

MEMORANDUM

May 2, 2008

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Rodney Fong, Vice President
Hon. Michael Hardeman
Hon. Ann Lazarus
Hon. Stephanie Shakofsky

FROM: Monique Moyer
Executive Director

SUBJECT: Authorize Staff to Advertise for and Accept Competitive Bids for the Drydock No. 1 Demolition Project, Contract No. 2688

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO ADVERTISE FOR AND ACCEPT COMPETITIVE BIDS FOR THE DRYDOCK NO. 1 DEMOLITION PROJECT, CONTRACT NO. 2688

INTRODUCTION

Port staff requests Port Commission authorization to advertise for competitive bids for the Drydock No. 1 Demolition project, Contract No. 2688. This project involves environmental mitigation and demolition of Drydock No. 1.

BACKGROUND

In 1987 the Port acquired Drydock No. 1 ("the Drydock"), a floating steel drydock with dimensions of approximately 654 feet long by 128 feet wide by 54 feet high, as a "no value" asset as part of the bankruptcy settlement with Todd Shipyard, the former owner of the Drydock. By 1999 the Drydock had become non-operational.

The Port auctioned sale of the Drydock in December 2000 through the City Purchaser's Office, but the auction resulted in a claim against the Port. This dispute was mediated in July 2002, resulting in a rescission of the sale. Later in 2002 the Port and the City Purchaser attempted a second auction of the Drydock that was unsuccessful. On July 16, 2003, the Port Commission under Resolution No. 03-52, authorized staff to begin the process for the disposal of the Drydock. Specifically, the Port Commission authorized staff to advertise a Request for Qualification for disposal services for the Drydock.

In order to develop demolition documents that would allow the Port to obtain credible and competitive bids to dispose of the Drydock, Port staff commissioned a study to characterize the structural and environmental condition of the Drydock. Findings from the study, completed July 31, 2007, are as follows:

- The Drydock is in such poor condition that it is not practical to consider repair to continue in its intended service; the only use for which it should be considered is salvage scrap metal. The

estimated scrap value given was about \$600,000 (April 2007), but the market value would be considerably less because allowances must be made for the cost to provide hazardous materials abatement and to tow the vessel to a site for dismantling.

- The Drydock is in satisfactory condition to undergo a terminal inshore (movement within San Francisco Bay) wet tow to a site for dismantling, provided that tow preparation repairs and a Coast Guard approved towing plan are implemented as recommended in the Commercial Marine Services Report.
- Though the Drydock could fit on the deck of a “heavy lift” ship for a dry tow, the price of mobilizing a suitable dry tow vessel to the Port of San Francisco for this purpose would likely prove cost prohibitive when compared to the terminal inshore option. Furthermore there is a high probability that the structure of the Drydock would collapse on the deck of the ship due to the stress placed on it during a sea voyage, so only inshore movements should be considered.
- Environmental investigations revealed the presence of asbestos, lead based paint, copper, heavy metals, PCB-containing materials, creosote treated wood and petroleum hydrocarbons . These materials must be remediated prior to demolition of the structure.

The Drydock remains berthed at BAE Systems San Francisco Ship Repair (BAE), the current operator of the Port’s ship repair facilities at Pier 70 where its moorings and seaworthiness are monitored daily.

PERMITTING

In accordance with the Port Commission’s November 2004 policy that established the disposal procedure for Port-owned surplus furniture, equipment and equipment, staff provided written notification of the proposed disposal to potentially interested parties. Because the vessel may be of historical value the notice was sent to the following eight historic preservation organizations:

San Francisco Landmarks Preservation Advisory Board
San Francisco Architectural Heritage
The San Francisco Museum and Historical Society
Work Place History Organization
Copra-Crane Labor Landmark Association
The Fund for Labor Culture and History
San Francisco Maritime National Historical Park
Golden Gate Railroad Museum

The purpose of the notice was to provide these potentially interested parties with an opportunity to view and photograph the vessel and to determine whether or not they wished to make a proposal in accordance with the Commission policy for the acceptance and transfer of the surplus vessel to their organization for historic preservation purposes. The notification letter specified that any transfer of the vessel to a non-profit would require that the non-profit demonstrate that it had the economic capability to assume all liability for the vessel and had a plan for the reuse, preservation or exhibition of the vessel. The local non-profit historic preservation group known as “Work Place History Organization” (WHO) initially expressed interest, but ultimately declined the Port's offer. None of the other parties or organizations contacted, including the National Maritime Park and Museum, expressed an interest in the Drydock or its disposal.

CEQA

Port staff prepared a request for Categorical Exemption from the California Environmental Quality Act (“CEQA”) which included a Historic Resources Evaluation Report that concluded that the Drydock does not qualify as an historic resource for purposes of CEQA because the vessel lacks integrity as a result of advanced deterioration, damage and alteration, such that it no longer reflects its original 1943 appearance. On April 10, 2008 the San Francisco Planning Department issued a Categorical Exemption for the project under Class 33 of the State CEQA Guidelines, “Minor Actions to Prevent, Minimize, Stabilize, Mitigate or Eliminate the Release or Threat of Release of Hazardous Waste or Hazardous Substance”.

Central Waterfront Advisory Group

Because of its role in the Pier 70 Master Plan process and its longstanding interest in the protection of Pier 70 historic resources Port staff consulted with the Central Waterfront Advisory Group (CWAG) on several occasions to apprise them of the need to dispose of the Drydock. On May 23, 2007, in response to a staff presentation of the proposal to dispose of the vessel by salvaging it for scrap value, the CWAG expressed its support of the staff proposal to proceed with the disposal process, including the assessment of the vessel’s historic value as part of the environmental review process.

Bay Conservation and Development Commission

The Port’s BCDC Permit No. M77-17 requires removal of the Drydock as a condition of the permanent berthing of a newer drydock (“Eureka”) at Pier 70. This permit currently allows for the continued mooring of the vessel at Pier 70 until December 2008, by which time the disposal process is expected to be substantially complete.

DEMOLITION STRATEGY

Global demand and high prices for steel scrap could make demolition of the Drydock an attractive project for scrappers and result in a reduced cost to the Port. The value of the scrap will be offset by the costs for vessel towing, remediation of hazardous materials and the hull demolition. The Port has developed a cost estimate for remediation of hazardous materials, but given difficulty with access to various sections of the Drydock, the exact quantity and cost of hazardous materials requiring removal and abatement may not be known until demolition is underway. Moreover, the cost of the hull demolition will be dependent upon the limited availability of facilities within the San Francisco Bay area which can accommodate such a large vessel.

In order to ensure that the demolition and disposal is undertaken responsibly, Port staff proposes to Issue for Bid (“IFB”) and administer a lump sum contract for the work. The Contractor will be responsible for the work and will retain the scrap steel at the end of the project. The environmental remediation will be undertaken in Port owned facility Pier 80 or an alternative Port approved facility to ensure that all hazmat work and disposal is performed in compliance with applicable laws and regulations, and in accordance with requirements of the demolition contract. Once a third party environmental consultant declares that the Drydock has been remediated to appropriate standards, the Contractor will be permitted to move the Drydock to Port owned facility Pier 68 Berth 4 or an alternative Port approved demolition facility. There it will be cut to proper scrap sizes and sold by the Contractor for its account.

FUNDING

The engineering cost estimate for this project is highly variable depending upon market competition, the final quantity of hazardous materials, method of dismantling and varying market price for scrap steel. The engineering cost estimate for this work is \$700,000 based upon the quantity of hazardous materials discovered to date and the value of the scrap steel. A higher than normal contingency will be requested for this project due to the uncertainty of the hazardous material quantities.

The project will be funded by Port Capital Project, CPO 755 Emergency Removal of Drydock No. 1 which has available funding of \$964,602.

SCHEDULE

Commission Authorization to Advertise:	5/13/08
Bid Advertising:	6/2/08
Bid Opening:	6/30/08
Commission Authorization to Award:	7/8/08
Notice to Proceed:	9/5/08
Environmental Cleanup Complete	2/3/09
Substantial Completion (demolition complete):	4/3/09
Final Completion:	5/4/09

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For: Edward Byrne, Chief Harbor Engineer

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO.

- WHEREAS, Drydock No. 1 has undergone structural deterioration to the point that it is not feasible to consider repair and continued operation; and
- WHEREAS The continued presence of Drydock No. 1 on the San Francisco Southern Waterfront represents a threat to marine navigation and the environment; and
- WHEREAS, Port staff have determined that the most effective means of disposal for Drydock No. 1 is demolition followed by salvage of scrap metal; and
- WHEREAS, Port staff will ensure appropriate abatement and disposal of hazardous materials associated with Drydock No.1 in compliance with State and Federal regulations; and
- WHEREAS, The San Francisco Planning Department has determined the disposal of Drydock No. 1 is Categorically Exempt under CEQA; and
- WHEREAS BCDC requires the removal of Drydock No. 1 by December 2008; and
- WHEREAS, Port staff has conducted outreach to the historic preservation related organizations and found no interest in the Drydock No. 1; and
- WHEREAS, The Port Commission has allocated funding in its Capital Budget sufficient to pay the estimated \$700,000 required for demolition of Drydock No. 1; and
- WHEREAS, In the solicitation of bids for this project, Port staff will follow all San Francisco Human Rights Commission (HRC) requirements for subcontracting goals for disadvantaged businesses; now, therefore be it
- RESOLVED, That the San Francisco Port Commission hereby authorizes Port staff to advertise for and accept competitive bids for the Drydock No. 1 Demolition project, Contract No. 2688.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 13, 2008.

Secretary