

**MINUTES OF THE JOINT METRO COUNCIL METROPOLITAN EXPOSITION
RECREATION COMMISSION MEETING**

Wednesday, July 16, 2008
Performing Arts Center – Schnitzer Stage

Councilors Present: David Bragdon (Council President), Kathryn Harrington, Robert Liberty, Rex Burkholder, Carlotta Collette, Rod Park

Councilors Absent: Carl Hosticka

Commissioners Present: Commissioners Janice Marquis, Yvonne McClain, Elisa DiZono, Gary Reynolds, Gary Conkling, Don Trotter, Ray Leary

Commission Chair Trotter and Council President Bragdon convened the Joint Metro Council/ Metropolitan Exposition Recreation Commission (MERC) Work Session Meeting at 11:30 a.m. He noted information that was provided to Council/Commission. They normally hold these work sessions quarterly.

1. FACILITIES UPDATES – EXPO, OCC, PCPA

Dave Woolson, MERC CEO, provided an update on the MERC facilities. He said one project involved the EXPO Center, a Strategic Plan. He noted impacts around the EXPO Center in reference to Columbia River Crossing. They had secured initial funding regarding updating and possible expansion of the Arlene Schnitzer Concert Hall.

2. HEADQUARTERS HOTEL COSTS

Commissioner Trotter provided background on the proposed headquarters hotel (HQH). Today representatives of the development team were here to provide financial details of the proposed project.

Councilor Park said this had been an exciting project. This was an opportunity for the development team to see what they would propose for the headquarters hotel. He reminded that this proposal was still in the works.

Scott Langley, Ashforth Pacific, Inc. thanked the Metro Council and the MERC Commission for inviting them. He noted the HQH had been perceived as an anchor for Oregon Convention Center (OCC) and the Lloyd District Urban Renewal project. The HQH was a signature design. The construction and operation would add significant jobs and offer a new marketing arm for the Portland community. The road map for the presentation would involve design, construction and operating components. The presentation would emphasize the operational component of the plan. He introduced the team: Scott Langley, President of Ashforth Pacific Inc., Stephen Moffett, President Hospitality Garfield Traub (GTA) Development LCC, Dan Kavanaugh, Vice President/General Manager of Turner Construction Company, Larry Bruton, Partner of ZGF Architects, Julie Reigle, Vice President Development West for Starwood Hotels and Resorts and Karla Murray, Senior Vice President of Operations for Starwood Hotels and Resorts.

Mr. Langley provided a power point on the project. Mr. Moffett talked about the development agreement. He noted that the agreement dictated the process. He summarized the Feasibility Period, which has included site planning, concept planning, value engineering, systems definition,

budgeting, operating proforma, development schedule and document drafts. This process had been very deep; because of this they had more confidence in the deliverables. He provided details of what had been done during The Feasibility Period. He talked about the goals of this period. He spoke to guidelines when starting the process. The first step was site planning in order to provide detailed drawings of the building. Throughout the entire process they had been doing value engineering to have the most efficient building possible. They also had to define the system; the mechanical, electrical, lighting and vertical transfer systems in order to begin working on the detailed budget.

Mr. Kavanaugh explained the construction cost estimating. The collaboration and communication amongst the selected team had been fabulous. That was a direct benefit to the quality of the number that was delivered. He provided a brief overview of how they developed the budget. They looked at detailed quality estimating process and a historical cost model using a cost database. The third part was a cost model, how did it compare to other similar hotel convention centers? He explained that a detailed quantity estimating process occurred. He noted their dedication to including Minority Women Emerging Small Businesses (MWESB). He talked about construction cost escalation. They had localized the cost escalation, which was also escalated to the beginning of construction.

Councilor Burkholder talked about the need for comparisons for escalation. Mr. Kavanaugh said they had done this and would provide that data to Council/Commission. They had a good solid study. Mr. Langley and Mr. Moffett stressed they were going to try to focus on was local market. Commissioner DiZono asked about the cost escalation during the construction period. Mr. Kavanaugh explained that part of the pricing, escalation variable.

Mr. Moffett wrapped up by saying throughout the entire Feasibility Period Mr. Kavanaugh had been looking at the numbers and refiguring the budget based on the changes in the design. The entire team had input to the development. He talked about the details of the development agreement. The overall level of commitment that Metro had from GTA was unprecedented. GTA were much further ahead of the curve because they had done this. Mr. Langley said all of the documents were subsets of the development agreement. The agreement took them all the way through the opening of the facility. Commissioner Leary asked if there was any element that would change the footprint. Mr. Langley responded that they had provided components for the footprint that were well-studied and unlikely to change. Mr. Moffett said they were still in the concept design stage. Commissioner Leary noted that this was an area that could impact costs.

Councilor Harrington asked if, in terms of square footage, there might be a change in the areas of parking. She wanted to clarify that this did not change the building footprint. Mr. Langley to her concern. Councilor Liberty asked about future changes.

Mr. Langley said they would now start looking forward. Mr. Bruton would present the new design for the HQH. Mr. Bruton said they would present the completed concept design for the hotel (he provided a fly over power point of the proposed hotel). He said the hotel would be a 24 7 facility and an anchor for the district. He provided further detail of the design. It would transform Martin Luther King (MLK) Jr Boulevard and reinforce the streetcar as well as the light rail. He talked about the new pedestrian facilities as well. He reminded them of the components of the hotel. They had developed a program and scope that met the needs of the OCC facility. The building contained all of the functional revenue components. Components include ballrooms,

meeting rooms, and other guest amenities. They had been working on getting rid of all of the fat in the project. He provided further details of the hotel design and its mixed uses including restaurant and retail spaces within the hotel. He noted greenspace opportunities in keeping with the sustainable goals of the Lloyd District. They had a significant green roof in pursuit of the Silver Leadership in Energy and Environmental Design (LEED) goal. It also provided storm water retention. They were taking a green sustainable approach to providing a commitment to the sustainability goals of the HQH. He spoke to linkages to the downtown. He said there was only one other LEED convention center HQH in the country. They were close to making the HQH a LEED Gold facility. He talked about the development around the hotel including mixed-use buildings and condo projects. The hotel had the potential to become Portland's commitment to sustainability. This could become "the center" for not only OCC but could be an anchor for new development on the east side.

Councilor Liberty talked about other projects in the area such as the new boutique hotel and the addition of rooms at the Red Lion Hotel. Mr. Langley said Portland Development Commission (PDC) would be more knowledgeable about these development proposals. None of these projects would be constructed before the HQH. Mr. Bruton added that Red Lion Hotel was poised if the HQH was realized. Mr. Langley said Red Lion didn't think a 600-room hotel was enough so they were poised to add rooms to their hotel. Commissioner Leary said the development was to the east and north but not toward the river. He wondered why? Mr. Langley talked about a connector with the streetcar and light rail. Getting down to the river was an important element. They were trying to open up the area to the river. Commissioner Leary asked about the desired impact on MLK Blvd. What special would happen to MLK? Mr. Langley said there were already signals at several of the streets. There were proposed additional signals. As a catalyst they looked at development on all sides of the convention center. Mr. Langley said on both MLK Blvd and Grand Avenue, a lot of the properties were in holding so others could see what would develop.

Council President Bragdon asked about energy sharing. Mr. Langley said they had determined at this point, it was not feasible. However, as a long-term study for the entire district, the shared energy was a great idea. He didn't think we were there yet.

Mr. Langley talked about when the hotel was up and operating. Karla Murray, Senior Vice President of Operations for Starwood spoke about their company, the belief in the project and their investment in the project. Mr. Langley also introduced Julie Reigle. Ms. Murray said there was a lot of confusion about Starwood. Starwood was the parent company of luxury hotels such as Sheraton, Westin, etc. Starwood tended to spend a lot of money on marketing research and branding. She talked about Westin. Westin had a platform for growth and a powerful momentum to grow the Westin footprint. She spoke of the scope of the Starwood holdings, particularly Westin. Westin was a northwest company and had been the only hotel that had never been bankrupt. She noted other attributes of the Westin hotel chains including smoke free, Heavenly Beds, as well as locally tailored events to drive revenue such as an interim spa service and events called Unwind. She said they had just launched Westin LEEDs brand. She noted green benefits for everyone including bike shuttles, soap dispensers and eliminating plastic bottles. They had incorporated a lot of the brands used in their green brand, a continuation of sustainability of the hotel. She noted energy preservation standards such as water conservation. They studied a lot of demographic statistics about their guests. She noted that Westin outperformed their competition. She spoke to additional attributes of Westin including loyal customers. She noted different marketing techniques used by Westin. She detailed convention collections, which locked up contracts for companies that go to different convention sites each year. She said their global sales effort was focused on filling convention center hotels. She talked about developing strategic

partnerships, such as, Westin and Microsoft. The Westin brand was a brand that brought business. She summarized some of the other convention center hotels benefits. Ms. Murray shared information on Sheraton Seattle. They had expanded the hotel by 420 rooms and added meeting space. This hotel was adjacent to the Washington Convention Center in Seattle. She noted amenities of the Westin Boston Waterfront. Ms. Reigle summarized the Sheraton Phoenix Downtown Hotel near the Phoenix Convention Center. She noted Westin's commitment to the project. They knew that this model worked. Mr. Langley said the focus was not just on booking conventions but focusing on those days between conventions. Ms. Reigle talked about additional benefits of the hotel.

Councilor Harrington asked about the option of reducing the room width and effects on brand value. Ms. Reigle said Westin had their own brand, because it was brand standard, they were not advising smaller rooms. Councilor Collette asked if she was noticing any impacts because of the economy and because of cancellation. Ms. Reigle said the numbers in the Phoenix market had exceeded all expectations. They were seeing a bit more attrition. Ms. Murray said the places they were seeing challenges were in hotels dependent upon leisure and high-end travel. The place that had seen hardest hit was southern California. Portland seemed to be more insulated from what was happening nationally. Councilor Liberty asked about airfare and impacts on the hotel. Ms. Murray said it was more affected by leisure hotels and high-end hotels.

Commissioner Reynolds asked about the size of the proposed hotel and impacts on business. Ms. Murray said much like in Seattle, it was an 840-room hotel for many years. They studied closely whether expansion was appropriate. Her advise to the development team was the 600 room hotel seemed to be the most responsible they could make. Ms. Reigle said most of the HQHs were planning to add other rooms eventually. Commissioner Reynolds asked if it was their recommendation to plan for an additional 200 rooms in the future. Ms. Reigle suggested they should plan for this. Councilor Harrington asked them to comment on the need to plan for the expanded hotel and impacts on business. Ms. Reigle responded that they were focused on smaller conventions. Councilor Park asked about parking. Ms. Murray said parking was a revenue generator and noted impacts on the customer. Starwood would work with whatever hand they were dealt. Councilor Park asked how it affected the single hotel business. Were there any other examples of hotels with no parking? Ms. Murray said they were mostly in high-density urban areas. Ms. Reigle talked about concessions if you didn't have enough parking. Commissioner Marquis asked if there was a percentage of variance between convention center hotels versus non-convention center hotels. Ms. Reigle said it did vary. There were some Westin brand hotels they contributed 70% where others they contributed 31%. Mr. Langley asked Ms. Murray why they had been so tenacious in holding onto this project. Ms. Murray responded that they saw that there was a prime opportunity to partner with the convention center. They saw that there was a market niche complimentary to the Westin Downtown. Ms. Reigle said they had a lot of product in Phoenix as well. They were one of those companies because customers were life style driven. They brought customers to the market. Ms. Murray said this also provided some synergies.

Mr. Moffett said this hotel would be successful and improve the financial performance of OCC as well as helping develop the district. He noted the number one criteria of the meeting planners were, do you have a HQH? They wanted their attendees to walk into the hotel to have a great experience so it encouraged return conventions.

Mr. Langley summarized the presentation. This was about leadership and job creation, sustainability and economic development. They felt this hotel was an economic driver for the community, the district and the State. Jeff Miller, Travel Oregon said this would create more

conventions and more business. The analysis that had been presented did not have any pie in the sky projections. Mr. Langley talked about the additional business that additional conventions would bring including jobs for construction. These were significant economic development impacts. It was their belief that what the team put in place was about the entire region not just bricks and mortar.

Chair Trotter said one of the issues before them was how they finance this project. Carol Samuels, Northwest Securities, who advised Metro and MERC, provided additional thoughts on funding. She talked about a graphic provided for the record. She talked about the expectation of the funding package. This project would be primarily funded by debt service. In addition there would be 11.5% lodging tax dedicated to the debt service. There would also be a 2% convention center fee. She talked about the existing visitor facilities trust account. This was a debt service funded project not a taxpayer-funded project. Council President Bragdon said a year ago when the consultant had posed proformas, had any one compared those proformas with Starwood's new ones? Ms. Samuels said they were similar. Councilor Park asked about the level of stress they were giving. She said they were stressing it with a worst-case scenario. Councilor Liberty said he had been concerned about gas prices. Was this something they were looking at now? Ms. Samuels said they were looking at this but they hadn't looked at the most recent increase in gas costs. Chair Trotter said this project was about economics. He said there were conventions that would not come back without an HQH. He summarized the report compiled by Travel Oregon. He noted the need for a headquarters hotel and the loss of \$15 million because they didn't have an HQH. He said they needed to move forward and look at the reasonable risks. He thanked everyone for the presentations. Council President Bragdon asked Councilor Park to describe next steps. Councilor Park did so.

There being no further business to come before the Metro Council and the MERC Commission, Council President Bragdon and Chair Trotter adjourned the meeting at 1:50 p.m.

Prepared by,



Christina Billington
Clerk of the Council

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
JULY 16, 2008**

Item	Topic	Doc. Date	Document Description	Doc. Number
2.0	Power Point Presentation	7/16/08	To: Metro Council and MERC Commissioner From: HQH Project Team Re: Westin Portland at the Convention Center	071608cw-01
2.0	Booked and Lost Business Summary	Nov 2007- June 2008	To: Metro Council and MERC Commission From: Jeff Miller, Travel Oregon Re: Oregon Convention Center Booked and Lost Business Summary	071608cw-02
2.0	HQH funding	7/16/08	To: Metro Council and MERC Commission From: Carol Samuels, Northwest Securities Re: Visitor Funded Headquarters Hotel	071608cw-03
2.0	Feasibility Phase Design Narrative	7/16/08	To: Metro Council and MERC Commission From: HQH Project Team Re: The Westin Portland at the Convention Center Feasibility Phase Design Narrative	071608cw-04