



PROSPER
PORTLAND
Building an Equitable Economy

DATE: June 9, 2021
TO: Board of Commissioners acting in the Capacity of the Prosper Portland Local Contract Review Board
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 21-15

Authorizing an Increase in the Architectural Contract with Brett Schulz Architect, PC for Renovation of the Inn at the Convention Center Located at 420 NE Holladay Street; Adopting Findings in Support of and Exempting the Inn at the Convention Center Renovation Improvements on the Property Located at 420 NE Holladay Street from Low-Bid Solicitation

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7419 and No. 7420

Staff are requesting the Prosper Portland Board of Commissioners (Board) take two actions at its June 9, 2021 meeting to advance renovation of the Inn at the Convention Center (Project), a five-story, 97-room hotel owned by Prosper Portland and located at 420 NE Holladay Street (ICC Hotel) in the Oregon Convention Center Tax Increment Finance (TIF) District (see a photo and site map in Attachment A):

1. The Prosper Portland Board will adopt Resolution No. 7419, authorizing phase three of the architectural and engineering contract with Brett Schulz Architect, PC, increasing Prosper Portland's investment by \$412,000 to complete construction documents, permitting, and construction administration once the Project is in construction. This increases Prosper Portland investment in design services for the ICC Hotel to \$839,106 exceeding the Executive Director's signature authority and requiring the Prosper Portland Board's approval.
2. Serving in its capacity as Prosper Portland's Local Contracting Review Board (LCRB), the LCRB will adopt Resolution No. 7420, approving an exemption from the general rule of low-bid solicitation process and permit staff to proceed with a competitive request for proposal (RFP) solicitation for Construction Manager/General Contractor (CM/GC) services for the improvements to the ICC Hotel (Project). The findings supporting this exemption are attached as Exhibit A to Resolution No. 7420.

STRATEGIC PLAN ALIGNMENT

These actions deliver on several Prosper Portland Strategic Plan goals, including creating healthy, complete neighborhoods through strengthening regional assets and by supporting the agency's Financial Sustainability Plan (FSP). More specifically, it will address the FSP goals by optimizing financial returns of TIF funds and existing real estate assets and by using Prosper Portland's real estate portfolio to generate long-term revenue.

BACKGROUND AND CONTEXT

On May 8, 2002 through Resolution No. 5855, the Prosper Portland Board authorized acquisition of the ICC Hotel with the intent of demolishing the building and using the site and adjacent land for the development of a new convention center hotel. Ultimately, a different site was selected for that development which left Prosper Portland with a revenue-producing asset in need of capital investment. Since Prosper Portland planned to demolish the ICC Hotel, it has made only minimal, critical need investments in the ICC Hotel since its purchase.

In 2018, Prosper Portland decided to retain the ICC Hotel in support of the FSP and to position the asset as an affordably priced, mid-scale economy hotel to provide lodging options near the Oregon Convention Center. On January 1, 2019, Prosper Portland entered into a new hotel operating agreement with Trek Ventures LLC which included a commitment from the agency to invest in renovating the ICC Hotel to modernize the building to meet the demands of today's budget conscious traveler.

Prosper Portland initiated the necessary design and engineering work in 2019 when it issued a Request for Proposals to select an architectural firm to design the ICC Hotel's renovation plan for which Brett Schutz Architect was the successful proposer. The renovation plan includes the following components:

- Improvements to the exterior façade and signage,
- Renovation and reactivation of the shuttered restaurant,
- Redesigning and modernizing the lobby to increase efficiency and accessibility,
- Converting the shuttered pool room into rentable meeting space,
- Converting the existing second-floor meeting room into an additional guest room, hotel office space, guest exercise room, expanded guest laundry, and vending area; and
- Creating outdoor gathering space and redirecting the drive aisle.

The work of the design team has progressed through concept design to 50 percent construction drawings but is now on hold until the Prosper Portland Board approves amending the contract to enter into phase three of the design process, and the LCRB considers the recommendation to use a CM/GC RFP process for the Project. Staff believes that the agency is best served by retaining a CM/GC to complete the Project described above, rather than award the contract based on a low-bid selection process. This approach will allow the selected CM/GC firm to participate in the next phase of design and provide input on constructability, value engineering, and means and methods for the Project. Staff anticipate seeking Prosper Portland Board approval of the CM/GC contract in early 2022.

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 and has established a 20 percent utilization goal for professional services costs and a 22 percent utilization goal for a project's hard construction costs. For the professional services design work currently underway, Brett Schultz Architect has achieved an impressive Disadvantaged, Minority-Owned, Women-Owned, Emerging Small Businesses utilization rate of 89 percent, far exceeding the 20 percent policy goals. The CM/GC RFP scoring process will include an evaluation of each proposer's strategy to maximize participation of certified firms in the Project.

COMMUNITY PARTICIPATION AND FEEDBACK

Staff regularly engage with district stakeholders primarily through participation as a board member on Go Lloyd and the Lloyd EcoDistrict. These organizations represent a cross-section of Lloyd stakeholders including building owners, businesses, and residents. The status of the ICC Hotel is a regular topic of

discussion at these stakeholder meetings and both organizations have indicated that improvements to the ICC Hotel is one of their top priorities for the Oregon Convention Center TIF district.

As to the LCRB requested action, 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 May 24, 2021. The hearing was held on Jun 7, 2021.

BUDGET AND FINANCIAL INFORMATION

Entering into phase three of the design contract will increase Prosper Portland's financial commitment for design services for the ICC Hotel to \$839,106. There are sufficient resources in the fiscal year (FY) 2020-21 Oregon Convention Center TIF District budget for this amendment (see Attachment B).

Preliminary cost estimates indicate total Project costs (including all hard construction costs, soft costs, equipment purchases, and start-up costs for the restaurant) will range between \$6,750,000 to \$7,750,000. With this level of investment, Prosper Portland's return on investment is projected to range between 15.8 percent and 18.4 percent if the investment is held for ten years and between 17.5 percent and 19.7 percent if it is held for 15 years, with an average annual cash flow ranging between \$575,000 and \$1,096,000 respectively. Final design and costs will be managed to maintain this level of return. As noted in the Risk Assessment section below, Prosper Portland's ability to fund total Project costs is contingent upon it selling the agency-owned property at 100 NE Multnomah Boulevard (100 Multnomah).

RISK ASSESSMENT

While there are few to no risks associated with the two actions being considered on June 9, 2021, it is important to note that Prosper Portland's ability to fully fund the Project and the CM/GC contract is contingent upon the agency selling 100 Multnomah to Mortenson Construction. Should the sale of 100 Multnomah fail to close, the Project would be put on hold until Prosper Portland is able to identify a different buyer for 100 Multnomah or a new Project funding source.

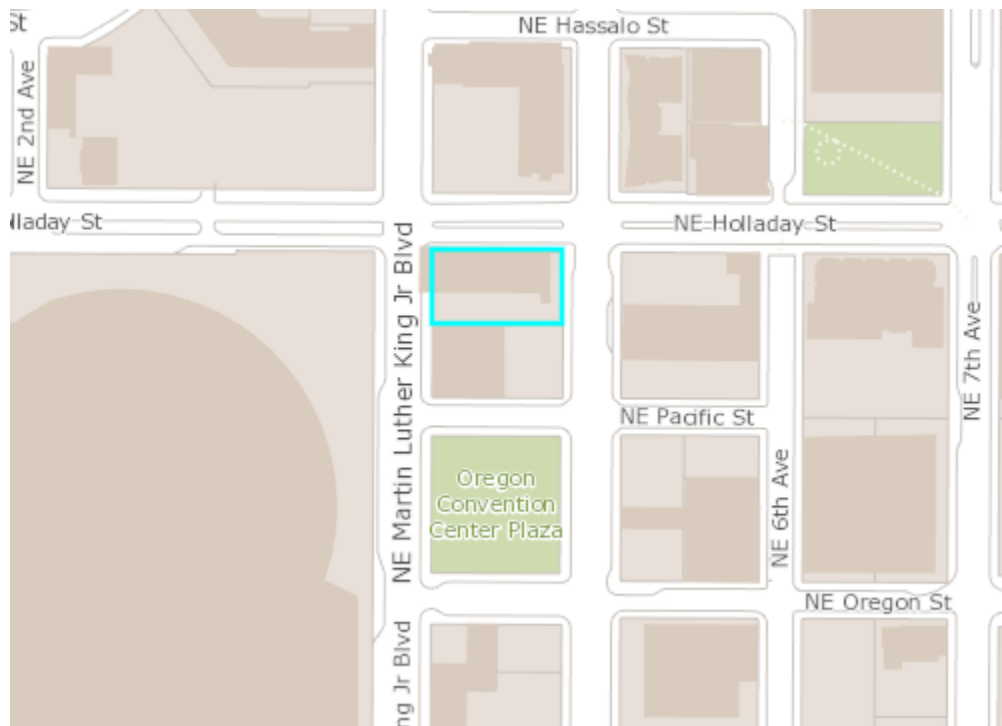
ATTACHMENTS

- A. Site Map and Aerial
- B. Oregon Convention Center TIF Financial Summary

PHOTO AND SITE MAP



Photo of the Inn at Convention Center looking to the northwest



420 NE Holladay Street

OREGON CONVENTION CENTER TIF FINANCIAL SUMMARY

**Financial Summary
 Five-Year Forecast**

<u>Convention Center URA Fund</u>	<u>Revised 3 FY 2020-21</u>	<u>Approved FY 2021-22</u>	<u>Forecast FY 2022-23</u>	<u>Forecast FY 2023-24</u>	<u>Forecast FY 2024-25</u>	<u>Forecast FY 2025-26</u>
Resources						
Beginning Fund Balance	8,052,880	1,465,801	8,913,008	10,663,825	16,199,382	14,902,922
Revenue						
Fees and Charges	4,998	4,998	-	-	-	-
Interest on Investments	24,221	61,909	104,370	97,213	84,812	-
Loan Collections	418,835	639,455	715,656	4,280,491	447,106	447,106
Property Sales	0	6,400,000	-	-	-	-
Rent and Property Income	1,086,200	4,665,500	7,143,000	7,896,800	8,292,640	8,590,772
Total Revenue	1,534,254	11,771,862	7,963,026	12,274,504	8,824,558	9,037,878
Total Resources	9,587,135	13,237,663	16,876,034	22,938,329	25,023,940	23,940,800
Requirements						
Administration						
A00027-Debt Management-CNV	23,354	12,121	12,121	12,121	12,121	12,121
Administration Total	23,354	12,121	12,121	12,121	12,121	12,121
Housing						
A00168-Affordable Housing-CNV	316,573	-	-	-	-	-
Housing Total	316,573	-	-	-	-	-
Infrastructure						
Transportation						
A00521-Sullivan's Crossing Bridge-CNV	2,500,000	-	-	-	-	-
Infrastructure Total	2,500,000	-	-	-	-	-
Property Redevelopment						
Real Estate Management						
A00306-910 NE MLK Building-CNV	19,616	27,876	28,416	28,979	29,565	30,151
A00307-Frmr B&K Car Rental-CNV	13,975	23,473	23,992	24,535	25,103	25,671
A00309-Inn at Conv Ctr Mgmt-CNV	1,411,161	1,623,400	3,938,000	4,218,000	4,385,000	4,513,000
A00310-Block 49-CNV	421,029	1,311,100	1,386,700	1,402,280	1,412,864	1,424,477
A00584-100 Multnomah-CNV	10,000	-	-	-	-	-
Real Estate Predevelopment						
A00309-Inn at Conv Ctr Mgmt-CNV	2,500,000	500,000	-	-	-	-
A00584-100 Multnomah-CNV	100,000	-	-	-	-	-
Real Estate Disposition						
Redevelopment Strategy						
A00311-Project Development-CNV	0	-	-	-	3,000,000	-
Redevelopment Grants						
A00585-Prosperity Investment Program (PIP)-CNV	0	100,000	100,000	100,000	-	-
Property Redevelopment Total	4,475,781	3,585,849	5,477,108	5,773,794	8,852,532	5,993,299
Total Program Expenditures	7,315,708	3,597,970	5,489,229	5,785,915	8,864,653	6,005,420
Personnel Services	156,327	169,140	197,519	494,146	784,131	1,063,143
Total Fund Expenditures	7,472,035	3,767,110	5,686,748	6,280,061	9,648,784	7,068,563
Interfund Transfers - Indirect Charges	654,298	557,545	525,460	458,887	472,234	274,371
Contingency	1,460,801	8,913,008	10,663,825	16,199,382	14,902,922	16,597,866
Total Fund Requirements	9,587,135	13,237,663	16,876,034	22,938,329	25,023,940	23,940,800