

MEMORANDUM

November 9, 2017

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational Presentation regarding responses to the Request for Proposals for the Lease and Operation of the Pier 70 Shipyard Located at Piers 68 and 70 and Seawall Lot 349 near 20th Street and Illinois Street, including Dry Dock Eureka and Dry Dock #2 (the "Shipyard")

DIRECTOR'S RECOMMENDATION: Informational Item-No Action Required

EXECUTIVE SUMMARY

On July 11, 2017, the Port Commission authorized Port staff to issue a Request for Proposals (the "RFP") for the lease and operation of the Shipyard with the goal of entering into a Lease with a new operator that has experience, economic capacity and knowledge of the U.S. West Coast ship repair commercial market and is qualified to operate and revitalize this important maritime asset at the Port of San Francisco. Port issued the RFP on August 15, 2017. As described below, the Port received one responsive proposal, from Vigor Industrial LLC, an Oregon limited liability company ("Vigor"). The RFP called for informational presentations from the short list of final contenders at the Port Commission prior to final award. Accordingly, this item will include a brief presentation from Port staff as well as representatives of Vigor to present an overview of its qualifications and proposal for Shipyard operations.

Strategic Objectives of the RFP

As set forth in the RFP, the Port is seeking a tenant that demonstrates an implementable strategy to retain, modernize and operate an important Port maritime asset for the life of the lease and presents the greatest opportunity to contribute in a substantial way to meeting the *Stability, Renewal, Resiliency, Economic, Vitality, Engagement, Sustainability, and Livability* objectives of the Port's Strategic Plan:

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Stability: Retain and modernize an important Port maritime asset; maintain continuous operations and employment; create and implement a feasible plan for capital improvements to the facilities including the including the maintenance, renewal and possible replacement of the current dry-docks. Ensure sustainable employment and business opportunities at this vital Port asset.

Renewal Objectives: Deploy strong operational expertise and skill in maintaining dry docks and heavy industrial equipment to maintain a critical maritime industrial use at the Port.

Resiliency Objectives: Successfully obtain business from the government and commercial ship repairs markets; and optimize the current dynamics of these markets on the West Coast to maximize ship repair business in San Francisco in the face of increased competition and the inherently cyclical nature of the ship repair market.

Economic Vitality Objectives: Support the economic vitality objective by implementing a business plan to pursue ancillary maritime or industrial commercial activities to maintain steady work in the face of periodic softness and cycles in the market for ship repair.

Engagement Objectives: Expand the Port's outreach to underserved communities and implement a workforce training program to attract the next generation of shipyard workers.

Sustainability Objectives: Create and implement a feasible plan for repair, maintenance and capital improvements to the facilities including the renewal/replacement of the current dry docks, ensuring sustainable employment and business opportunities, and maintaining appropriate levels of stewardship with respect to the environment as well as any and all historic assets included in the leasehold.

Livability Objectives: Promote living wage jobs by providing industrial work opportunities in the City.

BACKGROUND

The Pier 70 Shipyard is a strategically located facility on the West Coast that supports the growing passenger cruise industry, government and defense fleets, the domestic oil refineries business, and regional Bay Area maritime passenger and harbor service support vessels. As fully detailed in the Memorandum to the Port Commission dated July 7, 2017, the prior shipyard operator ceased operations in May 2017. Since that date, the Port has been paying all expenses for maintaining the Shipyard in a safe, secure, and steady-state and plans to do so for the next several months while it prepares the site for the next tenant and Shipyard operator.

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BUSINESS AND COMMUNITY OUTREACH FOR THE RFP

Port staff advertised the RFP opportunity on the Port and Office of Contract Administration websites. Port staff sent copies of the RFP notice to all Port tenants and to other parties that have expressed an interest in participating in opportunities at the Port. In addition, the RFP was advertised using the following resources:

- San Francisco African American Chamber of Commerce
- Hispanic Chamber of Commerce of San Francisco
- Chinese Chamber of Commerce, San Francisco
- LGBT Chamber of Commerce, San Francisco (Golden Gate Business Association)
- San Francisco Chamber of Commerce
- San Francisco Business Times
- Board of Supervisors Neighborhood Outreach Advertising Newspapers
- SPUR
- District 10 Board of Supervisor's Office
- San Francisco Office of Small Business
- Sfport.com – the Port's website homepage
- #@SFPORT
- The Port of San Francisco Facebook
- @SFPORT Digital Magazine
- AAPA Online Magazine
- Pacific Maritime Online Magazine

On August 29, August 31, and September 6, 2017 the Port hosted pre-bid conferences to review the RFP, answer questions, and tour the Shipyard.

SELECTION PROCESS

On August 15, 2017, the Port issued the RFP, with submittals due on September 29, 2017. Pre-submittal meetings were held on August 15, August 31, and September 6, 2017. Each pre-submittal meeting was followed by a tour of the shipyard facility. Twelve people representing various ship repair firms attended the pre-submittal meetings. The list of pre-submittal meeting attendees is posted on the Port's website.

The Port received one proposal in advance of the submittal deadline. The Port also received a letter from Bay Ship & Yacht Company stating that they chose not to submit a proposal. Mare Island Dry Dock, LLC also declined to submit a proposal, but did submit a letter stating that the shipyard may not be viable in its current state.

The following three consultant teams responded to the RFP:

1. Bay Ship & Yacht Company
2. Mare Island Dry Dock, LLC
3. Vigor Industrial, LLC

Port staff reviewed Vigor's proposal and determined that it met the RFP's minimum qualifications. Accordingly, Vigor Industrial, LLC ("Vigor") was the sole responsive respondent to the RFP.

Evaluation Criteria

The RFP provided that a five member panel would evaluate and score written proposals that passed the initial screening step (including meeting the minimum qualifications identified in the RFP). Given that only one firm, Vigor, was responsive to the RFP, Port staff decided to forgo the evaluation process and selected Vigor as the most qualified respondent.

Port staff issued a Notice of Intent to Award Exclusive Right to Negotiate a Lease on October 13, 2017 (pending Commission approval). No protests were received during the 5-day protest period, but Port did receive a letter from Mare Island seeking clarification regarding the next steps. On October 24, 2017, Port issued a clarification reiterating that the Port Commission will ultimately select the most responsive proposal and approve any award, right to negotiate and any final lease.

Since that time, Port staff and consultants have met with Vigor management representatives to clarify and magnify portions of Vigor's proposal. Today's presentation reflects the Port Commission's desire for an informational presentation to the Commission prior to staff's recommendation of award.

Vigor

Vigor and its wholly owned subsidiaries form the largest ship repair and new vessel fabrication company in the Pacific Northwest and Alaska. Together they comprise some of the largest infrastructure in the marine vessel repair and fabrication markets on the West Coast. Vigor's proposal notes that its existing state-of-the-art facilities give it the capability to repair, fabricate and deliver any class marine vessel to suit customer needs. Vigor's proposal further asserts that it has the operational expertise and market presence to properly restore shipyard operations at Pier 70 in a manner that meets both the requirements of the Port of San Francisco and the shareholders of Vigor and which suits the needs of Vigor's customers. Vigor has stated its intent to replicate past efforts to invest in current and future tradespeople and to employ progressive employment and advancement practices.

Next Steps

Pending the outcome of this informational presentation and further discussions with Vigor, Port staff anticipates returning to the Port Commission Meeting on December 12, 2017 with a recommendation that the Port Commission award the opportunity to Vigor through approval of an Authorization for an Exclusive Right to Negotiate a Lease for the operation of the Pier 70 Shipyard with Vigor Industrial LLC, an Oregon limited liability company. If such negotiations are successful, staff would return to the Commission for ultimate approval of the Lease.

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