September 24, 2015

Ms. Lucetta Dunn
Chair
California Transportation Commission
1120 N Street, MS-52
Sacramento, CA 95814

RE: Improper Use of Proposition 1B Trade Corridor Improvement Funds for coal export facility project at Oakland Army Base Redevelopment

Dear Chairwoman Dunn:

The undersigned groups—Sierra Club, Earthjustice, West Oakland Environmental Indicators Project, San Francisco Baykeeper, and Communities for a Better Environment—are writing to oppose the use of Proposition 1B Trade Corridor Improvement Funds (TCIF) to build a new coal export facility and associated infrastructure at the Oakland Army Base Redevelopment. Using public funds in this manner has never been discussed in any application for funding to the California Transportation Commission (CTC) or in any environmental review document for this project. Further, using TCIF funds to develop a project which negatively impacts local air quality and otherwise threatens public health and safety frustrates the intended purpose of Proposition 1B to allocate funding for “mobility, safety, and air quality improvements.”

As such, our groups request that the CTC refuse to disburse funds to any part of the Army Base project involving coal or fossil fuel exports.

To be clear, the undersigned organizations support the overall redevelopment of the Oakland Army Base, but using public monies to subsidize polluting fossil fuel exports is not in line with TCIF goals or public values.

I. Proposition 1B Background and Purpose

In 2006, California Voters approved Proposition 1B, which allocated almost $20 billion in bonds to advance infrastructure projects and air quality improvements throughout the state. As part of these funds, $2 billion was included for TCIF projects. As part of that mandate, the CTC has stated it will “place[] emphasis on projects that improve trade corridor mobility while reducing emissions of diesel
In addition, voters placed the following two conditions on the allocation of funds, in addition to others: Projects must (1) “address[] the state’s most urgent needs” and (2) “place[] emphasis on projects that improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions.” Moreover, the Goods Movement Action Plan (GMAP) issued by the State of California, which serves as the framework for developing state freight transportation policy, promised to “[u]ndertake simultaneous and continuous improvement in infrastructure and environmental mitigation.”

Transparency is a vital part of the TCIF program. Consequently, applicants for TCIF funding must provide “[a] description of the transportation corridor and the function of the proposed project within the corridor.” This ensures that the State and the public who voted to approve Proposition 1B completely understand the scope of the funding its providing to project proponents.

II. Oakland Army Base (Oakland Global Trade and Logistics Center) and Community of West Oakland.

There are now proposals to transport large amounts of fossil fuels like coal through the former Oakland Army Base, now known as the Oakland Global Trade and Logistics Center. It is our understanding that the project proponents did not disclose that coal would be shipped through this facility. The former Oakland Army Base, which resides on both City and Port of Oakland land, is being developed by California Capital and Investment Group (CCIG), Prologis, and now Terminal Logistics Solutions with largely public money.

Given the public nature of the Oakland Global project, it is imperative that any California Transportation Commission Proposition 1B funding should not be used to do more harm to residents along the fenceline of this project by building a coal export facility. Rather, these funds should only be used for their intended purpose—improving the health and welfare of communities already impacted by goods movement. Many of our groups participated in discussions about the TCIF program, and funding a coal export terminal would betray our trust and the trust of California voters.

The community of West Oakland is one that is already heavily impacted by goods movement. West Oakland residents breathe air containing three times the amount of diesel particulate matter than air in other parts of the Bay Area, which translates into a 2.5 times greater risk of cancer. Children in West Oakland suffer from ailments like asthma at higher rates than children in other neighborhoods.

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2 Cal. Govt. Code § 8879.23(c)(1)(B).
4 TCIF Guidelines, at ¶ 7.
6 See, e.g., High Asthma rates for kids in west Oakland. https://www.youtube.com/watch?feature=youtu.be&v=GrKwTmSjldE.
West Oakland Residents are two times as likely to go to the emergency room with asthma as people in other parts of Alameda County and are also more likely to die of illnesses linked to air pollution like cancer, heart disease and other ailments. As described above, fossil fuel movement poses even more health and safety issues. West Oakland residents are already impacted by goods movement, and do not deserve to bear the brunt of the health impacts to line the pocketbooks of fossil fuel companies and developers.

Apart from health concerns, community transparency is another key element missing from this proposal. In the case of the bulk terminal at the Oakland Army Base project, community groups were assured by the developer, Phil Tagami and CCIG that no fossil fuels like coal would be exported through this terminal. The City of Oakland also claimed no knowledge of fossil fuel exports and even passed a resolution against the movement of coal and other fossil fuels through Oakland. And now the developer and his company CCIG, and their sub-lessee Terminal Logistics Solutions, are reversing their stance and have sought a $53 million investment from the state of Utah in exchange for Utah’s ability to export 4-5 million tons of coal, or 49% of the completed export facility’s capacity. There was no discussion of any fossil fuel exports in any of the applications for TCIF or any other public funds, or in any of the state or federal environmental review documents pertaining to this project.

III. Oakland Army Base Project Funding from the California Transportation Commission

The former Oakland Army Base being redeveloped by the City of Oakland, the Port of Oakland and CCIG, is set to receive hundreds of millions in public funding and $242 in TCIF funds from the CTC. These funds will be used for the site preparation on the city side of the project (over $176 million) and for rail access improvements (over $65 million) both of which are related to the development of a bulk export facility that will now contain coal. Additional city, port, public and private funds will be needed to complete the Army Base projects.

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7 See Oakland Mayor, Port Developer in Dispute over Plan to Ship Coal, KQED July 22, 2015 quoting CCIG’s December 2013 newsletter. http://ww2.kqed.org/news/2015/07/06/oakland-mayor-port-developer-in-dispute-over-plan-to-ship-coal (“CCIG is publicly on record as having no interest or involvement in the pursuit of coal-related operations at the former Oakland Army Base.”)
A. History of the CTC Funding for the Oakland Army Base

By way of background, in 2012, several amendments were made to the original CTC grants given to the Oakland Army Base Redevelopment project. The original Project Baseline Agreement for the Oakland Harbor Intermodal Terminals agreement was signed on December 10, 2009, and included only the CTC and Port of Oakland.

The revisions added the City of Oakland to the agreement and additional funding to the overall deal. On August 22, 2012, the CTC passed Resolution P.1213-03B to amend the TCIP program and revise the scope of their funding for this project to add $110 million in additional funds, and to add the City of Oakland as a party and signatory to the Baseline Agreement. The Amendment divided the funding into several sub-projects: the Oakland Harbor Intermodal Terminals (OHIT) rail project, 7th St Grade Separation Project, OHIT Phase 1 Remediation, OHIT rail access improvements and manifest yard “to accommodate projected growth in unit bulk, transload, and intermodal rail business”, OHIT site prep and backbone infrastructure, OHIT recycling facilities, OHIT logistics facilities and Marine Terminal (“berth 7 would be converted to a modern bulk cargo terminal for movement of commodities such as iron ore, corn and other products brought in to the terminal by rail.”); and OHIT unit train support yard.

B. The Harms Caused by Fossil Fuel Transportation

Increasingly, rail is being utilized to ship coal and oil across the country to West Coast ports, to then be burned abroad. Fossil fuel transportation—including coal, oil, and petcoke—creates the same air quality and safety problems associated with general goods movement, as well as more serious hazards. These projects also impose additional health and safety concerns associated with the shipment of these highly volatile products. Namely, coal is shipped in mile-long trains of 120+ open top railcars that emit massive amounts of coal dust into the water, air, and land near the railroad tracks. Coal dust contains arsenic, lead, mercury, chromium, nickel, selenium and other heavy metals. Prolonged, direct exposure to coal dust has been linked to health issues such as chronic bronchitis, decreased lung function, emphysema, and cancer. This fine coal dust can also contribute to train derailments when it rests in the railroad ballast. Apart from rail impacts, communities near the Port are also impacted. Coal is commonly stored in large, uncovered piles near the ports where wind and rain can carry coal dust particles into nearby neighborhoods. By way of one example, in a community near a large coal terminal

11 See LDDA Exh 20, Trade Corridor Improvement Fund Project Baseline Agreement Amendment #1 at 1 Accessed: http://www2.oaklandnet.com/Government/o/CityAdministration/d/NeighborhoodInvestment/OAK038485
in Virginia, the number of residents suffering from asthma was found to be more than twice the city and state average.\textsuperscript{15}

In addition to coal, petroleum coke, a byproduct of oil refining, is also being produced and shipped by rail, truck and barge in larger quantities due to the refining of more heavy oil in the United States. Petroleum coke (or petcok) looks visually similar to coal and is also commonly stored in large open piles at ports. Petcok can cause serious respiratory problems, particularly for individuals suffering from heart and lung disease and asthma.\textsuperscript{16} Health experts have found that petcok is equivalent to coal for lung disease potential.\textsuperscript{17}

Apart from the significant health impacts, local businesses near rail and fossil fuel export facilities can suffer negative visual, aesthetic, and noise impacts from coal dust and increased rail traffic. This can equate to lost business and property values, which can also mean reduced property tax revenues for local communities. One study conservatively estimates losses from a new coal export facility to be at least $265 million in property values—equating to more than $2.6 million in community tax losses.\textsuperscript{18}

In addition to all of the localized impacts from transportation of these fuels, when coal and petcok are burned they emit greenhouse gases that cause climate change. The communities that would bear the brunt of the impacts from fossil fuel transport and export are also ironically the same communities that would be most vulnerable to climate disruption impacts like sea level rise, drought, flooding, and fires.

\section*{IV. TCIF Funds Must not be Used for a Coal Export Facility.}

California voters approved Proposition 1B with the understanding that funding would be disbursed to projects meeting two key criteria: (1) such projects would meet the state’s “most urgent needs”; and (2) such projects would “improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions.”

This proposed Oakland coal export facility violates these two main criteria, in addition to the important public disclosure requirements the CTC has imposed on itself.

\textsuperscript{15} Health Needs Assessment of the Southeast Community City of Newport News 2005,” Peninsula Health District, Virginia Department of Health.
\textsuperscript{18} See Eastman Property Value Study, October 12, 2012, \url{http://www.coaltrainfacts.org/docs/Eastman-Study.pdf}. Study assumed a conservative 1% value loss for all structures within 600 ft of the rail tracks where coal would be shipped.
i. **A Coal Export Facility is Clearly Not an “Urgent Need” for California.**

California voters passed this ballot initiative under the auspices that only the most urgent freight projects would be funded. Adding a new coal export facility is clearly not an urgent need for California. In fact, the California Senate, Assembly and Governor have weighed in on this exact issue. In Assembly Joint Resolution 35, these three bodies noted their deep concerns with the environmental and health implications of coal-fired power plants, as well as the expansion of coal export facilities along the West Coast. These bodies urged the President of the United States to restrict coal exports overseas, and urged the Governors of Oregon and Washington to consider the serious health consequences of coal terminal expansion in the Pacific Northwest. There is no reason to believe the State Legislature would be hypocritical enough to encourage Washington and Oregon to push back against coal exports, but identify it as an urgent need in California. Since building a new coal export facility is clearly not an “urgent need” for California, CTC should withhold funding if this project continues to be part of the Oakland Global development.

ii. **A Coal Export Facility Does not Relive Mobility while Reducing Emissions of Diesel Particulate and Other Pollutant Emissions.**

The proposed coal export terminal will not serve Proposition 1B’s goal of improving transit corridor mobility while reducing freight pollution. In Assembly Joint Resolution 35, California’s Executive and Legislative Branch listed the various harms of coal exports, including the pollution generated by coal-fired power:

Hazardous emissions from coal-fired power plants threaten health locally and at great distances; and

[] Coal exports from United States ports to Asia have risen by almost 240 percent from 3.8 million tons in 2009 to over 13 million tons in 2010; and

[] The environmental consequences of massive coal exports to Asia are severe, including the burning of millions of tons of coal that releases hazardous air emissions into the atmosphere and increased mountaintop removal projects; and

[] Burning coal for electricity generation worldwide is the main cause of greenhouse gas emissions and the planetary climate crisis; and

[] Coal burning has contributed to significant human health risks in all age groups through the emissions of ozone, sulfur dioxide (SO2), particulate matter, nitrogen oxides (NOx), mercury, and carbon dioxide (CO2).  

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19 Assembly Joint Resolution 35 (September 18, 2012); available at http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0001-0050/ajr_35_bill_20120918_chaptered.html
20 Ibid.
21 Ibid.
This unequivocal statement from all of California’s elected branches of governments on the harms associated with coal exports and use of these fuels make clear that this Project does not serve Proposition 1B’s goal of reducing emissions of diesel particulate and other pollutant emissions.

These TCIF Amended Baseline Agreement documents indicate that there is some sort of cost savings and reduced truck trips associated with building a bulk/break-bulk facility at the Port of Oakland. However, this conclusion is unfounded – because there is no bulk export facility now it is certainly unclear how there would be fewer truck trips. Coal is not currently being shipped out of Oakland or between Oakland and Stockton. If anything, these TCIF funds would be used to subsidize and newly expand coal movement out of California, thus increasing emissions from trains, and their open top cars carrying coal. Open top rail cars lose an average of 500-2000 lbs of coal in the form of dust per car, with an average coal train being composed of at least 120 cars, equating to staggering coal losses upwards of 60,000 pounds per train between the mine and the Port.

Further, the cost-benefit analysis also indicates that there would be reductions in carbon dioxide emissions. Apart from the flawed truck trip analysis, shipping 10 million tons of coal/year would lead to a massive net increase in carbon dioxide emissions since 10 million tons of coal is the equivalent of 7 average size (500 MW) powerplants, or at least 26 million tons of carbon dioxide emissions per year. Considering California is a state without coal-fired power plants, state funding to facilitate this massive amount of coal export is especially significant. Finally, this funding would stand in direct contrast to Governor Jerry Brown’s commitment to reduce California’s greenhouse gas emissions (including carbon dioxide) to 40% below 1990 levels by 2030. Overall, there is no colorable argument that the construction of a coal export facility reduces emissions of diesel particulates or other pollutants. In fact, this Project will only increase these emissions as California warned of other similar projects in Washington and Oregon.

iii. TCIF Application and the Amended Baseline Agreement issues in light of Coal Export plan revelation

Neither coal nor any other fossil fuel like petroleum coke was mentioned in the TCIF application, or in any environmental review document pertaining to the Army Base Redevelopment project. The funding application, in mentioning the Berth 7 bulk export facility, describes the project as one that would be “converted to a modern bulk cargo marine terminal for movement of commodities such as iron ore, corn and other products brought in to the terminal by rail....the terminal would also

22 See June 8, 2012 Benefit-Cost Analysis for the Port of Oakland’s Outer Harbor Intermodal Terminal TCIF Application.
25 Exec. Order B.-30.15
accommodate project cargo such as windmills, steel coils and oversized goods.\textsuperscript{26} Coal was not mentioned as a potential commodity and is hardly the equivalent of goods like corn or windmills/turbines.

The omission of coal from the funding application documents was likely intentional. According to documents from a Utah public records requests in conjunction with the funding requested from the 4 counties in Utah, “We’ve had an unfortunate article appear on the terminal project...If anything needs to be said, the script was to downplay coal, and discuss bulk products and a bulk terminal. The terminal operator is TLS, not Bowie. Bowie is known for coal...Phil Tagami had been pleased at the low profile that was bumping along to date on the terminal and it looked for a few days like it would just roll into production with no serious discussion.”\textsuperscript{27} As you probably know, Phil Tagami, the CEO of CCIG, is the developer of this project, and he is also a former commissioner of this body.

This change in use violates TCIF Guidelines requiring disclosure of “the function of the proposed project within the corridor.”\textsuperscript{28} Unfortunately, the use of this facility as a coal export facility has been done in secret, and this has generated significant controversy. This type of bait and switch is not what voters approved in Proposition 1B, and is a deceitful and potentially fraudulent use of funding that was allocated for a facility applying to handle goods like wind turbines.

Further, according to the funding application and baseline agreement documents, the City Logistics and Bulk and Oversize Terminal is supposed to cost around $99 million to build.\textsuperscript{29} And now sources are reporting that the developers, CCIG and TLS, are claiming that the Bulk and Oversize terminal will cost $250 million to build in order to ship coal.\textsuperscript{30} According to TCIF funding guidelines, when project costs exceed the approved budget this must be reported in the quarterly CTC reports and in the semi-annual audit. Funding applicants must then provide a plan to the CTC to downsize the project to keep within budget or identify alternative sources of funding.\textsuperscript{31} It is unclear whether any of these things have occurred. We will also note that if shipping coal would more than double the cost of the proposed City Bulk and Oversize Terminal, that may be another independent reason why shipping coal should not be funded—it is a very costly prospect, not just for public health, but also for the City and California taxpayers. It is especially harmful given the poor prospects for US coal in the international market and the history of failure for West Coast coal export projects.

\textbf{iv. Conclusion}

Public money, especially in the amount $242 million, should not be used to build a coal export facility at the former Oakland Army Base. While the general Oakland Army Base project has many

\textsuperscript{26} Amendment, Exh B at 5.
\textsuperscript{27} Email from Jeff Holt to various Utah officials re; Press about Utah investment in Oakland terminal project, April 8, 2015, at p. 1, attached hereto as Exh. A.
\textsuperscript{28} TCIF Guidelines, at ¶ 7.
\textsuperscript{29} See April 24, 2012 City Council Special Community Economic Development Meeting Agenda report at 3 Table 1, accessed: https://oakland.legistar.com/LegislationDetail.aspx?ID=1109666&GUID=007669A9-58B0-46A8-B21D-B38A91C68313&Options=&Search=
\textsuperscript{31} TCIF Funding Guidelines at ¶14, 18.
laudable goals that the undersigned organizations support, the export of coal has no place in this project on public land funded by California residents for a use that is inconsistent with its funding application. Allowing this fossil fuel facility to be built would breach the trust of California voters who took a chance on Proposition 1B under the auspices of the CTC funding only important projects that actually improve the conditions near freight hubs. To allow this facility to ship fossil fuels when the funding application explicitly discussed other non-controversial (and non-climate change-inducing goods) would be a fraudulent use of public money.

In order to be fully clear, our undersigned organizations fully support the redevelopment goals of the Oakland Army Base and would like this project and a facility on this parcel to move forward.

As such we request that the CTC: 1) halt all future disbursements of funding to this project until a full CEQA and/or NEPA analysis considering coal, pet coke and other fossil fuel shipments is complete; 2) place a clear no coal or fossil fuel handling condition tied to any portion of the project on which CTC funds have been disbursed and spent; 3) require full repayment of public TCIF funds for the bulk terminal and associated rail infrastructure if fossil fuels are shipped from it; or 4) consider granting the City of Oakland an extension on any sort of matching funds timeline such that it is not “forced” to take any funds involving coal or fossil fuel shipment.

We appreciate your consideration of these comments, and please do not hesitate to contact us if you would like to discuss this matter further.

Sincerely,

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San Francisco, CA 94105
415-977-5636
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On behalf of Sierra Club, Earthjustice, West Oakland Environmental Indicators Project, San Francisco Baykeeper, and Communities for a Better Environment

enclosures

cc

Honorable Commissioners, California Transportation Commission

Will Kempton, Executive Director, California Transportation Commission
Honorable Mayor Libby Schaaf, City of Oakland

Honorable Members, Oakland City Council

Port of Oakland

Ken Alex, Governor’s Office of Planning and Research

Kamala Harris, Attorney General

Chair Mary Nichols and Cynthia Marvin, California Air Resources Board

Secretary Matthew Rodriquez, CalEPA

Assemblymember Rob Bonta

Assemblymember Tony Thurmond

Senator Loni Hancock

Senator Bob Wieckowski

Congresswoman Barbara Lee
Appendix

Funding Matrix in the TCIF Funding application for Oakland Army Base

Table 1*

<table>
<thead>
<tr>
<th>Development Elements</th>
<th>Total Cost</th>
<th>Port</th>
<th>City</th>
<th>City Private Match</th>
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<td>54.3</td>
<td>171.9</td>
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* Sources shown in top horizontal row to the right of "Total Cost," and Uses are shown in the column under Development Elements.

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32 See Table 1, April 24, 2012 City Council Agenda report at 3.
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<th>Approved Changes (mm/dd/yyyy)</th>
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Source: Project Bond Accountability

33 Outer Harbor Intermodal Terminal, Bond Accountability, data as of June 30, 2015, accessed: http://www.bondaccountability.dot.ca.gov/bondacc/ProjectDetailsPreActionPublic.do?%3E&bondId=3