



PROSPER
PORTLAND
Building an Equitable Economy

DATE: November 8, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-35

Authorizing the Sixth Amendment to a Contract with Brett Schulz Architect, PC to Increase the Amount and Extend the Term for Renovation of Inn at the Convention Center Located at 420 NE Holladay Street

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7508

This action by the Prosper Portland Board of Commissioners (Board) will authorize an extension of the architectural and engineering contract (Contract) with Brett Schulz Architect, PC (Architect) for services related to the Prosper Portland-owned Inn at Convention Center (ICC Hotel), located at 420 NE Holladay Street in the Oregon Convention Center Tax Increment Finance District (see a Project Summary in Attachment A). If approved, the Contract will be extended to December 31, 2025, and increased in total value to \$1,610,000 to revise the existing 60 percent design and construction drawing to include improvements to achieve LEED Silver certification consistent with Prosper Portland's Green Building policy; to add components not included in the original scope; and to finalize construction documents, permitting, and construction administration estimates for potential improvements to the ICC Hotel.

STRATEGIC ALIGNMENT AND OUTCOMES

This action delivers on several Prosper Portland strategic goals, including creating healthy, complete neighborhoods through strengthening regional assets and by supporting the agency's Financial Sustainability Plan (FSP). More specifically, it will address the FSP goals by optimizing financial returns by using Prosper Portland's real estate portfolio to generate long-term revenue.

BACKGROUND AND CONTEXT

On May 8, 2002, through Resolution No. 5855, the Prosper Portland Board authorized acquisition of the 98-room ICC Hotel with the intent of demolishing the building and using the site and adjacent land for the development of a new convention center hotel. In mid-2015, Metro selected a different site for the convention center hotel and in January 2016, Prosper Portland listed the property along with the adjacent 910 NE Martin Luther King Jr. Blvd property for sale. That listing produced seven offers ranging from \$7,000,000 to \$9,000,000. Prosper Portland ultimately did not entertain any of those offers and, because at the time the ICC Hotel was generating revenue, decided to retain the asset and explore renovation and repositioning it as an affordably priced lodging option near the convention center.

The ICC Hotel has been in continuous operation since its acquisition. However, because the original intent was to demolish the building, Prosper Portland has made minimal investments in the asset and many of the systems have reached (or exceeded) the end of their useful life. When Prosper Portland

decided to retain and reposition the ICC Hotel, it entered into a new hotel operating agreement with Trek Ventures to manage day-to-day operations that was approved by the Prosper Portland Board on November 14, 2018, through Resolution No. 7293. Subsequently, staff issued a competitive request for proposals in early 2019 seeking architectural and design services (A&E Contract) to commence with renovation design. The A&E Contract was ultimately awarded to Brett Schulz Architects and signed on April 10, 2019.

The original renovation plan was generally limited to the ground floor – reactivating the shuttered restaurant, renovating the lobby, converting a shuttered pool area into meeting space, updating the exterior façade, and installing exterior seating areas and landscaping with no changes to the guest floors. Those designs have progressed to the 60 percent construction drawings stage.

In June 2021, the Prosper Board, acting in its role as Local Contract Review Board (LCRB), adopted Resolution No. 7420 which authorized the issuance of a competitive request for proposal (RFP) for solicitation of Construction Management/General Contractor (CM/GC) services for the renovation project. This approach allows the selected CM/GC firm to participate in the final design and provide input on constructability, value engineering, and means and methods for the project.

The original source of capital identified to fund the renovation was the sale of another Prosper Portland owned property, which ultimately did not close. As a result, Prosper Portland placed the renovation and issuance of the CM/GC RFP on hold until an alternate source of capital could be identified. The project remained on hold until the recent creation of the Strategic Investment Fund, which contemplates investments in Prosper Portland-owned assets that could generate a financial return. Subsequently, Prosper Portland awarded the CM/GC contract to Colas Construction in September 2023 and that work is now underway.

As the project has come back on-line, the scope of work also expanded in recognition of the continued aging of the asset and the increased wear and tear on guest rooms and the furnishings, fixtures, and equipment during the pandemic. The expanded scope includes LEED Silver certification, two roof replacements, asbestos remediation, improved waterproofing, new windows, updated information technology systems and internet capacity, and guest room updates.

This resolution will authorize Prosper Portland to increase the amount of the A&E Contract to \$1,610,000 to enable the Architect to bring on additional consultants to inform the LEED Silver certification strategy and to update the design to include the expanded scope of work. Additionally, the contract will be separated into the following phases:

1. Final Design of \$495,070 to bring the project to 100 percent construction drawings which Colas Construction will use to provide a Guaranteed Maximum Price (GMP) bid to complete the renovation work. Once the GMP is submitted, staff will update the financial feasibility analysis and return to the Prosper Portland Board in summer 2024 with a recommendation as to whether to proceed with renovation.
2. If the Prosper Portland Board approves with the GMP contract, that will trigger authorization of the \$250,824 in construction administration services.

EQUITY IMPACT

Prosper Portland has a compelling interest to ensure that the agency's owned and sponsored projects provide opportunities for State of Oregon Certified firms and has established a 20 percent utilization goal for professional services costs and a 22 percent utilization goal for a project's hard construction costs. For the professional services design work currently underway, Architect has achieved a Disadvantaged, Minority-Owned, Women-Owned, Emerging Small Businesses utilization rate of 89 percent, far exceeding the 20 percent policy goals.

COMMUNITY PARTICIPATION AND FEEDBACK

While there has not been any specific public participation related to this action, staff regularly engage with district stakeholders primarily through participation as a board member on Go Lloyd and the Lloyd EcoDistrict. These organizations represent a cross-section of Lloyd stakeholders including building owners, businesses, and residents and both have indicated that improvements to the ICC Hotel are one of their top priorities in the Oregon Convention Center TIF district.

BUDGET AND FINANCIAL INFORMATION

There are not sufficient resources in the fiscal year (FY) 2023-24 Oregon Convention Center TIF District budget for this action (see Attachment B). Therefore, staff will seek Prosper Portland Board approval of an amendment to the budget as part of the FY 2023-24 Budget Revision 2 at the December 13, 2023, meeting.

The pandemic had a profound impact on the hospitality industry. Occupancy levels plummeted, average daily rates dropped, and while labor demand fell, hourly labor costs increased to attract and retain staff. Pre-pandemic, the ICC Hotel had a three-year average net operating income of \$810,000, compared to the three-year pandemic/post-pandemic average net operating loss of (\$213,000).

While the hospitality industry is recovering as travel demands increase, the ICC Hotel remains behind this trend because of the lack of capital investments. The dated appearance of the hotel and outdated systems have caused occupancy levels and average daily rates to remain below competitors.

Prosper Portland is at a crossroads on whether to invest resources to renovate the ICC Hotel to meet the expectations of today's travelers, or to dispose of the asset. Current modeling demonstrates that the asset, if renovated, could generate a return in excess of the six percent Financial Sustainability Plan (FSP) target for Strategic Investment Fund investments. The projected revenues would support FSP income targets.

Approval of this resolution enables Architect to complete the design work needed for Colas Construction to provide a GMP with which Prosper Portland can make a final investment decision. Amending the Contract will increase Prosper Portland's financial commitment for design services for the ICC Hotel by \$745,894 to total of \$1,610,000.

RISK ASSESSMENT

The primary risk associated with this amended Contract is that the ultimate GMP is an amount that calls the financial feasibility of the project into question. To mitigate a portion of this risk, the Contract increase is structured in two allocations: i.) \$495,070 to complete the design work and produce final construction drawings, and ii.) \$250,824 for the Architect's construction administration. Should the Prosper Portland Board decide not to proceed with the Project after the GMP is received, the total additional risk under this contract will be capped at \$495,070.

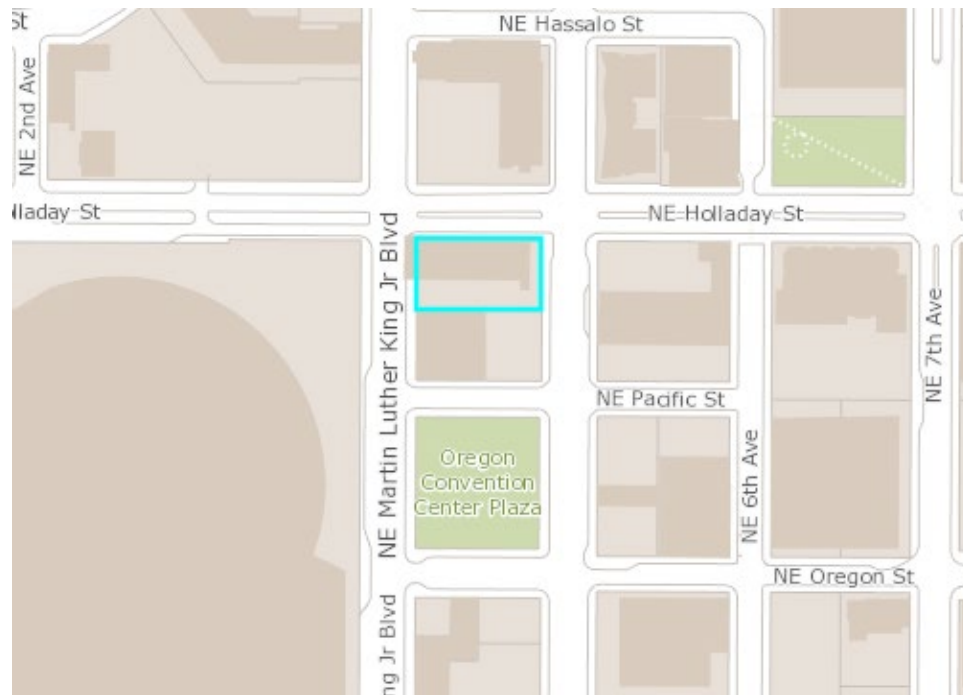
ATTACHMENTS

- A. Project Location
- B. Oregon Convention Center Budget and Forecast

PHOTO AND LOCATION



Photo of the Inn at Convention Center looking to the northwest



420 NE Holladay Street

OREGON CONVENTION CENTER BUDGET AND FORECAST

**Financial Summary
Forecast**

<u>Convention Center TIF Fund</u>	<u>Revised FY 2022-23</u>	<u>Revised FY 2023-24</u>	<u>Forecast FY 2024-25</u>	<u>Forecast FY 2025-26</u>	<u>Forecast FY 2026-27</u>	<u>Forecast FY 2027-28</u>
Resources						
Beginning Fund Balance	4,152,103	311,190	141,391	-896,272	-1,642,646	-2,276,823
Revenue						
Interest on Investments	20,761	4,346	0	0	0	0
Loan Collections	216,757	340,058	0	0	0	0
Rent and Property Income	2,887,028	3,419,344	3,425,344	3,462,515	3,465,515	3,498,650
Transfers In	0	800,000	0	0	0	0
Total Revenue	3,124,546	4,563,748	3,425,344	3,462,515	3,465,515	3,498,650
Total Resources	7,276,649	4,874,938	3,566,735	2,566,243	1,822,869	1,221,827
Requirements						
Administration						
A00027-Debt Management-CNV	23,430	12,121	12,121	12,121	0	0
Administration Total	23,430	12,121	12,121	12,121	0	0
Property Redevelopment						
Real Estate Management						
A00306-910 NE MLK Building-CNV	61,750	36,508	26,146	26,749	26,749	27,372
A00307-Frmr B&K Car Rental-CNV	0	0	25,103	25,671	26,239	29,239
A00309-Inn at Conv Ctr Mgmt-CNV	2,163,000	2,624,082	2,553,000	2,558,000	2,561,000	2,561,000
A00310-Convention Center Garage-CNV	1,319,082	1,371,493	1,181,124	1,215,059	1,215,059	1,250,009
Real Estate Predevelopment						
A00309-Inn at Conv Ctr Mgmt-CNV	2,700,000	94,000	0	0	0	0
A00584-100 Multnomah-CNV	13,000	0	0	0	0	0
Property Redevelopment Total	6,256,832	4,126,083	3,785,373	3,825,479	3,829,047	3,867,620
Total Program Expenditures	6,280,262	4,138,204	3,797,494	3,837,600	3,829,047	3,867,620
Personnel Services	83,247	125,606	115,513	121,289	60,645	63,677
Total Fund Expenditures	6,363,509	4,263,810	3,913,007	3,958,889	3,889,692	3,931,297
Interfund Transfers - Indirect Charges	601,950	469,737	550,000	250,000	210,000	70,000
Contingency	311,190	141,391	-896,272	-1,642,646	-2,276,823	-2,779,470
Total Fund Requirements	7,276,649	4,874,938	3,566,735	2,566,243	1,822,869	1,221,827