EXHIBIT A

EVALUATION REPORT
on the
ALTERNATIVE CONTRACTING METHOD for the
SOUTH WATERFRONT GREENWAY CENTRAL DISTRICT IMPROVEMENTS
CONTRACT 30002713

May 14, 2015

I. INTRODUCTION

Section I of this Report concerns the purpose of this document and a summary of applicable laws regarding the reporting required at the conclusion of a public improvement procured through an alternative contracting method. Section II describes the project and its background. Section III contains information required by law describing project outcomes versus the projections in the Findings and assessing the effectiveness of the alternative procurement method for this project.

A. PURPOSE

In January 2011, Portland Parks & Recreation ("PP&R") and the City of Portland Office of Procurement Services ("Procurement Services") sought and received an exemption from the mandated competitive low bid method of procurement for selection of a General Contractor for the South Waterfront Greenway – Central District Improvements Project ("Project"). James W. Fowler, Co. was selected in a competitive process (RFP 112508) as the Construction Manager / General Contractor ("CM/GC") in 2011 and entered into CM/GC Contract No. 30002713 with the City in June 2012. The project is now complete and a Report evaluating whether the alternative method benefited the City is required by law.

B. SUMMARY OF OREGON STATUTES AND PORTLAND CITY CODE REGARDING EXEMPTION FROM COMPETITIVE BIDDING

Oregon law requires that all public improvement projects be procured by a competitive low bid method, unless an exemption is granted by the State of Oregon or the Local Contract Review Board for public agencies other than the State. Portland City Council is the Local Contract Review Board with the authority to exempt certain City contracts from the competitive bidding requirements.

Oregon Revised Statute ("ORS") 279.C.355 requires an evaluation of the following matters upon completion of and final payment for any public improvement contraction in excess of $100,000 for which the contracting agency did not use the competitive bidding process:

(a) The actual project cost as compared with original project estimates;
(b) The amount of any guaranteed maximum price;
(c) The number of project change orders issued by the contracting agency;

(d) A narrative description of success and failures during the design, engineering and construction of the project; and
(e) An objective assessment of the use of the alternative contracting process as compared to the findings required by ORS 279.C.355.

Similarly, Section 5.34.820 of the Portland City Code requires that the evaluation consider:

(a) Financial information, consisting of Cost Estimates, any Guaranteed Maximum Price, changes and actual costs;
(b) A narrative description of successes and failures during design, engineering and construction; and
(c) An objective assessment of the use of the Alternative Contracting Method as compared to the exemption Findings.

Attached to this Report is a copy of the original Findings of Fact as noted in item (e) above (Appendix B).

II. PROJECT DESCRIPTION

A. OVERVIEW OF IMPROVEMENTS

The South Waterfront Greenway – Central District Improvements consist of a major riverbank reconstruction and an upland park located along the west bank of the Willamette River between SW Gibbs and SW Lane Streets on a contaminated post-industrial site. The project is the central segment of three that will form a linear park along the riverbank in the South Waterfront neighborhood. When complete, the trails in South Waterfront will connect downtown with a regional trail system via pathways leading to the Sellwood Bridge.

The 1,050 lineal feet of riverbank reconstruction converted a blighted, rubble-covered riverbank into functioning habitat for endangered salmonid fish. It features a 25,500 square foot Shallow Water Habitat with gravel and river rock graded into a gentle slope excavated out of the steep, concrete debris-strewn bank. A series of planted retaining walls was necessary to terrace the remaining bank into a more naturalistic contour, while still allowing enough upland space for the park and trails. The upper terraces of the riverbank were clad in soil and planted with native trees and shrubs to provide riparian habitat that supports the endangered fish.

On the upland above the riverbank, the park includes 1,250 lineal feet of bike and pedestrian trails, five river overlook areas, expansive lawns, lighting, seating options, trees, decorative shrubbery and public art. The trails will eventually link downtown Portland to the Willamette River Greenway and the 40-Mile Loop. The park as a whole is expected to be vital to the livability of the neighborhood, which will be one of the densest in the state at full build-out.

The entire site, contaminated from previous industrial activity, is enrolled in the State of Oregon Department of Environmental Quality ("DEQ") Voluntary Cleanup Program. During construction all hot spot soils were removed and a 'cap' of clean soil, special clay matt, gravel or riprap was placed over any residual site contamination. A monitoring and maintenance regimen

is required by DEQ in perpetuity to ensure that the cap retains integrity and is protective of human health and the environment.

B. BACKGROUND

PP&R and Procurement Services sought an alternative procurement process due to the complexity of the project, schedule restrictions associated with environmental permitting, and project funding constraints.

1. Project Complexity

Multiple Jurisdictions

In 2004, the City, via the Portland Development Commission, entered into a Development Agreement with the adjacent property owners that committed it to the design and construction of the Central District segment of the overall South Waterfront Greenway. Park design commenced in 2007 and negotiations with the various resource agencies concerning an acceptable riverbank design ran from 2009 to 2012. Above and beyond the City of Portland's Land Use and Building permit requirements, a US Army Corps of Engineers and Division of State Lands joint permit for work below the Ordinary High Water ("OHW") elevation at +18 (City datum) was required which triggered concurrence or approval from five other Federal or State resource agency bodies ("resource agencies"):

- National Oceanic and Atmospheric Administration / Fisheries
- U.S. Department of Fish & Wildlife
- DEQ Water Quality Section
- DEQ Cleanup Section
- Oregon Fish & Wildlife

Environmental Restrictions

A key element of the resource agency permits was that, to protect fisheries, any work on the riverbank below the OHW line would only be allowed within a four-month period, known as the In Water Work Window, between July 1 and October 31. Because construction of the Shallow Water Habitat involved a massive amount of excavation, from elevation +25 down to as low as elevation +3.22, the entire project approach and schedule was contingent upon hitting those dates.

Soil Risks

The soil and debris conditions of the existing riverbank could not be adequately characterized prior to construction because the rock, rubble and concrete slurry covering the bank made it nearly impossible to obtain soil samples. As a result, on top of the permit and schedule restrictions, significant environmental and geotechnical unknowns existed on the site that added considerable risk to the project scope and schedule.

Funding Restrictions

Another critical schedule factor was funding timelines. TriMet provided a one-million dollar grant in return for building the Shallow Water Habitat, which would serve as mitigation for in-

water impacts resulting from their light rail bridge project. With the bridge schedule, this mitigation had to be installed during the 2012 In Water Work Window.

The construction would involve a sophisticated mix of operations and sequencing of work on a long bankline, including handling brownfield soils safely while avoiding fouling the river, custom engineered environmental cap for the beach, recycling of riverbank concrete debris above OHW, complex permit administration and the coordination expertise required to meet the tight regulatory schedule.

PP&R and Procurement Services determined that an alternative procurement would be desirable in order to ensure that a contractor was selected with necessary experience, qualifications and the proper mix of skills necessary to complete the challenging work within funding and schedule requirements.

2. Alternative Procurement Process

PP&R briefed the City Council in January 2011 before seeking approval for the alternative procurement, describing the planned improvements, the costs and benefits to the City from the project and particularly highlighting the financial risks to the City of moving forward. These risks were, primarily:

- Unknowns in the soil conditions on the site (contamination and suitability for construction);
- Unpredictable river levels during construction; and
- Uncertainty around what permitting conditions would be required by the Federal and State environmental agencies, any of which could increase the cost of the project.

Council, affirming the importance of this project to the City's goals of reclaiming access to the Willamette River and improving habitat along its banks, directed that P&R proceed.

The Request for Proposals for a CM/GC for the Central District Improvements was publicly advertised in the spring of 2011 and James W. Fowler Co. ("Fowler") was selected. CM/GC contracts have two parts in delivery: Part 1 is Preconstruction Services followed by establishment of a Guaranteed Maximum Price ("GMP") and Part 2 is the Construction Work. The GMP consists of the contractor's price for the reimbursable cost of the work plus a percentage Fee. A Professional, Technical and Engineering contract for Preconstruction Services was executed in May, 2011 that set the CM/GC Fee at 9.55% and included a robust Disadvantaged/Minority/Women/Emerging Small Business ("DMWESB") utilization requirement of 18% of the value of subcontracted construction.

3. Preconstruction Services

Fowler joined the existing design and project management team to provide feasibility and constructability advice; cost estimating and value engineering suggestions; and a variety of accessory plans designed to launch construction smoothly once the final design and permitting were complete. All preconstruction deliverables were successfully accomplished except the value engineering, which is discussed below in the Challenges section.

Due largely to cost estimate increases generated by realistic constructability advice from Fowler and late regulatory permit conditions, PP&R was obliged to divide the project into phases, with Phase 1 being the riverbank reconstruction and Phase 2 the upland park. The Land Use permit approval was received in March 2012 followed by Building permits in mid-June 2012, allowing Phase 1 work to begin on areas of the site above OHW. Final Federal permits were received at the end of June, one day before the opening of the 2012 In Water Work Window.

4. Construction

Upon execution of GMP for Phase 1 work during 2012, Fowler encountered at various times a greater volume of contaminated soil than expected; industrial debris mixed into the unexpectedly soft soils; unusually high river levels that prevented efficient construction; a very late and shorter than usual low-water period, which compressed the construction window; and several unexpected permitting conditions from DEQ for in-water work.

The combination of these factors increased construction costs for Phase 1 and prevented completion in one season: due to the In Water Work Window limitations described above, after the end of October, work below Ordinary High Water (elevation +18) could not resume until the following July (2013), creating a 12-month increase in project duration. Phase 1 was further divided into Phase 1A, which included the 2012 work plus a minor amount of planting performed in 2013, and the balance of Phase 1 improvements, called Phase 1B, which were planned for the summer and fall of 2013.

Modifications to the construction plan were required by the resource agencies in order for Fowler to install the lowest portions of the bank and beach work, which required digging in the flowing river. When negotiations around the added regulatory requirements were complete and all of the cost increases had been evaluated, PP&R investigated rebidding the Phase 1B work. The City determined, however, that Fowler would still provide the best value for the City, given their strong performance to date, ability to complete complex cleanup work and their detailed understanding of the permitting requirements. A Lump Sum format Change Order was executed to cover all of the 1B work.

Phase 1B work began in June of 2013 under the close scrutiny of the DEQ. Two heavily contaminated “hot spots” were discovered at the very bottom of the excavation at river’s edge, and over 200 tons of asbestos-containing materials were removed. At the end of 2013, Phase 1 was nearly complete when PP&R determined that Systems Development Charge funding was available that would allow completion of Phase 2. Again the City investigated rebidding this new work, but in consultation with Procurement Services, determined that Fowler would provide the best value to the City since they were already mobilized on site, had performed well on Phases 1A and 1B, and had a high DMWESB utilization commitment in their contract. A second GMP was executed for Phase 2 work via Change Order. Phase 2 kicked off in April of 2014, Substantial completion was achieved on December 22, 2014 and the Certification of Completion for the entire project was issued on Feb. 28, 2015.

III. EVALUATION OF ALTERNATIVE PROCUREMENT

A. CONTRACT SUMMARY

Comparison of Pre-Project Construction Cost Estimates vs. Actual:

	Ph. 1 Riverbank	Ph. 2 Upland Park	Total Project
Pre Project 2011 Construction Project Cost Estimates:			
Estimated Construction Cost	$ 4,800,000*	--	$ 4,800,000*
Actual Construction Project Costs 2015:			
Actual Contract Values	$ 7,592,700	$ 3,439,326	$10,698,360

* In 2011, the $4.8 million estimate was thought to cover the construction cost for both phases of the project.

Summary of Construction Contract 30002713:

	Ph. 1 Riverbank	Ph. 2 Upland Park	Total Project
Guaranteed Maximum Price	$ 4,035,844	$ 3,300,000**	$ 7,335,844
Change Orders	$ 3,223,190	$ 139,326	$ 3,362,516
Cumulative Contract Value***	$ 7,259,034	$ 3,439,326	$10,698,360

** Phase 2 Guaranteed Maximum Price was itself a Change Order, but because it was a discrete piece of work that PP&R requested, unrelated to a change in the Phase 1 scope, it is presented here as a standalone GMP.

*** Guaranteed Maximum Price plus Change Orders

B. CHANGE ORDERS

There were 36 Change Orders totaling $3,362,516 executed for this Contract caused by to adjustments to the work scope. The table below provides an overview of the reasons, while the Background section of this Report describes the conditions around most of these. There was also one $3.3 million Change Order executed that added Phase 2 back to the project.

Total Change Orders Resulting from	Value	% of All Change Orders, Phases 1+2	% Total Cumulative Contract Value
Unforeseen Site Conditions	$ 3,022,215.32	45.36%	28.25%
Mid-Construction Regulation Changes	$ 226,346.79	3.40%	2.12%
Poor Coordination or Documentation of Design	$ 65,177.39	0.98%	0.61%
Miscellaneous Changes Requested by Owner	$ 48,776.31	0.73%	0.46%
Subtotal Change Orders adjusting work scope:	$ 3,362,515,81	50.47%	31.42%
Owner Request to add Phase 2 Back to Project	$ 3,300,000.00	49.53%	30.85%
Total Change Orders:	**$ 6,662,515.81**	**100.00%**	**62.27%**

C. SUCCESSES

1. **Contractor Procurement and Contract Negotiation**
   - For both Phases 1B and 2, Fowler's original price proposals exceeded PP&R's available funding. But after vigorous negotiations, Fowler agreed to match the available funding with significantly lower prices in return for PP&R accepting all risk of changed conditions or increases in scope. This allowed PP&R to proceed with the work and to pay only for scope changes that both parties agreed they were necessary (see discussion of Change Orders above).
   - Fowler produced a well-developed DMWESB utilization and outreach plan for subcontracted work. 18% of the subcontracted work went to DMWESB contractors. In addition, the Contractor strove to meet Workforce Training and Hiring goals: 21% of total contract hours went to trade apprentices; 29% to minorities; and 9% to females.

2. **Preconstruction Design and Engineering Phase**
   - The various accessory plans that Fowler put together, addressing staging, safety, materials management and subcontracting together formed a comprehensive construction plan that allowed a quick, smooth mobilization. Work began on time, with few issues or complaints from surrounding property owners.
   - Vigorous and thorough value engineering investigations were held during the final year of engineering, so that PP&R felt certain that the design had been scrubbed as much as possible before finally being forced to trim Phase 2.

3. **Construction**
   - Fowler brought in resources from other jobs all over the region as necessary to do specialty tasks, such as the tricky excavation in the water in 2013 and high-quality concrete work in 2014.
   - Fowler thought through many issues ahead of time that would have made the site- and permit-related difficulties worse than they already were:
     - They kept a very close eye on permitting conditions;
     - They raised questions about permits, design, maintenance early, before issues were beyond resolution; and
     - They ran a neat, efficient and transparent project that minimized concerns with adjacent property owners.
   - The resource agencies and neighbors were complimentary of the professionalism and responsiveness of Fowler during construction.
   - PP&R's maintenance staff were complimentary about the installation at final walk-throughs for all three phases of work.
   - The City received a high quality project built within the schedule parameters given them. The improvements are solid, neat and match the plans and specifications.

D. CHALLENGES

This alternative contract faced many serious challenges during contract procurement, preconstruction services and construction.

1. **Contractor Procurement and Contract Negotiation**
   - Only one proposal was received, making selection difficult without comparative review of other proposals, as well as reducing the City's negotiating leverage on the Fee percentage. Six firms attended the pre-bid meeting indicating sufficient exposure to solicit proposals. Other firms who had been contacted said they declined to bid because the engineer's estimate was perceived to be too low relative to the project risks and because the costs of proposing were too high relative to the engineer's estimate. In addition, the cost of assembling a proposal is time consuming and costly, relative to the project estimate.
   - During GMP Contract negotiations, PP&R did not offload the risks of unknowns within the riverbank onto the CM/GC due to the anticipated price increase of doing so. The City absorbed all the risks of unforeseen site conditions.
   - PP&R requested the GMP proposal from Fowler in March 2012, but Building Permit changes made in May caused a considerable increase in scope and cost for excavation and backfill materials for the retaining walls as well as significant changes to the sheet pile tie-backs, which caused a large increase in the GMP.

2. **Preconstruction Design and Engineering Phase**
   - An intensive effort by the project team to trim scope and find efficiencies in construction (value engineering) were offset by the land use agreement, which precluded changes to the features, layout, sizes and materials of the design, and by the terms of the DEQ cleanup of the project.
   - In the autumn of 2011, six months after the CM/GC joined the project team, when the Construction Drawings were 90% complete, DEQ added three expensive conditions of approval: a custom 'cap' material consisting of Reactive Core Mat to be installed under the Shallow Water Habitat; a requirement for a very cumbersome and inefficient north-to-south sequence of excavation and installation; and a condition eliminating in-water work. These changes wiped out the modest savings the team was able to come up with and the overall cost estimate rose during value engineering rather than falling.
   - Final permit requirements from the resource agencies for the riverbank reconstruction were not established until the start of Phase 1 construction even though the permit application had been submitted twenty months prior. This timing delayed efficient implementation of Fowler's construction plan.
   - There was little fruitful collaboration between the designers and the CM/GC. Some of this is inherent in any construction project team, but in this case there are two exaggerating factors:
     - The CM/GC was not brought onto the team until the upland construction documents (CDs) were at 90% complete and the riverbank design at 60%, so the expectations of PP&R, the public and the design team had already been set. Fowler was unable to add much to the conversations.
     - Fowler was prevented from exercising their construction expertise to deploy efficient work sequencing and scheduling due to the tight permitting constraints.

3. Construction

- During construction, after the layer of debris covering the riverbank had been removed, testing revealed that the soil was of a finer texture than had been anticipated during structural design. This unforeseen geotechnical challenge required a major update in the design of the retaining walls.
- Unprecedented high water during the 2012 Phase 1 In Water Work Window eliminated any possibility of constructing the lower bank and shallow water habitat area during 2012.
- The PP&R Project Manager had never administered a construction contract before and was concurrently assigned to multiple other projects, which necessitated incomplete attention to contractual and communication matters exacerbated as the construction spanned more than 2.5 years.
- PP&R had no Construction Manager assigned to the project during Design and Engineering to review the design, permit applications or construction plans, nor interact with the CM/GC. An outside consultant was hired to act as the Owner's Representative, but not until two weeks before construction began. PP&R was at a disadvantage the entire first season from the late and under-staffing of the Owner's Representative role.
- Additional resource agency in-water work permit requirements established after Phase 1 significantly impacted schedule, work sequence efficiencies and cost for the beach work.

E. RECOMMENDATIONS FOR FUTURE CM/GC PROCUREMENTS

- Obtain all permits and special conditions before the end of PreConstruction Phase and before the final GMP is established.
- If a true collaboration between the designers and the CM/GC is a goal, then bring the CM/GC onto the project much earlier, such as at 50% Design Development, well before expectations are finalized into construction documents, Land Use permits or resource agency permits.
- Clarify some sections of the General Conditions of the Contract, including:
  - A more expansive description of the Critical Path Method (CPM) Schedule requirements, including a requirement to share the electronic files with the project team, including all dependencies; and
  - A provision allowing renegotiating the Fee percentage under circumstances of unforeseen phasing of the work.

F. ASSESSMENT OF THE USE OF THE ALTERNATIVE CONTRACTING METHOD AS COMPARED TO THE EXEMPTION FINDINGS (Exhibit C)

Finding No. 1: Unlikely to Encourage Favoritism

"It is unlikely that the exemption from competitive low bidding requirements will encourage favoritism in the awarding of public improvements because the contract will still be

publicly advertised and be available to a wide group of available proposers and receipt of this contract will not automatically result in further contracts to the selected proposer. Moreover, the contractor will be selected by means of a Request for Proposals that has announced selection criteria. Proposals will then be evaluated by a selection committee. The City will not be able to simply select a "favorite" contractor, but will have to evaluate which contractor is appropriate for this Project."

Assessment of Finding No. 1:

The risk to the City of slow, incompetent or sloppy work on this tightly regulated project called for a Contractor with a wide array of skills, professionalism, foresight and flexibility. The RFP procurement process unfolded exactly as described in Finding No. 1, and opened up the opportunity to any interested contractor, prescribed fair and unbiased selection criteria along with a multi-agency evaluation committee, resulted in no bias or favoritism.

Finding No. 2: Unlikely to Substantially Diminish Competition

"It is unlikely that the exemption will substantially diminish competition because the Request for Proposals for the CM/GC services will be public advertised and is likely to reach the same or greater market of construction contractors as the Low Bid process. The Request for Proposals, including specialized skills required, the size and location of the project and major components of work will reach the regional and possibly the national marketplace. The CM/GC selection will be made by a committee, which will evaluate qualifications in addition to fee proposals to ensure the best combination of technical expertise at a cost-effective price.

Also, the selected CM/GC will be required to solicit competitive bids from its subcontractors. Since the subcontracting takes place before the City and Contractor have signed the construction contract, the Procurement Services Bureau has an additional opportunity to strongly encourage outreach to qualified minority, women, and emerging small businesses that may otherwise not have an opportunity to participate in the project."

Assessment of Finding No. 2:

The procurement unfolded exactly as described in Finding No. 1 above, with a publicly-advertised Request for Proposals having open selection criteria open to a broad range of interested contractors. This ensured that competition for the project was not diminished.

While only one proposal was received, Fowler, was nonetheless made to interview with the Selection Committee, so that detailed questions could be asked about their experience, understanding of the project and proposed Fee percentage proposal, which was higher than usual reflecting the degree of management they believed the project would require. The Committee recommended hiring Fowler because their expertise and project team met the unique set of requirements for the job.

A robust DMWESB utilization rate of 18% of subcontract value was negotiated, and once the ultimate construction contract was awarded, the subcontracts were competitively bid. This target

was met, and ultimately $1,690,863 worth of subcontracts went to DBE firms, much larger than the original target of $242,151 that was based on the original value of Phase 1.

As the scope of Phase 1 grew in 2012 and 2013, described above, the City considered rebidding the work, but chose instead to negotiate increases to the contract because Fowler offered efficiencies related to already being mobilized on the site with an established project team; because of the robust utilization commitment; and because of Fowler's demonstrated performance to date.

When funding was found to add back Phase 2 to the project, the City again evaluated whether the work should be rebid. Fowler was again the best choice because: they had an established field office and staging area; they thoroughly understood the specialized permit requirements relating to contaminated soil; their team was performing effectively with the City's team; and because rebidding would have prevented the City from meeting its schedule goals. Based on these efficiencies, they were able to accommodate the City's low price point for the work.

Finding No. 3: Likely to Result in Substantial Cost Savings

> *"The awarding of the public improvement contract under the exemption is likely to result in substantial cost savings for the City of Portland because, as discussed above, the CM/GC method of procurement results in a greater understanding of the project by the Contractor, reducing both the incentive and the factual basis for change orders. It also brings the knowledge and experience of the Contractor onto the project team while there is still time to make the design more efficient relative to both the estimated cost and the staging plan."*

Assessment of Finding No. 3:

As described above, initial value engineering efforts were more than offset by expensive changes required during permitting. Efficiencies built into the construction plan were offset by unforeseen site conditions and requirements by the resource agencies.

As summarized above, Change Orders totaling $6,662,516 were a larger part of the final project cost than the initial GMP. Of this figure, $3,223,190, or 48.38% occurred during Phase 1, and of those the vast majority, 99.4% resulted from Unforeseen Site Conditions or Regulatory Requirements, beyond the control of the contractor or PP&R. If the City had hired a contractor who was ill-prepared or inexperienced, that dollar figure could have been much higher.

One Change Order for $3,300,000, representing 49.53% of all the Change Orders, represented PP&R's request to add Phase 2 back into the Project.

Due to the extent of the extra work requested of Fowler, it is difficult to pinpoint cost savings per se, but risky situations were well managed that may have been much more expensive if we had not had a very competent contractor on board.

G. CONCLUSION

The alternative CM/GC procurement for the South Waterfront Greenway Central District Improvements worked well for the City. With adoption of the recommended changes to PP&R's

administration of the project, the method could be applied fruitfully again in the future. James W. Fowler Co. did an excellent job constructing the South Waterfront Greenway Central District Improvements. The work is beautiful, with durable materials and excellent construction. The CM/GC procurement produced a contractor that worked well under very challenging circumstances.

EXHIBIT A

FACTUAL FINDINGS:
PROPOSED EXEMPTION FROM COMPETITIVE BIDDING

SOUTH WATERFRONT GREENWAY IMPROVEMENTS PROJECT

I. INTRODUCTION

Section I of this Exhibit concerns the purpose of this document and a summary of Oregon law regarding the exemption process necessary to depart from the traditional "low bid" method of contractor selection. Section II concerns the proposed project and its background. Section III contains information required by Oregon law to support the request for the exemption.

A. PURPOSE

Portland Parks & Recreation ("PP&R") and the City of Portland ("City") Procurement Services seek an exemption from the mandated competitive low bid method of procurement for the selection of a General Contractor for the South Waterfront Greenway Improvements Project ("Project"). Instead, PP&R proposes to use an alternative procedure, the Construction Manager/General Contractor ("CM/GC") method.

B. OREGON STATUTES REGARDING EXEMPTION FROM COMPETITIVE BIDDING

Oregon law requires that all public improvement projects be procured by a competitive low bid method, unless an exemption is granted by the State of Oregon or the Local Contract Review Board for public agencies other than the state. ORS 279C.335(2) allows the City Council to declare an exemption if the Findings stated in Section III below lead to the following two conclusions:

1. That it is unlikely the exemption will encourage favoritism in the awarding of public improvement contracts or substantially diminish competition for the public improvement; and

2. The awarding of the public improvement contract under the exemption is likely to result in substantial cost savings for the City of Portland.

The Findings listed in Section III include information relating to the following eight (8) specific topics:

1. Operational, budget and financial data;
2. Public benefits;
3. Value engineering;
4. Specialized expertise required;

5. Public safety;
6. Market conditions;
7. Technical complexity; and
8. Funding sources.

II. BACKGROUND

A. Project Description

The City proposes to construct a Greenway, a 100-foot-wide regional park extending along the riverbank and near-shore area of the Willamette River for 1.2 miles between the Marquam Bridge and the existing trail at John's Landing. The current project, known as the South Waterfront Greenway Improvements Project, concerns a portion of the overall Greenway, a five block segment that runs from SW Gibbs Street to SW Lane Street. Successful completion of the South Waterfront Greenway Improvements Project will be critical to the livability of the new South Waterfront neighborhood, and will provide a key link in the Willamette River Greenway and the 40-Mile Loop of trails linking Portland with her metropolitan neighbors.

As noted, the segment under consideration in these Findings runs for five of those blocks, from SW Gibbs Street to SW Lane Street. It includes a mix of lawn, park, and plaza areas at the extreme upland edge, separate paths for bicycles and pedestrians, and dramatically improved habitat at river's edge, including a shallow gravel beach. The proposed project will provide park space while connecting Portlanders to the Willamette in an environmentally-responsible way, despite the densely populated neighborhood and high level of use expected. The stakes are high in this project: it is one of the first in the region to attempt large-scale restoration of a blighted riverbank into functioning habitat for threatened and endangered fish. It is the City's expectation that this project will help showcase best management practices to accomplish riverbank restoration with a minimum of uncertainty.

Existing conditions on this reach of the riverbank generally are characteristic of the degraded conditions found along large floodplain rivers flowing through heavily urbanized landscapes: steep armored banks; dumped industrial debris; scant, mostly non-native vegetation; and remnants of marine industrial dock and berthing structures. The exact kind of soil and debris that lies under this site is unknown at present. The project includes removal of a large amount of deleterious material, reshaping the riverbank slope and upland areas, revegetation of the banks and then construction of the greenway and trails at the upland (west) edge of the site.

Immediately west of the project site, the South Waterfront District urban redevelopment is underway with both private and public construction projected to be on-going during construction of this project. Current river traffic in the Willamette will continue, with daily large commercial tour vessels, significant commercial marine activity in the Holgate

channel, recreational boaters, and various forms of non-motorized watercraft passing along the east edge of the project.

The design calls for much of the excavated bank material to be sorted, cleaned, and re-used. A fairly large staging area to do this processing will be set up adjacent to the site, in order to limit hauling costs and potential safety issues.

In addition to residents and the South Portland Neighborhood Association, stakeholders in this project include the adjacent property owners, environmental and river advocacy organizations, bicycle and pedestrian advocacy groups, taxpayers depending on a successful Urban Renewal Area, project funders and especially the array of environmental permitting agencies who have jurisdiction over the Willamette and its endangered salmon populations: the U.S. Army Corps of Engineers (USACOE); the State of Oregon Departments of State Lands (DSL), Environmental Quality (DEQ) and Fish and Wildlife (ODF&W); and the National Marine Fisheries Service (NMFS).

The Project is estimated to cost approximately $8.1 million, and the current construction cost is estimated at approximately $4.8 million. Major funders include the Portland Development Commission, Tri-Met, and PP&R.

The schedule will be driven by a narrow window of time known as the In-Water Work Window during which it will be legally permissible to work below the Ordinary High Water mark of the Willamette. This window runs from approximately July 1 to October 31 of 2012, the exact dates of which will be set jointly by the USACOE and NMFS by permit. The bank-shaping work must be completed during this window of opportunity, and all project design, permitting, and procurement must be coordinated in order to be complete in time to allow construction during this window.

Other schedule considerations apply as well: there have been several years of delay between when this project was originally scheduled to have been installed and the new start date. Also, the portion of the funding that is supplied by TriMet is contingent upon successful completion of this project within the 2012 work window.

B. Contracting Alternatives

The necessity for meeting the schedule window makes an efficient construction process a priority on the Project. The unknown subsurface conditions require mutually acceptable risk management strategies between the Contractor and the City, as well as an open working relationship among team members. The close confines of the site, between the river and the South Waterfront neighborhood, dictate a carefully considered construction management plan. The busy, engaged neighborhood will require professional responsive outreach and troubleshooting by the Contractor to keep the neighborhood informed about all the activity in its front yard. The multitude of environmental permits will produce an unusual administrative and inspection burden.

In acknowledgement of these complexities and the special technical skills needed, PP&R is proposing the use of an alternative procurement process, the Construction

Manager/General Contractor method, for this project instead of the traditional Low Bid method.

In the traditional Low Bid method, the City obtains separate contracts for design and construction. The construction contract is bid at the completion of the design contract and is awarded to the candidate meeting the minimum qualifications with the lowest responsive bid. The construction contractor then initiates work under the oversight of PP&R staff after a brief start-up period during which materials quantities and prices are confirmed, the construction is sequenced and administrative protocols are established. There is no interaction between the construction contractor and the City or the project designer until construction begins, after the design and the permits have been settled and thus, there is little room for adjustment. Having obtained the work on the basis of quantity, price and schedule estimates alone, any uncertainties that arise during the work produce a negative incentive for collaborative problem solving or innovation for the betterment of the project. The sequential nature and narrowly-defined basis for award in the Low Bid process allows little time for the Contractor to investigate the unknowns of the project before bidding and prevent an open working relationship with the City and its design team.

In an alternative CM/GC procurement, the City issues a Request For Proposals (RFP), which contains established selection criteria tailored to the particular requirements of this project, such as the technical expertise needed, the unknown conditions on the site, and the unusual scheduling required. A contractor is then selected, with cost being only one of several selection criteria.

After the contractor is selected, the City will enter into a professional services contract with the selected Contractor. The contractor is hired early, while the design work is on-going, to study the design and provide advice on improving constructability, reducing costs, minimizing scheduling problems, and ensuring safety. Critically, the CM/GC contractor will plan the sequence of technical subcontractors and propose a Guaranteed Maximum Price (GMP) for the construction during the design and permitting phase, well before construction is slated to begin. This price and the construction contract details are then negotiated and locked in and are unlikely to change unless the scope of the work changes or some event occurs that causes the price to rise and the City took the risk of that occurrence during contract negotiations.

Thereafter, a construction contract is executed between the Contractor and the City using the GMP established during the initial contract. Subcontractors are hired by the CM/GC using a competitive bidding process subject to full minority outreach provisions and monitored by the Office of Procurement Services..

Using a CM/GC contract method would support successful completion of the Project in the most efficient and cost-effective manner. Hiring a CM/GC contractor should provide the following benefits to PP&R and the City:

- Access to proven technical expertise and constructability advice;
- Improved MWESB participation;
- Experienced management of multiple technical subcontractors;

- Team-building and partnering with PP&R project management staff and the design team;
- Coordinated responsibility for worker safety;
- Accurate scheduling and sequencing which considers the In-Water Work Window;
- Reduction in the risk of construction delays and unanticipated costs for PP&R;
- Realistic evaluation of total construction costs based on thorough study of the project design;
- Expert assistance with value engineering;
- Guarantee of the maximum price at final design absent changes in the scope of work;
- Efficient transition into construction after final design and permitting;
- The opportunity to evaluate proposers on an array of qualifications critical to this project in addition to price;
- The opportunity to question the respondents and interview references; resulting in the competitive selection of the most qualified rather than a minimally-qualified Contractor.

III. THE STATUTORY JUSTIFICATIONS

The information regarding this Project stated in Section II above is incorporated by reference in all of the following Findings.

A. Operational, Budget and Financial Data

The Project will present Operational challenges to the General Contractor that will be best handled if considered carefully beforehand, rather than having to craft a response under challenging construction conditions.

The Contractor will need previous experience and backup plans to safely handle and dispose of a variety of deleterious material expected to be found on site once the excavation begins, including but not limited to dumped rock, concrete slurry, demolition debris, twisted metal and scrap iron, wooden piles and dolphin structures, and a variety of silty and/or sandy fill materials. Until excavation begins, it will be unknown exactly what kinds of material will be discovered under the surface layer of soil, and yet still the project must proceed safely, smoothly and quickly on schedule.

A large portion of the approximately 23,000 cubic yards of material that will be either removed or placed will need to be handled – sorted, washed and/or crushed – at a temporary staging yard that will be established just landward of the project site. This staging yard will be its own subproject with a secure site, scheduling and production requirements that coordinate smoothly with not only the Project work, but the surrounding residential users and construction projects in the South Waterfront neighborhood.

The nature of the habitat restoration work on this project is that it will be utilizing site specific bio- or soft-engineering techniques to create a stable structure in a very dynamic

setting. The contractor will need to clearly understand the intent and parameters for a successful riverbank restoration and will need to advise the design team in the final stages of design, in order to maximize the environmental benefits and minimize the risk of failure under high-water conditions, particularly during the first few years when the plants are establishing themselves.

The environmental permitting agencies will be inspecting the work, and will require administrative monitoring and reporting well beyond the normal level for a construction project. The Contractor must provide access, data, and paperwork when required and requested or these agencies can stop the work.

Last, the South Portland Neighborhood Association, environmental and transit advocates are eagerly watching the progress of this project, and will continue to do so during construction. Contractor will need to be responsive and professional in dealing with these stakeholders, and minimizing disruptions to their daily lives.

The work coincides with peak recreational usage on the river. Contractor will be required to maintain river traffic, adjust to river level fluctuations, and minimize construction-related impacts to water quality by carefully staging and containing the work.

The CM/GC method of contracting will facilitate a much greater project understanding by the Contractor before construction starts, and a longer lead time in which to craft a thoughtful and comprehensive construction schedule that accommodates these operational challenges. It is unlikely that even an experienced contractor would have the time to produce a plan of this quality without the lead time and team interaction the CM/GC method provides because traditional low-bid procurements allow very little time and no opportunity for interaction with PP&R or designers before the Notice to Proceed is issued. In addition, the RFP process for selecting the CM/GC will give the City greater opportunity to question the respondents to discern the best responses to these issues, and to check references.

By minimizing surprises and avoiding hurried plans or adaptations to the construction plan, it is likely that PP&R can avoid costly change orders or disputes that impact the schedule or budget. In contrast, the Low Bid method of construction permits does not allow for input on the part of the Contractor during the design phase. The Low Bid method also can produce cost overruns if a critical portion of the plans are unclear, sometimes entitling the Contractor to additional compensation. Utilization of the CM/GC method permits the contractor to understand the designer's intent and the plans because of close cooperation with the designer and thus reduces this risk.

In addition, a typical CM/GC project produces what is known as a "Guaranteed Maximum Price." Although the contract price can still change (for example, if the scope of work changes) usually such contracts provide a greater deal of price certainty for the Owner.

As a result, the use of a CM/GC method on this type of project is more likely to meet the City's budget, avoid unnecessary cost overruns and disputes and provides greater financial certainty for the City.

B. Public Benefits

There are multiple public benefits from pursuing a CM/GC procurement compared to a traditional Low-Bid procurement. First, obtaining the Contractor during design allows time to develop a comprehensive construction plan. This increases attention to safety issues, both for the public adjacent to the site and on the river, and for the workers on site. It allows coordination of the subcontractors and development of back-up plans in light of the unknown soil conditions before construction even begins.

Next, the lead time and project familiarity allow the Contractor to develop a thoughtful staging plan and to minimize disruptions, so that neighboring river traffic, residential and South Waterfront neighborhood construction projects can be coordinated and kept informed.

The CM/GC process also allows Procurement Services more opportunities to monitor the Contractor's minority outreach efforts, which has resulted in better participation rates by qualified minority contractors on CM/GC projects than in traditional Low-Bid procurement. Finally, the Low Bid method often results in an inadequate amount time for study of the site, and incompletely understood construction staging.

For all these reasons, the public benefits more if the CM/GC method is used on this project than if the Low Bid method were used. As noted above, the CM/GC method results in more financial certainty. The public, as well as the City, benefits from that certainty. In addition, the longer lead time permitted the contractor by the CM/GC method permits the Contractor to develop a more comprehensive and 'public friendly' staging plan, which again benefits the public, in particular those in the neighborhood.

C. Value Engineering

In the traditional Low Bid method of procurement, the contractor does not see the construction documents until after they are complete, and there is no interaction between the Contractor and the design team or PP&R until after the contract is signed. When preparing their bid, this lack of familiarity creates risks for the bidders as well as the City.

With award of the contract based only on price, contractors typically will minimize their cost estimates in order to receive the project work. If their assumptions go astray, the City is faced with potential change orders, which may or may not be valid. In either case, those change order requests disrupt the project. Moreover, because of complex site conditions, a number of different agencies issuing permits and schedule pressure, the City will face pressure to resolve change order requests quickly, even if the change orders themselves are only marginally valid.

By contrast, in the CM/GC Method, an experienced contractor knowledgeable concerning permitting requirements is brought on early enough to thoroughly study the design and

permit requirements, resulting in a good understanding of the cost to build as well as open-book cost estimates. This early and realistic assessment of costs allows PP&R, the design team and the Contractor to work together using a team approach and brainstorm efficiencies or outright changes to the scope if necessary to be sure that the cost fits the budget. It also facilitates early identification of measures to minimize disruption, within the project and to the project site neighbors. From the value engineering discussions, PP&R can obtain much greater confidence that the final product is the most efficient design for the project.

For all these reasons, the CMG/GC method is the only method by which value engineering proposals can be made by the Contractor during the design stage of the project. The Low Bid method does not permit this to occur since the design is completed before the project is put out to bid.

D. Specialized Expertise Required

The construction of the Project will require a contractor with specialized expertise in order to meet the tight project schedule, technical site constraints and handle project unknowns. A large volume of deleterious fill material, the remnants of former industrial activities, must be moved – from above - without impact on water quality, since the river is an environmental zone with threatened fish habitat. The types of material observed in the area include dumped rock, concrete slurry, demolition debris, twisted metal and scrap iron, wooden piles and dolphin structures, and a variety of silty and/or sandy fill materials. The exact material under the bank surface is unknown at present, but could require special handling techniques or other brownfield construction expertise. This work must all be completed within the 4-month summer In-Water Work Window, the dates of which will be specified jointly by the environmental permitters, the USCOE and the Oregon Division of State Lands.

The project will also require a sophisticated construction plan, since much of the material removed from the bank will be processed (sorted, cleaned, crushed, etc.) and returned to the project for reuse. In order to meet budget expectations, this recycling, and staging activity will need to be conducted in a small area adjacent to the project site. The very active neighborhood association will need to be kept apprised of this and other construction activities, so the Contractor must possess a level of professionalism in public outreach, in addition to their core expertise.

Also, the habitat restoration work will be utilizing site specific bio- or soft-engineering techniques to create a stable structure in a very dynamic setting. The contractor will need to clearly understand the intent and parameters for a successful riverbank restoration in order to maximize the environmental benefits and minimize the risk of failure under high-water conditions, particularly during the first few years when the vegetation is getting established.

Last, the many permits required for the project means that the City will have inspection and reporting requirements that extend well beyond what is typical for an ordinary project. The

contractor must provide timely and accurate reporting to the State and Federal governments in addition to their core expertise in construction.

The Project is one of the first in the region to attempt large-scale restoration of a blighted riverbank into a functioning fish habitat. It is the City's expectation that this project will help showcase best management practices to accomplish riverbank restoration with a minimum of uncertainty.

The CM/GC Method will allow PP&R the best opportunity to provide additional weight in the selection process to proposers with a high degree of specialized experience and the responsiveness necessary to accomplish these goals. In contrast, the Low Bid method establishes a baseline of qualifications permitting all contractors who meet the baseline requirements to submit a bid. It does not permit the City to distinguish between contractors who far exceed the baseline and those who only minimally exceed it. As a result, the City is more likely to get a contractor with a high degree of expertise through the CM/GC process than through the Low Bid process.

E. Public Safety

Approximately 23,000 cubic yards of total earthwork will be undertaken, involving material composed of debris from former industrial activities piled into very steep banks. It is possible that some of this material will require special handling techniques; remediation could be necessary as well. It is imperative that the Contractor demonstrate prior experience in safe techniques for handling this material, safe working conditions on the site, for preventing erosion into the river, and for securing the site.

The CM/GC process will allow PP&R the best opportunity to provide additional weight in the selection process to proposers with demonstrated success in safe handling of brownfield material. It also enables the selected contractor to establish a safety plan, a disposal plan and comprehensive sequencing plans during design and permitting, and to consider their means and methods through the lens of safety. The Low Bid method, in contrast, allows selection of a minimally-qualified contractor. Since they would come on only after the design and permits are in place, there is no opportunity to advise on design changes that might increase safety, improve sequencing, or assure prompt permitting.

In summary, the CM/GC process allows the City to judge the qualifications of its contractors and their record of safety. Contractors who far exceed the minimum requirements are more likely to be awarded the contract than those who barely exceed it. As a result, the CM/GC process if more likely to enhance public safety than the Low Bid process.

F. Market Conditions

A CM/GC contracting process for the Project would reach the same or greater market of construction contractors as the Low Bid process. The Request for Proposals, which includes the specialized skills required, the size and location of the project, and major components of work, will reach the regional and possibly the national marketplace. The RFP will also require a response addressing the latest market innovations in sequencing and

in means and methods. The CM/GC selection will be made by a committee, which will evaluate qualifications in addition to fee proposals to ensure the best combination of technical expertise at a cost-effective price.

CM/GC contracting has the added benefit of requiring the selected contractor to solicit competitive bids for its subcontractors during completion of design and permitting instead of afterward. This allows the CM/GC to coordinate construction activities among all resources to minimize construction risks and delays. The CM/GC will be able to prepare material and equipment submittals early and issue purchase orders to suppliers and vendors during design for timely delivery and efficient transition into construction once the Notice to Proceed is issued.

Since the subcontracting takes place before the City and Contractor have signed the construction contract, Procurement Services has an extra opportunity to strongly encourage outreach to qualified minority, women, and emerging small businesses that may otherwise not have an opportunity to participate in the project. Overall, the CM/GC process provides the best assurance that the most-qualified and most cost-effective subcontractors, suppliers, and vendors are be available to meet the inflexible schedule targets.

Because the City will be advertising for a contractor, a Request for Proposal process will reach the same number of contractors as the Low Bid method. Therefore, the City can take advantage of market conditions that promote competition, especially during a time when the national economy and the Oregon economy have faced a serious economic downturn. In summary, market conditions favor the CM/GC process.

G. Technical Complexity

The Project includes technical complexity related to its riverine site and the nature of the riverbank soils. This reach of the Willamette River provides habitat for three species of threatened anadromous fish, and is also the scene of daily commercial, industrial, and recreational river traffic. The river bank was formerly the site of industrial operations that left a large amount of deleterious material in a steeply sloped bank condition. This fill includes, but is not limited to dumped rock, concrete slurry, demolition debris, twisted metal and scrap iron, wooden piles and dolphin structures, and a variety of silty and/or sandy fill. Other material may be discovered under the surface that may require special handling techniques or remediation.

The project requires that the banks be reshaped, with over 23,000 cubic yards of material either excavated or filled. All of this earth movement will be conducted with utmost attention to erosion control and stormwater management. The water quality of the Willamette must be protected to the greatest extent possible. In addition, much of the material will need to be sorted, cleaned, and recycled on site for reuse in reshaping the bank, and these operations must be done with no negative impact upon the adjacent properties.

The habitat restoration work will be utilizing site specific bio- or soft-engineering techniques to create a stable structure in a very dynamic setting. The contractor will need to clearly understand the intent and parameters for a successful riverbank restoration in order to maximize the environmental benefits and minimize the risk of failure under high-

water conditions, particularly during the first few years when the plants are establishing themselves.

The coalition of permitting agencies will be monitoring for compliance with environmental standards, and the Contractor will need to facilitate inspections and sampling, respond to all inquiries, and make adjustments as necessary.

Demonstrated experience operating in a riverine environment with both environmental protections and urban brownfield soils, as well as a track record of successful establishment of the bank revegetation, will be a key characteristic of the successful Contractor.

The CM/GC process will allow the City to judge potential contractors based on their ability to handle technically complex construction requirements. In contrast, the Low Bid Method requires only that a bidder be qualified to the minimum qualifications stated in the bid package. As a result, the CM/GC process enhances the possibility that a contractor who addresses these and other concerns the best, rather than the contractor who proposes merely the lowest price, will be selected.

H. Funding Sources

The Project is estimated to cost approximately $8.1 million, and the current construction cost is estimated at approximately $4.8 million, including a 10% construction contingency.

Major funders include the Portland Development Commission contributing Tax Increment Financing from the North Macadam URA; Tri-Met contributing funding for off-site mitigation of river impacts associated with their Portland-to-Milwaukie Light Rail Bridge project; and PP&R with Systems Development funding.

As with any large, complex project with multiple funders, these funding commitments were provided in exchange for assurances that PP&R would be able to meet the project schedule. Schedule is particularly important to Tri-Met, since their funds are for mitigation that is being required as a condition of work on their Bridge project. Their project timeline relies upon a commitment from PP&R that their mitigation will be in place in 2012.

And yet, there are unknowns on the Project that could impact schedule, particularly around the soil and materials in the riverbank, and conditions on the Willamette. Success will depend on selecting a Contractor who can demonstrate prior experience with these very constraints, who can develop a thorough understanding of this project and who can commit to constructing the improvements within the established budget and schedule. The CM/GC Method will produce the best qualified applicant, whereas the Low Bid Method does not permit PP&R to evaluate and rank the bidders' experience in meeting deadlines or working with similar project conditions.

In summary, the CM/GC process permits more financial certainty which is necessary when multiple funding partners are involved. The Low Bid process does not present the same degree of reassurance.

IV. FINDINGS

Based on the Project Background and Findings stated above, the following conclusions can be made about the use of the CM/GC process for this project:

A. Unlikely to Encourage Favoritism

It is unlikely that the exemption from competitive low bidding requirements will encourage favoritism in the awarding of public improvements because the contract will still be publicly advertised and be available to a wide group of available proposers and receipt of this contract will not automatically result in further contracts to the selected proposer. Moreover, the contractor will be selected by means of a Request for Proposal process that has announced selection criteria. Proposals will then be evaluated by a selection committee. The City will not be able to simply select a "favorite" contractor, but rather will evaluate which contractor is most qualified for this Project.

Unlikely to Diminish Competition

It is unlikely that the exemption will substantially diminish competition because the Request for Proposals for the CM/GC services will be public advertised and is likely to reach the same or greater market of construction contractors as the Low Bid process. The Request for Proposals, which includes the specialized skills required, the size and location of the project, and the major components of work, will reach the regional and possibly the national marketplace. The CM/GC selection will be made by a committee, which will evaluate qualifications in addition to fee proposals to ensure the best combination of technical expertise at a cost-effective price.

Also, the selected CM/GC will be required to solicit competitive bids from its subcontractors. Since the subcontracting takes place before the City and Contractor have signed the construction contract, Procurement Services has an additional opportunity to strongly encourage outreach to qualified minority, women, and emerging small businesses that may otherwise not have an opportunity to participate in the project.

B. Cost Savings Likely

The awarding of the public improvement contract under the exemption is likely to result in substantial cost savings for the City of Portland because, as discussed above, the CM/GC method of procurement results in a greater understanding of the project by the Contractor, reducing both the incentive and the factual basis for change orders. It also brings the knowledge and experience of the Contractor onto the project team while there is still time to make the design more efficient relative to both the estimated cost and the staging plan.

RLB | Rider Levett Bucknall

EXHIBIT C
COST REVIEW
for
PHASE 1A

Brewery Block 2
1120 NW Couch Street
Suite 730
Portland, Oregon 97209

T: +1 503 226 2730

memorandum

To	Allison K. Rouse Portland Parks and Recreation		
CC			
From	Billy O'Donovan		
Date	21st February, 2013.		
Subject	**SOUTH WATERFRONT GREENWAY 2012**	**Reference No.**	PDX20878

Purpose of Audit / Review

Rider Levett Bucknall (RLB) was commissioned under contract #30000207 by Portland Parks and Recreation (PP&R) to perform a construction cost of work verification review of the South Waterfront Greenway Project. Our efforts were expected to be expended in two work efforts, namely an oversight review of costs to December 2012 and a second and final review of costs in December 2013.

Under our first work effort, RLB conducted an oversight review of the December 2012, James W Fowler Co. (JWF) Pay Application and associated Change Orders. The purpose of the review was to establish that the claimed Reimbursable Costs of the Work were appropriate and per the General Conditions of the Contract.

Process

RLB were offered access to all necessary documentation in order to conduct the requested review, however, after discussions it was decided that the process should be to perform an oversight spot check review of the December 2012 JWF Pay Application and Change Orders. The oversight review was to establish if the Pay Application appeared to be a fair and reasonable representation of the works complete on site and based on our oversight spot check process, that no costs excluded under the General Conditions of the Contract were included in the Pay Application or Change Orders.

The process therefore included a review of the General Conditions of Contract, Construction Drawings, JWF GMP dated May 21, 2012 and JWF December 2012 Pay Application.

Scope of Work

The project scope comprises the reclamation and landscaping improvements of the South Waterfront Greenway - Central District, located within the Portland, Oregon, South Waterfront redevelopment district.

Documents Reviewed

The following Documents were provided to RLB and reviewed as part of our spot check process;

- South Waterfront Greenway – Central District Improvements General Conditions of Contract (Exhibit C 110208RFP).
- JWF Guaranteed Maximum Price (GMP) Proposal dated May 21, 2012.

- South Waterfront Greenway – Central District – Phase 1 Construction Drawings Set, dated June 25, 2012.
- JWF Pay Application No. 12 representing works complete to Mid-December 2012.
- Change Orders No.1 to 17 inclusive.

General Conditions of Contract

The Conditions of Contract were reviewed in order to determine the basis on which any costs may be considered legitimate Reimbursable Costs in terms of the agreement made and therefore justified within the JWF Pay Application No.12.

The General Conditions of Contract under paragraph 103.01 defines, all costs allowed under the GMP and provided the basis of our oversight review for the JWF Pay Application.

JWF May 21, 2012 GMP and Pay Application No. 12.

The May 21, 2012 GMP was examined and aligned with Pay Application No. 12 to ensure no errors existed, our review confirmed the correct GMP cost of work in the sum of $3,523,215.71 is reflected within Pay Application No. 12, and the agreed CMGC Fee of 9.55% is also correct within Pay Application No. 12.

Pay Application No. 12 percentage of Works Complete.

RLB reviewed the percentages of work complete within Pay Application 12. and also visually inspected the works on site to determine if the Pay Application percentages reflected on site performance. We visited and walked the construction area with the owner's representative Mr. Jason Irving and from our visual inspection, it appears based on our limited overview that the percentages contained within Pay Application No. 12 are a fair and reasonable representation of work complete.

In addition to visually inspecting the percentages of work complete, we also carried out material quantity spot checks on specific items within Pay Application No. 12. As part of our quantity check process we measured areas of work from the Construction Drawings, applied the percentage complete and crossed checked our quantities against material invoices provided by JWF, to ensure the quantities claimed within Pay Application No.12. corresponded with measured and invoiced quantities. From the spot checks performed, it appears that the material invoices were in-line with our measured quantities and in some cases the material invoices exceeded the measured quantities, confirming no major savings existed and the Pay Application was not forward loaded in favor of JWF. We have listed below the areas of work checked;

1. Vault Wall Planting Soil.
2. Reinforced Soil
3. Class 2 Rip Rap
4. Class 3 Rip Rap
5. Drainage rock between vaults
6. Class 1 Rip Rap Gabion Toe
7. Precast Vaults
8. Sheet pile wall.
9. Gabion Wall System
10. Planting invoices
11. CO.#12 Vault Wall tie back anchors

One suggested area of concern which we wish to highlight is the claimed percentage of project Mark-ups identified under section 11 – Mobilization within the Pay Application. We note that approximately 58% of the GMP on-site work (Pay App sections 1 – 7) has been completed, however, 91.4% of the GMP Mobilization/Supervision value (Pay App section 11) has been expended. It would appear that JW Fowler have expended their Mobilization on a time basis and may not have sufficient Mobilization/Supervision value remaining within their GMP contract to complete the remaining 42% of the on-site works and therefore may require additional Mobilization/Supervision costs to complete the GMP works.

Change Orders No 1 – 17.

Change Orders No. 1 to 17 inclusive were reviewed and discussed with the Owners Representative to allow us appreciate the reasons and history behind each change order. From our oversight review and discussions it would appear that the rates and hours claimed are in-order and reflect a fair and reasonable price for the complexity of work associated with each change order. We do note in some change orders JWF have reduced the final change order value and are prepared to negotiate a reasonable settlement in favor of both parties.

We also note within the change order detailed breakdowns, that JWF include percentage additions to cover Supervision, Project Engineer, Sundries, Estimating Uncertainties, Surveying and Erosion Control. The combined percentage of the above listed additions varies between 8.00% and 18.00% which we believe reflects the type and complexity of work associated with the change order. In comparison with the GMP section 11 Mobilization percentage of 13.30%, the 18.00% attached to some change orders we believe is high. In future negotiations we would suggest a percentage additions band of between 8.00% and 13.30% depending on change order complexity, or a mean percentage addition of 10.65%, thereby not exceeding the established GMP Mobilization value of 13.30%. This suggestion may trigger the renegotiation of the to-date agreed change orders and may deliver a saving on the 18.00% additions claimed, however, JWF may require the 8.00% additions applied be increased thereby off setting any savings.

Conclusions

Based on the audit as described, we are of the opinion that James W Fowler Co. have adhered to the General Conditions of Contract and appear to be operating in a fair and reasonable manner in presenting and negotiating Pay Application and Change Order values. Progressing into the 2013 second phase of works we would suggest that Portland Parks and Recreation prior to commencement on site, agree any additional GMP Mobilization costs and the percentage additions added to any future change orders.

Regards,

Billy O'Donovan
Associate
Rider Levett Bucknall Ltd

EXHIBIT D
COST REVIEW PHASES 1B AND 2

Project Controls Group, Inc

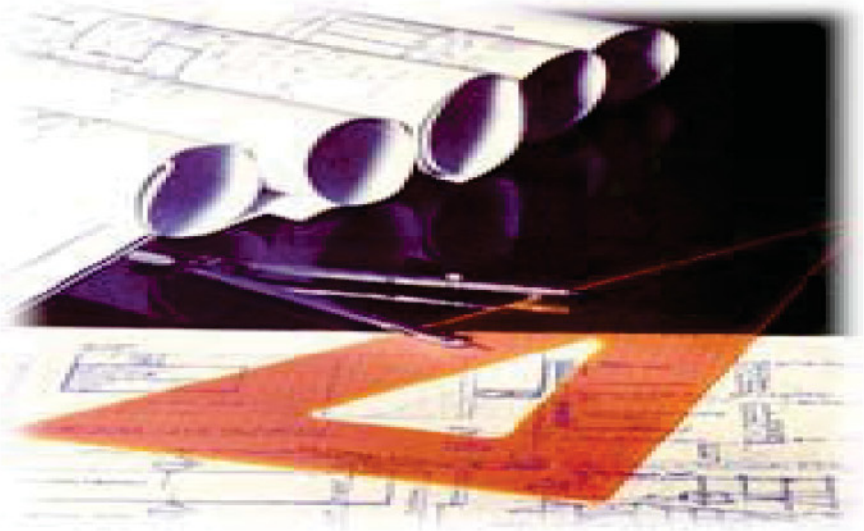
2 Campbell Plaza - Building
C St. Louis, MO 63139
Tel: 314-647-0707

Change Order and Pay Application Cost Review

South Waterfront Greenway Central District Project

Allison Rouse
Project Manager
Portland Parks & Recreation
1120 SW Fifth Avenue, Suite 1302
Portland, OR 97215

Dated: April 15, 2015



Project Controls Group, Inc

#2 Campbell Plaza - 3B . 59th & Juniata . St. Louis, MO 63139 . 314 . 647 . 0707

Project Controls Group, Inc

Exceeding your expectations through superior performance

South Waterfront Greenway Central District Cost Review

Purpose of Audit / Review

Project Controls Group, Inc. (PCG) was commissioned under contract #30004117 by Portland Parks and Recreation (PP&R) to perform a construction cost review of the South Waterfront Greenway Project.

The project is the South Waterfront Greenway - Central District Improvements, Phases 1 and 2. The Greenway - Central District project consists, generally, of the reconstruction of about 1,050 LF of riverbank followed by construction of an Upland Park approximately 1,250 LF long.

The CM/GC contractor's name is James W. Fowler, of Dallas, OR (JWF). The CM/GC contract was originally only for the riverbank reconstruction, called Phase 1, which began in spring 2012 and was to have been completed that year. However, unexpected site conditions prevented completion in one season as the entire site is a post-industrial brown field which contained a host of problems causing the project to suspend in the middle of winter because the Contractor wasn't allowed to dig in the water during the winter due to endangered species regulations. As a result, Phase 1 was split into Phases 1A and 1B, which were generally completed in 2012 and 2013, respectively. The price for Phase 1B was negotiated as a change order (Change Order 19 - $1,764,300.00) and utilized a Lump Sum pricing structure.

Another change order (Change Order 29 - $3,300,000.00) was later exercised to add Phase 2 to the project. Phase 2 utilized the original Reimbursable Cost + Fee structure and included construction of a park (Upland Park), which contained river overlooks, bike and pedestrian pathways, lighting and seating, trees, lawns, and plantings.

The General Conditions of the contract required that the actual cost of the work be substantiated via a review of the final accounting. To fulfill this requirement, PPR requested Project Controls Group, Inc. (PCG) to perform that review for Phases 1B (Lump Sum) and 2 (Reimbursable Cost + Fee structure) as Phase 1A was previously reviewed by Rider Levett Bucknall in 2013.

As previously stated Phase 1B was negotiated as a lump sum change order. This review is to not only substantiate the cost of work, but is also to determine if the amount being proposed to pay for the final payment reflect the work that was actually done on the site and that a fair and reasonable price has been paid for change orders. The fair and reasonableness review of change order was based on material cost, equipment costs, and labor rates (State of Oregon Bureau of Labor and Industries Prevailing Wage Rates).

Under our work effort, PCG conducted an oversight review of James W Fowler Co. (JWF) Pay Application(s) and associated Change Orders for both Phase 1B and Phase 2 as the review of the Pay Application substantiates the Cost of Work as the original scope of work and all

executed Change Orders are included therein. The purpose of the reviews were to establish that the claimed Costs of the Work were appropriate and per the General Conditions of the Contract.

Phase 1B Review

Scope of Work
The project scope comprised of the reclamation and landscaping improvements of the South Waterfront Greenway - Central District, located within the Portland, Oregon, South Waterfront redevelopment district. The improvements associated with Phase 1 included the riverbank and restoration of the Upland until Phase 2 could be constructed. Portland Parks & Recreation ("PPR") requested PCG to substantiate the actual cost of work with special attention to the high dollar-value work items within the lump sum price and Change Orders.

Process
PCG was given access to a ftp site which contained General information for the project (http://ftp01.portlandoregon.gov.) This site contained project documentation in order to conduct the requested review. PPR also provided PCG with the General Conditions of the Contract, JWF's Lump Sum contract, the final Pay Application and each Change Order package. On February 11, 2015, PCG also made a site visit to the offices of James W. Fowler to review Phase 1B documents.

Documents Reviewed – Phase 1B
The following Documents were reviewed as part of our spot check process;

- South Waterfront Greenway – Central District Improvements General Conditions of Contract for Change Order 19 to Contract 30002713; dated July 8, 2013
- Phase 1B Lump Sum Change Order (CO # 19) fully executed; dated July 16, 2013
- JWF Pay Application No. 29 representing works completed for Phase 1B; dated April 18, 2014. (Emphasis was placed on Pay Application No. 29 because it contained the individual work items of the lump sum price and included all executed change orders.)
- Phase 1B Change Orders 19, 20, 24, 26 & 27

General Conditions of Contract for Phase 1B
The General Conditions of the Contract for Phase 1B were reviewed in order to determine the condition that would allow for lump sum price adjustments. Paragraph 109.03.C (Lump Sum Price Adjustments) defined all costs allowed under the Lump Sum Change Order and provided the basis of our oversight review of the JWF Pay Application. Allowable mark-ups are listed in the following table:

Item	Percent Markup Allowed
Material	15%
Equipment	0%
Labor	20%

Outside Rentals	5%
Any Special Service Per Approval by Owner	15%
Subcontractor	5%

JWF July 8, 2013 Lump Sum Change Order and Pay Application No. 29.
The July 8, 2013 Lump Sum Change Order (CO # 19 in the amount of $1,764,300.00) was examined and aligned with Pay Application No. 29 to ensure no errors existed. Conditions analyzed included ensuring all work items were 100% complete, no overpayment of line items existed, and the total of the Schedule of Value equaled the sum of the original lump sum price for change order 19 and all executed change orders as of April 18, 2014. Our review confirmed all of the conditions mentioned were met and the correct Lump Sum cost of work in the sum of $1,764,300.00 plus executed change orders 20 thru 28 (totaling $230,246.41) for a total of $1,994,546.41 was reflected within Pay Application No. 29.

Pay Application No. 29 percentage of Works Complete.
PCG reviewed the percentages of work complete within Pay Application 29 and visually inspected the work on site to determine if the Pay Application percentages reflected the on-site performance. We would like to note that PPR paid the Owner's Representative (Jason Irving) to be present on site every day of construction and verify the quantities installed versus the Construction Documents and Pay Applications. We visited and walked the construction area with Mr. Jason Irving and from our visual inspection; it appears based on our limited overview that the percentages contained within Pay Application No. 29 are a fair and reasonable representation of work complete.

In addition to visually inspecting the percentages of work complete, we also carried out material quantity spot checks on specific items within Pay Application No. 29. As part of our quantity check process we measured areas of work from the Construction Drawings, applied the percentage complete and crossed checked our quantities against material invoices provided by JWF, to ensure the quantities claimed within Pay Application No.29 corresponded with measured and invoiced quantities. PCG spot checked line items totaling $1,228,588.73 and from the spot checks performed, it appears that the material invoices were in-line with our measured quantities. We have listed below the areas of work checked:

Line Item	Description	Dollar Amount ($)
1	Ph. 1B Mobilization	303,404.64
3	Clean up and Demob	59,528.88
5	Prep for Hydroseed	47,760.00
13	Prep for Hydroseed	49,958.33
22	Excavate for WWW	46,153.28
30	Place Topsoil 102 - 107	53,793.60
45	Excavate for Type 2 Riprap 101-102	45,750.00
67	Excavate to Elevation 3.22 102-103	71,408.00
79	Excavate to Elevation 3.22 103-104	71,408.00

94	Excavate to Elevation 3.22 104-105	71,408.00
106	Excavate to Elevation 3.22 105-106	71,408.00
119	Excavate to Elevation 3.22 106-107	71,408.00
133	Excavate for Type 3 Riprap 107-108	66,300.00
142	Excavate for Type 3 Riprap 108-109	66,300.00
147	Excavate for Type 3 Riprap 109-110	66,300.00
151	Excavate for Type 3 Riprap 110-110+50	66,300.00

After reviewing the pay application, PCG does not have any areas of concern. It should be noted that with the exception of Item No 2 – Punch List Items, all items had been billed at 100% of its value. The Punch List line item was billed at 80% of its value and had 20% or $6,945.37 left to be billed. The Punch List items represented dollars to be used to correct any deficiencies and/or discrepancies for worked installed if any existed after inspections were performed by the Owner's Representatives for the hydro seed at Upland-North of Curry Street and Install Guard rail at station 104+00 to 105+00. The Owner's Representative was to perform the inspection to ensure these items were constructed in accordance with Construction documents.

Phase 1B Change Order Review (COs No 19, 20, 24, 26 & 27)

Change Orders No. 19, 20, 24, 26 & 27 were reviewed and discussed with the Owners Representative to allow PCG to appreciate the reasons and history behind each change order. Proposal documentation was used to verify the calculations used to arrive at the change order pricing. From our oversight review and discussions we offer the following observations:

Change Order No	Title	Dollar Value ($)
19	Phase 1B	$1,764,300.00
20	ACM Disposal	$60,199.77
24	Cable Railing Modifications	$117,704.68
26	Hot Spot Removal	$127,306.49
27	Fill at Curry	$9,901.09

Change Order No. 19

Phase 1B was authorized by Change Order No. 19 (dated July 8, 2013) in the amount of $1,764,300.00. The General Conditions for Phase 1B and Change Order 19 for Phase 1B, both state that there will be no savings in that phase except on soil disposal. PPR provided PCG a detailed worksheet prepared by the Owner's Representative that tracked the hauling and disposal costs on a daily basis. After reviewing this data, we determined there was no cost savings to be realized on soil disposal.

To ascertain if the lump sum amount of $1,764,300.00 was a fair and reasonable price, PCG checked quantities that were used to arrive at that figure. The following table outlines the JWF quantities that we checked, PCG's corresponding quantity for that item, listing the percentage

and any comments. In selecting the check quantities, we focused on major quantities and where quantities are within a 5% variance, we consider those items reconciled.

Item	Description	JWF	PCG	Comment on JWF Measure
Demolition	Clear & Grub	40,374 sf	38,375 sf	4.9% variance (high)
Demolition	Strip Lawn	40,374sf	38,375sf	4.9% variance (high)
Demolition	Remove Existing Concrete Rubble, Slurry & Boulders	9,417 sf	9,500 sf	.88% variance (low)
Demolition	Chip back Concrete Slurry	6,550 sf	6,500 sf	.77% variance (high)
Erosion Control	Sediment Curtain	1,520 lf	1,500 lf	1.31% variance (high)
Erosion Control	Silt Fence	2,240 lf	2,200 lf	1.79% variance (high)
Mass Excavation and Backfill	Fill Material	2,500 tons	2,450 tons	2% variance (high)
Mass Excavation and Backfill	Confined Planting	8,737 lf	8,800 lf	.75% variance (low)
Mass Excavation and Backfill	Reactive Core Material Rip Rap slope	19,390 sf	19,300 sf	.3% variance (high)

After having examined the measurement detail provided by JWF at the February 11, 2015 site visit, PCG believes there are some variances between JWF and PCG; however, those variances are minor and do not substantially alter the proposed Lump Sum figure. Thus, PCG is of the opinion that the lump sum price of $1,764,300.00 is fair and reasonable.

CO-20 – ACM Disposal (document dated: 02/4/14)

- Equipment Rates: Equipment rates seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2013: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County

- Material Rates: None.
- Disposal Fees and Rates: PCG reviewed the Waste Management Invoice dated 10/7/2013 and PMG's invoice dated 10/14/2013. Fees and rates appear fair and reasonable.
- Small Tools & Supplies (7.5%): Owner's Representative made an adjustment from $5,346.46 to $1,500 of the construction cost. During 2013 PPR authorized a small sundries allowance for each change order, subject to review by Owner's Representative for appropriateness, to pay for small tool and supplies at15% markup which was allowed per General Condition 109.03-C.
- Bond & Insurance (1.5%): Owner's Representative made an adjustment to $867.48 which represents 1.5% of the adjusted cost.

CO-24 – Cable Railing Modifications (document dated 2/04/14)

- Equipment Rates: Equipment rates seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2013: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: Aldaz Specialties, Inc. rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2013 and the adjustment factor for the City of Portland, Oregon.

CO-26 – Hot Spot Removal (document dated 03/03/14)

- Equipment Rates: Equipment rates seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2013: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: Seems fair and reasonable based on RSMeans Building Construction Cost Data – 2013 and the adjustment factor for the City of Portland, Oregon.
- Comments: Small tools is being charged 3% of the construction cost and was marked up at15%, this markup for material is allowed per General Condition 109.03-C.

CO-27 – Embankment (Fill) at Curry St. (document dated 2/6/14)

- Equipment Rates: Equipment rates seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates: Labor Rates - 2013: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County .
- Material Rates: Crushed rock rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2013 and the adjustment factor for the City of Portland, Oregon.
- Comments: Small tools is being charged 4.5% of the construction cost and was marked up at15%, this markup for material is allowed per General Condition 109.03-C.

We do note in some change orders the percent of construction cost for small tools was inconsistent, ranging from 3% to 7.5%. PPR eventually arrived at 3.5% cost for miscellaneous sundries items. All change orders value appear to have been thoroughly reviewed by the Owner's Representative and seem to be fair and reasonable.

Phase 2 Review

Process
PCG was given access to a ftp site which contained General information for the project (http://ftp01.portlandoregon.gov) . This site contained project documentation in order to conduct the requested review. PPR also provided PCG with the General Conditions of the Contract, JWF's GMP proposal, their Pay Application, and each Change Order package. On March 16, 2015, PCG also made a site visit to the offices of James W. Fowler to review Phase 2 documents.

As stated in the project overview, Phase 2 used the original General Conditions from Phase 1A, which were for a GM/GC Reimbursable Cost+Fee structure, that is different from the Lump Sum General Conditions used on Phase 1B.

PCG was granted access to all necessary documentation in order to conduct the requested review, however, after discussions it was decided that the process should be to perform an oversight spot check review of the January 30, 2015 JWF Pay Application No. 47 and Change Orders executed as of that date. The oversight review was to establish if the Pay Application appeared to be a fair and reasonable representation of the works complete on site and based on our oversight spot check process, that no costs excluded under the General Conditions of the Contract were included in the Pay Application or Change Orders.

Documents Reviewed – Phase 2
The following Documents were reviewed as part of our spot check process;

- South Waterfront Greenway – Central District Improvements Original General Conditions (Exhibit C 110208RFP).
- JWF Pay Application No. 47 representing works completed for Phase 2; dated January 30, 2015 (Emphasis was placed on Pay Application No. 47 because it contained the individual work items of the lump sum price and included all executed change orders as of January 30, 2015)
- Phase 2 Guaranteed Maximum Price (GMP) Change Order No. 29 fully executed; dated March 17, 2014.
- Phase 2 Change Orders 29, 32-5, 32-8, 32-12, 32-13, 32-22, 35-29, 35-31, and 35-46

Overall the project scope comprises of the reclamation and landscaping improvements of the South Waterfront Greenway - Central District, located within the Portland, Oregon, South Waterfront redevelopment district. Phase 2 included construction of a park and contained river overlooks, bike and pedestrian pathways, lighting and seating, trees, lawns, and plantings. Portland Parks & Recreation ("PPR") requested PCG to substantiate the actual cost of work with special attention to the high dollar-value work items and Change Orders.

General Conditions of Contract

The Conditions of Contract were reviewed in order to determine the basis on which any costs may be considered legitimate Reimbursable Costs in terms of the agreement made and therefore justified within the JWF Pay Application No.47. The General Conditions of Contract under paragraph 103.01 define all costs allowed under the GMP and provided the basis of our oversight review for the JWF Pay Application. For the GMP Change Order No. 29, the CM/GC's Fee was set at a fixed dollar lump sum amount and was calculated at 9.55% of the Reimbursable Cost of the work. Reimbursable Cost of work included: Labor Costs, Subcontractor Costs, Cost of Equipment and Material, and Miscellaneous Cost as described in the South Waterfront Greenway – Central District Improvements Original General Conditions (Exhibit C 110208RFP)

The difference between Phase 1A and Phase 2 General Conditions (GCs) and Phase 1B GC is Phase 1A and Phase 2 GCs allowable costs included a 9.55% markup on reimbursable cost of work as discussed above and Phase 1B GCs allowed for lump sum price adjustments with overhead and profit markup limited to specified percentages as identified in Change Order 19 to Contract General Conditions 300002713.

JWF March 17, 2014 GMP and Pay Application No. 47

The March 17, 2014 Phase 2 GMP change order (CO#29) in the amount of $3,300,000.00 was examined and aligned with Pay Application No. 47 to ensure no errors existed. Conditions analyzed included ensuring all work items were 100% complete, no overpayment of line items existed, and the total of the Schedule of Value equaled the GMP amount price for change order 29 and all executed change orders as of January 30, 2015. Our review confirmed all of the conditions mentioned were met and the correct GMP cost of work in the sum of $3,300,000.00 plus executed change orders 30.1 through 34.14 (totaling $116,154.48) for a total of $3,416,154,48) is reflected within Pay Application 47.

Pay Application No. 47 percentage of Works Complete

PCG reviewed the percentages of work complete within Pay Application 47 and also visually inspected the work on site to determine if the Pay Application percentages reflected on-site performance. We would again like to note that PPR paid the Owner's Representative (Jason Irving) to be present on site every day of construction and verify the quantities installed versus the Construction Documents and Pay Applications. We visited and walked the construction area with Mr. Jason Irving and from our visual inspection; it appears based on our limited overview that the percentages contained within Pay Application No. 47 are a fair and reasonable representation of work complete. We have listed below the areas of work checked. This represents $1,417,394 of the GMP price of $3,300,000.00

Line Item	Description	Dollar Amount ($)
110	Ph. 2 Mobilization	$165,000.00
20	Gibbs to Whitaker Mass Ex / Embankment	$98,299.00

40	Gibbs to Whitaker Install Lawn Shelves	$63,735.00
40	Install Battered Overlook Wall (Gibbs)	$45,901.00
40	Install Upright Overlook Wall (Whitaker)	$82,674.00
70	Install Electrical Conduits Gibbs to Whitaker	$7,678.00
70	Install Light Pole Bases Gibbs to Whitaker	$17,656.00
70	Install Poles and Lights Gibbs to Whitaker	$22,589.00
70	Pull Electrical Wires & Light Fixtures Gibbs to Whitaker	$14,560.00
20	Whitaker to Curry Mass Ex / Embankment	$98,299.00
40	Whitaker to Curry Install Lawn Shelves	$38,241.00
40	Install Battered Overlook Wall (Curry)	$61,235.00
70	Install Electrical Conduits Whitaker to Curry	$7,678.00
70	Install Light Pole Bases Whitaker to Curry	$17,656.00
70	Install Poles and Lights Whitaker to Curry	$22,589.00
70	Pull Electrical Wires & Light Fixtures Whitaker to Curry	$14,560.00
20	Curry to Pennoyer Mass Ex / Embankment	$98,299.00
70	Install Electrical Conduits Curry to Pennoyer	$7,678.00
70	Install Light Pole Bases Curry to Pennoyer	$17,656.00
70	Install Poles and Lights Curry to Pennoyer	$22,589.00
70	Pull Electrical Wires & Light Fixtures Curry to Pennoyer	$14,560.00
20	Pennoyer to Gaines Mass Ex/ Embankment	$98,299.00
70	Install Electrical Conduits Pennoyer to Gaine	$7,678.00
70	Install Light Pole Bases Pennoyer to Gaines	$17,656.00
70	Install Poles and Lights Pennoyer to Gaines	$22,589.00
70	Pull Electrical Wires & Light Fixtures Pennoyer to Gaines	$14,560.00
20	Gaines to Lane Mass Ex / Embankment	$42,596.00
40	Gaines to Lane Install Welded Wire Wall	$96,509.00
40	Install Battered Overlook Wall (Gaines)	$61,235.00
40	Install Guardrail Gaines to Lane	$54,657.00
70	Install Electrical Conduits Gaines to Lane	$7,678.00
70	Install Light Pole Bases Gaines to Lane	$17,656.00
70	Install Poles and Lights Gaines to Lane	$22,589.00
70	Pull Electrical Wires & Light Fixtures Gaines to Lane	$14,560.00

In addition to visually inspecting the percentages of work complete, we also carried out material quantity spot checks on specific items within Pay Application No. 47; dated January 30, 2015. As part of our quantity check process we measured areas of work from the Construction Drawings, applied the percentage complete and crossed checked our quantities against material invoices provided by JWF, to ensure the quantities claimed within Pay

Application No.47 corresponded with measured and invoiced quantities. From the spot checks performed, it appears that the material invoices were in-line with our measured quantities.

Phase 2 Change Order Review (Cos 29, 32-5, 32-8, 32-12, 32-13, 32.33, 35-29, 35-31, 35-46)

Change Order No	Title	Dollar Value ($)
29	Phase 2	$3,300,000.00
32-5	Brick Pavers	$14,378.90
32-8	Reconstruct MH	$15,492.05
32-12	WWW.110+25-100+50	$6,652.06
32-13	WWW.110+50-111+00-	$2,765.94
32-22	Electrical Wires	$9,859.50
35-29	Lighting Mods	$4,427.13
35-31	Lighting Mods	$8,802.49
35-46	Lean Rail Mods	$3,367.87

Change Orders No. 29, 32-5, 32-8, 32-12, 32.13, 32.22, 35-29, 35-31, and 35-46 were reviewed and discussed with the Owners Representative to allow us to appreciate the reasons and history behind each change order. The sum of the COs checked totaled $65,745.94 of the $116,154.48 total CO values as of December 15, 2014. Estimate worksheets were used to verify the calculations used to arrive at the change order pricing. From our oversight review and discussions we offer the following observations:

Change Order No. 29

The JWF original GMP proposal for Phase 2, dated January 21, 2014 was $3,766,499.93, but was executed at a negotiated value of $3,300,000.00 for a delta of $466,499.93. Phase 2 was authorized by Change Order No. 29 (dated March 17, 2014) for the negotiated amount. The categories of work and items spot-checked along with our analysis are detailed below.

Item	Description	JWF	PCG	Savings	Comment
1.1	Clear & Grub	$.90/sf	$.83/sf	$840.00	Appears 8% high
1.2	Remove Asphalt	$.92/sf			Reasonable
2.1.1	Install Erosion Control Measures	$117,101.80/ea			Difficult to budget due to site condition and proximity to the river. Could be affected by high or low rainy season
2.1.1.5	Water Truck	$2,988/mo			Reasonable
2.2.1	Managed Soil Disposal	$40.50/tn			Reasonable as range is +/- 3%
2.2.2	Excavation and Fine	$17.73/cy			Reasonable

	Grading				
3.1	Bike Path	$6.65/sf			PCG is in agreement with both the quantity of 19,482.00 sf and the unit price.
3.3	Main Pedestrian Path & Overlook	16,728 sf a@ $9.39/sf			Area and price within 4% accuracy
3.6	CIP Concrete Stairs	$89.45/lf	$81.32/lf	$4,536.54	JWF unit cost is 10% higher than recommended cost
3.8.2	Construct Heavy Timber Decking	$15,876.00/ls subcontractor cost			Price is lowest of 3 quotes received by JWF
4.1	Gabion Wall System	2,160 sf @ $36.70/sf			Area and unit price within 5% accuracy range
4.2	Tall Upright Corten Steel Retaining Wall	$78,870.00/ls			Subcontractor cost of $78,870.00 is lowest bid received
4.5	Railing	415/lf @$170.85/lf			PCG is in agreement with area and unit cost
5.1	Irrigation	$56,148.00/ls			Subcontractor cost is lowest of 3 bids received
5.2	Planting	$78,460.00/ls			Subcontractor cost is lowest of 2 bids received
5.3	Top Soil	$40.00/cy	$37.03/cy	$14,401.53	Unit cost seems 8% high
7.1	Electrical Contractor	$381,625/ls			Price is lowest of 3 bids received
10.5	Cast Stone Chaise Lounge	$3,463.06/ea	$3,298.15/ ea	$989.46	JWF unit cost is 5% higher than recommended cost
10.8	Heavy Timber Bench	$6,198.41/ea			Quantity is correct and unit price is reasonable
13	Contingency	$100,000/ls			Seems modest

14	Fee	9.84%	9.5%%	$8,595.39	Calculated at 9.8%. Proposed fee on Phases IA is 9.55%
15	Sick Leave Ordinance	$45,224.84/ls			As negotiated with Owner, PCG did not calculate
			Potential Total Savings	**$29,362.92**	

In reviewing the Contractor's Mobilization Cost, PCG noticed a new Mobilization cost in the amount of $165,000.00. JWF's explanation was that at the end of Phase I the project was totally demobilized due to the long waiting period to start Phase 2. As a result, PCG is in agreement with JWF that a new mobilization charge is justified and appropriate for inclusion as a pay item to complete Phase 2 of the project. The 5.26% of the Change Order cost for Mobilization seems fair and reasonable.

In re-calculating the line items we analyzed above, PCG arrived at a potential estimated savings of $29,362.92 to the GMP Proposal (Change Order #29). This savings when compared to the Change Order value of $3,300,000.00 is nominal, thus PCG is of the opinion that the price of $3,300,000.00 is fair and reasonable, particularly when the original proposal was $466,499.93 higher.

CO-32.5 – Brick Pavers:

- Estimate Worksheet: Dated 05/19/14 and 05/21/14.
- Equipment Rates: Loaders at $41.42 and $54.53/hr. Equipment rates (based on type and size used in previous Change Orders) seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2014: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: Sand and base rock material rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2014 and the adjustment factor for Portland, Oregon.
- As-built Drawings: A line item for the Project Engineer hours and cost ($85.00/hr.) to mark-up and prepare drawings has been added to the "Estimate Worksheet". Rate is consistent with rate for the Project Engineer.
- Misc. Sundries (3.5%): Rate is calculated by multiplying percent by subtotal of project. Sundries are defined as "small tools and supplies".
- Premium Overtime: Hours and rate seem fair and reasonable.
- CMGC Fee:
  - COP Sick (3.33%); as negotiated in Phase 2 GMP.

- Equipment (9.55%); Material (9.55%); Labor (9.55%); Subcontractor (9.55%); and Other (9.55%) are defined as contractor mark-up as allowed by the General Conditions.

- Change Order Conclusion:
  - Total change order is based on 488 sf at a cost of $27.13/sf = $13,219.49. The CO was later revised using 530 sf x $27.13 = $14,378.90. There is a total cost difference (increase in cost) of $1,159.41 between original estimate worksheet and the negotiated change.
  - 05/19/14 Worksheet - COP Sick has been charged to the "equipment" total. Deduct $32.68 from the total.
  - 05/21/14 Worksheet - COP Sick has been charged to the "equipment" total. Deduct $4.83 from the total.

CO-32.8 – Reconstruct Manhole:

- T&M Cost Tracking Sheets: Dated 05/21; 05/22; 06/05; 06/06; 06/09 & 06/10; 06/11; 07/07; 07/11; 07/14; 07/17 (2); 07/23; and 07/24/14.
- Equipment Rates: Equipment rates seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2014: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: Material rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2014 and the adjustment factor for Portland, Oregon.
- Misc. Sundries (3.5%): Rate is calculated by multiplying percent by subtotal of project. Sundries are defined as "small tools and supplies".
- Premium Overtime: Hours and rate seem fair and reasonable.
- CMGC Fee:
  - COP Sick (3.33%); as negotiated in Phase 2 GMP.
  - Equipment (9.55%); Material (9.55%); Labor (9.55%); Subcontractor (9.55%); and Other (9.55%) are defined as contractor mark-up as allowed by the General Conditions.
- Change Order Conclusion:
  - T&M Cost Tracking Sheet for 07/14/14 shows (2) two gas monitors for this day. PCG assumes this is a duplicate entry of $82.00 in the Equipment column. Calculating the CMGC Fees adjusts the cost by $92.98. Previous Change Order amount $4,624.14 minus $92.98 equals $4,531.16.
  - T&M Cost Tracking Sheet for 07/14/14 shows a disposal fee at Hillsboro for 8.75 tons at $48.16. Rate seems fair and reasonable.

CO-32.12 – WWW 110+25-110+50:

- Estimate Worksheet: Dated- 06/04/14.
- Equipment Rates: Equipment rate (PC 138 excavator) seems fair and reasonable, based on the "Blue Book" Equipment Watch rates.

- Labor Rates - 2014: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: Material (Geotextile Fabric – 1 roll) rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2014 and the adjustment factor for Portland, Oregon.
- Misc. Sundries (3.5%): Rate is calculated by multiplying percent by subtotal of project. Sundries are defined as "small tools and supplies".
- Premium Overtime: Hours and rate seem fair and reasonable.
- CMGC Fee:
  - COP Sick (3.33%); as negotiated in Phase 2 GMP.
  - Equipment (9.55%); Material (9.55%); Labor (9.55%); Subcontractor (9.55%); and Other (9.55%) are defined as contractor mark-up as allowed by the General Conditions.
- **Change Order Conclusion:**
  - Estimate Sheet for 06/04/14 shows Overtime Premium rates have been changed by negotiation. New rates and changes seem fair and reasonable.

CO-32.13 – WWW 110+50-111+00:

- Estimate Worksheet: Estimate worksheet dated 06/04/14, and JFW timesheet dated 06/05/14.
- Labor Rates - 2014: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: The remainder of material (Geotextile Fabric) from CO-32.12 was used on this CO.
- Misc. Sundries (3.5%): Rate is calculated by multiplying percent by subtotal of project. Sundries are defined as "small tools and supplies". .
- Premium Overtime: Hours and rate seem fair and reasonable.
- CMGC Fee:
  - COP Sick (3.33%); as negotiated in Phase 2 GMP.
  - Equipment (9.55%); Material (9.55%); Labor (9.55%); Subcontractor (9.55%); and Other (9.55%) are defined as contractor mark-up as allowed by the General Conditions.
- Change Order Conclusion: Rates and changes seem fair and reasonable.

CO-32.22 – Electrical Wires:

- Estimate Worksheet: Dated 08/07/14.
- Change Order Conclusion:
  - GMP Change Order coversheet indicates that a lump sum total cost of $9,000.00 and a 9.55% CM/GC fee was negotiated between PPR/JWF/Affordable Electric at a 09/02/14 on site COR meeting. Rates and changes seem fair and reasonable.

CO-35.29 – L4 Power Supply:

- Estimate Worksheet: Dates. 09/18/14.

- Equipment Rates: Excavator at $25.28 /hr. (type and size not identified). Foreman pick-up rate at $20.03/hr. (type and size not identified). Equipment rate(s) are within range of the type of equipment previously used and seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2014: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: Backfill rock material rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2014 and the adjustment factor for Portland, Oregon.
- As-built Drawings: A line item for the Project Engineer hours (1 hr.) and cost ($85.00/hr.) to mark-up and prepare drawings has been added to the "Estimate Worksheet".
- Subcontract – Affordable Electric: Recalculated change order request form and determined an error occurred in calculating the labor portion of the form (see comment below).
- Misc. Sundries (3.5%): Rate is calculated by multiplying percent by subtotal of project. Sundries are defined as "small tools and supplies".
- Premium Overtime: Hours and rate seem fair and reasonable.
- CMGC Fee:
  - COP Sick (3.33%); as negotiated in Phase 2 GMP.
  - Equipment (9.55%); Material (9.55%); Labor (9.55%); Subcontractor (9.55%); and Other (9.55%) (Misc. Sundries) are defined as contractor mark-up as allowed by the General Conditions.
- Change Order Conclusion:
  - Affordable Electric has an error in the labor calculations. 27.54 hour at $72.30/hr equals $1,991.14, plus direct job expense of 9% equals $179.20, plus labor mark-up of 10% equals $217.03, for a total of $2,387.38. The form shows a change order total of $6,800.37, but PCG calculates this total to be $4,505.54 for a total cost difference (savings) of $2,294.83.
  - Fowler's worksheet should be adjusted due to Affordable Electric miscalculations from $13,427.13 to $10,913.14. This is a total difference (savings) of $2,513.99

CO-35.31 – L3 Power Supply:

- Estimate Worksheet: Dated 08/18/14.
- Equipment Rates: Excavator at $25.28 /hr. (type and size not identified). Foreman pick-up rate at $21.94/hr. (F350). Equipment rate for excavator and pick-up are consistent with the type and sized being used on the project and seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2014: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.

- Material Rates: Backfill rock material rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2014 and the adjustment factor for Portland, Oregon.
- As-built Drawings: A line item for the Project Engineer hours (0.5 hr.) and cost ($80.00/hr.) to mark-up and prepare drawings has been added to the "Estimate Worksheet".
- Subcontract – Affordable Electric: Hours and rate seem fair and reasonable.
- Misc. Sundries (3.5%): Rate is calculated by multiplying percent by subtotal of project. Sundries are defined as "small tools and supplies".
- Premium Overtime: Hours and rate seem fair and reasonable.
- CMGC Fee:
  - COP Sick (3.33%); is determined by the City of Portland and Phase 2 GMP.
  - Equipment (9.55%); Material (9.55%); Labor (9.55%); Subcontractor (9.55%); and Other (9.55%) (Misc. Sundries) are defined as contractor mark-up as allowed by the General Conditions.
- Change Order Conclusion:
  - Equipment, Labor and Material rates seem fair and reasonable according to the State of Oregon, Multnomah County, and City of Portland.

CO-35.46 – Leaning Rail Modifications:

- Estimate Worksheet: Dated 11/24/14.
- Equipment Rates: Equipment rate(s) seem fair and reasonable, based on the "Blue Book" Equipment Watch rates.
- Labor Rates - 2014: Labor rates seem fair and reasonable based on the State of Oregon Bureau of Labor and Industries Prevailing Wage Rates for Multnomah County.
- Material Rates: Material rates seem fair and reasonable, based on RSMeans Building Construction Cost Data – 2014 and the adjustment factor for Portland, Oregon.
- Revise Shop Drawings: A line item has been added to the "Estimate Worksheet" for revising shop drawings. Calculations seem fair and reasonable; 5 hours at $80/hr. equals $400.
- Misc. Sundries (3.5%): Rate is calculated by multiplying percent by subtotal of project. Sundries are defined as "small tools and supplies".
- Premium Overtime: Hours and rate seem fair and reasonable.
- CM/GC Fee:
  - COP Sick (3.33%); as negotiated by Phase 2 GMP.
  - Equipment (9.55%); Material (9.55%); Labor (9.55%); Subcontractor (9.55%); and Other (9.55%) (Misc. Sundries) are defined as contractor mark-up as allowed by the General Conditions.
- Change Order Conclusion: Equipment, Labor and Material rates seem fair and reasonable according to the State of Oregon, Multnomah County, and City of Portland.

Conclusion

Based on the cost review as described, we are of the opinion that James W Fowler Co. have adhered to the General Conditions of Contract and appear to be operating in a fair and reasonable manner in presenting and negotiating Pay Application and Change Order values. All change orders value appear to have been thoroughly reviewed by the Owner's Representative and seem to be fair and reasonable.

PCG noticed minor discrepancies in some of the change order worksheets as stated in the Change Order reviews, but we are of the opinion that they are insignificant.

Regards,
PROJECT CONTROLS GROUP, INC.

Marvin Woods, CCE
Principal