




MEMORANDUM

April 26, 2024

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Gail Gilman, Vice President
Hon. Willie Adams
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director 

SUBJECT: Informational presentation to consider a proposed Request for Interest from Maritime dredging and construction firms and possible action to authorize execution of a contract modification to Construction Contract No. 2842, Maintenance Dredging 2022-2024 Project, to increase the contract amount by \$2 million for a total contract value of \$9,962,625 and to extend the contract term for five months, or to May 31, 2025.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 24-23

EXECUTIVE SUMMARY

In 2022, the Port entered Port Contract No. 2842 with The Dutra Group, a California Corporation (Dutra). The contract was limited to a term of two years to give Port staff and maritime contractors opportunities to better align the dredging program to the Port's Racial Equity Action Plan (REAP) and expand opportunities for Local Business Enterprises (LBE) to participate in maritime construction contracts, including dredging.

With the expiration of Contract No. 2842 anticipated later this year, Port staff from the Maritime, Planning and Environment, Engineering, and Finance and Administration divisions have formed a working group to investigate and analyze whether and how the Port can reach the goals laid out by the Port Commission in approving the new contract. As a result of these efforts, Port staff proposes to issue a Request for Interest (RFI) to potential respondents to better formulate a contract solicitation that will reach the goals of

THIS PRINT COVERS CALENDAR ITEM NO. 11A

the Port Commission in aligning the Port's dredge program with the REAP, as described further below.

To avoid interruption in critical dredge services and to allow time for the RFI, Port staff further recommends that the Port Commission authorize staff to execute a contract modification to increase the contract amount and to extend the substantial completion date of Contract No. 2842. Contract No. 2842 is authorized for a two-year period expiring December 31, 2024, and provides for maintenance dredging at multiple sites along the San Francisco waterfront. The requested increase of \$2,000,000 in contract value and extension of the contract's substantial completion date to May 31, 2025, will avoid interruption of necessary maintenance dredging to provide navigable waterways to support the Port's maritime business while Port staff implements the RFI and engages in further discussion with the Port Commission regarding the achievement of the Port's REAP goals in procurement of a new dredging services contract, planned to be effective by June 2025.

STRATEGIC PLAN OBJECTIVES

This Contract supports the goals of the Port's Strategic Plan as follows:

Economic Recovery:

Attract and retain tenants that build an economically viable Port. Promoting maritime commerce has been a long-standing objective of the Port to contribute to the economic vitality and long-term vitality of the Port and the City. While some of the Port's berths are naturally deep, many of the Port's berths require periodic dredging to support this objective.

Economic Growth:

Grow the Port's Maritime business portfolio and maintain the Port's financial strength by maximizing the value of Port property and increasing revenue.

Equity:

Grow the number of businesses from disadvantaged communities competing for and benefitting from Port contracts.

BACKGROUND

Maritime commerce is at the heart of the Port's mission, and contracting for dredging services is a critical factor in achieving that mission. While the Port has some naturally deep berths, much of its maritime activity depends upon dredging to create operationally safe depths. Dredging-dependent revenues include cruise, cargo, lay berthing, commercial fishing, and private vessel marina operations and accounts for approximately \$33 million of the Port's total Maritime operating revenues.

Cruise-related visitor spending in particular is a significant economic driver for the City as well as the Port, bringing hundreds of thousands of visitors to San Francisco and

approximately \$90 million of economic activity each year.¹ This activity represents spending by the cruise lines and passengers that supports local jobs and fuels the continued revitalization of the waterfront in the wake of the pandemic and its associated economic dislocations.

Dredging is also paramount for the sustainability of Hyde Street Harbor/Fishermen's Wharf and the commercial fishing fleet. Inadequate water depths present navigational hazards and discourage vessel activity at the harbor. Additionally, dredging at Fisherman's Wharf is a necessary component of the Waterfront Resilience Program's Fisherman's Wharf J-9 Early Project, Phase 1. This project aims to reactivate a red-tagged berth at Fisherman's Wharf, which will enhance public access and experience to the Port's Retail Fish and Live Crab Sales Program, increase berth capacity, and expand water-taxi access.

Similarly, dredging plays a crucial role in maintaining the sustainability of South Beach Harbor. With nearly 700 berth holders, along with several excursion operators, transitory vessels, water-taxi operators, and recreational maritime users, South Beach Harbor serves as a vital hub for recreational maritime activities. However, it has been over 20 years since the harbor underwent dredging, leading to the natural accumulation of sediments. This sediment buildup has resulted in reduced water depths, posing significant navigational hazards for vessels in the harbor.

LBE REQUIREMENT UNDER CONTRACT NO. 2842

The Contract Monitoring Division ("CMD") enforces the City's Administrative Code Chapter 14B, the Local Business Enterprise ("LBE"), and Non-Discrimination in Contracting Ordinance. For Contract No. 2842 CMD originally granted an LBE subcontracting participation waiver for the Port's solicitation of dredging services due to lack of available LBEs. The scope of work for this contract was limited to dredging, hydrographic surveying, and in-water transportation of dredged sediment to disposal locations in-bay, deep ocean, or to beneficial reuse sites (i.e., wetlands) and there were and are a limited number of LBE subcontractors certified to perform this work. Because maintenance dredging locations are routinely dredged and the sediment quality is generally known and not contaminated, landfill disposal and trucking for landfill disposal were not included in the scope of work for this contract.

The Port held a pre-proposal conference for this contract leading up to the 2022 solicitation; while multiple firms participated only Dutra responded. This was unfortunate in that it did not allow for the benefits of competition to help drive the respondents towards the full range of the Port's goals of expanding business and employment opportunities to underserved communities. During discussions of whether to enter the contract, the Port Commission expressed disappointment in that outcome and directed staff to further develop the Port's own REAP actions to improve maritime contracting and hiring

¹ The City's most recent economic impact study from 2020 estimated total direct spending by the cruise lines, crew, and passengers at roughly \$50 million per year (adjusted for inflation and cruise volume). Including indirect spending would bring the annual economic impact to approximately \$90 million per year.

opportunities and to incorporate these goals into the solicitation for the next dredging contract to succeed Contract No. 2842.

PORT REAP ACTIONS

In response to the Port Commission's direction, Port staff have advanced a number of initiatives targeted at improving access to opportunity in the Port's maritime business lines. These efforts include the Annual Contractors Open House (this year was the 7th annual), the Rising TIDES internship program (as reported and approved at the April 9, 2024 Port Commission meeting²), and encouraging established maritime contractors to work with and mentor LBE firms for maritime work. One successful example of this last effort is the Waterfront Resilience Program's Fisherman's Wharf J-9 Early Project, phase 1. The Wharf J-9 Project involves a significant maritime scope of work and was awarded to Yerba Buena Engineering, with Power Engineering as a subcontractor performing maritime work. Yerba Buena is an LBE firm that is growing in the field of maritime construction, and Power Engineering is an established maritime contractor.

While the programs discussed above are beginning to increase access and expand opportunities, Port staff continues to explore additional opportunities for partnerships with Bay Area programs that are helping to provide needed workforce development to support the maritime industries.

PORT STAFF ANALYSIS AND RFI RECOMMENDATION

In anticipation of the expiration of Contract No. 2842, the Port's interdivisional dredging working group has evaluated the experience of the Port's dredge program over the last two years, contacted other Ports to see how they structure dredging contracts, and incorporate equity or community benefits programs (i.e. small business preference and workforce requirements), and consulted with CMD regarding the availability of LBE subcontractors to perform the scope of work described above. As a result of these discussions, CMD intends to pursue a survey and outreach project to assess true LBE over- and near-water construction firm availability. Port staff will continue coordination with CMD and will use the survey results to better target our outreach around the RFI.

The working group's evaluation is that the Port's proposed contract size is not large enough nor is the contract solicitation timeline long enough to incentivize LBEs to invest in procuring the certifications and developing the business capabilities needed to perform the full range of services sought by the Port. These dynamics create a significant chance that the issuance of an RFP seeking a dredge partner today would result in a similar outcome to the prior procurement process. Accordingly, staff would instead recommend issuing an RFI to dredging and marine construction firms, including adjacent industries such as hazardous waste contractors.

² See: [040924 8a california state university maritime academy youth employment - rising tides.pdf \(sfport.com\)](https://www.sfport.com/040924_8a_california_state_university_maritime_academy_youth_employment_-_rising_tides.pdf)

The goals of the RFI will be to assess the availability and interest in Port work, identify adjacent scopes (e.g. marine construction) that could be combined with dredging to make the opportunity more attractive to potential respondents and LBEs, and identify and assess small business inclusion and workforce development opportunities. Through the RFI, Port staff can explore options for different procurement methods to better align the Port’s maritime contracts with its REAP and increase the opportunities for BIPOC and women-owned businesses, and workforce opportunities for communities of concern. This may include pursuing the qualification of a pool of firms with a broader scope of services so that specific dredge-related activities could be completed by disadvantaged businesses that may not be able to perform the full scope of work set forth in Contract No. 2842.

If the Port Commission supports this strategy, Port staff proposes the following schedule for the RFI and development of the dredging contract solicitation:

Time	Task
July 2024	Issue RFI
September 2024	RFI responses due
September 2024	Port staff reviews RFI responses and follows up as required
October 2024	Port Commission information item to discuss results of RFI and strategy for contract solicitation
November 2024	Seek Port Commission authorization to issue new contract solicitation based on October policy discussion
November 2024	Issue dredging contract solicitation
January 2025	Responses due
February/March 2025	Seek Port Commission approval of new contract (or contractor pool)
May 2025	Goal for completion of contracting activities to ensure no gap in services upon the expiration of the proposed contract extension

PROPOSED EXTENSION FOR CONTRACT NO. 2842

In order to facilitate the issuance of the RFI and the policy discussions described above before issuance of the contract solicitation, Port staff recommends approval of an extension and increase in spending authority for Contract No. 2842 as further described below.

Port staff is seeking to schedule three dredge events in support of key maritime business priorities:

1. Pier 35, to ensure continued use of that facility as a secondary cruise berth and as a transitory berth for deep draft vessels e.g. Fleet Week.
2. Fisherman’s Wharf, to ensure continued operations and berth access for the fishing fleet as well as preparing for construction of Phase 1 of the Wharf J-9 project.

3. South Beach Harbor, to ensure continued operation of the marina and access to all berths.

The current authorized contract amount for Contract No. 2842 is \$7,238,750 and includes a contract contingency of 10% (or \$723,875) for unanticipated conditions, for a total authorization not to exceed \$7,962,625. To date, \$2,438,910 has been expended. As shown in the table below, the remaining contract funds are insufficient for upcoming dredging events at Pier 35, Fisherman’s Wharf, and South Beach Harbor, which are scheduled to be dredged between June 2024 and November 2024. The requested increase of \$2,000,000 in contract value will allow necessary maintenance dredging to provide navigable waterways to support the Port’s maritime business while we work towards the achievement of the Port’s REAP goals in the next dredging contract. The proposed contract modification would also extend the contract’s substantial completion date from November 3, 2024, to May 31, 2025, to provide time for unanticipated delays in obtaining regulatory approval and for performing these three dredge events. CMD has approved both the proposed contract amendment and an extension of the LBE subcontracting waiver on these terms.

The table below shows the contract funding to date, cost incurred to date, projects that are encumbered or projected to be conducted in 2024, new funding to be provided through contract modification, and new contract maximum amount:

Contract Amount Authorized to Date (inclusive of 10% Contingency)	\$7,962,625
Contract Amount Expended to Date	\$2,438,910
Balance Left in the Contract	\$5,523,715

Encumbered or Projected 2024 Dredging Costs:

2024 Dredging Activities	
Pier 35 East Berth	\$2,637,272
Inner Fisherman’s Wharf	\$2,197,624
South Beach Harbor	\$2,650,000
Total Anticipated Dredging Costs for 2024	\$7,484,896

Additional Contract Amount Needed to Perform 2024 Dredging Activities	\$2,000,000
Total New Contract Amount to be Authorized (Current Contract Authorization of \$7,962,625 + \$2,000,000)	\$9,962,625

PORT STAFF RECOMMENDATION

Port staff recommends that the Port Commission direct staff to pursue the issuance of an RFI as described above, including a return to the Port Commission for a contracting strategy discussion prior to the issuance of a new contract solicitation for dredging services. To maintain critical maritime commerce access during the RFI and contract solicitation process, Port staff further recommends that the Port Commission approve the

attached resolution authorizing the execution of a contract modification to increase the contract amount of Contract No. 2842 by the sum of \$2,000,000, which would result in a new contract amount of \$9,962,625, and to extend the substantial completion date to May 31, 2025.

Prepared by: Ken Chu, Project Engineer
Engineering Division

Zachary Adami, Wharfinger
Maritime Division

For: Wendy Proctor
Interim Deputy Director of Engineering

Andre Coleman, Deputy Director
Maritime Division

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

RESOLUTION NO. 24-23

- WHEREAS, The Port Commission, at its meeting on October 11, 2022, adopted Commission Resolution 22-49, authorizing staff to award construction Contract No. 2842, Maintenance Dredging 2022-2024, to The Dutra Group, the responsive and responsible bidder, for \$7,238,750, including authorization for unanticipated contingencies by an additional amount of \$723,875 (10% of \$7,238,750) through contract modification or change order; and
- WHEREAS, To date \$2,438,910 of the contract amount has been expended on dredging projects, leaving an available contract balance of \$5,523,715, which is insufficient to complete the scheduled 2024 calendar year scope of work; and
- WHEREAS, The Port Commission desires to continue the Port's dredging program while Port staff issues a Request for Interest to inform the structure of a solicitation of dredging services to follow the expiration of Contract No. 2842; and
- WHEREAS, In order to facilitate the Request for Interest process while completing scheduled dredging work for 2024, Port staff recommends the increase of the authorized amount for Contract No. 2842 by \$2,000,000 and the extension of the substantial completion date from December 31, 2024 to May 31, 2025; and
- RESOLVED, That the Port Commission hereby authorizes staff to execute a Contract Modification for Construction Contract No. 2842, Maintenance Dredging 2022-2024 with The Dutra Group, to increase the authorized contract amount by the sum of \$2,000,000, resulting in a new authorized contract amount of \$9,962,625; and be it further
- RESOLVED, That the Port Commission hereby authorizes staff to extend Construction Contract No. 2842's substantial completion date from December 31, 2024 to May 31, 2025.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of April 30, 2024.

Secretary