Survival of the Fittest:
Rebuilding an American Shipyard

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History of the Willamette River

- Oregon's oldest, largest industrial, shipping and commercial center
- 1994 survey with ODEQ for US Conference of Mayors reveals over 1,000 sites
- Brownfields concentrated along Portland's urban waterfront
- Industrial properties served by major rail, highway, air and deep-water port facilities
Portland's Industrial Sanctuary

- Regional land use framework: inside the Urban Growth Boundary
- Focus on growth: jobs, infrastructure, access to labor and markets
- Eliminate conflicts from residential and commercial uses
- Brownfields prevention
  - Private sector investment
  - Portland Brownfield Initiative
  - Portland Livable Community Showcase Project
Portland Shipyard 1943

- Constructed in 1942 by Kaiser Shipbuilding to build Victory ships during WWII
- Port of Portland acquired shipyard from the War Assets Administration in 1953
- Port converted facility to repair yard; last major renovation in 1979
- Port operated, leased space and services to multiple repair contractors
The Company

57 acre shipyard with 3 drydocks, 500,000 f² of shops
The Company

- Portland Shipyards purchased by Cascade General in August 2000
- Cascade General established in 1987 from the merger of two ship repair companies
- Employment range: 700 to 1,500 workers represented by 11 trade unions
- Small business under SIC Code 3731
- Average annual revenue $100M+
- Provides a range of vessel services to government and private ship owners
Projects from $1 - $30 million
The Company

New construction

120 MW Power Barge
The Company

- Tugs
- Barges
- Fish Processors
- Work Boats
The Company

Ship Dismantling

Industrial Fabrication
Status in 1995

- Port of Portland owned and operated shipyard and leased space and services to multiple contractors
- Port wanted out of the business, initiated world-wide search for single operator of shipyard
- Cascade General was the last surviving ship repair company at Portland Shipyard, about to go bankrupt
  - Company had more than $30 million in debt
  - Adversarial union relationship with antiquated work rules & practices
  - Un Trusting work force with waning skills
Status in 1995

- Antiquated business processes & outmoded information systems
- Capital equipment in state of disrepair

• Uncertainty about the future of the yard among major customers

• Declining domestic ship repair market

• 60-year industrial history and little was known about environmental conditions

• Significant emerging environmental issues associated with contaminated sediments and endangered species listings in Portland Harbor
Avoiding Disaster

- Port recognized need for privatizing shipyard
- Last minute purchase of Cascade General by Frank Foti
- Successful bid for long-term lease & sole operation of shipyard, with right of first refusal to purchase
- Infusion of new working capital
- Negotiated with unions for new contract
- Focused on regaining trust and productivity
- Foti installed new executive, environmental, safety, and HR management team and infrastructure
Key Challenge

Purchase of the Shipyards

- Long-term viability of Cascade General depended on owning the shipyard
  - expensive rent; need to raise capital; facility improvements
- Began negotiations with the Port in 1997 to purchase shipyards
- Environmental issues became key driver in transaction and nearly a deal breaker
Purchase of the Shipyard

- Nearly 60 years of industrial use and limited information regarding environmental conditions at the shipyard
- Converging environmental issues created high degree of uncertainty:
  - EPA conducting investigation to include Portland Harbor on NPL; NMFS lists fish runs as threatened under ESA; no in-water dredged material disposal site; lack of sediment standards
- Multiple lenders financing the deal
- Nobody wanted any risk
Key Challenge

• First Steps
  - Comprehensive site assessment
  - Engineering cost estimate for cleanup
  - Liability analysis
  - Framed "must have" issues for both parties

• Key Provisions of Agreement
  - No admission of liability
  - Baseline audit establishes pre-existing contamination
  - Port funds and manages cleanup
  - Cap on Cascade General's liability for cleanup
  - Cascade General receives credit for maintenance dredging in contaminated areas
Lessons Learned

- Not enough emphasis on preventing borderline sites from becoming brownfields
- Sediment contamination is a major issue in waterfront property transactions, particularly at NPL sites
  - Environmental agreement took over two years to negotiate
  - $1.5M in technical and legal costs associated with environmental agreement
- Overlay of ESA listings on potential for Natural Resource Damages is a significant barrier to water-front transactions
Lessons Learned

NOTE: These maps depict major river basins within the current known range of the species/ESU. They are for general reference only; the species does not necessarily inhabit all drainages or river reaches depicted.

Legend
- Central California Coast (T)
- Central Valley (T)
- Klamath Mountains Province (C)
- Lower Columbia River (T)
- Middle Columbia River (T)
- Northern California (T)
- Olympic Peninsula (NW)
- Oregon Coast (C)
- Puget Sound (NW)
- Snake River Basin (T)
- South-Central California Coast (T)
- Southern California (E)
- Upper Columbia River (E)
- Upper Willamette River (T)
- Washington Coast (NW)

Status
- E - Endangered
- T - Threatened
- C - Candidate
- NW - Not Warranted
Integrating Brownfields Policies with Regulatory Realities

- EPA Brownfields Showcase Communities Program
  - Keeping industrial partners
  - Role of Superfund Program

- Superfund Program
  - Can it address local needs
  - Application in Showcase Communities

- Land Use/Smart Growth
  - Getting and keeping business support critical
  - Avoid disincentives for greenfield development
Breaking Down the Barriers

- Provide resources to address cleanup requirements at particular sites
- Engage NR Trustees more effectively
- Link brownfields policies with other programs
BROWNFIELD PREVENTION IS MORE EFFECTIVE THAN BROWNFIELD REDEVELOPMENT