



**LAKE OSWEGO REDEVELOPMENT AGENCY MEETING
MINUTES
April 17, 2018**

1. CALL TO ORDER

Chair Studebaker called the Lake Oswego Redevelopment Agency (LORA) meeting to order at 3:01 p.m. on April 17, 2018, in the City Council Chambers, 380 A Avenue.

2. ROLL CALL

Present: Chair Studebaker and Board Members LaMotte, Gudman, Kohlhoff, O'Neill, Buck, and Manz

Staff Present: Scott Lazenby, Executive Director; David Powell, LORA Counsel; Anne-Marie Simpson, Recording Secretary; Jordan Wheeler, Deputy City Manager; Sidaro Sin, Development Project Manager

Others Present: Adam Olsen, Mackenzie; Ted Jacobsen, DAY CPM; Bill Jensen, Howard S. Wright

3. PLEDGE OF ALLEGIANCE

Chair Studebaker led the Board in the Pledge of Allegiance.

4. STUDY SESSION

4.1 Civic Center Cost Estimate and Project Alternatives

Report and Attachments

Mr. Wheeler, accompanied by members of the project team, presented an overview of the Redevelopment Agency Report. In reviewing background of the project, he noted that the cost estimates for the Civic Center concept presented earlier had been approximately \$64 million, well above the \$40 million project budget. As discussed in the report, a number of factors accounted for the excess. Value engineering opportunities were explored; however, it became apparent that these would not produce a facility that met primary goals for the project. Among alternative approaches that were considered, the team had identified two viable options that would address those primary goals related to the police and city hall facilities and that would meet the \$40 million budget. Option A would entail construction of a new building to house city hall and police functions

on properties adjacent to the east side of current City Hall; Option B would provide for a new police/911 public safety facility in that location, with the existing City Hall to be rehabilitated (Attachment 1).

With accompanying PowerPoint slides, he discussed the two options. The recommended Option A would provide the essential facility for city hall and police, resolving basic needs for both functions. It would also include the retail space on A Avenue, another goal of the project, and would align with use of urban-renewal funding available through the East End Redevelopment District.

In response to **Chair Studebaker's** request, **Mr. Wheeler** clarified that the retail space was for use by the Arts Council and Booktique. He addressed additional questions about the current City Hall building and how the City might handle a potential sale of that property. **Mr. Sin** responded to the Chair's question about a likely sales price, indicating that based on a December 2017 appraisal of a similar 50,000 property in the downtown, the valuation could be in the \$5-7 million range before applying any adjustments. **Board Member Buck** inquired about the need for additional parking to serve the building if it were sold. **Mr. Wheeler** confirmed that most of the existing parking would be retained to serve the City's new building. He advised that a new owner would need to construct additional parking, depending on the uses there.

Member Buck asked about public access to the new city hall/police building from the existing parking facilities. **Mr. Wheeler** acknowledged the challenges the team had faced in identifying an attractive connection that would accommodate unknown future uses on the current City Hall site. The likely solution would involve an entrance in the southwest corner of the City's new building, he indicated, noting that ADA parking and other aspects of the connection had been discussed.

Mr. Wheeler advised that Option B included construction of the new police/911 facility originally contemplated. The budget allowed for a two-story building that also would include retail space on A Avenue, along with one level of structured parking for police and police staff vehicles. He noted that a mix of surface parking at the rear and other measures had been discussed in determining how this building would be served, focused on the police, 911 and retail uses. One trade-off is that the facility does not allow adequate space for a community room. However, the second major component of Option B was rehabilitation of the existing City Hall, at a cost of about \$12 million. By housing only City Hall functions there, space would be freed up to address other needs. The rehabilitation would address high-priority items identified earlier, including improvements to windows and walls, new elevators, HVAC, and flooring. Some voluntary seismic upgrades would also be made; although not sufficient to bring the building up to essential-facility standard, they would allow it to better withstand forces of an earthquake, he noted. Concluding, he advised that the total costs of Options A and B are very similar. Staff's recommendation of Option A was based on recognizing the value of a new city hall, albeit smaller, with the opportunity to better utilize the space, have a more efficient facility, and retain all of the services in one building. For these reasons, together with the redevelopment opportunity on the block, this option was favored for the Board's consideration. He drew the Board's attention to a matrix that highlighted some of the differences between the two options (Attachment 2).

Member Gudman asked specifically about the team's degree of confidence in estimated costs of the City Hall rehabilitation. **Mr. Jensen**, representing the construction manager/general contractor (CM/GC) for the project, explained that their confidence level was lower than for new construction, but this had been accounted for by carrying a larger estimating and construction contingency. Option B called for vacating the building, which removed elements of risk and mitigated some of the related costs. He strongly endorsed moving staff out of the building if Option B were chosen. Noting that a higher contingency was typically carried on a renovation project than for new construction, he indicated that confidence in the rehabilitation cost was strengthened by their vetting of the two largest components, i.e., recladding of the building/mold remediation and a new mechanical system.

Mr. Wheeler proposed that next steps include direction from the Board on a preferred option. This would enable the team to complete an abbreviated basis-of-design phase that would include working with staff on floor planning and with the community on the design. They would then return to the Board in approximately three months' time with the concept design and pricing, seeking approval to move forward into design development. As indicated in the draft project schedule (Attachment 3), groundbreaking was now anticipated for late in 2019. He concluded by emphasizing benefits of the CM/GC process in developing a concept that would be effective, meet the target budget, and ensure that the project is on the right path before it proceeds further.

Chair Studebaker called on Board members with questions.

Member Buck expressed concern about the expenditure of \$750,000 for design-concept work done to date. He asked about the professional responsibility of those who had been charged with presenting a concept that fit the project budget for mitigating some of the expenditure. **Mr. Wheeler** acknowledged the disappointment of having identified the cost obstacle so far into the concept process. He discussed the significant amount of up-front work required to determine needs, including the efforts of Mackenzie, the architecture firm. The Board had the opportunity to revisit the contracts at this point, he indicated. **Member Buck** asked about the additional amount that would need to be spent to bring the project again to completion of basis-of-design. **Mr. Wheeler** indicated that it would be less than \$400,000, and approximately \$3 million for design in total. He noted that much of the work done earlier would be incorporated going forward. **Member Buck** reiterated his concern about the professional firms' responsibility for providing an affordable concept. Given the limited Redevelopment Agency funds remaining, he was concerned that there would be no "wiggle room" with either of the new options.

Member O'Neill expressed his displeasure with finding the Board presented, after a year, with an estimate that far exceeds the budget. He placed the responsibility squarely on the professional team, reminding them of earlier assurances that the concept would meet budget. He conveyed his view that there was high professional liability here and that the citizens of Lake Oswego deserved better. **Member LaMotte** echoed his colleague's concerns about the status of the project after expenditure of the \$750,000. He reviewed various financial elements on which the Board had based its policy decision in favor of a new city hall versus renovation, describing his discouragement with changes in the numbers. He detailed various deficiencies of the alternatives now before the Board. Option B, in particular, presented difficulty in relation to potential development on the current City Hall site as insufficient parking would be a great challenge for a developer.

Member Manz expressed concerns about the process that had resulted in a \$60 million project for what seemed a clearly-communicated \$40 million budget. She requested an explanation so that the Board could ensure that this would not recur. **Mr. Jacobsen**, project manager with the owner's representative, explained that an estimate interim would have been appropriate at some point because, rather than designing a like-for-like city hall building, the team was designing based on "blue-sky" input from the community. He indicated that the contractor was brought in earlier than originally anticipated to track estimated costs; however, by the time the project was re-priced, the design had encompassed essentially all desires identified. **Member Manz** noted that the Board would have appreciated having a clear understanding that their request to the community should have been for a "blue-sky" vision of the project; the Board depended on the professional team for this guidance.

Member Gudman, while sharing the concerns of other Board members, expressed his support for moving forward with Option A. **Member Kohlhoff** concurred, but asked if the Police Department had found that this option would meet their needs. **Mr. Lazenby** indicated that it was desirable to the Police from several standpoints, including co-location in the one building.

Member LaMotte affirmed that the Board had never called for a grand vision that would then be refined. They had been consistent in their request for a professional, basic office building without luxury features, and the only additional request was to explore sustainability elements that might be cost effective. If the Board should decide to move forward with Option A, a priority would be to determine the future of the current City Hall site. For purposes of development there, he suggested removal of the building, among other ideas. In his view the Board did not have a strong desire to save the current building.

Mr. Olsen, architect with Mackenzie, the project's architecture and engineering firm, reviewed his experience in gaining an understanding of the budget status since joining the project after it was already underway. He described challenges related to tracking the budget numbers and establishing apples-to-apples comparisons, but assured the Board that the team had worked hard to value engineer and to reach the City's goals, while balancing design with other factors.

Chair Studebaker asked if the team had a good level of confidence in the current numbers, such that with a project start in 2019, it could be done within budget, regardless of which option was chosen. **Mr. Wheeler** stated that his confidence had increased because the team is on board, with Mr. Jensen providing real-time estimates of construction costs. The 10% contingency also provides assurance. **Mr. Jensen** expressed a high level of confidence, describing the methodology used for costing and also citing the 10% contingency. **Mr. Jacobsen** acknowledged the project contingency, but emphasized that the key control would be his role: managing changes to the scope. For any necessary addition, he would ensure that something was subtracted, and the project budget would be met.

In Board discussion for moving forward, the project team confirmed **Member Gudman's** understanding that a recommendation on disposition of the existing building was not immediately required if the Board chose to proceed with Option A. **Member LaMotte** reiterated his belief that clarity had been provided for the team, yet the project had gotten off track. He indicated that the direction now was unclear to him and he did not have confidence in it.

Member Buck inquired about debt capacity in the East End Redevelopment District. **Mr. Wheeler** indicated that about \$35 million remained after completion of a couple of infrastructure projects. The current project would exhaust the remaining funds. The additional \$5 million would be comprised of funds set aside in the capital reserve in 2017, along with Police Department and other General Fund department carryovers. Responding to **Member Buck's** question about the need for the stormwater treatment facility elsewhere on the block, **Mr. Wheeler** advised that the team had found that the existing infrastructure had capacity to address most of the need. At **Member Buck's** request, **Mr. Wheeler** provided a status update on contracts with the three firms and answered questions about commitments and caps. He offered to assemble the numbers for the Board. **Member Buck** stated that he would like to explore other options because of the amount of money being paid and his dissatisfaction with the work that had been done, notably to address the parking. As he did not have faith in the work done by Mackenzie and was not satisfied by the explanation heard, he stated that he was not comfortable moving ahead with that firm nor with either of the concepts.

Member Gudman observed that to discard all or a portion of the work and start over would cost even more than what was now before the Board. To call for more work in an effort to inspire a higher level of confidence would be less cost effective than simply giving direction to go forward with either Option A or B. The Board should give the direction now as he considers these to be the only viable options in terms of cost effectiveness.

Mr. Wheeler asked the Board to identify any additional details they might need to improve their level of confidence in the options proposed. **Member O'Neill** asked that Mr. Wheeler return to the Board after determining what Mackenzie is going to do for Lake Oswego, and **Mr. Wheeler** indicated that he would follow up. **Chair Studebaker** initiated discussion about the follow-up presentation. **Mr. Wheeler** indicated that, as the two options were similar with regard to scope of design work by the architectural firm, it would be useful to have the Board's direction on a preference for one or the other. **Chair Studebaker** indicated that the majority of Board members seemed to prefer Option A.

Member LaMotte asked for data on the systems for the proposed City Hall rehabilitation to allow an apples-to-apples comparison. He reiterated the need for information on the sustainability features and other priorities identified by the Board and community members. Also needed were an accounting of the work product delivered for the \$750,000 and supporting data for the value engineering. **Mr. Lazenby** indicated that directing the team to focus on Option A would help to answer these kinds of questions. **Member Buck** opposed rehabilitation of the current City Hall. Reiterating concerns about the parking situation with Option A, he requested that other options be explored, to include alternative opportunities for the block. He emphasized his disappointment in the options presented, considering the expenditures made to date. At **Mr. Lazenby's** request, he clarified his concern about the parking and called for a specific analysis to show the Board what was proposed. **Member Manz** affirmed the importance of the community room/Emergency Operations Center and the retail space for Booktique and the Arts Council. **Mr. Wheeler** addressed her specific questions about size, layout, and other aspects of the retail uses under Option A. **Member Gudman** noted that answers to the questions raised by the Board should be presented in four to six weeks' time within the context of Option A. **Member Kohlhoff** and Chair **Studebaker** expressed their agreement.

5. CONSENT AGENDA

5.1 Approval of Meeting Minutes

5.1.1 January 2, 2018 Special Meeting Minutes

5.1.2 February 6, 2018 Special Meeting Minutes

Report and Attachments

END CONSENT AGENDA

Board Member Manz moved to approve minutes as written. Board Member Gudman seconded the motion.

A voice vote was held, and the motion passed, with Chair Studebaker and Board Members LaMotte, Gudman, Kohlhoff, O'Neill, Buck, and Manz voting 'aye'. (7-0)

6. ADJOURNMENT

Chair Studebaker adjourned the LORA Board meeting at 4:06 p.m.

Respectfully submitted,

Anne Marie Simpson

Anne-Marie Simpson, Recording Secretary

APPROVED BY THE LAKE OSWEGO
REDEVELOPMENT AGENCY
ON July 3, 2018

Kent Studebaker

Kent Studebaker, Chair