




MEMORANDUM

September 10, 2021

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. John Burton
Hon. Gail Gilman
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director 

SUBJECT: Informational presentation on a proposal for a 2-year lease with rent credits between the Port of San Francisco and Silverado Contractors, Inc. for a vacant area of the Port's Pier 70 Shipyard

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

Silverado Contractors Inc. (Silverado), a marine construction company, approached Port staff to lease vacant space at the Shipyard at Pier 68, but noted that they would have to make significant tenant improvements to the space to use it for its proposed use of small watercraft removal and disposal. Silverado advised it would need to remove large debris in order to utilize the existing, unusable boat ramp for small watercraft and barge disposal, to dispose of an abandoned barge in order to utilize the submerged land to moor their barges, and to remove and dispose of wood debris from a dilapidated apron in order to berth small watercrafts and barges to the underlying concrete piles.

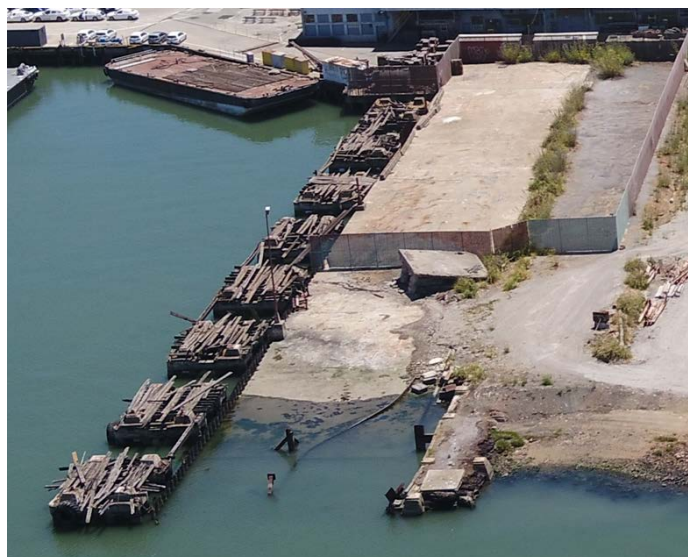
BACKGROUND

Since taking control of the Shipyard operation in May 2019, staff immediately engaged in locating interim rent tenants for vacant office space, under-utilized shed and storage facilities, and available paved open space throughout the yard while reducing operating expenses by limiting utilities and services to isolated and underutilized areas.

Port staff has initiated discussion and is contemplating creative reuse of the 10-acre facility as a multi-purpose maritime complex that would incorporate multiple marine businesses involving heavy and light industrial uses true to the Public Trust principles. Staff has contacted over half a dozen entities such as barge operators, ship management companies, a marine exploration vessel builder, a maritime salvage company, and an excursion and small water transit vessel operator, as well as related educational institutions and training programs that can teach the skills required for a future career in maritime commerce.

Silverado is one of the maritime businesses staff has engaged about potential uses in the shipyard. Silverado Contractors, Inc. is a current Port tenant in good standing and has been contracted for several Port projects including the Pier 45 fire cleanup and the Pier 52 trestle demo.

Silverado has proposed leasing an approximately 51,000 sq. ft. area of the shipyard (pictured below) that is currently vacant and unable to be leased due to large pieces of debris throughout the area. In order to use this portion of the Shipyard, Silverado has proposed improving the area by disposing of the large amounts of debris throughout the area which includes large pieces of concrete, large amounts of rotted wood from a former pier apron, and an abandoned derelict barge left behind by the shipyard operators, in exchange for rent credits for a portion of the proposed lease premises. This debris removal work, not including barge disposal, was estimated by Port engineering to be approximately \$221,000 worth of work. A quote for barge disposal was approximately \$179,000, making the total estimate for the proposed improvements \$400,000. Part of Silverado's proposal is to utilize the improved area as a potential new business line of small watercraft removal and disposal by bringing back to operational use the existing boat ramp. After improving the area back to useable space, Silverado will utilize the boat ramp to raise small watercrafts out of the water to the land area where they can disassemble the watercrafts for disposal. Silverado has asked for a 2-year term to allow for enough time to provide the needed improvements and activate the space for this use.



Small watercraft and barge removal/disposal operations on Port property can be an added benefit to Port of San Francisco and other SF Bay waters as abandoned boats and derelict watercrafts pose an environmental hazard to SF Bay waters, and when abandoned on or near Port property this obligates Port staff to respond to numerous sunken, abandoned, and derelict watercrafts that require removal and disposal. Silverado’s proposed use will provide a more efficient process to conduct this work and remove these watercrafts from the SF Bay.

PROPOSED BUSINESS TERMS

The current proposed terms are for Silverado to lease the 51,000 sq. ft. area at the Shipyard (the “Leased Premises”) which includes paved land, unimproved land, and submerged land, and non-exclusive use of a boat ramp. Silverado anticipates performing approximately \$400,000 worth of work to improve the Leased Premises and has requested rent credits for the work equivalent to the rent otherwise payable at Parameter rates, in the amount of \$309,494.88. Port is proposing structuring the rent credits contingent upon completion of two scopes of work. Rent for the first six months of the two-year term will be due and payable on the six-month anniversary of the Lease commencement date, but Silverado will be entitled to a retroactive rent credit equal to the rent owing for the first six months of the term if it completes the first phase of tenant improvements (Parcels C and E). Rent for Parcel D will be due monthly for months 7-24 of the Lease. The second installment of rent for parcels A, B, and C will be due on the 18-month anniversary of the Lease commencement date, but Silverado will be entitled to a rent credit equal to the rent owing for months 7-24 if it completes the second phase of tenant improvements at Parcel C. Measuring all the Parcels at parameter rates, this will equate to approximately \$309,494.88 of rent credits for this currently vacant and unusable area.

Premises and Parameter Rates	sq.ft.	Parameter	Monthly
Parcel A - Paved Land	15,624	\$ 0.48	\$ 7,499.52
Parcel B - Unimproved Land	9,446	\$ 0.35	\$ 3,306.10
Parcel C - Submerged Land	10,000	\$ 0.19	\$ 1,900.00
Parcel D - Submerged land	4,000	\$ 0.19	\$ 760.00
Parcel E - Boat Ramp (non-excluslive use)	12,089	0	\$ -

Rates and Rent Credit Opportunity	
Monthly Parameter Rent	\$ 13,465.62
Annual Parameter Rent	\$ 161,587.44
Parameter Rent 2-year Term	\$ 323,174.88
Estimated Value of Tenant Improvements	\$ 400,000.00
Total Available Rent Credits	\$ 309,494.88
Total Rent Due to Port (not available for rent credit)	\$ 13,680.00

POTENTIAL PORT PROJECT

This proposed lease will include language that if a Port Project needs to utilize the lease area during Silverado's 2-year term in a way that will inhibit their ability to use the area for the permitted use of watercraft removal/disposal the 2-year term will be put on pause until the project is complete and they can resume the lease to complete the balance of their term.

COMMUNITY OUTREACH

Port staff has presented this "Silverado Shipyard Pilot Program", as it has been named, to the Southern Advisory Committee (SAC) who was supportive while some attendees expressed the concern and need to ensure the safety of human powered watercrafts is a part of the continued education and awareness of any potential industrial water activity at the shipyard. Port staff is aware of this concern and will continue to engage the small watercraft stakeholder groups at the Crane Cove Park as well as educate any potential tenants.

Staff will also be presenting to the Maritime Commerce Advisory Committee at their meeting on this Thursday, September 16th to further circulate this new potential maritime use for the Port's Shipyard.

PORT'S STRATEGIC OBJECTIVES

Economic Recovery

This proposal is a creative opportunity for a currently vacant area of Port property to get needed improvements while exploring a potential new maritime business line at our Shipyard. If a new business is found not to be viable after a 2-year term, the Port will have leasable space for other revenue generating opportunities.

Sustainability

The Pandemic and economic hardship has increased the amount of abandoned and derelict vessels on the Bay. The pollution associated with this problem includes fuel, sewage, antifreeze, trash, and other toxic materials often anonymously dumped into the Bay. If a vessel sinks prior to it being removed, the impacts on the Bay increase as a sunk vessel may also create navigation hazards for other boats and people who use the Bay for recreation. Removing abandoned boats and disposing of them in a way that doesn't harm the environment can be expensive. This location will serve to support a grant-funded Vessel Turn-In Program that the Port of San Francisco participates in with the State of California Department of Boating and Waterways. This opportunity provides a safe and efficient place in the Central Bay along the San Francisco waterfront to remove vessels prior to sinking.

CONCLUSION

This Silverado Shipyard Pilot Program is in line with the Port's near-term objectives for the Shipyard in attracting maritime industrial tenants to the facility for lease and

exploring the potential of a multi-purpose maritime industrial complex. Port will benefit from the improvements to a currently unleaseable space at the Shipyard while allowing for a 2-year term to see the potential of a new maritime business line. Staff plans on coming back to the Commission for approval of the proposed Lease.

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