



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

**DATE:** June 10, 2020  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 20-28

Authorizing the Executive Director to Enter into a Contract with O’Neill/Walsh Community Builders, LLC in an Amount Not to Exceed \$4,400,000 for the Construction of an Interim Retail Post Office Facility in the Ground Floor of the Existing Parking Structure Located at 715 NW Hoyt Street, and authorizing Executive Director to Execute the Third Amendment to the Lease Agreement with the United States Postal Service for the Interim Retail Post Office Facility

#### **BOARD ACTIONS REQUESTED**

Adopt Resolution No. 7378 and No. 7379

If approved, these actions by the Prosper Portland Board of Commissioners (Board) will allow the construction of a 15,000 square foot Interim United States Post Office Retail Facility (Interim Retail Facility) in the ground floor of the existing parking structure 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). Construction of the Interim Retail Facility is a necessary step in preparation for the demolition of the main post office building and for the initial phases of redevelopment on this property.

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

The proposed actions will enable Prosper Portland to construct an Interim Retail Facility and relocate the retail function currently located in the main Processing and Distribution Center (P&DC). This action sets the stage for the demolition of the P&DC, a critical step in advancing the 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 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 Broadway Corridor’s vision statement, guiding principles, and goals identified by the 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 actions also support the agency's financial sustainability, as they will facilitate 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 (Property) in Portland's Central City from the United States Postal Service (USPS), 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. Redevelopment of the Property could house approximately 2,400 new households and 4,000 jobs, which represents approximately 10 percent of the growth projected to be added to the Central City by 2035.

Construction of the Interim Retail Facility in the existing parking structure located at the southwest corner of the Property is necessary for facilitating this development. By January 2019, the USPS completed the relocation of all but its retail functions from this site to its new processing and distribution facility at NE Cornfoot Road. Pursuant to its agreements with Prosper Portland, USPS's existing retail facility may remain in the P&DC until Prosper Portland identifies and constructs a permanent replacement retail facility. USPS has agreed, in principle, to work with Prosper Portland to relocate its retail operations on an interim basis in advance of identification of a permanent relocation site. This agreement allows Prosper Portland to proceed with the demolition of the P&DC on a faster timeline, thus significantly expediting the redevelopment of the Property. In 2018 and 2019, Prosper Portland conducted an exhaustive search of suitable interim locations for the USPS retail facility. That search led to the execution of a Letter of Intent, dated August 8, 2019, between Prosper Portland and USPS, agreeing to pursue the ground floor of the existing parking structure onsite as a suitable Interim Retail Facility. Since that time, Prosper Portland staff have been working with the design team of GBD Architects, Cornerstone Architects, and their technical subcontractors on the construction plans for the Interim Retail Facility, while also negotiating the terms of a lease amendment with USPS.

The existing 99-year Lease was signed in connection with the initial acquisition of the Property from USPS. As mentioned above, the existing Lease allows USPS to continue to operate its retail facility within the P&DC until a permanent relocation for the retail facility is identified and provided by Prosper Portland. Subsequently, the Lease was amended via two minor amendments. The First Amendment to Lease, effective September 6, 2016, set forth the commencement date of obligations. The Second Amendment to Lease, effective February 1, 2019, enabled USPS to retain control of the P&DC (and not merely the retail facility within the P&DC) during the term to streamline site security and operations. The Third Amendment to the Lease, if approved by the Prosper Portland Board and executed by the parties, will amend the leased premises to consist solely of the Interim Retail Facility and enable Prosper Portland to commence demolition of the P&DC once the relocation to the Interim Retail Facility is complete. The Third Amendment would also document USPS's approval of the construction documents, establish noise and interference standards during construction, codify customer and employee parking locations, establish timing and logistics of moving USPS operations from the P&DC to the Interim Facility,

and address the process of construction closeout, among other considerations. Pursuant to the Third Amendment, USPS would be entitled to remain in the Interim Retail Facility until Prosper Portland identifies, acquires (if necessary) and constructs, all at its own expense, a permanent replacement facility for USPS's retail operations.

Construction of the Interim Retail Facility and relocation of the USPS retail from the P&DC building will allow for the demolition of the P&DC, a critical step in the Property's redevelopment. Staff anticipate returning to the Prosper Portland Board in late 2020 to seek approval of the P&DC abatement and demolition contract. The Interim Retail Facility will remain until a permanent post office is constructed within a future parcel development on the Property. The subsequent demolition of the Interim Retail Facility and parking structure is necessary for latter phases of the Property's redevelopment.

At its meeting on August 14, 2019, the Prosper Portland Board authorized the Executive Director to enter into a design services agreement for the design and construction administration of the Interim Retail Facility. The design team consists of GBD Architects, Cornerstone Architectural Group, Equilibrium Engineers, Arris Consulting, O'Neill Electric, and Emerio Design Group. and has been working with staff to complete the construction plans for the Facility.

At the August 14, 2019 meeting, acting as the Local Contracting Review Board the Prosper Portland Board exempted the Interim Retail Facility from a low-cost solicitation process and allowed staff to proceed with a competitive request for proposals (RFP) solicitation for a CM/GC for the project. That RFP was issued on September 3, 2019, and Prosper Portland received a total of four proposals. From those proposals, O'Neill/Walsh Community Builders (OWCB) was selected to enter into a preconstruction services contract with Prosper Portland. OWCB has been closely involved in the design process, conducted a constructability review of the plans which has led to certain modifications in the design, developed a preliminary project schedule, and conducted two pricing exercises for the construction of the Interim Retail Facility. Prosper Portland and OWCB are engaging in contract negotiations to enter into a Guaranteed Maximum Price (GMP) contract for the construction and delivery of the Interim Retail Facility; staff is requesting authorization to enter into a contract with a GMP not to exceed \$4,400,000. Staff anticipates finalizing the contract and issuing a Notice to Proceed in late June 2020 with construction completion to occur in late January 2021.

### **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). Through the agency's Business and Workforce Equity programs, 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. OWCB is projecting an estimated 40 percent subcontractor utilization.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

To help ensure equitable participation and outcomes, staff consulted with NAMC Oregon and the Professional Business Development Group prior to issuing the CM/GC RFP. Representatives of the Minority Construction Group and the Oregon Native American Chamber also participated on the CM/GC selection panel.

Staff has additionally conducted a multi-year, robust engagement strategy that has informed the Broadway Corridor development planning work and priorities for public and community benefits, including ongoing negotiations of a Community Benefits Agreement with the Healthy Communities Coalition.

Project information and a Frequently Asked Questions page are being updated on the Broadway Corridor project website, and informational postcards will be sent to adjacent neighbors prior to the stage of onsite work.

### **BUDGET AND FINANCIAL INFORMATION**

There are adequate resources in the fiscal year (FY) 2019-20 River District Adopted Budget and FY 2020-21 forecast for pre-development activities, including funds for the construction of the Interim Retail Facility (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.

### **RISK ASSESSMENT**

The Prosper Portland Board could elect to not authorize a contract with OWCB and bid out the work. However, staff believes OWCB is well-qualified to complete the construction work, and rebidding through a low-bid selection process would expose the agency to schedule delays, as well as potentially higher costs, a less qualified team, and/or reduced utilization of certified firms.

The Prosper Portland Board could also elect to not authorize the Third Amendment to Lease. This would likely have timing implications for the demolition of the P&DC, which would affect the timeline for development of the Property and needed infrastructure improvements. One potential alternative considered by staff is a partial demolition of the P&DC while preserving the existing retail facility within the building. However, staff has concluded that this approach would present significant costs, practical challenges and risks relative to the approach recommended in this report and reflected in the Third Amendment to Lease.

### **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>17,297,036</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	22,960	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	66,510	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>						