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**DATE:** May 30, 2017  
**TO:** Mayor and Members of the City Council  
**FROM:** Andrea Ouse, Community and Economic Development Director  
Lisa Plowman, Contract Planner  
**SUBJECT:** VALLEJO MARINE TERMINAL AND ORCEM PROJECT AT 790/800 DERR STREET – APPEAL OF PLANNING COMMISSION ACTION TO DENY REQUEST FOR MAJOR USE PERMIT AND SITE DEVELOPMENT PLAN

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### **RECOMMENDATION**

Staff recommends that the City Council:

- Deny the applicant's appeal and uphold the Planning Commission's decision to deny the Major Use Permit and Site Development Plan (Resolution No. PC 17-03) and find that such action is exempt from CEQA
- Deny the applicant's request to direct corrections of alleged errors in the uncertified Draft Final EIR
- Deny the applicant's request to schedule a separate Council hearing to certify the amended Final EIR

### **REASONS FOR RECOMMENDATION**

The proposed project includes development of a marine terminal and cement processing plant at 790 and 800 Derr Street, requiring the approval of a major use permit and a site development permit. The project site is zoned Intensive Use (Industrial) and was formerly occupied by the General Mills flour plant. While the proposed uses are consistent with the existing General Plan land use designation and zoning district, the Project would result in significant and unavoidable air quality, cultural resource, greenhouse gas, noise, and transportation and traffic impacts. As a result, the Planning Commission found that the Project would not be compatible with the residential neighborhoods adjacent to the project site and along the roadways that would be used for truck travel. The Planning Commission made findings of denial which are described in the Planning Commission Resolution 17-03 (Attachment 1.A).

While it is important for the City Council to review the Planning Commission's action and the hearing record, the City Council hearing is a "de novo" hearing. This means that it is a new hearing on the project and it is the Council's responsibility to consider the project and the related impacts and it is not required to pay deference to the Planning Commission's decision. Staff recommended that the Planning Commission deny the project because of the issues of concern outlined below. Staff continues to believe that these issues of concern warrant a denial of the applicant's appeal.

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- The Project would have a negative effect on the neighborhood character as it would direct up to 509 trucks per day through areas zoned for low density residential uses along Lemon Street and Sonoma Boulevard on a 24-hour basis. The average truck trips arriving and leaving the site would range from 12 to 32 per hour during daytime hours (7:00 a.m. – 10 p.m.) and from 20 to 44 per hour during the overnight hours (10 p.m. – 7:00 a.m.). The areas along Lemon Street and Sonoma Boulevard that will accommodate 95% of the truck traffic include low density single family residential neighborhoods with older one- and two-story homes with traditional front yards. Lemon Street, the main route for trucks headed to and from points east and north, is a locally-serving roadway with 11-foot travel lanes, 8-foot parking lanes, and 5-6 foot sidewalks providing access to homes and small businesses. Sonoma Boulevard is a State urban highway under Caltrans' jurisdiction and is designed to accommodate higher levels of traffic, but also includes single family residences and multi-family residences. The very high volume of trucks arriving to and departing from the project site on a 24-hour basis would substantially increase noise, traffic, and generate air emissions that would alter the character of the existing residential neighborhoods along Lemon Street and Sonoma Boulevard and would have a harmful effect on the desirability of the neighborhood and their character.

The IU-zoned areas in the project vicinity include a mix of residential and commercial uses. While the commercial/industrial businesses operating in the area generate some truck traffic, they generally do not operate on a 24-hour basis and the number of truck trips is substantially lower. As such, the intensity of the proposed industrial activity and associated heavy-truck traffic traveling along these corridors may be considered incompatible with the existing setting from a land use context, unless the long-term vision of the area is to transition to heavy industrial uses in the area. This is not likely given that the existing commercial/industrial properties along Lemon Street are relatively narrow and lack the appropriate access and depth to accommodate redevelopment to heavy industrial operations. Therefore, the truck traffic associated with the proposed Project would also result in a degradation of the existing commercial/industrial neighborhoods adjacent to the transportation corridors serving the Project.

- The substantial daily truck trips generated by the Project would impact the local community's commuting to and from work and school. The technical studies analyzing the Project indicate that there will be use of rail, trucks, and ships to transport materials and commodities to and from the project site. The Project would increase the number of truck trips along city streets by an additional 536 truck trips per day. Up to 300 trucks would travel on Lemon Street and 209 trucks would travel south on Sonoma Boulevard. This increase in truck traffic would impact residents' daily commutes to and from work, and students' and families' daily travel to and from Grace Patterson Elementary School, which is located approximately 0.3 miles southeast of the Project site.
- The new rail traffic associated with the Project would create significant delays at City intersections. The Project would generate an estimated 200 rail cars per week between the hours of 7 a.m. to 6 p.m. The use of the railroad to import or export materials will result in temporary closures at rail crossings which will affect downstream intersections in Vallejo and American Canyon. The "gate-down" time at the crossings is between 4.06 to 4.16 minutes which will result in substantial delays at 28 intersections within the City. Thus, the Project will detrimentally change the capacity of the streets to accommodate traffic during peak and non-peak hours.

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- The new rail traffic that is associated with the Project would cause emergency vehicle response time delays within the City. The 4.06 to 4.16-minute delay of the flow of traffic due to rail car passage and congestion at rail crossing would adversely impact the average response time for emergency vehicles responding to calls for emergency services during “gate-down” times.
  - The increase in truck trips associated with the Project will make it much more difficult and less comfortable to navigate both Lemon Street and Sonoma Boulevard on foot and on a bicycle. The current roadway configuration on Lemon Street includes on-street parking, one lane of traffic in each direction and no separate bike lane. Sonoma Boulevard, which has four lanes of traffic and on-street parking in some areas, has incomplete cycling and pedestrian facilities. There are 1,660 linear foot gaps in the Class II bicycle lanes. In addition, there are approximately 2,048 linear feet on the east side of the Highway and 1,724 linear feet on the west of the Highway that are without sidewalks. Lemon Street and Sonoma Boulevard provide bicycle and pedestrian access to commercial uses, services and schools in the area including Grace Patterson Elementary School. The lack of facilities impacts cyclist and pedestrian safety, and a significant increase in daily truck traffic along this corridor would further decrease the perception of safety. The City’s existing and future General Plan include policies to promote bicycle use. Specifically, the existing General Plan states that “in order for the bicycle to be a viable transportation alternative, the opportunity to bicycle to virtually any destination should be provided.” The draft General Plan 2040 includes a number of policies and actions that address increasing pedestrian safety through education and physical improvements. Without significant improvements to the bicycle and pedestrian transportation system, the considerable increase in heavy-truck traffic from this Project in South Vallejo increases the possibility of pedestrian/vehicular and bicycle/vehicular conflicts.
  - The increased truck traffic generated by the Project would result in negative impacts to pedestrian access to educational and recreational facilities in the area. Lemon Street is used as a route to access Grace Patterson Elementary school, which is within 0.3 miles of the project site, and Lake Dalwigk Park, which is located on Lemon Street. The heavy truck traffic generated by the Project has the potential to change the physical character of the street and make it more difficult for pedestrians, including children, to cross Lemon Street and Sonoma Boulevard as they travel by foot to and from school and the park.
  - The Project would impact the physical capacity and infrastructure of City streets. More specifically, Lemon Street, which is categorized as a minor arterial with one travel lane in each direction and on-street parking, was not designed to accommodate the 300 project-related truck trips per day that would travel along Lemon Street. While the applicants would be required to pay mitigation fees to improve and strengthen the roads at the time of construction of the facility, long-term maintenance of the roadway network serving the site would likely be borne by the City’s general fund. The heavy volume of truck trips day after day will result in damage to the roads at a rate that the City may not be able to keep pace with or fund over the long-term.
  - The Project is inconsistent with the City’s General Plan Waterfront Development Policy 1. This policy states “BCDC’s Public Access Design Guidelines should be used in reviewing all development proposals. In areas hazardous to public safety or incompatible with public use, in-lieu access at another nearby location may be provided”. Due to the nature of the planned operations on the site, no public

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access would be permitted on the Project site. Public access to Mare Island Strait would continue to be provided adjacent to the project site along Derr Street to the north and Sandy Beach Road to the south. VMT has proposed the installation of a new self-propelled personal watercraft launch within the City Marina in lieu of public access to the waterfront from the subject site. This proposal does not meet the intent of the policy and the BCDC Public Access Design Guidelines. Two key objectives of the Guidelines include: 1) design public access areas in a way that makes the shoreline enjoyable to the greatest number of people; and 2) design public access for a wide range of users. The proposed public access is located within the Marina and is designed to serve people using a watercraft (e.g., kayak, paddle board). The proposed location and type of public access does not serve a broad enough sector of the community to be consistent with the General Plan Waterfront Development policy and BCDC's Public Access Design Guidelines. Thus, the Project is not consistent with the applicable General Plan policy.

- The Project would result in the degradation of the visual appearance of the waterfront. The proposed development would replace the existing industrial structures with new buildings and structures. While the new development would be in the same general location as the existing structures and would be of a similar color, material, size and scale, the proposal includes open stockpiles of raw materials which may include limestone, gypsum, pozzolan, and GBFS. In Mode 1 and Phase 2 (GGBFS production only – the applicant's preferred mode) there would be three stockpile areas on the Orcem site. The smallest stockpile would be located in the southern portion of the site and would be approximately 16 feet high. A second stockpile would be directly to the north of the smaller stockpile and would be approximately 26 feet high. The third and largest stockpile would be in the eastern portion of the site and would be approximately 49 feet high. The 16-foot stockpile and the 26-foot stockpile would be surrounded by a nearly 10-foot-high boundary wall and the 49-foot-high stockpile would be partially screened by the mill building and silos. However, the stockpiles would still be visible from the Mare Island Strait, Mare Island, Sandy Beach, the existing residences located directly above the subject site, and areas in northwestern Crockett and Rodeo. The existing view shed from these areas would be detrimentally impacted by the presence of an intensification of open storage areas on the site. While the proposed development would be visually consistent with the predominantly industrial uses located along the Mare Island's Central Waterfront, most of the land along Vallejo's waterfront is not used for high-intensity industrial uses.

Staff recommends the adoption of Resolution 17-XX (Attachment 2) denying the applicant's appeal of the Planning Commission's adoption of Planning Commission Resolution 17-03, denying the major use permit and the site development permit applications, and relying on the CEQA State Guidelines Section 15270, Statutory Exemption of Title 14 of the California Code of Regulations which states that Projects that are disapproved are not subject to CEQA. The Draft Final EIR has been provided to the public, the Planning Commission and the City Council for information purposes, but staff is not recommending certification of the EIR by the City.

## **BACKGROUND AND DISCUSSION**

The City Council staff report includes a summary of the proposed project, the EIR findings, and the Environmental Justice Analysis. The attached Planning Commission staff report (Attachment 1) includes a more detailed description of each of these topics. The primary focus of the City Council staff report is to address issues raised by the applicant team during the Planning Commission hearings and in their appeal letter prepared by Miller Starr Regalia (March 15, 2017). In addition, staff contracted with Keyser Marston

Associates (KMA) to conduct a peer review of the Fiscal and Economic Impact Study, prepared by Field Guide Consulting (November 7, 2014) for the applicant team. A copy of the KMA Memo is provided as Attachment 3 and a summary of KMA's findings is included in the staff report.

### **Project Summary**

In April and September of 2013, the applicants, Vallejo Marine Terminal ("VMT") and Orcem California ("Orcem"), submitted separate applications for a major use permit and site development permit to repurpose the existing General Mills Flour site that has been vacant since 2004. VMT is proposing to develop a new marine terminal where bulk and break bulk materials would be shipped in, processed, and sent out by barge, rail, or truck. Orcem, a tenant of VMT, is proposing a cement processing facility where a variety of cement products would be produced. Orcem's proposed primary product is an alternative to portland cement called ground granulated blast furnace slag ("GGBFS"). GGBFS is manufactured using a by-product of the steel-making process, granulated blast furnace slag (GBFS). According to Orcem, the raw materials are proposed to be imported via ship and milled and processed on site, then distributed to various markets throughout the Northern California region via rail or truck. However, because of the unknown market demand for the GGBFS, Orcem is also requesting approval to process portland cement. The VMT and Orcem projects would operate 24-hours per day, 7 days a week. The project is described in greater detail in the Planning Commission staff report.

### **Project Location**

The project site totals 32.55-acres in the southwestern portion of Vallejo, fronting the Mare Island Strait. The project site is regionally accessible to vehicular traffic from Interstate Highways 80 (I-80) and 780 (I-780) via State Highway 29 (SR-29 or Sonoma Boulevard), Curtola Parkway and Lemon Street, to Derr Street. The site is also accessible for rail transportation via the California Northern Railroad rail line network that extends from north to south from points north of American Canyon through Vallejo. Furthermore, the site is accessible for shipping transportation via the adjoining deep-water terminal that is proposed to be redeveloped as part of the VMT component of the Project.



Figure 1 - Existing Site Map

As noted above and shown on the project site map, the site is bounded by the Mare Island Strait to the west, a steep hillside to the east, rail lines and existing industrial uses to the north, and undeveloped areas to the south that are owned by VMT, and located outside the City limits of Vallejo in unincorporated Solano County. Residential uses are located east and southeast from the site. The residential uses include the Bay Village Townhouses to the southeast, Harbor Park Apartments and single-family residences to the northeast, and single-family residences further to the south in unincorporated Solano County known as the “Sandy Beach” community located along the waterfront. The nearest school to the site is Grace Patterson Elementary, located approximately 0.3 mile southeast of the site.

**Project Site and Description**

VMT owns a majority of the 32.55-acre project site and has a long-term lease on tidelands property which is owned by the City of Vallejo (City) as trustee of the State of California for the remainder of the site – 9.89 acres (APN 0061-160-230). Orcem would lease a 4.88-acre portion of the site from VMT for its proposed operations, while VMT would operate on the remaining 27.67 acres. The project site is currently secured by a fence which extends around nearly the entire land portion of the VMT Site.



**Figure 2 - VMT/Orcem Site Plan**

As noted previously, the original Project included the additional 5.25 acres owned by VMT located along the waterfront between the project site and the Sandy Beach community to the south. These 5.25 acres, consisting of 2 lots, were initially proposed to include construction of a storage building to support the proposed activities of the marine terminal facility, and would have required an annexation, a General Plan Amendment, and pre-zoning as these lots are not currently located within the City limits. The applicants removed this component from the Project after filing their initial application.

The project site contains the former General Mills deep-water terminal and buildings associated with the former General Mills flour milling plant. The General Mills plant closed in 2004, and the project site has since remained vacant. The former General Mills buildings and equipment located on the project site vary in height from one to eight stories, and in footprint size from approximately 300 to 42,500 square feet, comprising a total of approximately 211,460 square feet of floor area.

The applicants are proposing to demolish several on-site structures including: grain silos and elevator; flour mill; old bulkhouse; new bulkhouse; welding shop; pipe storage; forklift repair; warehouse; bakery bulkhouse; and the wharf. The mill run canopy was removed from the project site in 2012. The existing structures are shown on Figure 1 – Existing Site Map.

As discussed later in this staff report, the Architectural Heritage and Landmarks Commission (AHLC) acted in March 2016 to establish seven of these structures as City landmarks. This decision was appealed to the City Council and the AHLC appeal will be presented, and public input received after the City Council acts on the Planning Commission appeal.

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The operations of the VMT and Orcem Projects together are considered as the “Project” due to the shared site and the operating characteristics of the site. CEQA requires that when two projects that are interdependent with one another they should be evaluated in one environmental document in order to ensure that “piecemealing” of environmental review does not occur. The Orcem component of the Project would be sited on a portion of the VMT property, as well as a portion of the tidelands area owned by the City (please refer to the Tidelands Section of the Planning Commission staff report for more information) and leased to VMT. Orcem is highly dependent on the marine terminal and site improvements proposed by VMT for transporting raw materials to the site and the VMT component of the Project would be dependent on Orcem for a certain percentage of its business.

The VMT component of the Project would reestablish industrial uses on a portion of the 27.67 acres designated as the VMT Site (a portion of the combined 32.55-acre project site) located at 800 Derr Street. VMT would remove the deteriorated timber wharf used by General Mills and originally Sperry Mills since 1869 (expanded between 1917-1920), and construct a modern deep-water terminal, including wharf improvements, laydown area, and trucking and rail connections, primarily servicing the import and export of bulk and break-bulk commodities within approximately 8.05 acres referred to as the VMT Terminal Site. Construction of the terminal would require fill and dredging activities in Mare Island Strait. Some construction elements, such as demolition of the former General Mills warehouse building and connected bakery bulkhouse, and construction of rail improvements are tied to market demand and may therefore take place following completion of the initial VMT improvements. In addition to the construction and operation of this modern terminal, the VMT component would also reuse several of the existing buildings formerly occupied by General Mills. Buildings and structures to remain would be used by VMT for administrative office and commercial office uses consistent with the City’s Intensive Use (IU) zoning district standards.

As an operational deep draft facility (allowing vessels with a vertical distance between the waterline and the bottom of the ship of up to approximately 38 feet), the VMT Terminal is anticipated to handle a wide range of commodities including the following:

- Feed grains
- Manufactured steel
- Timber/lumber
- Rock, aggregate, ores, and related materials (including granulated blast furnace slag (GBFS), portland cement clinker material (clinker), pozzolan, anhydrite/gypsum, limestone, and related materials used by Orcem)
- Project-based break-bulk items (i.e., heavy lift transport, large construction assemblies)
- Other bulk and break-bulk commodities
- Marine construction materials
- Portland cement (finished milled product)

Liquid bulk cargos or large-scale container operations would not be handled through the VMT Terminal. In addition, the VMT Terminal would not handle municipal waste, coal, petroleum coke or any other petroleum-based product such as gasoline or crude oil. It should be noted that, if the Project is approved, modifications to the list of commodities that could be handled through the VMT Terminal in the future would be subject to

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review by the City of Vallejo, and may require an amendment to the applicant's use permit, which would be subject to a discretionary process and subsequent environmental review under CEQA.

Remaining portions of the severely damaged and decayed wharf structure would be removed as part of the VMT component of the Project because, according to VMT, the structure is not physically suitable or economically feasible for reuse or repair. The wharf is proposed to be constructed of a concrete pile-supported structural concrete deck, associated mooring and fender systems for docking vessels, and related improvements for deep-water marine transportation operations. The VMT component of the Project would operate with two 10-hour shifts, six days per week. While a ship is moored, and is being unloaded, operations would occur 24 hours per day, seven days per week. Please refer to Attachment 1.B for the project plans for the VMT component.

The Orcem component of the Project would involve construction and operation of an industrial facility to produce an alternative for the traditional portland cement material used as one of the primary ingredients of concrete in most California construction projects. The production of GGBFS is considered to be less polluting than the production of portland cement because it is produced using a by-product of steel manufacturing granulated blast furnace slag (GBFS). It should be noted that the proposed facility has been designed to also process portland cement in the event that there is little market demand for GGBFS. The portland cement and GGBFS would both be milled and processed in a similar manner and in the completely enclosed milling facility (closed circuit under negative pressure). The Orcem component proposes demolition of 155,300 square feet of existing buildings and structures and the construction of approximately 73,000 square feet of buildings, equipment, and enclosures, together with outdoor storage areas, on a 4.83-acre portion of the former General Mills plant site that would be leased from VMT. The Orcem component would be constructed in phases to coincide with the growth in demand for Orcem's products. Orcem would import most of the raw materials used in the proposed plant via the proposed wharf on the adjoining VMT site. The proposed Orcem Plant adjoins residential land uses to the east and southeast. All equipment and operational areas on the Orcem Site would be located more than 300 feet from the nearest residential zoning district boundary. The Orcem component of the Project is proposed to operate on a 24-hour basis, seven days per week. Please refer to Attachment 1.C for the project plans for the Orcem component.

For a more detailed description of the project please refer to the Planning Commission staff report (See Attachment 1).

Due to the scale and nature of the project, it was determined that an environmental impact report (EIR) would be required to assess potential environmental impacts generated by the project. The Draft EIR was prepared in 2014-15 and was released for public review in September 2015. A more detailed description of the environmental review process is provided in the Environmental Review Section of this staff report. A complete copy of the Draft EIR can be found as Attachment I of the Planning Commission staff report packet.

### **Project Description Revisions and the Revised Operations Alternative**

It should be noted that after the public review period closed on the Draft EIR, the applicants began to consider changes to the initial project description that would reduce the environmental impacts generated by the project. They ultimately decided to change the project. The proposed changes include: Elimination of the 5.25 acres of land located in unincorporated Solano County on the northern portion of the site that was proposed by the applicants to be annexed into the City of Vallejo; the relocation of the storage shed that was proposed on the

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5.25 acres to the northern portion of the site; the limitation of the hours of loading and unloading of rail cars to 7 a.m. to 10 p.m.; and elimination of the proposal to fill an area of the strait north of the deep-water berth (VMT's Phase 2) and the related dike. These changes helped to reduce air quality impacts, noise impacts, and biological impacts, respectively. In addition, prior to the Planning Commission hearings the applicants requested that the environmentally superior project alternative presented in the Draft EIR, the Revised Operations Alternative (ROA), be presented to the Planning Commission for consideration rather than the revised project described in the Project Description and above. The ROA slightly reduces truck trips, reduces air quality impacts through improved fleet management, and reduces delays at railroad crossings during train movements. A more thorough discussion of these project revisions is provided in the Environmental Review Section of this staff report.

While the proposed revisions to the Project and the applicants' proposal to develop the environmentally superior alternative would help to reduce potential impacts generated by the Project, the Planning Commission did not find that those reductions were sufficient to offset the significant impacts to the community (e.g., air emissions, traffic) and the neighborhood compatibility issues that remain. A detailed discussion of these impacts and compatibility issues are provided in the Planning Commission staff report (see Attachment 1).

It is important to note that, in accordance with the applicant's request, the Project presented and analyzed in the Planning Commission staff report, addressed in Planning Commission Resolution 17-03 and in the findings, and acted upon by the Planning Commission was the ROA, which reflects all of the revisions made to the Project and operational changes as of July 2016 by the applicants in coordination with staff.

### **Planning Commission Hearing Process**

The Planning Commission considered the VMT/Orcem Project at two hearings; the first on February 27, 2017 and the second on March 6, 2017. The first hearing was dedicated to the presentation of the staff report, the applicant's presentation, and public comment. There were 91 speaker slips submitted and 78 individuals spoke with approximately 75% opposed to the project and 25% in favor of the project. The public comment period was closed at the end of this hearing.

The second hearing was focused on staff responding to questions from the Planning Commission and providing information to clarify the record, in response to the applicant's presentation at the February 27<sup>th</sup> hearing, written comments submitted to staff on March 3<sup>rd</sup>, and the applicant's March 6<sup>th</sup> presentation. The applicants also had an opportunity to respond to questions from the Planning Commission. After staff and the applicants responded to the Planning Commission's questions, the Commission deliberated and proceeded to vote 6-1 to approve PC resolution 17-03 denying the proposed major use permit and site development permit for the development of the marine terminal and cement processing facility. Generally, the Planning Commission voted to deny the project due to concerns regarding the project's negative effects on the community.

### **Issues Raised During Project Hearings and in the Appeal**

During the hearing process and in their written appeal, the applicant team made representations about the mitigation of air quality, noise and vibration, transportation and traffic, and land use compatibility impacts that were not supported by data and/or verified in the Draft Final EIR. Although the Draft Final EIR is being

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presented solely for informational purposes and staff is not recommending certification of the document, it does contain a description of the proposed project and its environmental impacts; the information in the Draft Final EIR provided the factual basis for some of the Planning Commission's findings of denial. Staff summarized the key statements made by the applicant team and provided a response, (See Attachment 4).

### **City Landmark Status**

On October 6, 2015, members of the public, pursuant to Section 16.38 of the VMC, submitted an application to the Architectural Heritage and Landmarks Commission (AHLC) to designate seven structures on the property as City landmarks. On March 17, 2016, the AHLC voted to approve the request to designate six of the seven structures as City landmarks. The applicants filed a timely appeal of the AHLC decision to the City Council. The appeal of the AHLC decision to designate structures on the subject property as City landmarks will be heard by the City Council after the City Council's consideration of, and decision on, the Planning Commission's action to deny the VMT/Orcem project.

### **FISCAL IMPACT**

The applicant team prepared and submitted a Fiscal and Economic Impact Study prepared by Field Guide Consulting (FGC) - November 7, 2014. The purpose of the study was to identify the potential economic benefits generated by the proposed project. The City contracted with Keyser Marston Associates (KMA) to peer review the study. The review found that some of the report's conclusions (e.g., revenue estimates, economic impacts) were reasonable and some were overestimated or not supported by data. A copy of KMA's analysis is provided as Attachment 3 of this staff report. A summary of their review of FGC's findings is provided below. For more specific information please refer to the KMA analysis.

### **City of Vallejo Fiscal Impacts**

- FGC's revenue estimate is not reliable due to inadequate support of key estimates, and significant errors and omissions.
- City service costs are not considered. The City can anticipate added municipal service costs such as wear and tear on City streets from Project-related truck traffic.

### **City of Vallejo Economic Impacts**

- FGC estimates 97 direct on-site jobs; however, the 85 jobs referenced in the DEIR (65 full time and 20 part time) is probably a better estimate since it is based on specific operational plans for the Project.
- Worker compensation of \$7.8 million in the aggregate or \$80,000 per worker including benefits appears reasonable based on local compensation data for relevant occupations. Aggregate compensation would be somewhat lower if adjusted to 85 jobs per the DEIR.
- Direct economic output and value added estimates appear reasonable.
- Indirect and induced impacts appear to represent County-wide findings, despite labeling of support tables that suggests findings are City-specific.

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- Construction related economic impacts could not be readily evaluated because findings are aggregated with operations period impacts.
  - Findings include Phase 2 of the VMT project, and with its removal a modest reduction in overall fiscal and economic impacts would be expected.
  - Access to a new marine terminal is cited as an advantage for Vallejo's industrial sector; however, since it is unclear how important of a factor this will be, FGC appropriately excludes potential synergies from the quantified impacts.

## **ENVIRONMENTAL REVIEW**

The City prepared an environmental impact report (EIR) to analyze the potential impacts associated with the Project. The findings of the Draft Final EIR are included in the Planning Commission staff report and are summarized below for informational purposes only. Staff did not recommend that the Planning Commission certify the document. The Project recommendation was to deny the Project and rely on CEQA State Guidelines Section 15270, Statutory Exemption of Title 14 of the California Code of Regulations which states that projects that are disapproved are not subject to CEQA.

### **EIR Findings**

The Draft Final EIR found that the Project would result in significant and unavoidable impacts as well as significant impacts that can be mitigated to a less than significant level. The significant unavoidable impacts occur in several issue areas including Air Quality, Cultural, Greenhouse Gas, Noise and Transportation and Traffic impacts. These impacts are described in greater detail in the Planning Commission staff report and the Draft Final EIR.

In addition to the impacts that are significant and unavoidable, the Project would also result in significant impacts that can be mitigated to less than significant levels. In this instance, there are significant and unavoidable impacts and significant impacts that can be mitigated in the same issue areas (e.g. Air Quality). The proposed Project would result in significant impacts that could be mitigated to less than significant in the following issue areas: Aesthetic, Air Quality, Biological, Cultural, Geology and Soils, other Greenhouse Gas, Hazardous and Hazardous Materials, Hydrology and Water Quality, Noise and Transportation and Traffic impacts.

### **EIR Project Alternatives**

As part of the environmental review of the Project, the California Environmental Quality Act (CEQA) requires the identification of feasible alternatives to the Project. There was one feasible alternative, other than the "No Project" Alternative, that was analyzed in the Draft Final EIR. This alternative is called the "Revised Operations Alternative" (ROA). The ROA includes modifications to the Project's operations that would help to reduce potential environmental impacts. As previously noted, the ROA was identified as the environmentally superior alternative in the Draft Final EIR. The applicants subsequently requested that the ROA be presented to and considered by the Planning Commission rather than the Project identified in the Project Description of the EIR. In accordance with the applicant's request, staff presented this Alternative to the Planning

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Commission for consideration and action. This alternative includes the following modifications to the Project operations:

- The length of the trains serving the facility would be reduced from 77-car trains to 50-car trains which would reduce the intersection delays during rail activity.
- A refined truck loading and weight confirmation system for Orcem would be implemented to improve the efficiency of the tanker trucks leaving the site so finished product loads would be increased from 25 to 26 tons. This would decrease Orcem's truck volumes by 4% or 18 trucks per day.
- The operations of the VMT and Orcem would be revised through ongoing fleet and equipment management which would help to reduce NOx emissions.
- VMT would give priority to contracts with operators that use barges rather than trucks or trains which would reduce air quality, noise, and traffic impacts.

It should be noted that originally this alternative included a provision where VMT would *voluntarily* apply for a permit through the Bay Area Air Quality Management District (BAAQMD) which would allow them to purchase offsets for NOx, ROG, PM<sub>2.5</sub> or PM<sub>10</sub> from the District's certified emission bank program. Since the publication of the Draft EIR, BAAQMD has stated that VMT would be *required* to obtain a permit for their stationary emission sources and are eligible to apply for offsets. The *voluntary* application for a permit can thus no longer be considered part of this alternative.

Overall, the ROA would help to reduce air quality, noise, and transportation and traffic impacts. However, even with the operational changes proposed in the ROA, the Project would still result in significant and unavoidable air quality, cultural, greenhouse gas, noise, and transportation and traffic impacts.

### **ENVIRONMENTAL JUSTICE ANALYSIS**

During the public review period of the Draft EIR for the Project, several members of the public requested that an "Environmental Justice Analysis" (EJA) be prepared due to concerns about the potential for the Project to disproportionately impact low income and minority communities, particularly in South Vallejo. An EJA refers to concerns that arose in the 1990s regarding the assessment of environmental impacts, primarily from the perspective of federal law, focused on the potential for projects to create adverse impacts that might be disproportionately borne by under-served or disadvantaged (minority and low-impact) communities. While federal environmental law (National Environmental Policy Act or NEPA) mandates consideration of Environmental Justice impacts, California State law recommends this analysis only under certain conditions. The proposed Project is not subject to NEPA, and analysis of Environmental Justice impacts is not required by CEQA. As a result of this feedback, City staff consulted with the applicants and they voluntarily agreed to fund the preparation of an EJA, even though an EJA was not required under CEQA. The EJA was prepared by Land Economics Consultants, LLC (LEC).

The Final EJA concluded that the project would not result in disproportionate impacts to minority or low income populations. For more detailed information please refer to the Planning Commission staff report (Attachment 1) and the Final EJA (Attachment 1.H)

## **ATTACHMENTS**

1. [Planning Commission Staff Report](#) (Forwarded to City Council on April 19, 2017) -
  - A. [VMT/Orcem Planning Commission Resolution](#) (17-03)
  - B. [VMT Project Plans dated 6/2/16](#)
  - C. [Orcem Project Plans dated 11/5/15](#)
  - D. [Fiscal and Economic Impact Study](#), prepared by Field Guide Consulting (November 7, 2014)
  - E. [VMT/Orcem Statement of Benefits](#)
  - F. [Policy Consistency Analysis Table](#)
  - G. [Public Comment - November 4, 2015 - February 3, 2017](#)
  - H. [Environmental Justice Analysis, January 2017](#)
  - I. [Draft Final EIR for VMT/Orcem Project, February 2017](#)
2. VMT/Orcem City Council Draft Resolution (17-XX)
3. Keyser Marston Associates, Peer Review of the November 7, 2014 Field Guide Consulting Fiscal and Economic Impact Study, April 20, 2017
4. Summary of Issues Raised During Project Hearings and in the Appeal

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