

March 10, 2006

Commissioner Randy Leonard
City of Portland
1221 SW 4th, Rm. 210
Portland, Oregon 97204

Hand Delivered

Dear Commissioner Leonard:

I saw your KGW interview yesterday. We are extremely disappointed that you chose to publicly malign the integrity of an institution that has faithfully served this city and this state for almost 120 years. Because I was involved at the project's inception and initial budget, I cannot help but think you may believe I am one of the individuals who, according to your statements in the media, supposedly misled you and your colleagues.

Neither I nor anyone else representing OHSU has at any time provided any information to the City Council about tram costs or any other facet of the South Waterfront project other than what we believed was the most accurate information available.

Let's review facts, rather than fiction.

Gmuender Engineering, an independent engineering firm **retained by the City and not OHSU**, developed the \$15.5 million estimate. They presented this number to the City Council on July 10, 2002. I am attaching a copy of the transcript of that hearing for your reference. Our consultants at that time worked with PDOT staff and presumably knew of this estimate a few days or weeks before the Council hearing. We had no independent cost estimates. The estimate was, of course, a "generic" estimate and not one based on engineering for this project - - **but everyone knew that, including you.**

From the very beginning, the challenge was how to put a price tag on something that was unique — and hadn't yet been designed. This was a collective challenge, every bit as much yours and the rest of the City Council's as OHSU's.

The original \$15.5 million estimate was later confirmed by Doppelmayr, **hired by the City and not OHSU (see attached)**. Doppelmayr's engineers agreed that a tram of this size could be built for about \$7 million and that reasonable foundations, civil works, a tower and platforms could be built for about \$8.5 million. All of us learned much later that Doppelmayr didn't fully understand how

million. All of us learned much later that Doppelmayr didn't fully understand how great the structural challenges for the upper terminus would be, particularly given the unique design that ***the City, not OHSU, approved.***

Gordon Davis was the executive director of Portland Aerial Transportation, Inc., (PATI) not an OHSU consultant, when the design competition was being held in early 2003. (He had been an OHSU consultant when the Marquam Hill Plan was developed and adopted by the Portland City Council in 2002. As you know, that plan recommended that a tram be built between Marquam Hill and South Waterfront if OHSU expanded into the new district.) Design competitors were given a \$15.5 million number in written instructions within which to present their concepts. I am attaching a copy of the design competition instructions for your reference.

The PATI Board members believed the \$15.5 million to be a reasonable, all-inclusive working budget for the tram. When the Development Agreement was signed in August 2003, there was no final project contract with architect Sarah Graham. There was, at that time, no actual buildable plan for the tram. The focus of the design competition was to choose a design firm, not to choose an actual design.

I and others at OHSU, the City and the PATI Board believed that tram could and would be designed and built for \$15.5 million, so we were stunned when we were told that, in the minds of the design competitors and the PATI staff, this figure did not include "soft costs" for the design and management of the project. While there is some uncertainty about when we were told this, there is no ambiguity about our reaction. My response, and that of Pat LaCrosse, Dike Dame and others, was disbelief. We told the PATI staff and Graham that the project needed to be done for \$15.5 million. Period. **This is the key point: Just because an architect requests a higher figure than budgeted doesn't mean anyone "knew" or agreed that the project would be allowed to exceed the budget.** Quite to the contrary. We didn't know and we didn't accept it.

In Fall 2003, the PATI board directed Graham to explore options that would reduce her cost estimates and keep the tram on budget. The PATI board believed that by working with Graham, and requiring her to speed up her production of design documents, the board could arrive at a viable true estimate of the project cost. Ultimately, it was determined that the project could not be built for \$15.5 million and a budget for \$28.5 million was established to include soft and hard costs, plus contingency. The budget was to be funded under a new financing plan that was adopted unanimously by the City Council as part of a "third amendment" to the Development Agreement. In that amendment, the PDC's share of the cost increased from \$2 million to \$3.5 million while OHSU's share increased from \$9 million to \$17.2 million. In March 2005, when the cost estimate increased from \$28.5 million to \$40 million (including neighborhood improvements), OHSU agreed to fund all of the increase for a total contribution of \$30.7 million. In return, the City agreed to build the project.

Commissioner, your charge that OHSU "lied" to the City Council is simply untrue and, frankly, outrageous. It is an affront to OHSU and to me personally. Moreover, it is deeply troubling that you have never bothered to contact me or anyone else at OHSU to discuss your concern but have instead chosen to accept baseless allegations and, worse yet, to repeat those claims in the media and rely on them as the basis for your stated position on the tram funding issue.

OHSU has been a stand-up partner throughout the South Waterfront development and intends to remain so. We hope the City will be a good partner and work with us to move forward the tram and other South Waterfront projects.

Please let me know if you wish to discuss any aspect of this face-to-face rather than through the media.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven D. Stadum", with a long horizontal flourish extending to the right.

Steven D. Stadum
Chief Administrative Officer

Attachments

cc:

Mayor Tom Potter
Commissioners Sam Adams
Commissioner Dan Saltzman
Commissioner Erik Sten
Austin Raglione, Deputy Chief of Staff, Office of Mayor Tom Potter
Bruce Warner, PDC Executive Director
Eric Parsons, PDC Chair
Homer Williams, North Macadam Investors
T. B. Dame, North Macadam Investors
Mike Lindberg, President, Portland Aerial Transportation, Inc.
Peter O. Kohler, MD, OHSU President
Keith Thomson, Chair, OHSU Board of Directors
Scott Gibson, OHSU Board Member
Henry Hewitt, OHSU Board Member
Charles Wilhoite, OHSU Board Member
Senator Mark Hatfield, OHSU Board Member
Meredith Wilson, OHSU Board Member
Kirby Dyess, OHSU Board Member
Kathryn Smith, OHSU Board Member