MINUTES OF THE COUNCIL REGIONAL FACILITIES AND METRO OPERATIONS COMMITTEE

Thursday, May 31, 2001
Oregon Convention Center Room A109
777 NE Martin Luther King Jr. Blvd. Portland, OR 97232

Members Present:	Rex Burkholder (Chair), Carl Hosticka (Vice Chair), Rod Park
Members Absent:	None
Others Present:	George Bell, Alice Norris and Judy Rice, MERC Commissioners; Julie Reed, Administration, and Brian Phillips, Operations Manager, MERC; Jeff Blosser, Director, OCC; Joe D'Allessandro and Pat LaCrosse, POVA; Mike McLeod, DoubleTree Lloyd Center Hotel; Karen Siegal, M&M Productions; and Joe Annett.

Chair Burkholder called the meeting to order at 10:09 AM.

1. Consideration of the Minutes of May 17, 2001 Regional Facilities and Metro Operations Meeting.

Motion:	Councilor Park moved to approve the minutes of the May 17, 2001 Regional Facilities and Metro Operations Committee meeting without revision.
Vote:	Councilors Burkholder, Hosticka and Park voted aye. The vote was 3 aye/0 nay/0 abstain, and the motion passed.

2. Ordinance No. 01-912 An Ordinance Recognizing and Accepting Intergovernmental Revenue from the City of Portland and Increasing Appropriations in the MERC Pooled Capital Fund for FY 2000-01; and Declaring an Emergency.

Motion:	Councilor Park moved to forward Ordinance No. 01-912 to Council with a do pass recommendation.
Vote:	Councilors Hosticka, Park and Burkholder voted aye. The vote was 3 aye/0 nay/0 abstain, and the motion passed.

Mark Williams, Metropolitan Recreation-Exposition Commission (MERC) General Manager, spoke to the ordinance. **Chair Burkholder** asked what type of projects would be done with the funding. **Mr. Williams** said that all projects were listed in the CIP (Capital Improvement Projects). They included: 1. Building more women's' restrooms at Keller Auditorium; (this would be more expensive than originally thought); 2. $70k for a new soundboard for Arlene Schnitzer Concert Hall (already in place) and 3. Keller Auditorium rehearsal hall upgrade, similar to Brunish Hall at Portland Center for the Performing Arts (PCPA).

Chair Burkholder asked if these funds were available on an annual basis. **Mr. Williams** said that the $2 million donation was a one-time capital contribution, however, the Visitor Development Initiative (VDI) combined with other agreements would result in annual revenue from the City of Portland. The City had agreed, through an IGA (Intergovernmental Agreement), to continue to contribute $600k/year for PCPA. Half ($300k) was dedicated to buying down the user fee for the non-profit resident companies of PCPA; the other half was dedicated to capital. The extra operating support MERC hoped to receive on an annual basis from the VDI was set at $.25 million this year, and would rise to $.5 million next year. This funding source was based on a sufficient flow from lodging tax dollars to reach PCPA.

3. OCC Dialogue/Worksession

Mark Williams, MERC General Manager, reviewed Oregon Convention Center (OCC) operations. He noted that OCC was unique in the field of convention centers nationwide; it was rare for a convention facility to have such a connection to community through windows and natural light. He commended Jeff Blosser, OCC Director, and his staff for maintaining the facility in impeccable condition. Ten years after construction the building's design was still undated and its bookings had exceeded all expectations. Its principle mandate was to bring out-of-town visitors to the region. **Councilor Park** asked what the spending estimate was for attendees. **Mr. Blosser** responded that studies showed that the typical convention attendee spent $600 while in the community, while local event goers spent $50-$60/head.

Mr. Williams said future issues included: 1. To bring in the $116 million expansion project successfully on time and on budget and 2. Keep the facility fully booked. Portland Oregon Visitors Association (POVA) and the OCC sales staff worked on that issue. There were also competitive issues with other similar facilities including space and funding. He said future discussions with the committee would center around how to set rates and policies in such a manner that allowed OCC to attract the type of room-generating business needed, while simultaneously serving OCC's long-term local customers, who frequent the building and help pay the freight. Funding would be an issue after construction was completed. A lump sum was available to take facility operations through year six. At that time, if the Council agreed that additional operational funding was required, a decision would have to be made as to how to provide it. Ultimately, the final decision resided with the Portland Mayor, the Metro Council President and the Multnomah County Chair.

Councilor Park noted that the operations buffer was $8.84 for years 1-7. Years 8-30 projected a deficit of $34± million while a consultant had projected $50± million. He wanted to be sure the committee was aware of the magnitude of the figures involved. **Mr. Williams** agreed and said that in the past the building had generated enough revenue to put aside operating funds from the surpluses. That included $9 million used to build the Portland Metropolitan Exposition Center (Expo), which he felt was a good decision. He noted that not everyone in the hotel/motel industry had agreed. With the County Commissioner's permission, that $9 million was used to jump-start the building of Hall E, without which Hall D could not have been built completely from MERC's generated enterprise revenues. It also made possible the formulation of a plan to renovate Halls A B and C to be all or partially paid with enterprise revenues. He saw the lobbying industry finding greater value in the future in Expo, especially when the building would be up and running in an expanded state, and with light rail connecting both buildings.

Mr. Blosser talked about the facility's maintenance quality attracting repeat business. He noted the need to be and stay competitive. Every city with which Portland competes is building or expanding facilities both on the west coast and nationally. Since trade shows and expos are the cheapest and most effective way to advertise business, he saw business continuing to grow. Although there was some concern in the industry that facilities were outpacing the business, he did not agree. OCC was catching up; business had grown 3 to 5% over the last 10 years. He recognized that it was possible to generate more revenue when two conventions operate at the same time in larger facilities, such as in San Francisco, and that Portland would be after this same medium-size business. Once Portland met the competition for space, it would have to address what the city had to offer. OCC was addressing this, in partnership with POVA, by targeting groups and going directly after them. They were including the increasing corporate sector which paid a higher rate. By using Intel, Microsoft, and Columbia Sportswear as customers, OCC hoped to bring national groups to regional conventions. OCC was also trying to get the Board Meeting of the Society of Independent Show Organizers, a group of 140 show producers that own several shows, to meet in Portland next year. He noted that Portland ranked 6th or 7th in its competitive set for bureau budget spending; Seattle placed in the $7 ½ to 8 million range while Portland placed in the $5 ½ to 6 million range.

Mr. Blosser addressed OCC staffing issues, noting that OCC invests in the training and promotion of internal staff. When the OCC was first built, MERC chose to hire workers at a family wage rather than hire on contract, and to hire out of the North/Northeast neighborhood with the First Opportunity Target Area (FOTA) program. The employment strategy had proved very successful, with 30% minority employment at OCC. **Mr. Williams** said that a promise had been kept -- state money that had come through for OCC required that programs be initiated to benefit economically disadvantaged residents in the neighborhood. He recognized that MERC, on its own, extended the program to all MERC facilities. He said that the FOTA program, rather than being racially based, targeted both residents within the specified geographic area and residents below income poverty guidelines. Minority employment was 25% MERC-wide and FOTA employment was 17-18%, making it a highly successful program. He said it was important to recognize that promotion statistics could not include the FOTA population, since once a FOTA resident was hired, the employee was over poverty guidelines and was no longer considered a FOTA resident.

Mr. Blosser said that staff were considered to be one of the major resources at OCC and there was an ongoing commitment to increase their capability through training. OCC was working with a Northeast workforce group to train staff and put a program together to hire 30+ people out of the Northeast neighborhood for the completed expansion in 2003. OCC would continue to hire full-time wage and benefit jobs as opposed to contract labor and part time staff, recognizing that the long-term benefit to the cost was a well-trained staff with promotion opportunities. **Chair Burkholder** asked about low income demographic shifts eastward and whether the geographic limitations on FOTA should be reconsidered. **Councilor Hosticka** asked for a definition of the targeted neighborhood. **Mr. Williams** referred to the map showing FOTA boundaries that were established upon receipt of state funds. **Mr. Blosser** said that 20 to 25% of MERC employees utilized the TriMet pass, but were challenged by working late shifts when no transit was available. **Councilor Hosticka** asked if the targeted neighborhood was viable. **Mr. Williams** responded that they had looked at the demographic shift and whether to concentrate on other parts of Portland. He recalled that the original impetus for this plan was the concern that OCC would be responsible for significant displacement of predominantly minority and low-income neighborhood residents. **Ms. Rice**, MERC Commissioner, said that the area north of Broadway was significantly residential and was also close in proximity. **Mr. Blosser** said the OCC had worked with the Lloyd District Transportation Management Area to assure as much direct transportation for workers to the facility as possible, and would continue to do so.

Mr. Blosser said that OCC was doing everything to maintain budget and quality, and that OCC was a unique building and embraced by the public as a community facility. While convention business was a priority, it was also a community-based meeting place. He anticipated that the expansion would continue to enhance the facility's community value.

Councilor Park asked about parking issues at OCC and the policy for parking at Metro facilities. He referred to the current discussion to open the Zoo lot to Park & Ride commuters and wondered whether the trend might extend to the Expo Center. **Mr. Williams** said the parking rate could be easily set to encourage patronage rather than commuters. He saw a difference between OCC and the Zoo in that the OCC patrons stayed all day and that a maximum rate had to reflect that capability. He said that the average Zoo visit was approximately 4 hours, and they could come up with a pricing mechanism to have commuters start funding the facility. He said they had avoided those issues early on because parking had been established as revenue-generating adjuncts to the facilities. He noted that parking was priced competitively with other attractions in the region, i.e. the Trailblazers. The new building would be completely different with underground, ticketed parking; the ability to institute hourly rates or have conventions buy the parking lot; or the option to issue parking validations. MERC was talking with Tri-Met regarding Park & Ride commuters at Expo, but was making clear that MERC expected to be paid for the value of the lot. He felt that opening lots built to serve facilities to Park & Ride commuters was a dangerous development. **Mr. Annett** said that the applicable House Bill had been pulled that day and he thought it was dead. **Mr. Blosser** said that, in terms of parking outside of event schedules, parking would be more difficult than ever before and maintaining lots for MERC clientele would be crucial. He believed that the Fareless Square extension to the OCC area and the new transit station at the airport would encourage more transit ridership from downtown and increase OCC business.

Mr. Blosser said the more critical issue facing OCC was the current competitive hotel package and that improvement was needed in room capability on the East Side. **Councilor Park** noted that, as an attendee of the National Nurserymens' Show, one of the drawbacks with attendees staying at different hotels was that they lost touch with their colleagues. **Mr. Blosser** wanted to look at how to remain competitive in this area. A new three-year marketing plan was in the works to get through the opening of the expansion, and another three-year marketing plan would take place after that. A MERC business plan would address how to operate the combined facilities and make the new space as seamless as possible. He referred to economic impact studies for the years 98-99, showing a $400+ million economic impact of convention business to the region. He noted that generating as much income as possible had offset the need for subsidy. OCC used to receive the 3% hotel tax to offset business, and current funding of the PCPA had capped the OCC ability to generate hotel/motel tax for operation of the OCC. Given the support costs and POVA contract, he was looking at a lower subsidy for OCC.

Chair Burkholder asked for an update from Mr. McLeod regarding the OCC hotel. **Mr. McLeod**, of the DoubleTree Lloyd Center Hotel, said the reality was that hotel expansion still did not pencil out. **Mr. Williams** said the number of hotel rooms needed for convention events would not happen without public support, as they would be heavily subsidized. **Mr. D'Alessandro**, of POVA, said hotels could not make it on convention center business alone, and that the trend to solicit transient and corporate clientele helped to keep a constant level of business. A headquarter hotel for a convention center needed to keep room blocks available to sell to large groups, so couldn't go for corporate and transient business. Stand-alone businesses wouldn't be viable unless the OCC was located in a business center, central city, or resort area with business beyond conventions. He said the Lloyd District was not quite a business center yet and that the DoubleTree was located closer to the business area of Lloyd District.

Councilor Hosticka asked where the $400 million impact money went. **Mr. Blosser** said the direct impact was about $200 million and the rest was a multiplier, spread out through the community in the form of jobs and taxes generated by the OCC. **Mr. Williams** said that without sales tax it was difficult. **Mr. Blosser** said the biggest beneficiaries citywide from out-of-town visitors were food, beverage and retail. Without a tax on those, there was no way to bring the funds back into the system. **Mr. Blosser** said he would soon have economic impact and employment by county statistics ready for release. **Mr. LaCrosse**, of POVA, commented on the visitor development agreement, saying it was very complex. He said every dynamic in that agreement in terms of financing was changing and they wouldn't know the full impact until 7 to 9 years down the road. He asked for more conversation on trade shows versus conventions and said the relationship between management of local trade and how the OCC was used for that purpose was critical to the long-term success of the OCC. **Mr. Williams** pointed out that "trade show" is used to distinguish from "consumer show". His general sense was that traditional association business was stagnating or declining and that there was more growth in corporate and trade show markets. He emphasized that the OCC had never turned down out of town business in favor of local business.

Mr. LaCrosse asked if Mr. Blosser had felt any pressure to shift to Expo Center for corporate business. **Mr. Blosser** said he had not yet felt that, and that the facilities had not been there to accommodate corporate business. Improvements on Expo Center would give POVA more resources to sell in the community. Consumer shows at OCC that generated huge amounts of revenue would make it difficult to kick one of them out. **Mr. D'Alessandro** said the primary purpose for the OCC was its intended economic impact to the region, which should continue to be the priority. The OCC was successful from the start, but the marketplace was changing dramatically – the Mandalay Bay Hotel in Las Vegas had just broken ground for a 1.2 million square feet center, and could throw room rates together in a package. The OCC should anticipate competing with single hotels, and the guarantee of the OCC's success was no longer the same. He noted that Portland can be a very expensive place to meet sometimes. He commended the OCC for its effective and efficient operations.

Chair Burkholder said this information and key issues would be looked at in the fall. **Councilor Park** recognized the basic conflict between funding sources and operations, and stressed the need for resolution which would, by extension, solve other problems.

4. Councilor Communications

None.

Chair Burkholder adjourned the meeting at 11:30 AM.

Respectfully submitted,

Cary Stacey
Acting Council Assistant

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF MAY 31, 2001

None

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