




MEMORANDUM

November 22, 2024

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

FROM: Elaine Forbes
Executive Director 

SUBJECT: Informational Presentation on Responses to the Port's Request for Interest from Maritime Dredging and Construction Firms.

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

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

At its meeting on April 26, 2024, the Port Commission heard a presentation from Port staff regarding the proposed issuance of a Request for Interest (RFI) to potential respondents to better formulate a contract solicitation that will reach the goals of the Port Commission in aligning the Port's dredging program with the REAP and, if appropriate, expand the pool of firms to others that can perform marine construction projects. After incorporating the Port Commission's feedback, Port staff issued the RFI on August 8, 2024, and responses were received by August 30, 2024.

Today Port staff returns to the Port Commission to provide analysis of the responses to the RFI and seek Port Commission feedback on soliciting future dredging and/or marine construction contract partners.

STRATEGIC PLAN OBJECTIVES

This informational presentation 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 Maritime 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 account for approximately \$33 million of the Port's total Maritime operating revenues of \$38 million.

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 impacts.

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. Similarly, dredging plays a crucial role in

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.

maintaining the sustainability of South Beach Harbor. With nearly 700 berth holders at South Beach Harbor, 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.

Upcoming dredge events next year and in future years will bolster emergency response, continued support for our cargo operations and disaster readiness at locations like Pier 80 and other sites along the waterfront. Fire vessel access to the City's EFWS (Emergency Firefighting Water Supply) is crucial, and maintenance dredging will be required to provide this access at select locations managed directly by the Port. Lastly, previously dredged locations will be routinely surveyed and scheduled for maintenance dredging to ensure the Port continues to promote maritime commerce by attracting and retaining maritime tenants.

PRIOR DREDGING CONTRACT

The Contract Monitoring Division ("CMD") enforces the City's Administrative Code Chapter 14B, the Local Business Enterprise ("LBE"), and the 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 a lack of available LBEs. The scope of work for that 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 leading up to the 2022 solicitation and, 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 Port's goals of aligning with the REAP and expanding business and employment opportunities to LBEs. 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 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

² See: [040924 8a california state university maritime academy youth employment - rising tides.pdf](https://040924.8a.california.state.university.maritime.academy.youth.employment-rising.tides.pdf) (sfport.com)

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 provide needed workforce development to support the maritime industries.

ACTIVITY SINCE THE APRIL 24 PORT COMMISSION DISCUSSION

In anticipation of the expiration of Contract No. 2842 in November 2024, the Port's interdivisional dredging working group evaluated the experience of the Port's dredge program over the previous two years, contacted other ports to see how they structure dredging contracts to 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. Based on this initial analysis, Port staff recognized a number of dynamics that created a significant chance that the issuance of an RFP seeking a dredge partner in mid-2024 would result in a similar outcome to the prior procurement process that resulted in Contract No. 2842.

To avoid interruption in critical dredge services while developing a strategy to meet the Port Commission's contracting and REAP-related objectives, Port staff presented a two-pronged strategy at the April 26, 2024 Port Commission meeting: modify Contract No. 2842 to allow for the completion of three mission-critical dredge projects while Port staff gathers more information on available firms to perform dredging and marine construction work. The Port Commission provided feedback and direction to pursue both aspects of the proposed strategy.

Dredge Event Status:

Following the April Port Commission meeting, Port staff worked quickly to execute the approved contract modification to enable the Port 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 Pier 35 dredge was completed the first week of September, capping off nearly 40 straight days of around-the-clock dredging. This accomplishment occurred before the September 16 call of the Celebrity Summit, ensuring a second cruise berth would be available for the foreseeable future. Over 139,000 cubic yards of material was dredged at a cost of just over \$3.5 million. Of the 139,000 cubic yards dredged, 50,000 cubic yards were disposed of at a beneficial reuse wetland, evidencing the Port of San Francisco's continued commitment towards the environment.

The Fisherman's Wharf dredge event has also been completed. In order for construction of Phase 1 of the J9 Wharf project to be completed by the end of 2024, dredging had to be completed by October 1st. This deadline was met with over 8,100 cubic yards dredged in 30 days, at a cost of just over \$1.2 million. In addition to a tremendous amount of illegally dumped garbage being removed from the Fisherman's Wharf Harbor, 100% of the dredge sediments were disposed of at a beneficial reuse wetland.

The South Beach Harbor dredge event is now underway. South Beach Harbor is being dredged for the first time in over 20 years. Dredging started on October 1st and will continue until the end of November, upholding the commitment made to our stakeholders of a safely navigable marina.

Dredge and Marine Construction Market Analysis:

On a parallel track to the efforts described above, the Port pursued two efforts to gather better intelligence regarding likely respondents to a future solicitation. At the Port's request, CMD conducted a survey and outreach project to assess true LBE over- and near-water construction firm availability. In addition, Port staff issued the RFI to seek responses from marine construction firms to a range of questions to help Port staff better understand the interest and capacity of the market to reach the Port's goals for its next solicitation. The RFI broadened the issue to include additional marine construction activities beyond dredging in an effort to understand whether expanding the requested services could yield a more beneficial outcome.

CMD SURVEY RESULTS

Port and CMD staff worked closely together to develop an LBE survey to assess the following:

- Experience and interest in performing near and over-water construction work;
- Relevant contractor licenses and worker certifications;
- Ability to satisfy marine insurance requirements;
- Bonding capacity;
- Access to equipment necessary to perform dredging and over- or near-water construction work.

CMD performed an analysis of the most likely LBE certification categories that lend themselves to over or near-water construction work, including dredging. The Port expanded that list to include more trades. In all, the LBE survey was sent to over 664 email recipients and featured in a CMD email announcement. In addition, Port staff called the

200 CMD-identified target LBEs eight separate times leaving messages and having 31 conversations with LBE owners about the importance of replying to the survey.

Forty-eight LBEs responded that they were interested in learning more about performing near and over-water marine construction and dredging work. Of the LBEs that had direct experience, they reported the following:

- 13 maintained at least one marine construction insurance policy
- 2 performed scopes related to shallow dredging from the shoreline
- 1 performed dredging from the shoreline and on a barge with an excavator
- 2 performed pile driving near the shoreline reaching into the water
- 1 performed pile driving on a barge or boat
- 1 performed crane repairs over and near water
- 1 performed scaffolding over and near water
- 2 performed professional services related to marine construction (including dredging) such as hydrographic surveying

LBEs also expressed the challenges they face in entering marine construction, including dredging:

- Need a more specific breakdown of the scope(s) of work
- Work should be separated into deep water and shallow water work
- Do not have the full picture of the minimum qualifications
- Expensive and hard to obtain insurance
- Qualified and trained personnel do not live locally; Competition between firms to find qualified personnel
- Work window is short and may not be worth the investment
- Scope of work is not often paired with year-round work
- Do not have the information required to evaluate the risk associated with taking on this work
- Training and mentorship in the environmental regulatory requirements needed
- Solicitation documents need to call out unknown material requirements that are often buried in lengthy specification documents
- Lack of mentorship opportunities

The Port used a similar survey to assess the availability and capability of non-LBE firms with other business certifications, including but not limited to Small Business Enterprises, Women Business Enterprises, Minority Business Enterprises, and Disadvantaged Business Enterprises. The Port surveyed more than 5,000 certified forms and received 49 responses.

The Port found that amongst other certified firms:

- 1 federally certified Alaska Native Corporation performs marine construction and dredging services
- 5 have performed overwater construction work (not dredging)
- 13 own heavy equipment used in marine construction
- 2 have performed shallow dredging from the shore or a boat

Other certified firms provided similar feedback to LBEs in their challenges for performing overwater work.

RFI RESULTS

Through the RFI, the Port sought a deeper understanding of the marine construction industry, including dredging in order to assess LBE, DBE, and SBE-certified firms available to perform the work. The Port expects to use the responses to the RFI to form future solicitations for over and near-water marine construction and dredging services.

The RFI was sent out to approximately 124 firms, and 11 responses were received.

The following key findings relate to the firms that perform deep water dredging (3):

- 3 have local San Francisco Bay deep water dredging experience
- 2 companies maintain and operate dredging equipment locally, others have capacity but may not keep their equipment locally and it is expensive and time-consuming to move
- Only 3 respondents report having deep water dredging capability along with the ability to move the dredge spoils to proper disposal sites
- All 3 respondents noted difficulty finding and retaining staff because of the short work window, and the staff tend to travel and not live locally

The following key findings relate to the firms that perform marine construction (5):

- 5 respondents have extensive marine construction and/or demolition experience and have access to equipment on the West Coast. (Note: In addition to the 5 respondents, the Port is aware of at least 3 other local marine construction contractors that have similar capabilities).
- Small businesses that perform marine construction may not see a need to become certified
- Marine construction and demolition allows for more support work on land compared to dredging, such as:
 - Hazardous waste sorting and handling on land
 - Trucking and disposal of construction materials
 - Fabrication and assembly of components to be installed over water
 - Connections to land-side utility services

The Port received specific feedback from and about firms seeking to enter the industry:

- Firms may lack experience, but some are led by individuals with qualifying backgrounds and training from previous employers
- Mentorship is highly desired by smaller companies, but without access to equipment it may be ineffective, and much of this equipment is not available to rent
- Mentorship is a long-term process because of the varied components of over-water work (environmental regulations, worker training, equipment investment)
- Desire to find marine environment training and more technical assistance

- Assistance in assessing if over-water work is a good investment versus continuing to perform landside work for smaller firms

In addition to the technical aspects of the industry, the respondents offered suggestions for improving the public solicitation process:

- Advertise minimum qualifications prior to advertising the contract
- Break up aspects of the scope into smaller scopes
- Clearly indicate which scopes must be performed over water and which can be performed shoreside
- Consider minimum qualifications that lean on staff experience and less on firm experience for some scopes
- Pair work together that requires similar qualifications and equipment that is year-round to incentivize bidders during solicitation and increase the likelihood of firms being able to respond to urgent needs
- For Pre-Proposal or Pre-Bid conferences, review the scope in greater detail for the benefit of firms seeking to enter marine construction:
 - Give specific information about the over and near water work needs of the Port
 - Focus attention on the smaller scopes and technical assistance opportunities
 - Create feedback opportunities from the industry on the contract structure during the pre-proposal/pre-bid stage

STAFF ANALYSIS

Port staff analyzed the responses to match with Port operational needs regarding dredging and marine construction. Staff concluded that three RFI respondents meet and perform deep water dredging in line with the Port's needs, and five RFI respondents perform highly technical marine construction work. From the responses, staff was not able to provide an analysis on the qualifications of the LBE firms since very little concrete information was provided in their responses—LBEs were less likely to list project names that they performed work on and generally did not provide marketing materials that demonstrated their firm's over and near-water capabilities. Staff believes that this analysis indicates that the Port has the ability to create stepping stones to marine construction work by pursuing a marine construction contract solicitation and by calling out specific requirements and components in a dredging contract as further described below.

As summarized above, responses also indicate that LBE and other certified firms need a reference point to truly understand near and over-water work and a pathway to getting there. The Port proposes publishing separate from any solicitation, generally required qualifications for over and near-water work that includes (1) firm qualifications and experience, (2) workforce and firm qualifications, (3) equipment, (4) insurance requirements, and (5) regulatory requirements. In addition to publishing general requirements, connecting firms with technical and educational resources may increase the likelihood of firms exploring adding this work to their business model. However, the Port needs to consider how much over and near-water work we expect to require in order to provide realistic expectations to small businesses making this assessment. For example, if

the Port only expects two shallow dredging events each decade then our effort to recruit LBEs to perform this work should match the availability of the work.

In terms of contracting strategy, the requirements of the Administrative Code Chapter 6 may require the Port to seek multiple contracts to procure the needed contracts while reaching the goals described above. Under the code, there are two separate types of as-needed construction contracts that may serve the Port's needs:

- 1) General As-Needed contracts allow a department to issue contract service orders based on costs contained in the contractor's bid. A contract service order or multiple contract services orders for a single public work may exceed the Threshold Amount (currently \$1,000,000) only with the written determination of the department head. CMD will assess LBE subcontracting availability with the advertisement.
- 2) Master As-Needed contracts select multiple contractors by qualifications and experience. Pricing, LBE subcontracting requirements, and subcontractors are determined at the contract service order level offering more flexibility. Contract service orders are limited to the Threshold Amount, and are generally issued to the contractor submitting the lowest quotation.

Dredging and Limited Marine Construction:

The General As-Needed contracting structure is likely the best to meet the Port's dredging needs, but further analysis may be able to improve LBE participation.

The Port requires both scheduled and as-needed deep-water dredging to maintain its maritime portfolio. Deep water dredging equipment is expensive and difficult to maneuver quickly, which means combining scheduled dredges with an as-needed option for urgent needs is ideal, but there may not be a contracting vehicle that fully matches these objectives because of the requirements in the administrative code. For example, due to built-in costs (insurance, regulatory requirements, staff certifications, etc.) and the typical volumes of material in a single berth or marina combined with the disposal location, both shallow and deep water dredging events generally cost more than the Threshold Amount. Therefore, Port staff anticipates that the department head determination noted above will be needed.

The Port will work with CMD to formulate a final scope of work that maximizes LBE opportunities ranging from surveying, boat and barge driving, hazardous waste sorting, trucking, and shallow-water dredging. Broadening the scope to include specific marine construction scopes is likely to increase LBE opportunities and create year-round work opportunities, but at the same time, it is challenging to identify stand-alone scopes that can be incorporated into the pricing structure of a General As-Needed contract. Port staff will continue to evaluate this potential addition and will report back as part of a proposal to advertise for these over and near-water contract opportunities.

Marine Construction:

Master As-Needed marine construction contracts will assist the Port in making small and medium-sized repairs that are otherwise too small to attract contractors. The master as-

needed model allows for scope flexibility and competition at the task level and maximizes LBE participation because CMD is actively engaged at the CSO level when the desired scope of work is clearer.

The master as-needed also allows for LBEs to enter the pool for over and near-water work throughout the life of the contract since subcontractors and the LBE subcontracting requirement are assigned at the task level. While the work will be limited to smaller jobs because of the strict ceiling at the Threshold level, these contracts present the opportunity to create “stepping stone opportunities” and reduce barriers to entry over the next five years as the Port works to create pipelines into over-water work.

PORT STAFF RECOMMENDATION

Port staff recommend a multi-pronged strategy to meet the operational and equity goals of the Port of San Francisco:

- 1) As a first step, advertise a General As-Needed contract for deep-water and shallow-water dredging (including limited marine construction services to the extent feasible). The LBE subcontracting requirement will be established at the contract level.
- 2) As a subsequent step, advertise for multiple Master As-Needed contracts for marine construction services, including shallow dredging. The LBE subcontracting requirement for these jobs will be applied at the task order level, maximizing LBE participation and allowing LBEs opportunities to join during the life of the contract.
- 3) Separate from those two efforts, publish general qualifications for performing near and over water work outside of the contracting process and match pathways to becoming certified, where applicable. Work with CMD and partners to provide technical assistance, information, and visibility to over-water work to encourage contractors, especially LBEs, to consider marine construction work.

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