



## M I N U T E S

A regular meeting of the Sunrise Water Authority Board of Commissioners was held on Wednesday, March 9, 2022 at 6:00 pm. The meeting was held remotely via Zoom.

**Board Present:** Chris Hawes, Chair; Andy Coate, Vice Chair; Kevin Bailey, Secretary; Kevin O'Meara, Diana Helm, Tim Chairret

**Board Absent:** Gary Barth

**Staff Present:** Wade Hathhorn, General Manager; Jamey Pietzold, Finance Director; Kim Anderson, Government Relations Manager; and Tyler Wubbena, Senior Engineer.

**Visitors Present via remote:** Sherry French, CRW and Paul Gornick, OLWD, Eric Davis of Skyline Electric, Ken Leahy, Greg Daniels, Allen Patterson, Mark Childs, and a party identified on the remote call as Spencer who would not provide further identity information when asked.

### CALL MEETING TO ORDER

Hawes called the meeting to order at 6:03 p.m.

### APPROVAL OF AGENDA

A motion to approve the agenda was made by Coate and seconded by Bailey. Motion carried unanimously.

**ROLL CALL** - Anderson performed the voice roll call.

Hathhorn noted that the order of the agenda items will be reversed so that guests present for the work session will not have to sit through the body of the meeting.

Hathhorn introduced Jamey Pietzold as the new finance director. He discussed Pietzold's 12-year tenure at Mercy Corp international, where he was the director of finance for their international operations.

**PUBLIC COMMENT** – None

### WORK SESSION - PRESENTATION OF DEVELOPMENT CONCEPT FOR ARMSTRONG CIRCLE VACANT PARCEL

Hathhorn told the board that the individuals that will be introducing themselves are the primary holders of much of the property to the east of our Armstrong Circle property and are currently developing an industrial facility on those lands. He stated that they are looking at options that they may have for fulfilling their vision for that site, which may include our second parcel to the east.

Ken Leahy introduced himself, Greg Daniels, Mark Childs, and Allan Patterson. He noted that there have been several conversations about our parcel in the past. He talked about the parcels in their possession and the desire to construct an extension of Rock Creek Boulevard that would provide access to their development and both Sunrise parcels. He discussed the substantial volumes of cut and fill that will be required to level the sites. He stated that there is an opportunity to change the proposed commercial development to include a fourth building on the Sunrise parcel. He explained that their development would be a phased project, with Building 1 to be completed this season. He invited Greg Daniels to address the Board related to specifics of the project.

Daniels directed the Board's attention to the handouts provided and discussed those items. He noted that the City of Happy Valley transportation department is aware of the proposal to provide Sunrise with road

access on the north boundaries of the properties. The properties to the north of the Sunrise property are either purchased or under contract for purchase to allow for the construction of the access. This conversation is about how to structure a partnership with Sunrise that would allow for work to occur on the Armstrong Circle property that would result in improved access to our facilities and an increase in realized value for Sunrise.

Hathhorn asked if Leahy and Daniels own all of the properties to the east of Sunrise. Leahy stated that is correct. He asked for confirmation that their plan is to create a level industrial site. They confirmed that it will be largely level, although there may be some minimal slip steps internal to the site. Hathhorn asked if their development extends to about 180<sup>th</sup>. Daniels said that there is no actual road in that area but it would roughly line up with 180<sup>th</sup>. Hathhorn asked if there would be a retaining wall between the parcel retained by Sunrise and the second parcel if it were turned over to them for development. Leahy confirmed that a retaining wall or engineered slope would be required. Hathhorn noted, for reference, that Sunrise currently has two exits from the property one on Armstrong Circle and one onto SE 172<sup>nd</sup> Ave. and that this proposal would provide an additional staff only entry and exit off of a new cul-de-sac. Coate noted that to for a Sunrise access to meet their grade would require quite a bit of earthwork on our side and it would be a steep road. Hathhorn stated that there would be about a 12-foot climb to use the proposed access. Coate noted that the 12 feet would be on top of the 10-foot cut that we already have there. Hathhorn conceded that there is no question that it will be a steep access, but that it would be limited to staff use only.

For Background, Hathhorn offered that the original plan for the City would have extended 177<sup>th</sup> Ave. to the south and tied it to Armstrong Circle, which would have essentially provided an access road that followed along the eastern boundary of our property. The current development plan from the City no longer contains that connection; therefore, the primary access will remain a right only exit and entry onto 172<sup>nd</sup> Avenue from Armstrong Court, along with a secondary right only staff exit onto 172<sup>nd</sup> Ave. Vehicles leaving our facility have no southbound access to SE 172<sup>nd</sup> Ave.

Coate asked if the development team has numbers on potential developed land values and costs for development. Hawes noted that this conversation was only conceptual and that any financial considerations would need to be discussed in executive session later. Daniels echoed the idea that this is only an opportunity to present the concept for the Board to consider.

Helm asked if the driver for this proposal was improved access to the developer's property. Daniels commented that it was a driver but that others were improved access to the Sunrise property and that the timing of the work would also benefit both properties.

Hathhorn asked for the basic concept of how a partnership might work. Leahy said that would be the content of the next step in this conversation and that all options are open at this point including outright purchase, shared value in improved sale price, or cost reimbursements.

Leahy, Daniels, Davis, Childs, Patterson, Spencer left meeting at 6:35 pm.

## **1. DISCUSSION ITEMS**

### **1.1 Receive Price Proposal for Armstrong Circle Administration and Operations Complex**

Hathhorn described the public procurement process that Sunrise uses for construction projects. He noted there seven contractors were in attendance at the required pre-bid meeting, two proposals were received, and only one proposal met minimum standards. Therefore, only one price proposal was opened, with a bid price of \$18.83 million. He noted that the last cost estimate of \$15.5 million

was completed was in March 2021. He commented that with only one bid received it leaves some uncertainty about the accuracy of the pricing.

Hathhorn reported that he has spoken to Kirby Nagelhout about where the major price differences were between the estimate and the bid. The primary differences were:

Concrete and steel	+\$1.5 million
Plumbing & HVAC	+\$0.5 million
Electrical/Security/telecom	+\$1.4 million
Site Preparation	+\$1.0 million

Kirby Nagelhout also reported that a recent school project had price increases of between 30-35% on costs.

Hathhorn said that higher numbers were expected but that increases to this level were not. He stated that it was unfortunate that there was only one qualified bid because it means there is nothing against which the bid can be compared.

Helm stated that she was actually surprised that it is only \$18 million as she expected \$20 million. She commented that it may behoove the board to take a step back and consider a redesign or changes in materials. She stated that she had just visited the Oregon City City Hall that was recently finished and it is not a \$20 million building.

Hathhorn commented that he has spent the past few days looking at what can be trimmed out of the building without impacting functionality. Chris with Kirby Nagelhout has been helping with identifying items that can be trimmed with value engineering. They have gotten it down to about \$17 million and expect that there is more that can be done. If the value engineering process doesn't get Sunrise to where it needs to be, then it would be time to go back to consider a redesign and change of scope, which would also require a rebid, which would extend the time frame.

Hawes stated that he didn't disagree with Diana, but that if it goes to redesign and the construction is pushed out a year, costs are expected to continue rising and there will be additional costs for a redesign. It's a catch 22. He said he is encouraged by the fact that in just 3 days around \$1.4 million in cost reductions have been identified.

Hathhorn commented that the real question is what is an acceptable cost at which the board would approve the contract? Is that \$16.5 million? Hathhorn is asking for the opportunity to spend more time with the contractor and see if there's more value engineering that can be gained. He stated that if the scope is changed too much then the bid could be open to protest. The question is what constitutes "too much". Does that mean if you leave the administrative building largely unchanged, but change the entire shop to a prefab metal structure, that it is "too much", or can that be addressed with a value engineering change order?

Hathhorn noted that there is a certain amount of hedging built into the bid numbers and offered to see if those could be pulled out and set aside in separate funds to lower the overall bid cost. Hathhorn has checked the references for Kirby Nagelhout and they all offered glowing reviews. One particular client was effusive about how Kirby was always on the client's side when it came to controlling costs. Coate can attest to the fact that they get many projects finished.

Hathhorn stated that a different number should be available by the next board meeting.

O'Meara commented that inflation isn't going away and that, in his opinion, the best strategy is to proceed with the value engineering efforts. Bailey stated that a pause may not be the worst thing, but he does like the idea of seeing if the one bid received is reflective of market conditions.

Chairet asked if the estimate presented is outside of our budget for the project. Hawes stated a specific budget for the building was never formally set, but the anticipated number has bounced around the \$15 million mark. Hawes said that he did anticipate that it would be higher than the \$15 million, based on his own recent experiences.

Hathhorn commented that the contractor has clearly demonstrated that they can manage the supply chain effectively. He also noted that they are highly skilled in the supply chain and construction specific to CLT construction.

Hathorn noted, for the newer board members that there have been several cost estimates prepared as part of the design process, with the last one being done a year ago. He explained to the board that because of the price volatility that currently exists, several of the contractor's subs only gave him 10-day locks on prices for the bid and that he will have to rebid with those subs.

Chairet asked if there is value in having another cost estimator update the numbers. Hawes expressed doubt that the task could be completed in under two weeks and that every prior estimate has come up with a number around \$15 million, even though the scope was reduced each time a new estimate was done. Coate expressed that he felt pursuing value engineering was the best course of action at this point. The board concurred with that statement. They asked that the effort be made to have new numbers by the next board meeting.

Hathhorn stated that the project cost has increased from the original \$8 million estimated back in the beginning of this process. He reminded the board that funds are available. The issue is that there wasn't an anticipation that it would cost this much.

Hawes suggested that the board members need to give thought to the number that they would be willing to live with.

Coate asked Leahy if they could do some simple renderings of what the proposed development on the spare land would look like. Wade stated that he thinks that the proposal is going to be that Sunrise put the land up and that they do the improvements. The real unknown is how that sale proceeds are shared.


O'Meara asked if the next meeting will be in person. Hathhorn stated that the mask mandates are being dropped on Friday, so it will be up to the board to make a determination on if they want to meet in person and what rules they would want in place for the meeting. O'Meara noted that there is now an ongoing requirement for online public access to meetings now. By show of hands the board decided to meet in person on March 23<sup>rd</sup> and that the meeting should include dinner.

## 6. ADJOURN

The meeting adjourned at 7:22 pm.

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CHRIS HAWES, CHAIR

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KEVIN BAILEY, SECRETARY