

BEFORE THE METRO COUNCIL

RESOLUTION DESIGNATING THE OREGON) RESOLUTION NO. 12-4327A
CONVENTION CENTER ENHANCED)
MARKETING INITIATIVE PROJECT AS A) Introduced by Council President Tom Hughes
COUNCIL PROJECT; ASSIGNING A LEAD)
COUNCILOR AND COUNCIL LIAISON AND
DIRECTING STAFF TO COMPLETE PHASE I
SCOPE OF WORK

WHEREAS, the Metro Council is responsible for the operation of the Metropolitan Exposition and Recreation Commission (MERC), including the Oregon Convention Center (OCC); and

WHEREAS, the mission of the OCC is to maximize economic benefits for the metropolitan region and the state of Oregon, while protecting the public investment in the facility; and

WHEREAS, the cumulative economic effects of the OCC from 2001 to 2011 amount to over \$4 billion in regional spending, support of 51,530 full and part-time jobs in the Tri-County metropolitan region, and the generation of \$150 million in state and local tax revenues, according to independent consulting firms KPMG and Crossroads Consulting; and

WHEREAS, METRO and MERC are responsible for ensuring the OCC operates in a fiscally-responsible manner; and

WHEREAS, METRO and MERC have considered multiple new initiatives to operate the OCC in a fiscally responsible manner, while continuing to support the OCC mission of maximizing the regional economic impact of the OCC; and

WHEREAS, the development of an appropriate block of hotel rooms in the immediate area of the OCC remains the most significant beneficial action to enhance the ability to attract additional national convention business to OCC; and

WHEREAS, in October 2011, MERC requested that METRO reconsider a convention center hotel project to enable OCC to remain competitive with its peer convention centers; and

WHEREAS, on November 30, 2011, METRO discussed this concept at its Budget Retreat and on January 17, 2012, METRO/MERC held a joint work session to explore a strategic but different initiative for OCC hotel room block development and concluded by directing staff to return to METRO with a resolution designating the Enhanced Marketing Initiative as a Council Project; and

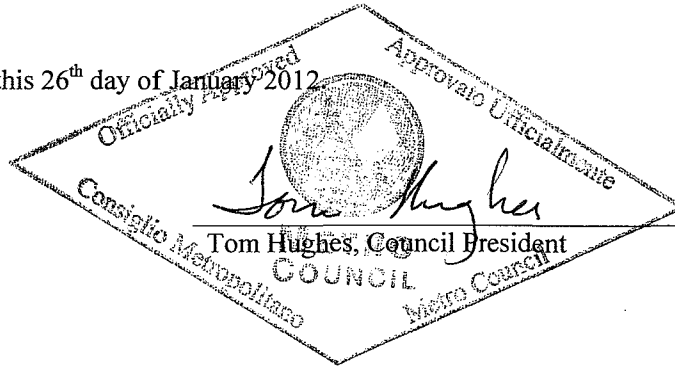
WHEREAS, METRO further directs staff to complete the Phase I Assessment Scope of Work as described in the Staff Report and return to Council prior to implementation actions due to a variety of policy and economic and financial feasibility questions; and

WHEREAS, the Council President, working with members of the Council, will designate councilors to play lead and liaison roles; now therefore

BE IT RESOLVED:

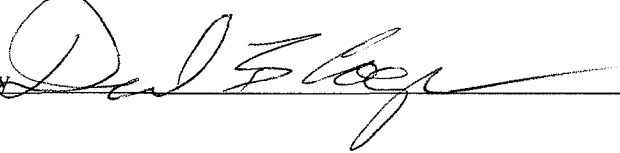
That the Metro Council hereby designates the Oregon Convention Center Enhanced Marketing Initiative as a Metro Council Project, consistent with the attached "EXHIBIT A" – Metro Council Project Proposal/Work Plan; and that Metro Council President Tom Hughes is hereby designated as lead Metro Councilor and that Metro Councilor Rex Burkholder is hereby designated Metro Council Liaison on this Project.

ADOPTED by the Metro Council this 26th day of January 2012



Approved as to Form:

Daniel B. Cooper, Metro Attorney

By 

Metro Council Project Proposal / Work Plan

Part One: Council Project Proposal

- 1) Project Title – Oregon Convention Center Enhanced Marketing Initiative – Phase I/Assessment**
- 2) Lead Councilor – Tom Hughes**
- 3) Council Liaisons – Rex Burkholder**
- 4) Project Begin Date – January 26, 2012**
- 5) Estimated Date of Completion – Phase I: Assessment - April 30, 2012**
- 6) Project Description (What issue/problem will be addressed?)**

Background:

In 2007, Metro Council adopted Resolution 07-3772 which designated the Oregon Convention Center (OCC) headquarters hotel project as a Council project and assigned Councilor liaisons. Metro assumed a leadership role from the Portland Development Commission to develop a 600-room, publicly-owned headquarters hotel, with a room block of 500 rooms. During the course of a two-and-a-half-year period, Metro developed a deep and thorough understanding of the marketing and financial dynamics of a headquarters hotel. The effort to develop the headquarters hotel was terminated in September 2009 by Metro and its public partners, the City of Portland and Multnomah County, due to unfeasible economic conditions.

Since 2009, the OCC and its national sales and marketing partner, Travel Portland, focused on a variety of alternative strategies to remain competitive among comparable cities and convention centers. Despite marked improvements in client amenities and widespread recognition of Portland as a popular business and leisure travel destination,

the lack of quality blocks of hotel rooms nearby the convention center continues to be the main reason clients choose cities other than Portland.

Last May, in response to interest expressed by hoteliers, property owners/developers and various business and political leaders, the Council and Metropolitan Exposition Recreation Commission (MERC), directed staff to evaluate local and national market, financial and industry conditions to determine if circumstances had improved for expanding hotel room blocks near the convention center. The results of those findings were discussed by the Council and MERC on January 17, 2012.

Problem to be addressed:

The Portland region continues to lose national convention business due to the insufficient and inconvenient hotel room package currently offered to attendees. In 2011, 30 conventions considered Portland but chose other regions for this reason, according to Travel Portland.

Currently, OCC and Travel Portland create room-block packages from multiple hotels in the central city, tailored to the needs of individual conventions. When the local hotels are willing to commit room blocks, the challenge remains that rooms are not adjacent to the OCC and scattered geographically among several hotels, requiring many more separate contracts between meeting planners and hotels than in Portland's competitive set, inducing most meeting planners to forgo the OCC.

Because national conventions represent the most lucrative type of business for the OCC, compared to local events and meetings that fill the building in lieu of national conventions, the facility faces a long-term trend of underutilization, which results in lower operating revenues, fewer jobs supported, less direct and indirect spending and reduced tax revenues for the state and tri-county region.

The OCC Enhanced Marketing Initiative Phase I/Assessment provides that Metro staff engage its jurisdictional partners and potential private sector interested parties to determine what options exist, if any, for adding blocks of hotel rooms within the vicinity of the OCC to serve convention clients.

PROJECT PROPOSAL

The OCC Enhanced Marketing Initiative formalizes the Council's leadership to pursue a range of public/private alternatives that enhance the OCC's marketability to its national clients, including the addition of quality hotel room blocks. Phase I: Assessment directs staff to engage Metro's partners, assess alternatives and provide recommendations to Council for feedback and direction.

Phase I: Assessment

At the direction of Council President Hughes, Council liaison Rex Burkholder, and the MERC liaison, staff will work with other public partners to develop a framework agreement for the OCC Enhanced Marketing Initiative project. Public partners include Multnomah County, the City of Portland, the Portland Development Commission and,

potentially, the State of Oregon. This framework agreement will be presented to Council and MERC. If the Council believes that there is merit to proceed with the project, it will direct staff to develop Phase II: Implementation for consideration.

The Phase I: Assessment will include the following:

1. Define project scope, approach and parameters for creating options, including new hotel room blocks, with public partners.
2. Define project(s) and potential financial commitments each jurisdiction can contribute.
3. Report findings and submit project options to Council and MERC for review and approval.
4. If approved, prepare and negotiate a Memorandum of Understanding summarizing the project scope, schedule, range of financing commitments and roles and responsibilities of each entity, with Metro serving as the lead partner.
5. Present Memorandum of Understanding to MERC and Council for approval and authorization to develop Phase II for consideration.

7) Policy Questions (What major policy questions must be answered?)

1. Is there sufficient support and interest among jurisdictional partners to consider nearby hotel room block development?
2. Is there sufficient support and interest among property owners and developers to consider nearby hotel room block development?

8) Outcomes (What must be in place for policy development to be considered complete?)

1. Secure a minimum room block(s) commitment of 500 or more quality rooms and associated amenities directly adjacent that support the convention business.

9) Connection to Council Goals and Objectives

The OCC Enhanced Marketing Initiative connects to 3 Council goals in the following ways:

Great communities – Maintaining the city’s competitiveness for national and international visitors supports the long-term health of the OCC, ensures that a diversity of tourists continue to visit the city and provide international exposure, enhances neighborhood and regional vibrancy and supports local jobs.

Vital economy – Attracting national conventions draws visitors who spend hundreds of millions of dollars each year in Tri-County businesses and beyond.

Responsible operations – As stewards of the public’s facilities, investing in the OCC’s long-term financial viability through focusing on its most lucrative clients - national conventions – ensures the future maintenance and use, as well as the significant regional economic impact, of the building.

10) Resources Required / Budget Implications

It is assumed that any resources required for this effort in FY 12 will be accommodated within existing budget. A project budget for FY 13 is in the proposal process.

End Here for Council Project Proposal – This Portion is Adopted by Resolution

- Part Two: Work Plan Element -

Complete this portion after the council project is approved by resolution.
This element is presented to council for approval by motion.

11) Project Manager

Teri Dresler, General Manager, Visitor Venues

12) Metro Role (What is Metro's role and the role of Metro councilors?)

Metro will serve as the project lead and the project manager and staff team will regularly engage and take direction from Council President Hughes and Councilor Burkholder through one-on-one briefings, etc.

13) Stakeholders (Who are the major stakeholders and implementing parties? How will stakeholders and the public participate in the project?)

Phase I: Multnomah County, City of Portland and Portland Development Commission

14) Major Milestones

At the completion of Phase I: Assessment, and no later than April 30, 2012, staff will present findings and recommendations for Council and MERC consideration.

15) Communications (What is the communications plan? If incomplete, how and when will it be developed?)

Communications efforts are coordinated through the staff project team; a communications plan will be developed upon the Council's adoption of the OCC Enhanced Marketing Initiative.

16) Staff Work Products (What will be produced by Metro staff, consultants, or staff from other organizations?)

Work Elements and Products	Responsible Party	Due Date	FTE	M&S	Total \$
Recommendations and options for creating hotel room blocks with public partners	Metro staff	April 30, 2012	Project team	Existing funds	NTE \$40,000

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 12-4327A, A RESOLUTION OF METRO COUNCIL, DESIGNATING THE OREGON CONVENTION CENTER ENHANCED MARKETING INITIATIVE AS A COUNCIL PROJECT; ASSIGNING A LEAD COUNCILOR AND COUNCIL LIAISON AND DIRECTING STAFF TO COMPLETE PHASE I SCOPE OF WORK

Date: January 26, 2012
Prepared by: Cheryl Twete

BACKGROUND

In 1986 voters approved \$90 million of general obligation bonds to finance the development of the Oregon Convention Center. The OCC opened in 1990 with a mission to maximize economic benefits for the metropolitan region and the State of Oregon. Conventions and trade shows generate positive economic impacts because they attract out-of-town visitors who spend new money in the local economy on convention activity, hotels, restaurants, shopping and tourism.

After more than a decade of high occupancies, the OCC was expanded in 2001-03 at a cost of more than \$110 million in order to enhance the meeting and ballroom package to attract larger national conventions and events. At this same time, the Portland Development Commission continued its efforts to develop an adjacent convention center hotel, which was the OCC Urban Renewal Area's top public priority.

In 2007, Metro Council adopted Resolution 07-3772 which designated the OCC headquarters hotel project as a Council project and assigned Councilor liaisons. Metro assumed a leadership role from the Portland Development Commission to develop a 600-room, publicly-owned headquarters hotel, with a room block of 500 rooms. During the course of a two-and-a-half-year period, Metro developed a deep and thorough understanding of the marketing and financial dynamics of a headquarters hotel. The effort to develop the headquarters hotel was terminated in September 2009 by Metro and its public partners, the City of Portland and Multnomah County, due to unfeasible economic conditions.

Today, the OCC continues to be recognized by the international convention industry as a beautiful, high-quality convention and exhibition facility and a leader in sustainable business practices. In addition, Portland is considered a highly desirable visitor destination for both business and leisure travel because of the nearby outdoor recreational opportunities, natural beauty and aesthetics, world renowned restaurants, microbreweries, wineries and distilleries, and active art and innovation business sectors.

Despite the destination's wide appeal and attractiveness, and the interest among national convention attendees to meet in Portland, the city continues to lose national convention business due to the insufficient and inconvenient hotel room package currently offered to attendees. Instead, these potential clients choose comparable-sized cities and facilities that can offer an important amenity Portland and the OCC do not: nearby large blocks of hotel rooms.

According to Travel Portland, the OCC's national marketing partner, the primary reason national conventions choose not to book at the OCC is the lack of nearby hotel room blocks. In calendar year 2011 alone, 30 convention and meeting planners cited the lack of nearby large hotel room blocks as the only reason for choosing other cities over Portland.

In an effort to compensate for this deficiency, Travel Portland works diligently on behalf of the OCC to create room-block packages from multiple hotels in the central city, tailored to the needs of individual conventions. When the local hotels are willing to commit room blocks, the challenge remains that rooms are not adjacent to the OCC and scattered geographically among several hotels. A further complication for meeting planners is the requirement to contract separately with each hotel for the room block commitments. Unfortunately, oftentimes, downtown and Lloyd District hotels are unwilling to commit the room blocks necessary to meet the needs of national convention planners.

Because national conventions represent the most lucrative type of business for the OCC, compared to local events and meetings that fill the building in lieu of national conventions, the OCC is facing a long-term trend of facility underutilization, which results in lower operating revenues, fewer jobs supported, less direct and indirect spending and reduced tax revenues for the state and tri-county region.

Past efforts to address the lack of hotel room blocks within the OCC's vicinity included the commissioning of several marketing and economic studies that informed the project's feasibility analysis and guided decision-makers. Staff believes that this past work generally provides sufficient understanding and baseline information to proceed with discussions and exploration of a modified room-block approach. As was described at the November 30, 2011 Metro Council budget retreat, hotel market, construction costs and financing conditions have all improved since 2009, creating a more advantageous environment to consider hotel room development in proximity to the OCC.

The recently completed Metro Visitor Venues Economic and Fiscal Impact Analysis report for FY 2011 again documents the economic significant of OCC. The OCC had a regional economic impact of \$450 million, generating \$261 million of direct convention spending, creating 4,260 jobs and \$15.5 million of tax revenue in the State of Oregon.

In March 2011, clients and stakeholders of the OCC, through its Advisory Committee, expressed in a letter to the Metropolitan Exposition Recreation Commission (MERC), support for strategies to ensure the long-term business viability of the facility, including strategic investments that enhance the number and quality of nearby hotel room blocks.

In October 2011, the Metropolitan Exposition and Recreation Commission requested that Metro Council initiate a formal project to enhance the OCC's marketability and competitiveness through creation of nearby quality hotel room blocks.

At its November 30, 2011, budget retreat, Council considered the MERC request and received updated information on hotel market, financial, construction and political conditions. Council concurred that the improved conditions warranted a joint briefing of the Council and MERC on the details of the improved conditions.

On January 17, 2012, the Council and Commission directed staff to prepare a resolution to authorize further exploration of the conditions listed above and to prepare a work plan that

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includes regular check-in points with both bodies to gauge support, solicit feedback and determine immediate next steps, should conditions warrant it, to pursue opportunities to enhance the competitiveness and marketability of the OCC through a range of options, including the creation of nearby blocks of quality hotel rooms to serve convention attendees.

Therefore, this Resolution 12-4327-A and this Report respond to Council's direction and authorize the following: 1) designation of the OCC Enhanced Marketing Initiative as a formal Council project; 2) assignment of Council President Hughes as project lead and Councilor Rex Burkholder as project liaison, working closely with MERC designated liaisons Chair Judie Hammerstad and Commissioner Elisa Dozono; and 3) proceeding with Phase I of the project proposal (see below).

PROJECT PROPOSAL

The following proposal describes a possible approach for the OCC Enhanced Marketing Initiative.

Phase I: Assessment

Upon approval of Resolution 12 -4327-A, staff will work with other public partners to develop a framework agreement for the OCC Enhanced Marketing Initiative project. Public partners include Multnomah County, the City of Portland, the Portland Development Commission and, potentially, the State of Oregon. This framework agreement will be presented to MERC and Council in spring 2012 for consideration, feedback and decision-making. If the Council believes that there is merit to proceed with the project, it will direct staff to develop Phase II: Implementation.

Phase I will include the following:

1. Define project scope, approach and parameters for creating options, including new hotel room block, with public partners.
2. Define project and financial commitments each jurisdiction can contribute.
3. Report findings and submit project options to Council and MERC for review and approval.
4. If approved, prepare and negotiate a Memorandum of Understanding summarizing the project scope, schedule, financing obligations and roles and responsibilities of each entity, with Metro serving as the lead partner.
5. Present Memorandum of Understanding to MERC and Council for approval and authorization to develop Phase II for consideration.

KNOWN OPPOSITION

At this early stage of the potential project, there is no known opposition to this approach. However, given previous opposition to the publicly-owned headquarters hotel project in 2007-09, there could be concerns from lodging-industry stakeholders. Creating an open and transparent public communication and outreach strategy will be essential to the success of the project.

LEGAL ANTECEDENTS

Staff Report, Resolution No. 12-4327A

Marketing of the OCC is a necessary part of the Metro's charter authority to operate public cultural, trade, conventional and exhibition facilities, Metro Charter Section 6.

BUDGET IMPACTS

The budget impacts of this resolution are staff and Councilor time, plus professional services in the form of potential updated market and financial studies, legal services and communication strategy services, paid for by FY 2011-12 designated funds. Approval for FY 2012-13 funds will be subject to Council approval. This resolution does not seek authorization of any specific agreements, nor does it obligate Metro to commit any hard costs to the Project.

ANTICIPATED EFFECTS

Adopting Resolution No. 12-4327-A would authorize Metro to investigate the Enhanced Marketing Initiative effort for the Oregon Convention Center. The resolution would authorize Metro staff to further research feasibility of the Project and report findings and recommendations to Council for review and approval.

RECOMMENDED ACTION

The Office of the Chief Operating Officer recommends adoption of this resolution.

BEFORE THE METRO COUNCIL

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OREGON CONVENTION CENTER ENHANCED)
MARKETING INITIATIVE PROJECT AS A) Introduced by Council President Tom Hughes
COUNCIL PROJECT; ASSIGNING A LEAD)
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ADOPTED by the Metro Council this 26th day of January 2012.

Tom Hughes, Council President

Approved as to Form:

Daniel B. Cooper, Metro Attorney

By _____

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