



MEMORANDUM

TO: Honorable Members, Capital Planning Committee
FROM: Michael Martin, Acting Executive Director, Port of San Francisco
SUBJECT: Supplemental Appropriation Request for Dry Dock No. 2 (DD2) – Stabilization and Disposal - \$18,500,000
DATE: February 9, 2026

The Port of San Francisco (Port) respectfully requests Capital Planning Committee (CPC) consideration and approval of a supplemental appropriation of **\$18,500,000** for Fiscal Year 2025-26 to fund emergency stabilization work and initial demolition-related activities for Dry Dock No. 2 (DD2) located at Pier 68/70. This request will allow the Port to respond to an active emergency condition, protect public safety and the environment, and advance the removal of a long-standing waterfront liability.

History and Background

DD2 is a 900-foot single-section steel floating dry dock constructed by Bethlehem Steel Corporation in 1970 and located at the former Pier 68/70 shipyard. The shipyard has been inactive since 2016 when BAE Systems San Francisco Ship Repair ceased their operations at the yard, and the dry dock has experienced progressive deterioration due to age, exposure, and lack of maintenance. Previous efforts to sell DD2 for removal and off-site repair have been unsuccessful.

Beginning in 2024, the Port's Engineering Division engaged consultants to assess the condition of DD2 and to develop strategies for stabilization and ultimate demolition. These assessments documented extensive hull deterioration, including multiple tears near the waterline. Storms in November 2025 with high winds accelerated damage to DD2 so that existing tears enlarged and new tears appeared on the hull. These conditions have resulted in increasingly difficult-to-control flooding of ballast tanks, causing DD2 to list beyond safe limits and increasing the risk of catastrophic failure.

On December 8, 2025, the Port Commission President and Executive Director declared an emergency under Section 6.60 of the San Francisco Administrative Code, finding that DD2 presents a clear and imminent threat to public health or safety, Port property, and the environment. Immediate action is required to stabilize the dry dock and remove or stabilize the cranes on top of its vertical wing walls and to prevent potential collapse of the cranes or sinking of the dry dock.

Description of Uses of Funding

The requested \$18.5 million supplemental appropriation from Port fund balance, combined with \$1.5 million in existing BAE settlement funds, will provide the initial \$20.0 million to fund stabilization and related activities necessary to address the emergency conditions and prepare DD2 for final disposal. These funds, combined with an anticipated additional appropriation of funds in the FY 2026-27 capital budget, will provide a total of \$61.2 million funding needed to complete the full scope of stabilization, removal, and disposal of both DD2 and the Eureka dry dock, as detailed in **Summary Table: Sources of Funds**.

The immediate uses of funds include:

- Emergency stabilization (Phase 1A): welding and patching repairs to minimize water intake and the stabilization or removal of wing-wall cranes to prevent collapse
- Engineering and Design: Completion of technical designs for the final demolition and disposal of both DD2 and the neighboring Eureka Dry Dock

The construction costs total approximately \$8.1 million, based on the bid from Power Engineering Construction, and Public Works estimates approximately \$0.5 million in costs to support the project. The approximate \$10.5 million in total costs also includes a 20 percent construction contingency and a \$200,000 project controls reserve.

Table 1: Emergency Work Budget

| <u>Public Works Services</u> | |
|---------------------------------|---------------------|
| Project Management Service | \$119,916 |
| Construction Management Service | 349,053 |
| Contract Procurement Work | 10,000 |
| Site Assessment & Remediation | 20,000 |
| Public Works Subtotal | 498,969 |
| <u>Emergency Contract</u> | |
| Construction | 8,149,049 |
| Construction Contingency (20%) | 1,629,810 |
| Project Controls Reserve | 200,000 |
| Contract Subtotal | 9,978,859 |
| Total Costs | \$10,477,828 |

Source: Public Works / Budget and Legislative Analyst Report, January 29, 2026 (File 26-0009)

Additional Information

In October 2024, the Port Commission authorized staff to take an \$18.5 million supplemental appropriation ordinance to the Board of Supervisors for a new project to stabilize, sell, and/or demolish the dry docks. These funds, combined with the \$1.5 million BAE settlement funds received in 2017 will provide the initial \$20.0 million to complete the assessments, design for repairs and demolition, and the emergency contract for stabilization repair work.

With staff transitions and ongoing uncertainty regarding the strategy and cost of managing the dry docks, staff held off on taking the supplemental appropriation to the Board of Supervisors with the intent to include funding in the Port's FY 2026-27 and 2027-28 budget. However, with growing concerns regarding the stability of DD2 and the receipt of cost estimates, the urgency to move forward and confidence in costs grew, and in early December 2025 staff began the process of introducing the supplemental appropriation ordinance to the Board of Supervisors, with Mayor Lurie sponsoring the ordinance as introduced on December 16, 2025.

If you have any questions or need additional information, please contact Karolina Bufka at karolina.bufka@sfport.com. Your consideration of this request is greatly appreciated.

Sincerely,

DocuSigned by:

 Michael Martin

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Michael Martin
Acting Executive Director
Port of San Francisco

cc: Brian Strong, Office of Resilience and Capital Planning
Meghan Wallace, Interim Deputy Director of Finance & Administration, Port of San Francisco
Andre Coleman, Deputy Director of Maritime, Port of San Francisco
Wendy Proctor, Deputy Director of Engineering, Port of San Francisco

Enclosures

Summary Table: Uses and Sources of Funds
Mayor Memo to Board of Supervisors
Supplemental Appropriation Ordinance

SUMMARY TABLES: USES AND SOURCES OF FUNDS

| USES – By Phase | FY 2025-26 | FY 2026-27 | Total Cost |
|-------------------------------------------------------------|-------------------|-------------------|-------------------|
| Construction Phase 1A: Dry Dock 2 - Emergency Stabilization | \$8.6 | \$0.0 | \$8.6 |
| Construction Phase 2A: Dry Dock 2 - Disposal | \$3.0 | \$24.4 | \$27.4 |
| Construction Phase 2B: Eureka - Disposal | \$3.0 | \$12.7 | \$15.7 |
| Subtotal | \$14.6 | \$37.1 | \$51.7 |
| All Phases: Construction Contingency | \$5.4 | \$4.1 | \$9.5 |
| TOTAL | \$20.0 | \$41.2 | \$61.2 |

| SOURCES – By Phase | FY 2025-26 | FY 2026-27 | Total Cost |
|-----------------------------------------------------|-------------------|-------------------|-------------------|
| Current BAE Settlement Funds | \$1.5 | \$0.0 | \$1.5 |
| FY 2025-26 Supplemental Appropriation, Fund Balance | \$ 18.5 | \$0.0 | \$18.5 |
| FY 2026-27 Budget Appropriation, Fund Balance | \$0.0 | \$41.2 | \$41.2 |
| TOTAL | \$20.0 | \$41.2 | \$61.2 |

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: Appropriation - Port Commission – Fund Balance for Stabilization and Removal of Dry Dock - \$18,500,500 - FY2025-2026
DATE: December 16, 2025

Ordinance appropriating \$18,500,000 of Fund Balance from the Port Harbor Fund to the Port of San Francisco (PRT) for stabilization and disposal of dry docks and other shipyard improvements and safety measures in Fiscal Year (FY) 2025-2026.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org

FILE NO. 251248

ORDINANCE NO.

RO# 26009
SA# 31-09

1 [Appropriation - Port Harbor Fund - Port - Fund Balance for Stabilization and Removal of Dry
 2 Dock - \$18,500,500 - FY2025-2026]

3 **Ordinance appropriating \$18,500,000 of Fund Balance from the Port Harbor Fund to the
 4 Port of San Francisco (PRT) for stabilization and disposal of dry docks and other
 5 shipyard improvements and safety measures in Fiscal Year (FY) 2025-2026.**

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7 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underlined italics Times New Roman font*.
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.
Board amendment additions are in double-underlined Arial font.**Board**
amendment deletions are in ~~strikethrough Arial font~~.

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11 Be it ordained by the People of the City and County of San Francisco:

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13 Section 1. The sources of funding outlined below are herein appropriated to the Port of San
 14 Francisco for Fiscal Year 2025-26.

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16 **SOURCES Appropriation**

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| 18 | Fund / 19 Department ID | Project & Activity / Authority | Account | Description | Amount |
|----|----------------------------|-----------------------------------|-------------|--------------|---------------------|
| 20 | 23680 - PRT-OP | 10026768 - 0001 PO | 499999 Beg | Fund Balance | \$18,500,000 |
| 21 | Annual Account Ctrl / | Administration / PO | Fund | | |
| 22 | 109754 PRT FA- | Administration / 10000 | Balance - | | |
| 23 | Administration | Operating | Budget Only | | |
| 24 | Total SOURCES | | | | \$18,500,000 |

1 Section 2. The uses of funding outlined below are herein appropriated to the Port of San
 2 Francisco for Fiscal Year 2025-26.

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4 **USES Appropriation**

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| 6 | Fund / | Project & Activity / | Account | Description | Amount |
|----|------------------------|-------------------------|----------------|-------------------|----------------------------|
| 7 | Department ID | Authority | | | |
| 8 | 23700 - PRT-OP | 10032260 - 0030 PO SF | 567000 | Dry Dock | \$18,500,000 |
| 9 | Continuing Authority | Shipyard Repair Project | Bldgs,Struct&I | Stabilization and | |
| 10 | Ctrl / 232116 PRT Port | / Drydock Stabilization | mprv Proj- | Preparation for | |
| 11 | Commission | and Removal / 21271 | Budget | Removal and | |
| 12 | (Portwide) | PO Maritime | | Disposal | |
| 13 | | | | | |
| 14 | Total USES | | | | <u>\$18,500,000</u> |
| 15 | | | | | |

16 Section 3: The Controller is authorized to record transfers between funds and adjust the
 17 accounting treatment of sources and uses appropriated in this ordinance as necessary to
 18 conform to Generally Accepted Accounting Principles and other laws.

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20 APPROVED AS TO FORM:
 21 DAVID CHIU, City Attorney

FUNDS AVAILABLE
 GREG WAGNER, Controller

22 By: /s/
 23 BRAD RUSSI
 24 Deputy City Attorney

By: /s/
 GREG WAGNER
 Controller

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