

DATE: December 14, 2016
TO: Board of Commissioners Acting in its Capacity as the Local Contract Review Board
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 16-64
Adopt Findings in Support of and Exempting the Convention Center Hotel Design and Construction Agreement with Mortenson Development from Competitive Bidding

BOARD ACTION REQUESTED

Adopt Resolution No. 7224

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 design and construction of the Convention Center Hotel (Hotel) Parking Garage (Garage). The Garage will be constructed on a 0.88-acre PDC-owned property at the northwest corner of NE 2nd Avenue and NE Holladay Street in the Oregon Convention Center Urban Renewal Area (URA) (see site map in Attachment A). If approved, the resolution will exempt the Garage from the low-bid solicitation requirements in accordance with Oregon Revised Statutes (ORS) 279C.335.

ORS 279C.335 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 to the agency.

The findings supporting the exemption are attached to Resolution No. 7224.

A design/build contract with Mortenson Development (Mortenson) is proposed as an alternative to low-bid contracting for the Garage. Mortenson is part of the team competitively selected by Metro – owners and operators of the Oregon Convention Center – for the development and construction of the Hotel. The Garage will have approximately 442 parking stalls, 375 of which will be dedicated to the 600-room Hotel. Approximately 19,000 square feet of commercial space and 47 parking stalls will be sold for \$9,000,000 to TriMet, which has long desired to own a facility adjacent to the Rose Quarter Transit Center. In addition, the Garage will include 114 bike parking stalls, have additional ground floor retail space, comply with Green Garage Council sustainability standards, and be constructed to support additional vertical square footage development, should PDC elect to exercise air rights development in the future. Construction of the Garage is scheduled to begin in summer 2017, with completion by summer 2020, commensurate with the opening of the Hotel.

BACKGROUND AND CONTEXT

The Oregon Convention Center URA was formed in 1989 with the primary URA Plan goal of establishing “at least one headquarters hotel in the immediate vicinity of the Convention Center to capitalize on the convention center’s capacity.” Between 1991 and 2004, the PDC Board authorized acquisition of multiple properties as initial steps toward supporting development of a Convention Center hotel; this included acquisition of Block 49 and other properties in 1991 for a total of \$1,718,895.

Since 2004, PDC has partnered with Metro to pursue efforts to build a hotel in support of the Oregon Convention Center URA Plan and the region. More recently, in May 2012, Metro issued a Request for Proposals (RFP) for a privately-owned, 600-room Convention Center hotel on properties adjacent to the Oregon Convention Center as potential sites for hotel development. Prior to the RFP release, the PDC Board expressed support for Metro’s RFP for a Convention Center hotel and, through Resolution No. 6942, authorized the Executive Director to enter into direct negotiations with the selected developer, including with regards to any PDC land or tax increment financing investment. Through the RFP process, Metro ultimately selected Mortenson with local developer StarTerra LLC, for hotel development, with the PDC Board approving Metro’s selection through Resolution No. 6964 in September 2012.

In June 2014, Metro Council approved a final development agreement with Mortenson for the Hotel development, allowing the project to proceed to the design and pre-construction planning phase. In August 2014, the PDC Board, through Resolution No. 7072, authorized the sale of PDC-owned property, Block 47, to the east of the identified hotel site for integration into the hotel design and development, to Mortenson for \$1,300,000. With commencement of design, PDC also entered into discussions with Mortenson and Metro regarding placement of the Garage on Block 49.

In March 2015, PDC entered into a pre-development services agreement with Mortenson in the amount of \$300,000 for the design development of the Garage. Mortenson has completed this scope of work and the funds have been fully expended. Conceptual renderings as submitted for City Design Review are included as Attachment B.

In February 2016, after Metro resolved legal disputes and announced their intention to move forward with Hotel development and financing, PDC authorized three agreements required to build the Hotel:

1. Resolution No. 7165 authorizing the terms for a Design and Construction Agreement with Mortenson for the Garage construction at a price of approximately \$26,000,000;
2. Resolution No. 7166 authorizing the terms of an Easement Agreement with Hyatt for the use of the Garage for Hotel parking; and
3. Resolution No. 7167 authorizing the terms of a Parking Operations and Valet Services Agreement with Hyatt Corporation (Hyatt).

Upon completion, Mortenson intends to sell the Hotel to Hyatt, which will ultimately manage the Hotel in coordination with the Convention Center.

COMMUNITY AND PUBLIC BENEFIT

Design and construction of the Garage has been a long term priority of the Oregon Convention Center URA and the Lloyd District. Per a May 25, 2016, letter from the Lloyd Enhanced Services District and Go Lloyd, the community restated their belief “that a parking garage is an essential element of the successful development of a Convention Center Hotel, and strongly support its approval” based on its functional link to the Hotel together with current and future parking capacity needs of the district.

Exempting the design and construction of the Garage from the general rule of low-bid solicitation further results in several community and other public benefits including:

- The Hotel and Garage are designed, built, and guaranteed to open concurrently, as required by Hyatt. Only Mortenson can provide this completion guarantee that achieves the long-desired goal of a headquarters hotel adjacent to the Oregon Convention Center.
- Developing the Garage in concert with the Hotel provides the opportunity for enhanced urban design in the Lloyd District along NE Holladay Street and improved connections between the Oregon Convention Center and the Rose Quarter area.
- PDC will receive all Garage revenue. This revenue will be used to support other PDC programs in furtherance of PDC's 2015-2020 Strategic Plan.

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

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 April 22, 2016. A public hearing was held on May 6, 2016, and the public was afforded the opportunity to request and provide written comments on the findings, and PDC received no public comments in response.

BUDGET AND FINANCIAL INFORMATION

There are no direct financial impacts from the LCRB action; for a comprehensive description of budgetary impacts related to construction of the Garage, see Report 16-62.

RISK ASSESSMENT

If the exemption is not approved, it is likely Mortenson and Hyatt would suspend the Garage and Hotel design process and significantly delay the Hotel schedule in order for Mortenson to assess alternatives, such as incorporating the Garage beneath the Hotel. The increased costs due to schedule delay and below grade construction would most likely render the project financially unfeasible.

ALTERNATIVE ACTIONS

The LCRB can choose to not adopt the findings or approve the exemption and may instruct PDC to use a traditional contracting process for the Garage which could be anticipated to similarly delay the project given the requirement for the Garage and Hotel to follow a concurrent delivery schedule.

ATTACHMENTS

- A. Site Map
- B. Garage Design

SITE MAP



GARAGE DESIGN



DRAFT