

# S.F. Gets Big Shipyard And a Firm to Run It

By Scott Blakey

The Bethlehem Steel Corp. agreed yesterday to sell its historic San Francisco shipyard to the city for \$1 and the yard's equipment to rival Todd Shipyards Corp. for \$14 million — a deal designed to create jobs and make the port competitive in netting lucrative Navy repair contracts.

In the memorandum of understanding approved in San Francisco yesterday, Todd agreed to sign a 30-year lease for the property, pay annual rents and fees to the city totaling nearly \$2 million, invest \$10 million in capital improvements during the next five years, and pay \$1.5 million annually for yard maintenance.

The extraordinary coup gives

San Francisco ownership of an important piece of waterfront property and control of an industry that may be the key to the revival of its port. The valuable property could well have gone to an outside firm or to a developer.

An elated Mayor Dianne Feinstein said San Francisco now has "the opportunity to develop a first-class ship repair and construction facility."

Under the terms of a three-party agreement, the city will take title to the lands and buildings on Bethlehem's choice waterfront 40-acre site; Todd will own the equipment and maintain the facility as a shipyard, and Bethlehem gets a needed chunk of cash while ridding itself of an unneeded repair yard.

Preliminary estimates put the value of the land at \$20 million and the equipment at \$21 million.

The agreement between the city and the two corporations was completed early yesterday and approved unanimously by the Port Commission a few hours later, port officials said.

A small clause in the port's lease with Bethlehem gave San Francisco a right to first refusal on the prime acreage that the steel corporation was ready to sell to Todd.

The city wants the yard to assure that it will remain in permanent operation, and to consolidate its land holdings along some of the choicest industrial property on the southern waterfront.

The right to use the San Francisco ship repair yard will give Todd a decided edge over its competitors. Todd, with corporate headquarters in New York, already op-

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erates large repair yards at Los Angeles, Seattle and Alameda.

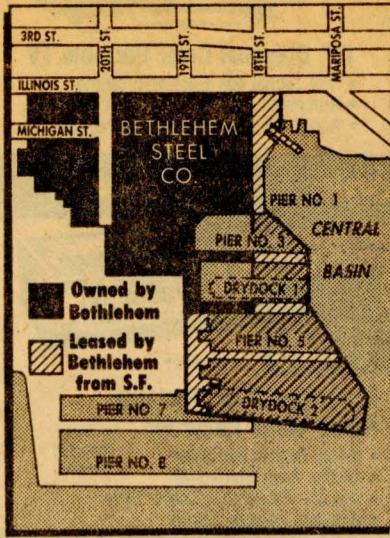
"We have great faith in the West Coast," Todd chairman Jack Gilbride said yesterday from New York. "It's a good deal for the city, and it's helpful for Todd."

In addition, Todd will institute a major training program for San Franciscans who want to learn the shipwright's trade.

"I think this is the best possible thing that could have happened for the port, and for San Francisco," said a jubilant Eugene Gartland, the Port Commission president who led the city's negotiating team. "And it won't cost the city anything, because I put up our required one buck myself."

The framework of the agreement between Todd and the port was drafted Monday in New York by Gartland, Gilbride, City Attorney George Agnost and Sam Nemirov, former assistant U.S. secretary of commerce and a sometime legal adviser to the port. The final negotiations continued through Tuesday to early yesterday.

The deal is scheduled to close



The area involved in the shipyard transaction

September 30. There is also a built-in grace period through December 31, should some problem arise.

The three-way agreement came only one week after the Port Commission voted unanimously to pursue the Bethlehem property for the city, an outright challenge to Todd, which had hoped to buy the entire facility itself.

Bethlehem and Todd, onetime arch rivals in the ship repair business, negotiated a sale agreement earlier this year, and officially notified the port July 30. The port had 60 days to exercise its first refusal option and come up with \$14 million.

"What saved us was that first refusal clause in the Bethlehem lease," one port official said. "I'm willing to bet it was tossed in almost as an afterthought when the lease was put together 13 years ago, and I don't think anyone expected us to use it."

For a time the city thought it might have to put up \$14 million of port money to buy the yard, a move fraught with danger.

To raise that kind of cash, Gartland said, the port would have had to defer for an indeterminate period spending any money on approximately \$15 million of capital improvements already allocated in the port's five-year Capital Improvement Plan.

The switching of funds required for the purchase would also have required time-consuming hearings and approval by the Board of Supervisors. The port was fearful of running out of time and losing

Area firms, in addition, are also interested in taking over the property.

One of them, San Francisco Welding & Fabricating Inc. at China Basin, told the port it had \$14 million in cash and was ready to purchase Bethlehem's equipment and sign a 10-to-15 year lease.

But sources close to the negotiations indicated that port officials felt Todd was in a better position, both from a financial and technical point of view, to run the shipyard — if a deal could be struck.

Todd also faced the possibility of losing everything, providing the supervisors freed the port's money quickly, or the port chose to accept some other firm's millions and strike a reasonable bargain that would have consolidated its property holdings.

City ownership of the yard was considered necessary to prevent the possible removal of Bethlehem's huge drydocks and repair cranes. That would have crippled any chance of revitalizing the city's ship repair industry.

Removing the drydocks or other equipment would now constitute a breach of Todd's new port lease.

"That's not going to happen," Gilbride said yesterday. "We are going to be making a huge investment in that yard and will be upgrading the facility."

He said Todd plans to operate both the San Francisco and Alameda yards and "integrate the facilities where we can."

The new operation at San Francisco, he added, "will result in extensive Navy ship work heretofore unavailable to the city."

Feinstein added: "Todd does more Navy repair work than any West Coast company. It intends to use that capacity here. That means jobs, and safeguards the facility's use for future generations."

The Bethlehem yard encompasses 40 acres of land owned by the company, 17 acres of tidal land leased from the port, 400,000 square feet of office and industrial space, 16 heavy duty repair cranes and two huge floating drydocks.

Todd will continue leasing the port's 17 acres for \$45,000 a year.

Bethlehem's local work force has shrunk from about 750 workers to 250 during the past five years and returned a profit here of only \$42 million last year, not high by industry standards.

Todd spokesmen did not address the question of the yard's current workforce yesterday, but Gilbride said "things will be worked out."