

**FILE NUMBER: 2024-322**

**DATE:** Tuesday, September 10, 2024

**SUBJECT: Zero Emission Truck Stop**

**DESCRIPTION: A. Receive Preliminary Project Review Presentation and Project Update on the Proposed Zero Emission Truck Stop in National City Pursuant to Maritime Clean Air Strategy (MCAS) Truck Goal 2**

**B. Resolution Authorizing Staff to Commence Environmental Review in Accordance with the California Environmental Quality Act for the Development of a Zero Emission Truck Stop in National City**

**EXECUTIVE SUMMARY:**

The Maritime Clean Air Strategy (MCAS) includes a vision of “Health Equity for All” with nearly 40 objectives, several of which aim to reduce emissions from maritime-related activities and industries. Importantly, the MCAS aspires to achieve 40 percent zero emission (ZE) heavy-duty (HD) truck trips to and from the District’s marine cargo terminals by June 30, 2026, and 100 percent ZE HD truck trips by December 31, 2030. Additionally, MCAS Truck Goal 2 focuses on facilitating the deployment of infrastructure to support the transition to ZE trucks, which is critical in achieving the goals set forth in our MCAS.

To advance progress on MCAS Truck Goal 2, in November 2022, the Board of Port Commissioners (Board) adopted a resolution authorizing staff to issue a Request For Proposal (RFP) to develop a ZE Truck Stop for HD trucks on Tidelands located at the intersection of 19th Street and Tidelands Avenue in National City.

The RFP was open from April to August 2023 and staff received six proposals, interviewed four of the proposal teams, and narrowed it down to two finalists: Gage Zero LLC and Skychargers LLC (collectively the finalists). The finalists presented to the Board on November 14, 2023 and received feedback on their proposals. The finalists then submitted revised proposals which were received by staff on December 22, 2023.

Based on review of the revised proposals, staff returned to the Board on March 12, 2024 to recommend the Board select Skychargers LLC (Skychargers) under the RFP to develop the ZE Truck Stop. Staff’s review concluded that Skychargers is best suited to develop the ZE Truck Stop given the development team’s experience developing and operating electric vehicle charging facilities. Further, the size of Skychargers’ proposal, including electric vehicle supply equipment (EVSEs, or chargers) and distributed energy resources, would provide the infrastructure needed to support the District’s MCAS goals. Furthermore, the Skychargers proposal offers a trucking as a service program (TaaS), a robust community benefits package, and a significant financial return to the District. The Board selected Skychargers under the RFP and authorized staff to enter into an Exclusive Negotiating Agreement (ENA) with Skychargers to develop and operate the ZE Truck Stop (Project).

Since the March 12, 2024 Board meeting, staff and Skychargers have worked together diligently to continue to advance the Project to fruition. Overall, the Project components remain largely same from the March 12, 2024 Board meeting, although the site plan has been further refined for operational efficiency and still includes a total of 70 chargers suitable for overnight charging and opportunity charging, solar array canopies, a battery energy storage system (BESS), convenience store, and landscape area on approximately 4.8 acres located north of the intersection of 19<sup>th</sup> Street and Tidelands Avenue in National City (Attachment A – Site Plan). At the September 10, 2024 Board meeting, staff will present the proposed Project for preliminary project review and provide a project status update, which the Board may provide feedback on.

In addition to feedback on the Project, staff will also be seeking authorization from the Board to commence California Environmental Quality Act (CEQA) environmental review for the Project. Staff intends to have a series of studies and/or memorandums prepared to inform the level of CEQA analysis required, which may determine an Exemption from further CEQA analysis or additional analysis, is warranted. With direction from the Board to proceed with CEQA, staff will be in a position to advance CEQA analysis as appropriate once the results of these initial inquiries are produced.

**RECOMMENDATION:**

- A. Receive preliminary project review presentation and project update on the proposed zero- emission truck stop; and
- B. Adopt a Resolution authorizing staff to commence environmental review in accordance with the California Environmental Quality Act for the development of a zero-emission truck stop in National City

**FISCAL IMPACT:**

This Board action has no fiscal impact to the District.

**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 Port with a healthy and sustainable bay and its environment.
- A Port with an innovative and motivated workforce.
- A financially sustainable Port that drives job creation and regional economic vitality.

**DISCUSSION:**

MCAS Truck Goal 2 seeks to facilitate the deployment of infrastructure to support the transition to ZE truck trips to the District’s marine cargo terminals. At the March 12, 2024 Board meeting, staff select Skychargers under the RFP to develop a ZE Truck Stop in

National City to support ZE trucks calling both the District's marine cargo terminals; the Board voted in favor of this recommendation.

Staff's review of proposals concluded that Skychargers is best suited to develop the ZE Truck Stop not only because of the team's experience developing electric vehicle charging facilities and proposed project elements, but also because of their TaaS program, which significantly benefits District tenants and truck operators. Trucking as a Service (TaaS) is a "term of art" in the ZE trucking world used to describe an opt-in business model for truck drivers to pay a monthly program fee for the truck lease, charging, and maintenance, equal or less than the actual cost. The TaaS program would include a 90-day "Try before you Buy" program and a five-year path to ownership.

As a prospective participant to programs such as the California Air Resources Board's (CARB) Innovative Small E-Fleets (ISEF), Skychargers' proposed TaaS program is eligible to receive vouchers for \$288,000 per new ZE truck, among other public funding assistance sources aimed at expediting the adoption of ZE trucks. Additionally, on August 14, 2024, the California Energy Commission (CEC) awarded Skychargers a \$10 million grant for the Project; staff is committed to requiring that Skychargers use the equivalent of the \$10 million to purchase trucks for the TaaS program in order to support District ZE drayage operations. These programs allow the TaaS program to offer ZE trucks to drivers with a lower total cost of ownership (TCO) than the diesel trucks they are replacing. Staff is finding that truck drivers and fleet operators are hesitant to make the transition to ZE trucks from diesel-powered trucks due to the upfront cost and uncertainty about where the ZE trucks can be charged. Staff is hopeful that the combination of operating the ZE Truck Stop and TaaS program will be the right solution to get drivers in ZE trucks and meet the MCAS's truck goals.

### **Project Update Since March 12, 2024 Board Meeting**

Since the March 2024 Board Meeting, staff and Skychargers have coordinated on the following:

#### ENA

On August 14, 2024, the District and Skychargers entered into an ENA for the Project. The term of the ENA is for a one-year period, with the ability to extend in 90-day increments. During the term, the parties intend to negotiate the final design, layout, operations, business terms and other terms of the Project.

#### Feasibility and Market Analysis

At the March Board Meeting, the Board directed staff to conduct a Feasibility and Market Analysis (Study) for Skychargers' Project. Staff retained JLL consulting firm to conduct the Study. JLL has been working with staff since the development of the RFP in Spring 2023 and has a deep understanding of the proposed project and the emerging technologies, so they were able to commence this work immediately and efficiently. The scope of services included JLL performing a "deep dive" and stress test of the Skycharger business model and core assumptions, with an emphasis on analyzing ZE truck adoption rates and charger utilization rate assumptions while also closely looking at real estate needs, financing, costs, and revenue assumptions.

The Study was completed in August 2024 and ultimately found the Skychargers proposed project and financials to be in line with the market, and that their assumptions generally appear conservative. Although the charging utilization rate in early years appear to be slightly optimistic, Skychargers' longer-term utilization assumptions are consistent with recent ZE truck adoption studies produced by San Diego Association of Governments (SANDAG) and the CEC. Additionally, the MCAS Truck goals will drive utilization demand along with Skychargers' TaaS program. Lastly, JLL has proposed ways to mitigate lower than anticipated utilization in the early years which may include allowing non-District serving trucks to access the ZE Truck Stop (Port trucks still having priority) and by potentially repurposing opportunity chargers to overnight chargers, which would allow flexible charging solutions for District tenants and their operations. The complete Study is attached to this agenda sheet as Attachment B – Feasibility and Market Analysis Study.

### Site Due Diligence

Since the March Board Meeting, staff and Skychargers have been engaged in conducting several predevelopment activities to inform final design of the Project. In the coming weeks, Skychargers will conduct numerous predevelopment activities such as conducting soil assessments, surveys, and utilities validation.

### Stakeholder Coordination and Public Engagement

Staff continues to coordinate with stakeholders on the proposed project. Since the March Board Meeting, staff have held meetings with the following stakeholders:

- City of National City - March 13, 2024, May 29, 2024, and September 5, 2024
- Environmental Health Coalition - July 2, 2024 and August 7, 2024
- Maritime Stakeholders Forum – May 2, 2024
- Navy Region Southwest – July 25, 2024
- Site Visit to Port of LA/ Prologis ZE Truck Site – July 15, 2024
- SDG&E – June 28, 2024, August 6, 2024, and August 14, 2024
- Early Strategic Stakeholder Meeting – September 12, 2024

### *City of National City Coordination*

Three meetings between staff and City of National City staff have occurred regarding this Project, most recently on September 5. Discussions have included concerns about potential project impacts, how these potential impacts could be mitigated, the community benefit package, and next steps for obtaining building and fire permits from the City. City concerns include impacts to roads, traffic, and battery fire prevention which staff plans to address during the environmental review process.

### *SDG&E Coordination*

The three SDG&E meetings include: (1) June 28<sup>th</sup> Quarterly Executive Meeting where the importance of the Project and obtaining sufficient power to the site was discussed; (2) August 6<sup>th</sup> meeting where staff discussed lessons learned on BESS safety and what the utility is doing prevent and prepare for electrical fires; and (3) August 14<sup>th</sup> site visit for utility staff to view existing site infrastructure and plan for future development.

Beyond these three meetings, Skychargers and staff continue to be in close coordination with SDG&E. Skychargers has two applications in with the utility, one for EV Infrastructure Rule 45 and a second for the Power Your Drive (PYD) for Fleets Program. Skychargers is actively working with SDGE on the load analysis for the site.

#### *Early Strategic Stakeholder Meeting*

On Thursday September 12, 2024, two days after the Board Meeting, Skychargers is hosting an early strategic stakeholder meeting from 5 P.M. to 7 P.M. at the National City Public Library to provide a project overview, information on electric trucks, present their community engagement plan, and most importantly, gain stakeholder feedback. This is an opportunity for Skychargers and staff to discuss with National City and stakeholders about potential impacts from the Project. The feedback received during this evening will help inform the project as it moves forward and help us identify any community concerns or impacts. This will be the first in a series of stakeholder engagement meetings.

#### **Environmental Review Process**

Staff, with the assistance of consultants, are preparing initial planning, feasibility and technical studies in preparation for California Environmental Quality Act (CEQA) analysis on the proposed Project. These early evaluations help define the scope and viability of the proposed Project, which is necessary to prepare a stable project description and to support further analysis pursuant to CEQA. These studies include: feasibility and market analysis (discussed above), traffic, noise, air quality/greenhouse gas emissions, fire protection and evacuation, and hazardous materials. Please note that the second Environmental Review section in this report below refers specifically to this item's Board action, whereas this section, Environmental Review Process, and discussion immediately below refers to the subsequent and more comprehensive environmental review process which would be authorized by this item's Board action.

#### Project Description

The project is estimated to require a minimum investment of approximately \$32,000,000. The project components are further described below:

#### *Location*

The project would be constructed on approximately 4.8 acres of an approximately 8.2-acre paved site located at 1640 Tidelands Avenue in the City of National City. The site is immediately south of the District's General Services Building located at 1400 Tidelands Avenue in National City.

#### *EV Charging*

The project would contain 59 electric vehicle supply equipment (EVSEs) or "chargers" with a total of 70 ports with the ability to charge 70 trucks simultaneously. The EVSEs include:

- 11 dual port EVSEs at 160 kW for overnight charging (22 ports)
- 24 single port EVSEs at 240 kW for opportunity charging
- 24 single port EVSEs at 400 kW for opportunity charging

Up to 30 trucks are anticipated to use the site during the initial operating year. Additionally, the EVSEs/ charging infrastructure will be able to support public charging for truck fleets and passenger vehicles.

#### *Solar Carports*

Solar canopies would cover the truck parking spaces on the site; the project would include up to a 1,750-kW solar array.

#### *Battery Energy Storage System (BESS)*

The BESS is anticipated to have an up to 2.8-MW capacity and could store up to 6.8-MWh in a containerized storage system. The container is expected to include a battery, power and battery management system, and a power conditioning system for a conversion of AC to DC.

#### *Green Space*

A portion of the project would be landscaped or used as a stormwater retention basin and approximately 0.15 acres of the site will be green space.

#### *Convenience Store with Restrooms*

The project would also feature a 50'x100' (5,000-sqft) convenience store.

#### Additional Planning and Technical Studies – Fire Protection

As mentioned above, work on initial planning and technical studies for this project has begun. One subject area that has been identified as needing additional information and review is related to fire protection. Specifically, recent lithium-ion battery fires have raised both awareness and concerns about the fire risks associated with battery-related energy projects, including the BESS portion of this project.

For background, the proposed project includes a BESS which is a distributed energy resource and was a requirement in the RFP. Distributed energy resources, such as solar panels and batteries, are small-scale devices that generate and/or store electricity and are usually connected to a power grid. Distributed energy resources can help reduce reliance on a single energy source (the grid), which may be vulnerable during extreme weather events, and also keep energy costs down during peak usage periods from 4 P.M. to 9 P.M. Distributed energy resources are a project requirement in order to make the project more resilient and affordable, reducing the risk of downtime and peak pricing.

A brief summary of the coordination that has taken place to date related fire issues, along with additional fire-related information required to process the project, is further detailed below.

As a part of the project and environmental review, staff, in coordination with Skychargers, consultants, City of National City fire department, and SDG&E are conducting additional due diligence to ensure fire risk at the site is thoroughly planned, managed, protected, and mitigated. Based on direction from SDG&E, fire marshal/coordinators, and engineers, staff has requested that Skychargers prepare fire hazards, prevention, protection, and evacuation plans as part of the Project. These plans will comprehensively address the fire prevention and protection requirements for the facility and will evaluate and

recommend measures to minimize risk to the project and surrounding area. These plans will not only evaluate the fire safety of the proposed facility, the studies/plans will also evaluate and propose any recommendation to reduce fire risk to people and property. Such studies and plans are common and are based on the latest fire and building code requirements, as well as the latest best practices in fire management, and similar studies/plans will be prepared for this project.

### **Next Steps and Recommendation**

Next steps include continued stakeholder outreach, negotiating the terms of the development and a future definitive agreement, and completing the entitlement process. Skychargers, consistent with the executed ENA, is committed to responding to feedback from the Board and continuing site due diligence as the project continues to progress through the entitlement process. The Board has the authority, in its sole and absolute discretion, to direct staff to proceed with environmental review, and if so directed, the Board's approval of such environmental review is a condition precedent to the Board's consideration.

Therefore, staff recommends that the Board receive the Preliminary Project Review presentation and project update and adopt a Resolution authorizing staff to commence environmental review in accordance with CEQA for the development of a ZE truck stop in National City.

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

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

### **Environmental Review:**

This proposed Board action, including, without limitation, receiving the preliminary project review presentation and update on the proposed ZE Truck Stop at 19th Street and Tidelands Avenue in National City and authorizing environmental review is consistent with and in compliance with California Environmental Quality Act (CEQA) Guidelines Section 15060, which authorizes a lead agency to conduct preliminary review of an application for permits or other entitlements for use before commencing formal environmental evaluation of a project. Further, the proposed action does not constitute a "project" or an "approval" of a "project" under the definitions set forth in CEQA Guidelines Sections 15352 and 15378 because no direct or indirect changes to the physical environment would occur, and the Board's selection and direction to staff do not constitute a binding commitment to implement or approve any project(s) submitted as a result of the development information and direction to staff. Pursuant to Section 15378(b)(4) of the CEQA Guidelines, a project does not include the creation of government funding mechanisms or other government activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment. Any project requiring the District or the Board's discretionary approval resulting in physical change to the environment shall be analyzed in accordance with CEQA prior to such approval. The current Board actions are not to approve any project, including the design, project description, any leases or any other approvals required to carry forward any

project. The Board reserves its sole and absolute discretion to approve or disapprove any project and adopt the environmental document and any mitigation measures, if applicable, as well as any and all other permits or entitlements for use that may be required. Therefore, no further CEQA review is required for the current Board actions with respect to the preliminary review presentation.

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 Board action is consistent with the Public Trust Doctrine.

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 (CDP) Regulations because it will not result in, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, development within the District requires processing under the District’s CDP Regulations. Future development would remain subject to its own independent review pursuant to the District’s certified CDP Regulations, Port Master Plan, and the relevant chapter(s) of the Coastal Act. The exercise of the District’s discretion under the District’s CDP Regulations is in no way limited by the proposed Board actions.

**Diversity, Equity, and Inclusion Program:**

This agenda sheet has no direct DEI impact on District workforce or contract reporting at this time.

**PREPARED BY:**

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Attachment(s):  
Attachment A: Site Plan  
Attachment B: Feasibility and Market Study  
Attachment C: Resolution