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Portland Building: City takes steps to address transparency recommendations

News Article



This is a one-year follow-up to our 2019 report, "Portland Building Follow-Up: Greater public transparency needed about project costs, trade-offs, and missed equity requirement."

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The City decided to renovate the iconic Portland Building in 2015. We identified risk areas during the project's initial phase, and in subsequent work, identified unresolved issues the City had time to address during the remainder of the renovation. We recommended improvements in three areas:

- **PROJECT COSTS:** Report on the complete \$214 million cost for the collective renovation activity. That includes the main \$195 million renovation as well as side projects for furnishings, technology equipment, and tenant improvements for parts of the building that would otherwise be left unfinished.

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- **COMPLIANCE:** Complete activities to ensure compliance with the Americans with Disabilities Act and historic preservation requirements.
- **EQUITY GRANTS:** Address shortfalls in the management of equity grants that have hindered grant distribution. These community benefits were intended to improve diversity in the workforce and among subcontractors in the construction industry.

The City took steps to address each of these issue areas that we highlighted in our June 2019 report. We found a range of progress in the implementation of those recommendations. The work on project cost transparency was modest, remaining compliance activities have been delayed due to COVID-19 and – while the work has not been timely – the recommendations for equity grants are now complete.

Recommendation Status: Slow progress

2019 Recommendation

PROJECT COSTS: Given the significance of the Portland Building side projects described in our audit, the Chief Administrative Officer should describe this collective activity when presenting budget-to-actual reports to Council and Portland Building Community Oversight Committee.

2020 Auditor's Status Update: Slow progress

It continues to be a challenge to track the complete costs for the collective Portland Building renovation activity. However, the Chief Administrative Officer has provided more information in the year since our audit report.

The Chief Administrative Officer began sending City Council a monthly project report in August 2019. These narrative reports include separate descriptions about the total amount spent compared to the total amount budgeted for the main and approved side projects, and any projected savings. Similarly, the City's Portland Building project website includes separate budget reports for the main and approved side projects. These pie charts show a budget breakdown by category and include costs to date, but the last report posted was from October 2019. There was no budget-to-actual content shared at the City Council work session in March 2020 for Portland Building successes and lessons learned.

The reports from 2020 do not include the costs to complete one anticipated side project – the unfinished space on the first floor that will no longer be used as a childcare center.

The Oversight Committee meeting materials included a detailed budget-to-actual report for the main project but no comparable report for approved side projects. The project team said the Oversight Committee discussed

budgets for side projects but did not review line items.

Recommendation Status: In Process

2019 Recommendation

COMPLIANCE - ACCESSIBILITY: The Chief Administrative Officer should incorporate Americans with Disabilities Act inspections during the remainder of construction, and report on the status of accessibility barriers to the Office of Equity and Human Rights and/or Bureau of Human Resources.

2020 Auditor's Status Update: Recommendation in process

The project team reports that it conducted multiple walkthroughs during construction and the contractor made necessary adjustments. Office of Equity and Human Rights representatives with Americans with Disabilities Act expertise also reviewed parts of the building during a construction site visit in October 2019.

The project team has not yet reported on the status of accessibility barriers that remain post-construction.

The Office of Equity and Human Rights and the Bureau of Human Resources have consulted with the project team about reasonable accommodations for the public as well as City employees. Implementation of some planned accommodations are on hold because of the COVID-19 pandemic.

Recommendation Status: In Process

2019 Recommendation

COMPLIANCE - HISTORIC PRESERVATION: The Chief Administrative Officer should complete remaining state and local historic preservation requirements.

2020 Auditor's Status Update: Recommendation in process

The City and the State Historic Preservation Office have been negotiating the mitigation agreement since October 2019. The City project team said finalization of the agreement was delayed because of the COVID-19 pandemic.

There are no outstanding historic preservation requirements from the local Historic Landmarks Commission. While there is a local requirement that is triggered if the Portland Building is delisted from the National Register of Historic Places, the State Historic Preservation Office reports that it has not yet started the delisting process.

Recommendation Status: Implemented

2019 Recommendation

EQUITY GRANTS - REPORTING: As required by the original Resolution, community benefits should “be dispersed in phases through the life of the [Portland Building] project ... and the Chief Administrative Officer will report back regularly to the Council on activities and results”

2020 Auditor’s Status Update: Recommendation implemented

Council’s direction to disburse these funds in a timely manner during the Portland Building project was not met. Planned grants to support disadvantaged workers and businesses were not disbursed prior to construction completion.

However, after our audit report, City Council adopted a January 2020 ordinance that supersedes the 2016 resolution about the Portland Building grants and transfers responsibilities to Prosper Portland for grant administration. Prosper Portland and a nonprofit partner made the first awards to grant recipients in July 2020. The Chief Administrative Officer reported to City Council in August 2019 and June 2020 with updates about grant administration preparations.

While the timeliness requirement was not met, our recommendation – based on Council’s 2016 resolution – to disburse and report on grants is now implemented.

Recommendation Status: Implemented

2019 Recommendation

EQUITY GRANTS – APPLICANTS: The Chief Administrative Officer should inform 2018 applicants of the City’s grantmaking status.

2020 Auditor’s Status Update: Recommendation implemented

Applicants that applied for grants in August 2018 were notified in July 2019 that the City had cancelled those planned awards.

Recommendation Status: Implemented

2019 Recommendation

EQUITY GRANTS – RATEPAYER FUNDS: The Chief Administrative Officer should remove ratepayer funds from the community benefits budget if future grants are not reasonably related to the provision of water and sewer services.

2020 Auditor’s Status Update: Recommendation implemented

The project team reports it removed about \$364,000 in ratepayer funds from the community benefits budget. To make up the difference, tenant bureaus that use other City funding will increase their contributions to keep the budget at \$1 million. The increase impacts bureaus funded by General and Transportation Funds most significantly.

Visit our website to view the [original 2019 audit report](#).

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