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**Outer Harbor Terminal bankruptcy**

**Port of Oakland facing a fiscal gale**

*Loss of key tenant, 24% of revenue, is ‘a serious blow’ for the facility*

By George Avalos  
gavalos@bayareanewsgroup.com

OAKLAND — The unexpected departure, and abrupt bankruptcy, of a key tenant at the Port of Oakland has forced port officials to quickly navigate to new sources of revenue in the face of a sharp drop in income. The port earns nearly a quarter of its annual income from Outer Harbor Terminal, a joint venture of Ports America and Terminal Investment that earlier this week filed for Chapter 11 bankruptcy. The company listed the Port of Oakland and the city of Oakland among its creditors.

The terminal operator has $350 million in total assets and $380 million in debts, according to a filing with the court by Heather Stack, chief financial officer of Outer Harbor Terminal. The financial woes of Outer Harbor have blown a forbidding set of clouds over the Oakland port just as it had begun to steer out of the storms caused by a labor dispute involving West Coast port workers last year. Analysts warn that the uncertainty over how to replace the tenant — and its income for the port — poses a big challenge and a sense of urgency as the port tries to replace the income.

“It’s a serious blow for the Port of Oakland,” said Jock O’Connell, an economist and international trade adviser for Beacon Economics.

Port officials say they are negotiating with Tra-Pac, a major terminal company that already has operations at the Oakland facility, to take over most of the terminal acreage being abandoned by Outer Harbor Terminal. Terms of the potential
deal are unknown, so it’s not clear how port finances would appear following any new TraPac deal. By Monday, the port hopes to complete its contingency plan to shift cargo away from Outer Harbor to the other four active terminals.

“Some vessels are already calling at adjacent marine terminals,” port spokesman Michael Zampa said. Outer Harbor Terminal accounted for 24 percent of the East Bay cargo hub’s maritime operating revenue of $158.7 million for the 2015 fiscal year that ended June 30, according to Zampa. That would equate to roughly $38 million.

The terminal operator told the court that heavy losses in recent years, pressure to be a competitive operator at the Oakland port and an inability to restructure its lease agreement with the port combined to force it into a corner.

In addition, a lawsuit by the company against the city of Oakland over taxation issues and having to defend itself in an unfair labor dispute brought by the National Labor Relations Board on behalf of the machinists union produced a perfect storm that led the company to seek the safe harbor of bankruptcy protection.

“In 2015, Outer Harbor Terminal began to explore potential financing alternatives that would allow it to fund long-term capital investments that would be necessary to remain competitive in its industry and, in particular, at the Port of Oakland,” the bankrupt terminal operator stated in the filing. “Those efforts, however, did not prove successful.”

Next, the terminal operator sought to restructure its lease and terminal rental agreements with the Port of Oakland.

“While discussions with the port continued over a period of approximately six months, they did not result in any resolution of the long-term issues facing Outer Harbor Terminal,” Stack stated in the court documents. The subsequent bankruptcy filing means the company is now defaulting on payments to the port.
“Outer Harbor Terminal made its January rent payment to the port,” Zampa said. “They missed the February payment.” The ripple effects go beyond the missing rent fees. The Ports America and Terminal Investment joint venture is exiting Oakland just six years into what would have been a 50-year lease.

“Some shipping companies may choose to go elsewhere because they question Oakland’s capability to handle megaships,” said O’Connell, the analyst. “It’s more than a hit to port finances. These problems could seriously redefine the role of the Port of Oakland.”