

BEFORE THE METRO COUNCIL

AUTHORIZING THE REIMBURSEMENT OF	)	RESOLUTION NO. 07-3883
EXPENDITURES WITH REIMBURSEMENT	)	
OBLIGATION PROCEEDS FOR THE OREGON	)	Introduced by Michael Jordan, Chief
CONVENTION CENTER HEADQUARTERS	)	Operating Officer with the Concurrence of
HOTEL PROJECT	)	Council President David Bragdon

WHEREAS, on November 8, 2007, the Metro Council via Resolution No. 07-3882A (“Authorizing Execution of Development Agreement With Project Developer; and Authorizing Negotiations For Intergovernmental Agreements and Additional Project Funding; and Authorizing Use of the Metro Tourism Opportunity and Competitiveness Account (MTOCA) Funds”) authorized the Metro Chief Operating Officer to execute a Development Agreement (“Agreement”) with the Development Team of Garfield Traub Ashforth LLC, for the development of the Oregon Convention Center Headquarters Hotel Project (“Project”) subject to the terms and conditions of the Agreement; and

WHEREAS, Metro has made and expects to make expenditures from its available funds to finance the acquisition of land and the development, design, construction, equipping and furnishing of the Project; and

WHEREAS, United States Treasury Regulation 1.150-2 requires issuers of tax-exempt borrowings to declare their intention if the issuers intend to use bond proceeds to reimburse expenditures that are initially funded from other sources; and

WHEREAS, Metro reasonably expects to issue bonds or other obligations (the “Reimbursement Obligations”) and to use the proceeds of the Reimbursement Obligations to reimburse Metro for the expenditures it makes from its available funds for the Public Improvements; and

BE IT RESOLVED by the Metro Council as follows:


**Section 1.** Metro reasonably expects to reimburse itself for expenditures it makes for the Project with the proceeds of the Reimbursement Obligations.

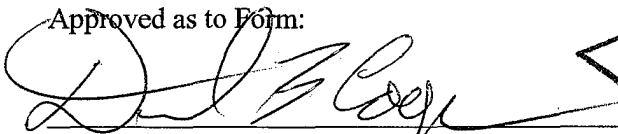
**Section 2.** Metro expects that the principal amount of the Reimbursement Obligations will not exceed TWO HUNDRED FIFTY-FIVE MILLION DOLLARS (\$255,000,000).

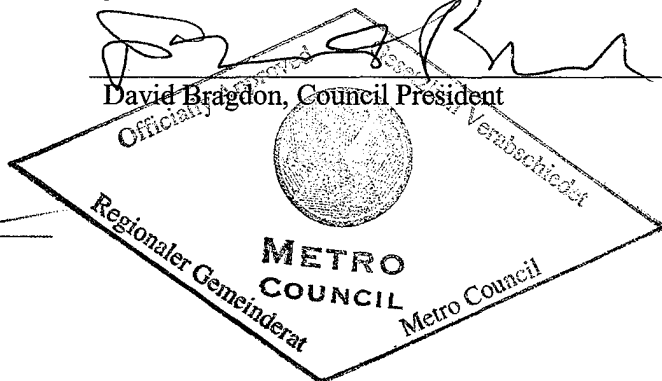
**Section 3.** The Metro Council hereby delegates to the Metro Chief Financial Officer the authority to make future reimbursement declarations on behalf of Metro pursuant to Treasury Regulation 1.150-2 or any replacement law. All such future declarations shall be in writing and the original or a certified copy of each declaration shall be maintained in the public records of Metro.

**Section 4.** This resolution shall take effect on the date of its passage by the Metro Council.

ADOPTED by the Metro Council this 13<sup>th</sup> day of December 2007.

  
David Bragdon, Council President

Approved as to Form:  
  
Daniel B. Cooper, Metro Attorney



## **STAFF REPORT**

IN CONSIDERATION OF RESOLUTION NO. 07- 3883, RESOLUTION OF THE METRO COUNCIL, AUTHORIZING THE REIMBURSEMENT OF EXPENDITURES WITH REIMBURSEMENT OBLIGATION PROCEEDS FROM THE OREGON CONVENTION CENTER HEADQUARTERS HOTEL PROJECT.

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Date: November 29, 2007

Prepared by: Tony Andersen

### **BACKGROUND**

Metro owns and operates the Oregon Convention Center (OCC) as a public asset. The mission of the OCC is to “maximize economic benefits for the metropolitan region and the State of Oregon while protecting the public investment in the facility.”

On November 8, 2007 the Metro Council voted unanimously to pass Resolution No. 07-3882-A, which authorizes the execution of a Development Agreement with the project developer, authorized negotiations for intergovernmental agreements and project funding, and authorized use of Metro Tourism Opportunity and Competitiveness Account (MTOCA) funds, for the Oregon Convention Center Headquarters Hotel Project (“Project”). The Development Agreement contemplates that if the various conditions precedents set forth in the agreement are satisfied, including obtaining partnership agreements with other public entities and Project beneficiaries and Metro Council approval of the Project budget and guaranteed maximum price, that bonds will be issued to finance all or most of the Project. The ultimate bond issuance amount is unknown at this time because the Project developers have not yet presented a Project budget; however, based on Project projections made several years ago it is anticipated that the bonded amount will not exceed \$255 million.

### **KNOWN OPPOSITION**

There is no known opposition to this reimbursement resolution. There has been some opposition to the Project in that some hoteliers have expressed concern that the hotel will negatively impact their businesses, and some individuals have expressed opposition to the public sector undertaking a development of this size and scope, and some individuals have expressed an opinion that the project is too risky.

### **LEGAL ANTECEDENTS**

On February 8, 2007 the Metro Council passed two resolutions regarding the Oregon Convention Center Headquarters Hotel Project: Resolution No. 07-3772( “A resolution Designating the Oregon Convention Center Headquarters Hotel as a Council Project and

Assigning a Lead Councilor and Council Liaison”); and Resolution No. 07-3748A (“Adopting Findings Granting an Exemption to the Metro and MERC Contracting Rules, Authorizing Exclusive Negotiations with the Selected Project Team; and Authorizing Use of Alternative Contracting Methods for Design, Construction, Management, and Operations and Financing of the OCC Headquarters Hotel”).

Additionally, on November 8, 2007, the Metro Council via Resolution No. 07-3882A (“Authorizing Execution of Development Agreement With Project Developer; and Authorizing Negotiations For Intergovernmental Agreements and Additional Project Funding; and Authorizing Use of the Metro Tourism Opportunity and Competitiveness Account (MTOCA) Funds”) authorized the Metro Chief Operating Officer to execute a Development Agreement (“Agreement”) with the Development Team of Garfield Traub Ashforth LLC, for the development of the Oregon Convention Center Headquarters Hotel Project (“Project”) subject to the terms and conditions of the Agreement. Under the laws of the State of Oregon (ORS Chapter 288) and the Metro Charter (Sections 10 and 12), Metro is authorized to issue bonds and other obligations for the purpose of providing long-term financing for such Projects.

### **ANTICIPATED EFFECTS**

If the Project’s construction is ultimately approved by the Metro Council in accordance with the conditions precedent set forth in the Development Agreement and if bonds are issued for the Project’s financing, this Resolution would allow specific pre-bonding Project costs and expenses to be reimbursed from bond proceeds once Project bonds are issued, in accordance with the rules and regulations provided by the Internal Revenue Service code and regulations.

### **BUDGET IMPACTS**

Projected expenditures for FY 2007-08 for pre-bond issuance reimbursable expenses includes expenses related to pre-construction development, architectural, contractor, and other fees set forth in the Development Agreement, as well as public information dissemination, ads and legal notices, legal fees (bond counsel), real estate options, financial advising (advisors), consultant work, and associated staffing efforts. The FY 2008-09 adopted budget includes \$500,000 in appropriations for Project related work, in addition to the \$669,720 MTOCA funding authorized on November 8, 2007. Passage of this resolution would permit reimbursement from bond proceeds of eligible expenses incurred up to 180 days prior to the effective date of the resolution if conditions allow bonds to be issued.

### **RECOMMENDED ACTION**

Chief Operating Officer Michael J. Jordan and staff recommend passage of Resolution No. 07-3883.