



CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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To: Mayor Hales
Commissioner Fish
Commissioner Fritz
Commissioner Novick
Commissioner Saltzman

From: Fred Miller, Chief Administrative Officer

RE: Summary and next steps – Aug. 25, 2015, Portland Building Reconstruction Work Session

Thank you for your time and engagement at Tuesday's work session. I hope you found the session useful. Our entire team appreciated your comments and insight. We came away with several good thoughts for shaping the process ahead of us, as well as affirmation that the work we are doing is heading in the right direction.

Council has an opportunity to reconstruct the Portland Building to meet current and future community and employee needs. This can be done through improving the building accessibility, implementing the City's Green Building Policies and meeting sustainability goals, and increasing and improving first and second floors to a usable space welcoming to the community and supportive of City functions.

To recap what we know so far, there has been quite a bit of analysis and work to determine the most reasonable path forward. We know the condition of the building and that the exterior has failed. We can no longer prevent the water leaks, and the water infiltration is degrading the exterior, interior, and structural elements of the building. The mechanical, electrical, and plumbing systems are at, or near, the end of their useful lives, and it was built under an old seismic building code.

Given all of this, something must be done. With review and confirmation from the project's citizen Advisory Committee, we started down the path to plan for reconstruction. Prior to that, multiple options were analyzed including:

1. Demolishing the Portland Building and building in a current location. *Cost: approx. \$320M*
2. Selling the Portland Building and building new elsewhere. *Cost: approx. \$220M*
3. Selling the Portland Building and buying an existing building. *Cost: approx. \$210M*
4. Selling the Portland Building and leasing permanently elsewhere. *Cost: approx. \$260M*

Reconstructing the Portland Building will enable the City to demonstrate its commitment to key values such as: meeting sustainability goals, maintaining and preserving an iconic landmark with failing infrastructure, using resources wisely, preserving the government center, and making the building safe and accessible for the public and 1,300 employees.

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As part of the process of the reconstruction project, our preliminary conceptual work produced a project estimate in the \$175 million range in 2014 dollars. We are in the process of preparing a request for proposals (RFP) for an Owner's Consultant to review, comment and validate this work so that a Not-to-Exceed budget cap can be determined. Work will continue in the development of the Design/Build/Relocate contractors specification so a RFP can be issued. The Owner's Consultant will be hired first, and will be tasked with assisting us in finalizing the Design/Build scope of work. In order to ensure that we have a competitive process that will attract talented firms, we will be conducting outreach to the appropriate design and build communities.

There were specific action items identified for us at the work session, which are summarized below. We will be retuning for discussion and Council direction on these items after further work is complete.

- **Rate Equalization:** Regardless of the Portland Building Reconstruction project, we are recommending that we equalize space rental rates. Equalization can provide rate and budget stability for all bureaus in the long term. One option would be to begin implementing a rate equalization plan now and phase it in over time. Another option would be to implement it in 2020 when debt payments on bonds sold to fund the Portland Building renovation costs would begin. Rental rates are set on an annual basis prior to the budget development process, so our next opportunity to review this is in October.
- **City policy to house City Bureaus in City-owned space:** A plan for the Portland Building will include a re-commitment to the City's policy to house City bureaus in City-owned space. Determining the occupants of the building will be required regardless of the chosen rate option because final cost impacts to City Bureaus and the General Fund cannot be calculated if the tenant mix is not known. As mentioned at the work session, under either scenario we will work with BES and Water to develop the best options for them regarding leasing vs. owning space.
- **Framework for decision making on infrastructure demands:** There are many competing infrastructure needs. Ken Rust will develop a framework to assist Council in asking the right questions to make informed decisions about funding priorities and project sequencing.
- **Community benefits:** We will develop an approach to community benefits that will balance cost and values. Upholding the goals for MWESB and DBE contracting are important to this project. How we incorporate community opportunities and benefits still needs more analysis.

As discussed at the work session, there are elements of this project that will require decision making at many different levels. Business decisions will happen at a staff level, the Landmarks Commission will monitor from a historic building perspective, and we will be coming to you for key policy decisions. Once the budget and timeline are clear, we will manage the project to make it successful.

We will bring you more information and recommendations in the coming months. The team working on this project is solid, and I feel that with clear direction, careful planning, and thoughtful execution, we can rebuild the Portland Building as an asset for the City.

Cc: Ken Rust, Chief Financial Officer
Bryant Enge, Bureau of Internal Business Services Director
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