



**PROSPER**  
**PORTLAND**  
Building an Equitable Economy

**DATE:** November 13, 2019

**TO:** Board of Commissioners acting in its Capacity as the Prosper Portland Local Contract Review Board

**FROM:** Kimberly Branam, Executive Director

**SUBJECT:** Report Number 19-49

Adopting Findings in Support of and Exempting the Abatement and Demolition of Certain Structures on the United States Postal Service Property Located at 715 NW Hoyt from Low-Bid Selection Processes

#### **BOARD ACTIONS REQUESTED**

Adopt Resolution No. 7345

If approved, this action will advance the abatement and demolition of the Processing and Distribution Center (P&DC) and associated utility infrastructure, and the Vehicle Maintenance Facility (VMF), located on the Prosper Portland-owned property at 715 NW Hoyt Street in the River District tax increment finance (TIF) district (see property site map in Attachment A). Timely abatement and demolition of these structures (Building Demolitions) is necessary for facilitation of the initial phases of redevelopment.

Specifically, adoption of Local Contract Review Board (LCRB) Resolution No. 7345 would exempt the Building Demolitions from the low-bid solicitation process and permit staff to proceed with competitive request for proposal (RFP) solicitations for Construction Manager/General Contractor (CM/GC) services for i.) the demolition of the P&DC; and ii.) and the demolition of the VMF. The findings supporting this exemption are attached to Resolution No. 7345.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

The proposed action will enable Prosper Portland to advance abatement and demolition of the P&DC and VMF, including removal of supporting utility infrastructure. Demolition of these structures is a critical step in advancing Broadway Corridor redevelopment.

The planning for and redevelopment of Broadway Corridor represents one of Prosper Portland's most significant opportunities for advancing the goals of the agency's Strategic Plan. The location and size of Broadway Corridor represents a unique opportunity to realize Prosper Portland's vision for an equitable economy by advancing prosperity, creating a vibrant neighborhood, and supporting living wage jobs on an unprecedented scale. The project's vision statement, guiding principles, and goals identified by the Broadway Corridor Steering Committee reflect the priorities of:

- Creating a healthy, vibrant, and complete neighborhood serving a diverse mixed-income population;
- Providing access to high quality employment and career pathways through partnerships with large anchor employers as well as small and mid-size businesses;

- Fostering wealth creation and shared prosperity, particularly for people of color, through affordable commercial space, workforce training, and contracting opportunities during construction and ongoing operations; and
- Leveraging partnerships through collaboration with the Portland Housing Bureau (PHB), the City of Portland infrastructure bureaus, and robust community engagement.

These site preparation activities also support the agency's financial sustainability, as this will accelerate redevelopment, mitigate interim management costs, and expedite Prosper Portland's ability to sell property in Broadway Corridor and repay its line of credit with the City of Portland (City).

### **BACKGROUND AND CONTEXT**

In 2016, Prosper Portland acquired the 13.4-acre property located at 715 NW Hoyt Street in Portland's Central City (Property) from the United States Postal Service, in partnership with PHB. The acquisition and redevelopment of the Property, as called for in the Central City 2035 Plan, offers a once-in-a-generation opportunity for Prosper Portland and the City to meet growth requirements—including private development together with affordable housing, economic development, transportation, and open space goals—on a large, contiguous property in the middle of downtown and adjacent to one of Portland's regional transit hubs. Development of the Property can absorb a substantial share of the approximately 21,500 new households and 42,500 new jobs projected to be added to the Central City by 2035. Redevelopment of the Property could house approximately 2,400 new households, more than 700 of which will be affordable, and 4,000 jobs, supported by approximately \$60,000,000 invested for infrastructure.

Following is a description of the abatement of hazardous building materials in and the demolition of two existing structures necessary for facilitating initial phases of redevelopment of the Property:

- **USPS Processing & Distribution Center and associated utility infrastructure**  
The main P&DC occupies most of the eastern half of the Property. Containing approximately 400,000 square feet of building floor area, the P&DC is a three/four-story reinforced concrete building that contained, primarily, postal processing and distribution facilities, with approximately 240,000 square feet of office space. This was the main USPS processing facility serving Oregon and southwest Washington. The USPS processing operations have been relocated to the Colwood Industrial Park, and a retail post office is currently operating in approximately 16,000 square feet of the ground floor at the southern end of this building. As an obligation of the purchase of the USPS facility, Prosper Portland is working to design and construct an interim post office (Interim Post Office) in the ground floor of the adjacent parking structure. When construction of the Interim Post Office is complete, abatement and demolition work of the P&DC can begin.

This abatement and demolition scope is also anticipated to include removal of existing utility infrastructure no longer necessary to support the P&DC and VMF. This includes on-site water, sanitary sewer, and stormwater infrastructure, as well as removal of an electrical transformer building (ETB). The ETB is located approximately 100 feet north of the eastern end of the Parking Structure. It is a one-story concrete block building that contains approximately 1,000 square feet of floor area and currently houses high-voltage electrical equipment that supplies power to the Property. New power service for the parking structure and the Interim Post Office will be included in the construction of the Interim Post Office, allowing for abatement and demolition of the ETB.

Due to the proximity of the P&DC building to the existing parking structure and future Interim Post Office, design and demolition of the P&DC will be carefully coordinated to ensure safety and minimize disturbances to adjacent operations.

Prosper Portland is concurrently procuring the necessary design and engineering services for demolition of the P&DC. Staff believes it is important that the CM/GC contract be awarded no later than March 1, 2020 to allow meaningful engagement for all necessary parties during the design process. Prosper Portland staff estimates the abatement and demolition of the P&DC to cost approximately \$15,000,000 to \$18,000,000.

- **Vehicle Maintenance Facility**

The VMF is located at the northern edge of the Property and is adjacent to the NW Lovejoy Street bridge ramp. Containing approximately 10,540 square feet of building area, the VMF is a one-story concrete building with an abandoned vehicle refueling pump station. The abatement and demolition of this facility is anticipated to be procured through a separate solicitation by Prosper Portland.

Prosper Portland will be procuring the necessary design and engineering services for demolition of the VMF. Staff believes it is important that the CM/GC contract be awarded no later than March 1, 2020 to allow meaningful engagement for all necessary parties during the design process. Prosper Portland staff estimates the abatement and demolition of the VMF to cost approximately \$500,000.

Staff believes that the agency is best served by retaining CM/GCs to complete the abatement and demolition work described above, rather than award the contract based on a low-bid selection process. Issuing the RFPs now will allow the selected CM/GC firms to participate in the design process and provide input on constructability, value engineering, and means and methods of construction. Since the goal is to begin the design process in spring 2020, it is critical to proceed with the solicitation of the CM/GC at the earliest possible opportunity.

Oregon Revised Statutes (ORS) Chapter 279C and the LCRB Rules generally require that all public construction contracts must be awarded pursuant to a low-bid selection process. ORS 279C.335(2) and LCRB Rules, Part 4(II)(B)(2) allow exemptions to the general requirement for competitive bidding upon the LCRB making certain findings, including that the exemption is unlikely to encourage favoritism and that it is anticipated that the exemption would result in substantial cost savings. The findings in support of this exemption, which articulate the basis for the exemption in further detail, are attached as Exhibit A to LCRB Resolution No. 7345.

Staff anticipates returning to the Prosper Portland Board in late 2020 to seek approval of the P&DC abatement and demolition contract.

### **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.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

To help ensure equitable participation and outcomes, staff has consulted with NAMC Oregon and the Professional Business Development Group on procurement documents, as well as the Healthy Communities Coalition during negotiations of the Community Benefits Agreement for Property redevelopment.

Staff has additionally conducted a multi-year, robust engagement strategy that includes a two-year collaboration with a 37-member Steering Committee. This comprehensive engagement work has informed the Broadway Corridor development planning work and priorities for public and community benefits.

In accordance with ORS 279C.335(5) and the LCRB Rules, Part 4(II)(B)(2), Prosper Portland published notice of the required public hearing for the alternative contracting method (CM/GC) on October 30, 2019. The hearing was held on November 13, 2019; no comments were received.

### **BUDGET AND FINANCIAL INFORMATION**

There are adequate resources in the fiscal year (FY) 2019-2020 River District Adopted Budget and the forecasted FY 2020-2021 budget for pre-development activities, including funds for the Building Demolitions (see Attachment B). However, the River District Five-Year Forecast is out of balance due to more conservative assumptions on holding costs, predevelopment costs, and sale of the Property. Staff anticipates resolving the budget deficit through i.) securing additional revenue from assets in the district and/or ii.) reducing programmed expenditures and will explore scenarios and refine estimates in advance of the FY 2020-21 budget development process.

### **RISK ASSESSMENT**

Not approving the exemption for the solicitation of contractors to Building Demolitions could result in having to pursue a low-bid selection process for the contractor. This could expose the agency to higher costs due to factors that are not discovered during the design phase and risks that could increase the complexity of the Building Demolitions, resulting in additional cost and time required to complete construction.

### **ATTACHMENTS**

- A. Project Site Map
- B. River District Financial Summary

**Property Site Map**



### River District Financial Summary

#### Financial Summary Five-Year Forecast

River District TIF Fund	Revised 2 FY 2018-19	Adopted FY 2019-20	Forecast FY 2020-21	Forecast FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24
<b>Resources</b>						
Beginning Fund Balance	53,674,233	52,868,175	35,745,471	6,368,708	(39,811,334)	(45,541,329)
<b>Revenue</b>						
Fees and Charges	6,002	3,380	3,578	3,616	2,110	-
Grants - Federal except HCD	181,318	-	-	-	-	-
Interest on Investments	1,523,577	1,047,215	1,226,926	678,399	562,174	562,174
Loan Collections	1,094,918	455,182	477,069	492,486	493,104	477,409
TIF - Short Term Debt	27,972,000	12,987,000	11,140,985	-	-	-
Other Debt	9,500,000	-	-	-	-	-
Property Sales	-	-	-	10,000,000	-	-
Rent and Property Income	2,175,537	2,714,281	2,784,281	2,614,281	2,664,281	2,914,281
Reimbursements	136,000	90,000	90,000	90,000	90,000	90,000
<b>Total Revenue</b>	<b>42,589,352</b>	<b>17,297,038</b>	<b>15,702,839</b>	<b>14,278,782</b>	<b>4,011,669</b>	<b>4,043,864</b>
<b>Total Resources</b>	<b>96,263,585</b>	<b>70,165,213</b>	<b>51,448,310</b>	<b>20,667,490</b>	<b>(35,799,665)</b>	<b>(41,497,465)</b>
<b>Requirements</b>						
<b>Administration</b>						
A00025-Debt Management-RVD	978,806	1,345,797	1,060,815	35,061,106	33,098	33,098
<b>Administration Total</b>	<b>978,806</b>	<b>1,345,797</b>	<b>1,060,815</b>	<b>35,061,106</b>	<b>33,098</b>	<b>33,098</b>
<b>Economic Development</b>						
<b>Traded Sector</b>						
A00110-Business Development-RVD	50,000	-	-	-	-	-
<b>Community Economic Development</b>						
A00084-OT/CT Action Plan-RVD	65,000	-	-	-	-	-
<b>Economic Development Total</b>	<b>115,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Housing</b>						
A00166-Affordable Housing-RVD	4,905,241	2,498,288	13,827,623	101,933	-	-
<b>Housing Total</b>	<b>4,905,241</b>	<b>2,498,288</b>	<b>13,827,623</b>	<b>101,933</b>	<b>-</b>	<b>-</b>
<b>Infrastructure</b>						
<b>Public Facilities</b>						
A00463-Union Station Grant-RVD	550,000	-	-	-	-	-
<b>Infrastructure Total</b>	<b>550,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Property Redevelopment</b>						
<b>Real Estate Management</b>						
A00276-Post Office-RVD	2,375,000	1,869,000	1,628,666	1,361,000	1,243,333	987,333
A00276-4th and Burnside-RVD	30,000	22,980	22,980	22,980	22,980	22,980
A00285-Block Y-RVD	49,627	84,559	88,789	93,230	97,892	102,785
A00286-Union Station-RVD	1,183,675	3,738,190	1,688,190	1,688,190	1,688,190	1,688,190
A00288-Centennial Mills-RVD	308,657	66,200	66,200	66,200	66,200	66,200
A00289-Station Place Lot 5-RVD	5,000	-	-	-	-	-
A00290-Station Place Prkng-RVD	551,385	770,301	625,066	656,320	689,136	723,591
A00291-Block R-RVD	88,510	36,000	36,000	36,000	36,000	36,000
A00292-One Waterfront North-RVD	108,200	-	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	1,006,678	280,700	280,700	280,700	280,700	280,700
A00556-RD Small Lots - 9th & Naito-RVD	3,000	7,500	7,500	7,500	7,500	7,500
A00587-Block 25-RVD	20,384	63,380	54,499	24,675	25,909	27,204
<b>Real Estate Predevelopment</b>						
A00276-Post Office-RVD	-	6,285,000	20,145,000	5,785,000	20,000	20,000
A00276-4th and Burnside-RVD	-	30,000	5,000	5,000	5,000	5,000
A00293-Old Fire Station Mgmt-RVD	-	5,000	5,000	5,000	5,000	5,000
A00587-Block 25-RVD	-	205,000	50,000	-	-	-
<b>Real Estate Disposition</b>						
A00288-Centennial Mills-RVD	-	1,100,000	100,000	100,000	100,000	100,000
<b>Redevelopment Strategy</b>						