

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: July 26, 2010

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 10-73
Increase Contracts with Anderson Environmental Contracting in an Amount Not to Exceed \$600,000 for Environmental Remediation of the Gateway Redevelopment and Neighborhood Park

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6814

ACTION SUMMARY

This action will increase all necessary contracts with Anderson Environmental Contracting in an amount not to exceed \$600,000 as a result of a solicitation for environmental remediation and additional, unforeseen costs of certain City and Portland Development Commission (PDC)-owned property located at 10506-10512, 10520 NE Halsey Street Property) in the Gateway Regional Center Urban Renewal Area (URA). A site map is provided in Attachment A, Project Summary.

The Property, commonly known as the Gateway Redevelopment and Neighborhood Park Project (Project), requires remediation of contaminated soils to prepare the site for development and eliminate potential exposure to hazardous substances. Due to the development of the site as a public area and to address requests by community stakeholders and the Portland Bureau of Parks and Recreation (PPR), PDC will pursue remedial actions that meet the Oregon Department of Environmental Quality (DEQ) standards.

PDC issued an Invitation to Bid on December 22, 2009, and opened bids on January 14, 2010. Six bids were received, five of which were determined to be responsive. Upon review by PDC, the firm of Anderson Environmental Contracting was found to be the lowest bid at \$293,912. Environmental remediation and site preparation work proceeded on schedule until June 2010, when the contractor discovered seven deep drywells/cesspools that will require excavation and additional soil testing. Upon approval of this action, it is anticipated that change orders will be issued to Anderson Environmental Contracting for this additional unforeseen remediation and site preparation work. Work would be completed at a cost not to exceed \$600,000 by the end of August 2010.

PDC Construction Services staff will continue to manage the environmental remediation contract. Authorization by the PDC Board of Commissioners (Board) is required because the increased contract amount is in excess of the Executive Director's expenditure authority.

PUBLIC BENEFIT

The public benefits of authorizing an increase to this contract for environmental remediation include the following:

- Remediates Property that will become a future neighborhood park;
- Seeks to attain a No Further Action (NFA) determination by the DEQ; and
- Prepares the Property for redevelopment.

Through a collaborative process that began in May 2010, PDC, PPR, and neighborhood stakeholders will discuss the optimal size, uses, and layout of the Project. It is expected that the planning of redevelopment and park will be done concurrently, leading to a property lot line adjustment.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

There has been no specific outreach or public feedback on this particular increase in contract. Prior to beginning the remediation work, the Gateway Program Advisory Committee (PAC) submitted a letter of support for PDC's successful application for a U.S. Environmental Protection Agency (EPA) Brownfields Clean-Up Grant. Most recently, the PAC supported PDC's proposed clean-up plan for the Project. Staff continues to regularly update the PAC on the status of the clean-up.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The project supports the following plans and agreements:

- *Gateway Regional Center Urban Renewal Plan (2001)*. Specific goals of the plan include park development and redevelopment. In Policies and Objectives 11.47 (New Park land), the Plan calls to "increase the supply of new park land, giving priority to: areas where serious geographical and service level deficiencies exist;" and
- PDC's Administrative Policy for Solicitation and Purchasing (AP-06.25) competitive bids from qualified firms.

FINANCIAL IMPACT

The total estimated cost of the cleanup is expected to be approximately \$525,000, with a \$75,000 contingency for a total of \$600,000. The contingency is estimated at 15 percent of the total project cost.

In December 2008, PDC negotiated a Remediation Holdback Escrow Agreement with the seller of the contaminated site. The seller agreed to place \$500,000 from their proceeds of the property transaction into an escrow account held by a title company. Over the course of this two-year agreement, PDC has drawn down on this account, subject to the agreement of the seller, as reimbursement for remediation activities.

In addition, staff applied for and was awarded a \$200,000 Brownfields Cleanup Grant from the EPA. These grant funds have also been applied to reimbursing PDC for remediation expenditures.

Should the total costs exceed the amount available from the Remediation Holdback Escrow Agreement and the EPA Grant of \$200,000, there are adequate resources above and beyond the authorization requested today.

A copy of the Gateway Regional Center URA Adopted FY 2010-11 and Forecast Years Budget is included as Attachment B.

RISK ASSESSMENT

There is the potential risk that environmental remediation costs and related activities could exceed the anticipated project budget. In addition to funding from the EPA grant and the Remediation Holdback Escrow Agreement, there are sufficient funds in the Gateway URA budget to accommodate any potential additional costs.

WORK LOAD IMPACT

Existing Construction Services staff within the Central Services Department will manage the construction contract and monitor work in coordination with Urban Development Department (UDD) project staff.

ALTERNATIVE ACTIONS

The Board could elect not to authorize the Executive Director to approve the increase in contract. In this case, remediation of the Property would be delayed, which could compromise PDC's ability to both utilize funding from the Remediation Holdback Escrow Agreement that expires at the end of December 2010 and risk EPA grant funding for remediation work.

CONCURRENCE

This Project has the support of the UDD leadership, PPR (which jointly owns the Property with PDC), the Gateway PAC, and the Hazelwood Neighborhood Association.

BACKGROUND

PDC and PPR acquired approximately four acres at 10506-10512, 10520 NE Halsey in December 2008 from two sellers, with the expectation that this site will ultimately become a three-acre neighborhood park with one acre of supporting and complementary redevelopment.

PDC has been the lead agency in the due diligence, acquisition, property management, and site preparation activities.

PDC issued solicitation # 09-55 on December 22, 2009, requesting bids for remediation work at the Property. Five applicants were deemed responsive, and on January 18, 2010, PDC issued a notice of intent to award the contract of \$293,912 to Anderson Environmental Contracting, the lowest responsive bidder. Due to complications with the Seller of the property, the Notice to Proceed to the contractor was not issued until April 30, 2010. Remediation and site preparation has proceeded according to schedule.

During the course of remediation and site preparation work, significant unforeseen issues were discovered, including seven deep drywells/cesspools and soft soils in the basement area. To date, the Executive Director has authorized approximately \$205,588 in change orders. Staff estimates that an additional \$100,000 is required to complete the remediation and site preparation work.

The remediation work has focused on the removal of soil contaminated with tetrachloroethene (PCE) and trichloroethene (TCE) sourced from a former dry cleaner on the Property. All work completed as part of the cleanup project has been coordinated with DEQ to ensure that all applicable State cleanup standards are met and the cleanup is protective of human health and the environment. PDC will request a NFA determination from DEQ after remedial actions are complete. The NFA effectively gives the site a clean bill of health, allowing PDC and PPR to construct the park and redevelopment.

If the Board authorizes the increase to this contract, it is anticipated that a change order will be issued in early August 2010, with all work completed by the end of August 2010. The majority of all project costs will be covered by both the Remediation Holdback Escrow Agreement and the EPA grant funds.

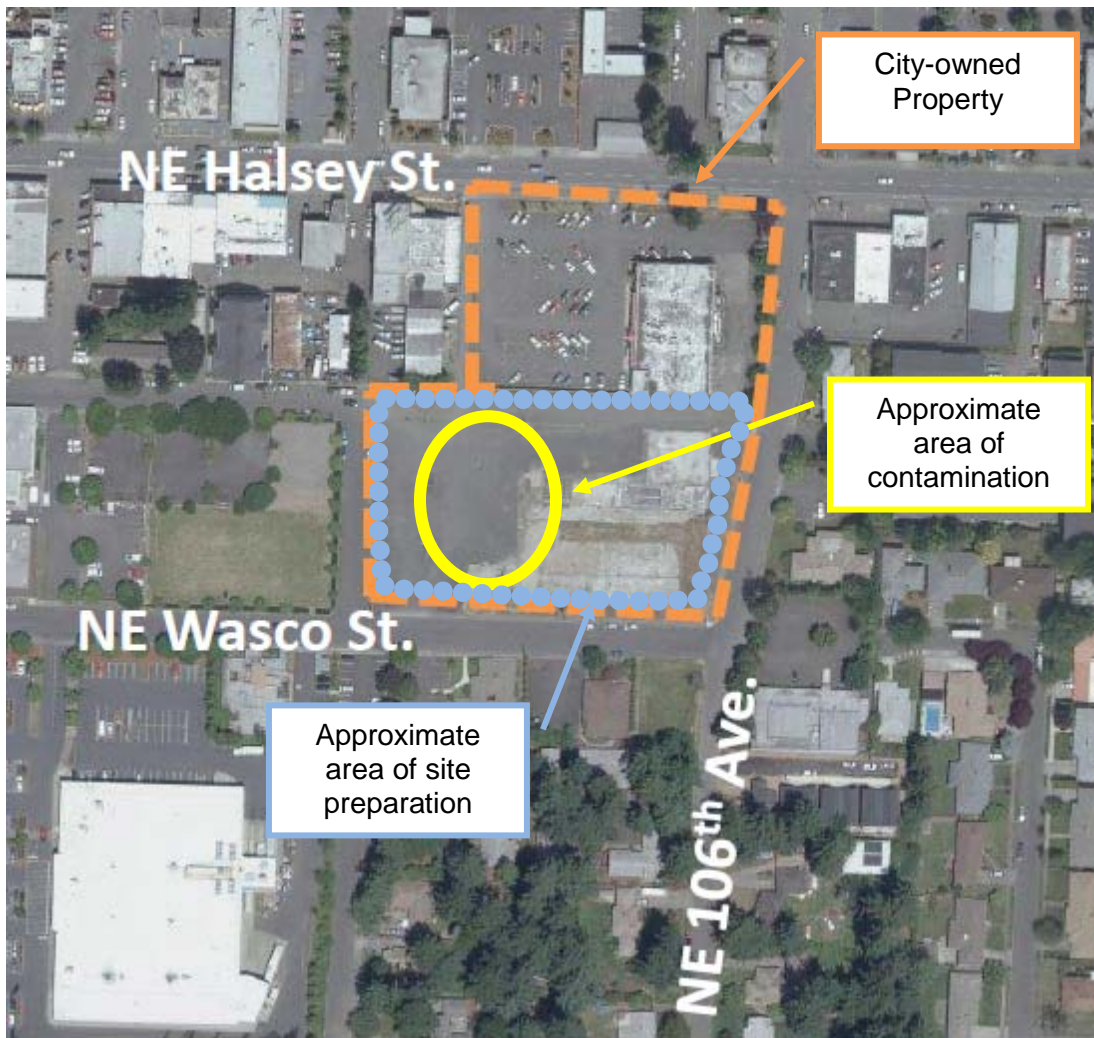
In May 2010, PDC and PPR jointly began a redevelopment effort with a consulting team to work with the community and other stakeholders to determine park features and the redevelopment uses and footprint. Upon completion of this initial work, PDC and PPR will execute a property lot line adjustment such that PDC is in sole title of the redevelopment site and PPR is in sole title of the park site. Each agency will then be responsible for their respective site's property maintenance. Until there is capital funding for park development the site will be a grassy open area available for public use. Funding for park development is contingent on PPR's capital budget and a potential future bond measure. Redevelopment of the PDC parcel will be subject to market conditions and likely disposed to a development team through a competitive solicitation process. Ideally, park development and the redevelopment will occur simultaneously.

ATTACHMENTS:

- A. Project Summary and Map
- B. URA Financial Summary

PROJECT SUMMARY

- Project Name:** Gateway Redevelopment & Neighborhood Park Project
- Description:** Remediation of contaminated property to achieve a No Further Action Determination (NFA) from Oregon Department of Environmental Quality
- Location:** 10506-10512, 10520 NE Halsey Street
- URA:** Gateway Regional Center
- Current Phase:** Remediation and site preparation work in-progress
- Next Milestone:** Completion of all remediation and site preparation work and award of NFA
- Completion Target:** August 2010
- Outcome:** NFA determination
- Site/Project Map:**



URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2009-10	Adopted FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14	Forecast FY 2014-15
Gateway Regional Center URA						
Resources						
Beginning Fund Balance	2,667,543	2,352,976	132,020	114,821	167,537	232,570
Federal and Other Grants	200,000	208,500	208,500	0	0	0
Fees and Charges	0	0	0	0	0	0
Interest on Investments	10,000	1,000	7,000	8,000	9,000	2,000
Loan Collections	13,371	18,402	18,402	14,478	10,555	10,555
Reimbursements	450,000	0	0	0	0	0
TIF Proceeds	3,723,569	4,151,858	8,204,099	8,185,438	5,176,678	5,321,997
Total Resources	7,064,483	6,732,736	8,570,021	8,322,737	5,363,770	5,567,122
Requirements						
Program Expenditures						
Business and Industry						
Community Economic Development						
H79020 Business Finance	0	75,000	125,000	162,500	162,500	212,500
H79060 Business Development	100,000	150,000	200,000	200,000	200,000	200,000
General Business Assistance						
H79020 Business Finance	198,000	0	0	0	0	0
H79022 Business Retention	50,000	0	0	0	0	0
High Growth						
H79020 Business Finance	0	37,500	62,500	81,250	81,250	106,250
Industry Cluster						
H79020 Business Finance	0	37,500	62,500	81,250	81,250	106,250
Business and Industry Total	348,000	300,000	450,000	525,000	525,000	625,000
Housing						
Multi-Family - For Sale						
H89035 Homeownership Development	0	400,000	0	200,000	200,000	300,000
Multi-Family - Rental Housing						
H89034 Gateway/Glisan	2,025,000	500,000	2,500,000	1,850,000	625,000	900,000
Housing Total	2,025,000	900,000	2,500,000	2,050,000	825,000	1,200,000
Infrastructure						
Facilities						
H14392 Receiving Center Property	3,000	3,000	3,000	3,000	3,000	3,000
Parks						
H14387 Neighborhood Park	475,000	85,000	275,000	750,000	250,000	0
Transportation						
H14389 Central Gateway Redevelopment Strategy	150,000	525,000	1,850,000	1,000,000	955,000	1,000,000
H14394 Gateway Transit Center	4,000	5,000	5,000	5,000	5,000	5,000
Infrastructure Total	632,000	618,000	2,133,000	1,758,000	1,213,000	1,008,000
Revitalization						
Plans and Strategies - Revitalization						
H14403 Gateway Community Outreach	3,000	3,000	3,000	3,000	3,000	3,000
Redevelopment						
H14390 Mixed Use Development/Acquisition	150,000	2,985,000	1,500,000	2,000,000	1,250,000	1,000,000
H27001 Storefront Grants	100,000	100,000	100,000	100,000	100,000	100,000
H27050 DOS Grants	50,000	100,000	100,000	100,000	100,000	100,000
H28030 Redevelopment Loan Projects	0	250,000	250,000	250,000	250,000	250,000

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised	Adopted	Forecast	Forecast	Forecast	Forecast
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Revitalization Total	303,000	3,438,000	1,953,000	2,453,000	1,703,000	1,453,000
Administration						
Finance						
H98001 Debt Management	10,000	10,000	10,000	10,000	10,000	10,000
Administration Total	10,000	10,000	10,000	10,000	10,000	10,000
Total Program Expenditures	3,318,000	5,266,000	7,046,000	6,796,000	4,276,000	4,296,000
Personal Services	346,848	288,379	253,656	244,656	153,936	154,656
Transfers - Indirect	984,362	934,511	972,348	937,848	590,089	592,847
PHB Staff/Admin	62,297	111,826	183,196	176,696	111,176	111,696
Total Fund Expenditures	4,711,507	6,600,716	8,455,200	8,155,200	5,131,201	5,155,199
Contingency	2,352,976	132,020	114,821	167,537	232,569	411,923
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	7,064,483	6,732,736	8,570,021	8,322,737	5,363,770	5,567,122