

Capital Planning Committee

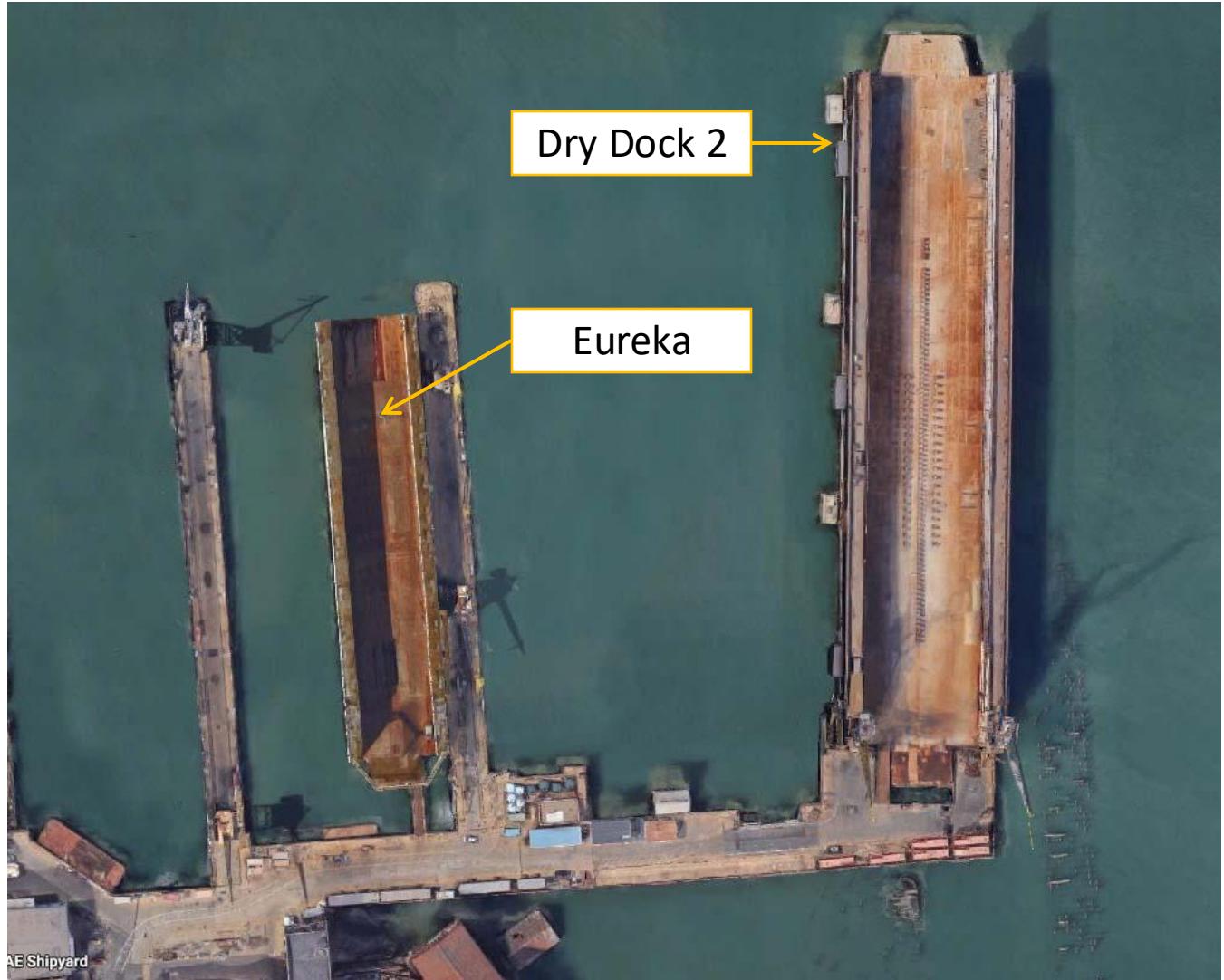
Item 4. Supplemental Appropriation Request for Dry Dock No. 2 (DD2)
Stabilization and Disposal - \$18,500,000

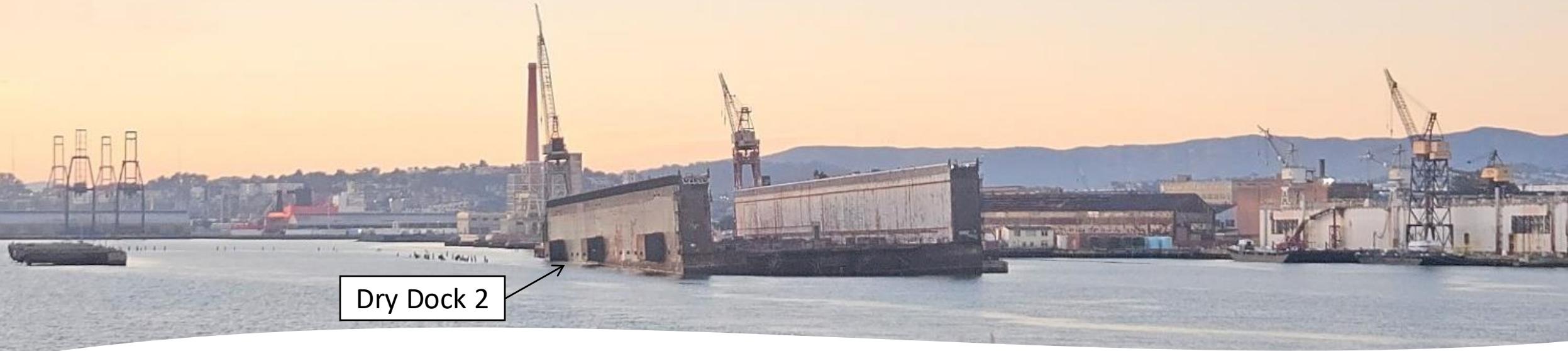
February 9, 2026



Background

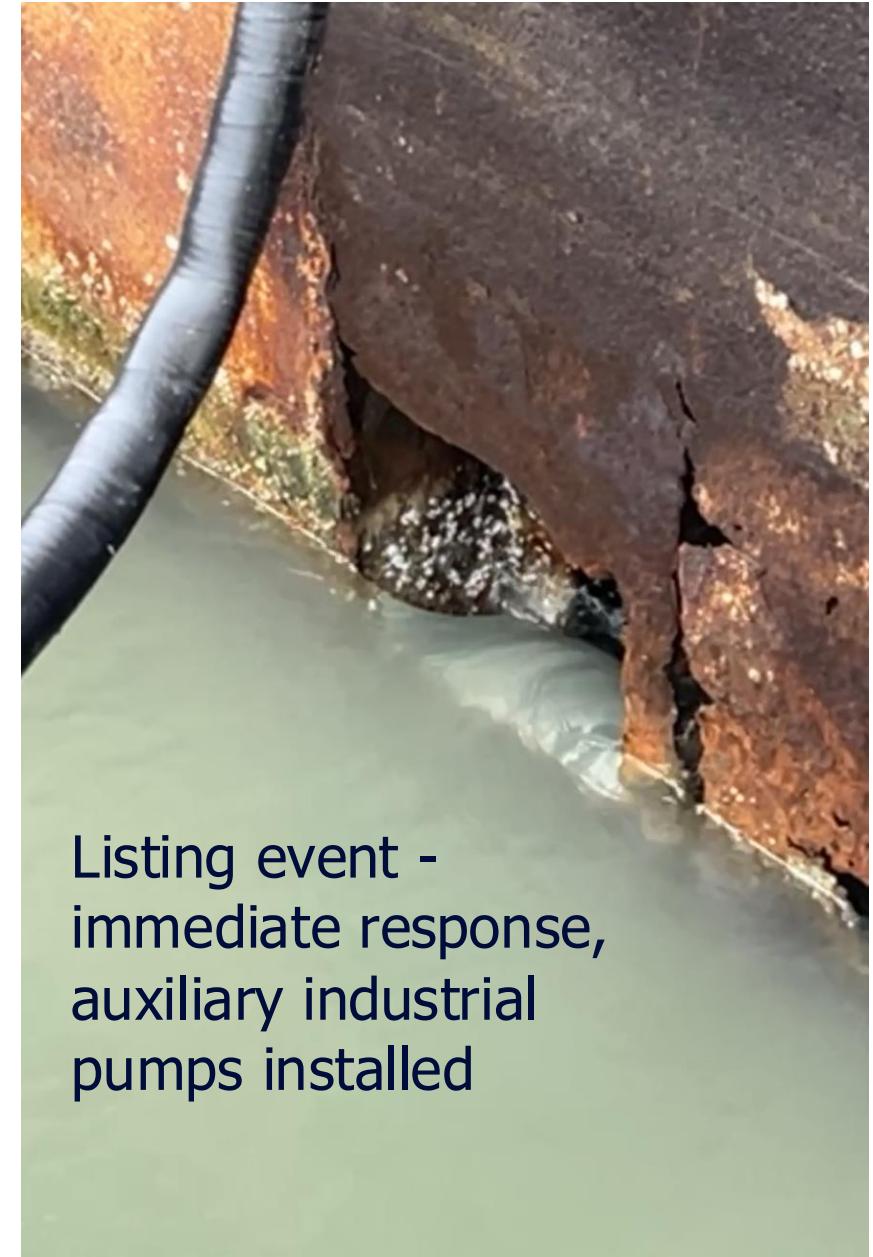
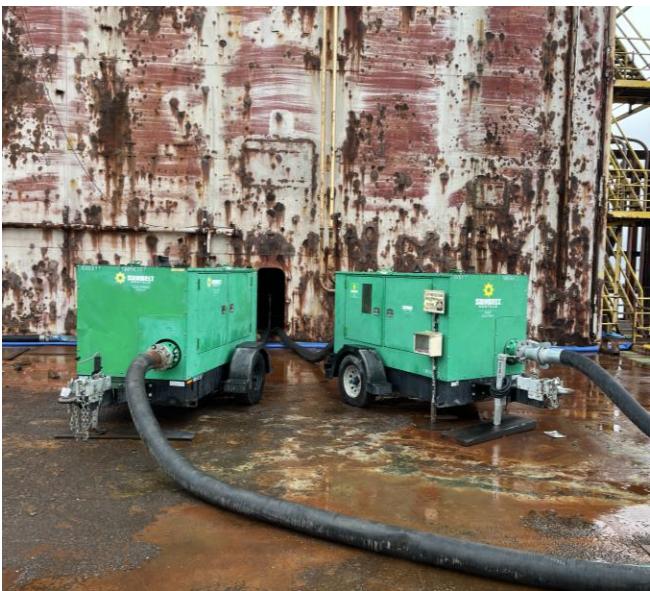
- Dry Dock #2 (900' x 200')
- Eureka (570' x 125')
- Abandoned by BAE in 2017
- Port's multiple efforts to reactivate the shipyard have failed
- Staff shifted focus to sale or disposal in 2023
- Negotiations with Desean Shipyards were unsuccessful in establishing a path to divestment





Current Project Status

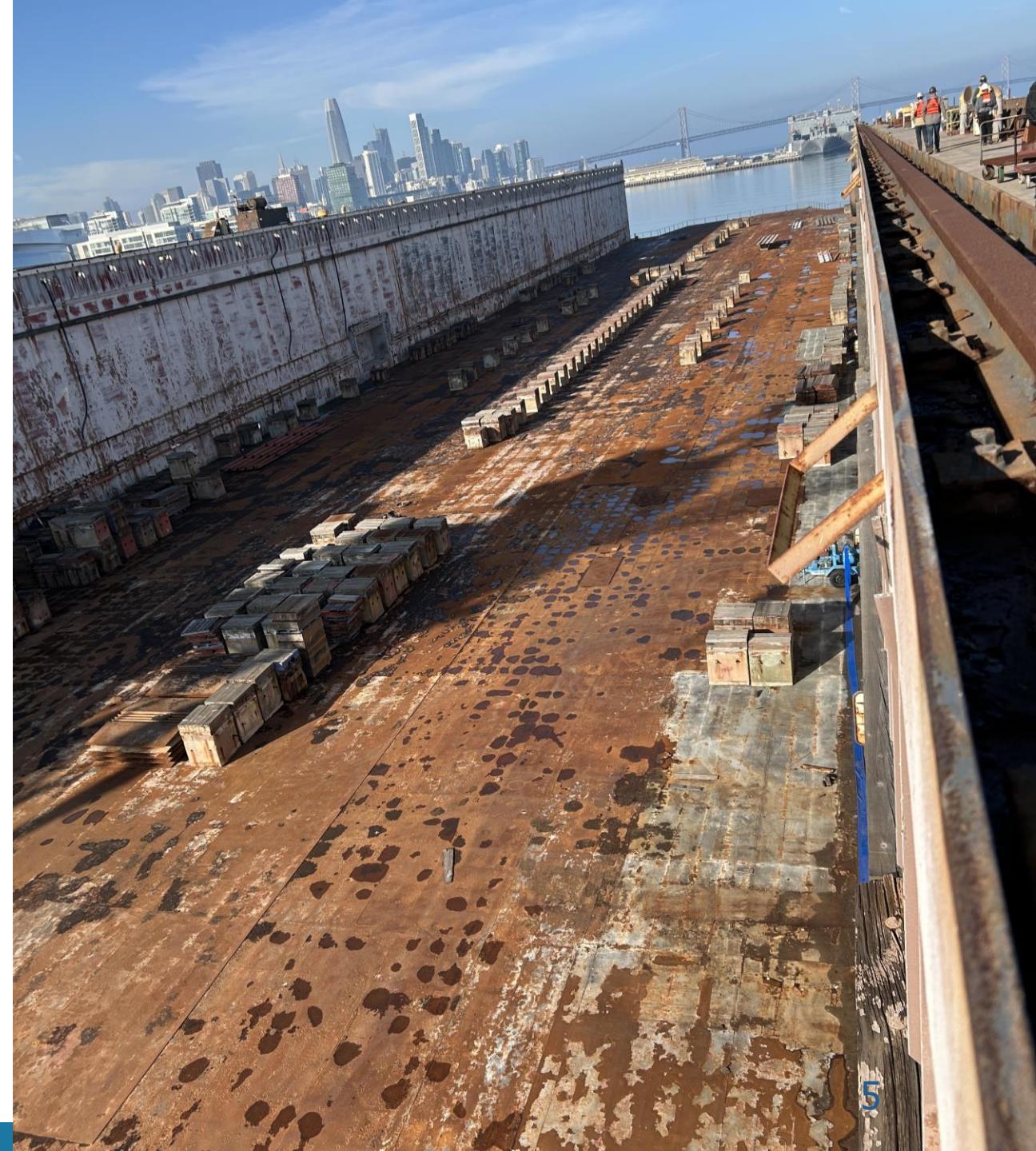
- **November 2025:** storm caused significant hull tearing at the waterline and uncontrolled flooding in ballast compartments
- **Actual Emergency Declared:** Dec 8, 2025, per Admin Code 6.60
- **Immediate Action:**
 - Vessel currently lists (tilts) dangerously
 - Emergency welding/patching underway via SFPW and marine contractors
 - 24/7 monitoring and auxiliary pumping active to prevent sinking



**Listing event -
immediate response,
auxiliary industrial
pumps installed**

Project Milestones

- **October 2024:** Port Commission approved initial stabilization/disposal resolution
- **December 2025:** Mayor Lurie sponsored Supplemental Appropriation Ordinance
- **January 13, 2026:** Port Commission informational Update on emergency status
- **January 27, 2026:** Budget and Finance Committee – emergency repairs not to exceed cost of \$10,000,000 and adoption of environmental findings
- **February 2026:** CPC Review and Recommendation (current)
- **Spring 2026:** Award of final demolition and construction contract
- **FY2026-FY2028:** Full disposal and removal of steel from San Francisco Bay



Link to Capital Plan

- **Strategic Goal: Evolution**
 - Port's Capital Plan prioritizes evolving the waterfront to respond to changing public and Port needs
 - Disposal allows Port to focus on active, revenue-generating maritime infrastructure
- **Strategic Goal: Productivity**
 - Attract and retain tenants that build an economically successful and vibrant waterfront
 - Clearing the deteriorating dry docks is a prerequisite to attracting investment
- **Waterfront Resilience Program (WRP) Alignment**
 - Core pillar is environmental stewardship and hazard mitigation
 - Directly supports objective to protect the San Francisco Bay's ecology
- **Liability Management**
 - Removes a high-risk asset before its condition deteriorates even further and becomes a major unfunded emergency salvage operation
- **Planned Phase-In**
 - Current \$18.5M is emergency supplemental, remaining \$41.2M already integrated into Port's Capital Improvement Program (CIP) and Biennial FY2026-28 Budget

Budget – Sources

- The Mayor sponsored a Port supplemental appropriation ordinance dedicating \$18.5 million fund balance from the Harbor Fund to complete this work.
- Additionally, there is \$1.5 million available from BAE settlement funds available, **for a total of \$20 million in this initial phase.**
- The proposed budget for FY 2026-27 will include the remaining \$41.2 million needed to remove and dispose of both dry docks, **for a total of \$61.2 million.**

SOURCES – By Fiscal Year	AMOUNT (\$ millions)
Current BAE Settlement Funds	\$ 1.5
FY 2025-26 Supplemental Appropriation – Port Harbor Fund Balance	\$ 18.5
Subtotal	\$ 20.0
FY 2026-27 Biennial Budget Appropriation – Port Harbor Fund Balance	\$ 41.2
TOTAL	\$ 61.2

Budget – Uses

- Staff has identified short-term funding to initiate contracts ASAP that will be restored for their original purpose once the new funds are in place in early March.
- Budget and Finance Committee approved emergency repairs not to exceed cost of \$10,000,000 and adoption of environmental findings

USES – By Fiscal Year/Phase	FY2025-26	FY2026-27	TOTAL AMOUNT	
			(\$ millions)	
Construction Phase 1A: Dry Dock 2 - Emergency Stabilization	\$8.6	-		\$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: 30% Construction Contingency	\$5.4	\$4.1		\$9.5
TOTAL	\$20.0	\$41.2		\$61.2

Risks & Opportunities

- **Risks of Inaction**
 - **Environmental Disaster:** Release of hazardous materials into the Bay
 - **Cost Escalation:** Salvage costs for sunken dock are 3-4x higher than proactive demolition (\$180M+ vs \$61M)
 - **Safety:** Navigation hazard to nearby maritime traffic
- **Opportunities**
 - **Liability Removal:** Permanent removal of a high-risk, non-earning asset from the Port's inventory
 - **Attracting New Investment:** Prepares site for future uses