



# Staff Analysis and Report to the Board

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**Board Meeting Date:** October 9, 2018  
**Senior Lead:** Claire Hertz, Deputy Superintendent of Business and Operations  
**Department:** Facilities and Maintenance & Operations  
**Staff Lead:** Sara King, Director of Planning and Property Management

**SUBJECT: BESC Future Initiative Work Session**

## BACKGROUND

The purpose of October 9, 2018 BESC Future Initiative work session is to inform the Board of Education (Board) of work done to date and elicit the Board's response to draft documents developed by staff and the consultant team.

Through a request for proposal process, PPS selected the consultant team of Cushman and Wakefield and Leland Consulting Group to assist with real estate services for the District, including developing options to leverage the disposition of the BESC site to support PPS' mission. The consulting team was selected based on its local and national experience with public- and private-sector headquarter relocations. This experience includes the team's recent work relocating Northwest Natural Gas' headquarters building and its ongoing work optimizing the State of Oregon's real estate portfolio.

The BESC Future Initiative is in the "discovery" phase, with a later transaction phase to occur should the Board determine it is in the best interest of the District. The discovery phase will involve three tasks, all happening simultaneously. Those tasks include:

- *Developing a Purpose/Need statement and Decision Criteria.* This task will provide the Board with a united statement on why PPS is embarking on this effort and how it will support PPS' overall mission and objectives. The Decision Criteria will guide the Board in making decisions around disposing of the BESC property and relocating administrative functions.
- *Understanding the Asset.* This task will evaluate existing property conditions and potential value of the BESC property in order to assess if a relocation is financially achievable given the Board's Decision Criteria.
- *Developing an Occupancy Strategy.* This task will develop the optimal work conditions and space requirements for PPS administrative staff and the public in order to assess the financial viability of a potential relocation.

## RELATED POLICIES / BOARD GOALS AND PRIORITIES

The consulting team has developed Purpose and Need and Decision Criteria with other organizations involved in headquarter relocations. Any future BESC sale will need to follow the Board's policy regarding property disposition.

## **PROCESS / COMMUNITY ENGAGEMENT**

Not applicable at this time. Internal stakeholders involved in developing draft recommendations include the project Steering Committee, operational and educational department leadership and executive leadership.

## **BUDGET / RESOURCE IMPLICATIONS**

Not applicable at this time.

## **NEXT STEPS / TIMELINE / COMMUNICATION PLAN**

All three tasks in the “discovery” phase of the Initiative are anticipated to wrap up in November and be presented to the Board for subsequent direction.

## **BOARD OPTIONS WITH ANALYSIS**

The consultant team will present the following information at the work session.

### *The BESC site*

The BESC site, shown in Exhibit A, includes 21 tax lots and is a total of 10.16 acres. PPS built and completed the BESC for its administrative purposes in 1980. The building has approximately 360,000 gross square feet and 468 parking spaces. PPS leases another 208 parking spaces. The annual operating costs of the BESC as of FY 17-18 were approximately \$2,500,000. The consultant team will review zoning, adjacent property ownership, the Multnomah County ground lease terms and the proposed I-5 Rose Quarter Hancock-Dixon connector in the work session.

### *Draft Purpose and Need Statement*

The Purpose and Need Statement is a key internal and external communication tool around why PPS is embarking on this project and how it will support PPS’ mission. The draft, shown on Exhibit B, was developed by the project Steering Committee for your review and comment. At the work session, the consultant team will request of the Board any proposed amendments to this statement.


### *Decision Criteria*

The Decision Criteria, which the Board will use in its decision-making for the project, fall into two categories: Asset Criteria, which will guide the decision-making process related to disposing or redeveloping the BESC property; and Occupancy Criteria, which will guide the evaluation of space needs for a future administrative building or buildings. The Decision Criteria, shown in Exhibit C, was developed by the project Steering Committee. At the work session, the consultants will lead a Board discussion of this criteria as well as share the recommended prioritization.

## **STAFF RECOMMENDATION**

Staff has provided for review and comment a draft Purpose and Needs statement and draft Decision Criteria in Exhibits B and C, respectively. At the work session, the consultant team will present draft Decision Criteria that have been prioritized for your review. The prioritization is not included in this report.

**I have reviewed this staff report and concur with the recommendation to the Board.**

  
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**Guadalupe Guerrero**  
**Superintendent**  
**Portland Public Schools**

October 4, 2018  
**Date**

## ATTACHMENTS

- A. Map of the BESC site
- B. Draft Purpose and Need Statement
- C. Draft Decision Criteria

Exhibit A: Map of the BESC site (with delineated tax lots)



## **Exhibit B: Draft BESC Future Initiative: Purpose and Need Statement**

### Purpose:

The purpose of the BESC Future initiative is to ensure any future actions involving the BESC, as a district asset:

- Support the values and mission of PPS
- Generate revenue for student needs
- Ensure responsible management of PPS' real estate assets
- Provide a safe and functional environment for PPS to conduct district business

### Need:

The BESC Future initiative is needed at this time because:

- Zoning and market conditions have changed, compelling PPS to gain a comprehensive understanding of this real estate assets and options for prudent asset management
- Chronic underfunding, from a state level, creates an urgency to explore all opportunities to maximize resources
- PPS is committed to addressing operational inefficiencies, deferred maintenance, and suboptimal work spaces

## Exhibit C: Draft Decision Criteria

The purpose of these criteria is to provide a quantitative and qualitative framework for evaluating the relative strengths and weaknesses of alternatives related to building locations, building features, and ownership/lease models. Each criterion was developed based on the values expressed during internal stakeholder interviews as well as the consultant team's recommendations on factors to consider.

The consultant team facilitated an exercise with the project Steering Committee to refine these criteria and prioritize them so that the subsequent decisions could be weighted on those factors that are most important to Portland Public Schools. PPS staff is still reviewing and prioritizing the enclosed criteria. The consultants will present a final, prioritized list of criteria at the work session. Please note there is some overlap between criteria (e.g., building safety vs. employee safety); there was considerable discussion around these overlaps and how the objectives on one criterion could likely be met by another.

### BESC Asset Criteria

- Financial:
  - *Maximized value:* The sale achieves the maximum possible revenue for Portland Public Schools
  - *Simplicity:* The deal structure is simple to follow and transparent
  - *Financial risk:* Revenue from the sale is secured and the deal is low-risk
  - *Perpetual:* There is a constant and reliable stream of revenue from the sale
- Community:
  - *Context sensitive:* The buyers and their plans for the site respect the historical and political context of the area
  - *Community involvement:* The buyers wish to involve the community with their plans for the site and are open to an inclusive and collaborative community approach

### Occupancy Criteria

- Financial:
  - *Cost/value:* The cost of the site, including all necessary improvements, is reasonable and the value of PPS' investment is maximized
  - *Owned not leased:* PPS owns the new central office property outright, rather than entering into a lease
  - *Financial risk:* The purchase and relocation of the property carries little risk from a financial perspective
  - *Simplicity:* Conditions related to the deal structure are easy to follow, transparent, and simple
  - *Operating cost:* The cost to operate the new building is reasonable
  - *Moving cost:* The location and configuration of the new building will result in a simple and cost-effective moving process
- Functional:
  - *Meets spatial and organizational needs:* The building offers the amenities and functionality to adequately serve PPS
  - *Collaborative:* The building and site layout facilitate collaboration
  - *Flexible (future needs):* The building configuration is able to adapt easily in the future to changing tenant or market needs.
  - *Security and access:* The building's security and access is adequate

- *Modern yet functional:* The building's configuration, design, layout, and amenities meet PPS' standards without being outlandish or luxurious in character
- Access:
  - *Access to employees:* The location serves a significant share of PPS employees
  - *Public Transit:* The site is served by public transit
  - *Freeway access:* There is access to one or more freeways nearby
  - *Parking:* Parking is available on site and the number of spaces is adequate for staff, visitors, and others
  - *Access to visitors:* The location serves a significant share of PPS' visitors
  - *Visibility:* The site is easy to find and is in a prominent location
- Community:
  - *Neighborhood context:* Relocating the building would be in keeping with the neighborhood values, history, and existing character
  - *Connected to educational mission:* Relocation is consistent with PPS' stated educational mission
  - *Community asset:* Will the building be an asset to the community, or just an office building?
  - *Environmental stewardship:* Relocating the building would be environmentally responsible
- Retention/Recruitment:
  - *Neighborhood Amenities:* The surrounding neighborhood offers a reasonable and adequate range of amenities and services for both staff and visitors
  - *Commute impacts:* There is either little impact or a positive impact to staff commutes as result of the relocation
  - *Building amenities:* Ability to provide or ease of providing in-building employee and visitor amenities. PPS recognizes the importance of amenities in order to attract and retain talented employees
  - *Property crime:* Property crime is not an issue in the area
  - *Personal safety:* PPS employees and visitors would be safe on the site and in the surrounding area during both day and night
- Sustainability and Resilience:
  - *Seismic safety:* Conditions related to the physical safety that are affected by the building's location
  - *Green features:* There are sustainable features and environmentally-sound characteristics related to both the building and site