



Oregon

Kate Brown, Governor

Oregon Transportation Commission

Office of the Director, MS 11

355 Capitol St NE

Salem, OR 97301-3871

DATE: April 26, 2022

TO: Oregon Transportation Commission

FROM: Kristopher W. Strickler
Director

SUBJECT: Amend the 2021-2024 Statewide Transportation Improvement Program (STIP) to increase funding for the *I-205: I-5 to OR213, Phase 1A (I-205 Improvements - Phase 1A Abernethy Bridge Widening)* project.

Requested Action:

Approve amending the 2021-2024 Statewide Transportation Improvement Program (STIP) to increase construction funding for the *I-205: I-5 to OR213, Phase 1A (I-205 Improvements - Phase 1A Abernethy Bridge Widening)* project from \$375,350,000 to \$495,350,000 for a total increase of \$120,000,000. The increase will be paid for using the financial tools provided in House Bill 3055.

Project to increase funding:

| I-205: I-5 - OR213, Phase 1A Construction (KN 22467) | | | |
|---|-------------|----------------------|----------------------|
| PHASE | YEAR | COST | |
| | | Current | Proposed |
| Planning | N/A | \$0 | \$0 |
| Preliminary Engineering | N/A | \$0 | \$0 |
| Right of Way | N/A | \$0 | \$0 |
| Utility Relocation | N/A | \$0 | \$0 |
| Other | 2022 | \$350,000 | \$350,000 |
| Construction | 2022 | \$375,000,000 | \$495,000,000 |
| TOTAL | | \$375,350,000 | \$495,350,000 |

Background:

The I-205 Improvements Project improves the congested seven-mile section of Interstate 205 between OR 213 and Stafford Rd. by widening and seismically retrofitting the Abernethy Bridge, adding a third general purpose lane (northbound and southbound), and creating safer options to enter and exit the corridor with an auxiliary lane from OR 43 to OR 213, and combining the OR 43 ramps. Once the project is complete, congestion will be reduced from 6.75 to 2 hours a day, the Abernethy Bridge will

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be the first earthquake-ready state crossing of the Willamette River and eight other bridges will be rebuilt or seismically retrofitted.

The I-205 project will be constructed in phases and the schedule is driven by the allowable in-water work windows. Missing the first in-water work window would result in an estimated \$24 million cost of delay. Multiple construction contracts will deliver the rest of the project, starting with Phase 1A. This phase was advertised for bid in December 2021, to allow construction to begin during the allowable in-water work window in summer 2022. Phase 1A includes Abernethy Bridge widening, highway construction, OR 43 roundabout construction and ramp improvements, OR 99E interchange improvements, stormwater treatment, retaining walls, signing, striping, sign structures, illumination, and construction of a sound wall at Exit 9. Locally funded water and sewer line improvements are also included in this phase. Construction of Phase 1A is expected to end after 4 in-water work cycles.

Phase 1A was delivered for bid with an alternative procurement method that scores technical qualifications, approach, and cost. Technical experience has been sought to match the complexities associated with the project including bridge construction/widening, drilled shafts, marine access, temporary traffic control and traffic maintenance, and permit compliance. ODOT worked with FHWA to supplement the Diversity Program goals in the contract for Disadvantaged Business Enterprises (DBEs), on the job training, and Tribal Employment Rights Ordinance (TERO) program, and added a preferential zip code hiring goal.

After review of technical and cost submissions, Kiewit Infrastructure West Co was determined to be the best value contractor. ODOT entered into negotiations with the contractor and jointly agreed to a contract value of approximately \$447 million.

Cost Increase Analysis:

The technical bids were opened on February 1, 2022 and cost submissions were opened on March 1, 2022. All bids were over \$490 million. Based on the Multi Parameter scoring criteria, the apparent best value contractor was Kiewit Infrastructure West Co with a bid of \$512 million.

The primary reason for the higher than anticipated bids are the escalation of the steel and high performance concrete unit prices, as identified in the Project Controls Office review. Significant items of note are:

- **Steel:** Steel cost came in significantly higher than anticipated due to fear of continued escalation and inflation due to the geopolitical risks and expected USA inflation rates. High costs are associated with reinforcement, bridge steel, and fabricated steel structures such as signs and fences.

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- Concrete: Concrete came in significantly higher than estimated due to limited supplier options and availability. There were limited suppliers available and equipment necessary to facilitate nitrogen injection for concrete on the project.
- Deep soil mixing: Deep soil mixing presented high risk as the depth and size of the stabilization is unknown. The stabilization is a performance specification in which the agency translates risk to the contractor to procure and install ground improvements to the performance specifications in the contract. Deferring this item will reduce contract costs and will allow ODOT to bid this work after a pilot test program is completed to provide more assurances to the contractor that the performance criteria can be met.

The apparent best value contractor was found to have submitted a responsive bid, and the Urban Mobility Office entered into negotiations with the contractor. Negotiations resulted in reduced bid due to reallocation of risk, adjustment of some specification language, and deferral of the deep soil mixing and two sign structures. The deferred items will be bid as future contracts.

Negotiations resulted in a total project cost of \$495 million (contractor costs, engineering, anticipated items, and contingency included), an increase of \$120 million over the previous amount programmed in the STIP.

Financial Plan

In the 2021 Legislative Session, the Oregon State Legislature passed HB 3055 to provide financing through a combination of cash, bonding and short-term borrowing. The legislation increased ODOT's short-term borrowing cap to \$600 million and allows for five year maturities, allowing ODOT to take out short-term debt that will be repaid by toll revenue or the proceeds of bonds, pending the conclusion of the I-205 Tolling NEPA process. In addition, bonding on the \$30 million provided by HB 2017 (2017 Session) is available starting in 2022. Combined these provide a means to interim fund Phase 1A of the I-205 OR213 to Stafford Road project before toll revenue becomes available. ODOT will finance Phase 1A by initially using a combination of bonding on the \$30 million, cash on hand, and short-term borrowing. The scheduled obligation of the construction phase funding remains as FFY 2022.

To address the repayment of the short-term borrowing, the Oregon State Legislature has identified future toll revenue as the primary source of funding for this project and directed ODOT to develop a toll program for the I-5 and I-205 corridors. The process to implement a toll program is lengthy and it will take several years before any revenues are available to finance the project in total. Tolling is currently being evaluated under the National Environmental Policy Act (NEPA) process. The earliest tolling could be implemented is late 2024 and toll revenue will not be available until that time.

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Options:

With approval, ODOT will proceed to fund, award, and construct this project.

Without approval, ODOT will not award this project at this time and construction will not begin as planned in 2022.

Attachments:

- Attachment 1 – Vicinity and Location Maps

Copies to:

| | | | | |
|------------------|---------------|-----------------|--------------|----------------|
| Travis Brouwer | Cooper Brown | MacGregor Lynde | Brendan Finn | |
| Amanda Sandvig | Della Mosier | Mandy Putney | Jeff Flowers | Daniel Porter |
| Rian Windsheimer | Lindsay Baker | Talena Adams | Chris Ford | Adriana Antelo |