DATE:    July 26, 2010
TO:      Board of Commissioners
FROM:    Bruce A. Warner, Executive Director
SUBJECT: Report Number 10-72
          Public Improvement Contract for Construction of a Bioscience Wet Lab

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6813

ACTION SUMMARY

This action will authorize the Portland Development Commission (PDC) Executive Director to increase the public improvement construction contract with J.E. Dunn Construction in an amount not to exceed $360,000 for six (6) alternate bid items to complete the construction currently underway of a 2,610 square-foot wet lab in partnership with the Oregon Health & Science University (OHSU) at the Portland State University (PSU) Business Accelerator located at 2828 SW Corbett Avenue in the North Macadam Urban Renewal Area (URA). The alternate bid items include:

1. Building two additional labs;
2. Lab casework for Phase A;
3. Fixed equipment;
4. Autoclave;
5. Lab casework for Phase B; and
6. Commissioning for Phase A and B.

Upon approval of this action, the six alternate bids items will be incorporated into the project and constructed by J.E. Dunn Construction by the end of December 2010.

On February 10, 2010, the PDC Board of Commissioners (Board) approved under Resolution No. 6772 the base bid award for construction in the amount of $800,000, as well as authorization to enter into a Permit of Entry with PSU to perform these improvements. As part of that action, it was recognized due to fiscal year funding limitations that staff would return to the Board with a request to fund the alternate bid items. Upon completion of construction, the newly completed asset would be transferred to the PSU Foundation, owners of the PSU Business Accelerator property.

An Amendment to the Permit of Entry for PDC to act and perform the work of building the wet lab at the PSU Business Accelerator is attached to the Resolution. It incorporates the additional improvements and extends the term of the agreement to enable completion of this work.
PUBLIC BENEFIT

The public benefits of authorizing this solicitation for construction of a bioscience wet lab include the following:

- Implements an agreement between PDC and OHSU to support growth of bioscience and related services and industries in the URA;
- Assists researchers who have developed products in a university setting and small bioscience companies who seek to develop technology for commercial application through the provision of suitable wet lab space needed to advance further research and product development;
- Provides bioscience infrastructure where new and emerging bioscience drugs and treatments could grow and be scaled for commercialization; and
- Supports partnership efforts between OHSU and PSU as key Central City anchor institutions and providers of regional education, research, and workforce development.

This action will support the following PDC goals:

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

PUBLIC PARTICIPATION AND FEEDBACK

There is strong support among the institutional partners involved in construction of the wet lab, including PSU and OHSU, as well as the PSU Foundation, owners of the PSU Business Accelerator. The members of these institutions, along with the Oregon Bioscience Association (OBA) and private sector consultants, made up the Bioscience Wet Lab Committee who drafted the original space layout and operating guidelines. The North Macadam Urban Renewal Advisory Committee has been made aware of this project and is supportive of it.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The project supports the following plans, agreements, and policies:

- *North Macadam Urban Renewal Plan (1999).* Specific goals of the plan include creating appropriate infrastructure, amenities, services and development opportunities to bring new jobs to the area as well as encouraging opportunities for potential capture of spin-off activities from OHSU's bioscience/health technologies research and development;
- *PDC-PSU Intergovernmental Agreement (2007).* Assisting in PSU's physical framework plan and economic development plan efforts to help guide future PSU growth in alignment with related City planning and development efforts;
• **PDC-OHSU Agreement (2007).** An Agreement to develop infrastructure housing bioscience and related service industries in the URA;

• **Economic Development Strategy (2009).** The connection to higher education and the development of technology transfer opportunities have been called out as part of the strategy; and

• **PDC’s LCRB Rules and Administrative Policy for Solicitation and Purchasing.**

**FINANCIAL IMPACT**

Per Resolution No. 6772, the Board initially authorized a contract with J.E. Dunn Construction for $800,000 (the $689,000 base bid plus $111,000 contingency). This action increases the J.E. Dunn Construction contract in an amount not to exceed $360,000 ($325,000 plus $35,000 contingency), up to a total of $1,160,000.

The initial soft cost budget of $300,000 has been increased by $15,000, to a total of $315,000. Total construction, contingency, and soft costs would not exceed $1,475,000.

There are adequate resources in the North Macadam URA Adopted FY 2010-11 and Forecast Years Budget to support this additional budget request. A copy of the budget is included as Attachment B.

**RISK ASSESSMENT**

There are potential legal risks to PDC managing construction on property not owned by PDC but by the PSU Foundation. PDC’s Legal staff has drawn up a Permit of Entry and Assignment and Release Agreement to address elements of this potential risk. The intent of PDC managing the project is to provide PDC direct control over cost management.

There is the potential risk that construction costs and related activities could exceed the anticipated project budget. PDC has in hand final drawings completed by Henneberry Eddy Architects which allow for a strong level of confidence in anticipated construction hard and soft costs. The project cost estimate also includes a 13 percent contingency established for construction, and the bid contemplates several alternate items to provide flexibility on the base bid cost. PDC made the original bid award to the lowest responsive and responsible bidder who can perform the construction work.

There is the potential that the private sector could view this as an unfair advantage to the public sector and research institutions. PDC has extensive partnerships with both OHSU and PSU due to the expressed recognition of these institutions’ unique and important role in the Central City’s vitality and in regional economic stability and growth; this project provides ongoing support of those broader partnership goals.

**WORK LOAD IMPACT**

PDC Construction Services staff will continue to manage the construction contract and monitor work with staff assistance provided by PSU Facilities Department. There is Business & Industry staff assigned within the Urban Development Department (UDD) to
coordinate and facilitate this project as needed as part of PDC’s partnership with OHSU, PSU, and the PSU Foundation.

ALTERNATIVE ACTIONS

The Board could elect not to appropriate additional funds to finish the construction of the project, which would result in three lab offices not being completed and other necessary fixed equipment and casework not being provided, which could diminish the ability of PSU to attract small start-up bioscience firms.

CONCURRENCE

Briefings on this project have occurred at PDC and it has the support of the UDD leadership. This project also has the support of partners at OHSU, OBA, and PSU.

BACKGROUND

PDC entered into a five-year contract with OHSU in April of 2007. The purpose and intent of the agreement is to provide $3,500,000 of PDC resources for the development of bioscience industry development in the URA. Currently $1,600,000 is available for investment in capital and other necessary improvements which will construct, augment, and enhance institutional and commercial bioscience facilities.

A wet lab is a science lab which is able to handle scientific and bioscience research and experimentation in the drug development process. In addition to offices, the facility will include lab space with sinks, sterilization equipment, bio-safety fume hoods, lab benches, specialized floors, gas and compressed air to assist researchers in their product and drug development processes. Staff due diligence identified that a barrier to wet lab space development is the cost associated to build out suitable space. Commercial "Class A" office buildings can be constructed for approximately $120 to $150 per square foot. Wet labs with the appropriate infrastructure, not including lab equipment, are usually built at a cost of $250 to $1,000+ per square foot. These figures represent a developer-owned facility approach on the low end of the cost spectrum to an institution or highly specialized company on the upper end.

Construction has commenced at the PSU Business Accelerator. Highlights to this point include the commitment of two companies to locate in the soon-to-be-completed facility: DesignMedix and Floragenics. Due to a recent open house and construction tour, other companies are now expressing an interest to locate in the facility.

ATTACHMENTS:

A. Project Summary and Maps
B. URA Financial Summary
## PROJECT SUMMARY

<table>
<thead>
<tr>
<th><strong>Project Name:</strong></th>
<th>PSU Business Accelerator Wet Lab</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong></td>
<td>Conversion of 2,610 square feet of commercial office space to bioscience wet lab space.</td>
</tr>
<tr>
<td><strong>Location:</strong></td>
<td>2828 SW Corbett</td>
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<tr>
<td><strong>URA:</strong></td>
<td>North Macadam URA</td>
</tr>
<tr>
<td><strong>Current Phase:</strong></td>
<td>Project is now under construction</td>
</tr>
<tr>
<td><strong>Next Milestone:</strong></td>
<td>Approval by PDC Board to approve additional construction funding and amend the contract with J.E. Dunn Construction to finish the project.</td>
</tr>
<tr>
<td><strong>Completion Target:</strong></td>
<td>December 2010</td>
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<tr>
<td><strong>Outcome:</strong></td>
<td>New bio science infrastructure to support both private and institutional uses for industry development and scaling.</td>
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### URA FINANCIAL SUMMARY

#### Financial Summary

**Fund Summary - Five-Year Budget Projections**

<table>
<thead>
<tr>
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<tr>
<td><strong>North Macadam URA</strong></td>
<td></td>
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<tr>
<td><strong>Resources</strong></td>
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<tr>
<td>Beginning Fund Balance</td>
<td>5,468,583</td>
<td>4,025,826</td>
<td>54,635</td>
<td>2,205,465</td>
<td>59,241</td>
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<td>Federal and Other Grants</td>
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<tr>
<td>Fees and Charges</td>
<td>296,526</td>
<td>306,880</td>
<td>315,472</td>
<td>324,309</td>
<td>333,397</td>
<td>348,341</td>
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<td>Interest on Investments</td>
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<td>20,000</td>
<td>25,000</td>
<td>25,000</td>
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<td>Loan Collections</td>
<td>159,928</td>
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<td>Property Income</td>
<td>1,500,000</td>
<td>1,547,000</td>
<td>15,000</td>
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<td>Reimbursements</td>
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<td>TIF Proceeds</td>
<td>7,996,000</td>
<td>15,052,106</td>
<td>7,033,333</td>
<td>23,891,343</td>
<td>5,747,325</td>
<td>6,051,104</td>
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<td><strong>Total Resources</strong></td>
<td>15,443,037</td>
<td>21,080,094</td>
<td>7,572,322</td>
<td>26,589,999</td>
<td>6,308,845</td>
<td>7,306,772</td>
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#### Requirements

**Program Expenditures**

**Business and Industry**

- **Community Economic Development**
  - H70020 Business Finance: 81,944
- **High Growth**
  - H70020 Business Finance: 81,944

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<tbody>
<tr>
<td>H61000 Biotech Build-Out</td>
<td>300,000</td>
<td>700,000</td>
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<td>H61001 Industry Development</td>
<td>1,200,000</td>
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<tr>
<td>H70020 Business Finance</td>
<td>1,500,000</td>
<td>700,000</td>
<td>700,000</td>
<td>100,000</td>
<td>100,000</td>
<td>163,887</td>
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<td><strong>Business and Industry Total</strong></td>
<td>3,000,000</td>
<td>1,800,000</td>
<td>1,800,000</td>
<td>200,000</td>
<td>200,000</td>
<td>427,775</td>
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**Housing**

- **Housing Operations**
  - H10543 Affordable Veterans Housing: 8,000
- **Multi-Family - Rental Housing**
  - H10543 Affordable Veterans Housing: 262,000
  - H10544 Block 33 Mixed Use Affordable Rental Housing: 10,000
  - **Housing Total**: 280,000

**Infrastructure**

- **Parks**
  - H10518 Central District Greenway Design And Construction: 540,000
  - H10536 Neighborhood Park Design and Construction: 2,177,205
  - H10540 New Initiatives - Parks and Greenway: 0

**Plans and Strategies - Infrastructure**

- H11081 Harbor North Planning/Redev: 15,000

**Transportation**

- H10522 Central District Infrastructure: 1,224,000
- H10537 Gibbs Street Pedestrian Bridge: 213,705
- H10541 New Initiatives - Transportation: 1,500,000
- H61002 Light Rail: 0
- H61003 South Portal Design: 400,000
## URA FINANCIAL SUMMARY

### Financial Summary

**Fund Summary - Five-Year Budget Projections**

<table>
<thead>
<tr>
<th></th>
<th>Revised</th>
<th>Adopted</th>
<th>Forecast</th>
<th>Forecast</th>
<th>Forecast</th>
<th>Forecast</th>
<th>Forecast</th>
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<tbody>
<tr>
<td>Infrastructure Total</td>
<td>4,170,000</td>
<td>2,264,205</td>
<td>2,617,000</td>
<td>16,700,000</td>
<td>3,860,000</td>
<td>2,955,548</td>
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### Revitalization

#### Plans and Strategies - Revitalization

- **H10510**: NMAC Implement Coord
  - Revised: 60,000
  - Adopted: 65,000
  - Forecast: 50,000

- **H10512**: Central District Development Agreement
  - Revised: 20,000
  - Adopted: 0
  - Forecast: 0

### Redevelopment

- **H11060**: RiverPlace Environmental Parcel 1 - The Strand
  - Revised: 37,000
  - Adopted: 0
  - Forecast: 0

- **H11062**: RiverPlace Lot 0 Parcel Develop
  - Revised: 15,000
  - Adopted: 0
  - Forecast: 0

- **H11063**: RiverPlace Lot 3 Redevelopment
  - Revised: 50,000
  - Adopted: 10,000
  - Forecast: 0

- **H11080**: RiverPlace Property Management
  - Revised: 0
  - Adopted: 15,000
  - Forecast: 0

### Revitalization Operations

- **H11080**: RiverPlace Property Management
  - Revised: 0
  - Adopted: 0
  - Forecast: 0

### Administration

- **H62110**: Westside/Central City Study
  - Revised: 0
  - Adopted: 15,000
  - Forecast: 0

### Finance

- **H8001**: Debt Management
  - Revised: 32,000
  - Adopted: 32,000
  - Forecast: 0

### Debt Service

- **H8001**: Debt Management
  - Revised: 0
  - Adopted: 14,108
  - Forecast: 0

### Total Program Expenditures

- Revised: 6,329,000
- Adopted: 15,980,675
- Forecast: 4,486,480
- Total: 22,123,073
- Debt Service: 4,656,108
- Total: 4,079,431

### Total Fund Expenditures

- Revised: 11,417,211
- Adopted: 21,040,167
- Forecast: 5,308,965
- Total: 26,544,866
- Debt Service: 5,584,508
- Total: 4,892,496

### Contingency

- Revised: 4,025,826
- Adopted: 40,527
- Forecast: 1,684,537
- Total: 724,337

### Ending Fund Balance

- Revised: 0
- Adopted: 0
- Forecast: 0

### Total Requirements

- Revised: 15,443,837
- Adopted: 21,080,694
- Forecast: 7,752,322
- Total: 5,508,845
- Total: 7,306,772