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174-2024

Report

Accept two guaranteed maximum prices of \$3,469,244 and \$4,796,719 from Howard S. Wright for construction of Council Chambers, Councilor Offices, Mayor and City Administrator Offices, and major maintenance (Procurement Report - RFP 00002125)

Accepted

TO THE COUNCIL:

On April 19, 2023, Council approved Ordinance Number 191246 for Procurement Services to use an alternative contracting method to select a Construction Manager/General Contractor (CM/GC) in connection with the Council Chambers and Councilor Offices Project. The Chief Procurement Officer advertised Request for Proposals (RFP) Number 00002125 on May 4, 2023, for pre-construction services and construction of the Council Chambers and Commissioner Offices Project with a combined pre-construction and construction services estimate of \$3,975,000. Facilities Services, under the Office of Management & Finance, rated the project estimate confidence level as *Low* at that time.

On June 1, 2023, one (1) proposal was received. The proposal was reviewed, evaluated, and scored by a five (5)-member evaluation committee. The evaluation committee consisted of a representative from the City and four individuals from other public agencies with experience in contractor proposal review. The evaluation committee selected Balfour Beatty Construction, LLC DBA Howard S. Wright. ("Howard S. Wright") as the highest scoring proposer.

Pre-Construction Services Contract Number 30008592 was entered into with Howard S. Wright, effective September 15, 2023, with a not to exceed amount of fifty-six thousand seven hundred eighty Dollars (\$56,780). The Pre-Construction Services Contract included project partnering, collaborative project design, constructability reviews, development of construction procurement, management and safety plans, early work construction, cost estimating, and the development of the Guaranteed Maximum Prices for construction of the Project. The final design is complete, and the Contractor is nearing completion of all Preconstruction Services tasks.

The Chief Procurement Officer now recommends the award of a CM/GC construction services contract to Howard S. Wright with two Guaranteed Maximum Prices (GMP1 and GMP2) of \$3,469,244 (GMP1) and \$4,796,719

Introduced by

[Mayor Ted Wheeler](#)

Bureau

[Management and Finance;](#)
[Revenue and Financial Services](#)

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

February 21, 2024

Time Requested

15 minutes

(GMP2). Facilities Services rates this project estimate confidence level as *High* at this time. Additional information on GMP costs can be found in the Impact Statement associated with this report.

The Council Chambers and Commissioners Offices CM/GC Project has embraced the City's Regional Workforce Equity Agreement (RWEA) goals. RWEA is a collaborative effort between Public Owners and Unions to promote the use of local vendors, suppliers, contractors, subcontractors, and encourage the hiring of a local area workforce, which will return long-term community benefits. The RWEA includes provisions for an Equity Contracting Program, which focuses on expanding economic opportunities by growing both the demand and capacity of BIPOC and women-owned contractors, and supports the creation of safe/anti-racist workspaces for women and people of color, in alignment with the City's with core values of equity, fiscal responsibility, transparency, communication, collaboration and anti-racism.

Howard S. Wright is located in Portland, Oregon, and is not a State Certified COBID Contractor and has been instrumental in outreach efforts and developing respectful workplace training as part of preconstruction services. Additionally, Howard S. Wright strives to meeting the 25% COBID goal via 11.4% minority, 11.4% women, and 1.8% veteran owned business participation. Howard S. Wright has a current City of Portland Business Tax Registration and EEO Certification and are in Full Compliance with the City's contracting requirements.

Funds are available for this project under Owner Cost Center MFOP000042/Project B00059.

It is recommended that a Performance Bond and Payment Bond each at 100% of the contract amount be furnished by the Contractor. Further, it is also recommended that a two (2) year Maintenance/ Warranty Bond for 20% of the final contract amount be furnished by the Contractor before final payment is released.

Procurement Services recommends that Council accept this Report and authorize the Chief Procurement Officer to execute the contract with Howard S. Wright.


Recommended by:

Biko Taylor

Chief Procurement Officer

BT: veh

Documents and Exhibits

 [Exhibit 1 \(https://www.portland.gov/sites/default/files/council-documents/2024/exhibit-1-revised-repayment-schedule_0.pdf\)](https://www.portland.gov/sites/default/files/council-documents/2024/exhibit-1-revised-repayment-schedule_0.pdf) 61.66 KB

Impact Statement

Purpose of Proposed Legislation and Background Information

Accept two guaranteed maximum prices of \$3,469,244 (GMP1) and \$4,796,719 (GMP2) from Howard S. Wright, Inc. for the reconstruction of the City's Council Chambers and for reconstruction of Councilor, Mayor and City Administrator Offices, including select major maintenance work, at City Hall (1221 SW Fourth Avenue).

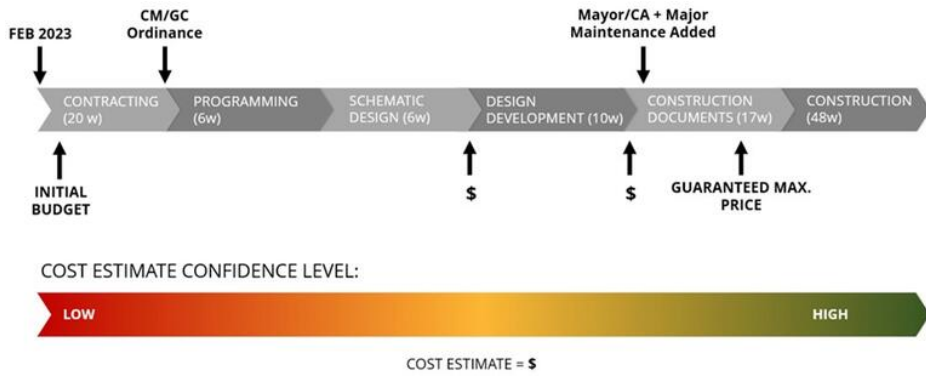
Background

With Ballot Measure 26-228, Portland voters approved substantial changes to their city government and election methods by voting yes on a package of reforms proposed by the Portland Charter Commission. Over the next 11 months, the City will implement a suite of changes to get the City operationally ready to support a mayor-council form of government that functions differently than the Commission form, including an expanded Council of 12 to support district representation. The Mayor will no longer sit on council and instead oversee day to day operations with the assistance of a professional City Administrator.

In order to accommodate the changes to the City's structure, particularly the size of Council, the Office of Management & Finance, Facilities Services (Facilities) must renovate City Hall's Council Chambers and the workspaces that support the Council, Mayor, and the City Administrator. The Council Chambers must expand to serve 12 Councilors, the Mayor, the City Administrator, and support staff. City Hall is also overdue for substantial security, audio-visual, and broadcasting enhancements, as well as major maintenance work.

Ordinance Number 191246, passed by Council on April 19, 2023, authorized Procurement Services to use an alternative contracting method to select a Construction Manager/ General Contractor (CM/GC) for the Council Chambers and Commissioner Offices Project. The Chief Procurement Officer advertised Request for Proposals (RFP) Number 00002125 on May 4, 2023, for pre-construction services and construction of the Council Chambers and Commissioner Offices Project, with a combined pre-construction and construction services estimate of \$3,975,000 for both GMPs (\$2,425,000 for GMP 1 and \$1,550,000 for GMP 2). Facilities rated the Project estimate confidence level as *LOW* at that time (see Diagram 1, adapted from the Facilities' October 3, 2023, Work Session 1 presentation to Council); this confidence rating was buffered by the inclusion of a high contingency in the estimate.

Diagram 1: Cost Estimating and Contracting Timeline



As noted in the Ordinance, the CM/GC contracting method was preferred because of the time and cost efficiencies this mode of contracting could provide to complex projects. However, due to the very condensed timeline, Facilities had to complete its initial estimate for the budget prior to onboarding an architect and cost estimator, in addition to advocating for the CM/GC; typically, an architect and cost estimator would already be onboard for a project, and would have vetted it to a degree, prior to developing a project budget and launching a CM/GC procurement, as opposed to being hired concurrently with a CM/GC.

As it was, certain program assumptions made by Facilities to support the creation of the initial budget – for example, that Council Chambers would have to relocate to the Portland Building due to size constraints in the City Hall Council Chambers – transitioned when an architect came online. While, overall, the final program for this Project is the most optimal from a facility use, one-time cost, and ongoing cost perspective, the refinement of the program resulted in costs that were higher than those initially budgeted by Facilities for certain elements of the Project. Those variances are explained in detail below. In addition, certain construction requirements have also created a delta between Facilities’ initial budget and the GMPs submitted by the CM/GC.

Guaranteed Maximum Price Summary

GMP 1 for \$3,469,244 includes the cost to renovate Council Chambers, which exceeds the original budget estimated by \$1,044,244. GMP 2, for \$4,796,719, includes the Council Offices and City Administrator and Mayor’s Offices, as well as the major maintenance improvements added to the Project in late 2023. This cost exceeds the original budget estimate by \$1,161,719.

The increase in costs between the budget-level estimates and the GMPs are summarized in Table 1, below.

TABLE 1: COMPARISON OF BUDGET-LEVEL ESTIMATES AND GMP BIDS BY PROJECT

Original	Actual	Delta	Comments on Cost Drivers
GMP 1			

Council Chambers	\$2,425,000	\$3,469,244	\$1,044,244	See Table 2: Lines 3, 4, and 5, below
GMP 2				
Council Offices	\$1,550,000	\$1,941,733	\$391,733	See Table 2: Lines 3, 4, and 5, below
Mayor/City Admin.	\$985,000	\$1,360,000	\$375,000	See Table 2: Line 1, below
Major Maintenance	\$1,100,000	\$1,494,986	\$394,986	See Table 2: Line 2, below
Total	\$6,060,000	\$8,265,963	\$2,205,963	

Note: The "Original" figures for Council Chambers and Council Offices mirror what was presented in the ordinance for CM/GC approval (Ordinance 191246). However, the Mayor/City Administrator and major maintenance projects were not a part of the ordinance for CM/GC approval. Thus, the "Original" figures above for these Project elements mirror what was presented in Resolution 37638, passed after Council agreed to add these items to the scope of work in order to take advantage of construction efficiencies.

The primary reasons for the increase in costs between the budget-level estimates and the GMPs are itemized and explained in Table 2, below. In short, they are due to Facilities having unclear programming and/or unrefined cost estimates during initial budgeting, particularly for the Mayor/City Administrator and major maintenance Project elements; the triggering of an ADA code requirement that occurred when it was determined that City Hall would be reused for Chambers; and construction-related decisions that have direct cost impacts on the budget (premium payments made to attract in-demand COBID contractors to the job, and separating the Chambers and Council Office Project schedules).

TABLE 2: DRIVERS BEHIND THE DELTA IN BUDGET-LEVEL AND ACTUAL GMP COSTS

Cost Delta Comments

PROGRAMMING ADDITIONS

1. Mayor & City Admin. Offices	\$375,000	Mayor + City Administrator program undefined during budget preparation; cost reflects final defined program
2. Major Maintenance	\$394,986	Scope not fully defined during budget preparation; costs reflect final scope and integration with the Project
3. All-User Restrooms	\$447,217	ADA accessible restrooms required by code on all impacted City Hall floors; not anticipated during budget development

CONSTRUCTION REQUIREMENTS

4. COBID Premiums	\$413,298	The scale of the Project triggered the Regional Workforce Equity Agreement, which has more administrative work; additionally, COBID contractors are in high demand
5. Construction Schedule Separation	\$575,462	Delay of construction of Council Offices to 7/1/24 requires phased construction & remobilization of subcontractors
TOTAL	\$2,205,963	

Note: Although the Mayor/City Administrator and major maintenance projects have been estimated in the GMPs to cost more than originally estimated when they were added to the scope, the cost of these Project elements is likely still less than had these projects been done independently; based on current pricing, Facilities estimates that these projects, done alone, would have cost ~\$840,000 more than as scoped.

Both GMPs have been value-engineered by Facilities to remove all unnecessary work and requirements.

Facilities now rates the construction contract cost for GMP1 to not exceed \$3,469,244 with a *HIGH* level of confidence. Facilities also rates the construction contract cost for GMP2 to not exceed \$4,796,719 with a *HIGH* level of confidence.

Other Legislative Impacts

No revenues will be impacted by this legislation, and this legislation does not change existing City policy.

Financial and Budgetary Impacts

Funding for this work was originally approved in the FY 2023-24 Adopted Budget. Due to the anticipated cost increases, the Project budget will need to be amended in the Spring Budget Monitoring Process Report. The Project's costs are being fronted by Facilities using a major maintenance account that must be reimbursed. To help mitigate the impacts to the bureaus of the increased payback costs, Facilities has extended and recast the repayment schedule. Table 3, below, shows that budgets for FY 2023-24 and FY 2024-25 are *not affected* as they are already in flight or fully planned. Rather, the total the annual repayment cost for the borrowing has increased by \$38,909/year starting in FY 2025-26, and two years have been added to the end of the original repayment schedule. Exhibit 1 shows the payback costs for each bureau for the affected years (FY 2025-26 to FY 2031-32).

TABLE 3: CHANGE IN REPAYMENT SCHEDULE DUE TO INCREASE IN PROJECT COSTS

FISCUAL YEAR	ORIGINAL	REVISED
FY 2023-24	\$1,194,363	\$1,194,363
FY 2024-25	\$1,194,363	\$1,194,363
FY 2025-26	\$1,194,363	\$1,233,272
FY 2026-27	\$1,194,363	\$1,233,272
FY 2027-28	\$1,194,363	\$1,233,272
FY 2028-29	\$1,194,363	\$1,233,272
FY 2029-30	\$1,194,363	\$1,233,272
FY 2030-31	\$0	\$1,233,272
FY 2031-32	\$0	\$1,233,272

With regard to extending the payback schedule, the amortization period for the Project was originally 7 years, which is shorter than a typical amortization period but which was chosen due to the high percentage of the budget being spent on short-lifecycle technology assets (broadcasting and audiovisual equipment). As the adders that are driving the increase to the budget are primarily for long-lived assets (Mayor and City Administrator Offices; heat pumps; all-user restrooms), it is appropriate to extend the amortization period to 9 years.

No positions will be created, eliminated or re-classified as a result of this legislation.

Other Financial and Budgetary Impacts

Following a series of four council work sessions, Resolution 37638 was adopted by Council on November 29, 2023 to amend the original Ordinance: the Mayor and City Administrator Offices and major maintenance improvements were added to the CM/GC via an approved GMP 2 scope of work. This decision was made to maximize construction efficiencies for the overall Project by doing this work at the same time as Chambers. Given that both GMP 1 and GMP 2 have come in over their original estimates, Council may consider cutting some or all of GMP 2 to keep the Project in alignment with the original budget.

To support discussion of this idea, Facilities has worked independently and with the CM/GC to estimate the cost and timing impacts to the Project of this concept.

Several impacts are anticipated:

- Delays in the GMP 1 Project schedule due to revisions to the construction phase contracts and reengagement of bidders. The contract revisions would have to occur because of the removal of project scope. In addition, removal of scope will trigger revisions to the construction drawings and sub-contractor bids, which may deter bidders from participating in the overall project, thus risking further delays and additional cost to seek alternate interested bidders. This delay will result in a later Council Chambers construction start date, a reduced Chambers commissioning timeline, a delay to the January 1, 2025 Chambers opening date resulting in no available location to serve 12 Councilors in January 2025.
- Additional costs should the GMP 2 work occur in the future, due to the loss of the efficiencies in combining GMP 1 and GMP 2 professional services and construction.

Community Impacts and Community Involvement

Contractor Participation Goals

The construction contracting community – including contractors certified as State of Oregon disadvantaged, minority, women, and emerging small businesses – became involved with this Project when the Chief Procurement Officer and Facilities advertised a notice of public hearing in the Daily Journal of Commerce on April 5, 2023, and advertised and publicly noticed the RFP via the City's Online Procurement System on May 4, 2023.

Potential proposers were able to review the competitive solicitation, attend a pre-proposal meeting, ask questions, provide comments, and submit a proposal in response to the Request for Proposals (RFP). The proposal resulted in the award of the CM/GC Pre-Construction Services contract. Procurement Services managed the procurement process. No protests were received.

The use of a CM/GC contracting method was and is critical to completing this complex and fast-paced Project with the least disruption possible to the general public, property owners, and commerce in the Project area. The CM/GC method promotes schedule efficiencies through early Contractor

involvement and the incorporation of schedule-saving ideas prior to the completion of design. The CM/GC method also gives the contractor more time to engage the design team in alternatives, with the goal of reducing overall costs.

Using the CM/GC method also allows the City to monitor Contractor outreach and the use of apprentices and SDVBE/D/M/W/ESB subcontractors, which helps the City manifest the Regional Workforce Equity Agreement (RWEA) and Construction Diversity and Inclusion Policy (CDIP) objectives for this Project.

RWEA is a collaborative effort between Public Owners and Unions to promote the use of local vendors, suppliers, contractors, and subcontractors, and encourage the hiring of local area workforce, which will return long-term community benefits. The RWEA also includes provisions for an Equity Contracting Program, which focuses on expanding economic opportunities by growing both the demand and capacity of BIPOC and women-owned contractors, and supports the creation of safe/anti-racist workspaces for women and people of color, in alignment with the City's with core values of equity, fiscal responsibility, transparency, communication, collaboration and anti-racism.

This Project's COBID goal is 25% overall, with a goal for women-owned business participation of 9%. Howard S. Wright is just shy of meeting the 25% COBID goal with 11.4% minority, 11.4% women, and 1.8% veteran-owned business participation. Howard S. Wright has been instrumental in outreach efforts and developing respectful workplace training as part of preconstruction services.

Other Public Involvement Activities

No known persons or groups will be testifying.

No future public involvement is anticipated or necessary for this request, other than communications with the neighboring properties and the community concerning construction schedule and impacts.

100% Renewable Goal

Does this action increase or decrease the City's total energy use?

The addition of the major maintenance projects to the scope of work will allow for the replacement of 46 heat pumps on the 1st, 2nd, and 3rd floors of City Hall that are each well past end of life. The replacement of these heat pumps will accomplish two climate-related goals: first, they meet modern energy efficiency standards and are anticipated to reduce the use of energy in the facility by an estimated 70 MWh annually; second, these existing assets require the use of R22, a refrigerant that is no longer allowed to be produced in the United States due to its harmful impacts on the ozone. Altogether, the 46 assets being replaced comprise 43% of the heat pumps at City Hall, the remainder being on the portions of the 1st, 3rd, and 4th floors not being remodeled.

Does this action increase or decrease the City's renewable energy use?

This action will decrease the City's use of renewable energy because it will decrease the overall amount of energy used given the higher efficiency of the heat pumps; this action will not decrease the percentage of renewable energy used as compared to non-renewables.

Agenda Items

174 Regular Agenda in [February 21, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/2/21)
(<https://www.portland.gov/council/agenda/2024/2/21>)

Accepted - Prepare Contract

Motion to accept the report: Moved by Mapps and seconded by Gonzalez.

Commissioner Carmen Rubio Absent

Commissioner Dan Ryan Absent

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Mayor Ted Wheeler Yea