



CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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To: Tom Rinehart

From: Fred Miller, Chief Administrative Officer

RE: Portland Building Reconstruction Project Transition

Since September 2016, you have been participating in meetings with the Portland Building Reconstruction project team, Bureau Directors, and various work groups and committees. Your participation has given you a good foundation for this project.

In the short time you have been here, you have listened, asked the right questions, and added value to the process. With these observations, I am confident that you will be able to carry the project successfully to completion by the end of 2020 and for no more than \$195 million.

I have kept this project under the Chief Administrative Officer because of the building's significance and the investment required of the City, in addition to needing the engagement of so many parts of OMF and the City to ensure success. The project has also created opportunities for change, which will result in improved service to our internal and external customers.

When you take over in January, there are several items you should be aware of as the project moves into Phase 2, the detailed design and documentation phase:

1. **Phase 1 Report Approved.** I have approved the Phase 1 Report, which includes the building program and preliminary designs. I have signed seven items through the "D3" decision making process:
 - The Portland Building Staff Relocation Decision
 - Clarification of \$195 Million Project Scope
 - Building Square Footage Allocations
 - Hard Wall Layout (Typical Floors)
 - Furniture and Kit-of-Parts
 - Phase 1 Report Acceptance
 - Seismic Solution

Phase 2 will focus on the detailed designs and produce the implementation documents necessary to start construction in early 2018.

2. **Project Charter.** The Charter outlines the management and decision making structure. With the progressive Design-Build-Relocate approach and the co-location of the team, effective problem solving is achieved. We also benefit from a team that has worked on other collaborate high

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profile building projects, and can draw on both the positives and lessons learned from those projects to help shape the process for the Portland Building.

The Portland Building Reconstruction audit recommends we focus on succession planning to ensure a smooth leadership transition. I believe that has been accomplished. As we have discussed, as the CAO, you are in charge of this project.

3. **Leases.** If I do not sign the leases for the temporary moves in my last week, you will be signing them early next year, along with the bureau location assignments for both the temporary moves as well as their location in the Portland Building when they return. As you know, those decisions are integrally tied together. Bureau Directors have asked that you meet with them to provide them with the information on where their staff will move and the timing of those moves.
4. **Historic Landmarks Commission.** On December 19, the team went before the Historic Landmarks Commission for a Design Advice Request (DAR). The approach to the project was generally accepted by the Commission with the biggest question remaining around materiality of the exterior. The Commission asked to see a mockup of the proposed exterior system during the review process. The official staff report on the meeting, produced by Bureau of Development Services, will be posted on the Commission's website as soon as it is available.
5. **Oversight.** A management and oversight structure is in place. The Owners Representative, Day CPM, provides ongoing oversight, in addition to providing general project guidance. The Portland Building Community Oversight Committee (PBCOC) has been established and began meeting. They are ready to review the project now that the detailed information needed from Phase 1 is available. The purpose of this committee is to provide project oversight from a community perspective and report their findings to you. Each Council member appointed a committee member, similar to other oversight committees within the City. Their quarterly reports will be posted on the Portland Building website, and it is anticipated you will share these reports with Council.
6. **Two Percent for Art.** I sent a memo to Mayor Hales and Commissioner Fish (the City's Arts Commissioner and liaison to the Regional Arts and Culture Council, RACC). In the memo I relayed decisions and made recommendations about the use of the "Percent for Art" allocation and the varying responsibilities for other art-related matters associated with the Portland Building.

Portland City Code 5.74: Acquisition of Public Art states that the "Participating Bureau" has the discretion to determine how the percent for art funds are used for public art selection. In this case, OMF is the "Participating Bureau." I described OMF's decision on siting art, proposed direction regarding all art related matters for the Portland Building Reconstruction project, and clarified what is and is not covered by the project and the project budget.

7. **One-Percent for Community Opportunities and Enhancements Plan (COE).** The Portland Building Reconstruction project has set aside 1% of hard construction costs 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. This has been set at \$1 million. By design, we separated this project from the reconstruction project. OMF staff are working to allocate funds, along with funds from the Portland Water Bureau's Washington Park Reservoirs project and Portland Bureau of Transportation's Smart Park garage reconstruction. The Audit Division is confused about this issue. They believe that it is part of the Portland Building Reconstruction project. This is not the case.

Additionally, there is an effort to develop a citywide approach to support the goal of a diverse workforce as well as participation in a regional solution. I know that you have been briefed on those efforts.

8. **City Council Work Session.** Holding a Council work session early next year to discuss the progress made in Phase 1 and highlight some pivotal items outside the scope of the project will be beneficial. While these items are not included in the scope of the \$195 million construction project, they will provide Council the opportunity to invest in areas that will result in future cost savings. These include a discussion on space optimization cost savings and benefits including: purchasing new and standard furniture and equipment; changes that will allow the City to create a 21st Century work place and be the Employer of Choice; the potential to avoid future funding liabilities; and additional bureau moves. Portland Building Bureau Directors have supported these ideas and I have directed the project to continue with these assumptions. If Council decides not to proceed in this direction, the building will need to be designed for the existing 1,332 employees.
9. **Public and Employee Engagement.** As you have learned in your time here, information transparency and public and employee engagement have been guiding principles for the project. Before Council approved the project, I began holding employee information sessions. I know you plan to continue these, as they are well received and a great way to communicate information and hear concerns. Information and project documents are posted to the Portland Building website so anyone interested can follow decisions and progress. There is a commitment to include and inform the community so they can provide input on the public spaces and have opportunities to shape this public building.
10. **Operational Changes.** Through Phase 1, decisions have been made that will impact the design and improve the way we do business. These will also require operational changes, which are outside of the reconstruction project's scope. I encourage you to work with Jane Braaten on change management around job classification/duty modification, customer service, and mobile working. Bryant Enge can provide support on modernizing the room reservation system, 15th floor management, food vending, a new furniture program, and building security.
11. **Change Management.** We are asking employees to cope with lots of change. There will be two moves for most (to a temporary location and then back into the Portland Building), many operational changes, and new work place design. I am confident that staff will rise to the challenges those changes pose. As you know, there is an established Change Management Committee, with members who are liaisons to their bureaus for communications supporting these transitions.
12. **Financing.** The financing plan and budget needs have been set for the project. The City has a 5% cash funding requirement for debt financed capital projects. Resources for the project are \$9.5 million in cash and \$185.5 million in debt proceeds. Cash resources come from net rental income, \$3,750,000 of Portland Building major maintenance money, and cash from the General Fund, Water Fund, and Bureau of Environmental Services (BES) Fund. Final debt service will be a component of the blended rental rates cost pool beginning in FY 2020-21. Long-term debt financing is planned for 2020. In the interim, a line of credit will be established to fund project expenses until 2020. The Ordinance authorizing the line of credit and the final debt financing was approved by City Council in July 2016.

Water and BES plan to own their shares of the building at the end of the project. This will be financially advantageous for these funds in their rate setting and debt financing processes. I made it clear that while BES and Water are purchasing floors in the building, it is for accounting purposes, not because they receive different services or have different rights than other tenants

in the building. City standards set for the building will be for all tenants, including those who own floors.

- 13. MWESB Goals.** The Equity, Inclusion, and Diversity Plan for the Project outlines aggressive diversity goals, including disaggregation of goals. This plan outlines the equity strategy for the project, work force and contracting goals, and mechanisms for achieving those goals. The Social Equity Program Support Group, made up of members from the project team, meets every two weeks to ensure that strategies are implemented to meet the set goals and that the plan is being implemented accordingly. The PBCOC provides oversight on meeting the terms in the Plan. I know that diversifying the workforce is a topic that is important to the new administration, and I believe that the approaches being implemented on this project will set a positive precedent for the City going forward.
- 14. Phase 2.** You are taking this project over at an exciting time. During Phase 2, the detailed design and implementation documents will be completed through permit execution. This means that the project team, with input from the Design Committee, will take the concepts and preliminary plans developed in Phase 1 and turn them into documents ready for construction. Decisions will be made that will influence the look and function of the building well into the future. In addition to the technical design of the project, some of the specific areas that will be further developed include the food program, customer service area on the first floor, the use of the 15th floor space, the design for the Bureau-assigned floor plates of floors 4 – 14, and initial decisions about the furniture “kit of parts.”

The above list summarizes key changes that will take place and important elements of the overall project. I encourage you to continue the weekly internal team meetings on the building, continue to keep City Council informed of the progress, and work with Bureau Directors to implement the changes. Once bureaus are moved to their temporary locations, there will be challenges with operating in different locations. There will also be opportunities as staff will rely on technology in new ways to collaborate.

I am confident that you will seamlessly pick up where I have left off. I leave you with a great project team. They have not missed a deadline and have even come in ahead of schedule on various elements. The team has been able to facilitate visioning sessions and difficult conversations about change, which has allowed us to reimagine how we, as the City, want to function in the future. In 2020, this will be a reconstructed historic building that people will be proud of.