

TPB Exterior Envelope and Seismic Improvements Project

Total Cost Estimate

\$95,419,257 (as of 4/2/14)

Assumptions

Location: Downtown

SF: 399,043 Gross Building Area

All employees to be moved out for two-year duration of project (potential for significant work disruption if stay on-site, due to noise, dust and other environmental conditions).

Midpoint of construction: March 2016. See schedule.

Project completion: February 2017. See schedule.

Other Considerations

A/E team is under contract through end of construction. Contract was structured to require completion of Phase I, including assessment, conceptual design and cost estimates, with client (COP) approval prior to commencing Phase II. Phase I is complete and COP has not yet given approval to commence Phase II.

RFP for CM/GC was posted publically in February 2013 and removed from consideration prior to receiving proposals.

Existing building construction and current conditions are well known, including below-skin conditions at several locations and structural conditions at several locations. Copies of original construction drawings were available. Exploratory demolition at approximately 170 locations during the assessment phase used ground penetrating radar, concrete and rebar coring, and removal of all interior finishes to backside of exterior systems on exterior walls.

Construction cost estimate assumed removal of interior drop ceiling 10ft in from exterior wall in order to complete work at exterior wall. This may trigger a permit requirement to ensure all drop ceiling is seismically braced to current code, as well as seismically bracing all hanging elements above the drop ceiling. This potential additional required scope has been considered in the project budget.

The A/E team, including FFA Architecture and KPFF Engineering, provided five conceptual design options for the seismic reinforcement design. After review of ROM costs and occupant/building impacts, COP chose to include in the final cost estimate a structural solution that added concrete columns and beams at the perimeter of the building and reinforced selected internal columns and beams. One related impact of this solution is that existing workstation layouts on many floors will likely be impacted by new or enlarged columns.

FFA Architecture also provided an option with specific envelope systems (tile, punched windows, ground-level storefront) to do less than a full re-build of the envelope system. However, the lesser option, where available, would have only been temporary fixes and would not have permanently fixed the issues. The Direct Construction Costs difference between the temporary-fix option (option A in their cost estimate) and the permanent-fix option (option B in their estimate) would only have been \$2.8M, or a 2% difference. Given the small difference in cost, and the likelihood of having to

re-do the same work in less than ten years, it did not make sense to go forward with the temporary-fix option.

It is also important to note that the Direct Construction Costs provided by the A/E team estimated the structural upgrades as an add-on cost. These upgrades were not priced as a stand-alone option, since it didn't make sense to upgrade the structural but not fix the envelope issues. Facilities has recommended performing the structural upgrades with the envelope repairs, rather than just performing the envelope repairs. The significant cost of permanently fixing the envelope issues would be wasted if the building were irreparably damaged by a seismic event. In addition, the envelope repairs will already require removing interior finishes four feet in from the perimeter; it would be most cost-effective to add the necessary structural columns at those perimeter walls while the interior finishes (and occupants) are already impacted.

In 2013, City Council approved Facilities to move forward with an updated Space Plan to lessen vacant office space in Facilities-owned buildings and bring out-leased bureaus back into owned buildings. Several of the planned bureau moves would involve moving into and within the Portland Building. Rather than move bureaus in prior to a potential construction project, then move them out again for the construction, the initial cost estimate and schedule for this project merged the TPB-related Space Plan budget and moves into the project. The intent was to extend out-leases where necessary to accommodate the length of the construction schedule, then move those affected bureaus into the Portland Building when all other tenants were being moved back in after construction. Any tenant improvement projects necessary for the Space Plan moves would be performed while the building was empty and construction was occurring on the Exterior Envelope and Seismic Improvements project. If the City chooses to move forward with one of the other options, the Space Plan would be re-evaluated in light of that option. For the sake of comparing all of the options as equally as possible, the Space Plan costs have been removed from this cost estimate.

There are at least two potential additional projects that might be opportunistically addressed while the building is empty of tenants. With both of these projects, the cost of the building repairs would be higher than the current cost estimate.

The City recently had the Portland Building surveyed for ADA requirements as part of the City's ADA Transition Plan. There are numerous items that do not meet ADA code requirements. Among other items the building needs to have the currently non-accessible restrooms on all thirteen upper floors (floors 1 and 2 restrooms meet most requirements) completely rebuilt to address ADA space clearance issues. Funding has not yet been identified for this work (or other smaller projects to address ADA deficiencies), but occupant impact would be lessened by completing the work while the building is empty.

Another opportunity would be to re-design the mechanical systems for increased energy efficiency. It is important to note that the current TPB project does NOT include scope specifically intended to improve efficiency of mechanical systems. Some energy efficiencies will be obtained through the following project-related scopes: replacement of single-pane glazing with double-pane glazing during window replacement; replacement of non-thermally broken frames with thermally broken frames during replacement of windows, curtainwalls and storefront systems; and reinstallation of exterior wall insulation (current insulation has been severely degraded by water intrusion). Any potential project scope to address mechanical

system efficiencies would require further scope definition; funding would need to be addressed as well. Increased energy efficiency would provide a decrease in operational costs.

The project cost estimate does not take into consideration additional interest charges on debt financing. See attached debt financing schedule for more detail.

Data

Type	Cost Assumptions	Source
<i>Direct Costs</i>		
Construction	\$29,529,323	FFA project cost estimate
Temp move		
Telecom	\$2,300 pp	Internal cost allowance ¹
Temp furniture	\$1,200 pp, used systems furn	Internal cost allowance ²
Furniture set-up	\$200 pp	Internal cost allowance ³
Furniture break-down	\$200 pp	Internal cost allowance
Move	\$400 pp, each way, 2 ways	Internal cost allowance ⁴
Lease costs	\$29/sf annually, 360,000 sf, 2 yrs	Colliers ⁵
Estimating contingency	15% dc	Industry/internal judgment
<i>Indirect Costs</i>		
Professional services	10% dc	Industry/internal judgment ⁶
Facilities project management	5% dc	Internal judgment ⁷
Permits and fees	2% dc	Internal cost allowance
Miscellaneous	1.5% dc	Internal cost allowance
1.5% for Green Energy Tech	1.5% dc (constr contract only)	State requirement
2% for Art	2% dc (capitalized only)	Local requirement
<i>Project Contingency</i>	15% dc + ic	Industry/internal judgment
<i>Inflation</i>	3% project cost, to midpoint	Accounting staff budget

¹ Cost allowance by Facilities, based on recent projects. Telecom/electronic allowance includes allowance for IRNE install at each occupied floor of temporary space, but assumes IRNE connection exists to building. Several non-City-owned downtown buildings have IRNE connections, due to the previous presence of City tenants. Telecom/electronic allowance includes install of key card access at each occupied leased floor. TPB 3rd floor data center has been assumed to remain at TPB during construction.

² Furniture allowance assumes all file cabinets (free-standing and under-desk), conference room furniture and office chairs are moved to temporary space. No hardwall build-out included; temporary space will be workstation only, plus any existing hardwalls in leased space. Furniture at new space will be used, purchased via existing City contracts. Cost pp is typical cost per all recent projects.

³ Furniture set-up and breakdown costs are typical per all recent projects.

⁴ Move costs are typical per all recent projects.

⁵ Lease costs are an estimate based on information from Colliers International (CBD Facilities Study for City of Portland, March 2014). Colliers suggested using a range between \$27 and \$32 per sf for

full service. Assumed 360,000sf leased space to match building rentable office space in the Portland Building; the leased SF number does not include any of the current retail spaces in the Portland Building.

⁶ Professional services costs include: A/E consultants; space planners; environmental consultants (design, testing, inspection); special structural inspections; and other Professional/Technical/Expert services. As noted above in *Other Considerations*, added and enlarged columns due to the seismic work will likely require additional space planning services to address impacted workstation layouts on several floors. Space planning may also be necessary for the temporary, leased space(s).

⁷ Facilities project management includes all project-related staff services provided by Facilities Services, including services by construction project managers, contract officers, property managers, and maintenance technicians.

Potential Paybacks, Cost Savings or Cost Alignments

The cost estimate has assumed furniture would be purchased for the temporary location. As noted in the PHB TI Case Study, existing furniture in the Portland Building is a mixture of several workstation types and sizes. Since each bureau owns their own workstation furniture, Facilities does not have a comprehensive inventory of all pieces, and has not heard of any bureaus having their own inventory. The process of doing an inventory and trying to pick out the parts that will work together in order to create new workstation layouts in another building is highly likely to be more expensive, and more of a disruption to tenants, than buying sets of matching used furniture to meet the needs of the temporary layout. In addition, there is the question of what to do with people while the existing furniture is being dismantled and reassembled elsewhere. Used furniture from the temporary relocation could potentially be sold after tenants move back in to the Portland Building. This would be dependent on market interest.

One question that needs to be discussed is bureau rents. The current (FY13-14) rent cost at the Portland Building is \$15.90/sf. During the construction project, tenant bureaus would likely be asked to continue paying rent at that rate, regardless of the lease rate of the temporary space. The project would cover the lease costs in its budget. Tenant rents at the TPB go toward operations and maintenance of the Portland Building. Although typically a contractor taking possession of the full building for construction would also take on utility and similar building costs, it is anticipated that the 3rd floor data center would remain at the building during construction. This means that COP would need to split some operations costs with the contractor and would therefore still have TPB costs while primarily located elsewhere. Tenant rents could go toward those operations costs. Another option might be to have the rents applied toward the line of credit during construction, thereby reducing bureau costs during bond payback.

Project Risks

HIGH: Project schedule could lengthen due to delays in approval or funding to start. Schedule delays could increase costs due to inflation, worsening of existing conditions, or changes to regulatory requirements.

MEDIUM: Unforeseen conditions could create additional costs, such as additional General Conditions charges from the construction contractor, increased lease costs for temporary space, or additional scope of work to address the unforeseen conditions.

MEDIUM: Permit requirements or additional work mandated by inspectors could increase costs.

MEDIUM: Tenants could request more tenant improvement changes than those necessitated by the project requirements.

Cost Analysis Methodology Risks

HIGH: Costs, schedule, and construction methodology (with related tenant impacts) are based on the assessment of the A/E team, without the input of a general contractor. Once a CM/GC is under contract and working with the design team, those costs, schedule, and construction impacts may change.

MEDIUM: Retail leases are currently not included in the move costs, due to no legal lease requirement to provide alternate lease spaces for retail during project construction. If decisions are made to provide alternate lease spaces for retail, such as the daycare, TI and move costs may increase significantly.

MEDIUM: Temporary facilities have been assumed to have no major tenant improvements. Existing hardwall spaces will be utilized as is, and no additional walls or hard changes to leased spaces will occur. Commissioners could require that additional TIs be performed on temporary spaces, per requests of their bureaus.

Project name
 Internal order number
 Fiscal year/version of budget estimate is developed for
 Project manager estimate developed by
 Facility project is for
 Inflation rate
 Number of years to mid-point of construction from **Spring 2014**

Ext Envelope & Structural Improvements (no space plan)
Marina Cresswell
The Portland Building
3.00%
2.00

Construction: June 2015 - Dec 2016
 Midpoint: March 2016

	Hourly rate	Number of		Cost estimate	Increase for Inflation	Cost estimate with inflation	Projected	Projected	Projected	Projected	Projected	Projected	Check (Should be \$0)	
		hours	Percentage				expenses in FY 2014	expenses in FY 2015	expenses in FY 2016	expenses in FY 2017	expenses in FY 2018	expenses in FY 2019		expenses in FY 2020
Direct costs														
Construction				\$ 29,529,323	\$1,798,336	\$31,327,659	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31,327,659
Temp move: Telecom / Electronic (allowance based on past: \$2300/pp)				\$2,990,000	\$182,091	\$3,172,091	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,172,091
Temp move: Furniture (\$1200/pp for used ws, \$200/pp for set-up)				\$1,820,000	\$110,838	\$1,930,838	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,930,838
Temp move: Furniture breakdown at end of project (\$200/pp)				\$260,000	\$15,834	\$275,834	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$275,834
Temp move: Move (\$400/pp each way, 2 ways)				\$1,040,000	\$63,336	\$1,103,336	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,103,336
Temporary space (360,000sf for 2 yrs @ \$29/sf/yr)				\$20,880,000	\$1,271,592	\$22,151,592	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$22,151,592
				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal				\$56,519,323	\$3,442,027	\$59,961,350	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$59,961,350
Estimating contingency			15.00%	\$8,477,898	\$516,304	\$8,994,202	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,994,202
Total direct costs				\$64,997,221	\$3,958,331	\$68,955,552	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$68,955,552
Indirect Costs														
Professional Services	\$2,175,767		10.00%	\$6,499,722	\$395,833	\$6,895,555	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,895,555
Facilities Services Hours	\$110	29,544	5.00%	\$3,249,861	\$197,917	\$3,447,778	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,447,778
Permits and Fees			2.00%	\$1,299,944	\$79,167	\$1,379,111	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,379,111
Miscellaneous			1.50%	\$974,958	\$59,375	\$1,034,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,034,333
1.5% for Green Energy Tech (constr contract only)			1.50%	\$509,381	\$31,021	\$540,402	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$540,402
2% for Art (applicable to capital portion only)			2.00%	\$679,174	\$41,362	\$720,536	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$720,536
Blank				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Indirect Costs				\$13,213,040	\$804,675	\$14,017,715	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,017,715
General Fund Overhead			0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project contingency			15.00%	\$11,731,539	\$714,451	\$12,445,990	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,445,990
Total cost estimate				\$89,941,800	\$5,477,457	\$95,419,257	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$95,419,257

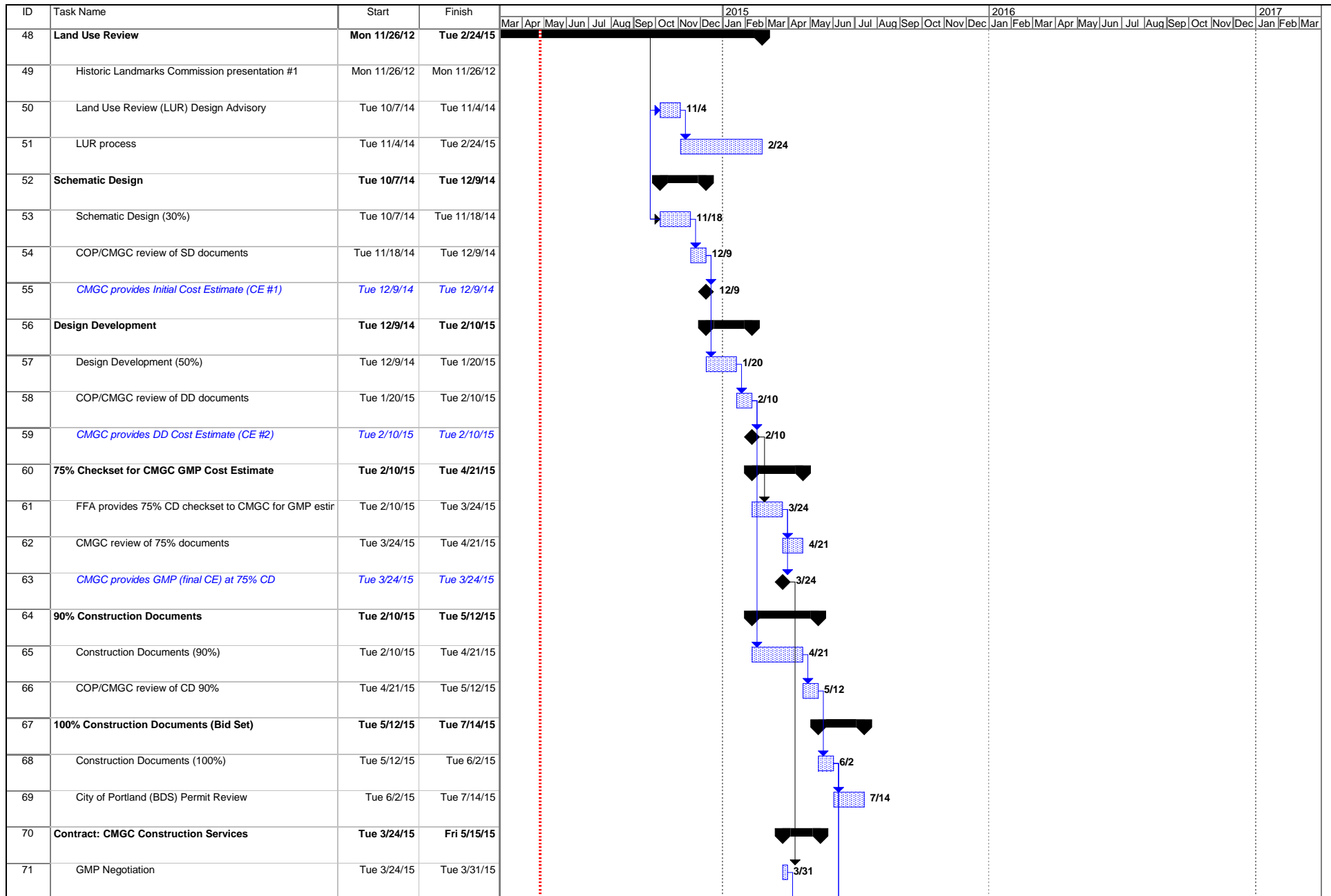
cost per sf: \$238.55

Narrative Description:

Envelope restoration and structural seismic improvements. All employees (average 1300) to be moved to temporary location for two-year duration of project. Assumes approval to move forward with CM/GC as of 7/1/14.

Temp move assumptions:

Furniture allowance assumes all file cabinets (free-standing and under-desk), conference room furniture and office chairs are moved to temporary space. No hardwall build-out included; temporary space will be workstation only, plus any existing hardwalls in leased space. Telecom/electronic allowance includes allowance for IRNE install at each occupied floor of temporary space, but assumes IRNE connection exists to building. Telecom/electronic allowance includes install of key card access at each occupied floor. TPR 3rd floor data center to remain at TPR



Project: TPB Ext Env - DRAFT Schedu Date: Fri 4/25/14	Task		Summary		Rolled Up Progress		Project Summary	
	Progress		Rolled Up Task		Split		Group By Summary	
	Milestone		Rolled Up Milestone		External Tasks		Deadline	

ID	Task Name	Start	Finish	2015												2016												2017		
				Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
72	Council docs to Mayor's office	Tue 3/31/15	Tue 4/21/15											4/21																
73	Council briefing prior to hearing	Tue 4/7/15	Tue 4/14/15										4/14																	
74	<i>Council approval of CMGC GMP</i>	<i>Tue 4/21/15</i>	<i>Wed 4/22/15</i>										4/21																	
75	Issue contract documents	Wed 4/22/15	Wed 4/22/15										4/22																	
76	Contractor returns documents	Wed 4/22/15	Fri 5/1/15										5/1																	
77	Contract executed	Fri 5/1/15	Fri 5/15/15										5/15																	
78	Tenants move to temporary space	Tue 6/2/15	Tue 8/25/15											8/25																
79	Construction	Tue 6/2/15	Tue 11/29/16											11/29																
80	Tenants move back to TPB	Tue 11/29/16	Tue 2/21/17																				2/21							
81	<i>Project complete</i>	<i>Tue 2/21/17</i>	<i>Wed 2/22/17</i>																					2/21						

Project: TPB Ext Env - DRAFT Schedu Date: Fri 4/25/14	Task		Summary		Rolled Up Progress		Project Summary	
	Progress		Rolled Up Task		Split		Group By Summary	
	Milestone		Rolled Up Milestone		External Tasks		Deadline	

TPB Project - \$95M Financing Cost Estimate April 2014 (PRELIMINARY; INDICATIVE)

Cumulative Borrowing Amount		Rate	Estimated Annual Payment	
\$10,000,000	LOC	2.50%	\$250,000	FY2014-15
\$40,000,000	LOC	3.00%	\$1,200,000	FY2015-16
\$95,000,000	Bonds	5.65%	\$8,048,760	FY2016-17
			\$8,048,760	FY2017-18
			\$8,048,760	FY2018-19
			\$8,048,760	FY2019-20
			\$8,048,760	FY2020-21
			\$8,048,760	FY2021-22
			\$8,048,760	FY2022-23
			\$8,048,760	FY2023-24
			\$8,048,760	FY2024-25
			\$8,048,760	FY2025-26
			\$8,048,760	FY2026-27
			\$8,048,760	FY2027-28
			\$8,048,760	FY2028-29
			\$8,048,760	FY2029-30
			\$8,048,760	FY2030-31
			\$8,048,760	FY2031-32
			\$8,048,760	FY2032-33
			\$8,048,760	FY2033-34
			\$8,048,760	FY2034-35
			<u>\$8,048,760</u>	FY2035-36
			\$162,425,204	TOTAL