



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

**DATE:** July 12, 2023  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 23-22

Authorizing an Amendment to the Guaranteed Maximum Price Agreement with Northwest Demolition and Dismantling, Inc. for Abatement and of the Former United States Postal Service Processing and Distribution Center at 715 NW Hoyt Street

#### **BOARD ACTIONS REQUESTED**

Adopt Resolution No. 7496

This action by the Prosper Portland Board of Commissioners (Board) will authorize an increase to the Guaranteed Maximum Price (GMP) agreement contingency approved by the Prosper Portland Board through Resolution No. 7461 on July 13, 2022, with Northwest Demolition and Dismantling, Inc. (NWDD) from \$2,000,000 to an amount not to exceed \$4,000,000. This increase will cover costs of additional unforeseen scope, to be completed in accordance with Oregon Department of Environmental Quality regulations, to manage, excavate, load and dispose of an estimated 9,000 tons of friable asbestos containing soil from around the tunnels at 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 and Photo in Attachment A). Timely completion of these site preparation activities is necessary for the initial phases of the Broadway Corridor redevelopment.

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

This action will enable Prosper Portland to complete 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 occupied most of the eastern half of the Property. Containing approximately 400,000 square feet of building floor area, the P&DC was 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.

The Project scope of work for the pre-construction and construction phases included 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.

A conditional notice to proceed for the abatement commenced on September 14, 2022, followed by an unconditional notice to proceed with the demolition on October 31, 2022. The vertical abatement and demolition of the P&DC building is now 98 percent complete. Demolition of the conveyor building is expected to begin later in July in coordination with Multnomah County due to its proximity to the Broadway Bridge. The NWDD/Raimore team is preparing to start demolition of the foundational elements and subsequent sitework. The overall project is at 67 percent complete by schedule and 47 percent by cost as of the June 2023 invoice.

During onsite soil investigation work it was discovered that the condition of the asbestos containing waterproofing membrane surrounding the tunnels was changed due to the saturation of the soil and subsequently deemed friable. During excavation, the asbestos containing material will continue to release from the walls and come in contact with the soil. An estimated total of 9,000 tons of asbestos containing material soil must be managed and disposed in accordance with Oregon DEQ regulations, which presents a significant change to the Project and will increase scope, schedule, and budget.

### **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; contractors are achieving 98 percent COBID participation, 80 percent Minority, and 21 percent Female workforce participation.

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**

There has been no specific public participation related to this proposed action. That said, there has been considerable outreach over many years relating to the broader Broadway Corridor project. For example, to help ensure equitable participation and outcomes, staff consulted with National Association of Minority Contractors - 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.

### **BUDGET AND FINANCIAL INFORMATION**

The current year (FY 2023-24) Adopted Budget includes \$20,100,000 for the demolition and related site prep for the USPS site. The current year budget is part of a total allocation between the prior year and the current year of a remaining \$34,000,000 allocated from River District resources towards the USPS project. This amount includes \$13,800,000 in program income budgeted to be transferred from expiring TIF districts since River District’s remaining resources were insufficient to fully fund the USPS site prep and remaining Old Town Action Plan commitments. This plan is consistent with the Broadway Corridor funding plan presented to the Prosper Portland Board in July 2022 where up to \$17,500,000 of program income resources were anticipated to support the project while keeping commitments to the Old Town Action Plan.

Prosper Portland’s Owner’s Representative for the Project 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 years.

Staff will monitor the increased costs associated with this amendment alongside opportunities for future cost savings as the project progresses. Staff will report back to the Board on progression of the project and recommend an increase in the overall project budget during the Fall or Spring budget revision if no cost savings are anticipated on the demolition contract or other USPS related project costs are anticipated. If an overall budget increase is required, Staff will recommend an option for the source of funding based on changes in the River District Fund budgeted resources and expenditures or from program income in other expiring TIF Districts. Resources will be held in contingency in the Business Management Fund as a reserve to ensure additional funding is available if necessary.

### **RISK ASSESSMENT**

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:

- There is a risk that additional 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.
- Increase in schedule may put the site restoration work completion during the rainy season which will make achieving the required compaction more difficult.

Should the Prosper Portland Board wish to proceed other than as recommended by staff, it may elect to not authorize the GMP Amendment, 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 and Photo
- B. River District Financial Summary

**PROPERTY SITE MAP AND PHOTO**



**RIVER DISTRICT FINANCIAL SUMMARY**

**Financial Summary  
 Forecast**

River District TIF Fund	Revised FY 2022-23	Adopted FY 2023-24	Forecast FY 2024-25	Forecast FY 2025-26	Forecast FY 2026-27	Forecast FY 2027-28
<b>Resources</b>						
Beginning Fund Balance	61,511,730	27,214,171	1	143,438	4,477,223	2,536,551
Revenue						
Fees and Charges	2,110	0	0	0	0	0
Interest on Investments	307,556	14,473	8,965	10,671	58,171	39,148
Loan Collections	45,799	90,890	0	0	0	0
Property Sales	0	2,000,000	6,000,000	8,250,000	0	0
Rent and Property Income	2,442,581	2,367,318	3,334,184	2,217,715	2,246,219	2,284,248
Reimbursements	14,098	14,521	14,956	0	0	0
Transfers In	0	15,334,134	0	0	0	0
<b>Total Revenue</b>	<b>2,812,144</b>	<b>19,821,336</b>	<b>9,358,105</b>	<b>10,478,386</b>	<b>2,304,390</b>	<b>2,323,396</b>
<b>Total Resources</b>	<b>64,323,874</b>	<b>47,035,507</b>	<b>9,358,106</b>	<b>10,621,824</b>	<b>6,781,613</b>	<b>4,859,947</b>
<b>Requirements</b>						
Administration						
A00025-Debt Management-RVD	10,375	33,098	33,098	0	0	0
Administration Total	10,375	33,098	33,098	0	0	0
Economic Development						
Business Lending						
A00204-BL -General-RVD	100,000	150,000	0	0	0	0
Economic Development Total	100,000	150,000	0	0	0	0
Housing						
A00166-Affordable Housing-RVD	9,280,290	2,175,133	0	0	0	0
Housing Total	9,280,290	2,175,133	0	0	0	0
Infrastructure						
Parks						
A00232-Nbrhd Prk(The Fields)-RVD	540	545	550	555	560	565
Public Facilities						
A00718-Chinatown Gate-RVD	40,000	260,000	0	0	0	0
Infrastructure Total	40,540	260,545	550	555	560	565
Property Redevelopment						
Commercial Property Lending						
A00361-CPRL-General-RVD	12,600	1,000,000	0	0	0	0
Real Estate Management						
A00276-Post Office-RVD	1,051,715	163,000	158,000	158,000	0	0
A00278-4th and Burnside-RVD	38,484	42,656	42,656	0	0	0
A00285-Block Y-RVD	131,974	148,610	148,610	153,066	153,066	157,660
A00286-Union Station-RVD	1,728,676	1,765,163	1,858,081	0	0	0
A00288-Centennial Mills-RVD	720,752	557,171	557,181	557,181	0	0
A00290-Station Place Prkng-RVD	1,106,638	1,137,323	1,019,234	1,049,813	1,049,813	1,081,306
A00291-Block R-RVD	50,743	48,471	49,108	49,745	50,382	51,019
A00292-One Waterfront North-RVD	1,000	19,652	19,652	19,652	19,652	19,652
A00293-Old Fire Station Mgmt-RVD	87,310	33,789	0	0	0	0
A00558-RD Small Lots - 9th & Naito-RVD	20,282	13,543	13,543	0	0	0
A00587-Block 25-RVD	48,342	44,461	44,461	0	0	0
A00691-Post Office Garage-RVD	48,386	733,532	614,650	581,589	581,589	599,035
Real Estate Predevelopment						
A00186-Fairfield Commercial-RVD	524,000	0	176,000	0	0	0
A00276-Post Office-RVD	14,006,995	20,056,982	0	0	0	0
A00278-4th and Burnside-RVD	498,448	644	644	0	0	0
A00293-Old Fire Station Mgmt-RVD	133,693	0	0	0	0	0
A00587-Block 25-RVD	75,000	75,000	0	0	0	0
A00682-USPS Legal-RVD	20,000	50,000	0	0	0	0
Real Estate Disposition						
A00288-Centennial Mills-RVD	714,041	125,000	0	375,000	0	0
A00293-Old Fire Station Mgmt-RVD	5,000	200,000	0	0	0	0
Redevelopment Strategy						
A00038-Superfund-RVD	46,080	79,200	79,200	0	0	0
A00279-Broadway Corridor-RVD	100,000	0	0	0	0	0
A00517-Old Town Action Plan Investments-RVD	300,000	12,066,092	0	0	0	0
Redevelopment Grants						
A00390-Community Livability Grant-RVD	369,265	0	0	0	0	0
A00497-Prosperity Investment Program (PIP) Grant-RVD	526,798	250,000	0	0	0	0
A00671-Repair Grant-RVD	5,558	0	0	0	0	0
Property Redevelopment Total	22,371,780	38,610,289	4,781,020	2,944,046	1,854,502	1,908,672
<b>Total Program Expenditures</b>	<b>31,802,985</b>	<b>41,229,065</b>	<b>4,814,668</b>	<b>2,944,601</b>	<b>1,855,062</b>	<b>1,909,237</b>
Personnel Services	603,133	474,176	600,000	500,000	500,000	300,000
<b>Total Fund Expenditures</b>	<b>32,406,118</b>	<b>41,703,241</b>	<b>5,414,668</b>	<b>3,444,601</b>	<b>2,355,062</b>	<b>2,209,237</b>
Interfund Transfers - Indirect Charges	4,503,585	5,332,266	3,800,000	2,700,000	1,890,000	630,000
Interfund Transfers - Cash Transfers	200,000	0	0	0	0	0
Contingency	27,214,171	0	143,438	4,477,223	2,536,551	2,020,710
<b>Total Fund Requirements</b>	<b>64,323,874</b>	<b>47,035,507</b>	<b>9,358,106</b>	<b>10,621,824</b>	<b>6,781,613</b>	<b>4,859,947</b>