



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

**DATE:** January 15, 2020  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 20-04

Authorizing a Professional Services Contract with Continuum Partners LLC to Serve as Prosper Portland's Owner's Representative for Site Preparation Activities Related to Redevelopment of the USPS Property in the Broadway Corridor

#### **BOARD ACTIONS REQUESTED**

Adopt Resolution No. 7354

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute a professional services contract with Continuum Partners (Continuum) to serve as Prosper Portland's Owner's Representative overseeing certain site preparation activities on the property located at 715 NW Hoyt Street (Property) in the River District Tax Increment Finance district.

Site preparation activities, including abatement and demolition of the Processing and Distribution Center (P&DC) and the Vehicle Maintenance Facility (VMF), removal and interim configuration of on-site utility infrastructure, and hot spot spoils remediation are necessary to advance the initial phases of public infrastructure and vertical development.

At the conclusion of a competitive solicitation process, on April 11, 2018 through Resolution No. 7268, the Prosper Portland Board selected Continuum as the preferred developer partner for the Property, providing exclusive negotiation rights for redevelopment. Continuum has demonstrated experience and financial capacity to complete development projects of a comparable scale and scope – and has completed the abatement and demolition of similarly complex large-scale buildings.

The 13.4-acre Property is a primary redevelopment opportunity within the broader 32-acre Broadway Corridor study area (Broadway Corridor) generally bounded by NW Glisan Street, NW Lovejoy, NW 9<sup>th</sup> Avenue, and NW 5<sup>th</sup> Avenue (see Attachment A for an aerial view of site preparation activities included in the proposed Owner's Representative scope of work).

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

The proposed action will support Prosper Portland's efforts to prepare the Property and the broader Broadway Corridor for 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 an opportunity to realize Prosper Portland's vision for an equitable economy by advancing prosperity, creating a vibrant neighborhood, and supporting living wage jobs. 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), City of Portland infrastructure bureaus, and robust community engagement.

These site preparation activities also support the agency's Financial Sustainability Plan, 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.

### **BACKGROUND AND CONTEXT**

In 2016, Prosper Portland, in partnership with the Portland Housing Bureau, acquired the Property from the United States Postal Service. 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. The redevelopment of the Property could house approximately 2,400 new households and 4,000 jobs, supported by approximately \$50,000,000 invested in public infrastructure.

The safe, timely, and cost-effective completion of the following site preparation activities are necessary for commencing initial phases of redevelopment of the Property. Prosper Portland is contracting for this work as two discreet projects:

- **USPS Processing & Distribution Center (P&DC) and Associated Utility Infrastructure:**  
The 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. 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 the P&DC. 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. Soils remediation in the immediate vicinity of the ETB is also included in this scope of work. 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/future Interim Post Office and Broadway Bridge viaduct, design and demolition of the P&DC must be carefully coordinated to ensure safety and minimize disturbances to adjacent operations.

The solicitation of demolition design services for the P&DC is currently underway, and a solicitation for Construction Manager/General Contractor (CM/GC) is anticipated to be issued later this month. Demolition design is scheduled to begin this spring, and demolition to occur in early 2021 through mid-2022. 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 and Hot Spots Soils Remediation:**

The VMF is located at the northern edge of the Property and is adjacent to the Broadway Bridge Lovejoy ramp. Containing approximately 10,540 square feet of building area, the VMF is a one/two-story concrete building with an abandoned vehicle refueling pump station. The removal of an underground storage tank and soils remediation in the immediate vicinity of the VMF is also necessary. The northwest corner of the Property was also historically home to a manufactured gas plant. The remediation of hot spot soils in this area is also included in this scope of work. Due to the proximity of the VMF to the Broadway Bridge Lovejoy ramp, design and demolition of the VMF must be carefully coordinated to ensure safety and minimize disturbances.

The preparation of a demolition design professional services contract for the VMF is currently underway, as is a solicitation for Construction Manager/General Contractor (CM/GC) services. Demolition design is scheduled to begin soon, and demolition and soils remediation to occur in summer 2020. Prosper Portland staff estimates the abatement and demolition of the VMF to cost approximately \$500,000.

Staff believes that it is prudent to hire an Owner's Representative to manage and oversee integrated coordination of the above activities on behalf of the agency. It is also important that site preparation activities are planned for and implemented in coordination with the infrastructure necessary to support initial phases of development. The Bureau of Transportation, Bureau of Environmental Services, and the Portland Water Bureau (Infrastructure Bureaus) are anticipated to contract for and lead this infrastructure work. Prosper Portland will retain the lead role in coordination with Infrastructure Bureaus, and it is recommended that the Owner's Representative support Prosper Portland in its coordination. A more detailed scope of work and proposed contract terms for the Owner's Representative professional services contract is provided as Exhibit A to Resolution 7354.

Hiring Continuum to serve as the Owner's Representative will also provide careful coordination of land development and vertical development activities. The negotiation of a Disposition and Development Agreement between Continuum and Prosper Portland is ongoing and will take into consideration Continuum's role as Prosper Portland's Owner's Representative.

The proposed monthly Owner's Representative fee is \$70,000 with an estimated duration of 24 to 30 months, resulting in an estimated fee of \$1,680,000 to \$2,100,000.

### **EQUITY IMPACT**

Prosper Portland is pursuing planning and redevelopment of the Broadway Corridor with an intentional focus on ensuring all communities have an opportunity to engage in and benefit from its redevelopment. Prosper Portland has a strong interest in ensuring 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 the demolition and remediation construction activities.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

To help ensure equitable participation and outcomes, staff has consulted with NAMC-Oregon and the Professional Business Development Group on the solicitations for the site preparation activities, as well as the Healthy Communities Coalition through negotiations of the Community Benefits Agreement for Property redevelopment.

Staff has additionally conducted a multi-year, robust engagement strategy that has informed the selection of Continuum as the preferred developer partner, the Broadway Corridor development planning work, and priorities for public and community benefits. Feedback during the developer RFQ evaluation process, including public polling, Steering Committee input, and the Evaluation Committee indicated strong support for the selection of Continuum as the preferred developer partner.

### **BUDGET AND FINANCIAL INFORMATION**

There are adequate resources in the River District Adopted Budget fiscal year (FY) 2019-2020 and the forecasted FY 2020-2021 budget for pre-development activities including funds for the Owner's Representative and site preparation activities (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**

The proposed action authorizes Prosper Portland to hire an experienced entity, with shared interests in well-coordinated, timely, and cost-effective completion, to oversee and advise Prosper Portland on the execution of site preparation activities. The action further allows for the expedited commencement of these services, upon execution of a professional services contract.

Alternatively, the Prosper Portland Board may elect to not authorize a professional services contract with Continuum for Owner's Representative services and direct staff to either forego owner's representative services or seek proposals for these services through a separate solicitation process.

Foregoing owner's representative services could impact staff capacity, project budget and schedule, and safety of adjacent operations, due to decreased project oversight and expertise. Seeking additional owner's representative service proposals could delay the commencement of the site preparation activities, thereby increasing holding costs and delaying redevelopment.

Additionally, Prosper Portland is required to repay the line of credit provided by the City to make available resources for the acquisition of the Property by June 2022. Resources from a transaction on the Property are necessary for timely repayment. Significant schedule delays or changes in financial feasibility would necessitate refinancing and/or finding alternate means for repaying the line of credit.

**ATTACHMENTS**

- A. Project Aerial
- B. River District Financial Summary

**Property Aerial**



**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)
Revenue						
Fees and Charges	6,002	3,380	3,576	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	1,094,916	455,182	477,069	492,486	493,104	477,409
TIF - Short Term Debt	27,972,000	12,967,000	11,140,985	-	-	-
Other Debt	9,500,000	-	-	-	-	-
Property Sales	-	-	-	10,000,000	-	-
Rent and Property Income	2,175,537	2,714,261	2,764,261	2,614,261	2,664,261	2,914,261
Reimbursements	136,000	90,000	90,000	90,000	90,000	90,000
<b>Total Revenue</b>	<b>42,589,352</b>	<b>17,297,036</b>	<b>15,702,839</b>	<b>14,278,762</b>	<b>4,011,669</b>	<b>4,043,664</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	978,606	1,345,797	1,060,615	35,061,106	33,096	33,096
<b>Administration Total</b>	<b>978,606</b>	<b>1,345,797</b>	<b>1,060,615</b>	<b>35,061,106</b>	<b>33,096</b>	<b>33,096</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	2,496,266	13,627,623	101,933	-	-
<b>Housing Total</b>	<b>4,905,241</b>	<b>2,496,266</b>	<b>13,627,623</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	1,669,000	1,626,666	1,361,000	1,243,333	987,333
A00276-4th and Burnside-RVD	30,000	22,980	22,960	22,960	22,980	22,960
A00285-Block Y-RVD	49,627	84,559	86,789	93,230	97,692	102,785
A00286-Union Station-RVD	1,183,675	3,736,190	1,666,190	1,666,190	1,666,190	1,666,190
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	551,365	770,301	625,066	656,320	669,136	723,591
A00291-Block R-RVD	66,510	36,000	36,000	36,000	36,000	36,000
A00292-One Waterfront North-RVD	106,200	-	-	-	-	-
A00293-Old Fire Station Mgmt-RVD	1,006,676	260,700	260,700	260,700	260,700	260,700
A00556-RD Small Lots - 9th & Naito-RVD	3,000	7,500	7,500	7,500	7,500	7,500
A00567-Block 25-RVD	20,364	63,380	54,499	24,675	25,909	27,204
<b>Real Estate Predevelopment</b>						
A00276-Post Office-RVD	-	6,265,000	20,145,000	5,765,000	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
A00567-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>						