



**Status of Activities
under
June 29, 2009 MOU
among the
Los Angeles Harbor Department, Gambol Industries, Inc., and
The Los Angeles Conservancy**

**Presented by:
Michael Christensen, P.E.
Deputy Executive Director - Development**

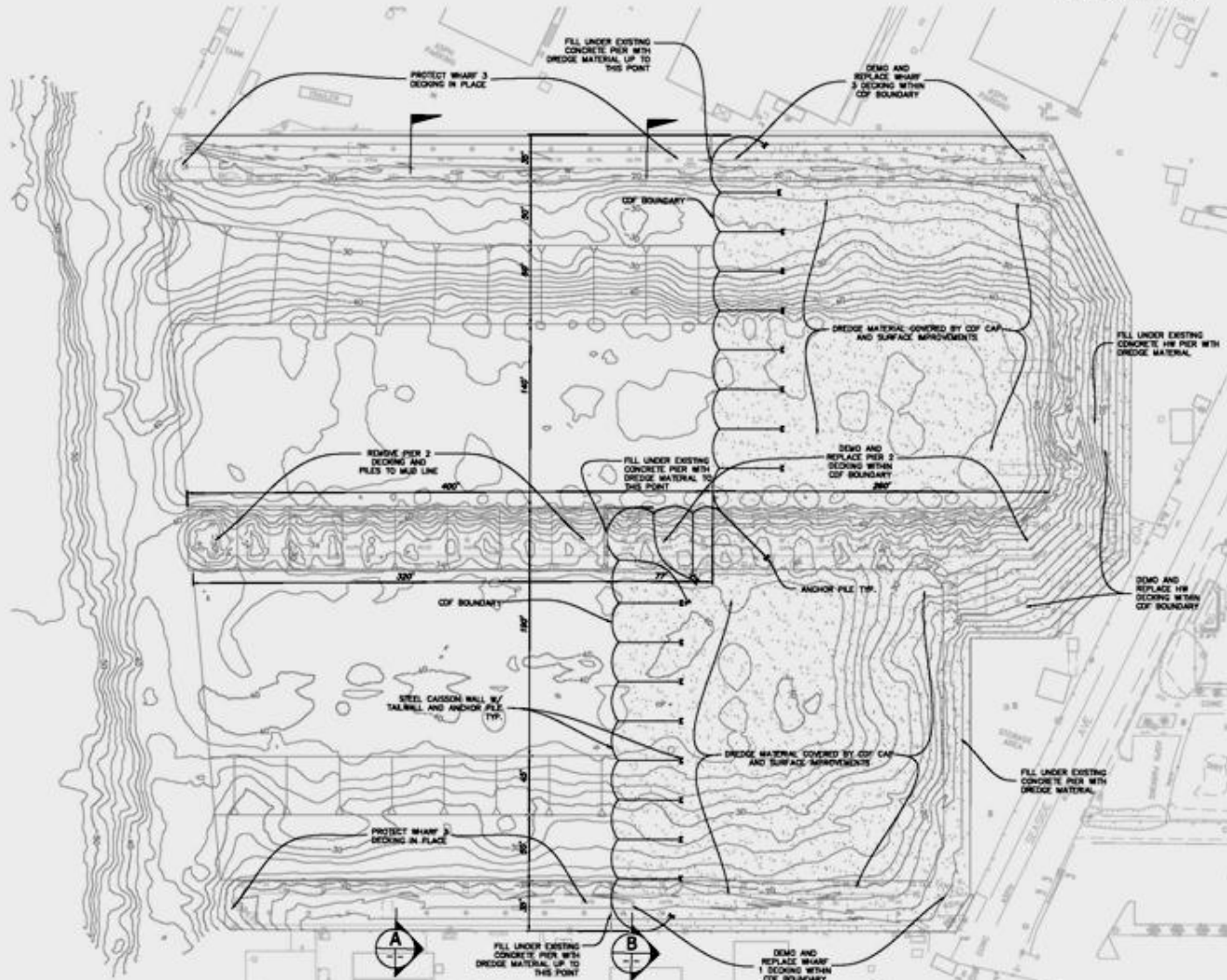
**Special Board Meeting
July 28, 2010**

5/18/2010 Evaluation Criteria

- ✓ Structural/ Seismic
- ✓ Accommodates the MCDP (Capacity)
- Consistency with SEIS/SEIR
- Schedule
- Cost

Gambol 4.2

TRANSMITTAL 10



SUMMARY:

OFF SITE DREDGE	163,094 CY
ON SITE DREDGE	90,307 CY
TOTAL DREDGE MATERIAL	253,401 CY
FILL VOLUME @ (+8.5)	246,288 CY
FILL VOLUME @ (-11)	256,863 CY
LF OPEN CELL SHEETS	882 LF
BACK LAND AREA	4.24 AC

NOTE:

ALL DREDGE ELEVATIONS NOT INDICATED ARE TO BE THE SAME AS THE ORIGINAL CONSTRUCTION DESIGN DEPICT.

OPEN CELL® and OPEN CELL SHEET PILE® are registered trademarks of PNO Engineers, Inc. The OPEN CELL system is patented.
 PATENT - US 6,715,964 B2
 PATENT - US 7,018,141 B2
 PATENT - US 7,488,140 B2



PRELIMINARY - NOT FOR CONSTRUCTION

DATE	AS NOTED	05-30-10
	DATE	2/27/10
SCALE	DATE	1-1
	DATE	
SITE PLAN		
Prepared by: BLUES WATER 10000 Wilshire Blvd, Suite 1000 Los Angeles, CA 90024 Phone: 310.556.5500		
DESIGNED BY	JCH	
CHECKED BY	CJG	
DATE		
PROJECT	GAMBOL MARINE INDUSTRIES	
CLIENT	GAMBOL MARINE INDUSTRIES	
PROJECT	SOUTHWEST MARINE SITE	

5/18/2010 Evaluation Criteria

- ✓ Structural/ Seismic
- ✓ Accommodates the MCDP (Capacity)
- X Consistency with SEIS/SEIR
- X Schedule
- X Cost



MOU Requirements

1. Prior to 6/29/10 Gambol submits
 - Its Conceptual Project Description (1/22/10)
 - Its Proposed Business Plan (6/28/10)
2. Harbor Dept. staff reviews & makes recommendation in a single Board Report
3. Board decides designation of site as shipyard
4. If answer to 3 is “yes” then Board decides on sole-source lease to Gambol



Gambol's 7/13/10 Submitted Schedule

- Ignores NEPA/CEQA process
- Shows all Geotech work as completed
- Shows Final Design starting on June 11, 2010
- Shows piles ordered before contract MOD is executed
- All activities are 7 days per week

NEPA Assessment
Required
(per USACE)

- Section 404 Permit USACE
- Section 401 Permit RWQCB
- CCC Consistency Determination

CEQA Assessment
Required

- California Coastal Commission (CCC)
PMP Amendment



“...(Coastal) Commission staff would not recommend approval of a port master plan amendment from the POLA and/or a federal consistency determination from the Corps for the vertical wall system for containment of sediments associated with the Channel Deepening Project...because the proposed vertical wall system is unproven for containing contaminated sediments it would pose a risk to water quality and marine habitat.”

4/8/10 letter from
California Coastal Commission
To D. Mathewson (Port) and K. Ehrlich (Gambol)



“...The Commission staff has not modified its April 8, 2010, position on the approved Channel Deepening Project or the vertical wall structure, and has not received the additional technical information previously requested by the staff.”

7/21/10 letter from
California Coastal Commission
To D. Mathewson (Port), cc K. Ehrlich (Gambol)



“...you provided case law to support your recommendation that the Corps prepare a “supplemental analysis” of the effects of the modification to determine whether they warrant an SEIS. The determination of whether to prepare a SEIS turns on whether there are significant new circumstances or information relevant to environmental concerns bearing on the proposed action or its impacts...If, as seems likely, that is the case for the permit modification, and SEIS will be required.”

7/23/10 letter from Corps of Engineers
To K. Ehrlich (Gambol) cc Harbor Dept.

Continued

“...construction of a ship repair facility is a foreseeable indirect impact which would need to be assessed in the environmental document...”

“...experience on our previous SEIS/SEIR and preparation of EISs for other POLA projects has shown that preparation of an SEIS could require 24 to 36 months to complete.”

7/23/10 letter from Corps of Engineers
To K. Ehrlich (Gambol) cc Harbor Dept.

Schedule

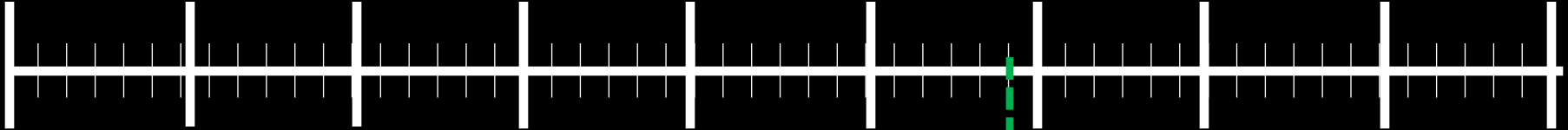
Jan 2010

Jan 2011

Jan 2012

Jan 2013

Jan 2014



POLA's Estimated Schedule for Alt 4.2
CDF

MCDP Project Completion
December 2012



Permits/
Entitlements



Final Design



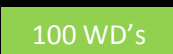
Negotiate MOD



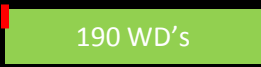
Procure/Fabricate/
Deliver Piles



Steel Wall Construction




Place Fill, Gravel, Wicks, Surcharge



- Does not include weather or major maintenance delays

16 month delay
to overall schedule



Omitted Costs

- Parking structure
- ADA compliance
- Marsec security upgrades
- Electrical equip. replacement
- CDF differential (\$5.5M)
- Site prep on CDF
- Fire sprinkler upgrades
- Dredging of B.240
- Rehab of piers
- Power trench rehab
- Site grading & paving
- Site utilities
- Crane repairs/derating
- Concrete caps on sheet piles
- Asbestos/Lead abatement



Potentially Omitted Costs

- Seismic upgrade of building foundations (piles)
- Seismic upgrade of piers, wharves, and cutoff walls
- Fire sprinkler replacement (likely)
- 34.5 kV substation upgrade (assume DWP will pay for this)
- Annual maintenance for steel sheet piles (\$5.25M over 30 years)



Omitted Costs

ITEM	COST
RESTORATION AND REFURBISHMENT OF EXISTING BUILDINGS	\$ 7.4M
CONSTRUCTION OF NEW CONCRETE PIERS AND WHARVES INCL. CDF	\$ 11.2M
GRADING AND PAVING NEW LAND AREA	\$ 1.2M
GRADING AND PAVING EXISTING LAND AREA	\$3.3M
NEW SITE INFRASTRUCTURE AND SHIPYARD FACILITIES	\$ 17.3M
NEW FLOATING DRYDOCKS	\$13.0M
OPEN CELL VS. POLA CDF COSTS	\$ 5.5M
TOTAL ADDITIONAL COSTS	\$58.9M

Virtual Tour of Site



Virtual Tour of Site



Virtual Tour of Site



Virtual Tour of Site



Other Issues

- Vessel transfers at Piers 3 & 4 could impede main channels ops
- Pier 4 operations impact north side of slip 240
- 720 dry dock operations along Pier 4 not possible without dredging
- Lost opportunity costs for disposal of other contaminated sediment

Potential Operational Conflicts

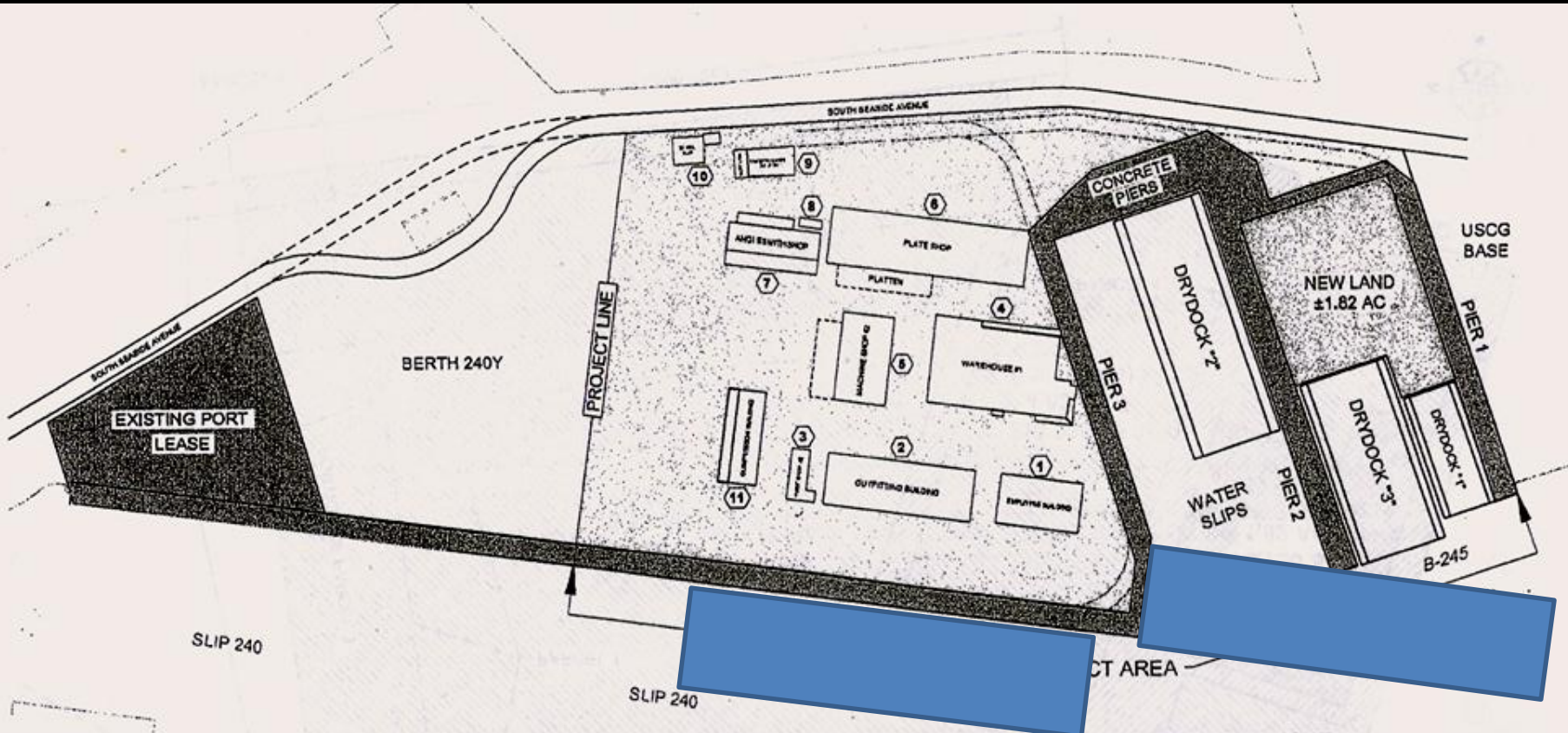


Figure 2A - GAMBOL INDUSTRIES SHIPYARD - BUILDINGS and PROJECT SITE



Proposed Business Plan

- Low-growth mature intensely competitive industry
- Extraordinary financial returns inconsistent with other similar operations (triple compared to Todd)
- No support for these returns
- Gambol must take market share away from others
- Unclear how Gambol proposes to take market share
- Grossly understated capital costs
- 70% of Gambol's business is in direct competition with Al Larson Boat Shop

Competition in the domestic ship repair and overhaul industry is intense. The reduced size of the Government's active duty fleet has resulted in a significant decline in the total amount of Government business available to private sector shipyards, creating excess shipyard capacity and acute price competition. We compete for commercial and Government work with a number of other shipyards in a severely cost conscious environment. Our competitors for repair, maintenance and overhaul work include non-union shipyards and shipyards with excess capacity. Our competitors for new construction work, in addition to West Coast competitors, include Gulf Coast and East Coast shipyards with lower wage structures, substantial financial resources or significant investments in productivity enhancing facilities. Competition for domestic construction and repair opportunities will continue to be intense as some of our larger competitors have more modern facilities, lower labor cost structures, or access to greater financial resources.

[\[1\]](#) Todd Shipyards Corp., Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended March 28, 2010, at p. 4 (emphasis added).



Employment Projections

- Gambol's jobs generated per their Proposed Business Plan is estimated to be 1,000 to 1,250 direct and indirect jobs
- Port jobs generated by one version of the TI Plan is estimated at 4,000 direct and 7,000 indirect jobs for operations of a 1,000,000 TEU increase in capacity plus thousands of construction trade jobs

Questions