ports and boosts regional tourism infrastructure
- Position seaports for access to federal and state COVID relief packages
- Ensure emergency relief funding for the nation's maritime transportation sector to expand on relief already provided to land-based public transportation
- Support federal repurposing of FEMA disaster spending for climate change adaptation to make a more resilient and safe future for harbors
- Provide emergency relief infrastructure funding and protocols to ensure a safe return of the cruise industry
- Effectively partner with the Army Corp and other federal partners to increase and extend the San Francisco Waterfront Flood Resiliency Study to catalog vulnerabilities, recommend and implement strategies for reducing flood risk
- Ensure the Waterfront Resiliency Project is eligible for and secure state sea level rise funding to address seismic and flood risks to the Port which is a State serving asset

## **STRATEGIC PLAN**

The Port's State and Federal Legislative Program supports the Strategic Plan as follows:

### Stability:

*By maintaining the Port's financial strength by maximizing the value of Port property and increasing revenue.*

### Sustainability:

*By practicing environmental stewardship to limit climate change, protecting the Bay, and facilitate change to clean fuels for vessels and vehicles.*

### Resiliency:

*By preparing the Port for natural and human made risks and hazards and ensuring safety and security by improving Port preparedness and response.*

## **FEDERAL LEGISLATIVE PROGRAM**

### **1. President Biden's American Rescue Plan**

The American Rescue Plan is a \$1.9 trillion economic stimulus package proposed by President Biden to speed up the United States' recovery from the economic and health

effects of the COVID-19 pandemic and ongoing recession. Democrats in the United States Senate started to open debates on a budget resolution that will allow them to pass the stimulus package without support from Republicans through the process of reconciliation. Vice President Kamala Harris cast her first tie-breaking vote to give the Senate final approval to start the reconciliation process, with the House following suit.

Congressional budget committees will package this and various legislative efforts into an omnibus budget reconciliation bill and report it to the full chambers. Committee markups are underway, with the reconciliation bill expected to be on the House floor the week of Feb. 22. After which, the Senate is expected to take up the House-passed bill in mid-March.

While discussions are ongoing, Majority Budget leadership in the House and Senate have outlined several policies expected to pass in the bill, including, vaccine distribution, stimulus payments, a minimum wage increase, and \$350 billion in financial assistance to state and local governments.

Port staff, working in partnership with Speaker Nancy Pelosi's Office, succeeded in advocating for the inclusion of ports in the state and local fiscal recovery fund section of the reconciliation bill. The language adopted by the House Oversight Committee grants transfer authority to *"a special purpose unit of State or local government, or a multi-state entity involved in the transportation of passengers or cargo."* The amendment will make small ports, like San Francisco, eligible for direct federal financial assistance appropriated by Congress in the future, along with state, county, and local governments and subject to the same oversight requirements. Port staff are working with the American Association of Port Authorities ("AAPA") and the California Association of Port Authorities ("CAPA") to ensure the legislative intent of the amendment is clearly communicated by our federal delegation to our state and local representatives.

The Port's interest in the American Rescue Plan is focused on applying for projects that support Port operations, support small business impacted by the pandemic, to support our maritime and fishing industries, provide upgrades to shoreside power infrastructure to ensure compliance with forthcoming environmental regulations and to support recovery of Cruise. Without federal stimulus, the Port will have to cut capital and operating costs dramatically to address a temporary major decline in revenues. This approach would undermine the condition of Port facilities and the Enterprises' ability to recover which would have longer term impacts on the Waterfront and on the City.

## **2. Federal Climate Adaptation Funding**

In January, the Biden Administration proposed up to \$10 billion through the Federal Emergency Management Agency (FEMA) for climate adaptation funding. The plan will repurpose a portion of FEMA's disaster spending towards projects designed to protect against damage from climate disasters, including sea level rise through the construction of seawalls, elevating, and relocating flood prone communities.

This plan will allow the Biden Administration to quickly increase climate-resilience funding without action by Congress. \$3.7 billion – and up to \$10 billion – in Building Resilient Infrastructure and Communities (BRIC) funding and the Hazard Mitigation Grant Program (HMGP) may become available. The plan will need approval from the White House budget office, and could support funding to develop multi-hazard risk assessments including flooding from sea level rise and planning and engineering efforts to mitigate risks along the waterfront.

### **3. Climate Smart Ports Act of 2021**

The Climate Smart Ports Act of 2021, introduced by Senator Jeff Merkley (D-OR), would create the first federal program dedicated to greening the nation's ports. The legislation creates a \$1 billion per year zero emission port infrastructure program to assist ports and port users with replacing existing equipment with zero emissions technology.

If adopted, the federal funding available would support investments into port electrification, clean energy, and emission control technology. Consistent with local policy, the bill requires payment of local prevailing wage for work performed and local hiring, and protects dock workers from automation. If adopted, the Port would pursue funding through this program for alternative fuel infrastructure for maritime activities, including shoreside power for cruise ships at Pier 35, cargo vessels at Pier 80, and electrical infrastructure for truck fleets and independent truckers.

### **4. Cruise Industry Restart and Challenges**

Cruise ship operations provide tremendous economic benefit to local economies as cruise passengers stay and spend in the City, during and after cruises arriving at, and departing from, the Port of San Francisco. In 2020 the Port was scheduled to establish records in both ship calls (117) and passengers (380,000), with a total of 33 different ships operated by 16 cruise lines visiting San Francisco. Due to the COVID-19 pandemic only 12 of the scheduled 117 cruise calls materialized in 2020. Since March, the cruise industry has been on pause at the direction of the Centers for Disease Control and Prevention (CDC).

Direct impacts to the Port of San Francisco equate to \$7.3 million dollars in lost tariff revenue alone in 2020. Extending to the local economy, it is estimated a single ship call generates \$500,000 dollars in direct spending by passengers and crew.

There still is no date for the resumption of cruises by federal officials, but action by the CDC regarding cruise industry guidelines on COVID-19 protocols is anticipated in the coming month. Port staff continue to work with the American Association of Port Authorities' Cruise Committee to monitor the situation and advocate for a safe return of cruise industry to San Francisco.

## **5. USACE 3x3x3 Waiver**

The San Francisco Waterfront Flood Resiliency Study is a partnership between the U.S. Army Corps of Engineers (USACE) and the Port of San Francisco to identify vulnerabilities and recommend strategies for reducing current and future flood risk. San Francisco has a highly visible, urban waterfront developed to the shoreline edge, including three historic districts listed on the National Register of Historic Places and critical regional infrastructure such as BART and Muni rail systems. Work completed to date indicates approximately \$140 billion in public and private assets and economic activity within the study area.

Under rules approved by Congress, the United States Army Corps of Engineers (USACE) is required to complete feasibility studies for flood risk management projects within 3 years, with a budget not-to-exceed \$3 million, and with 3 levels of USACE review (District, Division, Headquarters), unless a waiver is authorized by the Assistant Secretary of the Army (ASA).

Given the complexity of San Francisco's urban waterfront, the Port's seeks a 3x3x3 waiver that assumes a 7½ year study period and a total study cost of \$20.3 million. A successful study in San Francisco will provide an important example of how to adapt to sea level rise in a dense urban environment with development and infrastructure immediately adjacent to the shoreline. The Port and USACE San Francisco District are pursuing a 3x3x3 waiver from the ASA. The final waiver is expected to be submitted to USACE Headquarters in March 2021. The ASA will grant or deny the waiver based on recommendations from USACE Headquarters.

## **STATE LEGISLATIVE PROGRAM**

The 2021 State legislative session was delayed due to a surge in COVID-19 cases in early January. In response to the pandemic, legislators have been instructed to submit half of their usual legislative package this year, from 24 to 12 bills.

While early in the legislative session with bills still evolving, a number of priorities have been identified including COVID relief, housing, addressing systematic racism, emergency preparedness, and addressing climate change. To date, nine bills have been introduced to address sea level rise.

The deadline to introduce new bills was February 19, 2021. Port staff are monitoring the following state legislative, budgetary, and regulatory initiatives.

### **1. Senate Bill 45 - Climate Resiliency Bond**

Senate Bill 45 would place a \$5.5 billion bond on the November ballot to help combat wildfires, drought, floods, and sea-level rise. In 2020, Port staff met with state legislators to advocate for increased funding for coastal flood and seismic strengthening projects around the state. Specifically, the Port through our state delegation pursued an amendment to provide relief for urban and suburban communities where construction of wetlands or retreat cannot solve the problem of coastal flooding and sea level rise.

In February 2020, Port staff participated in the Assembly Select Committee on Sea Level Rise led by San Mateo Assemblymember Kevin Mullin to advocate for communities with urban shorelines. While the amendment was well received, the bond measure failed to make the November 2020 ballot. The bill was reintroduced in December 2020 for submission on the next statewide general election ballot in November 2022. Port staff will continue to monitor State of California bond proposals and to research other State funding options for the Resilience Program.

## **2. Senate Bill 1 – Sea Level Rise Mitigation and Adaptation Act of 2021**

Senate Bill 1 introduced by Senate President pro Tempore Toni Atkins (D-San Diego) directs the California Coastal Commission to take into account sea level rise in its planning, policies, and activities, establishes a new state-level Sea Level Rise Collaborative overseen by the Secretaries of Natural Resources and Environmental Protection agencies, and establishes funding for local governments and communities to plan for and mitigate sea level rise.

If passed, the bill would provide \$100 million annually from bond funds and other sources for local governments to update land use plans to take into account sea level rise. The law would also dedicate \$2 million to a grant program for local non-profit organizations addressing environmental justice issues with \$500k set-aside to disadvantaged communities.

## **3. Governor’s Zero Emission Vehicle Infrastructure**

Governor Gavin Newsom’s proposed 2020-21 State Budget includes \$1.5 billion earmarked to achieve the state’s zero-emissions vehicle goals. In September, the governor signed an order banning sales of new internal combustion engine vehicles in California by 2035. The budget plan includes up to \$1 billion to accelerate the pace and scale for infrastructure needed to support zero-emissions vehicles.

Zero emission vehicle infrastructure is costly and without it there is little incentive to invest in vehicles, trucks, equipment, or vessels. If adopted, the Port will pursue grant funds available through the program to invest in grid expansion to increase public electric vehicle charging infrastructure along the waterfront. In addition to accelerating the electrification of Port operations, an expanded electrical grid will enable the Port to extend EV charging services to the public, Port tenants such as fish processing delivery fleets, independent truckers, as well as commuter and excursion ferry boats and other harbor craft.

## **NEXT STEPS**

Port staff will continue to collaborate with the Mayor's Director of State and Federal Legislative Affairs to seek support from the City's federal and state legislative delegation to pursue the proposals outlined in this report.

Port staff will return to the Port Commission in the 4th quarter of 2021 for the next update on activities related to implementation of the Port's federal and state legislation program.

Prepared by: Boris Delepine, Legislative Affairs Manager