

PORTLAND BUILDING RECONSTRUCTION: City faced with important post-planning decisions to ensure project success

December 2016



Portland City Auditor
Audit Services Division

PORTLAND BUILDING RECONSTRUCTION:
City faced with important post-planning decisions
to ensure project success

December 2016



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Robert Cowan



December 29, 2016

TO: Mayor Charlie Hales
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman
Fred Miller, Chief Administrative Officer, Office of Management and Finance

SUBJECT: Audit Report – *Portland Building Reconstruction: City faced with important post-planning decisions to ensure project success* (Report #482)

This report contains the results of the first of our planned audits of the Portland Building reconstruction project. Based on our review of the planning phase, we identified areas for continued attention as the project moves forward.

The response letter from the Chief Administrative Officer is included at the end of the report.

We will follow up in one year with the Commissioner-in-charge and the Chief Administrative Officer for a status report detailing the steps taken to address our audit recommendations.

We appreciate the cooperation and assistance we received from the Office of Management and Finance as we conducted this audit.

Mary Hull Caballero
City Auditor

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Attachment




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Summary

The City has begun work to reconstruct the landmark Portland Building. Built in 1981, the Portland Building has a long history of water leaks. After reviewing different options, the City chose to reconstruct the building to address the exterior and additional concerns about seismic resiliency, workplace interiors, as well as mechanical, electrical and plumbing systems. In October 2015, Council directed the Office of Management and Finance to begin contracting for the design, construction and temporary relocation needed for the project. Over the last year, the City has deployed its resources to secure key contracts and make preparations for the project.

While the City is years away from completing the reconstruction project, we conducted this audit now because of the project's high-profile nature, complexity, and cost. Early audits like this can contribute to the accountability and oversight environment. Any recommendations for improvements are less costly now than if the City identified issues later.

The City made choices during this planning phase that will make its upcoming design phase decisions particularly significant. For example, the City is using a new approach to meet the complexities of this project. Given the project's early status and the City's approach, aspects of the project remain fluid until formally set later during the design phase. We report our observations for six key project areas, described within two broader categories:

- 1) *Project management constraints*: Using a project management framework, we report on each of the three interrelated project constraints – **scope, budget, schedule**. Since Council has already set fixed limits on **budget** and **schedule**, any needed adjustments will be made to the project **scope**. As a result, **scope** remains a pivotal aspect of the project that has yet to be defined.

- 2) *Public accountability challenges:* The City has made a variety of commitments about the project and we highlight three areas – **equity, compliance, decision-making** – that may present particular challenges. Each challenge can impact the overall project, but the **decision-making** area is the most crucial to the project’s success.

Since the Portland Building reconstruction project is active, we informed City managers as we identified areas for continued attention. In this report, we make specific recommendations for the project as it moves forward through design and construction.

Some changes could not be applied retrospectively and, in those instances, we share lessons learned for future City construction projects in the Appendix.

Background High-profile reconstruction project with political, logistical and technical complexities

Initial issue with leaky building prompted further review and expansion of project scope

The Portland Building's exterior has shown numerous signs of failure since constructed in 1981. The 15-story office building in downtown Portland supports the administrative and operational needs of the City. The building provides space for customer service centers, retail vendors, public meeting spaces, a daycare center, and about 1,300 City employees. In 2008, the City hired consultants to conduct broader investigations of the building. The consultants reported issues with the building's exterior due to "chronic water infiltration and deterioration" which included "damage to interior finishes, mold, and the general discomfort of occupants." Despite "piecemeal repairs carried out over the past 30 years," the City had yet to resolve "the overarching systemic issues."

The consultant's investigations started with the building's exterior, and eventually expanded to include other areas of the building. The rationale for the broader review was that if the City made a large investment in one element of the building then the remainder of the building should also meet a 50-to-100-year life span. The consultant identified preliminary issues with the exterior and seismic resiliency in 2012. After feedback from an advisory group in 2014, the City expanded the consultant's work to include an assessment of the building's systems – such as mechanical, electrical and plumbing – as well as the interiors. The consultant issued two reports with its findings, recommendations, and preliminary construction estimates for each of the four building elements (see Figure 1).

Figure 1 Summary of consultant reports by building element

Condition assessment	Select treatment recommendations	Preliminary cost estimate ³
Exterior		
<ul style="list-style-type: none"> - Fundamentally flawed design relying on a single line of defense - Incorrectly detailed and poorly installed assemblies - Concrete and stucco generally in good condition - Chronic water infiltration resulted in deterioration and damage 	<ul style="list-style-type: none"> - Establish a dual line of defense - Replace ceramic tile, curtain wall, gypsum wall board, insulation, store fronts and windows to match existing exterior appearance - Patch cracks in concrete and stucco 	\$12.7 million
Seismic		
<ul style="list-style-type: none"> - Not categorized as “dangerous structure” but expected to perform poorly in most earthquakes - Building not to current code, mandatory upgrade not required 	<p>If voluntary upgrade to current code, choose between:</p> <ul style="list-style-type: none"> a) Exterior moment frame scheme b) Elevator core shear wall scheme (core scheme may be better option) 	<p>a) \$16.8 million or b) \$8.8 million</p>
Systems¹		
<ul style="list-style-type: none"> - Generally well-maintained and operate adequately - Most building systems have reached or exceeded expected service life - Identified equipment that could be relocated for more indoor space or energy efficiency 	<ul style="list-style-type: none"> - Replace existing control system with a single integrated system capable of sub-metering and web-based access - Replace existing electrical, fire alarm and protection, mechanical, and plumbing systems; use high efficiency heating and cooling systems - Relocate systems to roof or mechanical penthouse 	\$37.4 million
Interiors²		
<ul style="list-style-type: none"> - Numerous barriers impede ability to serve employees and members of the public with disabilities - Building receives minimal useful daylight due to existing window configuration - Condition of existing finishes vary throughout building, generally do not meet sustainability goals - Typical office floor crowded with high walled cubicles and narrow walk ways; furniture systems not standardized - Ground floor loggia is not well utilized feature that creates security issues 	<ul style="list-style-type: none"> - Correct accessibility deficiencies as part of comprehensive interior remodel - Change existing glass and remove any non-structural interior walls to allow for increased daylighting - Demolish all existing finishes except tenant and historically significant spaces - Replace all ceiling, floor, and wall finishes as noted in plans and legend provided - Reconfigure floors to leave perimeter open for circulation and variety of work spaces; standardize furniture systems, reduce cubicle size³ - Examine possibility of changes to loggia 	\$19.5 million

Source: Audit Services analysis of FFA Architecture + Interiors assessment reports. Projected construction cost estimates for rehabilitation recommendations: exterior and seismic perimeter scheme issued in March 2013 report; seismic core scheme, systems and interiors issued in 2015 report. Auditor has not made any adjustments for inflation.

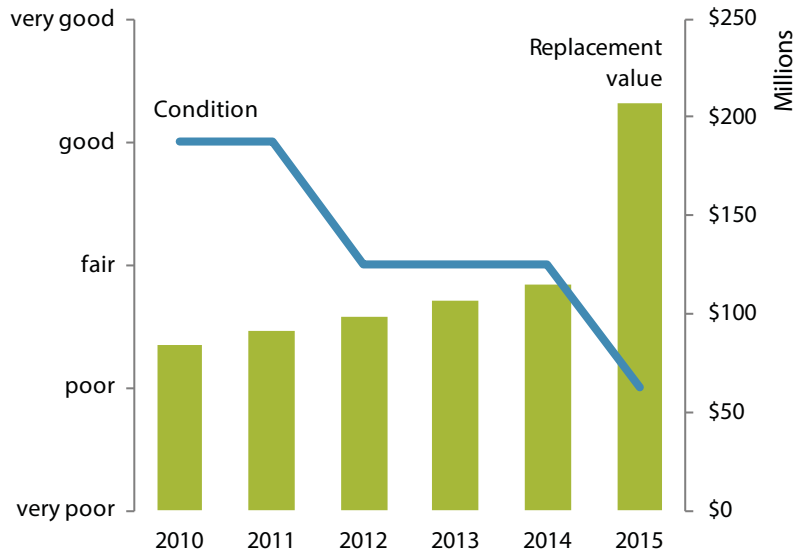
¹ Building systems included electrical, fire alarm and protection, mechanical, plumbing, and technology infrastructure.

² Interiors included accessibility, daylighting, elevators, egress stairs, ground floor loggia, historically significant interior spaces and features, and interior layout and finishes.

³ Per reports, estimates are for direct construction costs only. “They do not include furnishings and equipment” and other “owners’ soft costs.”

During this time period, records showed the City downgraded the building’s condition from “good” to “poor” and increased the building’s replacement costs (see Figure 2).

Figure 2 City downgraded condition to “poor” and increased replacement value to over \$200 million



Source: Auditor compilation of City Assets Report records from the Office of Management and Finance. Auditor has not made any adjustments for inflation.

City determined reconstruction was least-costly option, requires relocating existing operations

The City determined that reconstruction was the least-costly of six options it considered for the building. After learning of the preliminary issues, City staff met with Council members as well as other internal stakeholders to identify options to move the project forward. The City developed a high-level cost analysis for each option, which was updated over time (see Figure 3).

Figure 3 City considered six options, ultimately selecting reconstruction as least costly

Option	Estimates	
	April 2014	September 2015
► Reconstruction	\$ 95 million*	\$175 million
Deconstruction and build new on existing site	\$316 million	\$320 million
Sell and buy elsewhere	\$128 million	\$210 million
Sell and build new elsewhere	\$214 million	\$220 million
Sell and permanently lease elsewhere	\$347 million	\$260 million
Sell and build new with partner elsewhere	Depends on partner	Not applicable

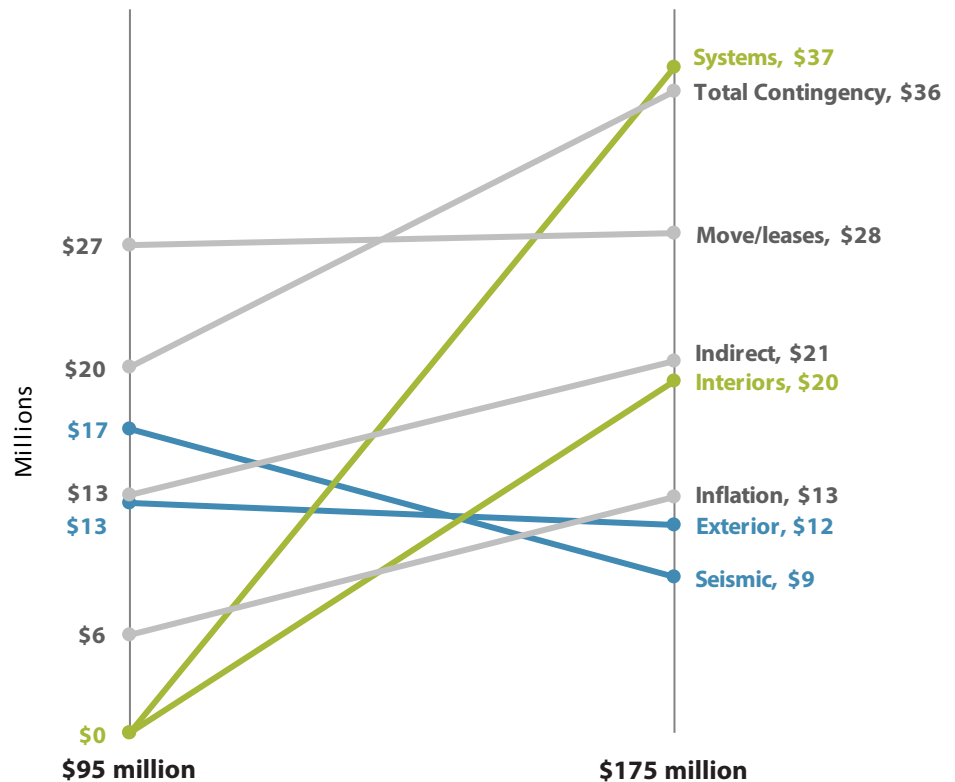
Source: City project records. Auditor has not made any adjustments for inflation.

* When estimated at \$95 million, referred to as an “improvements” option.

The City convened an advisory group in 2014 to review assumptions and data, and provide feedback and professional perspective. The advisory group recommended that any building improvements include not only exterior and seismic elements but the addition of the building systems and interiors. Records show this recommendation prompted the City to expand the project’s scope to include these four building elements, and increase the project’s estimated costs from \$95 million to \$175 million (see Figure 4).

Figure 4 Earlier recommendation expanded scope and budget prior to project authorization

City originally estimated costs at \$95 million when improvements focused on **exterior and seismic elements** but increased estimated amount to \$175 million after scope expanded to a full reconstruction that included **systems and interiors elements**.



Source: Audit Services analysis of City project records

Note: Individual items did not originally sum to totals. Auditor rounded amounts presented but made no adjustments for inflation

In response to prior City discussions about possible demolition, local architects successfully nominated the building to the National Register of Historic Places in 2011. With its unique design, the building is considered the first major example of Post-Modern Classicism to be fully realized and a notable work by master architect Michael Graves. Though not yet at the typical 50-year age threshold, the Portland Building qualified under special consideration because of its “exceptional importance.” As a result, the reconstruction will be subject to state conservation program (Oregon Revised Statute 358.653) and local historic resource (City Zoning Code) reviews.

The City will need to navigate the many complexities of the reconstruction project. Politically, for example, the building is an architectural icon that receives international attention. There are many technical challenges, such as the building’s location on a tight city block along a major transit corridor. Among the logistical challenges is the temporary relocation of City operations, which will require moves, leases and associated tenant improvements.

Government construction projects present unique challenges

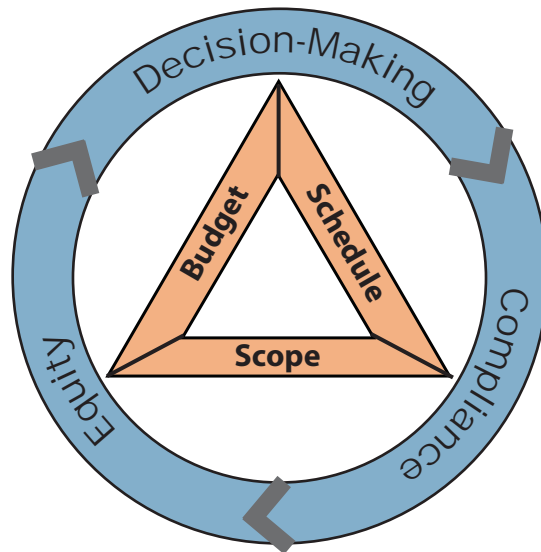
Scope, budget and schedule constraints are interrelated

Every project has limitations that must be managed. The most common constraints for a project are scope, budget, and schedule. This “triple constraint” is visualized as the project management triangle (see orange items in Figure 5) because any change in one constraint will affect at least one other. For example, if there is a scope change during a project, then budget and/or schedule will be affected. Project managers need to balance competing demands to deliver a quality project.

Public accountability a factor unique to government projects

Government projects have characteristics unique from those in the private sector that can influence the success of a project. Decision-makers must be accountable to many internal and external stakeholders, adhere to varied legal or policy limitations, and make prudent decisions when spending public resources. Project managers have a duty to act consistent with the public interest and trust when meeting mandated project goals. Government project teams must recognize these unique public accountability challenges (see blue items in Figure 5) in order to manage the project efficiently and effectively.

Figure 5 Project management **constraints** and public accountability **challenges**



Source: Audit Services analysis of *A Guide to the Project Management Body of Knowledge and Government Extension*

Project uses new approaches

Every owner responsible for a construction project must make an early and important decision about the way the project will be designed and constructed. There are advantages and disadvantages in the use of any specific method. Considerations that influence an owner’s selection include project size and type, regulatory requirements, risk tolerance, desired level of involvement, and in-house resources and capabilities.

For the Portland Building project, the City has incorporated approaches where it has no or some prior experience (see Figure 6).

Figure 6 City’s adopted project approaches where it has no or some prior experience

Not Previously Used	Occasionally Used
- Building Information Modeling	- Additional community benefits with construction projects
- Integrated Project Delivery	- Incentive Programs
- Progressive Design-Build-Relocate	- Owner Controlled Insurance Program
- Target Value Design	- Owner’s Representative Services
- Virtual Design & Construction	

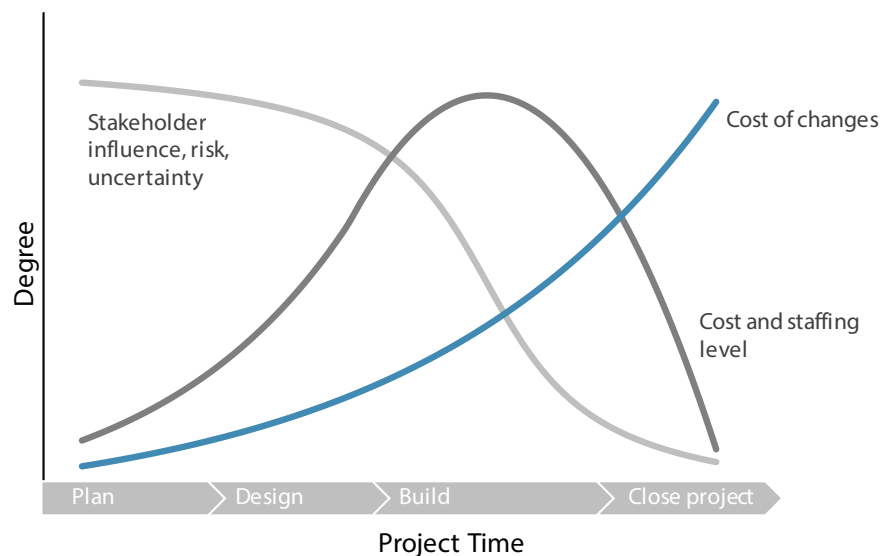
Source: Audit Services analysis of project records, City Comprehensive Plan, and Office of Management and Finance staff communications

The most noteworthy is the City's selection of the "progressive design-build" project delivery method, coupled with "integrated project delivery" principles. Progressive design-build is an emerging method available to owners, and its application in commercial buildings is still new. Integrated project delivery is also a relatively new option for owners. Both are characterized by early collaboration between the owner, designer and builder; shared project goals, risks and incentives; and tailored solutions for specific project challenges. Given the challenges related to temporary office moves, the City decided to add relocation to the project. The City determined this approach was the most cost effective method and posed less risk.

Project currently in design phase but audit focused only on planning activities

While the City is years away from completing reconstruction, early audits of an active project can add value. Unlike post-construction audits, performance assessments during a project can contribute to the accountability and oversight environment. Decision-makers also receive feedback on areas that may be detrimental to the project's success at a time when the costs of changes are less than if identified later (see Figure 7).

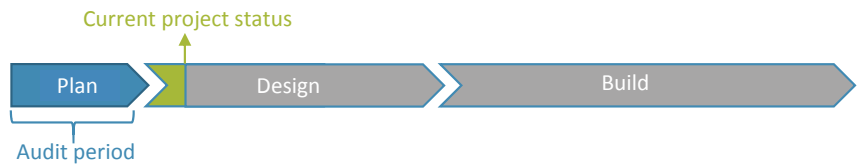
Figure 7 Cost of changes increase over the life of a project



Source: *A Guide to the Project Management Body of Knowledge*

Projects have a life cycle that generally includes a series of sequential phases from the start to the end of the project (see Figure 8). Each phase ends with the completion of one or more work products. This audit focuses on the **planning phase** of the project. Our audit period starts with the first advisory committee meeting in April 2014, and ends with the completion of the contracting and project set-up activities in July 2016. The City’s activities during the planning phase focused on project authorization; procurement of outside technical expertise; adoption of a plan for additional community benefits; and the initiation of project management processes. We conducted this audit to describe the City’s decision to reconstruct the building, assess the City’s work to plan the project, and identify improvements as the City proceeds.

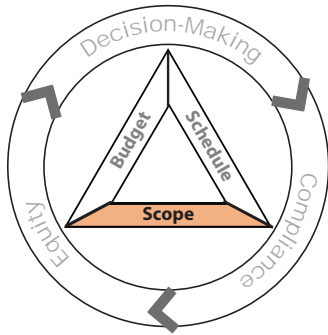
Figure 8 Audit reviewed planning phase activities only, while the project is currently in design phase



Source: Audit Services analysis of audit and reconstruction project records

Note: For simplicity, chart does not include relocation or show how project phases may overlap

The City is currently in the design phase of the project but we did not audit design phase activities. During the design phase, the City has important due dates for the project’s scope, budget and schedule set between the end of 2016 and early 2018. Since this audit is a point-in-time review of an active project, there is a natural tension between what we observed and the project’s current status – whenever significant, we make references to efforts after our fieldwork.



Scope: City prioritized scope flexibility to address project complexity

City descriptions of the project's scope have changed

A project's scope may be less detailed in early phases, but should still contain a common understanding of what will be accomplished, especially among diverse project stakeholders. The City descriptions about scope have evolved and still vary across project records. During the planning phase, the City developed eight different records that reference the project's scope (see Figure 9).

Figure 9 Project scope descriptions vary across records

Description	Record							
	Oct 2015 Council Resolution	Jan 2016 Council Ordinance	Feb 2016 Requested Budget	April 2016 Request for Proposals	June 2016 Project Mgmt. Plan	July 2016 Council Report	July 2016 Contract	July 2016 Project Charter
Design	█							
Meet City policy goals	█							
Project management	█							
Reconstruction	█							
Community resource		█						
Temporary leases	█				█			
Relocation / Moves	█			█	█		█	█
Exterior		█	█	█	█	█	█	█
Seismic		█	█	█	█	█	█	█
Systems		█	█	█	█	█	█	█
Interiors				█	█	█	█	
Accessibility		█	█			█		█
Equity and inclusion				█		█	█	█
Historic integrity		█		█			█	█
Lifecycle and operating costs reduced		█		█			█	█
Sustainable / Green building certification				█		█	█	█
Workplace		█		█			█	█
Daylighting			█					█
Fiscal responsibility						█		█
Best practices in industry								█
Flexible and efficient building								█
Technology infrastructure								█

Source: Audit Services analysis of project records

Scope is described differently across and within the types of records, with the exception of records used for procurement purposes. Records drafted at the same time also had different descriptions of the project's scope. Descriptions included a mix of project activities, criteria, goals, outcomes and principles.

In October 2015, Council's initial action about the project established that cost should not exceed \$195 million, completion by December 2020, and described scope generically as "design, re-location, reconstruction and project management" activities. Later scope descriptions specify the building deficiencies that prompted the reconstruction work. For example, many records describe the building's exterior, systems, and seismic elements.

The variety in project scope is most apparent in descriptions of the building's interiors element. This includes a wide range of items that cover accessibility for persons with disabilities, more welcoming community spaces, increased daylight, and replacement of interior furnishings, with opportunities to improve "quality and efficiency of the workplace," and "technology infrastructure to support current and future technology solutions."

City may opt to do less of described work to meet its cost limit and deadline

These changing descriptions about project scope introduce risk to project expectations, because the City already placed limits on the project's budget and schedule. Before the project was authorized, Council work sessions included concerns about whether the project could stay within budget. In response, Council set a maximum budget when the project was approved in October 2015. Since then, the Chief Administrative Officer made repeated assurances and set a management tone that the budget will not be exceeded. The budget limit impacts other constraints, as described in Council's January action: "the scope will adjust to ensure maximum cost is not exceeded." The City may not achieve all of the improvements that it described, because it may have already used its budget or available time.

City set some minimum project requirements and expectations

While the project scope may adjust in response to other constraints, the City adopted minimum requirements in July 2016 (see Figure 10), the end of our audit period. The Council presentation from July included a rephrased version of these baseline minimums along with other items considered "project expectations."

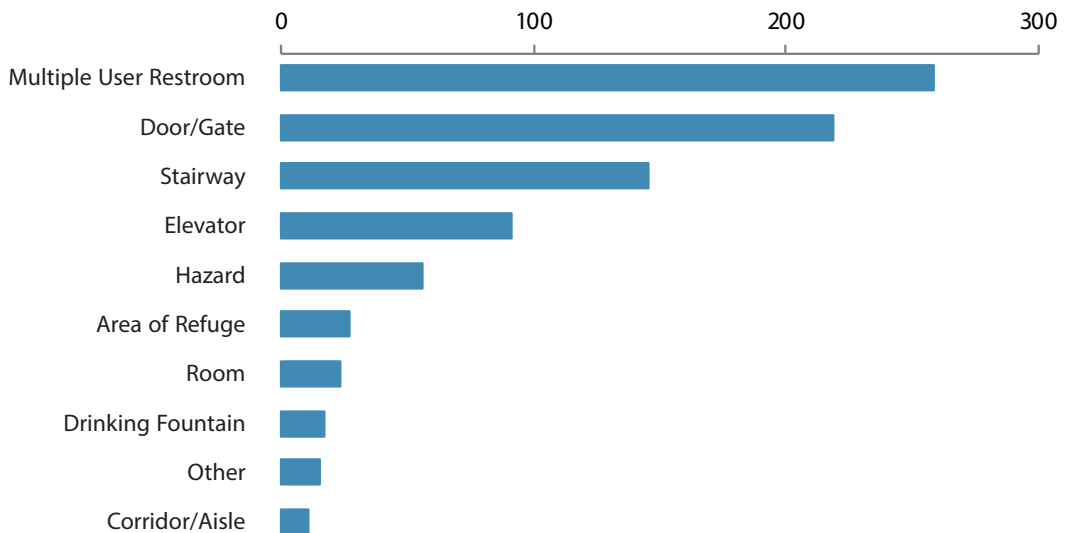
Figure 10 City established minimum project requirements that align with some scope items

Scope items	Minimum requirements
Exterior	Eliminate water intrusion issues
Seismic	Repair structural degradation and upgrade seismic level to meet current code for existing buildings
Systems	Upgrade/replace heating and cooling systems, and other building systems at/near the end of their useful life
Interiors	Upgrade accessibility of the building
Sustainability	Achieve Leadership in Energy & Environmental Design (LEED) certification at Gold level
Equity	Achieve agreed-upon subcontractor and workforce utilization goals

Source: Audit Services analysis of project charter and progressive design-build relocate contract

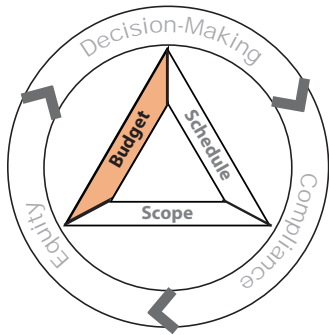
Going forward, it will be important to track when the City makes decisions to prioritize beyond these minimums. For example, one minimum is physical accessibility upgrades because of the City’s inventory of current barriers (see Figure 11). But, as we noted earlier, there are many other scope items described within this interiors building element. Whenever possible, information should relate back to reported building deficiencies – which articulate the business case for the project – and the project’s budget and schedule to make sure the project is on track to deliver the anticipated benefits.

Figure 11 City reported 862 unaddressed accessibility barriers in the Portland Building



Source: City’s Americans with Disabilities Act tracking report

Note: City’s Transition Plan describes physical barriers as “any obstacles that prevent or restrict the entrance to or use of a facility.”



Council approved \$195 million project maximum with no budget detail

Budget: City presented budget in a way which makes tracking difficult

When Council set the maximum project cost in October 2015, it did so without Council records about cost information. Since then, limited detail has been available about project costs. For example, the Council meeting in July 2016 presented project allocation amounts for three broad categories, and included a list of associated line items by category (see left two columns of Figure 12).

Figure 12 Presentation of allocated costs compared with budget detail

July 2016 presentation to Council		Auditor review of budget (millions)
Categories and items	Allocation (millions)	
Design-Build Relocate Contract	\$140	
Construction		\$ 85.8
Construction contingency		\$ 13.3
Design professionals		\$ 13.9
Temporary space preparation		\$ 10.5
Furniture, fixtures, equipment		\$ 10.8
Building technology		\$ 1.6
1.5% for green technology		\$ 1.6
Moves out and back in		\$ 1.1
Owner's Representative Contract	\$5.6	\$ 5.6
Remaining Costs	\$49.4*	
Temporary leases		\$ 22.3
Project contingency		\$ 10.4
City project management		\$ 6.0
Permits, fees, miscellaneous costs		\$ 5.4
Additional professional services		\$ 2.1
2% for art		\$ 2.1
City technology services		\$ 1.5
1% for community benefits		\$ 1.0

Auditor breakdown of construction line item:

- Systems \$ 40.3 million
- Interiors \$ 22.6 million
- Exterior \$ 13.7 million
- Seismic \$ 9.1 million

Source: First two columns based on July 2016 presentation to Council. Third column of budget amounts based on Audit Services analysis of project master budget as of July 2016. Construction line item breakdown based on Audit Services analysis per project master budget note: "Total from FFA as of September 15, 2015 summary for Spring 2015 construction start plus two years of 4 percent inflation, less elevators and preconstruction services."

* "Remaining Costs" allocation reflects the corrected amount.

Note: Individual items did not originally sum to totals or subtotals. Auditor rounded amounts presented but made no adjustments for inflation other than described above.

The presentation also included a chart that erroneously totaled \$200 million instead of \$195 million. *Note:* Staff said this has since been corrected.

Council's approval of the maximum costs also did not include information about items paid for outside of the project budget, including City staff time to archive, pack and move, and other excluded or unfunded items.

Construction budget generally supported by earlier estimates, some adjustments not explained

As of July 2016, the project budget included a single line item for building construction – the \$85.8 million construction amount represented 44 percent of the project total (see highlight in Figure 12). This project budget included more detail than what was publicly available, however, City staff did not have calculations to support the construction amount. Rather, staff provided narrative explanations (see source in Figure 12), which we used to replicate a similar amount (see breakdown of construction line item in Figure 12). The ranking of building elements from least to most expensive has remained the same since the March 2015 cost estimates (see Figure 4), ranging from seismic improvements to building systems upgrades or replacements.

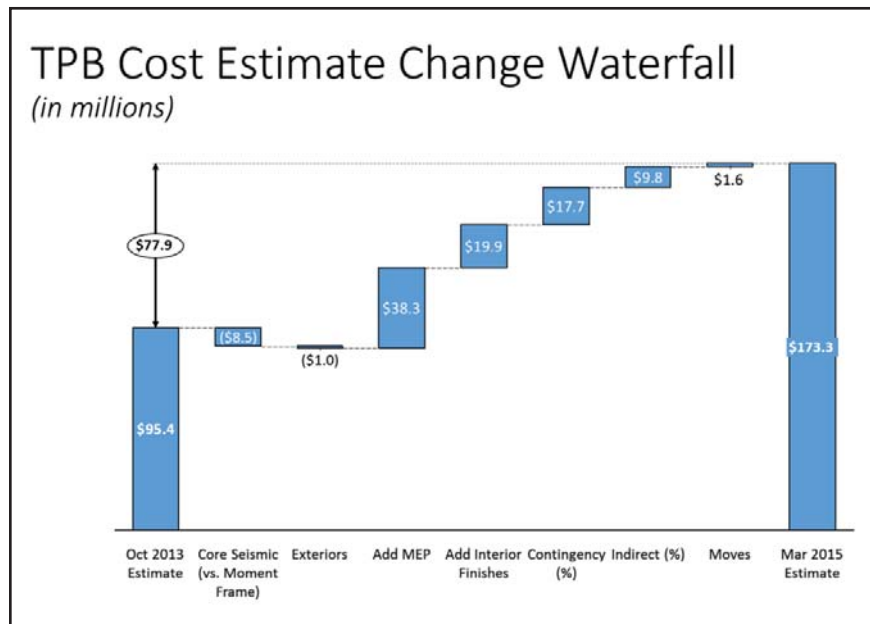
The City obtained two revised cost estimates from the consultants who provided the original construction estimates (see Figure 1). The City used the revised estimates from September 2015 as the basis for the construction portion of the project budget. However, the revised estimates cannot be explained by inflation adjustments alone. Records did not describe the rationale for the revisions, and staff were unable to explain the changes.

City did not explain rationale for budget changes

Council's approval of a maximum budget did not include a written rationale for the \$195 million amount. The Chief Administrative Officer's testimony included references to earlier project estimates discussed with Council – initially \$95 million, then \$175 million (see Figure 4). The explanation for the increase to \$195 million was because "the numbers are a year or two old," a reference to the earlier construction cost estimates. The \$195 million budget included more than inflation and market adjustments, but additional changes were not explained. The budget accounted for City decisions about the project

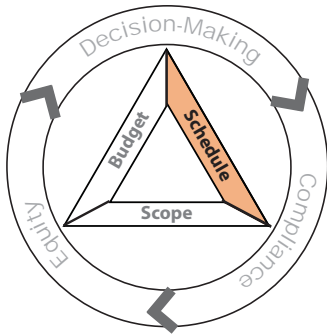
approach that were not reflected in earlier project estimates. These included the decisions to hire an owner’s representative and incorporate additional community benefits. In addition, City staff said earlier project estimates did not account for all costs, including furniture, fixtures and equipment; legal fees; and City information technology project management. When the City increased the estimated project cost from \$95 million to \$175 million, the project records included a “change waterfall,” which clearly traced the difference (see Figure 13). The City did not develop similar records to account for changes when the budget was later increased to \$195 million.

Figure 13 Example of how prior budget changes were tracked in project records



Source: Project records

When we attempted to trace current budget items back to earlier versions, City staff said such a comparison would be inaccurate. Staff acknowledged earlier versions served as a basis for the current budget, but the line items were grouped differently and allocated as needed within the \$195 million budget. Staff said that, as the City moves through the design phase, priorities will be further refined, and more investigations will occur, which will result in changes to the allocations.



City secured main contracts by stated milestones, complied with key procurement requirements

Schedule: City completed planning activities on schedule with one exception

The City met its schedule to secure the primary outside technical expertise needed for the project. There were two key contracts: 1) owner’s representative services up to \$5.6 million, and 2) the lead architects and construction contractors providing progressive design-build and relocate services up to \$140 million. Owner’s representative services include consultation about construction management, project oversight, public outreach, and social equity. The City followed key contracting requirements during these procurements (see Figure 14). With each, the City received multiple proposals that were scored largely based on proposer qualifications rather than price. At the end of our audit period, the City was in the process of selecting its initial group of subcontractors.

Figure 14 Procurement activities complied with key requirements

Procurement requirement	Owner’s Representative Contract	Progressive Design-Build Relocate Contract
Council exempted contract from competitive bidding	Not applicable	✓
Request for proposals advertised	✓	✓
Proposals scored by evaluation panel	✓	✓
Panel included minority evaluator and had no conflicts of interests	✓	✓
Notices published (e.g. intent to negotiate and award)	✓	✓
Protest periods observed	✓	✓
Business compliance confirmed	✓	✓
Council authorized contract award	✓	✓

Source: Audit Services analysis of procurement records

As noted earlier, the City is using new project approaches (see Figure 6) that require a different approach to procurement. For the Portland Building, the City created contract language specifically tailored to the new delivery method. The City also made changes to better meet the project’s equity, inclusion and diversity goals. For example, for the first time, the City scored proposals higher if proposers exceeded the

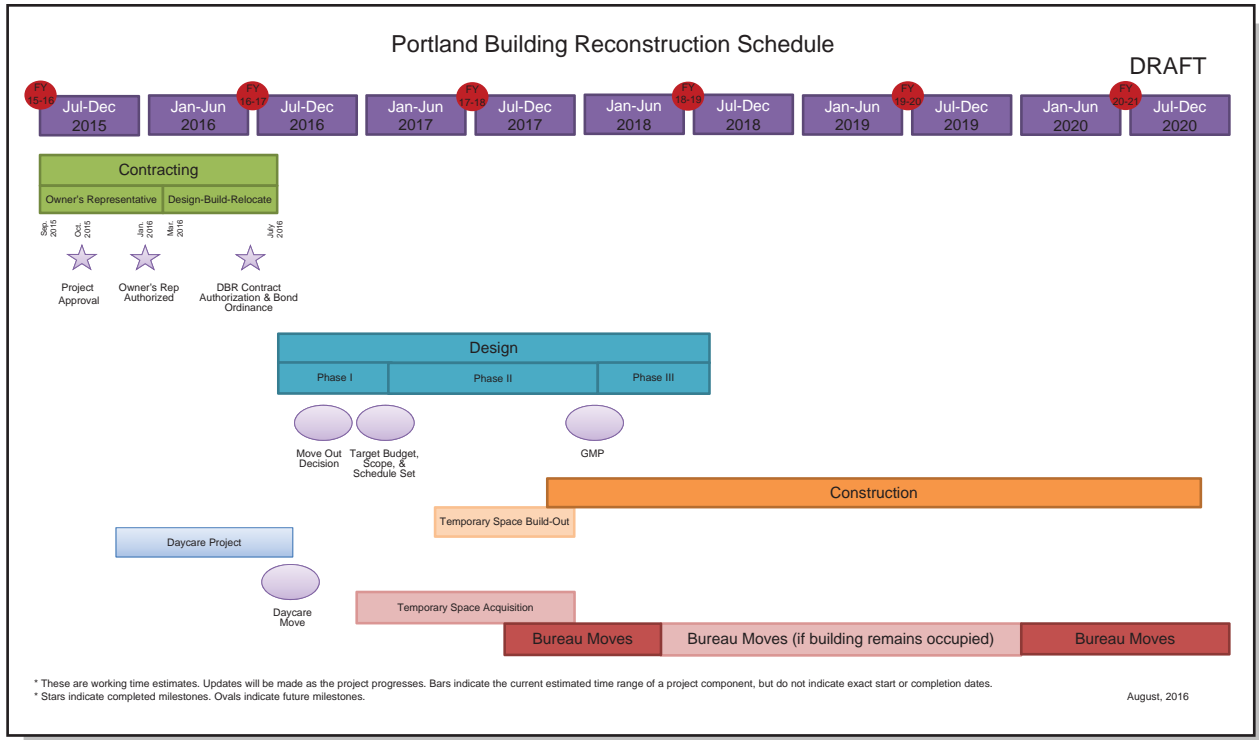
stated project goals for using disadvantaged, minority-owned, women-owned or emerging small businesses. Collectively, making these changes by the stated deadlines required significant coordination across the City's legal, procurement and project management staff as well as outside consultants.

Community benefits recommendation later than planned, may not be integrated into overall project

The Mayor postponed Council's initial timeframe to review a plan for the project's Community Opportunities and Enhancements, referred to as community benefits in this report. Over the years, the City has entered into different types of "community benefits agreements." Based on analysis by staff, at the City these "refer specifically to agreements related to construction contracting for large public facility projects and address workforce development, wages and benefits, opportunities for women and people of color, and related topics during the construction phase of a project." The October 2015 resolution said the City "shall return to Council with its recommended [community benefits] proposal for Council consideration and adoption by May 1, 2016," but this action didn't occur until July 27, 2016.

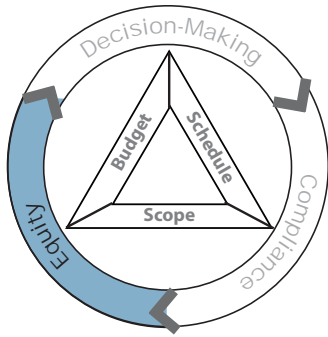
This milestone set by Council was not listed in the published project schedule (see Figure 15) and the community benefits component had not yet been integrated into the overall project. City staff said the separation from the overall project was intentional, because these community benefits support overarching City policy goals rather than goals specific to the reconstruction project. While the community benefits component is linked to the project's authorization and budget, staff said "the timeline for disseminating funds is not linked to the Portland Building project." In addition, "firms and workers that benefit from these investments may or may not participate in the Portland Building project." Council adopted the proposal at the end of the audit period, and it was not yet clear what next steps would be taken or by when, but staff members said they plan to develop an implementation strategy in the future.

Figure 15 Project schedule does not include references to community benefits



Source: Portland Building reconstruction project website

Note: Schedule as of August 2016 is presented here to reflect milestones completed (see stars) at the end of July 2016.



Equity: City advanced equity work in key areas, some stakeholder criticisms remain

City did not use availability analyses, but advanced commitments for subcontractor and workforce equity

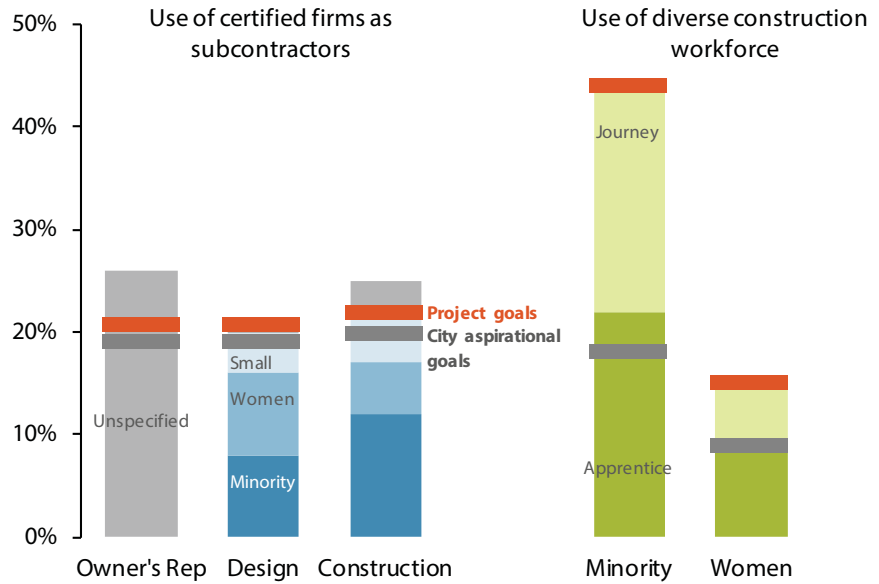
The City states equity in contracting and workforce opportunities is essential to achieving the equity vision in the Portland Plan. The plan seeks to improve City operational and business practices, support actions that promote accountability, close disparity gaps, and increase community engagement. The City set clear subcontractor and workforce diversity goals for the Portland Building project. These goals are expressed in the project’s equity, inclusion and diversity plan or in procurement records. The City recognized its “unique role in the construction industry to ensure public dollars spent benefit the community it serves and does not...perpetuate discrimination against or historical under-inclusion of minorities, women, and low-income people in the construction industry.”

The City’s adopted racial equity guidance identifies the importance of collecting and analyzing data when setting any equity-focused outcomes. Staff developed project goals that meet or exceed the City’s aspirational goals for these areas (see Figure 16). City staff said they developed project goals based on past results from City projects. However, they did not use market or workforce availability studies. A review of the current or projected availability of subcontractors or workers can help determine where to strategically set project goals.

For the first time, the City identified project goals specific to individual groups in addition to goals that combine groups. The City’s aspirational goals for the use of subcontractors combine minority-owned, women-owned, and emerging small businesses, or a subset of these groups. For the Portland Building project, the City went further to define some specific goals by individual groups as a percentage of costs (see Figure 16).

Similarly, the City’s aspirational workforce goals are for minorities and women, and for this project, there are goals specific to apprentice and journey-level worker hours (see Figure 16). As we described in

Figure 16 Contractual commitments meet and/or exceed City aspirational goals and project goals for equity



Source: Audit Services analysis of City policies and contractual commitments
 Note: For certified firms, "Small" represents emerging small businesses, "Women" represents women-owned businesses, and "Minority" represents minority-owned businesses.

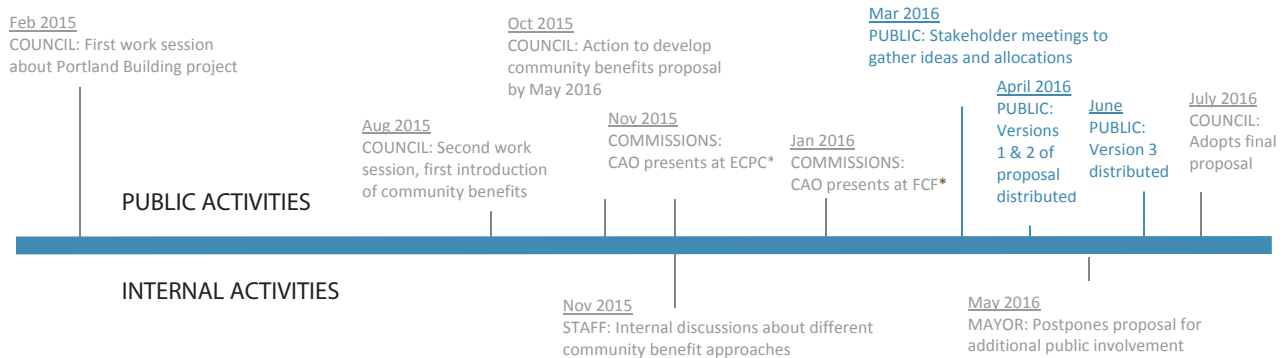
a prior procurement audit, tracking by group allows the City to be more intentional about its equity work and make timely adjustments to ensure a project will meet its contractual commitments.

Council's adopted community benefits proposal addressed some stakeholder concerns

A challenge for the City is it is not clear about how to approach community benefits generally, and this required staff to review past practices when developing a proposal for the Portland Building project. Council's direction from October 2015 required that the project's community benefits proposal be reviewed by stakeholder groups "prior to finalizing the proposal to ensure community interests are reflected." As noted in City guidance about equity and public involvement, both the process and its results are important. From the Portland Plan, advancing equity starts "with how the City government and its partners make decisions, invest, and engage with Portlanders and each other to measure success." Based on our review of community input during the development of the community benefits proposal, there were criticisms of the process as well as the resulting content.

In terms of process, the City held the most important public involvement activities less than two months before the then-scheduled Council meeting in May 2016 (see blue items in Figure 17).

Figure 17 Timeline of City activities to develop project’s community benefits proposal



Source: Audit Services analysis of content from City records and staff communications

* The Chief Administrative Officer (CAO) presented to the Equitable Contracting and Procurement Commission (ECPC) as well as the Fair Contracting Forum (FCF)

Based on available project records, the City did not seek community input earlier about the project even though the possibility of community benefits was first discussed at a Council work session in August 2015. At the same time, the City was aware of the likely public interest and potential for controversy. The Chief Administrative Officer testified in October 2015 that “in one sense [the community benefits proposal] should be the easiest of the resolutions and it won’t be.” The City held two meetings in March 2016 to gather ideas from community stakeholders before drafting a plan. The City issued its first draft of the proposal on April 19th and the second draft on April 27th, weeks prior to the scheduled Council presentation on May 11th. Ultimately, the Mayor postponed the presentation to allow for more community input.

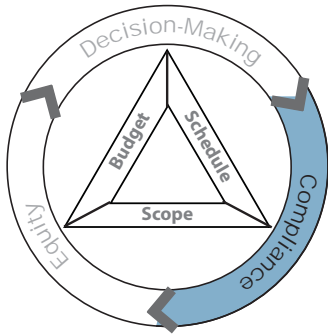
In terms of results, the City made decisions at the outset that established parameters about the proposal. Records showed the City collected some stakeholder input that disagreed with these parameters, but this feedback was collected after Council’s approval of those parameters, which staff said were not subject to change. For example, Council set the investment in community benefits as one percent of hard construction costs.

Within the parameters set by the October 2015 resolution, other stakeholder input resulted in some changes (see Figure 18), which would be expected. For example, the City’s administrative costs as well as its support of current building vendors are no longer included. Also, the final version prioritized the workforce diversity category, which includes support for individual workers.

Figure 18 Category and allocation amounts in community benefits proposal changed over time

CATEGORY	Version 1	Version 2	Version 3	Final
	April 19, 2016	April 27, 2016	June 20, 2016	July 14, 2016
Support to Diversify Workforce	Not specified	\$ 350,000	\$ 650,000	\$ 750,000
Support to Disadvantaged, Minority-Owned and Women-Owned Businesses	Not specified	\$ 200,000	\$ 200,000	\$ 200,000
Continuity of Opportunity	Not specified	\$ 50,000	\$ 50,000	\$ 50,000
Support for Individual Workers	Not specified	\$ 100,000	\$ 100,000	
Grant, Contract and Performance Management	Not specified	\$ 100,000		
Support for Portland Building Vendors	Not specified	Rent concessions	Rent concessions	Rent concessions
Reserve for Council Discretion and Future Allocation		\$ 200,000		

Source: City project records and staff communications



Compliance: Council expected project to meet City policy goals but trade-offs anticipated

City did not identify noncompliance in initial list of potential project risks

Numerous City compliance requirements apply to this project (see Figure 19), ranging from the federal Americans with Disabilities Act to the City’s human resource policy about teleworking. Some requirements have origins from external authorities – such as federal or state law – that supersede any Council action, while others may be within Council’s authority to exempt. When Council authorized the project, the resolution included an expectation that the full scope of the reconstruction should “meet City policy goals.” References to individual requirements were scattered throughout project records and we found no comprehensive list of requirements by the end of the audit period.

Based on our discussions with City staff, the project has the potential for noncompliance with some City requirements. Before the project was authorized, the City identified an initial list of “policy issues and decisions focused on near-term decision-making.” That document identified a list of policy issues with corresponding “connections and conflicts” as of June 2015 (see first column in Figure 19). City staff also said they anticipate “trade-offs” about the implementation of City requirements as the project proceeds. For example, the adopted budget noted that the City has “to identify issues early on and to assess policy implications and trade-offs at the onset of the project.” By the end of the audit period, project records did not show any updates to the City’s initial list of policy issues and decisions, and the potential for noncompliance was not listed on the project’s risk register.

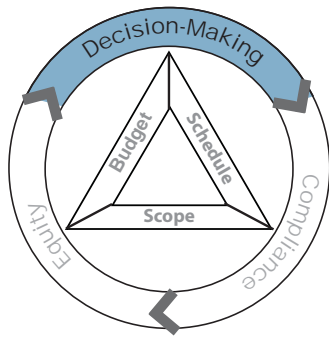
The project charter identified Council as the decision-making authority to address “policy trade-offs as they arise.” The charter was adopted at the end of our audit period and, at that time, it was not yet clear how staff planned to present information for Council.

Figure 19 Some City requirements may present issues

Included in City's initial list	Requirements
*	Americans with Disabilities Act Title II Transition Plan
*	All-User Restrooms
	Climate Action Plan
	Code of Ethics
*	Community Benefits
	Comprehensive Financial Management
	Comprehensive Plan
	Green Building
*	- Bicycle parking
*	- Bird-friendly building design and management
*	- Ecoroof
*	- Leadership in Energy & Environmental Design certification
*	- Salmon-Safe
	- Space allocation standards and space planning guidelines
*	Green Technology
	Historic properties (State law 358.653, City Zoning Code)
*	Location of City Offices (City-Owned or Controlled; Historic Buildings)
	Portland Plan
	Procurement
	- Equity initiatives (contractor, workforce, evaluator panel)
*	- Healthy Purchasing Initiative
*	Public Art
	Public Involvement
	Public Meetings
	Racial Equity Goals and Strategies
	Seismic (Building Regulations Code)
	Stormwater Management
	Teleworking

Source: Audit Services-identified list of City legal and policy requirements referenced in project records

* Based on the City's "initial list of policy issues and decisions focused on near-term decision-making" as of June 2015



Decision-making: City needs continued attention to be ready for next crucial decisions

City says decision-making approach for trade-offs finalized after audit fieldwork

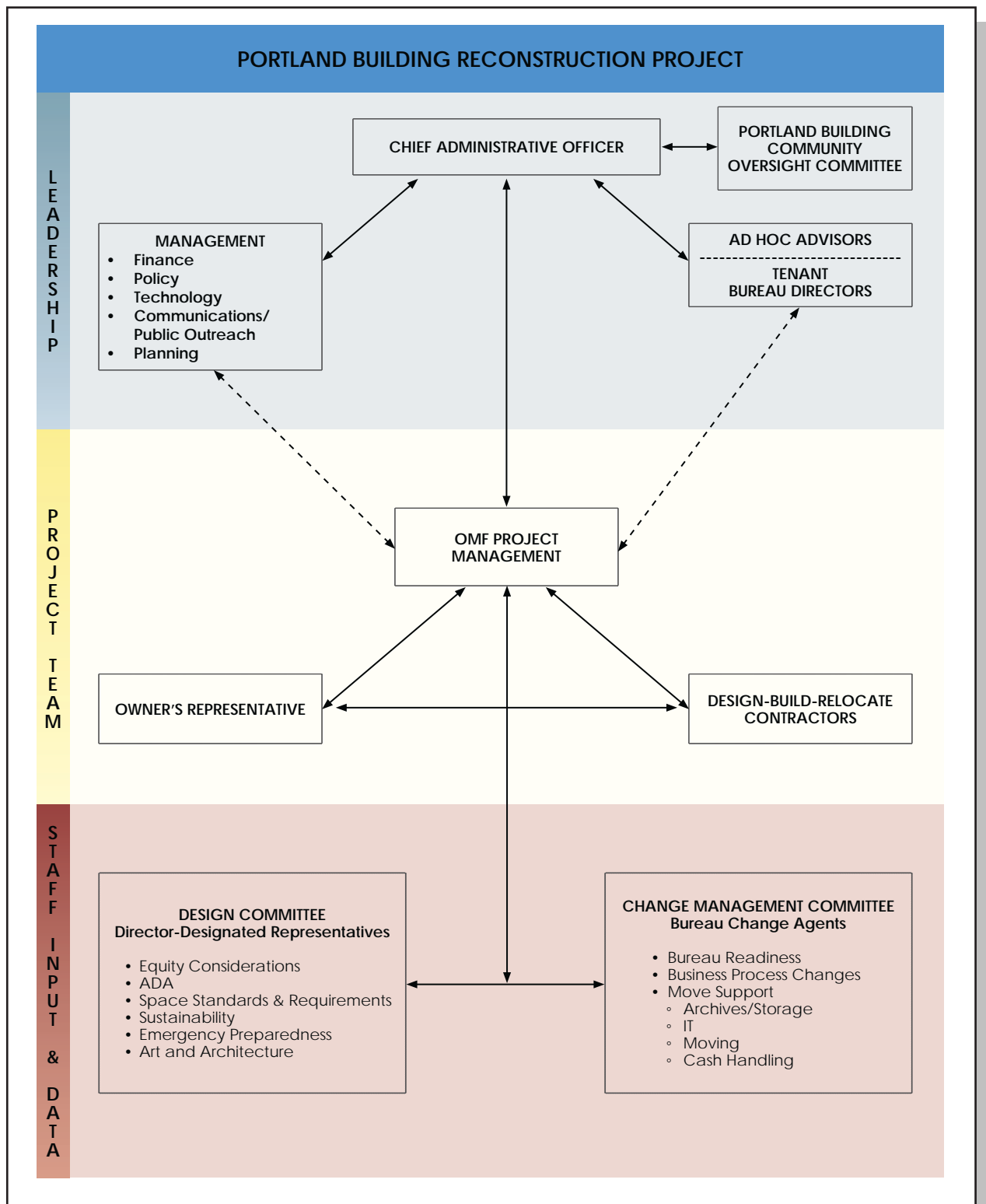
Given that aspects of the project are in process, timely and effective decision-making will be critical but have yet to be tested. Important decisions around scope and policy compliance will need to be made. Decision-making is an area the City identified as a risk before the project’s authorization, and remains a risk. At the end of the audit period, the City had yet to determine a systematic method to approach these decisions. For example, whether the City would use a lifecycle analysis for building investment decisions. In another example, whether the City will engage those communities most negatively impacted by policy trade-offs, consistent with City guidance related to public involvement and racial equity. *Note:* Staff said that a decision-making model was adopted after the audit period.

City leadership transitions will occur during critical design phase

The Chief Administrative Officer has primary responsibility for the project, with others directly or indirectly providing advice or recommendations (see Figure 20). The project charter described the roles and responsibilities with Council designated the “ultimate decision-maker” and the Chief Administrative Officer as “project sponsor.” Staff said the Chief Administrative Officer has served as a strong project champion with Council and project stakeholders, and fostered internal collaboration, communication and inclusivity.

The Chief Administrative Officer is in charge of the Office of Management and Finance, which includes most of the bureaus that manage aspects of the project. However, the Chief Administrative Officer does not have authority over other bureaus – such as Environmental Services, Parks, Transportation and Water – also directly impacted by this project as tenants of the building. These bureaus have stakeholder representatives on three committees – bureau directors, change management, design – that were mostly in place by the end of the audit period (see Figure 20).

Figure 20 Project organizational chart with decisions primarily by Chief Administrative Officer unless otherwise required by Council



Source: City project records

The project's planning phase activities occurred under the direction of the same Council members and Chief Administrative Officer, but leadership transitions will occur during the design phase. Starting in January 2017, the City will have a new Mayor, Commissioner and Chief Administrative Officer. At the end of the audit period, project records had yet to identify an interim or designated back-up should the Chief Administrative Officer be unable to fulfill his duties. For example, given the needs of this project, it may be appropriate to designate an acting project sponsor from among City staff familiar with this project, rather than someone more familiar with other Chief Administrative Officer responsibilities.

**Committees advise
Chief Administrative
Officer, operate largely
outside of public
scrutiny**

The project has two committees with public members – Ad Hoc Advisors and the Portland Building Community Oversight Committee. Ad Hoc Advisors are “advisors in the industry who the Chief Administrative Officer may call upon for advice on project issues and strategies.” They convened in February and April 2016. The Community Oversight Committee “provide[s] community oversight on the...project and report[s] their findings to the Chief Administrative Officer.” The group first met in July 2016 to adopt its bylaws.

The project had various iterations of advisory or oversight committees, each of which were comprised of public members. In general, public members associated with the project were appointed by City staff. Council members appointed the Community Oversight Committee members, but four of the five members selected had previously served as advisors on the staff-appointed committees. The City had not collected non-conflict of interest and confidentiality statements for all prior advisors, but did have records for those who attended active committees.

The bylaws for the Portland Building Community Oversight Committee stated expectations that members will provide “assurances from a community perspective,” yet project records show the only activity planned to be shared with the public are “quarterly status reports... posted to the Portland Building [project] website.” Unlike the advisory

committee records from before the project's authorization in October 2015, none of the Community Oversight Committee's member names or meeting records were on the project's website. In addition, there were no Council records that refer to its authorization, bylaws, purpose, member appointments, membership composition, or availability of meeting records. While named the "Community Oversight" Committee, the bylaws explicitly state the meetings are not open to the public.

The project has another group with public members, the Equity Workgroup. The project charter referenced this group will "provide reports and information to the Community Oversight Committee for use in [its] reviews." City staff said the group will be responsible for compliance reviews related to the project's equity goals. However, at the end of the audit period, the group was not yet listed in the organizational chart (see Figure 20) or described in the Community Oversight Committee's bylaws; the project's equity, inclusion and diversity plan; or the project's community benefits plan adopted by Council.

Collectively, these active project committees had no activities subject to public scrutiny during the audit period. Project records did not show that appointments followed the City's public involvement principles – for example, whether the compositions reflected the "inclusiveness and equity" principle with "a range of values and interests and knowledge of those involved...historically excluded individuals and groups are included authentically in processes, activities, and decision and policy making." In addition, the use of closed meetings and not sharing the names of members or the meeting discussions on the public website conflict with multiple public involvement principles. For example, the "transparency" principle that "public decision-making processes are accessible, open, honest, and understandable." And, the "partnership" principle that "community members have a right to be involved in decisions that affect them" and "know how to be involved and decide the degree of their involvement."

City has yet to define performance reporting and ways to evaluate project success

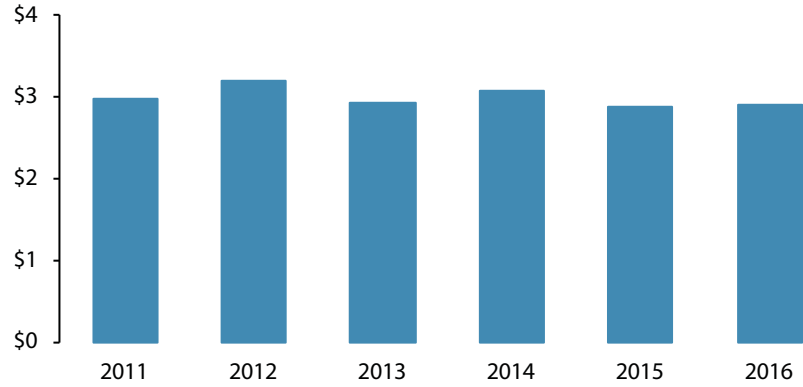
By the end of the audit period, the City had not determined how it would measure the project's success. In terms of project management, success could be evaluated based on the number of change orders, or whether the project was on-time, on-budget, or fulfilled stated goals. Likewise, in terms of building performance, there are a number of different industry adopted measures that address energy use, indoor air quality, operational costs, and many others. In addition, the City has existing ways it evaluates the building. For example, as previously described, the City has quantified the building's accessibility barriers (see Figure 11). Staff said regular project reports are planned, but it had not yet been decided what elements would be described in them.

While evaluation methods and report templates have yet to be developed, project records refer to the City's commitments about the building's expected performance post-construction. Although the City did not submit projected ongoing costs with its capital project budget, the historical costs for operations and maintenance have been about \$3 million per year (see Figure 21). The City's investments in major maintenance have been less consistent. The January 2016 ordinance stated "anticipated operating costs will remain comparable or less than current levels."

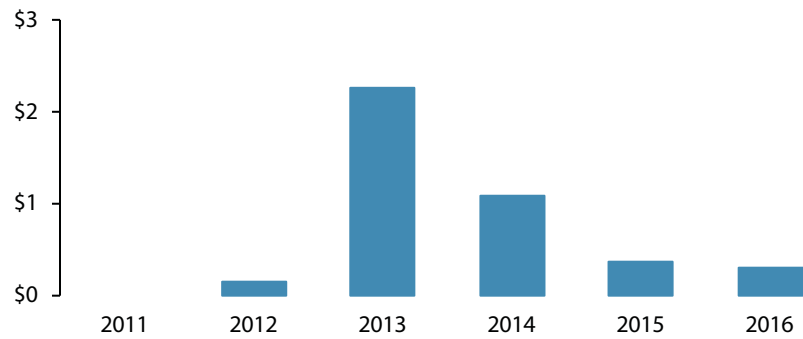
In addition, the City identified 18 "key sustainability performance goals" in the preliminary sustainability goals and requirements included among the contract records. For example, the energy goals are to achieve at least 15 percent savings beyond the applicable Code and potable water to be reduced at least 20 percent over the building's baseline. The building's baseline for this and other information was not included in the document. City financial records showed historical utility costs were driven by electricity use and, in 2016, total costs were about \$572,000 (see Figure 21).

Figure 21 Historical costs for Portland Building

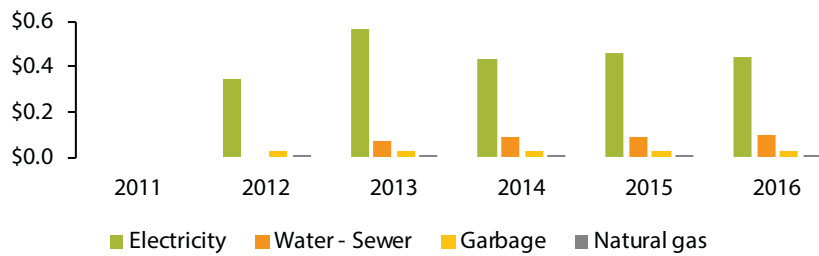
Operations and maintenance (millions)



Major maintenance (millions)



Utilities (millions)

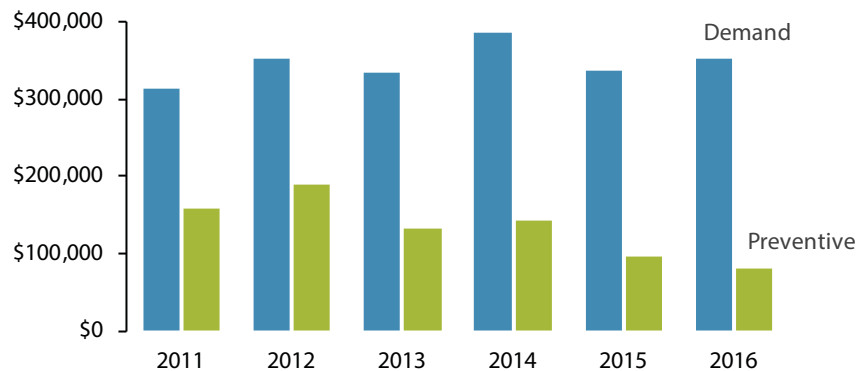


Source: Audit Services analysis of expenditure information from City enterprise business system. Auditor has not made any adjustments for inflation.

Note: The City began directly recording major maintenance and utility recorded starting in 2012. Utility costs are part of operating costs

The planning phase activities did not include a historical evaluation of maintenance work orders for the building. During earlier work sessions, staff referred to an outside consultant who was in the process of assessing City buildings. The consultant analyzed work order data for buildings, but that work did not include the Portland Building. We analyzed the work order labor costs and found the proportion of demand or reactive work increased over the years and by each building system (see Figure 22). In 2016, the most significant building systems were heating and cooling, “miscellaneous,” electrical, architectural, and plumbing. The progressive design-build-relocate team is expected to “assist with gathering the needed data and metrics from pre-construction through post-occupancy to build the necessary ‘before and after’ performance metrics reporting.”

Figure 22 Building maintenance showed an increase in demand-driven work orders



Source: Audit Services analysis of labor cost information from work order system. Auditor has not made any adjustments for inflation

City began some project management components

Project management is the application of knowledge, skills, tools, and techniques to meet the project requirements. The project charter is generally the first step to authorize work, and the project management plan is another key document that describes how the project will be executed, monitored, controlled, and closed. Due to the potential for change, the development of the project management plan is an iterative activity and is progressively elaborated throughout the project’s life cycle.

At the end of our audit period, the City had begun work on its project management documents. The City had initial versions of the project charter, project management plan, and risk register. Project management plans generally serve to integrate subsidiary plans and processes. Subsidiary plans include communications, cost, human resources, process, schedule, scope, and risk. It was not yet clear how many subsidiary plans would be applicable. Staff anticipated change management and communications plans to be completed soon.

Objective, scope and methodology

We conducted this audit to look back at the City's decision to reconstruct the building, to study the City's current work to plan the project, and to identify improvements as the City proceeds. Our review focused on early planning efforts leading up to the design phase of the project. Our audit period starts with the first advisory committee meeting in April 2014 and ends after completion of the contracting and project set-up activities in July 2016. The following areas related to the reconstruction work were outside of our audit scope: data center move and disaster recovery; daycare relocation; lease agreements; past projects to address the building envelope; project financing; and rent equalization. Since this audit is a point-in-time review of an active project, there is a natural tension between what we observed and the project's current status – whenever significant, we make references to efforts after our fieldwork.

To prepare for our audit, we reviewed industry-specific standards, reports, and best practices relevant to the topic. For example, we studied resources specific to asset management, building performance, community benefit agreements, historic preservation, project delivery methods, and project management. We communicated with professionals at the Design Build Institute of America to learn more about the progressive design-build project delivery method.

We also examined a number of City resources about the project. These included asset management reports, budget documents, building assessments, community benefits-related records, cost estimates, procurement documents, project management records, information about the various project committees, and other content available on the project website. We also compiled information about relevant City requirements (laws, administrative rules, policies, plans, manuals, etc.) referenced in project records or during interviews with staff. We also

obtained and analyzed available data, such as accessibility, building condition, energy use, financial, and maintenance – reported by fiscal year – that could be used in the future to assess project performance. All dollar figures referenced in this report are not adjusted for inflation unless otherwise noted.

We reviewed relevant meeting records for City Council, Equitable Contracting and Purchasing Commission, Fair Contracting Forum, and Historic Landmarks Commission. We also attended Employee Information Sessions about the project. We interviewed key staff in the Office of Management and Finance identified by the Chief Administrative Officer, and also spoke with other individuals when they were referenced as subject matter resources.

We relied on management’s representations about information provided and, whenever possible, we checked management representations against our knowledge of operations. We requested supporting documentation and, if available, reviewed this information for reasonableness. We express no opinion on the reliability of the City information systems referenced in this audit. Therefore, our reviews are not intended to provide assurance that information provided by management is free from error, fraud, waste or abuse.

We conducted this performance audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Recommendations

There are three areas where our recommendations are still applicable to the future work of the Portland Building project.

We recommend the City:

- Present budget information categorized with the specificity needed to allow for public transparency, consistency with contracted scopes of work, clarity on what items are outside of project scope, as well as appropriate management and oversight.
- Develop an implementation plan and schedule for the adopted community benefits (also called Community Opportunities and Enhancements) that maximizes impact on stated equity goals for the Portland Building project and lays the groundwork for a long-term regional strategy.
- Ensure timely, effective and inclusive decisions will be made by key milestones. Specific areas of focus include:
 - *Criteria* – Report on the selected approach to structured decision-making as well as the impact of scope and compliance decisions during applicable Council milestones; and demonstrate consideration of a lifecycle analysis for building investment decisions, as well as communities most likely impacted by policy trade-offs;
 - *Succession Planning* - Continue to work with the Mayor, Mayor-Elect, and future Chief Administrative Officer to ensure a smooth leadership transition;
 - *Public Involvement* - Better demonstrate the application of public involvement principles – with the assistance of Office of Neighborhood Involvement staff, as needed – in the City’s future work with the Community Oversight Committee and Ad Hoc Advisors;

-
- o *Performance Measures* - Determine post-construction performance measures as part of the target value decision, and report the comparison of pre- and post-construction results as part of project close-out activities; and
 - o *Project Management* - Integrate and formalize the planned project management components prior to target value decision.

Appendix

We made additional observations from the planning phase activities that could not be applied retrospectively for the Portland Building Reconstruction project. In those instances, we share these lessons learned for other future City construction projects:

- Use cost-benefit analysis rather than cost-comparison when developing the business case for projects, which is consistent with the *Project Management Body of Knowledge*;
- Continue to establish an asset management program that results in meaningful information useful to decision-making, which is consistent with the Citywide asset management work plan;
- Analyze information on market and workforce availability to supplement historical outcomes when developing project equity goals, which is consistent with the City's racial equity goals and strategies;
- Demonstrate the application of City public involvement principles:
 - By communicating with and involving stakeholders early on sensitive City decisions; and
 - By encouraging transparent, inclusive and equitable participation on committees with the potential for proposing recommendations.
- Ensure adherence to state and City ethics requirements:
 - By documenting that members are free from any conflicts of interest when fulfilling their duties on City committees.

RESPONSE TO THE AUDIT



CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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December 23, 2016

To: Mary Hull Caballero, Auditor

From: Fred Miller, Chief Administrative Officer

Subject: Portland Building Reconstruction Project – Planning Phase Audit

As I finish my tenure with the City of Portland, having served as the Chief Administrative Officer for the past three years, I'm especially proud of the work done on the Portland Building Reconstruction project. Project team members worked to identify the best approach for addressing this complex project and have been successful in meeting all deliverables so far. This includes executing multi-million dollar contracts that allowed us to bring this reconstruction from a planning concept to a real project.

I believe the Progressive Design-Build-Relocate (DBR) approach is the right one, and City Council agreed with this when they approved the alternative contracting methodology on January 20, 2016. The team of City staff, consultants, and contractors working on this project are professional and skilled, and we have taken steps to ensure a smooth transition to the next Chief Administrative Officer and Council.

There have already been many accomplishments including establishing aggressive MWESB and workforce goals, developing the basis of design and preliminary drawings, and creating a detailed scope, budget and timeline, all while involving community and staff stakeholders throughout the project. Because of this, we are prepared to move staff out of the building by late summer/early fall 2017, as expected, so we can begin the actual reconstruction of the building.

Your staff put a lot of work and effort into this audit. As noted, this is a high-profile project with many complexities. The project team spent considerable time and effort responding to inquiries, compiling information, explaining nuances, and providing corrections and clarifications. I would have liked to see more of that reflected in the audit, to provide the public a more meaningful and accurate explanation of the policies and overall assessment of the project.

With regard to the audit recommendations:

- **Budget Information.** The audit suggests that the budget is presented in a way that makes tracking difficult. Some of the difficulty comes from comparing the original \$95 million “leak repair and seismic” proposal with the \$195 million reconstruction project. These are different projects, and by design, the project’s scope and specific costing information will

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become more detailed as the project moves through each phase. The period of the audit was limited to the planning phase, with contracts for the DBR team approved on schedule right before the end of the audit period. We agree with the recommendation; transparency and consistency is important. We recommend that those interested in budget and costing information continue to rely on up-to-date information posted on our project website.

- **Community Opportunities and Enhancement Plan.** There seems to be some confusion, which we articulated in our comments to you. The Community Opportunities and Enhancement Plan (COE) refers to the 1% of hard construction cost, which the Council directed us to set aside. The COE was purposely separated from the reconstruction project and is being managed independent of the project. It is a fund designated to support the availability of a diverse workforce and qualified minority, women and emerging small businesses, which will be of value to the City as a whole. The Council's commitment to setting these funds aside was the critical deliverable for the project. That was done in October 2015.

The firms and workers that benefit from these investments may or may not participate in the Portland Building Reconstruction project, but future City or regional projects could see benefits. The timeline for disseminating funds, as discussed in the audit, is not linked to the Portland Building Reconstruction project. The only link is that the project sets aside \$1 million from its budget to support the COE. There were no deadlines missed in the timeline.

Council adopted the COE Plan a few days prior to the end of the audit period. The money will be allocated, along with funds from the Portland Water Bureau's Washington Park Reservoirs project and Portland Bureau of Transportation's Smart Park garage reconstruction. We are in regular conversations with our regional partners about a regional solution.

- **Timely, effective and inclusive decision-making.** The project planning phase incorporated strategies for effective decision-making during the period of the audit, as well as setting the stage for future decision-making. Responses to the specific areas of focus are:
 - *Criteria:* A formal decision-making protocol was established shortly after the full project team was formed (as planned, after the conclusion of the audit period). The decision process, known as "D3," includes evaluation criteria based on budget risk, scope, schedule, sustainability, and equity. Discussion is included on how the recommended actions address the project goals and values of accessibility, cost conscious, historic preservation, quality workplaces, seismic resiliency, and sustainability. This decision process was put in place after July 31, 2016.
 - *Succession Planning:* The incoming Chief Administrative Officer assumes the role of project sponsor. We do not believe this is an issue. We have worked together, and with the project team, to ensure a smooth transition.
 - *Public Involvement:* The project incorporates the City's Public Involvement Principles in a variety of ways, including committees. Transparency is critical and

information is broadly available, especially through the website dedicated to keeping the public and stakeholders well informed. The project team will continue to engage community members moving forward, as partnerships, equity, and accountability are valued and can be seen in the work we do.

- *Performance Measures*: We agree that these are important and, as planned, will be established in Phase II of the project.
- *Project Management*: We are following project management principles and believe that the necessary systems are in place for effective project management. Project team members have extensive experience managing projects of varying sizes and complexities.

Again, I would like to reiterate that this project continues to see positive results, both during the audit period and in the intervening five months. I am confident that when Tom Rinehart, the City's incoming Chief Administrative Officer, takes responsibility for this project, the team will continue to meet the set milestones, goals, and deadlines. I am comfortable leaving because I know the project is set up for success, and I look forward to visiting the finished, reconstructed building in 2020 knowing it will be a new model for construction projects in the City.

cc: Drummond Kahn, Director of Audit Services
Tenzin Choephel, Senior Management Auditor
Tom Rinehart, incoming Chief Administrative Officer
Betsy Ames, Sr. Policy Analyst
Jamie Waltz, Strategic Planning and Development Manager

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Portland Building Reconstruction: City faced with important post-planning decisions to ensure project success

Report #482, December 2016

Audit Team: Tenzin Choephel

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Mary Hull Caballero, City Auditor
Drummond Kahn, Director of Audit Services

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