



PROSPER
PORTLAND
Building an Equitable Economy

DATE: July 13, 2022
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 22-27

Authorizing a Guaranteed Maximum Price Agreement with Northwest Demolition and Dismantling, Inc. for Demolition of Structures located on the United States Postal Service Property at 715 NW Hoyt Street

BOARD ACTIONS REQUESTED

Adopt Resolution No. 7461

This action by the Prosper Portland Board of Commissioners (Board) will authorize a guaranteed maximum price (GMP) contract with Northwest Demolition and Dismantling, Inc. (NWDD) in an amount not to exceed \$30,417,615 to demolish the former United States Postal Service (USPS) Processing and Distribution Center (P&DC) facility located on the Prosper Portland-owned property 715 NW Hoyt Street (Property) in the River District tax increment finance (TIF) district (see a Project Site Map in Attachment A). The action further provides for an owner's-controlled contingency of \$2,000,000 (6.6%) to be utilized in the event of unforeseen conditions or other appropriate circumstances. The timely completion of these site preparation activities is necessary for the initial phases of the Broadway Corridor redevelopment.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action will enable Prosper Portland to advance site preparation activities that are critical to 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. Broadway Corridor'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 (City) infrastructure bureaus, and robust community engagement.

This demolition work also supports the agency's financial sustainability, as it 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.

BACKGROUND AND CONTEXT

In 2016, Prosper Portland, in partnership with PHB, acquired the 13.4-acre property located at 715 NW Hoyt Street in Portland's Central City (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 unique opportunity for Prosper Portland and the City to meet growth requirements – including private development, 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.

Pursuant to Resolution No. 7413, adopted May 12, 2021, the Prosper Portland Board, acting as the agency's Local Contract Review Board, authorized an exemption of the Project thereby allowing for a solicitation of a Construction Manager/General Contractor (CM/GC) to participate in the Project in lieu of a low-bid selection process. NWDD, in a teaming agreement with Raimore Construction, was selected as a result of a competitive process (NWDD/Raimore). NWDD/Raimore has participated in the pre-construction phase and negotiated a GMP contract with Prosper Portland for completion of the Project.

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 primarily contained postal processing and distribution facilities, with approximately 240,000 square feet of office space. A tunnel network also exists at the below-grade basement level of the facility. 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 the retail post office has been relocated to an interim post office (Interim Post Office) in the ground floor of the adjacent parking structure. The P&DC is now vacant, and abatement and demolition work can begin.

The Project scope of work for the pre-construction and construction phases includes coordination with the design team to obtain necessary permits, abate hazardous materials from the P&DC building, demolish the P&DC building including foundational elements to specific depths, and backfill and regrade the site including temporary stormwater facilities. Due to the P&DC's proximity to the existing parking structure (including the Interim Post Office) and the Broadway Bridge, the engineering and demolition of the P&DC will need to be carefully coordinated to ensure safety and minimize disturbances to adjacent operations.

Prosper Portland and Portland Parks and Recreation (PPR) have also identified a mutually beneficial opportunity to address a portion of PPR's open space site preparation work during the demolition work to be completed by NWDD/Raimore. This scope of work includes backfilling the portion of the future open space to be located within the footprint of the existing USPS building to specifications provided by PPR to meet future clean zone requirements. This partnership is believed to provide cost savings to PPR and reduce risk of unknown site conditions in the future. The incremental cost of this work, above the scope of work to be funded by Prosper, is estimated at \$747,737.57. On June 8, 2022, City Council authorized an Intergovernmental Agreement between Prosper Portland, PPR and the Portland Bureau of Transportation which provides for PPR's reimbursement of these costs.

The abatement and demolition is anticipated to commence in late July 2022 and be completed by October 2023. Adjacent sitework, approved by the Prosper Portland Board through Resolution No. 7454 on June 7, 2022, will also begin in July and be completed by October 2022.

The Project is also subject to certain labor-related requirements further described below.

EQUITY IMPACT

Prosper Portland is committed to ensuring 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 22 percent utilization goal for the Project's hard construction costs.

Additionally, through Resolution No. 7390, on August 12, 2020, the Prosper Portland Board authorized the terms of a Community Benefits Agreement with the Healthy Communities Coalition (Healthy Communities Coalition CBA). While the Healthy Communities Coalition CBA was not finalized or signed due to the departure of Continuum Partners as the developer of the Property, Prosper Portland has maintained a commitment to the spirit of the negotiations for those terms relating to Prosper Portland-constructed or City of Portland-constructed infrastructure and site work. As such, the Project will provide a wide variety of community benefits, including without limitation: (i) contribution of amount equal to one percent of the hard cost of the Project (and capped at \$200,000 in the aggregate with the contribution associated with the adjacent sitework), to Prosper Portland's Construction Equity Fund; (ii) labor-related benefits generally consistent with the City's template Community Benefits Agreement adopted through City Council Resolution No. 37328, adopted November 8, 2017, with certain negotiated modifications; and (iii) adoption of a 15 percent local hiring goal.

COMMUNITY PARTICIPATION AND FEEDBACK

To help ensure equitable participation and outcomes, staff consulted with NAMC Oregon and the Professional Business Development Group on procurement documents, as well as the Healthy Communities Coalition during negotiations of the Healthy Communities Coalition CBA.

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 Oregon Revised Statutes 279C.335(5) and the Local Contract Review Board Rules, Part 4(II)(B)(2), Prosper Portland also published notice of the required public hearing for the alternative contracting method (CM/GC) on April 23, 2021; the hearing was held on May 10, 2021.

BUDGET AND FINANCIAL INFORMATION

There are insufficient resources in the fiscal year (FY) 2021-2022 and the FY 2022-2023 River District Proposed Budget for the GMP contract and owner's-controlled contingency (see Attachment B). This is due to a greater than expected cost of the project and a lack for forecasted revenue from land sales elsewhere in the district. An additional \$3,500,000 in City General Fund resources has been committed to help pay for a portion of the expenses, and PPR will be responsible for reimbursing their expenses. Staff is recommending the use of unrestricted resources to temporarily fill the anticipated \$17,500,000 budget gap until additional land sales occur within the River District. This recommendation will be included a budget amendment this fall for the Prosper Portland Board's consideration.

Continuum, serving as an Owner's Representative for the Project on behalf of Prosper Portland, has worked closely with staff and NWDD/Raimore to identify opportunities for cost savings and risk reduction. However, the GMP proposal remains significantly over initial budget estimates due to a combination of unforeseen conditions and cost escalations, including: 1) increased requirements for abatement of

hazardous materials including asbestos encased within the concrete walls of the tunnel network; 2) an inability to crush and reuse the concrete as backfill material onsite due to the presence of lead and Polychlorinated Biphenyls (PCBs); 3) unanticipated City code-required soil compaction and storm water requirements impacting the means and methods for backfilling the site; and 4) significant inflationary upward cost pressures on all labor, fuel, equipment and material prices over the last two (2) years.

As noted in the Background and Context section above, a portion of the authorized expenses will be reimbursed by PPR.

RISK ASSESSMENT

Staff has worked closely with NWDD/Raimore and the design and environmental consultant team through the pre-construction phase to refine the scope of work and assumptions included in the GMP contract; and with the USPS retail operations adjacent to the project to ensure noise, dust, and operational impacts are minimized.

The project, as well as the site on which it sits, is large and complex, and thus there may be risks and uncertainties beyond those typical in the construction and demolition context. These risks include, but are not necessarily limited to, the following:

- It is possible that additional hazardous materials may be discovered in the field that will require abatement beyond that estimated. This risk has been mitigated to some extent by investigations and sampling during the pre-construction period.
- There is asbestos-wrapped concrete in tunnels throughout the site, as well as concrete coated in PCB-containing paint on / in the P&DC facility itself. The project team anticipates that this contaminant-containing concrete will require disposal off-site at an appropriate (Subtitle D) landfill. The GMP includes an allowance for this work which the project team believes reflects a reasonable estimate of the quantity of material to be disposed, based on work with the contractor and consultant teams during the pre-construction phase. But if the quantity exceeds estimates, the contract would generally (subject to its specific terms and conditions) make Prosper Portland responsible for the overage.
- The fill beneath the P&DC's slab-on-grade foundation is undocumented. The project team plans to reuse existing fill dirt on site; however, there is a risk that this material may not meet City-required compaction levels. If that occurs, a portion may need to be hauled offsite or it may need to be further treated with admixtures. This would likely add cost to the work.
- There is a risk that unforeseen or unknown conditions may be concealed beneath the slab on grade / foundation / pile system that differ from the available original site plan. This may cause additional soil removal and added backfill costs.

Though the project team has taken efforts to mitigate these risks, as described above, staff recommends that the Board approve an owner's contingency of \$2,000,000 to address the possibility that one or more of these, or other, potential risks result in added cost to the agency. Staff, as well as a well-qualified consultant team, will closely monitor the work while it is underway to proactively address and mitigate issues and additional risks should they arise.

The GMP contract additionally includes an approximately \$1,500,000 NWDD-controlled contingency; and a cost savings incentive that splits any cost savings 75/25 between Prosper Portland and NWDD/Raimore.

Should the Prosper Portland Board wish to proceed other than as recommended by staff, the Board may elect to not authorize the GMP contract, which will result in a delay of the completion of the demolition and subsequent infrastructure and private development, as well as potential increased costs to complete the work in the future.

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 2021-22	Proposed FY 2022-23	Forecast FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27
Resources						
Beginning Fund Balance	65,985,295	50,306,057	6,712,313	10,693,506	5,516,093	4,028,802
Revenue						
Fees and Charges	3,616	2,110	-	-	-	-
Interest on Investments	649,605	95,475	43,248	64,989	39,101	31,666
Loan Collections	7,464,199	677,745	664,431	104,194	2,290,927	18,504
Property Sales	0	-	14,000,000	-	-	-
Rent and Property Income	1,823,101	2,432,235	2,565,561	2,699,729	2,866,614	2,633,184
Reimbursements	13,687	14,098	14,521	14,956	15,405	15,854
Total Revenue	9,954,208	3,221,663	17,287,761	2,883,868	5,212,047	2,699,208
Total Resources	75,939,503	53,527,720	24,000,074	13,577,374	10,728,140	6,728,010
Requirements						
Administration						
A00225-Debt Management-RVD	1,020,379	33,098	33,098	33,098	-	-
Administration Total	1,020,379	33,098	33,098	33,098	-	-
Housing						
A00166-Affordable Housing-RVD	5,406,969	6,380,290	1,084,747	-	-	-
A00186-Fairfield Apartments-RVD	25,000	700,000	-	-	-	-
Housing Total	5,431,969	7,080,290	1,084,747	-	-	-
Infrastructure						
Public Facilities						
A00483-Union Station Grant-RVD	100,000	100,000	-	-	-	-
Infrastructure Total	100,000	100,000	-	-	-	-
Property Redevelopment						
Commercial Property Lending						
A00361-CPRL-General-RVD	50,000	-	-	-	-	-
Real Estate Management						
A00276-Post Office-RVD	919,523	915,923	544,923	459,923	459,923	-
A00278-4th and Burnside-RVD	34,558	34,558	34,558	-	-	-
A00285-Block Y-RVD	114,893	116,667	118,528	120,178	121,896	83,614
A00286-Union Station-RVD	1,684,650	1,739,184	1,798,287	1,858,081	1,919,944	1,981,808
A00288-Centennial Mills-RVD	477,264	538,932	556,932	-	-	-
A00290-Station Place Prkng-RVD	647,661	849,082	691,074	700,313	714,552	728,791
A00291-Block R-RVD	0	39,000	35,371	36,008	36,645	37,282
A00292-One Waterfront North-RVD	0	-	-	19,652	19,652	19,652
A00293-Old Fire Station Mgmt-RVD	280,685	80,685	-	-	-	-
A00558-RD Small Lots - 9th & Naito-RVD	17,269	17,682	18,116	18,572	19,028	19,484
A00587-Block 25-RVD	35,054	35,054	35,054	-	-	-
Real Estate Predevelopment						
A00276-Post Office-RVD	5,186,800	19,053,900	2,089,670	-	-	5,219,630
A00278-4th and Burnside-RVD	493,448	5,000	5,000	-	-	-
A00587-Block 25-RVD	75,000	-	-	-	-	-
A00620-Post Office Grant-RVD	119,596	-	-	-	-	-
Real Estate Disposition						
A00288-Centennial Mills-RVD	388,000	400,000	1,500,000	-	-	-
A00293-Old Fire Station Mgmt-RVD	513,000	5,000	5,000	-	-	-
Redevelopment Strategy						
A00038-Superfund-RVD	382,320	46,080	79,200	79,200	-	-
A00279-Broadway Corridor-RVD	20,000	-	-	-	-	-
A00517-OT/CT Investment & Parking-RVD	1,473,824	10,000,000	-	-	-	-
A00687-OTCT-PI-DTWF	62,500	75,000	-	-	-	-
Redevelopment Grants						
A00390-CLG-General-RVD	435,966	325,000	100,000	-	-	-
A00497-Prosperity Investment Program (PIP) Grant-RVD	375,911	150,000	150,000	-	-	-
A00671-Repair Grant-RVD	11,500	-	-	-	-	-
Property Redevelopment Total	13,799,422	34,426,747	7,761,713	3,291,927	3,291,640	8,090,261
Total Program Expenditures	20,351,770	41,640,135	8,879,558	3,325,025	3,291,640	8,090,261
Personnel Services	833,302	1,003,153	856,396	894,976	606,409	394,161
Total Fund Expenditures	21,185,072	42,643,288	9,735,954	4,220,001	3,898,049	8,484,422
Interfund Transfers - Indirect Charges	4,448,374	4,172,119	3,570,614	3,841,280	2,801,289	1,960,868
Contingency	50,306,057	6,712,313	10,693,506	5,516,093	4,028,802	-3,717,280
Total Fund Requirements	75,939,503	53,527,720	24,000,074	13,577,374	10,728,140	6,728,010