



**DATE:** March 13, 2019  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 19-10  
Update on the 100 Multnomah Office Building

**BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

No action is requested; information only.

At the March 13, 2019 Prosper Portland Board of Commissioners (Board) meeting, staff will provide an update on the 100 Multnomah Office Building (Office Building), which is proposed to be built adjacent to and on top of the seven-story, 442-space Convention Center Garage (Garage) that is currently under construction at the southwest corner of NE Multnomah Street and NE 2<sup>nd</sup> Avenue in the Oregon Convention Center Urban Renewal Area (URA); see project summary in Attachment A.

**STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

The effort to design and construct the Office Building on top of the Prosper Portland-owned Garage aligns with Prosper Portland goals for: (1) creating healthy, complete neighborhoods by contributing to the continued growth and tenanting of the Lloyd District and the Convention Center area as a mixed-use, transit-oriented employment center; and (2) supporting the agency's financial sustainability, since this will maximize the development of the property's air rights and provide an opportunity for Prosper Portland to participate in the financial benefits of developing the air rights.

**BACKGROUND AND CONTEXT**

The Oregon Convention Center Urban Renewal Area was adopted in 1989 with the primary goal of establishing "at least one headquarters hotel in the immediate vicinity of the Oregon Convention Center to capitalize on the convention center's capacity." The 600-room Hyatt Regency Portland at the Oregon Convention Center (Hotel) is currently under construction and is anticipated to open in Winter 2020. Through the Hotel design and development process, Prosper Portland, Metro, Mortenson Development, and Hyatt determined that the Hotel's parking needs would best be met through construction of a stand-alone parking structure on the adjacent 0.88 acre Prosper Portland property known as Block 49. Through Resolutions No. 7165 (February 10, 2016) and No. 7222 (December 14, 2016), the Prosper Portland Board authorized entering into a Parking Structure Development Agreement with Mortenson Development to construct a 442-stall, seven-story parking garage (Garage) on Block 49 for an amount not to exceed \$32,200,000 to support the development and operation of the adjacent Hotel. The cost of constructing the Garage included the foundation and superstructure within the Garage to support future development of an office tower above. The Garage is currently under construction and is anticipated to be operational in Summer 2019.

During the Garage design and development process, the site was identified to have additional development capacity beyond the Garage. Based on this, Prosper Portland directed Mortenson Development to prepare a preliminary plan to develop an approximately 100,000 square foot office building served by two additional levels of parking on top of the Garage. Mortenson Development completed this work and incorporated into the Garage design the systems and foundation superstructure necessary to support the proposed office building. On February 14, 2018, the Prosper Portland Board approved Resolution No. 7263, which authorized entering into a Pre-Development Services Contract with Mortenson Construction for \$477,593 to complete Conceptual Design and associated cost estimate for the Office Building. Prosper Portland and Mortenson subsequently entered into the Pre-Development Services Contract on July 12, 2018, with that work completed between July and December 2018.

On January 16, 2019, the Prosper Portland Board approved Resolution No. 7299 to authorize the next phase necessary to achieve approval by the Portland Design Commission by advancing the design through schematic design and 50 percent design development. The authorization increased the agency's commitment to the Office Building to \$1,602,052.

On February 14, 2018, through Resolution 7263 the Prosper Portland Board, acting as the agency's Local Contract Review Board (LCRB), authorized exempting the Contract from low bid solicitation. Should Prosper Portland be the contracting entity for certain scopes of work, subsequent contracts with Mortenson Construction would also require LCRB exemption from low-bid solicitation.

Work advanced since January 2019 is summarized below:

**Schematic Design and Schedule.** As authorized by the Prosper Portland Board in January, the Contract with Mortenson Construction has been amended and work started on schematic design. The building design has been refined and changed to eliminate the one and a half floors (101 parking spaces) and about 8,000 square feet of office space from the program, and elevator access from the garage to the Office Building is being reconfigured. A request for a Pre-Application Conference will be submitted by March 8, 2019.

The current schedule anticipates the following major milestones for the scope of work included in the proposed amendment:

- Completion of Schematic Design by March 2019; and
- Completion of 50% Design Development by May 2019.

Through future phases of work subject to future approvals, the current schedule anticipates the following major milestones:

- Completion of 100% Design Development by August 2019;
- Completion of 75% Construction Documents and submission of a building permit package by November 2019;
- Construction to begin by June 2020; and
- Construction to be completed by May 2022.

**Oregon Structural Specialty Code.** Both the Garage and the Office Building have been designed according to the 2012 Oregon Structural Specialty Code (OSSC). As discussed at the January 16, 2019 meeting, the State of Oregon is planning to adopt the 2019 Oregon Structural Specialty Code (OSSC) effective October 1, 2019, with a three-month phase-in period. This revised code is estimated to increase the seismic demand on the building by 15 to 20 percent. This could have a significant impact on the structural design and could result in a net reduction in square footage for the structural elements currently being

constructed as part of the Garage to remain at acceptable street levels, or for higher costs to support the planned square footage.

During the three-month phase-in period, applicants submitting for permits can choose to comply with either the 2012 or 2019 code. For permit applications submitted prior to December 31, 2019 under the 2012 OSSC, the City of Portland will lock in those code provisions and review the application and issue building permits according to those requirements. This revised code adoption has been a significant consideration in staff's timing and efforts to submit for permits prior to December 31, 2019.

To better understand the code and timing implications, Prosper Portland has contracted with structural engineering firm KPFF Consulting Engineers to provide a third-party evaluation; their work will be completed by mid-April 2019.

**Tenancing and Financing Strategy.** There are a total of five tenancing and financing strategies currently being pursued:

1. Public Tenants (Lease)
2. Public Tenants (Condominium)
3. Private Tenants (Lease)
4. Public and Private Tenants (Lease)
5. Sale of Building Design and Air Rights

As discussed at the January 13, 2019 meeting, staff anticipates most leasing activity will occur after the Office Building has been approved by the Portland Design Commission.

For public sector tenancing (Options 1, 2, and 4), Prosper Portland staff has been conducting direct outreach to public partners to discuss tenancing scenarios. These discussions are ongoing and no Letters of Intent (LOIs) have been signed to date.

For private sector tenancing (Options 3 and 4), Capacity Commercial Group is marketing the Office Building through conventional market methods. These efforts are ongoing and no LOIs have been signed to date. The brokers report most tenants in the marketplace are seeking space that is existing or under construction and available within 12 months.

Regarding Option 5, as discussed at the January 13, 2019 meeting, continuing to invest in the Office Building design through construction documents and building permits will result in a fully permitted building in accordance with the 2012 OSSC, which would be a marketable asset. Prosper Portland may decide to not pursue full development of the Office Building as developer and owner, and instead pursue a sale of the permitted building and air rights. To advance this potential, staff has amended the Capacity Commercial Group contract to include marketing the Office Building design and air rights for sale to a developer willing to pursue full development to completion.

Staff is continuing to meet with the City of Portland Debt Manager to advance financing discussions concerning Options 1 through 4.

**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 (Minority-Owned, Women-Owned, Disadvantaged, and Emerging Small Businesses or M/W/D/ESBs). Prosper Portland has established a 20 percent utilization goal for professional services costs and a 20 percent utilization goal for a project's hard construction costs. For the professional services design work currently underway, Prosper Portland anticipates Mortenson Construction will award 22 to 24 percent to M/W/D/ESBs.

**ATTACHMENTS**

- A. Project Summary

### Project Summary

<b>Project Name:</b>	100 Multnomah Office Expansion
<b>Description:</b>	Approximately 130,000 gross square foot, 9-story office building
<b>Location:</b>	Southwest corner of NE Multnomah Street and NE 2 <sup>nd</sup> Avenue
<b>URA:</b>	Oregon Convention Center Urban Renewal Area
<b>Current Phase:</b>	Schematic design and 50% design development
<b>Next Milestone:</b>	50% Design Development and Design Commission Approval
<b>Completion Target:</b>	June 2019

