KPMG

OREGON CONVENTION CENTER
METRO ER COMMISSION

Economic and Fiscal Impacts Analysis Update

ADVISORY

Final Report
May 2006

AUDIT ▪ TAX ▪ ADVISORY

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May 5, 2006

Mr. Jeffrey Blosser, Director
Oregon Convention Center
P. O. Box 12210
Portland, Oregon 97212

Dear Mr. Blosser:

Per our agreement dated March 22, 2004, we have completed our economic and fiscal impact analysis update for the Oregon Convention Center's operations in 2005. The report presented herein includes the summary of findings and principal conclusions from our research.

The findings and assumptions contained in the report reflect analysis of primary and secondary sources including information from management at the Oregon Convention Center. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis are based on trends and assumptions and, therefore, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by the Oregon Convention Center and may not be relied upon by any third party for any purpose. Notwithstanding these limitations, it is understood that this document is subject to public information laws and as such can be made available to the public. Neither this report, nor any portion thereof, may be used for any other purpose without the prior written consent of KPMG LLP.

This analysis was prepared under the Consulting Standards issued by the American Institute of Certified Public Accountants (AICPA) and does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the AICPA. As such, we do not express an opinion or any other form of assurance on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation.

The client has authorized reports to be sent electronically for its convenience. However, only the final hard copy report should be viewed as our work product.

We have enjoyed working on this engagement and our on-going relationship with the Oregon Convention Center and look forward to the opportunity to provide you with continued service.

Sincerely,

KPMG LLP

Introduction

The Oregon Convention Center (OCC) is owned by METRO, a regional government, and managed by Metropolitan Exposition-Recreation Commission (MERC), a seven-member commission which is a subsidiary of METRO. MERC also provides management and stewardship of other regional public assembly facilities including the Portland Center for the Performing Arts and the Portland Metropolitan Exposition Center. Originally opened in September of 1990, the OCC currently offers the following components subsequent to its expansion in April of 2003:

- *Exhibit Space*: 255,000 square feet of contiguous space divisible into six exhibit halls
- *Ballroom Space*: 59,400 square feet of total space, which includes a 25,200-square foot ballroom and a 34,200-square foot ballroom
- *Meeting Space*: 50 rooms totaling 52,330 square feet of meeting space
- *Skyview Terrace*: 7,000 square feet
- *Parking*: 800-space underground parking garage on-site and 2,500 parking spaces within walking distance
- *Technology*: High-speed wired and wireless (Wi-Fi)

In addition, the Portland Development Commission (PDC), in conjunction with MERC and the Portland Oregon Visitors Association (POVA), sought developers for construction of a headquarters hotel near the OCC. Four proposals were received and were evaluated by a headquarters hotel evaluation committee comprised of representatives from MERC, POVA, OCC, the Tri-County Lodging Association, the Lloyd Business Improvement District, the Lloyd District Transportation Management Association, the Portland Office of Finance and Administration, the N/NE Economic Development Alliance, PDC, the Lloyd District Community Association and METRO. After a series of public meetings, this committee made a recommendation for a preferred developer to the PDC Executive Director.

Introduction (cont'd)

The PDC Board approved the recommendation of the Executive Director to select Ashforth Pacific and Garfield Traub for the headquarters hotel project. The selected developer will enter into a Memorandum of Understanding and begin exclusive negotiations with the PDC. Upon successful completion of negotiations, the PDC and developer will enter into a formal Development Agreement that will detail the development program, project financing and conveyance of property.

The benefits realized from on-going OCC operations are recurring in nature. This analysis reflects the impact of the event activity during calendar year 2005.

The Tri-County Metropolitan Region benefits from the OCC in a number of ways, including such tangible and intangible benefits as:

- Enhancing the area's image as a business, meetings and tourist destination;
- Receiving regional and national exposure through destination marketing and visitation;
- Providing a first-class meeting venue for area residents and out-of-town delegates/attendees;
- Unifying the market area, creating a more distinct identity;
- Providing a catalyst for urban redevelopment initiatives; and
- Generating additional economic activity and enhanced fiscal revenues to the Tri-County Metropolitan Region.

Each of these benefits is important in assessing the benefit of the on-going operations of the OCC to the Tri-County Metropolitan Region. While the value of most of these benefits is difficult to measure, the economic activity generated by the OCC within the Tri-County Metropolitan Region can be quantified in terms of spending, employment and earnings. As such, this analysis summarizes the estimated direct, indirect and induced economic benefits and tax benefits associated with the OCC's operations for the entire Tri-County Metropolitan Region as well as by individual county.

Overview of OCC Event Activity

The convention and meetings industry is comprised of several types of events with varying space requirements. The following describes the primary event types hosted at the OCC.

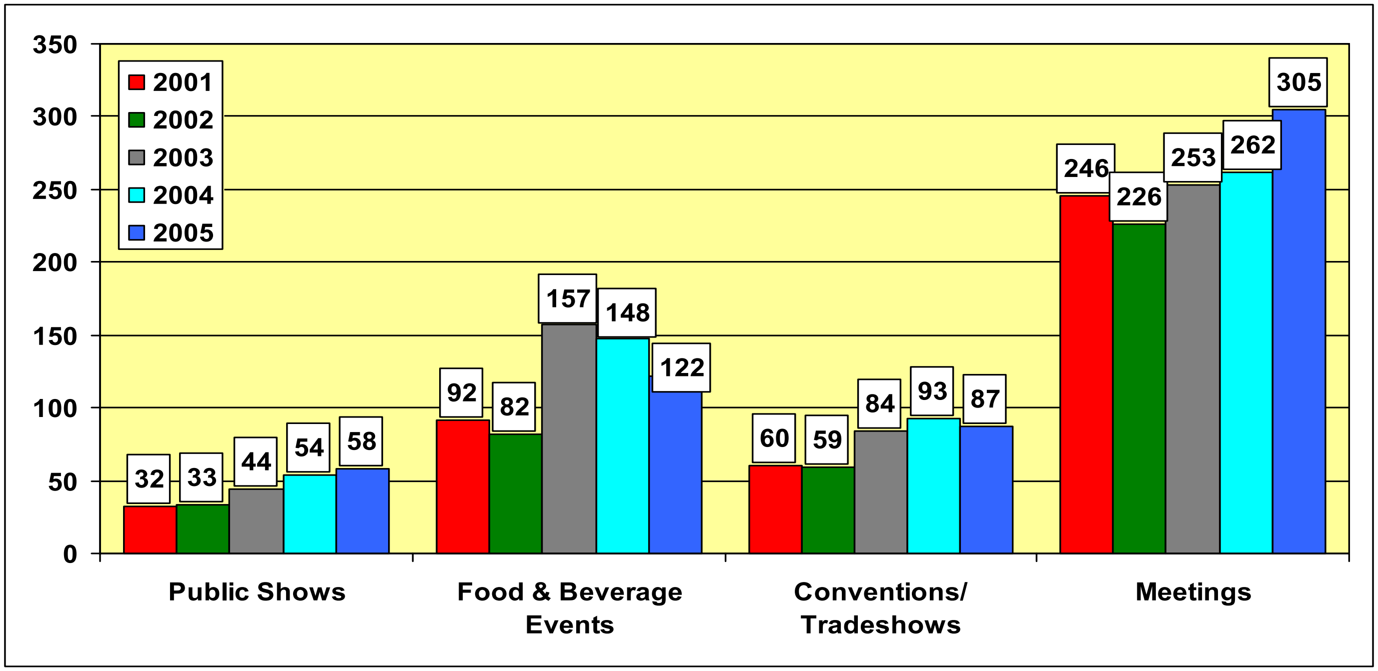
- *Convention* - An assembly of attendees from an association, corporation or other organization, meeting for a common purpose which typically require hotel/motel rooms.
- *Tradeshow* - An assembly of members from common trade associations or other organizations, meeting to buy and sell products, exchange information and generally conduct business via the use of exhibit booths. Tradeshows are usually not open to the public.
- *Meeting* - Any gathering of persons for a common cause such as annual meetings, religious meetings, seminars and other public assemblies.
- *Public Show* - Any assembly of members of common trade associations, organizations and/or other groups who meet solely to sell, display or demonstrate their wares and services to the general public where an admission fee may or may not be charged.
- *Food & Beverage Event* - Special events requiring catering services such as luncheons, receptions and banquets.

During calendar year 2005, the OCC hosted 572 events, which accounted for a total attendance of approximately 723,900. This event activity represents an increase of 15 events and approximately 80,200 in total attendance from the prior year. The pages that follow summarize event activity at the OCC in terms of number of events, attendance and attendee days.

Overview of OCC Event Activity – Number of Events

The number of public shows and meetings increased between 2004 and 2005. Consistent with most convention centers, meetings comprised the largest number of events at the facility, accounting for approximately 53% of the total number of events in 2005. However, meetings are not typically a large economic impact generator. The OCC experienced a slight decrease in the number of conventions/ tradeshows from 93 in 2004 to 87 in 2005. In addition, the number of food and beverage events also decreased for the second consecutive year.

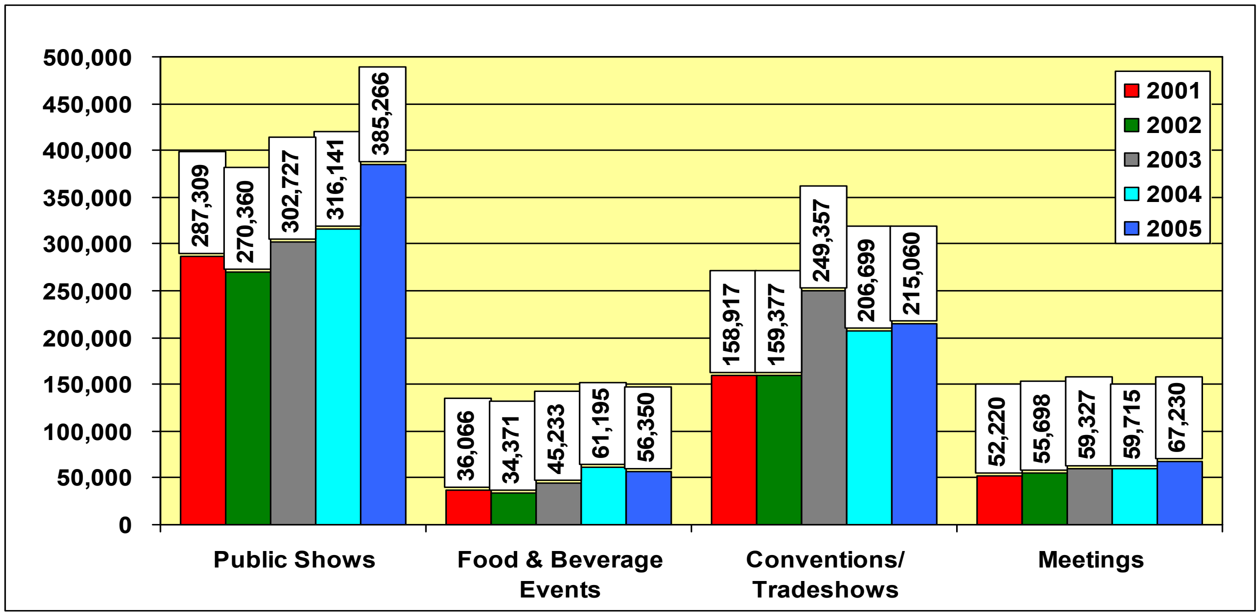
Comparison of the Number of Events at the OCC



Overview of OCC Event Activity – Total Attendance

Public shows, conventions/tradeshows and meetings all experienced an increase in total attendance between 2004 and 2005. Historically, public shows account for the highest percentage of attendance at the facility, of which the annual International Auto Show is one of the largest. Although attendance at this event decreased by more than 9,000 people between 2004 and 2005, this single event still accounted for approximately 19% of total attendance at public shows. Despite a decline in the number of conventions/ tradeshows, total attendance for these events increased by approximately 8,400 people. In addition, total attendance at meetings increased for the fourth consecutive year.

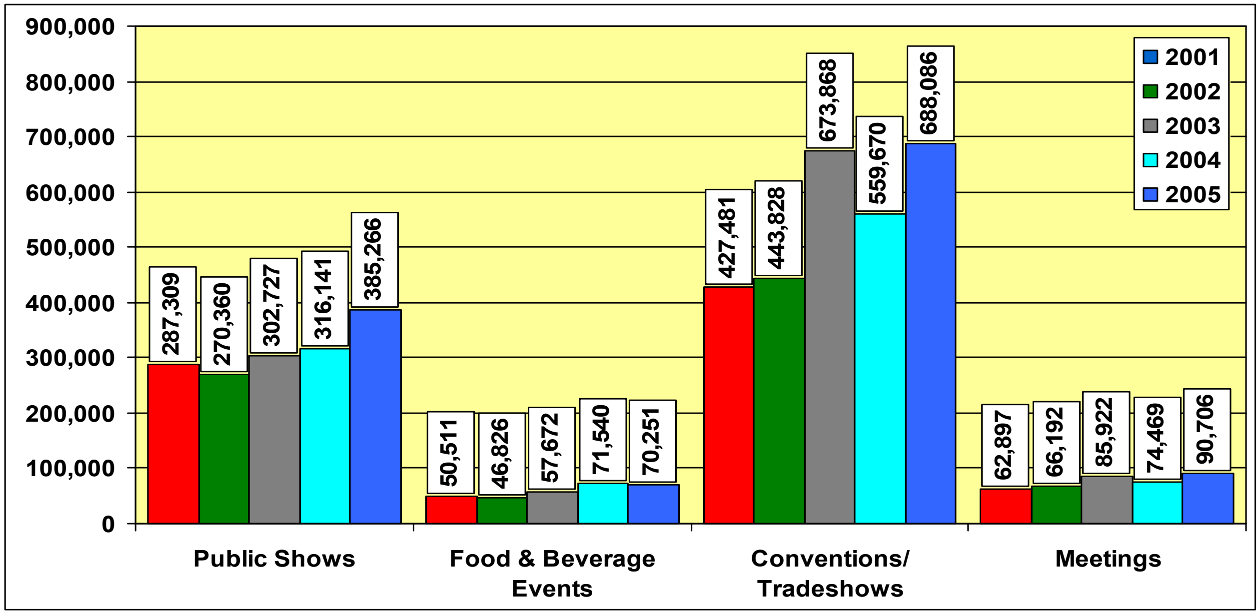
Comparison of Total Attendance at the OCC



Overview of OCC Event Activity – Total Attendee Days

The number of attendee days is an important component in the methodology used to calculate economic impact. For conventions/tradeshows, meetings as well as food and beverage events, an attendee day is defined as total attendance multiplied by the event length. For example, a three-day convention with 600 delegates equates to 1,800 attendee days which reflects that the same number of delegates return to the event each of the three days. Conversely, attendee days for public shows are assumed to be the same as total attendance since most attendees generally attend a public show only once during the event. Total attendee days at conventions/tradeshows increased by 23% from nearly 560,000 in 2004 to just over 668,000 in 2005, which is important since these events typically generate the greatest amount of economic impact within the surrounding areas.

Comparison of Total Attendee Days at the OCC



Overview of OCC Event Activity – Scope

When estimating economic impact, the scope of event activity is important because different spending amounts are applied to attendees based on whether they are attending State/local or national/regional/international events. As shown in the table below, approximately 85% of all events hosted at the OCC were State/local in scope. However, approximately 43% of the conventions/tradeshows and 83% of related attendee days were generated from national/regional/international events.

Summary of Event Activity at the OCC in 2005 by Scope

	Number of Events			Attendee Days		
Event Type	**State/ Local**	**National/ Regional/ International**	**Total**	**State/ Local**	**National/ Regional/ International**	**Total**
Conventions & Tradeshows	50	37	87	119,004	569,082	688,086
Meetings	270	35	305	70,570	20,136	90,706
Other	165	15	180	429,168	26,349	455,517
Total	**485**	**87**	**572**	**618,742**	**615,567**	**1,234,309**

Methodology

An assessment of the economic benefits that could potentially accrue to the Tri-County Metropolitan Region as a result of the on-going operations of the OCC can be approached in several ways. The approach used in this analysis considers the expense side of convention center operations as well as attendee, association and exhibitor spending for documentation of the initial direct impacts to a community. All expenses generated by convention center operations from salaries and wages, repairs and maintenance, contract services, administrative, marketing, utilities, insurance, etc. as well as an estimate of spending for attendees, associations and exhibitors using the facility are used as an initial measure of economic activity within the marketplace. Once the amount for direct spending is estimated, a multiplier is applied to generate the total (direct, indirect and induced) spending, earnings and employment associated with the project. This "multiplier" effect is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc.

The economic activity directly generated through the on-going operations of the OCC and the spending of its users affects more than just the facility and immediately surrounding land uses. As this money ripples through the economy, several other economic sectors are impacted and jobs are created. For example, when a caterer purchases food for an event at the OCC everyone from the wholesaler to the farmer that produced the food is impacted. In addition, local governmental entities that tax these economic transactions also benefit. The following are the specific aggregate industries used in this analysis:

- hotel/entertainment;
- eating and drinking places;
- transportation;
- retail trade;
- electric, gas, water & sanitary services; and
- business services.

Methodology (cont'd)

Once the total economic impact for the Tri-County Metropolitan Region is estimated, a percentage of the total is allocated to each of the three counties. Allocations for hotel spending are based on the historical transient lodging tax receipts for each county as a percentage of the total collections within the Tri-County Metropolitan Region. Allocations for all other spending are calculated in the same manner based on historical information on travel spending as provided by Dean Runyan Associates to the Oregon Tourism Commission. The table below summarizes the allocations for hotel and all other spending used in this analysis.

	% Allocation	
County	**Hotel Spending**	**All Other Spending**
Clackamas	8.37%	12.40%
Multnomah	80.35%	74.10%
Washington	11.28%	13.50%
Total	100.00%	100.00%

Source: Dean Runyan Associates.

Methodology (cont’d)

The three categories of measurement used to assess the economic impact of a project are spending, earnings and employment which are defined below:

- **Total spending (output)** represents the total direct and indirect/induced spending effects generated by the project. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.

- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

- **Employment** represents the number of full and part-time jobs supported by the project. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional $1.0 million of output delivered to final demand.

In addition to the economic impact analysis, fiscal benefits or tax revenue impacts that result from on-going operations of the OCC are also estimated. The governmental entities considered in this fiscal analysis are Clackamas, Multnomah and Washington Counties, as well as METRO and the State of Oregon. Revenues generated from hotel/motel occupancy tax, excise tax, motor vehicle rental tax, business income tax and personal income tax are calculated. All amounts depicted in this report are presented in 2005 dollars unless otherwise noted.

Summary of Estimated Economic Benefits from On-Going OCC Operations

The table to the right summarizes the estimated economic impacts generated from operations of the OCC in 2005 in terms of total direct and indirect/induced spending, employment and earnings for the entire Tri-County Metropolitan Region as well as the allocation of this spending among the three individual counties using the method previously described. The pages that follow discuss each component in more detail.

Estimated Economic Benefits To the Tri-County Metropolitan Region From OCC Operations in 2005	
Total Economic Benefits:	**Tri-County Region**
Direct Spending	$322,395,000
Indirect/Induced Spending	$229,251,000
Total Direct and Indirect/Induced Spending	$551,646,000
Total Direct and Indirect/Induced Employment (# of FTE jobs)	8,300
Total Direct and Indirect/Induced Earnings	$243,422,000
Total Economic Benefits:	**Clackamas County**
Direct Spending	$36,441,000
Indirect/Induced Spending	$26,005,000
Total Direct and Indirect/Induced Spending	$62,446,000
Total Direct and Indirect/Induced Employment (# of FTE jobs)	900
Total Direct and Indirect/Induced Earnings	$27,756,000
Total Economic Benefits:	**Multnomah County**
Direct Spending	$244,380,000
Indirect/Induced Spending	$173,631,000
Total Direct and Indirect/Induced Spending	$418,011,000
Total Direct and Indirect/Induced Employment (# of FTE jobs)	6,300
Total Direct and Indirect/Induced Earnings	$184,141,000
Total Economic Benefits:	**Washington County**
Direct Spending	$41,575,000
Indirect/Induced Spending	$29,615,000
Total Direct and Indirect/Induced Spending	$71,190,000
Total Direct and Indirect/Induced Employment (# of FTE jobs)	1,100
Total Direct and Indirect/Induced Earnings	$31,525,000

Notes:
Amounts are presented in 2005 dollars.
FTE denotes full-time equivalent employees.
There may be slight differences due to rounding.

Summary of Direct Spending

The first step in calculating economic impact is estimating the direct spending. The benefits generated at the local level result from the impact of direct spending both by attendees and activities that support events held at the OCC. Direct spending impacts from operations are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending, including out-of-town delegates and local attendees;
- Association spending;
- Exhibitor spending; and
- Budgetary spending by the OCC.

Per capita attendee spending amounts are estimated based on the Convention Expenditure and Impact Study conducted by Destination Marketing Association International (DMAI), formerly the International Association of Convention and Visitors Bureaus (IACVB), which reflects the spending patterns of thousands of convention and meeting delegates from a broad base of meeting types. The 2004 Convention Expenditure and Impact Study provides the spending attributes for regional/national business, however, State/local spending attributes were unavailable due to an inadequate sample. Thus, figures from the 2002 Convention Income Survey were used. All amounts were inflated by a 3% annual inflation rate to reflect 2005 dollars.

Summary of Direct Spending (cont'd)

Attendee Spending

Through information from management, OCC events were analyzed to separate out attendees at regional/national events from those at State/local events. The DMAI Convention Income Survey provides spending estimates by scope of event. For purposes of this analysis, high impact attendees are defined as those that stay overnight in a hotel room. In general, low impact attendees are local patrons at consumer shows, civic events and meetings. As such, adjustments are made to the DMAI spending amounts to account for low impact spending. Based on information provided by the OCC and for purposes of this analysis, all attendees at regional/national/international events are classified as high impact. In addition, 30% of State/local convention/tradeshow attendees and 5% of attendees at all other State/local events are considered high impact. All remaining attendees are classified as low impact.

The following table presents the total spending characteristics per delegate day for delegates.

	State/Local		Regional/ National
Per Day Spending	**High Impact**	**Low Impact**	**High Impact**
Delegate	$234.94	$26.77	$269.48

Note: In 2005 dollars.

Source: DMAI.

Summary of Direct Spending (cont'd)

Association & Exhibitor Spending

Sponsoring organizations have substantial investments in the events that they host. These organizations purchase goods and services from either the convention center, food and beverage contractor or from outside sources. Items such as exhibit space and equipment rental are typically provided by the convention center, which are reflected as revenues for the provider. Since this spending is eventually reflected in the budgetary spending by the convention center, these amounts are excluded from association spending to avoid double counting. Estimated association spending amounts are provided by the DMAI Convention Expenditure and Impact Study and are based on spending per attendee day.

The DMAI Convention Expenditure and Impact Study also provides spending estimates for exhibitors per attendee day. Adjustments to these estimates are made to avoid double counting similar to association spending. Based on conversations with DMAI representatives, exhibitor spending at State/local events can be higher than that at regional/national events since these exhibitors are more likely from the local area. Thus, they tend to spend a greater portion of their exhibit-related expenses within their own community. Conversely, exhibitors attending regional/national events are likely to spend a greater portion of their expenses where they are based as opposed to the event location.

Association and exhibitor spending per delegate day are presented below.

Per Day Spending	State/ Local	Regional/ National
Association[1]	$14.68	$15.45
Exhibitor[1]	$114.36	$72.38

Note: [1] Amounts are for 2005 spending per delegate.

Source: DMAI.

Summary of Direct Spending (cont'd)

Budgetary spending by the OCC

Budgetary spending refers to the "expense side" generated by the OCC. Regardless of the source or magnitude of the revenues that the building produces, this analysis focuses on the operating expenditures occurring in the Tri-County economies. Based on information provided by management, the OCC had approximately $17.9 million in operating expenditures in 2005.

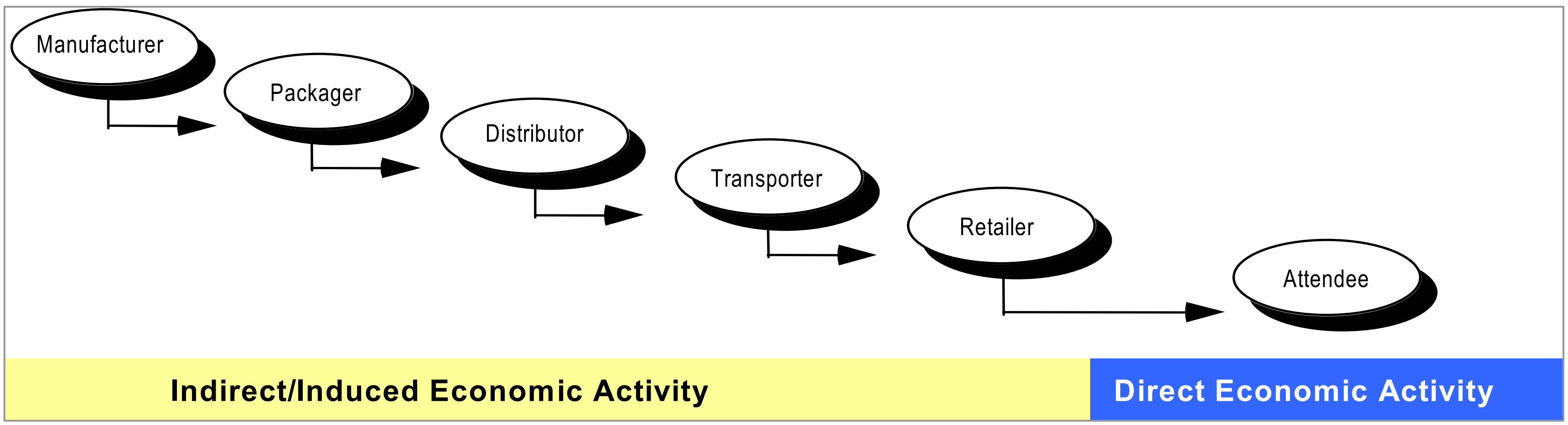
Summary of Direct Spending

Based on information provided by the OCC for 2005 and the DMAI spending estimates, the total direct spending related to OCC attendees, associations and exhibitors as well as budgetary spending is estimated to be approximately $322.4 million in 2005. The table below shows the breakdown of estimated direct spending among these groups.

Category	2005
Attendee Spending	$195,090,000
Association Spending	109,365,000
OCC Budgetary Spending	17,940,000
Total Direct Spending	$322,395,000

Indirect/Induced Spending

The economic activity generated through the on-going operations of the OCC affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. It is a common misconception to assume that the indirect/induced spending occurs subsequent to the purchase of the good as an "after effect." To further illustrate this point, consider that raw materials are purchased, labor is hired, and goods are produced, transported and marketed to retailers before the attendee spending takes place. To yield direct spending, several intermediary levels of spending must occur first.



Multipliers

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. This "multiplier" effect is estimated in this analysis using a regional economic forecasting model provided by Minnesota IMPLAN Group, Inc., a private economic modeling company. The format and data is based on models developed and maintained by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). One of the major advantages of this type of model is that it is sensitive to both location and type of spending, and has the ability to provide induced/indirect spending, employment and earnings information by industry category.

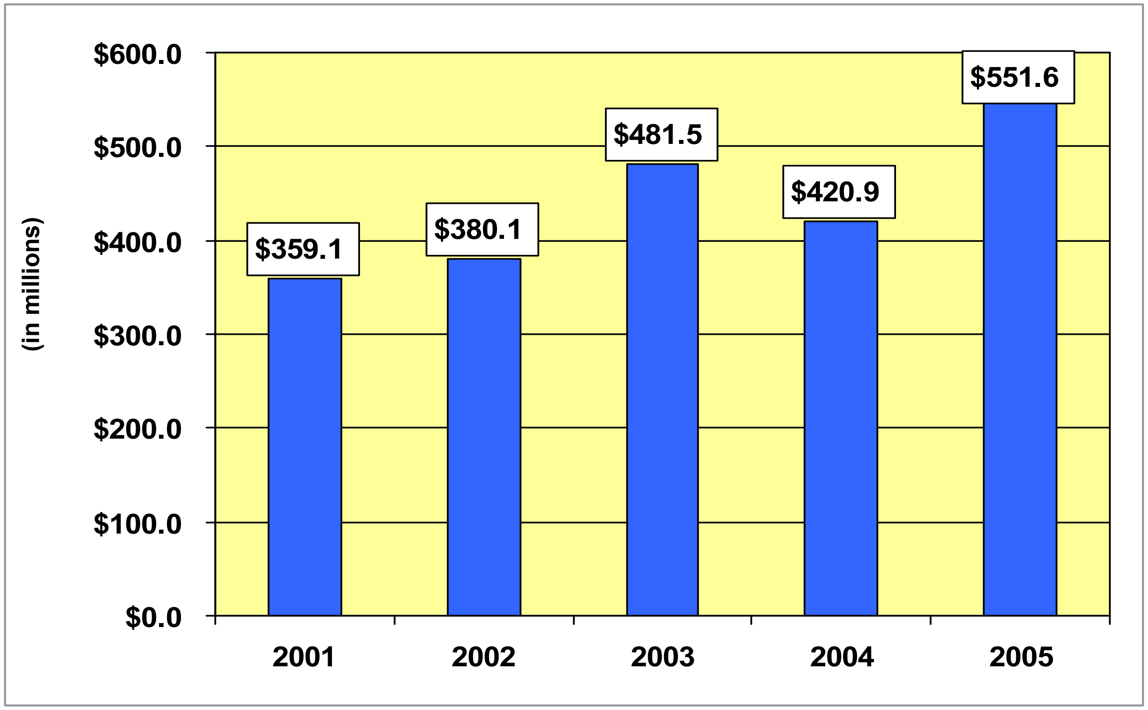
The direct spending amounts estimated from operations of the OCC are applied to the multipliers in order to calculate estimates for total spending, total earnings and total employment (jobs). The Tri-County Metropolitan Region multipliers used in this analysis are shown in the following table.

	Oregon's Tri-County Metropolitan Region Multipliers		
Category	**Spending**	**Employment**	**Earnings**
Hotels/Entertainment	1.6847	31.4	0.6865
Eating & Drinking Places	1.7526	31.5	0.6504
Retail Trade	1.5825	22.8	0.6681
Transportation	1.7919	15.6	0.6513
Utilities	1.3344	4.6	0.3390
Business Services	1.7315	20.6	0.9230

Source: IMPLAN.

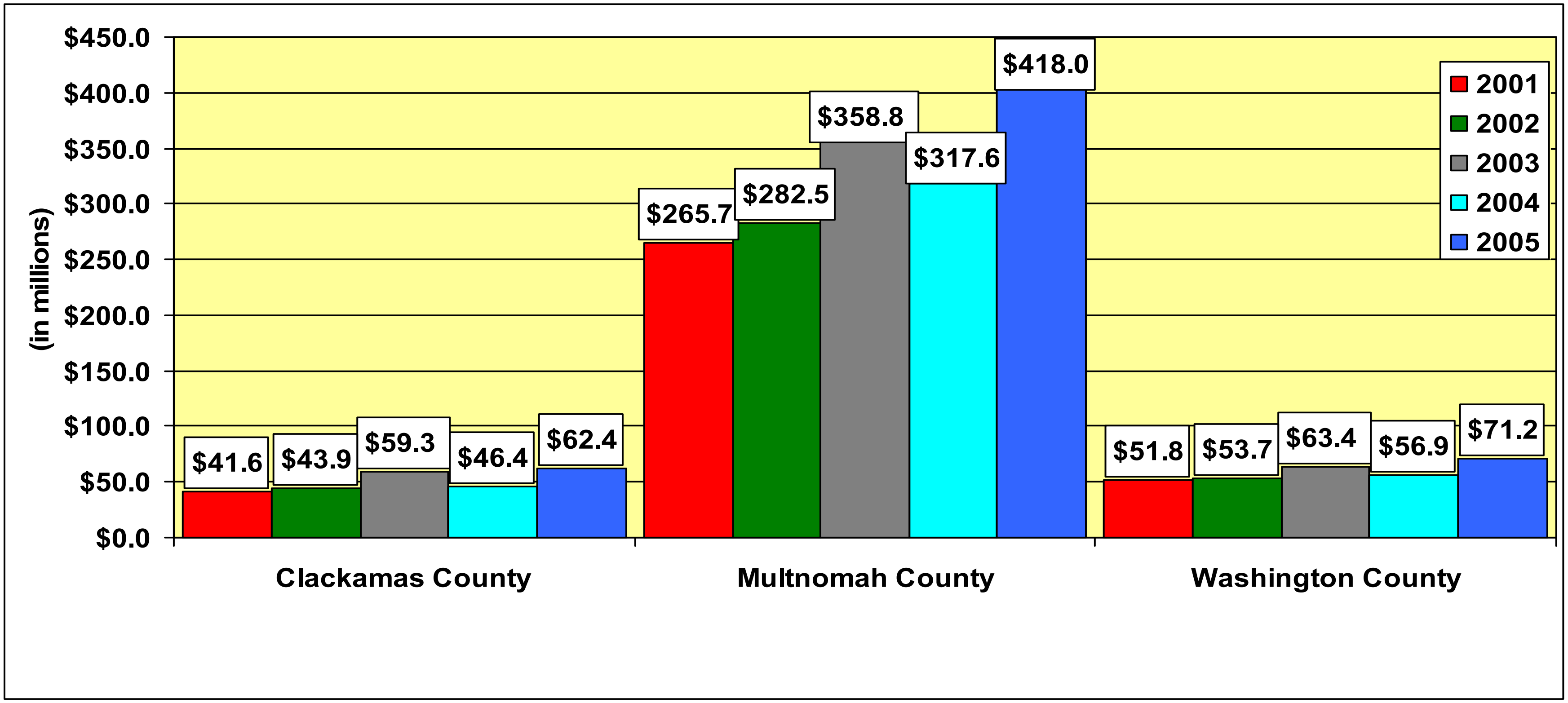
Summary of Estimated Total Spending in the Tri-County Metropolitan Region

Outputs from the model indicate that total (direct and induced/indirect) spending generated within the Tri-County Metropolitan Region from OCC operations in 2005 is estimated to be approximately $551.6 million, which is 31% higher than in 2004. This difference in total spending is likely attributable to increases in total attendee days (21%), total conventions/tradeshows attendee days (23%), total high impact attendee days (39%) and total regional/national/international attendee days (50%). In 2005, approximately 55% of total attendees days were high impact days compared to 47% in 2004.



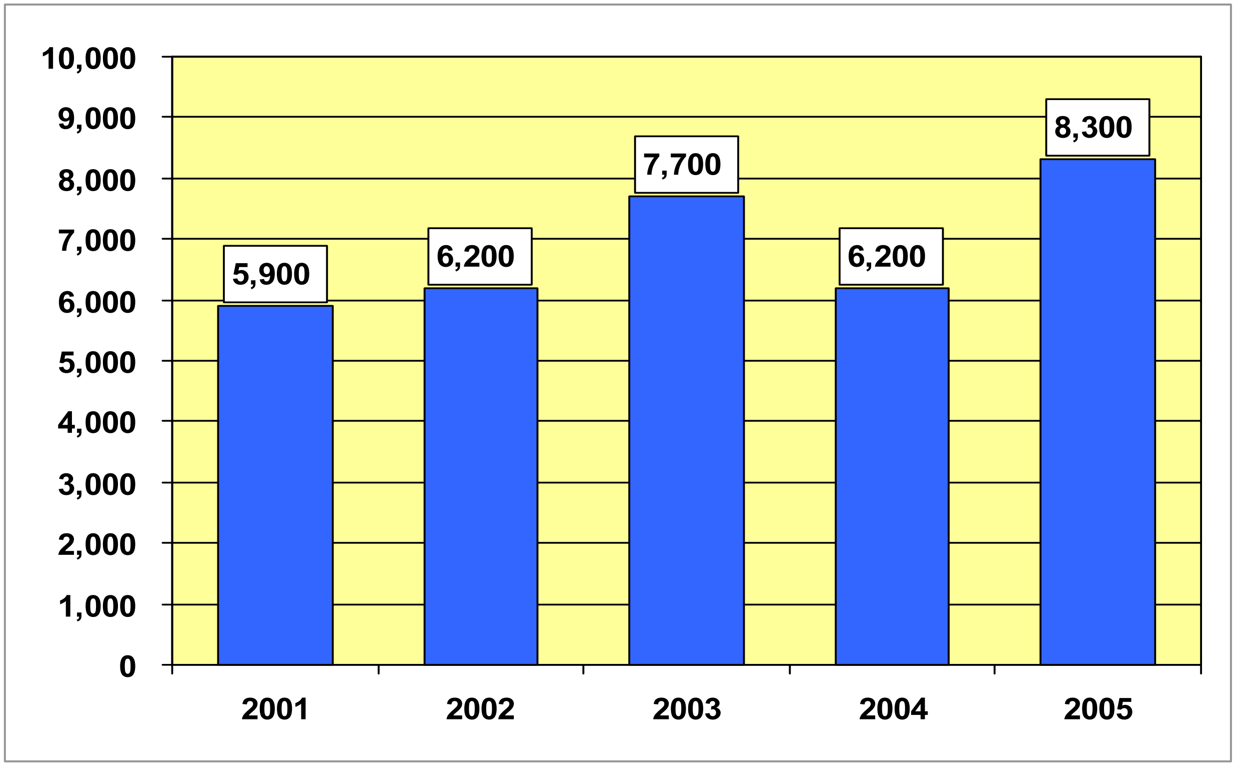
Summary of Estimated Total Spending By County

Estimated total spending increased by approximately 34% in Clackamas County, 32% in Multnomah County and 25% in Washington County.



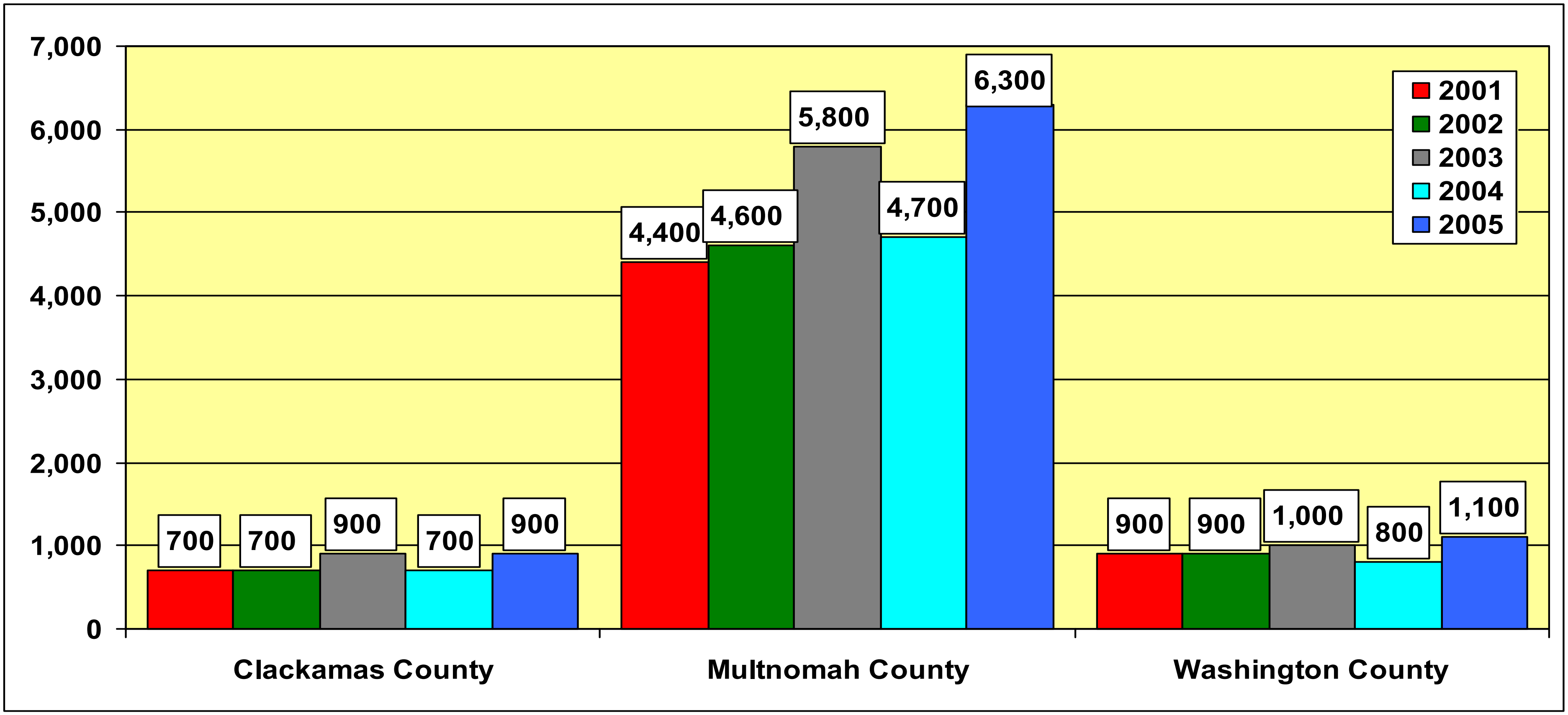
Summary of Estimated Total Employment in the Tri-County Metropolitan Region

Based on the IMPLAN model, which calculates the number of jobs per $1.0 million in spending, it is estimated that the economic activity associated with OCC operations generated approximately 8,300 total jobs in 2005 in the Tri-County Metropolitan Region, an increase of approximately 2,100 jobs from 2004. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.



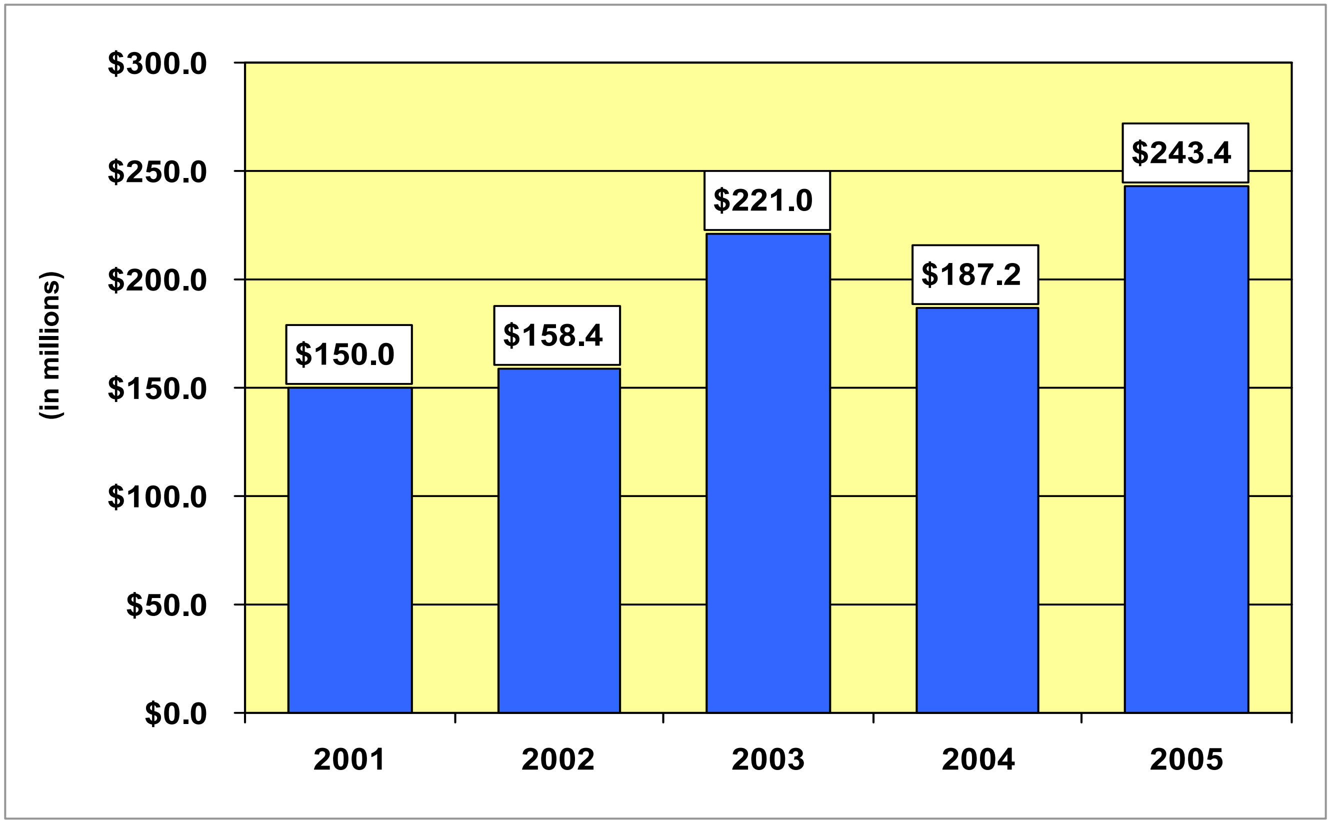
Summary of Estimated Total Employment by County

As with total spending, estimated total employment increased in each of the three counties between 2004 and 2005. Washington County experienced the largest percentage increase in employment (38%) followed by Multnomah (34%) and Clackamas (29%) counties.



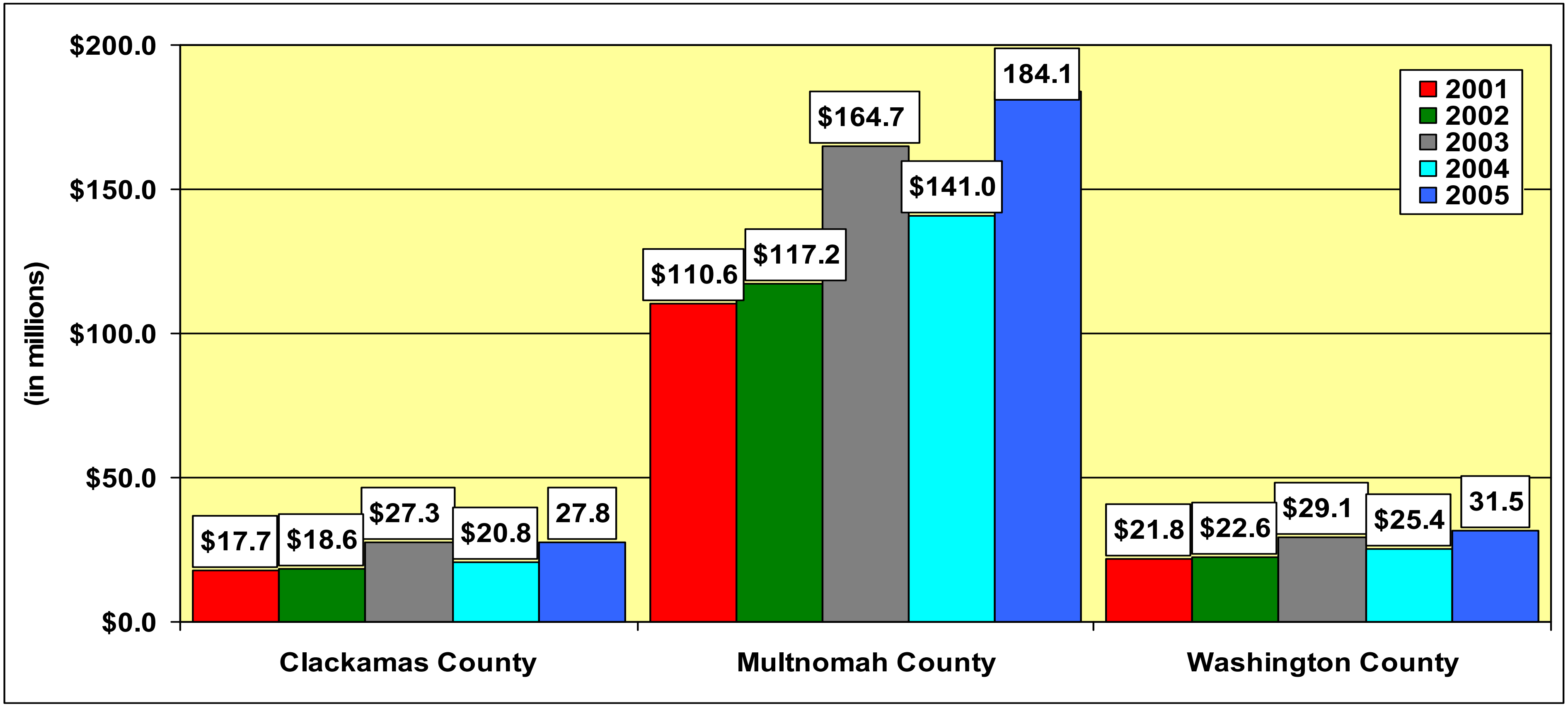
Summary of Estimated Total Earnings in the Tri-County Metropolitan Region

Estimates by IMPLAN indicate that total earnings in the Tri-County Metropolitan Region generated from OCC operations were approximately $243.4 million in 2005.



Summary of Estimated Total Earnings By County

In terms of estimated total earnings, Clackamas County increased by approximately 34% between 2004 and 2005 followed by Multnomah County (31%) and Washington County (24%).



Fiscal Impacts Analysis

The estimated spending generated by the on-going operations of the OCC create tax revenues for the Tri-County Metropolitan Region. Experience in other markets suggests that while a significant portion of the direct spending would likely occur near the facility, additional spending occurs in other areas within the Tri-County Metropolitan Region, particularly spending such as business services and the everyday living expenses of residents.

Major tax sources potentially impacted by OCC operations were identified in order to estimate the taxable amounts to apply to each respective tax rate. Although other taxes, such as property taxes and gasoline taxes, may be impacted by the on-going operations of the OCC, this analysis estimates revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously discussed:

<u>State of Oregon</u>

- Personal Income Tax
- Transient Lodging (Hotel/Motel) Tax
- Corporate Excise and Income Tax

<u>METRO</u>

- Excise Tax

<u>Clackamas County</u>

- Transient Room Tax

<u>Multnomah County</u>

- Transient Lodgings Tax
- Personal Income Tax
- Motor Vehicle Rental Tax
- Business Income Tax

<u>Washington County</u>

- Lodging Tax

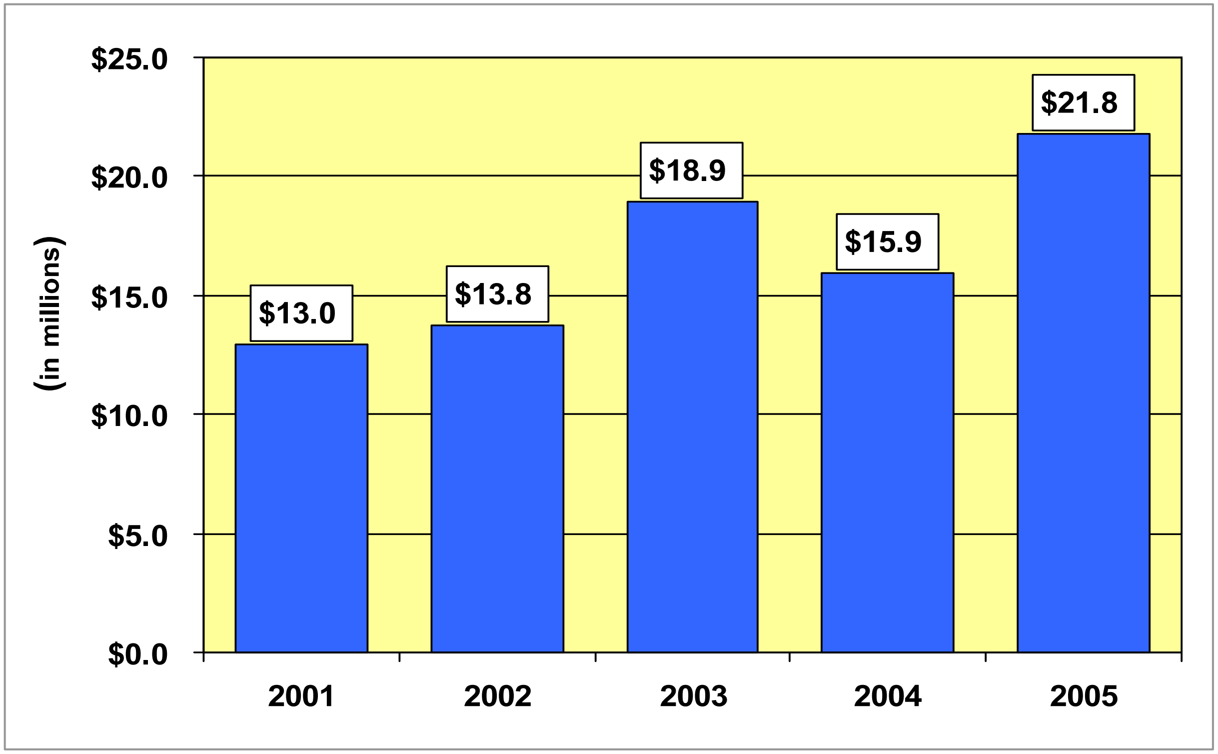
Summary of Estimated Fiscal Impacts Generated From OCC Operations in 2005

Tax revenues generated from OCC operations and related spending in 2005 are estimated to be $21.8 million.

Estimated Fiscal Impacts from OCC Operations in 2005	
State of Oregon	
Personal Income Tax	$7,088,000
Transient Lodging Tax	878,000
Corporate Excise and Income Tax	851,000
Total	$8,817,000
METRO	
Excise Tax	$1,065,000
Total	$1,065,000
Clackamas County	
Transient Room Tax	$661,000
Total	$661,000
Multnomah County	
Transient Lodgings Tax	$8,109,000
Personal Income Tax	1,197,000
Motor Vehicle Rental Tax	1,073,000
Business Income Tax	142,000
Total	$10,521,000
Washington County	
Lodging Tax	$693,000
Total	$693,000
Total Tax Benefits	**$21,757,000**

Summary of Estimated Total Fiscal Impacts Generated From OCC Operations

As shown below, estimated fiscal impacts generated from OCC operations increased by approximately 37% between 2004 and 2005, which is primarily attributable to the increase in attendees and related spending.



Summary of Assumptions Used in the Fiscal Impacts Analysis

The pages that follow outline the assumptions utilized in this analysis to calculate the estimated fiscal benefits generated by the State of Oregon, METRO, and the three individual counties in the Tri-County Metropolitan Region.

State of Oregon

Personal Income Tax – The State of Oregon imposes a personal income tax, which is calculated on a graduated scale. Personal income tax is the State of Oregon's largest source of revenue. Based on information from the State of Oregon Department of Revenue, the Statewide effective tax rate for personal income is 5.6%. For purposes of this analysis, personal income tax is calculated by applying the effective tax rate of 5.6% to 52% of total earnings, which represents the State's average taxable income as a percentage of total income.

Transient Lodging Tax – Effective in 2004, public and private lodging providers began paying a 1% State lodging tax. This tax is in addition to and not in place of any local transient lodging tax. This tax continuously appropriates funds to the Oregon Tourism Commission to promote tourism programs in Oregon. For purposes of this analysis, the 1% tax rate is applied to 100% of hotel spending.

Corporate Excise and Income Tax – Corporate excise and income tax is the second largest source of revenue for the State. All corporations doing business in Oregon pay excise tax while corporations not doing business in the State but having income from an Oregon source pay income tax. The corporate tax rate is 6.6% of Oregon net income. For purposes of this analysis and based on information from the State of Oregon Department of Revenue, the 6.6% tax rate is applied to 4% of direct spending in order to reflect net income.

Summary of Assumptions Used in the Fiscal Impacts Analysis (cont'd)

METRO

Excise Tax – METRO imposes an excise tax of 7.5% of total earned revenues of facilities owned or operated by MERC. The tax is remitted on a monthly basis to METRO and is a General Fund Revenue which goes toward the funding of general government activities as well as various planning, parks and green spaces activities. For purposes of this analysis, the actual excise tax amount paid by the OCC is used.

Clackamas County

Transient Room Tax – Clackamas County imposes a 6% transient room tax on hotels, defined as any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes. Revenues generated by this source are allocated as follows: two points are used for administration purposes, a flat fee is allocated to help fund the County Fair and the remaining amount goes to the Tourism Development Council Fund which is used to promote tourism. The flat fee allocated to the County was originally set at $250,000 per year and is adjusted by CPI annually. For fiscal year 2005, the flat fee was approximately $343,000.

In addition to the 6% tax rate imposed by Clackamas County, several cities in the County also impose additional transient room taxes, which range from 3% to 5%. For purposes of this analysis, a tax rate of 9% is applied to 100% of direct hotel spending in the County. Although all tax revenue is generated within the County, the County only retains six of the nine points while the various cities within the County receive the remaining amount.

Summary of Assumptions Used in the Fiscal Impacts Analysis (cont'd)

Multnomah County

Transient Lodgings Tax – Multnomah County imposes a tax of 11.5% of the rent charged by the operator of any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes. This tax is allocated as follows:

- the base rate of 5% is allocated to the County's general fund
- a 1% surcharge rate of the tax is used for contracting with private organizations for the promotion, solicitation, procurement and service of County convention business and tourism
- a 3% surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the 3% for administrative costs. The remaining amount is dedicated to various projects such as the OCC, the Portland Center for the Performing Arts, and the Regional Arts and Culture Council
- a 2.5% surcharge rate of the tax is allocated to the Visitors Facilities Trust Account (VFTA) of which hotel operators can deduct 5% of the 2.5% for administrative costs

For purposes of this analysis, the tax rate of 11.5% is applied to 100% of direct hotel spending in Multnomah County.

Personal Income Tax – In addition to the State's personal income tax, the County levies an additional 1.25% on Oregon's taxable personal income. For purposes of this analysis, the 1.25% tax rate is applied to 52% of total earnings in Multnomah County consistent with the methodology described earlier related to the personal income tax imposed by the State of Oregon. This tax sunset at the end of calendar year 2005.

Summary of Assumptions Used in the Fiscal Impacts Analysis (cont'd)

Motor Vehicle Rental Tax – Multnomah County levies a tax on the rental of motor vehicles from a commercial establishment doing business in the County if the rental is for a period of 30 days or less. The total tax rate is 12.5% of the rental fee charged by the commercial establishment for the rental. The tax is remitted to the County on a quarterly basis. The collections from the base rate of 10% is allocated to the County's general fund while the remaining 2.5% is allocated to the OCC. For purposes of this analysis, the tax rate of 12.5% is applied to 50% of direct local transportation in Multnomah County.

Business Income Tax – A business income tax is imposed on each person doing business within Multnomah County equal to 1.45% of the net income from that business within the County. This tax is administered by the City of Portland. For purposes of this analysis, the business income tax rate of 1.45% is applied to 4% of total direct spending in order to reflect net income.

Washington County

Lodging Tax – Washington County levies a 7% tax on short term stays in hotels, motels and RV parks. Currently, one point is dedicated to the Fair Board to support the County Fair and one point is dedicated to the Washington County Visitors Association to expand tourism. The remaining five points are split between the County and cities and are primarily used to fund functions like public safety, public health, transportation and other local government services. At the present time, no city in Washington County has its own lodging tax. For purposes of this analysis, the 7% tax rate is applied to 100% of direct hotel spending in Washington County. In addition, there is currently a measure on the May ballot to increase the lodging tax from 7% to 9%.