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 **Metro** | *Exposition Recreation Commission*

Agenda

Meeting: Metro Visitor Venues 2010 Economic Impact Presentation
Date: Tuesday, February 8, 2011
Time: 3:00 – 4:30 p.m.
Place: Oregon Convention Center, Meeting Room B Series

CALL TO ORDER

1. WELCOME AND INTRODUCTIONS

**Teri Dresler, General Manager
Metro Visitor Venues**

2. OPENING REMARKS

**Tom Hughes, President
Metro Council**

3. 2010 ECONOMIC IMPACT PRESENTATION
Oregon Convention Center
Oregon Zoo
Portland Center for the Performing Arts
Portland Exposition Center
Q & A

**Susan Sieger, President
Crossroads Consulting**

Reception to follow



Metro Visitor Venues



Portland Metropolitan Exposition Center Economic and Fiscal Impact Analysis FY 2010

**Final Report
February 2011**

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Crossroads Consulting Services is a Limited Liability Company



February 4, 2011

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Portland Metropolitan Exposition Center in Fiscal Year 2010. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Portland Metropolitan Exposition Center. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions 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 Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	9

Executive Summary

The Portland Metropolitan Exposition Center (Expo Center) is a unique business entity that generates significant economic activity to downtown Portland and the Tri-County region. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the Expo Center to the local economies. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

In Fiscal Year (FY) 2010, the Expo Center hosted 98 events that attracted nearly 421,000 in total attendance. As shown in the table below, this activity was estimated to generate approximately \$34.1 million in total spending which supported 370 full and part-time jobs and created \$13.0 million in personal earnings in the Tri-County region in FY 2010.

Estimated Economic Benefits From Expo Center Operations - FY 2010	
Category	Amount
Spending	
Direct Spending	\$19,807,000
Indirect/Induced Spending	14,280,000
Total Spending	\$34,087,000
Total Jobs	370
Total Earnings	\$13,018,000

Note: (1) Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

In addition, tax revenues generated from Expo Center-related activities were estimated to be approximately \$1.2 million in FY 2010.

Estimated Fiscal Benefits From Expo Center Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$357,000
Corporate Excise & Income Tax	58,000
Transient Lodging Tax	27,000
Total	\$442,000
Metro	
Excise Tax	\$394,000
Total	\$394,000
Multnomah County	
Transient Lodging Tax	\$311,000
Business Income Tax	13,000
Total	\$324,000
GRAND TOTAL	\$1,160,000

Note: (1) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.



The following table shows a summary of key comparative data from the Expo Center for the last three fiscal years. Total attendance at the Expo Center decreased each of the last two fiscal years. The facility has realized net operating income each of the last three fiscal years. Consistent with trends in attendance, economic and fiscal impacts have also decreased each of the last two fiscal years.

Summary of Key Comparative Data - Expo Center			
Category	FY 2008	FY 2009	FY 2010
Utilization:			
Events	107	110	98
Total Use Days	437	449	415
Total Attendance	510,100	454,000	420,600
Financial Operations:			
Operating Revenues	\$6,078,000	\$5,579,000	\$5,081,000
Operating Expenses	\$4,606,000	\$4,646,000	\$4,214,000
Net Operating Results	<u>\$1,472,000</u>	<u>\$933,000</u>	<u>\$867,000</u>
Economic/Fiscal Impacts:			
Direct Spending	\$21,883,000	\$20,413,000	\$19,807,000
Indirect/Induced Spending	\$15,290,000	\$14,971,000	\$14,280,000
Total Spending	<u>\$37,173,000</u>	<u>\$35,384,000</u>	<u>\$34,087,000</u>
Total Jobs	420	400	370
Total Earnings	\$13,654,000	\$13,233,000	\$13,018,000
Total Fiscal Benefits	\$1,584,000	\$1,343,000	\$1,160,000

As a point of reference, the Expo Center had 14 full-time employees in FY 2010.

The next section of the report includes an introduction as well as the general methodology used to estimate the economic and fiscal impacts associated with the Expo Center's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the Expo Center, Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA) and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: Expo Center, OCC and PCPA. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years;
- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2010 that attracted nearly 3.4 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of the Expo Center to the regional economy. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur in the region as a result of on-going operations of the Expo Center can be approached in several ways. The approach used in this analysis considers expenditures generated from facility operations from items such as personal services, food/beverage, goods and services, MERC/Metro administration and capital outlay as well as spending by attendees, sponsoring organizations/event producers and exhibitors outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the Expo Center. The governmental entities considered in this fiscal analysis are Metro, Multnomah County and the State of Oregon. Revenues generated from personal income tax, corporate excise and income tax, business income tax, Metro excise tax and transient lodging tax were estimated.

The number of events and attendance, event mix, origin of attendees, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



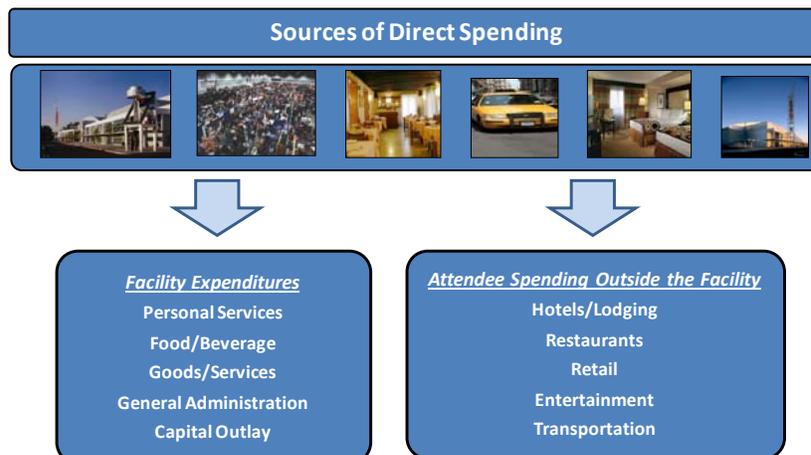
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in 2010 dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of Expo Center operations. This spending occurs both inside and outside of the facility. Direct spending related to Expo Center operations is generated from facility expenditures (including capital outlay) as well as attendees, event producers and exhibitors.



Indirect/Induced Impacts

The economic activity generated by Expo Center operations affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area resulting from Expo Center operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

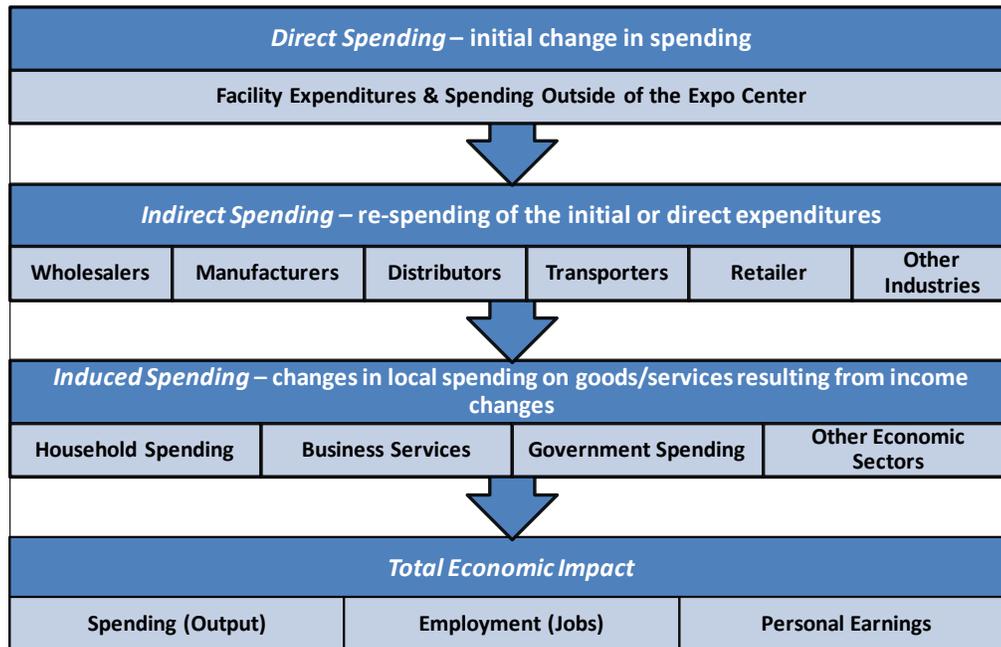
These multipliers reflect IMPLAN’s latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by Expo Center operations. 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.
- **Employment (jobs)** represents the number of full and part-time jobs supported by Expo Center operations. 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.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by Expo Center operations. 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.

The following graphic illustrates the multiplier effects for calculating total economic impact.





Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going Expo Center operations creates tax revenues for area municipalities and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the Expo Center, this analysis estimated the revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously defined:

State of Oregon

- Personal Income Tax
- Corporate Excise and Income Tax
- Transient Lodging Tax

Multnomah County

- Transient Lodging Tax
- Business Income Tax

Metro

- Excise Tax

Economic/Fiscal Impact Analysis

General Overview of the Expo Center

This section of the report summarizes the estimated economic impacts and tax revenues to the Tri-County region as a result of on-going Expo Center operations and other business activity that supported the facility for the 12 months ending June 30, 2010.

The Expo Center is a multi-purpose exhibition facility that serves as the region's primary destination for public events and consumer shows. As far back as 1921, the Expo Center site has presented some of the largest exhibitions in the Northwest. In 1994, MERC took over management of the aging complex from Multnomah County. With the initial support of the Intel Corporation, a new exhibition hall opened in 1997. Subsequent to expansion, several event producers were able to increase and enhance their offerings. By 2001, the modernization of the campus continued with an additional facility offering meeting rooms, a spacious lobby and a full-service commercial kitchen.

The campus currently includes a complex of five interconnected buildings offering the following components:

- 333,000 square feet of multi-use exhibition space
- 10 meeting rooms
- Professional catering facilities
- On-site parking for 2,200 vehicles
- Acres of outdoor exhibition space
- Convenient access to mass transit including the TriMet Interstate Max Light Rail

The modernization and expansion of the Expo Center have allowed the venue to continue to accommodate a variety of consumer shows, some of which have been serving the public for over 50 years. These events exemplify the unique business-to-consumer relationship that is made possible by the Expo Center. In addition, the facility also hosts corporate events, banquets, concerts and community events.

The region benefits from the on-going operations of the Expo Center in a number of ways, including such tangible and intangible benefits as:

- Providing a means for Statewide wholesale and retail businesses to showcase their merchandise in an efficient manner;
- Supporting smaller, local businesses by bringing a critical mass of buyers together to see their products;
- Providing a venue for show producers to supply related industry educational sessions that are often funded by local municipalities elsewhere;

- Enhancing show spin-off spending on related items (e.g., fuel, life-jackets and trailers for boat sales);
- Generating public awareness and funding of non-profit organizations' missions for related industries (e.g., several show producers spend a portion of their gate revenue on related non-profit groups and/or educational scholarships);
- Providing an alternative venue within Portland and the State of Oregon for larger consumer shows indirectly freeing exhibition space and dates at the Oregon Convention Center for conventions/tradeshows which generate more economic impact;
- Providing an alternative entertainment option for residents and visitors, including OCC convention attendees;
- Promoting the industries that host their events at the venue as well as enhancing business for other area companies involved in related services (e.g., advertising, transportation, printing, security, etc.); and
- Generating additional economic activity and enhanced fiscal revenues.

While the value of some of these benefits is difficult to measure, the economic activity generated by the Expo Center can be quantified in terms of spending, employment and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities, Expo Center management, event producers, exhibitors and attendees, this analysis summarizes the estimated direct, indirect and induced economic benefits and tax revenues from the Expo Center's operations in FY 2010.

Summary of Event Activity at the Expo Center

Expo Center's mission is to provide facilities and services to host consumer and trade shows as well as generate maximum financial return and economic benefits. In FY 2010, the Expo Center hosted 98 events that drew nearly 421,000 people. Consumer/public shows account for approximately 59% of events, 78% of total use days and 89% of total attendance.

Summary of Event Activity at the Expo Center - FY 2010						
Event Type	Events	Move-in/ Move-out days	Event Days	Total Use Days	Total Attendance	Average Attendance
Consumer/Public	58	155	169	324	373,000	6,400
Miscellaneous/Other	17	23	27	50	36,500	2,100
Meeting	15	1	16	17	1,300	100
Tradeshow/Convention	7	11	12	23	8,800	1,300
Food & Beverage/Catering	1	-	1	1	1,000	1,000
Total	98	190	225	415	420,600	

Note: Miscellaneous/Other includes events such as Roller Derby, Celebrate Portland, Adidas Fall Clearance Event, etc.

Source: Expo Center Management.

Summary of Estimated Economic Impacts from Expo Center Operations

The table below summarizes the estimated economic impacts generated from the on-going Expo Center operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits From Expo Center Operations - FY 2010	
Category	Amount
Spending	
Direct Spending	\$19,807,000
Indirect/Induced Spending	14,280,000
Total Spending	\$34,087,000
Total Jobs	370
Total Earnings	\$13,018,000

Note: (1) Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated in the Tri-County region result from the impact of direct spending both by attendees and activities that support events held at the Expo Center. Direct spending impacts are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending outside the facility;
- Event producer spending outside the facility;
- Exhibitor spending outside the facility; and
- Budgetary spending by the Expo Center.

In order to assist with developing an estimate of direct spending generated by Expo Center events, surveys were conducted with event attendees, exhibitors and producers to obtain input on their spending patterns both inside and outside of the facility. This research does not represent a statistically valid survey effort.

Attendee and Exhibitor Surveys

In FY 2010, on-site surveys were conducted with attendees and exhibitors at the following eleven consumer shows:

- 2009 America's Largest Antique & Collectible Car Show
- 2009 Christmas Bazaar
- 2009 Fall Home & Garden
- 2009 SkiFever and Snowboard
- 2010 Auto SWAP
- 2010 Better Living Show
- 2010 NW Fire & Rescue
- 2010 Rose City Classic Dog Show
- 2010 Sportsmen's Show
- 2010 Spring Antique Show
- 2010 Home & Garden Show

A total of 1,273 attendees and 1,003 exhibitors completed the survey in FY 2010. In addition, results from 2008 and 2009 surveys were used. The following table summarizes the number of shows and corresponding response count for each of the past three fiscal years:

Summary of Attendee and Exhibitor Surveys			
Fiscal Year	# Shows	# Attendee Responses	# Exhibitor Responses
2008	5	618	445
2009	8	882	653
2010	11	1,273	1,003
Total	24	2,773	2,101

Results were tabulated using a web-based survey system and analyzed to gain an understanding of where respondents reside, their length of stay in Portland, travel party size, where overnights stay (e.g. hotel, private residence, etc.) as well as estimated daily spending inside and outside Expo Center.

Consumer Show Producer Surveys

In 2008, direct interviews were also conducted with 11 event producers representing 21 consumer shows, one tradeshow and the Rose City Rollers. Most of these events are held annually at Expo Center. Combined these events accounted for approximately 55% to 60% of annual attendance for the past three fiscal years. Discussions with producers sought to understand the origin and daily spending of production personnel, exhibitors and attendees. Key findings of these discussions were used to estimate the spending generated by Expo Center event activity and are included, where relevant, on the pages that follow.

The three categories that comprise direct spending are attendee spending, event producer/exhibitor spending and budgetary spending by the Expo Center.

Attendee Spending Outside Expo Center

Based on information provided by management, input from event producers as well as on-site surveys conducted at Expo Center events, attendees were categorized as high impact, defined as those that stay overnight in a hotel room, or low impact, generally local patrons attending events. The following table summarizes responses from direct event producer interviews conducted in 2008 as well as a weighted average of the on-site surveys conducted from FY 2008 through FY 2010.

Attendee Attributes	Event Producer Interviews	On-Site Surveys
Percent from Oregon	88%	63%
Percent all respondents staying in a hotel/motel	12%	15%
Percent Overnight ¹	12%	27%
Percent overnight in a hotel/motel	100%	64%
Average travel party size	1.7	2.8
Average daily spending/attendee outside Expo Center	\$91	\$51
Average length of stay	1.0	2.38
Percent Day-trippers	88%	73%
Average travel party size	n/a	2.8
Average daily spending/attendee outside Expo Center	n/a	\$18

Note: ¹Show producer overnight represent those staying in a hotel whereas on-site surveys include attendees staying in a private residence.

On-site attendee survey responses included a number of overnights who stayed with family or friends weighing down the average “overnight” spending per day. For purposes of this analysis, more weight was placed on consumer show producer survey responses for high impact per day spending as we were able to ask more detailed questions and clarify that their responses included spending only for those staying in hotels.

Approximately 10% of attendees at consumer shows, 10% of attendees at miscellaneous/other events and 5% of convention/tradeshow attendees were estimated to be high impact and the remaining attendees were assumed to be low impact.

Based on on-site surveys conducted by Expo Center management as well as interviews with production companies discussed previously, a per day spending amount of \$78 was applied to high impact attendees and \$20 was applied to low impact attendee days. Spending by attendees inside the Expo Center is taken into account by the facility’s budgetary spending.

Event Producer & Exhibitor Spending

Consumer and trade show producers make substantial investments in the events that they host. These organizations purchase goods and services from either the Expo Center or from outside sources. Items such as exhibit space and various event services are typically provided by the Expo Center which are reflected as revenues for the venue. Since this spending is eventually reflected in the budgetary spending by the Expo Center, these amounts are excluded from event producer spending to avoid double counting. Further, producer spending with external vendors that takes place before or during a show such as advertising, printing, security, transportation, etc. is considered part of the induced/indirect spending that is generated by Expo Center operations.

Based on the on-site surveys of Expo Center exhibitors and interviews with event producers, an estimate of exhibitor personnel per event attendee was calculated and applied to estimated spending per exhibitor personnel per day. Similar to event producer spending, estimates were made for spending by exhibitors outside the facility to avoid double counting of items purchased inside the Expo Center. Event producer and exhibitor spending per personnel per day are shown in the table below.

Per Day Spending	High Impact	Low Impact
Producer Personnel	\$92	\$39
Exhibitor Personnel	\$71	\$29

Budgetary Spending

Budgetary spending refers to the “expense side” generated by the Expo Center. Regardless of the source or magnitude of the revenues that the building produces, this analysis focused on the operating expenditures occurring in the area economy. Based on information provided by management, Expo Center operating expenditures (including capital outlay) were approximately \$4.4 million in FY 2010.

Summary of Direct Spending Inputs

Based on the previously described assumptions, the total direct spending related to Expo Center attendees, event producers and exhibitors outside the facility as well as Expo Center operating expenditures was estimated to be approximately \$19.8 million in FY 2010. The table below summarizes the breakdown of estimated direct spending among these groups.

Estimated Direct Spending From Expo Center Operations - FY 2010	
Category	Amount
Attendee Spending	\$10,809,000
Event Producer/Exhibitor Spending	4,639,000
Budgetary Spending by Facility	4,359,000
Total	\$19,807,000

Finally, these direct spending amounts estimated to be generated from Expo Center operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the Tri-County region. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by Expo Center operations was estimated to generate approximately \$14.3 million in indirect/induced spending.

Total Spending

Outputs from the IMPLAN model indicate that total (i.e., direct, indirect and induced) spending from Expo Center operations was approximately \$34.1 million in FY 2010.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with Expo Center operations in FY 2010 was estimated to support approximately 370 total jobs. 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.



Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from Expo Center operations in FY 2010 were approximately \$13.0 million.

Summary of Estimated Fiscal Impacts from Expo Center Operations

As summarized in the table below, Expo Center operations in FY 2010 were estimated to generate approximately \$1.2 million in tax revenues.

Estimated Fiscal Benefits From Expo Center Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$357,000
Corporate Excise & Income Tax	58,000
Transient Lodging Tax	27,000
Total	\$442,000
Metro	
Excise Tax	\$394,000
Total	\$394,000
Multnomah County	
Transient Lodging Tax	\$311,000
Business Income Tax	13,000
Total	\$324,000
GRAND TOTAL	\$1,160,000

Note: (1) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

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 was calculated by applying the effective tax rate of 5.6% to 49% of total earnings estimated to be generated by each individual facility, which represents the State's average taxable income as a percentage of total income.

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 was applied to 4.4% of direct spending estimated to be generated by each facility in order to reflect net taxable income.

Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. 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 the State. For purposes of this analysis, the 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by each individual venue.

Metro

Excise Tax – Metro imposes an excise tax of 7.5% of total earned revenues of MERC facilities. The tax is remitted on a monthly basis to Metro and is a General Fund Revenue dedicated to 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 Expo Center was used.

Multnomah County

Transient Lodging 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 generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC)
- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points 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 point 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 points for administrative costs

For purposes of this analysis, the 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by Expo Center's operations.

Business Income Tax – A business income tax is imposed on each 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% was applied to 4.4% of total direct spending in order to reflect net taxable income estimated to be generated by Expo Center's operations.



Other Jurisdictions

In addition to those jurisdictions previously described, other area governments could potentially benefit from the Expo Center's operations which generate patron spending at regional business establishments. Conversations with management at a sample of hotels and restaurants suggest event activity at the Expo Center positively impacts their business as well as that of other nearby establishments.

Summary of Estimated Economic and Fiscal Impacts for Expo Center – FY 2010

The Expo Center is a unique business entity that generates significant economic activity to metropolitan Portland and the State of Oregon. In FY 2010, the Expo Center hosted 98 events that attracted nearly 421,000 in total attendance. This activity was estimated to generate direct spending of approximately \$19.8 million. Outputs from the IMPLAN model indicate that total spending, including direct, indirect and induced impacts, was approximately \$34.1. This spending was estimated to support approximately 370 jobs that created \$13.0 million in personal earnings. In addition, these transactions were subject to taxes that were estimated to generate approximately \$1.2 million in FY 2010.



Metro Visitor Venues



Economic and Fiscal Impact Analysis FY 2010

Executive Summary February 2011

4427 W. Kennedy Boulevard · Suite 200 · Tampa, Florida 33609 · Phone 813.281.1222 · Fax 813.315.6040
www.crossroads-fl.com

Crossroads Consulting Services is a Limited Liability Company



February 4, 2011

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Oregon Convention Center, the Portland Center for the Performing Arts, the Portland Metropolitan Exposition Center, and the Oregon Zoo in Fiscal Year 2010. The report presented herein includes the summary of our analysis; more detail regarding each venue's operation and resulting economic/fiscal impacts can be found in their respective reports issued under separate cover.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at each facility. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions 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 Metro and its advisors and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship with Metro and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

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Table of Contents

1	Introduction	1
2	General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	7

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA), Portland Metropolitan Exposition Center (Expo Center) and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: OCC, Expo Center and PCPA. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, and business focus and client mix:

- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres;
- Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2010 that attracted nearly 3.4 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt;
and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of Metro visitor venues to the regional economy. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

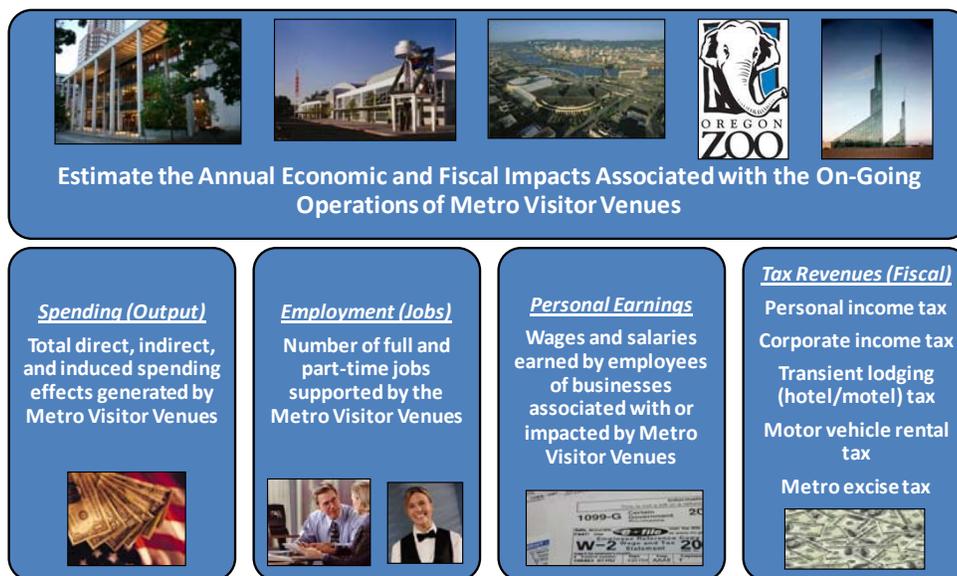
General Methodology Overview

General Methodology Overview

An estimate of the economic benefits that occur in the Portland metro area and the State of Oregon as a result of on-going operations of the Metro visitor venues can be approached in several ways. The approach used in this analysis considers expenditures generated from each facility's operations from items such as personal services, food and beverage, goods and services, repairs and maintenance, contract services, general administrative, utilities, insurance, capital outlay, etc. as well as spending by attendees, sponsoring organizations, event producers, cast/crew and exhibitors outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the Metro visitor venues. The governmental entities considered in the fiscal analysis are the State of Oregon, Metro, Clackamas County, Multnomah County and Washington County. Revenues generated from income tax, transient lodging/room tax, excise tax, and motor vehicle rental tax were estimated.

The number of events and attendance, event mix, origin of attendees/visitors, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



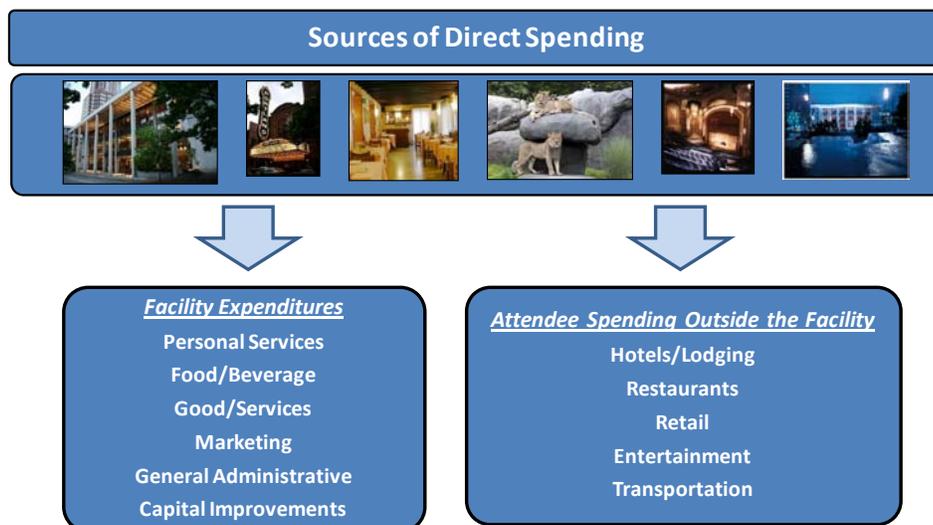
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in 2010 dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of operations of the Metro visitor venues. This spending occurs both inside and outside of the venues. Direct spending at Metro visitor venues is generated from facility expenditures (including capital outlay) as well as from attendees, event producers, cast/crew members and exhibitors.



Indirect/Induced Impacts

The economic activity generated by the operation of the Metro visitor venues affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the area economy resulting from operations of the Metro visitor venues.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

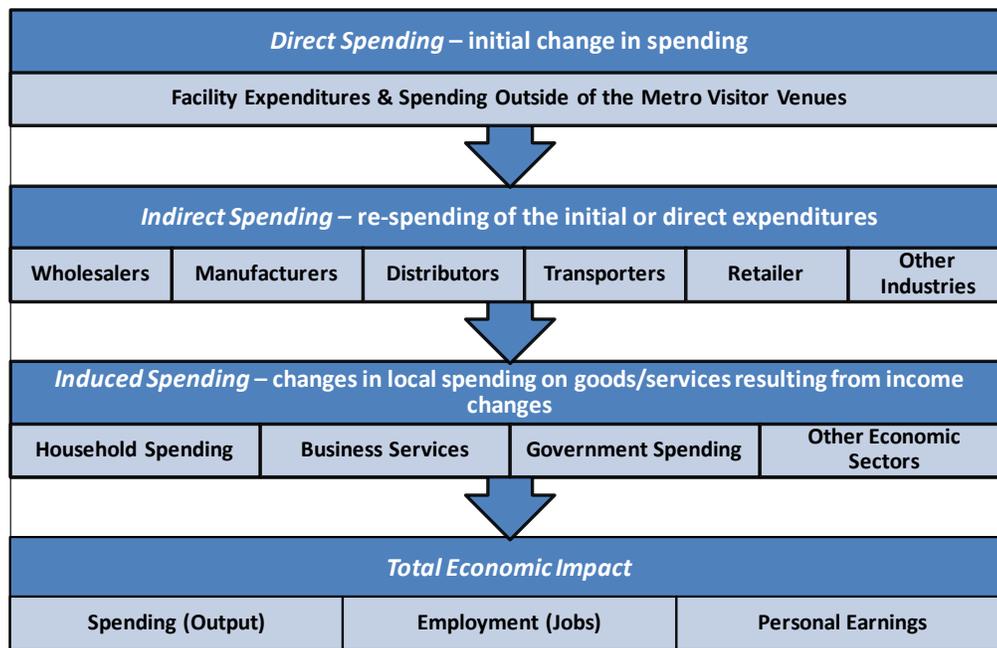
Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by Metro visitor venues' operations. 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.

- **Employment (jobs)** represents the number of full and part-time jobs supported by Metro visitor venues’ operations. 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.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by Metro visitor venues’ operations. 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.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going operations of the Metro visitor venues creates tax revenues for area municipalities and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the Metro visitor venues, this analysis estimated the revenues generated from corporate excise and income tax, personal income tax and transient lodging tax at the State level as well as excise tax, business income tax, transient lodging/room tax and motor vehicle rental tax at the County level.

Economic/Fiscal Impact Analysis

This section of the report provides a summary of utilization, financial operations, economic impacts and tax revenues for the Metro visitor venues combined as well as for each of the individual facilities for FY 2010.

Summary of Key Comparative Data at Metro Visitor Venues

As shown in the following table, Metro visitor venues hosted fewer events/performances and drew less attendance in FY 2010 than in the previous two fiscal years. Despite that, direct spending generated by the OCC, Expo and PCPA increased in FY 2010 which was primarily attributable to a significant increase in regional/national convention/tradeshows attendee days at the OCC. Convention/tradeshows activity is the primary driver of economic impact at the OCC. In the past several fiscal years, conventions/tradeshows have accounted for approximately 50% of OCC attendee days, whereas these event types represented 61% of attendee days in FY 2010. Further, the portion of OCC convention/tradeshows attendee days from regional/national/international events increased to 75% in FY 2010 which was significantly higher than in recent fiscal years. Given the distances traveled, regional/national/international events are assumed to generate a greater portion of overnight or high-impact attendee days and resulting spending in the economy. As such, this shift in OCC's mix of business in FY 2010 resulted in the overall increase in estimated economic and fiscal impacts.

Summary of Key Comparative Data - Metro Visitor Venues Combined				
Category	FY 2008	FY 2009	FY 2010 (Excluding Oregon Zoo)	FY 2010
Utilization:				
Events/Performances	1,497	1,722	1,456	1,456
Total Use Days	2,908	3,192	2,694	2,694
Total Attendance	1,942,100	1,940,400	1,718,600	3,353,600
Financial Operations:				
Operating Revenues	\$30,411,000	\$30,032,000	\$29,725,000	\$48,809,000
Operating Expenses	37,503,000	39,703,000	40,063,000	64,758,000
Net Operating Results	<u>(\$7,092,000)</u>	<u>(\$9,671,000)</u>	<u>(\$10,338,000)</u>	<u>(\$15,949,000)</u>
Economic/Fiscal Impacts:				
Direct Spending	\$307,394,000	\$294,898,000	\$359,114,000	\$397,752,000
Indirect/Induced Spending	227,073,000	227,138,000	258,369,000	283,978,000
Total Spending	<u>\$534,467,000</u>	<u>\$522,036,000</u>	<u>\$617,483,000</u>	<u>\$681,730,000</u>
Total Jobs	5,810	5,540	5,980	6,680
Total Earnings	\$205,949,000	\$203,672,000	\$230,617,000	\$257,716,000
Total Fiscal Benefits	\$18,415,000	\$18,292,000	\$21,652,000	\$22,830,000

Note: FY 2008 and FY 2009 comparative data excludes the Oregon Zoo as FY 2010 is the first year this analysis was completed.

As shown, activities at all Metro visitor venues were estimated to generate approximately \$681.7 million in total spending which supported 6,680 jobs and created \$257.7 million in personal earnings. In aggregate, activities at these four venues were also estimated to generate approximately \$22.8 million in tax revenues in FY 2010.

Summary of Event Activity at Metro Visitor Venues – FY 2010

In FY 2010, Metro visitor venues hosted more than 1,400 events/performances that accounted for approximately 2,700 total use days and attracted nearly 3.4 million attendees. Events hosted at OCC include national and international conventions/tradeshows, public shows, meetings and social functions. PCPA events include performing arts events, comedy/concerts, lectures, meetings and receptions. Expo event activity is comprised primarily of public shows and trade shows where regional businesses can exhibit their goods as well as meetings and social functions. Oregon Zoo visitors are comprised of paid admissions, zoo members who may attend multiple times throughout the year as well as free admits (e.g., children under age two).

Summary of Event Activity at Metro Visitor Venues - FY 2010					
	OCC	PCPA	Expo Center	Oregon Zoo	Total
Events/Performances	424	934	98	n/a	1,456
Total Use Days	1,050	1,229	415	n/a	2,694
Attendance	521,200	776,800	420,600	1,635,000	3,353,600

Note: n/a denotes not applicable.

Sources: Metro; management at individual facilities.

Summary of Financial Operations at Metro Visitor Venues – FY 2010

Metro visitor venues generated approximately \$48.8 million in operating revenues in FY 2010. The OCC, PCPA and Oregon Zoo generated an operating loss which is partially subsidized by non-operating revenues such as transient lodging tax, grants, contributions, admission surcharge and government support from the City of Portland. It is not unusual for convention centers and performing arts centers to operate at a loss given that the mission of these venues is to generate economic impact by attracting out-of-town visitors and to offer diverse cultural arts activities to area residents. In addition, zoos typically do not generate sufficient revenues from their admissions and programs to offset operating expenses. Instead, zoos are commonly supported by a non-profit organization, like the Oregon Zoo Foundation, aimed at generating funding for conservation and educational programs as well as other public/private donations to subsidize operations. On the other hand, the Expo Center serves as the region's primary destination for public events and consumer shows that attract primarily area residents, and realized a net operating income of \$867,000 in FY 2010. In aggregate, Metro visitor venues generated a net operating loss of approximately \$15.9 million before non-operating revenues and expenses, capital and transfers. These four venues directly employed more than 300 full-time employees in FY 2010 in addition to many part-time permanent and seasonal jobs.

Summary of Financial Operations at Metro Visitor Venues - FY 2010					
Category	OCC	PCPA	Expo Center	Oregon Zoo	Total
Total Operating Revenues	\$16,645,000	\$7,999,000	\$5,081,000	\$19,084,000	\$48,809,000
Total Operating Expenditures	\$24,983,000	\$10,866,000	\$4,214,000	\$24,695,000	\$64,758,000
Net Operating Results	(\$8,338,000)	(\$2,867,000)	\$867,000	(\$5,611,000)	(\$15,949,000)
Total Full-Time Jobs	110	31	14	156	311

Notes: Support and risk management costs are included in operating expenditures.

Zoo financial operations exclude any support from the Oregon Zoo Foundation.

Full-time jobs shown for the Oregon Zoo also include the Oregon Zoo Foundation.

Sources: Metro; management at individual facilities.

Summary of Estimated Economic Impacts from Metro Visitor Venues – FY 2010

The table that follows summarizes the estimated economic impacts generated from Metro visitor venues in FY 2010 in terms of total direct and indirect/induced spending, employment and earnings based on the methodology and assumptions outlined in this report and further described in each individual venue report. As shown, Metro visitor venues were estimated to generate approximately \$681.7 million in total spending within the region and 6,680 jobs.

Summary of Estimated Economic Impacts Generated from Operations of Metro Visitor Venues - FY 2010					
Category	OCC	PCPA	Expo Center	Oregon Zoo	Total
Total Economic Benefits:					
Direct Spending	\$305,658,000	\$33,649,000	\$19,807,000	\$38,638,000	\$397,752,000
Indirect/Induced Spending	220,221,000	23,868,000	14,280,000	25,609,000	283,978,000
Total Spending	\$525,879,000	\$57,517,000	\$34,087,000	\$64,247,000	\$681,730,000
Total Jobs	5,000	610	370	700	6,680
Total Earnings	\$195,319,000	\$22,280,000	\$13,018,000	\$27,099,000	\$257,716,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility(s).

Summary of Estimated Fiscal Impacts from Metro Visitor Venues – FY 2010

Based on the event activity and financial operating data provided by Metro and each of the individual facilities as well as other assumptions outlined in this report, Metro visitor venues were estimated to generate approximately \$22.8 million in tax revenues in FY 2010. For purposes of this analysis, fiscal benefits associated with the on-going operations of these four facilities are estimated for the State of Oregon, Metro, Clackamas County, Multnomah County and Washington County.

Summary of Estimated Fiscal Impacts Generated from Operations of Metro Visitor Venues - FY 2010					
Category	OCC	PCPA	Expo Center	Oregon Zoo	Total
State of Oregon					
Personal Income Tax	\$5,360,000	\$611,000	\$357,000	\$744,000	\$7,072,000
Corporate Excise and Income Tax	888,000	98,000	58,000	112,000	1,156,000
Transient Lodging Tax	828,000	54,000	27,000	24,000	933,000
Subtotal	\$7,076,000	\$763,000	\$442,000	\$880,000	\$9,161,000
Metro					
Excise Tax	\$1,218,000	see note 1	\$394,000	see note 1	\$1,612,000
Clackamas County					
Transient Room Tax	\$581,000	see note 2	see note 2	see note 2	\$581,000
Multnomah County					
Transient Lodgings Tax (see note 3)	\$7,481,000	\$623,000	\$311,000	\$273,000	\$8,688,000
Motor Vehicle Rental Tax	1,566,000	see note 4	see note 4	see note 4	1,566,000
Business Income Tax	150,000	21,000	13,000	25,000	209,000
Subtotal	\$9,197,000	\$644,000	\$324,000	\$298,000	\$10,463,000
Washington County					
Lodging Tax	\$1,013,000	see note 2	see note 2	see note 2	\$1,013,000
Total Tax Benefits	\$19,085,000	\$1,407,000	\$1,160,000	\$1,178,000	\$22,830,000
Percent of Total	84%	6%	5%	5%	100%

- Notes: (1) No excise tax is collected from PCPA or the Oregon Zoo as part of the intergovernmental agreement with the City of Portland.
(2) Transient lodging tax associated with event activity at the PCPA, Expo Center and Oregon Zoo is only estimated for Multnomah County because it is assumed that most benefits occur in this jurisdiction.
(3) Although Multnomah county collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.
(4) Motor vehicle rental tax was only calculated for event activity at the OCC.

Multnomah County realizes approximately 46% of the total estimated fiscal benefits followed by the State of Oregon (40%) and Metro (7%), respectively.



Metro visitor venues are unique business entities that generate significant economic activity to the Portland metro area and the State of Oregon. Although the four facilities operated at a combined deficit of approximately \$15.9 million when evaluating operating revenues only, and not including other revenue sources, their activity generated more than \$22.8 million in local and State tax benefits in FY 2010 resulting in a 1.4 to 1.0 ratio of fiscal benefits to operating costs representing a positive economic return.

Although this document provides a summary of our analysis, it is important for the reader to review each respective report in its entirety in order to gain a better understanding of the methodology and the assumptions used to develop the estimated economic and fiscal impacts for the four Metro visitor venues.



Metro Visitor Venues



Oregon Convention Center Economic and Fiscal Impact Analysis FY 2010

**Final Report
February 2011**



February 4, 2011

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Oregon Convention Center in Fiscal Year 2010. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Oregon Convention Center. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions 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 Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	4
3	Economic/Fiscal Impacts Analysis	10

Executive Summary

The Oregon Convention Center (OCC) is a unique business entity that generates significant economic activity to downtown Portland and the Tri-County region. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the OCC to the local economies. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

In Fiscal Year (FY) 2010, the OCC hosted 424 events that attracted over 521,200 in total attendance and approximately 953,200 attendee days. As shown in the table below, this activity was estimated to generate approximately \$525.9 million in total spending which supported 5,000 full and part-time jobs and created \$195.3 million in personal earnings in the Tri-County region in FY 2010.

Estimated Economic Benefits to the Tri-County Region From OCC Operations in FY 2010	
Total Economic Benefits: Tri-County Region	
Direct Spending	\$305,658,000
Indirect/Induced Spending	\$220,221,000
Total Spending	<u>\$525,879,000</u>
Total Jobs	5,000
Total Earnings	\$195,319,000
Total Economic Benefits: Clackamas County	
Direct Spending	\$31,197,000
Indirect/Induced Spending	\$22,387,000
Total Spending	<u>\$53,584,000</u>
Total Jobs	510
Total Earnings	\$20,135,000
Total Economic Benefits: Multnomah County	
Direct Spending	\$234,675,000
Indirect/Induced Spending	\$169,145,000
Total Spending	<u>\$403,820,000</u>
Total Jobs	3,840
Total Earnings	\$149,808,000
Total Economic Benefits: Washington County	
Direct Spending	\$39,787,000
Indirect/Induced Spending	\$28,686,000
Total Spending	<u>\$68,473,000</u>
Total Jobs	650
Total Earnings	\$25,376,000

- Notes: (1) Tri-County Region amounts represent the sum of the three counties.
 (2) There may be slight differences due to rounding.
 (3) Earnings represent the salaries/wages earned by employees of businesses associated with or impacted by the facility.

In addition, tax revenues generated from OCC-related activities were estimated to be approximately \$19.1 million in FY 2010, of which approximately \$7.1 million or 37% occurred at the State level.

Estimated Fiscal Benefits From OCC Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$5,360,000
Corporate Excise & Income Tax	888,000
Transient Lodging Tax	828,000
Subtotal	\$7,076,000
Metro	
Excise Tax	\$1,218,000
Subtotal	\$1,218,000
Clackamas County	
Transient Room Tax	\$581,000
Subtotal	\$581,000
Multnomah County	
Transient Lodging Tax	\$7,481,000
Motor Vehicle Rental Tax	1,566,000
Business Income Tax	150,000
Subtotal	\$9,197,000
Washington County	
Lodging Tax	\$1,013,000
Subtotal	\$1,013,000
GRAND TOTAL	\$19,085,000

Note: (1) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following table summarizes key comparative data for OCC operations for the last three fiscal years. As shown, although events, total use days and total attendance declined between FY 2008 and FY 2010, total event days experienced a 12% increase between FY 2009 and FY 2010. The OCC's operating deficit decreased by 7% between FY 2009 and FY 2010. In addition, both economic and fiscal impacts experienced a significant increase between FY 2009 and FY 2010 which was primarily attributable to a shift in convention/tradeshows activity.

Summary of Key Comparative Data - OCC			
Category	FY 2008	FY 2009	FY 2010
Utilization:			
Events	588	521	424
Total Use Days	1,244	1,128	1,050
Total Attendance	614,900	548,300	521,200
Total Attendee Days	1,000,300	854,100	953,200
Financial Operations:			
Operating Revenues	\$16,862,000	\$15,194,000	\$16,645,000
Operating Expenses	23,131,000	24,171,000	24,983,000
Net Operating Results	<u>(\$6,269,000)</u>	<u>(\$8,977,000)</u>	<u>(\$8,338,000)</u>
Economic/Fiscal Impacts:			
Direct Spending	\$252,763,000	\$236,803,000	\$305,658,000
Indirect/Induced Spending	188,749,000	184,554,000	220,221,000
Total Spending	<u>\$441,512,000</u>	<u>\$421,357,000</u>	<u>\$525,879,000</u>
Total Jobs	4,760	4,410	5,000
Total Earnings	\$171,453,000	\$165,747,000	\$195,319,000
Total Fiscal Benefits	\$15,417,000	\$15,228,000	\$19,085,000



In the past several fiscal years, conventions/tradeshows have generally accounted for approximately 50% of attendee days, whereas these event types represented 61% of attendee days in FY 2010. Further, the portion of convention/tradeshow attendee days from regional/national/international events also increased to 75% in FY 2010 (the last several years ranged from 52% to 66%) which is similar to FY 2004 and FY 2005 activity. Given the distances traveled, regional/national/international events are assumed to generate a greater portion of overnight or high-impact attendee days. Attendee days are 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 delegates return to the event each of the three days. As such, convention and tradeshow activity is the primary driver of OCC economic impact given that these events draw overnight visitors that support area businesses. This shift in business in FY 2010 from that in recent years is reflected in the increased economic and fiscal impact estimates.

As a point of reference, the OCC had 110 full-time employees in FY 2010.

The next section of the report includes an introduction as well as the general methodology used to estimate the economic and fiscal impacts associated with the OCC's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the OCC, Portland Center for the Performing Arts (PCPA), Portland Metropolitan Exposition Center (Expo Center) and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: OCC, PCPA and Expo Center. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres;
- Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performance in FY 2010 that attracted nearly 3.4 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The mission of the OCC is to maximize economic benefit for the region and the State of Oregon while protecting public investment in the facility. As such, OCC management and marketing policies are aimed at attracting out-of-town visitors and creating new jobs to stimulate economic development while also accommodating local users.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the OCC to the regional economy. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur in area municipalities and the State of Oregon as a result of on-going operations of the OCC can be approached in several ways. The approach used in this analysis considers expenditures generated from facility operations from items such as personal services, food/beverage, goods/services, marketing, MERC/Metro administration and capital outlay as well as spending by attendees, sponsoring organizations/event producers and exhibitors outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the OCC. 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 transient lodging tax, excise tax, motor vehicle rental tax, business income tax and personal income tax were estimated.

The number of events and attendance, event mix, origin of attendees, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



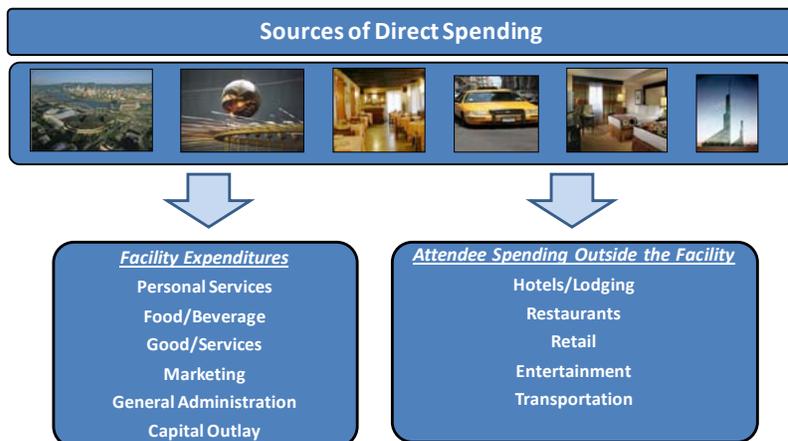
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in 2010 dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of OCC operations. This spending occurs both inside and outside of the convention center. Direct spending related to OCC operations is generated from facility expenditures (including capital outlay) as well as spending by attendees, sponsoring organizations/event producers and exhibitors.





Indirect/Induced Impacts

The economic activity generated by OCC operations affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the Tri-County region resulting from OCC operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

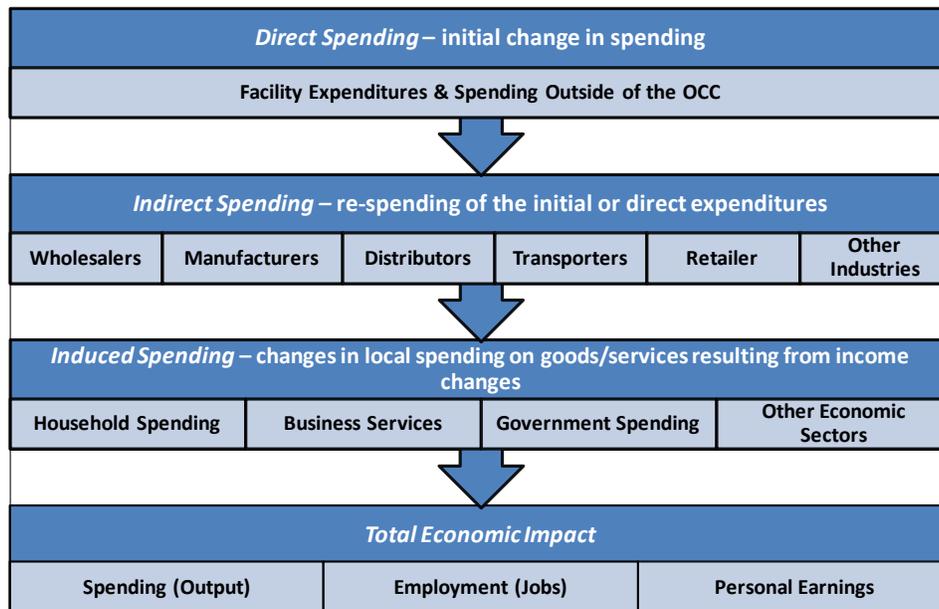
These multipliers reflect IMPLAN’s latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by OCC operations. 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.
- **Employment (jobs)** represents the number of full and part-time jobs supported by OCC operations. 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.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by OCC operations. 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.

The following graphic illustrates the multiplier effects for calculating total economic impact.





Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going OCC operations creates tax revenues for the area municipalities and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the OCC, this analysis estimated the revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously defined:

State of Oregon

- Corporate Excise and Income Tax
- Personal Income Tax
- Transient Lodging Tax

Metro

- Excise Tax

Clackamas County

- Transient Room Tax

Multnomah County

- Business Income Tax
- Motor Vehicle Rental
- Transient Lodging Tax

Washington County

- Lodging Tax

Economic/Fiscal Impact Analysis

General Overview of the OCC

This section of the report summarizes the estimated economic impacts and tax revenues to the Tri-County region as a result of on-going OCC operations and other business activity that supported the facility for the 12 months ending June 30, 2010.

OCC's mission is to maximize economic benefit for the region and the State while protecting public investment in the facility. Originally opened in September of 1990 and expanded in April of 2003, the OCC offers the following components:

- *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
- *Lobby/Pre-Function:* Over 100,000 square feet
- *Skyview Terrace:* 7,000 square feet
- *Parking:* 800-space underground parking garage on-site and 2,500 parking spaces within walking distance

Over the last several years, the Portland Development Commission (PDC), in conjunction with MERC and OCC, has actively sought the development of a headquarters hotel adjacent to the OCC. A Development Team was selected, Phase 1 of the project was completed, and several consultants were engaged to prepare pro formas, impact reports, employment numbers and costs of the headquarters hotel. In September 2009, the City of Portland, Multnomah County, and Metro met and agreed that the current development agreement for the headquarters hotel should be allowed to expire. The headquarters hotel project remains on hold with the current economic conditions in Oregon and funding options considered to be still difficult to put together in the region to move this project forward at this time.

The Tri-County region benefits from the on-going OCC operations 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 and creating a more distinct identity;
- Serving as a catalyst for urban redevelopment initiatives; and
- Generating additional economic activity and enhanced fiscal revenues.



While the value of some of these benefits is difficult to measure, the economic activity generated by the OCC within the Tri-County region can be quantified in terms of spending, jobs and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities and OCC management, this analysis summarizes the estimated direct, indirect and induced economic benefits and tax benefits to the entire Tri-County region as well as to each individual county from the OCC's operations in FY 2010.

Each of these benefits is important in assessing the overall impacts of the OCC to the area. While the value of many of these benefits is difficult to measure, the economic and fiscal impacts generated within the Tri-County region can be quantified. As such, this analysis estimates the direct, indirect, and induced economic benefits and tax revenues to the entire Tri-County region as well as to each individual county from the OCC's operations in FY 2010.

Summary of Event Activity at the OCC

The following table summarizes the event activity at the OCC for FY 2010.

Summary of OCC Event Activity - FY 2010								
Event Type	Events	Move-in/ Move-out Days	Event Days	Total Use Days	Total Attendance	Average Attendance	Total Attendee Days	Average Attendee Days
Conventions/Tradeshows	76	142	225	367	176,016	2,316	580,322	7,636
Meetings	209	36	320	356	59,665	285	71,308	341
Other	139	113	214	327	285,530	2,054	301,564	2,170
Total	424	291	759	1,050	521,211		953,194	

Note: Other events include public shows and food and beverage functions.
Source: OCC Management.

The number of attendee days is an important component in the methodology used to calculate economic impact. For all event types other than food functions and other 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 delegates return to the event each of the three days. Attendee days for food functions and other events are the same as total attendance since these attendees generally attend only once during the event. As shown in the table above, the OCC generated approximately 953,200 attendee days in FY 2010.

Although the total number of conventions/tradeshows held at the OCC decreased between FY 2009 and FY 2010, the average length of each convention/tradeshow increased from 2.5 days to 3.0 days. In addition, average attendance at conventions/tradeshows increased by 25% to more than 2,300 people between FY 2009 and FY 2010. These factors combined resulted in a 37% increase in total attendee days at convention/tradeshows between FY 2009 and FY 2010 which had a direct effect on the OCC's estimated economic and fiscal impact.

Summary of Estimated Economic Impacts from OCC Operations

The table below summarizes the estimated economic impacts generated from the on-going OCC operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits to the Tri-County Region From OCC Operations in FY 2010	
Total Economic Benefits: Tri-County Region	
Direct Spending	\$305,658,000
Indirect/Induced Spending	\$220,221,000
Total Spending	<u>\$525,879,000</u>
Total Jobs	5,000
Total Earnings	\$195,319,000
Total Economic Benefits: Clackamas County	
Direct Spending	\$31,197,000
Indirect/Induced Spending	\$22,387,000
Total Spending	<u>\$53,584,000</u>
Total Jobs	510
Total Earnings	\$20,135,000
Total Economic Benefits: Multnomah County	
Direct Spending	\$234,675,000
Indirect/Induced Spending	\$169,145,000
Total Spending	<u>\$403,820,000</u>
Total Jobs	3,840
Total Earnings	\$149,808,000
Total Economic Benefits: Washington County	
Direct Spending	\$39,787,000
Indirect/Induced Spending	\$28,686,000
Total Spending	<u>\$68,473,000</u>
Total Jobs	650
Total Earnings	\$25,376,000

Notes: (1) Tri-County Region amounts represent the sum of the three counties.

(2) There may be slight differences due to rounding.

(3) Earnings represent the salaries/wages earned by employees of businesses associated with or impacted by the facility.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated in the Tri-County region result from the impact of direct spending both by attendees and activities that support events held at the OCC. Direct spending impacts are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending outside the facility;
- Sponsoring organization/event producer spending outside the facility;
- Exhibitor spending outside the facility; and
- Budgetary spending by the OCC.



Attendee Spending Outside the Facility

Based on information provided by management, OCC events were analyzed to distinguish attendees at regional/national/international events from those at State/local events. For purposes of this analysis, high impact attendees were defined as those that stay overnight in a hotel room. In general, low impact attendees are local patrons attending consumer shows, civic events and meetings. As such, adjustments were made to the DMAI spending amounts to account for low impact spending. For purposes of this analysis, all attendees at regional/national/international events were classified as high impact. A per day spending amount of \$326 was applied to these delegates. In addition, 30% of State/local convention/tradeshow attendees and 5% of attendees at all other State/local events were assumed to be high impact. A per day spending amount of \$264 was applied to these high impact delegates. All remaining attendees were classified as low impact and a daily spending amount of \$30 was used.

Sponsoring Organization/Event Producer & Exhibitor Spending Outside the Facility

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. The estimated association spending amounts used in this analysis were based on spending amounts per delegate day from the DMAI Convention Expenditure and Impact Study.

The DMAI Convention Expenditure and Impact Study also estimated spending for exhibitors per attendee day. Similar to association spending, adjustments were made to these estimates to avoid double counting. Based on conversations with DMAI representatives, exhibitor spending at State/local events can be higher than that at regional/national/international 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/international events are likely to spend a greater portion of their expenses where they are based as opposed to the event location.

Association and exhibitor per day spending estimates by scope of event are shown below.

Per Day Spending	State/ Local	Regional/ National/ International
Association	\$17	\$17
Exhibitor	\$129	\$81

Note: (1) Per day spending amounts reflect spending per delegate.

Source: DMAI.

Budgetary Spending for the OCC

Budgetary spending refers to the “expense side” generated by the OCC. Regardless of the source or magnitude of the revenues the building produces, this analysis focused on the operating expenditures occurring in the Tri-County economies. Based on information provided by management, OCC operating expenditures (including capital outlay) were approximately \$26.0 million in FY 2010.

Summary of Direct Spending Inputs

Based on event and financial operating data provided by management and the DMAI spending estimates, total direct spending related to OCC attendees, associations, exhibitors and budgetary spending was estimated to be approximately \$305.7 million in FY 2010. Attendee and association/exhibitor spending amounts are directly related to the number of convention/tradeshow attendee days. The table below shows the breakdown of estimated direct spending among these three categories.

Estimated Direct Spending From OCC Operations - FY 2010	
Category	Amount
Attendee Spending	\$184,424,000
Association/Exhibitor Spending	95,256,000
OCC Budgetary Spending	25,978,000
Total	\$305,658,000

Once the total economic impact for the Tri-County region was estimated, a percentage of the total spending was allocated to each of the three counties. Allocations for hotel spending were based on the historical transient lodging tax receipts for each county as a percentage of the total collections within the Tri-County region. Allocations for all other spending were 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.

County	% Allocation	
	Hotel Spending	All Other Spending
Clackamas	7.8%	11.1%
Multnomah	78.6%	76.1%
Washington	13.6%	12.8%
Total	100.0%	100.0%

Finally, the direct spending amounts estimated to be generated from OCC operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.



Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the Tri-County region. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by OCC operations was estimated to generate approximately \$220.2 million in indirect/induced spending.

Total Spending

Outputs from the IMPLAN model indicate that total (i.e., direct, indirect and induced) spending from OCC operations was approximately \$525.9 million in FY 2010.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with OCC operations in FY 2010 was estimated to support approximately 5,000 total jobs. 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.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from OCC operations in FY 2010 were approximately \$195.3 million.

Summary of Estimated Fiscal Impacts from OCC Operations

As summarized in the table that follows, OCC operations were estimated to generate approximately \$19.1 million in tax revenues in FY 2010.

Estimated Fiscal Benefits From OCC Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$5,360,000
Corporate Excise & Income Tax	888,000
Transient Lodging Tax	828,000
Subtotal	\$7,076,000
Metro	
Excise Tax	\$1,218,000
Subtotal	\$1,218,000
Clackamas County	
Transient Room Tax	\$581,000
Subtotal	\$581,000
Multnomah County	
Transient Lodging Tax	\$7,481,000
Motor Vehicle Rental Tax	1,566,000
Business Income Tax	150,000
Subtotal	\$9,197,000
Washington County	
Lodging Tax	\$1,013,000
Subtotal	\$1,013,000
GRAND TOTAL	\$19,085,000

Note: (1) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

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 was calculated by applying the effective tax rate of 5.6% to 49% of total earnings estimated to be generated by each individual facility, which represents the State's average taxable income as a percentage of total income.

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 was applied to 4.4% of direct spending estimated to be generated by each facility in order to reflect net taxable income.



Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. 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 the State. For purposes of this analysis, the 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by the OCC.

Metro

Excise Tax – Metro imposes an excise tax of 7.5% of total earned revenues of MERC facilities. The tax is remitted on a monthly basis to Metro and is a General Fund Revenue dedicated to 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 was 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 Fair was originally set at \$250,000 per year and is adjusted by CPI annually. As a point of reference, the flat fee was approximately \$396,000 in FY 2010.

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% was 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. This tax was only estimated for OCC-related event activity given this venue's relatively higher room night generation and impact to surrounding counties.

Multnomah County

Transient Lodging 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 generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC)

- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points 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 point 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 points for administrative costs

For purposes of this analysis, the 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by each facility's operation.

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. Effective June 15, 2009, the total tax rate increased to 17% 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 14.5% are allocated to the County's general fund while the remaining 2.5% is allocated to the Visitors Facilities Trust Account (VFTA). For purposes of this analysis, the tax rate of 17% was used and applied to 50% of direct local transportation spending in Multnomah County generated by OCC operations.

Business Income Tax – A business income tax is imposed on each 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% was applied to 4.4% of total direct spending in order to reflect net taxable income estimated to be generated by each facility's operation

Washington County

Lodging Tax – Washington County imposes a 9% tax on short term stays in hotels, motels and RV parks. For purposes of this analysis, this tax rate was applied to direct hotel spending in Washington County. This tax was only estimated for OCC related event activity given this venue's relatively higher room night generation and impact to surrounding counties. The allocation of collections is as follows:

- One point is dedicated to the Visitor's Association
- One point is dedicated to the Fair Board to support the County Fair
- Two points are granted to the promotion of tourism and are no longer automatically given to the County's Visitor's Association; rather all interested parties must submit proposals to the County for an allocation of this portion, including the Visitor's Association
- The remaining five points are split between the County and cities and are primarily used to fund functions such as public safety, public health, transportation and other local government services.



Other Jurisdictions

In addition to those jurisdictions previously described, other area governments could potentially benefit from OCC operations which generate patron spending at regional business establishments. Conversations with management at a sample of hotels and restaurants suggest event activity at the OCC positively impacts their business as well as that of other establishments nearby.

Summary of Estimated Economic and Fiscal Impacts for OCC – FY 2010

The OCC is a unique business entity that generates significant economic activity to metropolitan Portland and the State of Oregon. In FY 2010, the OCC hosted 424 events that attracted over 521,200 in total attendance and nearly 953,200 attendee days. This activity was estimated to generate direct spending of approximately \$305.7 million. Outputs from the IMPLAN model indicate that total spending, including direct, indirect and induced impacts, was approximately \$525.9 million in FY 2010. This spending was estimated to support approximately 5,000 jobs that created \$195.3 million in personal earnings. In addition, these transactions were subject to taxes that were estimated to generate approximately \$19.1 million in FY 2010. Economic and fiscal benefits increased significantly between FY 2009 and FY 2010 which was primarily attributable to a greater portion of business from conventions/tradeshows that drew more attendees per event who averaged a longer length of stay.



Metro Visitor Venues



Oregon Zoo Economic and Fiscal Impact Analysis FY 2010

**Final Report
February 2011**



February 4, 2011

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Oregon Zoo in Fiscal Year 2010. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Oregon Zoo. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions 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 Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	9

Executive Summary

The Oregon Zoo is a unique business entity that generates significant economic activity to the Portland area. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the Oregon Zoo and the Oregon Zoo Foundation (OZF) to the local economies. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

In FY 2010, the Oregon Zoo admitted more than 1.6 million visitors, approximately 719,300 of which were admissions paid at the gate and 751,100 were purchased through membership fees. As shown in the table to the right, this activity was estimated to generate approximately \$64.2 million in total spending which supported 700 full and part-time jobs and created \$27.1 million in personal earnings.

Estimated Economic Benefits From Oregon Zoo Operations - FY 2010	
Category	Amount
Spending	
Direct Spending	\$38,638,000
Indirect/Induced Spending	25,609,000
Total Spending	\$64,247,000
Total Jobs	700
Total Earnings	\$27,099,000

Note: (1) Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the zoo.

In addition, tax revenues generated from zoo-related activities were estimated to be approximately \$1.2 million in FY 2010.

Estimated Fiscal Benefits From Oregon Zoo Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$744,000
Corporate Excise & Income Tax	112,000
Transient Lodging Tax	24,000
Total	\$880,000
Multnomah County	
Transient Lodging Tax	\$273,000
Business Income Tax	25,000
Total	\$298,000
GRAND TOTAL	\$1,178,000

Notes: (1) No excise tax is collected from the Oregon Zoo.
 (2) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.



The following table presents FY 2010 Oregon Zoo admissions, financial operations and capital improvements as well as OZF financial operations. Paid admissions decreased by 3% between FY 2009 and FY 2010 while member admissions increased by 9% during the same two-year period. The net operating results for the Oregon Zoo improved by 14% in FY 2010 over the prior fiscal year. OZF revenues primarily consist of membership revenues, contributions, planned giving, event revenues, and other income while operating costs include those related to personnel, materials/supplies, equipment/technology, communications and event-related expenses. Zoo program support expenditures encompass both OZF program and donor program support.

Summary of Key Data - Oregon Zoo	
Category	FY 2010
Admissions	
Paid	719,307
Members	751,087
Free	164,584
Total Admissions	1,634,978
Zoo Financial Operations	
Operating Revenues	\$19,084,000
Operating Expenses	24,695,000
Net Operating Results	(\$5,611,000)
Zoo Capital Improvements	
	\$4,795,000
OZF Operations	
Revenues	\$7,752,000
Operating Costs	\$2,099,000
Zoo Program Support	\$4,666,000
Net Operating Results	\$987,000

As a point of reference, the Oregon Zoo had 142 full-time and 20 part-time employees (excluding temporary and seasonal staff) and the OZF had 14 full-time and two part-time employees (excluding volunteers) in FY 2010.

The next section of the report includes an introduction as well as the general methodology used to estimate the economic and fiscal impacts associated with the Oregon Zoo's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the Oregon Zoo, Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA) and Portland Metropolitan Exposition Center (Expo Center). Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: OCC, Expo and PCPA. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the OZF which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.
- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres; and
- Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2010 that attracted nearly 3.4 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of the Oregon Zoo to the regional economy. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur as a result of on-going operations of the Oregon Zoo can be approached in several ways. The approach used in this analysis considers expenditures generated from Oregon Zoo and OZF operations from items such as personal services, contracted services, materials/supplies, utilities, food, repairs/maintenance, general administrative and capital improvements as well as spending by visitors outside the zoo on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the Oregon Zoo (including OZF operating costs but excluding program and donor program support). The governmental entities considered in this fiscal analysis are Multnomah County and the State of Oregon. Revenues generated from personal income tax, corporate excise and income tax, business income tax and transient lodging tax were estimated.

The number and type of admissions, origin of visitors, financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



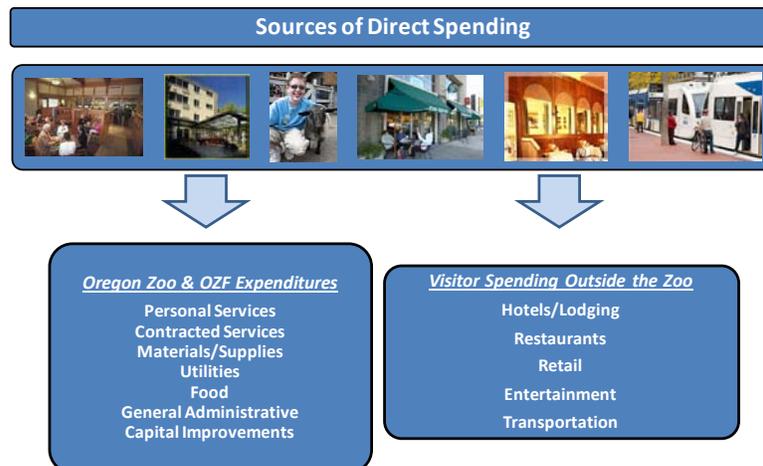
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in 2010 dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of Oregon Zoo operations. This spending occurs both inside and outside of the facility. Direct spending is generated from Oregon Zoo and OZF expenditures as well as from visitors.





Indirect/Induced Impacts

The economic activity generated by Oregon Zoo operations affects more than just the attraction. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area resulting from Oregon Zoo operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.
Source: IMPLAN.

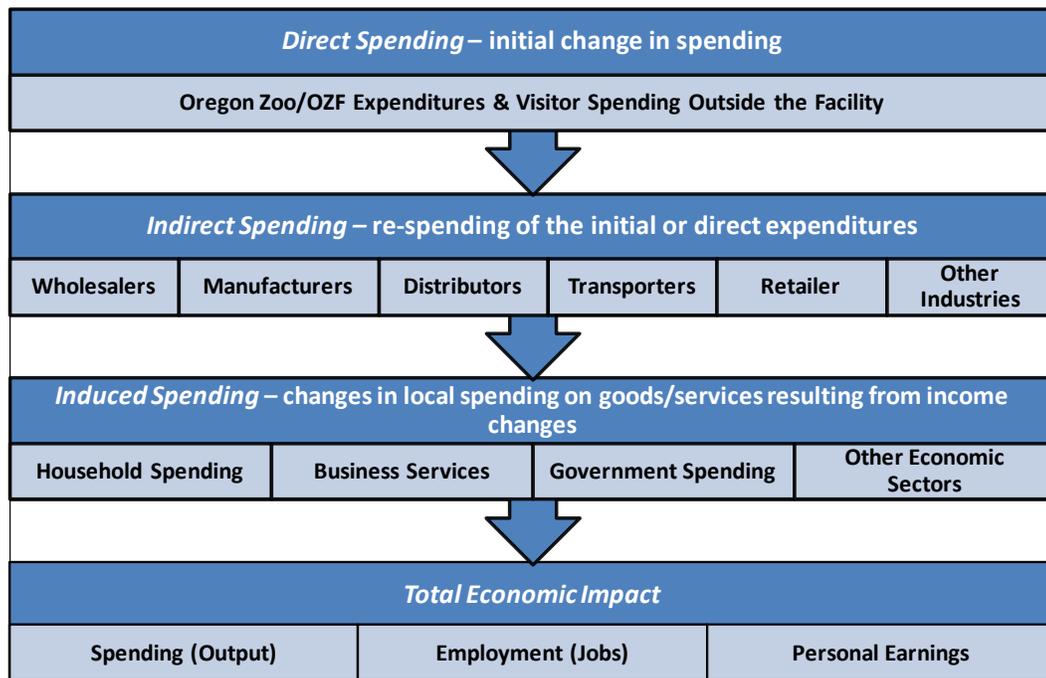
These multipliers reflect IMPLAN’s latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by Oregon Zoo operations. 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.
- **Employment (jobs)** represents the number of full and part-time jobs supported by Oregon Zoo operations. 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.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by Oregon Zoo operations. 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.

The following graphic illustrates the multiplier effects for calculating total economic impact.





Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going Oregon Zoo operations creates tax revenues for Multnomah County and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the attraction, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expenses of residents. Major tax sources impacted by Oregon Zoo operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the Oregon Zoo, this analysis estimated the revenues generated from personal income tax, corporate excise and income tax, and transient lodging tax at the State level as well as business income tax and transient lodging tax in Multnomah County.

Economic/Fiscal Impact Analysis

General Overview of the Oregon Zoo

This section of the report summarizes the estimated economic impacts and tax revenues as a result of on-going Oregon Zoo operations and other business activity that supported the attraction for the 12 months ending June 30, 2010.

In 1887, Richard Knight, a local pharmacist who collected animals as a hobby, officially presented his menagerie to the City of Portland and the oldest zoo west of the Mississippi was created. The 64-acre Oregon Zoo is home to approximately 2,200 specimens representing 260 species of birds, mammals, reptiles, amphibians and invertebrates. Of these, 21 species are endangered and 33 are threatened. The Oregon Zoo displays animals from all corners of the world, including Asian elephants, Humboldt penguins and polar bears. From the mist-filled Africa Rain Forest to the majestic Great Northwest exhibit, the zoo encourages visitors to understand and experience the natural world.

Committed to conservation of endangered species and their habitats – both locally and around the globe – the zoo is a center for wildlife conservation and field research. The Oregon Zoo's award-winning education programs serve nearly 700,000 people both at the zoo and at schools, senior and community centers around the region. A summer concert series, seasonal events and the zoo railway help this popular Oregon attraction draw more than 1.6 million visitors each year. The Oregon Zoo is also a leader in sustainable business practices, but most importantly, it is a safe place for families to share moments of discovery and fun.

The zoo is currently engaged in a master planning effort to map out the vision for the next 20 years. This master plan will provide designs for the nine current 2008 bond projects as well as future direction for the zoo campus. The zoo is leveraging the master plan to become a game-changing zoo dedicated to animal welfare and sustainable infrastructure.

Metro contributes to the \$31 million annual zoo budget, in which nearly 70% of its financial resources are derived from business enterprise operations. Approximately 64% of enterprise revenues is comprised of admission fees, food/beverage sales, tuition/lecture ticket sales, temporary exhibits, train admissions and parking. Six percent (6%) is generated from contributions, grants and memberships and by a conservation surcharge of \$0.25 per admission dedicated towards conservation efforts.

The OZF was created in 1997 by the merger of the private, non-profit support organization (Friends of the Zoo) with the Zoo's development office. Annual OZF support funds a large portion of zoo capital projects and its contribution has grown dramatically to \$3.3 million in FY 2010.

Objectives of the OZF include identifying and retaining a diverse range of private funders to support the overall vision and mission of the zoo. These objectives fall into several categories, such as donors, members, restricted gifts, grants and sponsorships. In addition, the OZF partners with zoo staff to provide funding for conservation, education and endangered species recovery programs.



The Oregon Zoo is home to several primary exhibits including, but not limited to, the following:

- The Great Northwest
- Primates, including the Red Ape Reserve
- Asian Elephants
- Pacific Shores
- Predators of the Serengeti
- Africa

The Oregon Zoo is located in the 400-acre Washington Park area which includes other attractions such as the Portland Children’s Museum, World Forestry Center Discovery Museum, Hoyt Arboretum, Portland Japanese Garden and International Rose Test Garden. The Oregon Zoo’s unique offerings contribute to the vibrancy of Portland and the surrounding region.

The region benefits from the on-going operations of the Oregon Zoo in a number of ways, including such tangible and intangible benefits as:

- Supporting the vibrancy of the Tri-County metro area by attracting residents and visitors to surrounding business establishments;
- Providing a regional conservation education destination and resource promoting environmental stewardship;
- Providing a venue for lectures, symposiums, banquets and other unique engagements;
- Generating public awareness of endangered species, environmental issues and sustainability;
- Providing a recreational destination for tourists, families and community members; and
- Supporting local businesses through its operations such as generating additional economic activity and enhanced fiscal revenues and services as a major regional employer, from internal staff to contractors for projects such as exhibit construction and general maintenance.

While the value of some of these benefits is difficult to measure, the economic activity generated by the Oregon Zoo can be quantified in terms of spending, jobs and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities, Oregon Zoo management and the OZF, this analysis summarizes the estimated direct, indirect and induced economic benefits and tax revenues from the Oregon Zoo’s operations in FY 2010.

Summary of Attendance at the Oregon Zoo

In FY 2010, the Oregon Zoo admitted more than 1.6 million visitors, approximately 719,300 of which were admissions paid at the gate and 751,100 were purchased through membership fees. These paid visitors contribute to the economic impact by attracting overnight attendees from out-of-town that generate spending on items such as lodging, restaurants, entertainment and transportation.

Summary of Admissions at the Oregon Zoo - FY 2010	
Category	Number
Paid	719,307
Members	751,087
Free	164,584
Total Admissions	1,634,978

Source: Oregon Zoo management.

Summary of Estimated Economic Impacts from Oregon Zoo Operations

The table below summarizes the estimated economic impacts generated from the on-going Oregon Zoo operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits From Oregon Zoo Operations - FY 2010	
Category	Amount
Spending	
Direct Spending	\$38,638,000
Indirect/Induced Spending	25,609,000
Total Spending	\$64,247,000
Total Jobs	700
Total Earnings	\$27,099,000

Note: (1) Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the zoo.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated in the area result from the impact of direct spending both by visitors and activities that support events held at the Oregon Zoo. Direct spending impacts are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending outside the Oregon Zoo;
- Oregon Zoo budgetary spending;
- Oregon Zoo capital improvement spending; and
- OZF operating expenses (excluding OZF program and donor program support).

Attendee Spending Outside the Oregon Zoo

Based on information provided by management, Oregon travel industry research, a portion of attendees were categorized as high impact, defined as those staying overnight. In FY 2010, approximately 23% of Oregon Zoo paid admissions were generated from residents outside the State of Oregon or Vancouver, Washington. Further, the Oregon Zoo commissioned a visitor intercept survey of attendees during the summer 2010. More than 300 surveys were collected with 20% of respondents coming from greater than one-hour drive. For purposes of this analysis, 10% of paid admissions were assumed to be high impact. In addition, spending estimates from the 2010 Dean Runyan Travel Impacts study were adjusted to avoid double counting spending that is accounted for in the zoo's budgetary spending. Based on these assumptions, a per day spending amount of \$98 was applied to high impact attendees. Non-overnight attendee spending outside the zoo is not accounted for in this analysis as it is assumed that this spending would occur within the region without operation of the zoo. Spending by attendees inside the Oregon Zoo is taken into account by the facility's budgetary spending.



Oregon Zoo Budgetary Spending

Budgetary spending refers to the “expense side” generated by the Oregon Zoo. Regardless of the source or magnitude of the revenues that the venue produces, this analysis focused on the operating expenditures occurring in the area economy. Based on information provided by management, operating expenditures for the Oregon Zoo were approximately \$24.7 million in FY 2010.

Oregon Zoo Capital Improvement Spending

The Oregon Zoo incurred approximately \$4.8 million in capital improvement expenditures during FY 2010. These projects included work on the veterinary medical center, Predators of the Serengeti exhibit and Red Ape Reserve exhibit. Some capital projects, such as the veterinary medical center, are funded by the recent zoo improvement bond issue.

Oregon Zoo Foundation Operating Expenditures

The OZF incurred approximately \$2.1 million in operating costs during FY 2010. In order to avoid double-counting and provide a more conservative estimate, expenditures related to OZF program and donor program support are excluded as some of these funds flow directly to zoo operations.

Summary of Direct Spending Inputs

Based on information provided by Oregon Zoo management, visitor intercept surveys, travel research, the total direct spending related to Oregon Zoo attendees as well as Oregon Zoo and OZF operating expenditures was estimated to be approximately \$38.6 million in FY 2010. The table below summarizes the breakdown of estimated direct spending by these three categories.

Estimated Direct Spending from Zoo Operations - FY 2010	
Category	Amount
Attendee Spending	\$7,049,000
Zoo Operations & Capital Improvements	29,490,000
Zoo Foundation Operations	2,099,000
Total	\$38,638,000

Finally, these direct spending amounts estimated to be generated from Oregon Zoo operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the area. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by Oregon Zoo operations was estimated to generate approximately \$25.6 million in indirect/induced spending in FY 2010.



Total Spending

Outputs from the IMPLAN model indicate that total (i.e., direct, indirect and induced) spending from Oregon Zoo operations was approximately \$64.2 million in FY 2010.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with Oregon Zoo operations in FY 2010 was estimated to support approximately 700 total jobs. 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.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from Oregon Zoo operations in FY 2010 were approximately \$27.1 million.

Summary of Estimated Fiscal Impacts from Oregon Zoo Operations

As summarized in the table below, Oregon Zoo operations in FY 2010 were estimated to generate approximately \$1.2 million in tax revenues.

Estimated Fiscal Benefits From Oregon Zoo Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$744,000
Corporate Excise & Income Tax	112,000
Transient Lodging Tax	24,000
Total	<u>\$880,000</u>
Multnomah County	
Transient Lodging Tax	\$273,000
Business Income Tax	25,000
Total	<u>\$298,000</u>
GRAND TOTAL	\$1,178,000

- Notes: (1) No excise tax is collected from the Oregon Zoo.
 (2) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

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 was calculated by applying the effective tax rate of 5.6% to 49% of total earnings estimated to be generated by the Oregon Zoo, which represents the State’s average taxable income as a percentage of total income.

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 was applied to 4.4% of direct spending estimated to be generated by the Oregon Zoo in order to reflect net taxable income.

Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. 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 the State. For purposes of this analysis, the 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by the Oregon Zoo.

Multnomah County

Transient Lodging 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 generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located.
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC).
- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points for administrative costs. The remaining amount is dedicated to various projects such as the OCC, the Oregon Zoo, and the Regional Arts and Culture Council.
- A 2.5 point 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 points for administrative costs

For purposes of this analysis, the 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by operations of the Oregon Zoo.

Business Income Tax – A business income tax is imposed on each 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% was applied to 4.4% of total direct spending in order to reflect net taxable income estimated to be generated by operations of the Oregon Zoo.



Summary of Estimated Economic and Fiscal Impacts for Oregon Zoo – FY 2010

The Oregon Zoo is a unique business entity that generates significant economic activity to the region. In FY 2010, the Oregon Zoo attracted more than 1.6 million in total attendance. This activity was estimated to generate direct spending of approximately \$38.6 million. Outputs from the IMPLAN model indicate that total spending, including direct, indirect and induced impacts, was approximately \$64.2 million in FY 2010. This spending was estimated to support approximately 700 jobs that created \$27.1 million in personal earnings. In addition, these transactions were subject to taxes that were estimated to generate approximately \$1.2 million in FY 2010.



Metro Visitor Venues



Portland Center for the Performing Arts Economic and Fiscal Impact Analysis FY 2010

**Final Report
February 2011**

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www.crossroads-fl.com

Crossroads Consulting Services is a Limited Liability Company



February 4, 2011

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Portland Center for the Performing Arts in Fiscal Year 2010. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Portland Center for the Performing Arts. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions 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 Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	8

Executive Summary

The Portland Center for the Performing Arts (PCPA) is a unique business entity that generates significant economic activity to downtown Portland. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the PCPA to the local economies. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

In FY 2010, the PCPA hosted 934 performances that attracted nearly 777,000 in total attendance. As shown in the table below, this activity was estimated to generate approximately \$57.5 million in total spending which supported 610 full and part-time jobs and created \$22.3 million in personal earnings.

Estimated Economic Benefits From PCPA Operations - FY 2010	
Category	Amount
Spending	
Direct Spending	\$33,649,000
Indirect/Induced Spending	23,868,000
Total Spending	\$57,517,000
Total Jobs	610
Total Earnings	\$22,280,000

Note: (1) Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

In addition, tax revenues generated from PCPA-related activities were estimated to be approximately \$1.4 million in FY 2010.

Estimated Fiscal Benefits From PCPA Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$611,000
Corporate Excise & Income Tax	98,000
Transient Lodging Tax	54,000
Total	\$763,000
Multnomah County	
Transient Lodging Tax	\$623,000
Business Income Tax	21,000
Total	\$644,000
GRAND TOTAL	\$1,407,000

Notes: (1) No excise tax is collected from the PCPA.

(2) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following table presents the trend in PCPA utilization, financial operations and economic/fiscal impacts for the last three fiscal years. As shown, utilization attributes as well as economic and fiscal impacts have fluctuated over the last three fiscal years. Operating expenses were generally consistent in FY 2009 and FY 2010.

Summary of Key Comparative Data - PCPA			
Category	FY 2008	FY 2009	FY 2010
Utilization:			
Performances	802	1,091	934
Total Use Days	1,227	1,615	1,229
Total Attendance	817,100	938,100	776,800
Financial Operations:			
Operating Revenues	\$7,471,000	\$9,259,000	\$7,999,000
Operating Expenses	\$9,766,000	\$10,886,000	\$10,866,000
Net Operating Results	<u><u>(\$2,295,000)</u></u>	<u><u>(\$1,627,000)</u></u>	<u><u>(\$2,867,000)</u></u>
Economic/Fiscal Impacts:			
Direct Spending	\$32,748,000	\$37,682,000	\$33,649,000
Indirect/Induced Spending	\$23,034,000	\$27,613,000	\$23,868,000
Total Spending	<u><u>\$55,782,000</u></u>	<u><u>\$65,295,000</u></u>	<u><u>\$57,517,000</u></u>
Total Jobs	630	730	610
Total Earnings	\$20,842,000	\$24,692,000	\$22,280,000
Total Fiscal Benefits	\$1,414,000	\$1,721,000	\$1,407,000

As a point of reference, the PCPA had 31 full-time employees in FY 2010.

The next section of the report includes an introduction as well as the general methodology used to estimate the economic and fiscal impacts associated with the PCPA's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the PCPA, Oregon Convention Center (OCC), Portland Metropolitan Exposition Center (Expo Center) and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: PCPA, OCC and Expo Center. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres;
- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2010 that attracted nearly 3.4 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.



Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

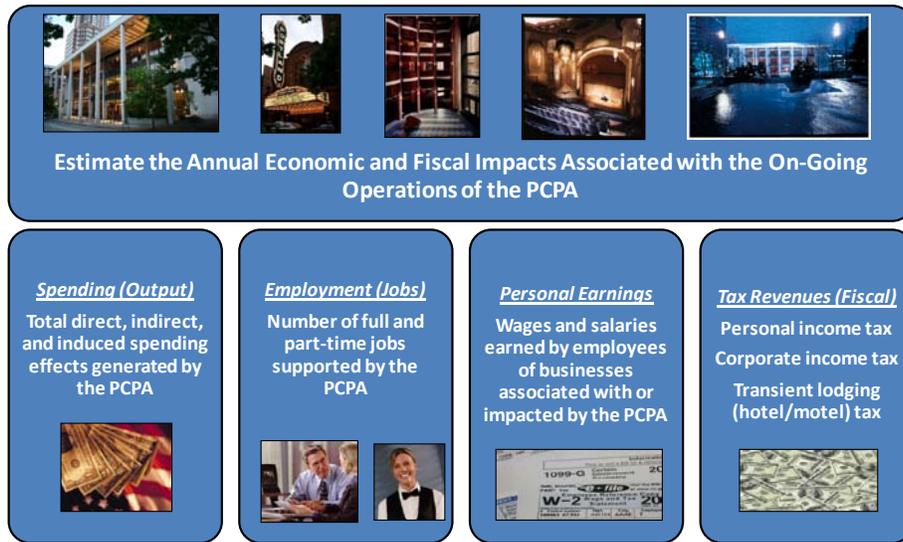
The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of the PCPA to the regional economy. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur as a result of on-going operations of the PCPA can be approached in several ways. The approach used in this analysis considers expenditures generated from facility operations from items such as personal services, food/beverage, goods and services, MERC/Metro administration and capital outlay as well as spending by attendees, show producers and cast/crew outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the PCPA. The governmental entities considered in this fiscal analysis are Multnomah County and the State of Oregon. Revenues generated from personal income tax, corporate excise and income tax, business income tax and transient lodging tax were estimated.

The number of events and attendance, event mix, origin of attendees, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



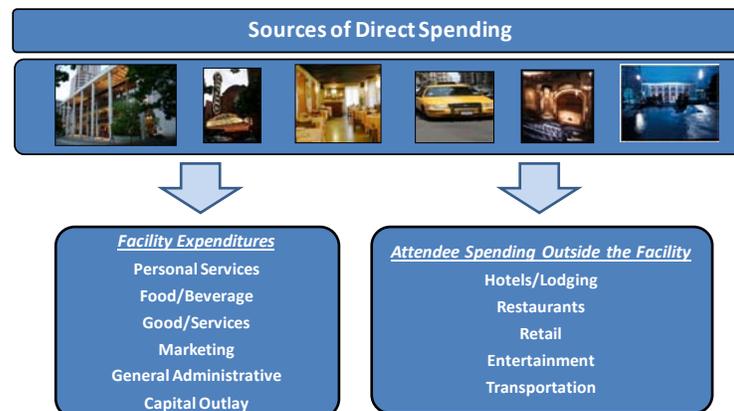
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in 2010 dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of PCPA operations. This spending occurs both inside and outside of the facility. Direct spending related to PCPA operations is generated from facility expenditures (including capital outlay) as well as attendees, event producers and cast/crew members.



Indirect/Induced Impacts

The economic activity generated by PCPA operations affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area resulting from PCPA operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

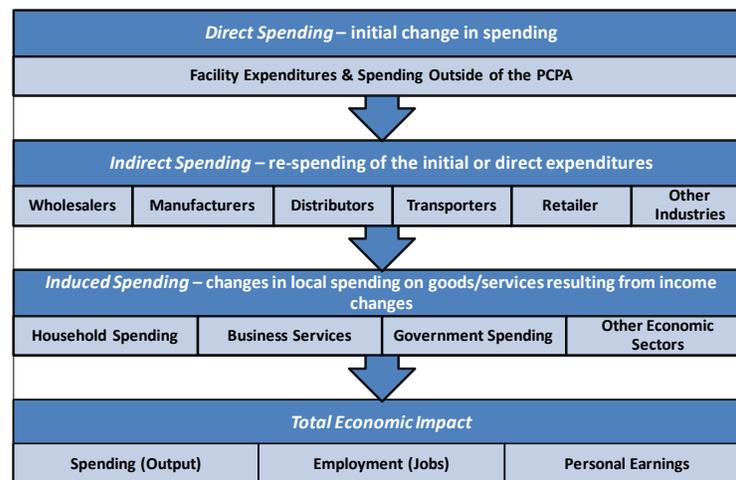
These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by PCPA operations. 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.
- **Employment (jobs)** represents the number of full and part-time jobs supported by PCPA operations. 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.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by PCPA operations. 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.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going PCPA operations creates tax revenues for Multnomah County and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expenses of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the PCPA, this analysis estimated the revenues generated from personal income tax, corporate excise and income tax, and transient lodging tax at the State level as well as business income tax and transient lodging tax at the County level.

Economic/Fiscal Impact Analysis

General Overview of the PCPA

This section of the report summarizes the estimated economic impacts and tax revenues as a result of on-going PCPA operations and other business activity that supported the facility for the 12 months ending June 30, 2010.

The PCPA is home to Portland's finest music, theatre, dance, lectures and more which are held each year in one of its three separate buildings: the Keller Auditorium, the Arlene Schnitzer Concert Hall and the Antoinette Hatfield Hall (formerly called the New Theatre Building) which houses the Newmark Theatre, the Dolores Winningstad Theatre and Brunish Hall. MERC began overseeing the PCPA in the 1980s through an Inter-Governmental Agreement (IGA) with the venue's owner, the City of Portland. Since that time, these facilities have undergone significant renovation and improvement, in part due to generous private support.

PCPA's mission is to provide responsibly managed performance spaces fostering a diverse performing arts environment. Located seven blocks southeast of the other theatres, the Keller Auditorium hosts diverse events such as grand opera, rock, western and jazz concerts, ballet and modern dance performances and national tours of Broadway musicals and plays. The original building was constructed in 1917 and was completely renovated in 1968 with substantial technical improvements made in 1993. Keller Auditorium features seating for 2,992 people, a 107 x 41-foot stage, excellent acoustics and sight lines, orchestra pit for 70 musicians, dressing rooms and a rehearsal room.

Opened in 1984, the beautifully restored Arlene Schnitzer Concert Hall was originally the Portland Public Theatre which was built in 1928. The Italian Rococo Revival architecture was said to be the national showcase of Rapp & Rapp, renowned Chicago theatre architects. Portland residents Arlene and Harold Schnitzer contributed generously to the completion of this phase of the PCPA. The one-year, \$10 million renovation involved repairing, recasting or replacing much of the theatre's ornate interior as well as making it comfortable and safe for today's audiences and performers. The Concert Hall hosts a variety of events including classical, jazz, pop, rock, folk and gospel music, dance, theatre, travel films, conferences and weddings. Features include seating for 2,776, a 94 x 32-foot stage, an orchestra pit for 15; a choir loft, dressing rooms and a portable, flexible acoustical shell.

Located in the heart of downtown Portland, the 127,000 square foot Antoinette Hatfield Hall includes two theatres; a multi-purpose space suitable for recitals, receptions or other events; a small restaurant, box office and administrative offices for PCPA.

The Newmark Theatre was designed primarily for drama productions. It is also suitable for opera, dance, ballet, chamber orchestra, recitals, conferences and films. The theatre features continental-style seating for 880 people. The Dolores Winningstad Theatre is a high-tech, updated version of a Shakespearean courtyard theatre, designed to be a multi-purpose space, providing maximum flexibility for drama, dance, chamber music, recitals, lectures and receptions. The Dolores



Winningstad Theatre features flexible seating for 292 patrons. Brunish Hall is a 3,500 square-foot multi-purpose space that is simple in its design yet features amenities that allow it to be used as a performance space, meeting and/or banquet space.

PCPA is home to several tenant performance companies including, but not limited to, the following:

- Oregon Ballet Theatre
- Oregon Children's Theatre
- Oregon Symphony Orchestra
- Portland Opera
- Portland Youth Philharmonic
- Tears of Joy Puppet Theatre

The PCPA is located in the Cultural District downtown which includes other institutions dedicated to fine and performing arts such as the Oregon Historical Society, Portland Art Museum and the Northwest Film Center. The PCPA's three unique properties contribute to the vibrancy of Portland's center city and its cultural identity.

The region benefits from the on-going operations of the PCPA in a number of ways, including such tangible and intangible benefits as:

- Supporting the vibrancy of downtown Portland by attracting residents and visitors to business establishments;
- Contributing to arts educational institutions including children's theater;
- Providing a venue for lectures, symposiums and other unique speaking engagements;
- Generating public awareness and funding of arts organizations;
- Providing an alternative entertainment option for both residents and visitors, including OCC convention attendees and business travelers;
- Enhancing business for other area companies involved in related services purchased by arts organizations (e.g., advertising, transportation, printing, etc.);
- Attracting in-kind and cash contributions from local arts supporters; and
- Generating additional economic activity and enhanced fiscal revenues.

While the value of some of these benefits is difficult to measure, the economic activity generated by the PCPA can be quantified in terms of spending, jobs and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities, PCPA management, event producers and attendees, this analysis summarizes the estimated direct, indirect and induced economic benefits and tax revenues from the PCPA's operations in FY 2010.

Summary of Event Activity at the PCPA

In FY 2010, PCPA hosted more than 930 performances that accounted for more than 1,200 total use days and attracted nearly 777,000 attendees. Approximately 67% of performances, 77% of total use days and 59% of total attendance were generated from performing arts related events. Ten (10) Broadway shows accounted for approximately 21% of total attendance. In addition, concerts generated approximately 12% of the total attendance. These shows contribute to the economic impact by attracting overnight attendees as well as cast, crew and production members from out-of-town that generate spending on items such as lodging, restaurants, entertainment and transportation.

Summary of Event Activity at the PCPA - FY 2010				
Event Type	Performances	Total Use Days	Total Attendance	Average Attendance Per Performance
Performing Arts	628	947	454,800	700
Broadway	85	82	165,500	1,900
Lectures	26	26	33,600	1,300
Meetings/Receptions	30	30	6,600	200
Concerts	55	51	90,100	1,600
Miscellaneous Event	110	93	26,200	200
Total	934	1,229	776,800	

Notes: (1) Miscellaneous events include film festivals, Music on Main, Jazz at the Art Bar, and graduations.

(2) One event can have multiple performances.

Source: PCPA management.

Summary of Estimated Economic Impacts from PCPA Operations

The table below summarizes the estimated economic impacts generated from the on-going PCPA operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits From PCPA Operations - FY 2010	
Category	Amount
Spending	
Direct Spending	\$33,649,000
Indirect/Induced Spending	23,868,000
Total Spending	\$57,517,000
Total Jobs	610
Total Earnings	\$22,280,000

Note: (1) Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

Direct Spending

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

- Attendee spending outside the facility;
- Show producer spending outside the facility;
- Cast/crew spending outside the facility; and
- Budgetary spending by the PCPA.

Attendee Spending Outside the PCPA

Based on information provided by management, input from event producers as well as the *2007 Arts & Economic Prosperity Report* commissioned by Americans for the Arts, the Regional Arts & Culture Council and Northwest Business for Culture & the Arts, attendees were categorized as high impact, defined as those staying overnight in a hotel room, or low impact which generally include local patrons. This report collected 905 surveys from attendees at a range of arts events in Portland to gain an understanding of where they were from as well as their level and distribution of spending. In 2006, 76% of respondents indicated they were residents of the Tri-County region while the remaining 24% were considered non-residents. For purposes of this analysis, we assumed 12% (or one-half the estimated percentage of non-residents) of attendees at performing arts events, Broadway shows and concerts were high impact. In addition, spending estimates from the *Arts & Economic Prosperity Report* were adjusted to avoid double counting spending that was accounted for in budgetary spending and inflated to reflect 2010 dollars. Based on these assumptions, a per day spending amount of \$110 was applied to high impact attendees and \$18 to low impact attendees. Spending by attendees inside PCPA venues is taken into account by the facility's budgetary spending.

Cast/Crew and Producer Personnel Spending Outside PCPA

Cast and crew members involved in a Broadway production come from out-of-town and as such generate spending on lodging, food/beverage, retail, entertainment and transportation. Based on discussions with event producers, an estimate of cast/crew personnel per event attendee was calculated and applied to estimated spending per cast/crew per day.

Broadway show producers make substantial investments in the events that they host. These organizations purchase goods and services from either PCPA or from outside sources. Items such as facility rental and various event services are typically provided by PCPA which are reflected as revenues for the venue. Since this spending is eventually reflected in the budgetary spending by the PCPA, these amounts are excluded from event producer spending to avoid double counting. Further, producer spending with external vendors that takes place before or during a show such as advertising, printing, security, transportation, etc. is considered part of the induced/indirect spending that is generated by PCPA operations.

The estimated event producer spending amounts used in this analysis are limited to company personnel spending on items outside PCPA such as lodging, food/beverage, retail and transportation. Based on surveys previously conducted with production companies representing Broadway shows, an estimate of producer personnel per event attendee was calculated. Event producer spending amounts were applied to the estimated personnel per day.

The table below illustrates the per-day spending amounts applied to cast/crew and event producer personnel. High impact producer and cast/crew spending is assumed only for Broadway shows based on surveys of event producers.

Per Day Spending	High Impact	Low Impact
Cast & Crew	\$123	\$18
Producer Personnel	\$123	n/a

Budgetary Spending

Budgetary spending refers to the “expense side” generated by the PCPA. Regardless of the source or magnitude of the revenues that the building produces, this analysis focused on the operating expenditures occurring in the area economy. Based on information provided by management, PCPA operating expenditures (including capital outlay) were approximately \$11.1 million in FY 2010.

Summary of Direct Spending Inputs

Based on information provided by PCPA management, event producers, attendees and the 2007 *Arts & Economic Prosperity* report, the total direct spending related to PCPA attendees, show producers and cast/crew as well as PCPA operating expenditures was estimated to be approximately \$33.6 million in FY 2010. The table below shows the breakdown of estimated direct spending among these three categories.

Estimated Direct Spending From PCPA Operations - FY 2010	
Category	Amount
Attendee Spending	\$21,829,000
Event Producer/Cast & Crew Spending	702,000
Budgetary Spending by Facility	11,118,000
Total	\$33,649,000

Finally, these direct spending amounts estimated to be generated from PCPA operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the area. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by PCPA operations was estimated to generate approximately \$23.9 million in indirect/induced spending.

Total Spending

Outputs from the IMPLAN model indicate that total (i.e., direct, indirect and induced) spending from PCPA operations was approximately \$57.5 million in FY 2010.



Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with PCPA operations in FY 2010 was estimated to support approximately 610 total jobs. 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.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from PCPA operations in FY 2010 were approximately \$22.3 million.

Summary of Estimated Fiscal Impacts from PCPA Operations

As summarized in the table below, PCPA operations in FY 2010 were estimated to generate approximately \$1.4 million in tax revenues.

Estimated Fiscal Benefits From PCPA Operations - FY 2010	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$611,000
Corporate Excise & Income Tax	98,000
Transient Lodging Tax	54,000
Total	<u>\$763,000</u>
Multnomah County	
Transient Lodging Tax	\$623,000
Business Income Tax	21,000
Total	<u>\$644,000</u>
GRAND TOTAL	<u>\$1,407,000</u>

Notes: (1) No excise tax is collected from the PCPA.
 (2) Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

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 was calculated by applying the effective tax rate of 5.6% to 49% of total earnings estimated to be generated by each individual facility, which represents the State’s average taxable income as a percentage of total income.

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 was applied to 4.4% of direct spending estimated to be generated by each facility in order to reflect net taxable income.

Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. 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 the State. For purposes of this analysis, the 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by the PCPA.

Multnomah County

Transient Lodging 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 generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC)
- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points for administrative costs. The remaining amount is dedicated to various projects such as the OCC, the PCPA, and the Regional Arts and Culture Council
- A 2.5 point 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 points for administrative costs

For purposes of this analysis, the 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by operations of the PCPA.

Business Income Tax – A business income tax is imposed on each 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% was applied to 4.4% of total direct spending in order to reflect net taxable income estimated to be generated by operations of the PCPA.



Other Jurisdictions

In addition to those jurisdictions previously described, other area governments could potentially benefit from PCPA operations which generate patron spending at regional business establishments. Conversations with management at a sample of hotels and restaurants suggest event activity at the PCPA positively impacts their business as well as that of other nearby establishments.

Summary of Estimated Economic and Fiscal Impacts for PCPA – FY 2010

The PCPA is a unique business entity that generates significant economic activity to downtown Portland and the State of Oregon. In FY 2010, the PCPA hosted 934 performances that attracted nearly 777,000 in total attendance. This activity was estimated to generate direct spending of approximately \$33.6 million. Outputs from the IMPLAN model indicate that total spending, including direct, indirect and induced impacts, was approximately \$57.5 million in FY 2010. This spending was estimated to support approximately 610 jobs that created \$22.3 million in personal earnings. In addition, these transactions were subject to taxes that were estimated to generate approximately \$1.4 million in FY 2010.