

**FILE NUMBER: 2024-299**

**DATE:** Tuesday, July 9, 2024

**SUBJECT: District Redevelopment of Shelter Island Commercial Fishing Wharf**

**DESCRIPTION: Receive Preliminary Project Review Presentation for the Demolition and Redevelopment of the Commercial Fishing Wharf on Shelter Island (Currently Known as Driscoll's Wharf) and Direction to Staff.**

**EXECUTIVE SUMMARY:**

Driscoll Marina, Ltd dba Driscoll's Wharf ("Tenant") has operated a commercial fishing marina at 4918 North Harbor Drive, San Diego ("Premises") since 1992, encompassing approximately 2.4 acres of land area and 6.6 acres of water area. Tenant's lease with the District expired on April 30, 2023, and since that time, has remained in possession of the Premises under the lease's holdover provisions. Condition reports and due diligence revealed that certain improvements at the Premises are beyond their useful life and need to be replaced, particularly the four berthing piers. Therefore, per the District's rights under the lease, the District directed Tenant to remove all contaminants and certain improvements to prepare the site for the District's planned future management and phased redevelopment of the Premises.

District Staff hired on call consultant, Triton Engineers, Inc. ("Triton") to design the proposed future waterside improvements at the Premises. The proposed design results in a total of 75 slips ranging from 30ft to 100ft for various vessel lengths. Staff collaborated with the commercial fishermen on the proposed design of the waterside improvements and the commercial fishermen have expressed their support.

After Tenant satisfies its end of term lease obligations, the District plans to initiate redevelopment with the construction of one set of floating docks to accommodate existing vessels on site, funded by a Board approved \$3.1 million allocation from the FY23 revenue surplus.

Additional proposed waterside improvements of Triton's design include two additional floating docks, a working dock, gangways, headwalks, and a breakwater. Those improvements are estimated to cost an additional \$8.7 million to \$11.0 million. The projected revenue generated from the operation of the commercial fishing facility is unlikely to offset the project cost and operating expenses of the comprehensive waterside redevelopment. Therefore, only one set of floating docks are to initially be redeveloped to house the existing fleet. Alternative funding sources are required in order to construct the additional improvements and fund the ongoing maintenance of the Premises. Staff intends to work collaboratively with the commercial fishermen to pursue grant funding and other potential funding sources to support the future redevelopment of a financially sustainable facility.

Staff is preparing the California Environmental Quality Act ("CEQA") review and analysis on the proposed redevelopment of all potential waterside improvements. The CEQA

analysis will also include Tenant's required removal of certain land and water improvements and any encountered contaminants. Following a request for proposals to select a consultant on the Planning's As-Needed Long Range Planning Services Agreement, Ascent Environmental, Inc. was selected to conduct the CEQA review, currently anticipated to require preparation of an Environmental Impact Report ("EIR") funded through the previously mentioned \$3.1M Board-approved allocations. The CEQA process, including tenant obligations for demolition and contamination removal, is anticipated to conclude within 12-18 months, with Tenant's demolition activities tentatively beginning in early 2026 and the District's dock construction commencing in mid-to-late 2026.

Throughout the process, staff plans to engage with commercial fishermen and subtenants to ensure minimal disruption to operations and seek input on funding options. Staff also plans to return to the Board to request certification of the EIR and completion of the environmental review process, allowing Tenant to begin demolition of the identified improvements.

In conclusion, the proposed phased redevelopment of the Premises aims to modernize facilities and support ongoing commercial fishing operations while navigating financial challenges.

#### **RECOMMENDATION:**

Receive preliminary project review presentation for demolition and redevelopment of the commercial fishing wharf on Shelter Island (Currently known as Driscoll's Wharf) and provide direction to staff.

#### **FISCAL IMPACT:**

This Board action has no fiscal impact to the District.

As described in this agenda item, Tenant is responsible for the removal of contaminants and certain improvements from the Premises.

The initial redevelopment of the one floating dock in addition to the CEQA review described in this agenda item are funded by the Board-approved \$3.1M allocation from the FY23 revenue surplus and is budgeted in the FY 2025 Equipment Outlay and Other Capital Projects appropriation.

The comprehensive redevelopment of this Premises is not funded. Staff will return to the Board at a future meeting to discuss the future phases of the waterside redevelopment.

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

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

- A vibrant waterfront destination where residents and visitors converge.
- 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**

Driscoll Marina, Ltd dba Driscoll's Wharf ("Tenant") has operated a commercial fishing marina, located at 4918 North Harbor Drive, San Diego ("Premises"), since 1992 (Attachment A – Location Map). The Premises is comprised of approximately 2.4 acres of land area and 6.6 acres of water area. The leasehold improvements include three two-story commercial buildings, totaling approximately 34,655 square feet, surface parking for approximately 184 vehicles, a waterside public promenade, four fixed structure piers with Mediterranean style berthing positions for 123 vessels, and a fish offloading pier.

Condition reports and due diligence revealed that certain improvements at the Premises are beyond their useful life and need to be replaced, particularly the four berthing piers.

Tenant's Lease<sup>1</sup> with the District expired on April 30, 2023, after which Tenant was directed to comply with end of term obligations and remove all improvements and contaminants from the Premises, except two landside commercial buildings, surface parking, the commercial fishing storage rack, the waterside public promenade, and the fish offloading pier (Attachment B – Demolition Direction). In accordance with the terms of the Lease, Tenant has been placed on a month-to-month holdover to allow for Tenant's completion of their end of term obligations.

### **Planned Redevelopment of the Premises**

Once Tenant has completed the removal of the identified improvements and contaminants, the District plans to take over the operation of the Premises and redevelop the Premises in a phased approach. There are currently approximately 19 commercial fishing vessels and two City of San Diego vessels berthed at the Premises. The District plans to initially develop one set of floating docks that can berth approximately 23 vessels to house the existing 21 vessel fleet located at the Premises. It is estimated that the floating docks will cost \$2.5 million to construct. The Board has already approved the funding of this project with the FY23 revenue surplus.

### **Design of Potential Waterside Improvements**

Staff hired on call consultant, Triton Engineers, Inc. ("Triton") to design the proposed future waterside improvements at the Premises. For the environmental review purposes, staff directed Triton to prepare a comprehensive waterside design including new floating

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<sup>1</sup> Lease dated May 17, 1983, between District and Driscoll Marina, Ltd. as amended by that certain Amendment No. 1 dated August 14, 1984, Amendment No. 2 dated October 30, 1986, Amendment No. 3 dated December 22, 1992, Amendment No. 4 dated May 6, 1994, Amendment No. 5 dated June 27, 1994, and Amendment No. 6 dated March 17, 1995.

docks, new gangways, floating headwalks to connect the docks, a working dock, a new fish offloading pier, and a floating breakwater that will reduce the wave energy experienced in the marina. See Attachment C – Waterside Improvements Design. The design will result in a total of 75 slips ranging from 30ft to 100ft for various vessel lengths. Staff collaborated with the commercial fishermen on the proposed design of the waterside improvements, including representatives from both Tuna Harbor, represented by the San Diego Fishermen’s Working Group, and Driscoll’s Wharf, represented by the Point Loma Fishing Alliance. The commercial fishermen are in support of the proposed design.

### **Funding for Proposed Waterside Improvements**

As mentioned above, the Board has already approved the funding for the initial development of one floating dock to house the current vessels on site which is estimated to cost \$2.5M. Funds have not been allocated for the balance of the proposed waterside improvements, which are estimated to cost between \$8.7M to \$11.0M. The projected revenue generated from the operation of the commercial fishing facility is unlikely to directly offset the project cost and operating expenses of the complete waterside redevelopment. Therefore, staff proposes that the waterside be developed in phases as additional funding sources are identified, such as grant funds, identification of potential new subtenants, and expansion of the existing subtenant operations currently occupying the facility. Staff will return to the Board at a future meeting to discuss future phases of the waterside development.

### **Environmental Review Process**

Staff is preparing the California Environmental Quality Act (“CEQA”) analysis on the proposed redevelopment of all potential waterside improvements, as well as the Tenant’s required demolition and removal of contaminants. This approach is timelier, cost effective, and adheres to CEQA’s directive to analyze the “whole of the action.”

On March 13, 2024, the District sought proposals from qualified environmental consultants from Planning’s As-Needed Long Range Planning Services Agreement for a CEQA consultant to draft the relevant CEQA document, currently anticipated to be an Environmental Impact Report (“EIR”). Planning’s As-Needed Long Range Planning Services Agreement was established based on a competitive procurement process conducted in July 2020 pursuant to BPC Policy 110. The District received two (2) proposals from potential CEQA consultants, Ascent Environmental, Inc and HDR Engineering, Inc. Based on the proposal that included the best value, District staff have selected and entered into a Task Authorization with Ascent Environmental, Inc. (“Ascent”) to conduct the required CEQA analysis of this project. This Task Authorization, which is within the agreement’s Board authorized funding capacity, will be funded by the \$3.1M approved by the Board from the FY23 surplus to design and build the proposed improvements at the Premises. Furthermore, as the CEQA analysis and relevant Task Authorization include analysis of Tenant’s demolition and removal of contaminants obligations, staff is working with Tenant to enter into a Three-Party-Agreement for Tenant to pay for its proportional costs to complete the EIR per Tenant’s responsibilities under the Lease.

It is estimated that the EIR will take approximately 12-18 months to complete, after which other associated permits and approvals will be obtained, such as District issuance of Coastal Development Permit(s), as well as any necessary approvals from the Army Corp of Engineers and Regional Water Quality Control Board. After the completion of the environmental review process, the Tenant will be allowed to begin removing the identified improvements and contaminants, which is estimated for the beginning of 2026. After successful demolition and remediation of the Premises by Tenant, the District can begin constructing the one set of floating docks, estimated to begin in mid to end of 2026. Staff will keep the Board updated on the estimated construction timeline, which will include the procurement and completion of engineering design work and award of the construction contract.

Staff are also analyzing options for the improvements to be demolished by Tenant in a phased approach to allow the continual berthing of the existing vessels on the Premises.

Additionally, staff are working with the existing commercial fishing landside subtenants at the Premises for their operations to continue during the demolition and redevelopment of the selected improvements.

### **Next Steps**

Following the July board meeting, staff will issue the Notice of Project Application (“NOPA”) and continue working with Ascent and Tenant to complete the required EIR. Staff will keep the Board informed on the estimated redevelopment timeline.

Staff will also continue collaborating with the commercial fishermen on the redevelopment of the Premises and seek input on potential funding options to help fund the redevelopment of the Premises.

Staff plans to return to the Board in an open session at a future meeting to request certification of the EIR and completion of the environmental review process, allowing Tenant to begin demolition of the selected improvements.

### **Conclusion**

In conclusion, the redevelopment of the commercial fishing wharf on Shelter Island represents a transformative moment for the San Diego waterfront and its commercial fishing industry. The redevelopment aims to support, modernize, and enhance critical infrastructure for the commercial fishing industry and is proposed to create a safer and more efficient working environment for fishermen. By providing upgraded facilities, this project ensures that fishermen can continue their operations effectively, thereby securing continued access to fresh, locally sourced seafood for both residents and visitors of San Diego.

However, the path to full redevelopment faces challenges, particularly in terms of feasibility and funding. Recognizing these obstacles, District staff will continue to collaborate with commercial fishermen and other stakeholders to explore and secure

additional funding sources necessary to realize the comprehensive redevelopment of the Premises.

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

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

### **Environmental Review:**

The presentation regarding the Preliminary Project Review for the Demolition and Redevelopment of a Portion of the Commercial Fishing Wharf on Shelter Island (currently known as Driscoll's Wharf) and Direction to Staff does not constitute a project under the definition set forth in CEQA Guidelines Sections 15352 and 15378 because no direct or indirect changes to the physical environment would occur. CEQA requires that the District adequately assess the environmental impacts of projects and reasonably foreseeable activities that may result from projects prior to the approval of the same. Any project developed as a result of the presentation requiring the District or the Board's discretionary approval resulting in a physical change to the environment would be analyzed in accordance with CEQA prior to such approval. CEQA review may result in the District, in its sole and absolute discretion, requiring implementation of mitigation measures, adopting an alternative, including without limitation, a "no project alternative" or adopting a Statement of Overriding Consideration, if required. The exercise of this discretion is in no way limited by this presentation. Therefore, no CEQA review is required at this time.

The presentation complies with Sections 57 and 87 of the Port Act, which allow for the acquisition and operation of facilities for promotion of commerce, navigation, fisheries, and recreation and 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 presentation is consistent with the Public Trust Doctrine.

The presentation 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 there will not be, 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 (PMP), 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 this presentation.

**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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Attachments:

Attachment A: Location Map  
Attachment B: Demolition Direction  
Attachment C: Waterside Improvements Design