

DATE: April 12, 2017
TO: Board of Commissioners Acting in its Capacity as the Local Contract Review Board
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-13
Adopt Findings in Support of and Exempting the Engine House No. 2 Rehabilitation Project from Low-Bid Solicitation

BOARD ACTION REQUESTED

Adopt Resolution No. 7231.

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board), serving in its capacity as PDC's Local Contract Review Board (LCRB), will adopt a resolution in support of an exemption from the general rule of low-bid solicitation for the Engine House No. 2 Rehabilitation Project (Project). If approved, the resolution will exempt the Project from the low-bid solicitation requirements in accordance with Oregon Revised Statutes (ORS) 279C.335(2). The LCRB's resolution will allow PDC staff to issue a Request for Proposals (RFP) to solicit the service of a Construction Management/General Contractor (CM/GC).

ORS 279C.335(2) and PDC's LCRB Administrative Rules (LCRB Rules) provide that the LCRB may exempt certain public contracts from the low-bid process upon the LCRB making the following findings:

1. It is unlikely that such exemption will encourage favoritism in the awarding of a public contract or substantially diminish competition for the contract; and
2. The awarding of public contract under the exemption will result in substantial cost savings and other substantial benefits to the contracting agency.

The findings supporting the exemption are attached to Resolution No. 7231.

Renovating this vacant PDC-owned Property will be a significant step in implementing the Old Town/Chinatown Five-Year Action Plan as it will attract private investment, rehabilitate a vacate, underused historic building at a high-visibility neighborhood gateway, improve safety, and create opportunities for small businesses to locate in the neighborhood. See a Project Summary, Site Map and Photos in Attachment A.

BACKGROUND AND CONTEXT

Building History Engine House No. 2, also known as the Old Fire Station, is located on a 33,580 square foot (SF) lot owned by PDC in downtown Portland's Old Town/Chinatown neighborhood on the northeast corner of NW 3rd Avenue and NW Glisan Street (Property) within the River District Urban Renewal Area (URA). The two-story, 6,692 SF unreinforced masonry building was constructed in 1913

and designated as Portland Fire Department Engine House No. 2. PDC acquired the Property in 1987 as part of the larger Union Station acquisition. The Property has been designated a Portland Historic Landmark by the City of Portland. While the Property is not located in a historic district nor is it listed on the National Register of Historic Places, a May 2013 report by the Portland Historic Landmarks Commission identified the Property as one of 11 Threatened and Endangered Resources in the City of Portland.

Property Condition. The building was last used as professional office space and is currently vacant. The building is generally in poor condition, including large settlement cracks, deterioration of mortar, missing/broken bricks, spalled concrete, and water damage. The building was placed on the “Unsafe Building List” by the City of Portland Bureau of Fire and Rescue in 2010. Building evaluations have found the building to be in need of seismic, structural, roofing, masonry, electrical, plumbing, and other repairs.

PDC has also conducted soils and geotechnical analyses which found the Property is underlain by soft and loose fill to a considerable depth. The soils are susceptible to settlement due to static loading. In addition, according to a geotechnical study by consulting firm Hart Crowser, the “site is mapped by the City as being in a zone of high earthquake hazard, and based on the subsurface conditions, the native and fill soils are likely to be highly susceptible to liquefaction under strong earthquake shaking.” In the event of a strong earthquake, both horizontal settlement on the order of two to four feet and lateral displacement on the order of two to up to ten feet are likely to occur.

Old Town/Chinatown Five-Year Action Plan. The Old Town/Chinatown Five-Year Action Plan (Action Plan) was prepared by PDC and accepted by the Portland City Council on August 6, 2014. The Action Plan is a comprehensive community development initiative to create a safe, vibrant, economically healthy neighborhood. Community stakeholders identified the following top priorities: addressing public safety and livability; balancing residential incomes through the introduction of new middle-income units and preservation of existing affordable housing units; investing in rehabilitation of historic buildings; embracing and enhancing the area’s unique culture, history and identity; and promoting economic vitality. By taking steps to improve the Property, PDC will deliver on the Action Plan by:

1. Attracting new neighborhood investment to activate key properties and improve district connectivity;
2. Promoting business vitality by increasing employment and retail activity; and
3. Aligning resources and build local capacity for improving district livability.

Renovation Strategy. PDC initiated a renovation strategy for the Property by issuing a Request for Interest (RFI) in 2015 seeking a development partner. Through that process, Lift Development (Lift) was selected as the development partner with Lift’s principal Rahim Abbasi serving as project architect. Initial concept design and analysis indicated that renovation of the building is not financially feasible with private financing due to the high cost of seismic retrofit and associated geotechnical conditions. As a result, the current approach is to seek designation of the Property on the National Register of Historic Places and to incorporate Historic Tax Credits (HTC), together with a PDC investment, as part of the financing for the renovation project. PDC will lead this effort and is in the process of assembling a team of engineers, historic preservation specialists, and a CM/GC (Design Team) to advance the renovation of the building through construction documents and pricing. At that point the financial feasibility of the project will be determined. If feasible, PDC staff will seek PDC Board approval of a Purchase and Sale Agreement or similar agreement that will convey the Property to a development entity mostly likely consisting of Lift and a HTC investment partner (together, the Owner), which will then proceed to complete the renovations and subsequently tenant and operate the Property. Current plans anticipate

the building will be renovated for office space and will be ideal for an owner/occupant or several small businesses.

PDC staff determined that a CM/GC delivery method will best meet Project objectives, including: (a) using an integrated Design Team and contractor approach on complex foundation and soils stabilization and underpinning of the historic building to meet seismic stabilization requirements; (b) having the CM/GC provide feedback during the design phase ensuring constructability of the proposed renovations; and (c) receiving pricing by the CM/GC at pivotal milestones to evaluate financial feasibility. Pricing by the CM/GC will be provided on an open book basis for review and verification by PDC and independent cost estimator. Upon completion of project design and receipt of a Guaranteed Maximum Price (GMP) from the CM/GC and verification that it is a fair price by PDC and a third party cost estimator, the Owner will enter into a construction contract and the CM/GC will become the general contractor. This overall process will result in significant cost savings and in the best use of limited resources available for the Project.

With this action to depart from low-bid selection process, PDC will issue a general RFP to select a CM/GC team on the basis of overall qualifications, expertise, capacity, and familiarity with the CM/GC delivery method. After notice of intent to award the contract, PDC and the selected team will negotiate and enter into a CM/GC contract. The CM/CG contract will consist of two parts: (1) design services for schematic design, design development, and construction documents for the preferred design, with associated cost estimating services; and (2) upon approval of the GMP, construction of the building renovations.

COMMUNITY AND PUBLIC BENEFIT

This action by the LCRB will enable PDC to select a CM/GC team which presents less risk and is more likely to deliver the best overall value for PDC and the public by reduced rework, cost overruns, work scope changes, and claims.

PDC's Business Equity Policy, Workforce Equity Policy, and Green Building Policy will apply to construction of the Project.

PUBLIC PARTICIPATION AND FEEDBACK

In accordance with ORS 279C.335(5) and the LCRB Rules, Part 4(II)(B)(2), PDC published a 14-day notice of the intent to waive low-bid contracting on March 29, 2017. A public hearing was held on April 11, 2017, providing the public the opportunity to provide comments on the findings. There were no attendees or comments at the public hearing.

BUDGET AND FINANCIAL INFORMATION

There are no direct financial impacts from the LCRB action. The design phase, leading to a proposed GMP bid, is anticipated to result in a cost within the PDC Executive Director's expenditure authority. These costs will be included in the Fiscal Year 2017-18 Budget. PDC staff will bring the GMP bid and any proposed PDC financing to complete the Project to the PDC Board for approval at a later date.

RISK ASSESSMENT

The primary risk with approving a CM/GC contractor instead of utilizing low-bid solicitation is the selected CM/GC may propose a design solution that is excessively expensive or provide cost estimates that are above market conditions. These risks will be mitigated by (a) thoroughly reviewing contractor's qualifications and references during the selection process; (b) requiring the selected CM/GC to provide

cost estimates on an open book basis; and (c) hiring a third-party cost estimator to review the GMP to assure it is fair and within market conditions.

ALTERNATIVE ACTIONS

The LCRB can choose to not adopt the findings or approve the exemption and may instruct PDC to use a traditional, design-bid-build contracting process for the Project. PDC would seek to contract with a general contractor to provide technical constructability services to the design team during the design phase. This may prove challenging due to the specialized and highly technical nature of this work, the pool of general contractors willing to provide these services on a fee basis but without certainty of being awarded the construction contract may be very small or non-existent. Proceeding without the input of a qualified general contractor during the design phase would result in greater uncertainty regarding the constructability of the preferred design and potentially higher bids due to a less than optimal design solution.

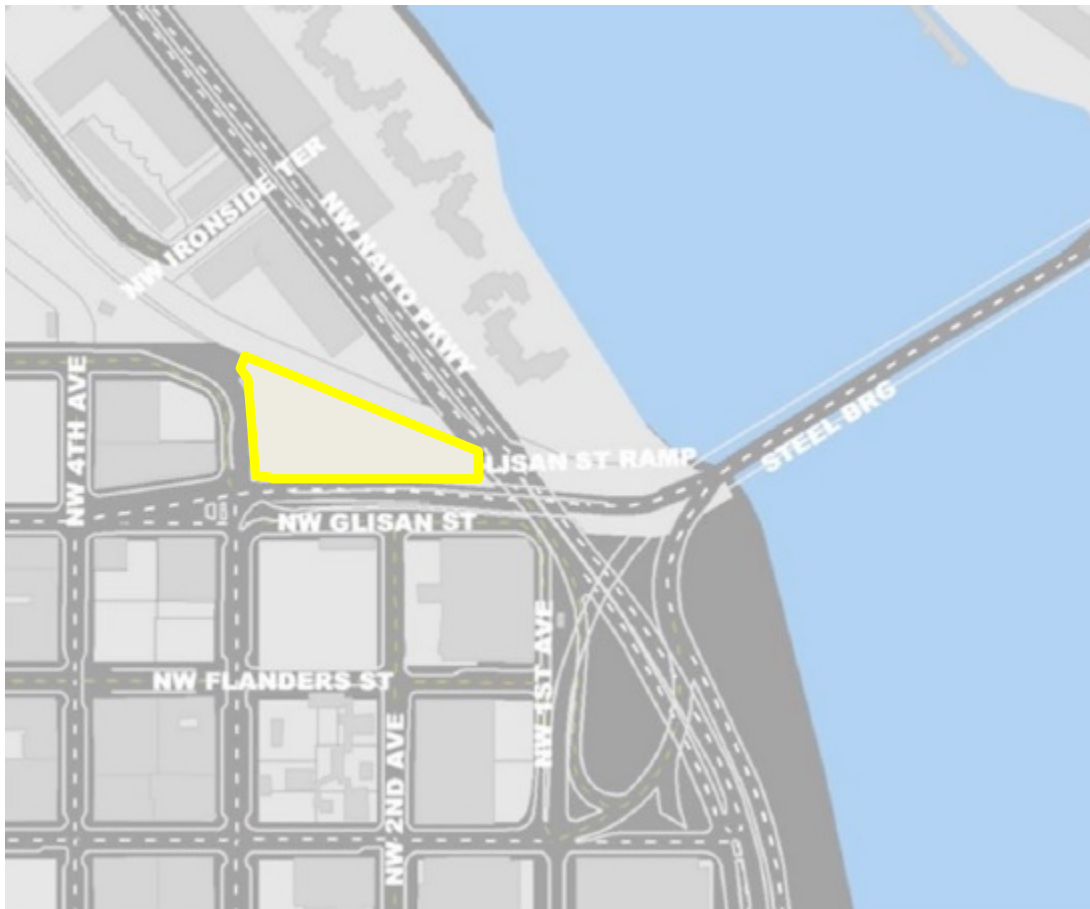
ATTACHMENTS

- A. Project Summary, Site Map, and Photos
- B. River District URA Financial Summary

PROJECT SUMMARY

- Project Name:** Engine House No. 2 Rehabilitation Project
- Description:** 0.77-acre parcel with 6,692 square foot vacant, two-story building
- Location:** 510 NW 3rd Avenue, bounded by NW Glisan Street, NW 3rd Avenue, Portland Terminal Railroad tracks, and NW Naito Parkway
- URA:** River District
- Current Phase:** Schematic Design and Feasibility Analysis
- Next Milestone:** Feasibility Determination
- Completion Target:** Fall 2018
- Outcome:** Feasibility determination and financing package to renovate the building for commercial space.

SITE MAP



EXISTING BUILDING (FRONT AND SOUTH ELEVATION)



EXISTING BUILDING (REAR AND YARD)



RIVER DISTRICT FINANCIAL SUMMARY

**Financial Summary
 Five-Year Forecast**

<u>River District URA Fund</u>	<u>Revised FY 2016-17</u>	<u>Forecast FY 2017-18</u>	<u>Forecast FY 2018-19</u>	<u>Forecast FY 2019-20</u>	<u>Forecast FY 2020-21</u>
Resources					
Beginning Fund Balance	72,512,435	27,320,799	17,900,648	34,640,158	20,177,482
Revenue					
Fees and Charges	7,579	11,203	10,244	6,686	2,110
Grants - Federal except HCD	1,088,734	630,248	-	-	-
Interest on Investments	200,000	-	-	-	-
Loan Collections	560,476	1,040,599	768,830	438,228	457,132
TIF - Short Term Debt	24,975,000	20,017,456	20,680,039	10,637,477	-
TIF - Long Term Debt	17,000,000	-	-	-	204,427
Other Debt	17,961,785	143,950	9,500,000	-	-
Property Sales	7,200,000	-	4,000,000	-	-
Rent and Property Income	2,297,699	2,466,015	2,466,015	2,466,015	2,466,015
Reimbursements	300,000	-	-	-	-
Transfers In	493,293	474,360	474,360	40,107,030	207,030
Total Revenue	72,084,566	24,783,831	37,899,488	53,655,436	3,336,714
Total Resources	144,597,001	52,104,630	55,800,136	88,295,594	23,514,196
Requirements					
Administration					
A00025-Debt Management-RVD	437,608	65,000	65,000	65,000	65,000
Administration Total	437,608	65,000	65,000	65,000	65,000
Economic Development					
Traded Sector					
A00056-Cluster Development-RVD	50,000	50,000	50,000	-	-
Community Economic Development					
A00084-OT/CT Action Plan-RVD	65,000	65,000	65,000	-	-
Economic Development Total	115,000	115,000	115,000	-	-
Housing					
A00166-Affordable Housing-RVD	21,055,906	13,003,533	928,468	-	5,500,000
Housing Total	21,055,906	13,003,533	928,468	-	5,500,000
Infrastructure					
Transportation					
A00436-District Parking-RVD	500,000	2,500,000	-	-	-
Public Facilities					
A00233-Union Station Grant-RVD	1,439,503	719,752	-	3,500,000	-
Infrastructure Total	1,939,503	3,219,752	-	3,500,000	-
Property Redevelopment					
Real Estate					
A00278-4th and Burnside-RVD	47,000	-	-	-	-
A00285-Block Y-RVD	45,100	45,100	45,100	45,100	45,100
A00286-Union Station-RVD	892,971	1,363,757	1,363,757	1,363,757	1,363,757
A00288-Centennial Mills-RVD	10,246,753	48,355	48,355	-	-
A00289-Station Place Lot 5-RVD	1,104,000	-	-	-	-
A00290-Station Place Prkng-RVD	403,468	266,811	266,811	266,811	266,811
A00291-Block R-RVD	9,800	9,800	9,800	-	-
A00292-One Waterfront North-RVD	508,400	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	28,000	-	-	-	-
A00295-Real Estate Mgmt-RVD	10,250	10,250	10,250	10,250	10,250
Commercial Property Lending					
A00361-CPRL-General-RVD	2,502,000	8,502,000	562,604	-	-
Redevelopment Strategy					
A00276-Post Office-RVD	0	-	-	20,795,580	-
A00277-Dtwn Retail Strat-RVD	30,000	-	-	-	-
A00279-Broadway Corridor-RVD	590,000	-	-	-	-
A00280-10th & Yamhill Redev-RVD	5,000,000	-	-	-	-
A00284-Multnomah County-RVD	16,948,460	-	9,500,000	-	-
Redevelopment Grants					
A00390-CLG-General-RVD	100,000	100,000	100,000	100,000	100,000

**Financial Summary
 Five-Year Forecast**

River District URA Fund	Revised FY 2016-17	Forecast FY 2017-18	Forecast FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21
A00134-DOS-General-RVD	24,000	100,000	100,000	100,000	-
A00141-SIP-General-RVD	106,266	300,000	300,000	300,000	-
A00148-GFGP-General-RVD	45,201	50,000	50,000	-	-
A00497-Prosperity Investment Program (PIP) Grant-RVD	450,000	-	-	-	-
Property Redevelopment Total	39,091,669	10,796,073	12,356,677	22,981,498	1,785,918
Total Program Expenditures	62,639,686	27,199,358	13,465,145	26,546,498	7,350,918
Personnel Services	630,035	590,529	603,535	625,320	638,452
Debt Service	0	1,249,224	1,724,224	35,346,602	-
Total Fund Expenditures	63,269,721	29,039,111	15,792,904	62,518,420	7,989,370
Interfund Transfers - Indirect Charges	4,694,346	5,164,870	5,367,074	5,599,692	5,761,738
Interfund Transfers - Cash Transfers	70,600,000	-	-	-	-
Contingency	5,502,614	17,900,648	34,640,158	20,177,482	9,763,087
Ending Balance	530,320	1	-	-	1
Total Fund Requirements	144,597,001	52,104,630	55,800,136	88,295,594	23,514,196

Note: Some FY 2016-17 budgets were adjusted based on project/program timing in the November, 2016 Budget Revision. FY 2017-18 does not currently reflect changes where funding was moved to or from FY 2017-18 based on timing. The Draft Budget to be distributed in January will include these adjustments.

