



GRAND JURY  
COUNTY OF HUMBOLDT

825 FIFTH STREET  
EUREKA, CALIFORNIA 95501-1153 PHONE (707) 476-2475

June 19, 2015

Attn.: Jack Crider  
Humboldt Bay Harbor, Recreation and Conservation District  
Eureka, CA 95501

Re: "Humboldt Bay Harbor, Recreation and Conservation District"

Enclosed please find a copy of the above report by the Humboldt County Grand Jury.

Please note that Penal Code Section 933.05 (f) specifically prohibits any disclosure of the contents of this report by a public agency or its officers or governing body prior to its release to the public, which will occur four days after the date of this letter.

The Humboldt County Grand Jury requests that you respond in writing to the Findings and Recommendations contained in the report pursuant to Penal Code Section 933.05. Penal Code Sections 933.05 (a) and 933.05 (b) are specific as to the format of the responses. The Penal Code is also specific about the deadline for responses. You are required to submit your response to the Presiding Judge within ninety days as follows:

Judge J. Hinrichs  
Presiding Judge Humboldt County Grand Jury  
Superior Court of County of Humboldt

Also send the following:

Hard copy of response to Sam (Sara) Giannandrea, Foreperson, Humboldt County Courthouse. Responses are public records. The clerk of the public agency affected must maintain a copy of your response. Should you have any questions, please contact me at 476-2475 or at the above address.

Sincerely,

Sam Giannandrea  
Foreperson  
Humboldt County Grand Jury

## **Humboldt Bay Harbor, Recreation and Conservation District**

### **SUMMARY**

The mission of the Harbor District is to promote harbor use, to enhance commercial and recreational opportunities and to protect bay and tidal environments. Managing the tidelands around Humboldt Bay is a key responsibility. The Grand Jury chose to report on two areas:

1. Deep harbor dredging is crucial to allow navigation by large commercial ships. The Humboldt County Grand Jury recommends the Humboldt County Board of Supervisors and the Harbor District request the Army Corps of Engineers complete dredging as soon as possible and lobby for prioritized annual funding at the state and federal level.
2. Economic development continues to generate revenues to fund ongoing District programs and improvements. The Humboldt County Grand Jury recommends the Harbor District continue its efforts to pursue expanded economic development.

Problems with the Army Corps of Engineers ability to schedule deep harbor dredging in a timely manner are a great concern. Dredging was scheduled for February this year, but was delayed until late July. Over \$350,000 in losses to the local economy are due to the delay in dredging by the Army Corps of Engineers'. The Harbor District, with the assistance of PG&E funds, was able to acquire a small dredge which will be used to dredge other areas in the bay. Savings are being realized and revenue is increasing. Developing revenue options on the bay through acquiring property and docks is a work in progress. Improvements at the Woodley Island Marina and the Fields Landing Boat Yard have increased efficiency. Two sites on the Samoa Peninsula have been purchased. Leasing space is beginning to bring in revenues. The Harbor District initiated the pre-permitting process to lease 550 acres of bay property to oyster farmers to expand their operations. These properties will allow for increased opportunities for companies who want to do business on Humboldt Bay and thus raise substantial revenues for the Harbor District.

### **BACKGROUND**

The last time the Grand Jury reported on the Harbor District was in 2007. There has been significant activity by the Harbor District in the past couple of years.

The Humboldt Bay Harbor, Recreation, and Conservation District Act of 1970 was passed by the California legislature to create the Humboldt Bay Harbor, Recreation and Conservation District to address and manage the needs of Humboldt Bay. Humboldt County voters ratified the formation of the Harbor District in 1973.

The Harbor District is governed by elected commissioners from five divisions, representing the same boundary areas as the Humboldt County Board of Supervisors and operating under the authority of the California Harbors & Navigation Code. Funding is provided through property taxes, grants, permit fees, tideland leases, rents, and harbor surcharge fees. Grant and bond funding have been utilized in the past for harbor improvement projects.

Principal responsibilities include permit jurisdiction over all tidelands and other lands granted to the District including all of Humboldt Bay. The multiple roles of the Harbor District include



oversight of: Woodley Island Marina, Fields Landing Boat Yard, Redwood Marine Terminals, Shelter Cove, port development, recreation, conservation, wildlife area management, marketing, and permitting tideland leases.

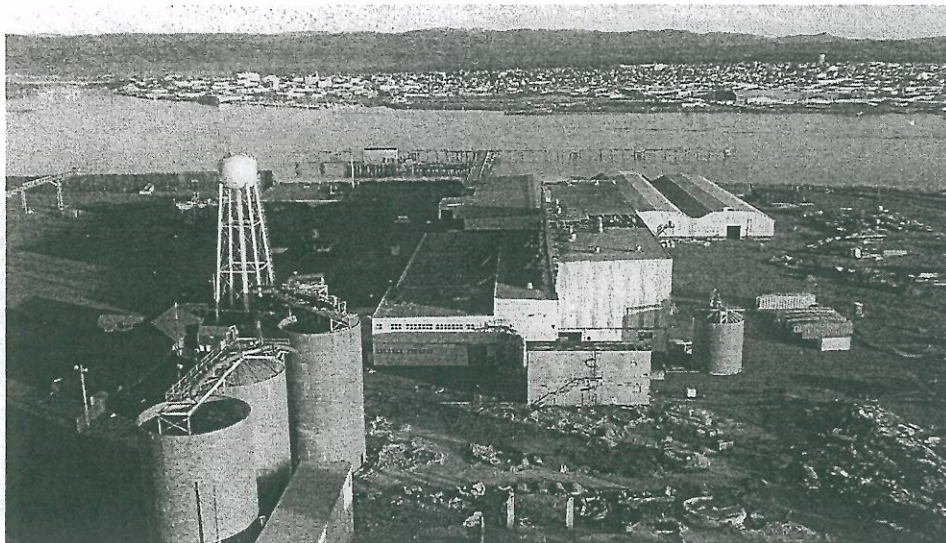
Port development projects include oversight of: dredging and disposal of dredging materials, retention and improvement of commercial fishing facilities, pilotage licensing, oil spill response coordination, erosion control, shoreline protection, and mariculture.

In order to secure waterfront properties in the mid-1970s, the City of Eureka decided to move fishing operations from the waterfront to allow space for other commercial interests. The marina at Woodley Island was built to house the commercial fishing fleet with limited space allowed for recreational vessels.

The Harbor District paid out \$3.1 million more than revenue realized from 2001-2012, which can be attributed to the loss of revenue from the timber and fishing industries. Changes in leadership and increases in revenue sources are changing the outlook for the future.

The Harbor District Master Plan captures input from the public and provides a mechanism for keeping track of shifts in interest with regard to the focus of the District. One objective within the plan is to pursue economic development that is attainable, innovative, and consistent with both best environmental practices and the Humboldt Bay Management Plan. It also includes general objectives to expand and promote the economic infrastructure of Humboldt Bay and to develop opportunities for private entrepreneurship and finding appropriate and productive uses for underutilized, historic industrial lands.

The Harbor District is working with Nossamon, LLP law firm to report on compliance of the Harbor District regarding improvements at the terminals and upland acquisition with the Local Coastal Plan of the California Coastal Commission.



*View of Terminal 2 and buildings on Samoa Peninsula*

## METHODOLOGY

The Grand Jury interviewed people associated with the Harbor District and members of interested advocacy groups. The Grand Jury toured facilities and gathered documentation including annual reports, studies, presentations, and meetings.

## **DISCUSSION**

A change in leadership at the Harbor District in the last three years has contributed to many projects moving forward. Projects that are being implemented to improve the financial outlook include:

- 1) aquaculture pre-permitting to facilitate more oyster farm operations
- 2) working to schedule a deep harbor dredging by the Army Corps of Engineers
- 3) implementing dredging operations using the newly purchased dredge to complete other dredging in-house
- 4) pursuing New Market Tax Credits to improve infrastructure of buildings
- 5) securing leases of property at Terminal 2
- 6) improvements at Redwood Terminal 1
- 7) upgrading the floats at the Woodley Island Marina
- 8) Spartina grass eradication
- 9) water trails improvements
- 10) continuing the aquaculture innovation center project
- 11) improvements at Fields Landing

A \$250,000 grant, named the Samoa Industrial Waterfront Transportation Access Plan was used to purchase right of way access to bay front properties from Highway 255. A portion of this grant, \$25,000, was designated for a rail study.

### **Deep Harbor Dredging**

Regular dredging of the deep water harbor of Humboldt Bay is the key to allowing access to the bay, especially for larger ships. It is crucial to have the deep harbor as well as other areas of the bay accessible to ships and boats of all sizes. Ideally, the deep water channel must be maintained at a depth of 48 feet to accommodate vessels with deep draft. Other areas in the bay require a depth of 35-38 feet.

A feasibility study was completed in 2001 that said the harbor could attract increased cargo traffic with a deeper draft and 48 feet was the recommended depth. The safety of boaters was also cited, with the loss of lives of commercial and sport fishermen at the entrance of the Bay.



The Harbor District signed a contract in 2001, for the deepening of the channel, with the Army Corps of Engineers. The total cost was \$17 million, with the Harbor District borrowing \$4 million for its share; the City of Eureka paid \$500,000; the State of California paid \$1.5 million; and the Army Corps of Engineers paid \$11 million. The Harbor District was the local cost share sponsor of this contract, which will remain in place until either party terminates the agreement.

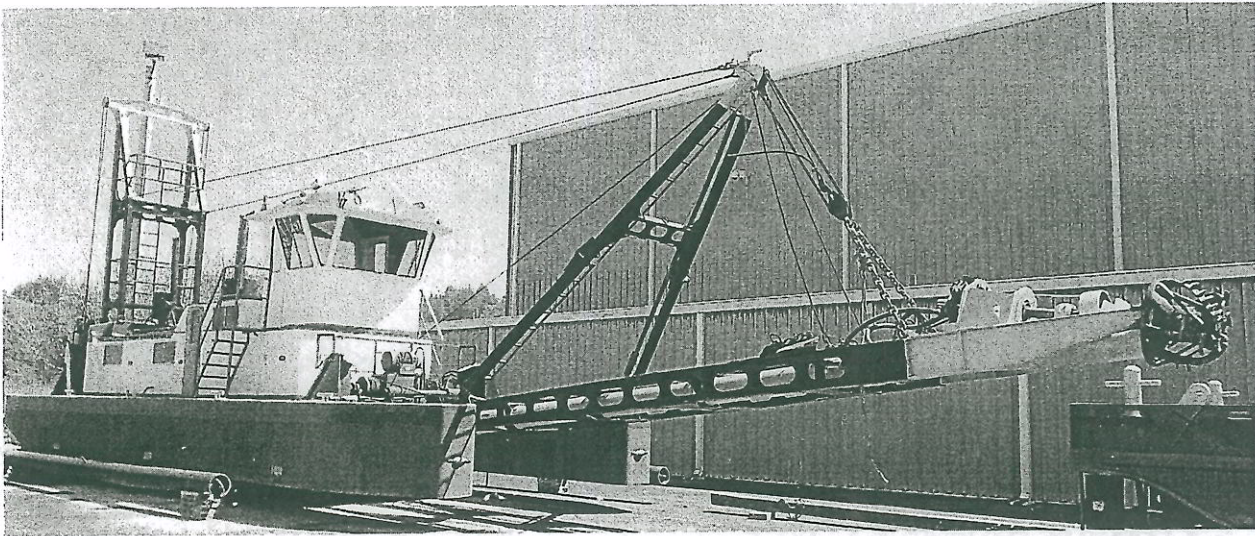
The Harbor District is making annual payments of \$200,000 on the debt it incurred in 2001. In 2014, the balance on this revenue bond was approximately \$2 million. In 2015 the Harbor District initiated a refunding bond that combined the deepening bond (\$2 million) with its California Boating and Waterways loan (\$1 million) for a \$3 million dollar loan with a payoff date in 2029. This action took advantage of lower interest rates as well as consolidating a long term state loan.

The Harbor District created a dredging fund using a surcharge to users of the bay. Dredging surcharge income has decreased, and the surcharge funds are sufficient for about half of the debt service. The balance of the debt payment is made up with other revenue from the Harbor District's general fund.

The Army Corps of Engineers is obligated to maintain the 48 foot depth, subject to available funding budgeted by Congress. Historically, the Army Corps' budget has been funded at about a half of what is requested from Congress to provide adequate dredging. This shortfall is detrimental to the Harbor District as the local cost share sponsor. Each year the Harbor District and the local shipping industry lobby Congress and the Army Corps of Engineers to increase funding from the Congressional Budget. This effort has averaged over \$3 million/year. The Army Corps' budget for dredging Humboldt Bay for 2015 is approximately \$4 million and \$3 million is estimated for 2016.

The shoaling in Humboldt Bay creates the need for more dredging than almost any other port in the U.S. Storms from last winter caused a large amount of shoaling deposits from the Eel River into the bay that have decreased the depth of the channel considerably. This has created a barrier for large ships to enter or leave the bay. Normally, the dredging would have been completed in February, but due to a labor dispute while its dredge was in dry dock, dredging by the Army Corps this year was delayed and began on 5/31. The result of the delay has been to deny cargo vessels access to take on commodities such as wood chips at a loss of hundreds of thousands of dollars to the local economy.





*Newly acquired cutter dredge*

### **Other Dredging Needs**

The Harbor District is also responsible for dredging other areas of the bay not serviced by the Army Corps of Engineers. In 2014, a \$2 million grant was provided by PG&E. The Harbor District purchased a cutter head dredge and flow lane. As part of the grant the Harbor District agreed to perform a one-time dredging of the Fisherman's Channel at King Salmon and repair the breakwater wall. The acquisition of its own dredge will create a way for the Harbor District to save money and take care of areas other than the main deep water channel.

Dredging will be completed beginning with the Fields Landing area once training, engine replacement and other repairs are made to the dredge. The new dredge will have one engine replaced before it will be used for additional dredging around the bay.

The Harbor District is developing an analysis plan for removal and testing of sediment. There is concern about the environmental impact of dredging on the long finned smelt, a common fish in the bay that is listed as a threatened species.

### **Economic Development**

The following projects enhance the economic development of Humboldt Bay:

#### **A. Redwood Terminal #1**

In September, 2004 Redwood Terminal and Berth 1 (formerly the Louisiana Pacific dock) was acquired with an additional 20 acres. Improvements to the property include dock repairs, demolition of the old warehouse, operation of an aquaponics project, and installing a crane and forklift. Some proposed options for developing the commercial interests on this property include: commercial fish processing center, gear handling and storage, cold storage, floating fuel dock, boat ramp, and dock hoist. These improvements would serve commercial customers such as oyster farmers and commercial fishermen.



A \$70,000 grant was received from the Headwaters Fund to support a pilot aquaponics project that was operated successfully this past year and shows promise. The Harbor District is seeking new tenants to continue operations.

Acquisition of the Redwood Terminal 1 & Redwood Terminal 2 properties by the Harbor District ensures Humboldt Bay has public dock space available.

#### **B. Redwood Terminal #2**

The pulp mill owned by Freshwater Tissue Company on the Samoa Peninsula ceased operating in 2008. In August, 2013 the Harbor District was able to purchase two parcels totaling 72 acres that were part of the pulp mill. This was considered an “opportunity purchase” because it was purchased at a cost of \$1 and the agreement to accept responsibility for disposal of all aboveground hazardous waste. The parcel is named Redwood Terminal and Berth #2 and includes docks and buildings with 220,000 square feet of warehouse space, a sophisticated computer system, a 30 million gallon per day water treatment system and 1.5 miles of ocean outfall pipe. An additional purchase of 17 adjacent acres at the pulp mill site was completed recently to increase the tarmac and access to the site.

Additional revenue will be raised by selling pulp mill equipment, including the boiler, the turbine generator, the computer control system, and 130 other items, with a value estimated at \$1.5 million. There has been interest shown by potential buyers of the generator, recovery boiler, and computer systems, the sale of which will generate funds to assist in infrastructure improvements such as roofing and electrical upgrades.

The EPA agreed to take responsibility for removing the toxic liquors and storage tanks from the pulp mill operations. Beginning in 2011, the EPA oversaw the removal of 800 truckloads of toxic chemicals from the pulp mill operations, which was completed in 2014. A loan was obtained for \$1.2 million from Coast Seafoods to pay for the trucking of toxic materials. The final removal of the sludge is scheduled to be completed in 2015.

Clean up continues in order to ready the property for leasing to a variety of potential tenants, including removal of a shed that was in poor shape next to the warehouse space. There are plans to demolish the venting tower (stack) and remaining storage tanks.

Three aquaculture companies, Coast Seafoods, Taylor Shellfish, and Hog Island, are leasing space and expanding and installing nurseries to grow oyster seed stock at Terminal 2. Several more aquaculture companies have expressed interest as the need for oyster nursery stock has greatly increased recently due to loss of habitat in other northern California areas.

Other companies who have expressed an interest in leasing space are a large scale marijuana grower (based on marijuana becoming legal in 2016) wood pellet manufacturer, and a wood chip exporter. There have been over a dozen companies who have expressed interest, but none have completed the vetting process. A Marine Research Center idea has been suggested with a partnership with Humboldt State University and its Schatz Energy Lab.

#### **C. Fields Landing Boat Yard**



Improvements to the Fields Landing Boat Yard include renovation of a zero discharge boat wash station and installation of a new lower dock. There is interest in creating a boat yard building for marine fabrication and boat repair.

#### **D. Pre-Permitting Process**

The permitting process for farming oysters is lengthy and costly. In order to encourage more oyster companies to do business in Humboldt Bay, the Harbor District initiated the pre-permitting process for approval for 550 acres of intertidal land to be leased to oyster farmers. The District will oversee operations and monitor compliance. The expansion of oyster operations is estimated to create 55 new jobs and generate \$265,000 per year in additional revenue.

#### **E. Woodley Island Development**

Woodley Island is about 50 acres in size, with 25 acres of wildlife sanctuary and 12 acres of existing development that includes a restaurant, ships chandlery, offices, a laundry, and paved access and parking for the 237 boat slips at the marina. The marina was built as a permanent place for the commercial fishing fleet which was previously located on Eureka waterfront property. It is zoned Public/Facilities and Services and was approved with express protections for commercial fishing interests. There has been a decline in the number of fishing vessels over the years and with the seasonal nature of fishing, the percentage of fishing vessels has decreased to about 40% of occupancy at the marina.

One zoning change was approved in the 1990s would allow for a future, small restaurant on the south end of the island. The National Weather station was built on the island in October, 1994. A previous request from the Harbor District to the City of Eureka to change zoning to allow for more commercial development was withdrawn by the Harbor District. The Harbor District has recently submitted a request to the City of Eureka for the zoning change as part of its Coastal Plan update and is proposing the City create a fishermen's rights resolution to be added to the Eureka Coastal Plan. The Harbor District is also planning on enhancing fishing services and amenities at Redwood Terminal 1.

RV parks are located near many ports along the coast. A preliminary feasibility study was completed in October, 2012. The study considered possible sites, market feasibility, functions and operations, and regulatory compliance of the project, as well as income and expenses. There are objections by fishermen and environmentalists, and there is concern about limited clearance of the Hwy. 255 underpass.

#### **FINDINGS**

- F1. The delay in dredging this year by the Army Corps of Engineers has prevented access to Humboldt Bay by large commercial vessels. This has resulted in the loss of over \$350,000 to the local economy. Timely dredging to 48 feet of the deep harbor channel and turning basin is crucial for safe passage of commercial vessels.
- F2. Annual lobbying of Congress for increased, maximum funding of the Army Corps of Engineers is paramount in keeping Humboldt Bay commercially sound as well as safe.



- F3. As cost share sponsor, the Harbor District borrowed \$4 million as its share of the total \$17 million cost of the initial deepening of the harbor in 2001. The Army Corps of Engineers is obligated to annually maintain the harbor depth of 48 feet, subject to available funding. Any improvement or modernization of the bay may require the Harbor District to again be the cost share sponsor.
- F4. The Harbor District has been successful in generating new revenue streams and stabilizing finances.
- F5. The Harbor District is pursuing new and increased revenue opportunities with expanded oyster operations, increased use of Redwood Terminal 2, and other potential projects.

## **RECOMMENDATIONS**

- R1. The Humboldt County Grand Jury recommends the Humboldt County Board of Supervisors request the Army Corps of Engineers complete dredging to 48 feet as soon as possible. (F1)
- R2. The Humboldt County Grand Jury recommends that the Harbor District consider establishing a dedicated dredging reserve fund, accumulating money, ahead of need, with the goal of reducing the need to borrow and incur interest obligations when sponsoring future harbor dredging to augment the declining surcharge fund. (F3)
- R3. The Humboldt County Grand Jury recommends the Humboldt County Board of Supervisors lobby legislators to ensure funding for annual dredging is a priority at the state and federal levels. (F1,F2)
- R4. The Humboldt County Grand Jury recommends the Harbor District continue to pursue new revenue and economic development as a high priority. (F4, F5)

## **REQUEST FOR RESPONSES**

From the following governing bodies:

Humboldt County Board of Supervisors (R1, R3)

Humboldt Bay Harbor, Recreation and Conservation District (R2, R4)

## **INVITED RESPONSES**

- State Senator Mike McGuire (R3)
- State Assemblyman Jim Wood (R3)
- Congressman Jared Huffman (R3)
- U.S. Senator Barbara Boxer (R3)
- U.S. Senator Dianne Feinstein (R3)