

BEFORE THE METRO COUNCIL

RESOLUTION FOR THE PURPOSE OF AUTHORIZING) RESOLUTION NO. 12-4346
THE ISSUANCE OF A REQUEST FOR PROPOSAL FOR)
THE DEVELOPMENT OF AN OREGON CONVENTION) Introduced by Councilor Rex
CENTER HOTEL) Burkholder, with the concurrence of
Council President Tom Hughes

WHEREAS, the Metro Council is responsible for the ownership and operation of the Oregon Convention Center (OCC) and does so through the expertise and oversight of the Metropolitan Exposition and Recreation Commission (MERC);

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;

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;

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

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;

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

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;

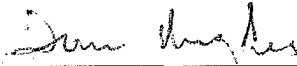
WHEREAS, on January 26, 2012, the Metro Council designated the Oregon Convention Center Enhanced Marketing Initiative as a Metro Council Project and directed staff to complete the Phase I Assessment Scope of Work and then return to Council to present findings and recommendations regarding next steps for the project; and

WHEREAS, on April 13, 2012, representatives of the four jurisdictional partners signed a Statement of Principles evidencing their collective support of Metro's continued work on the implementation of the hotel project, specifically including the issuance of a Request for Proposals for the development of a privately-owned Oregon Convention Center hotel; now therefore

BE IT RESOLVED THAT:

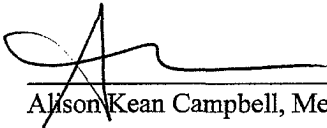
The Metro Council hereby authorizes commencement of the Phase II Implementation Scope of Work, as generally described in the attached staff report, and directs the Chief Operating Officer to issue a Request for Proposals for the development of a privately-owned Oregon Convention Center hotel.

ADOPTED by the Metro Council this 26th day of April, 2012.

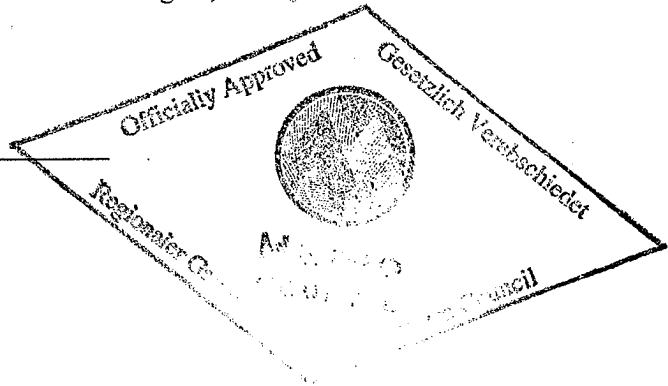


Tom Hughes, Council President

Approved as to Form:



Alison Kean Campbell, Metro Attorney



STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO.12-4346, FOR THE PURPOSE OF AUTHORIZING THE ISSUANCE OF A REQUEST FOR PROPOSAL FOR THE DEVELOPMENT OF AN OREGON CONVENTION CENTER HOTEL.

Date: April 26, 2012
Prepared by: Cheryl Twete

BACKGROUND

On January 26, 2012, the Council approved Resolution 12-4327, which directed staff to proceed with an Oregon Convention Center Enhanced Marketing Initiative work program and to report back to the Council by April 30, 2012. MERC requested that Council initiate the project in October 2011 and has actively participated in the process during the subsequent months.

The purpose of this report and accompanying resolution is to describe the actions accomplished during the Phase I Assessment work program and seek Council authorization to proceed with Phase II Implementation.

The Phase I Assessment work program consisted of:

- A. Defining project scope and approach for creation of a minimum 500-room block hotel to support the Oregon Convention Center
- B. Coordinating with key public partners to develop a jointly-sponsored approach for achieving the room block hotel project
- C. Negotiating and executing a Memorandum of Understanding (now referred to as the Statement of Principles) to describe the process and project, including commitments by the jurisdictions
- D. Reporting back to Council with the outcomes of these tasks.

Project Rationale. The primary reason for renewing efforts to create a substantial hotel room block is that despite OCC's attractiveness and the city's desirability by national convention meeting planners, OCC continues to lose national convention business due to the insufficient and inconvenient hotel room package currently offered. Meeting planners consistently describe the main reason for not choosing OCC as the lack of a sufficiently-sized convention hotel immediately adjacent to the OCC, as compared to the hotel package offered by OCC's competitive set (meaning comparable-sized cities and convention facilities).

Between 2003 and 2009, Metro and the Portland Development Commission conducted several market and economic studies to determine how to maximize the economic development benefits of OCC and the fundamental conclusion was that a convention-quality hotel immediately adjacent to the center was needed to drive more national convention and trade show business to our community. According to Travel Portland, in calendar year 2011 alone, 30 convention and meeting planners cited the lack of nearby hotel room blocks as the primary reason for choosing other cities over Portland.

In an effort to compensate for this deficiency, Travel Portland works diligently on behalf of the OCC and with the local hotel community to create room-block packages from multiple properties in the central city, tailored to the needs of individual conventions. Despite the willingness of certain hotels to commit room blocks, the challenge remains that hotel rooms are not immediately adjacent to, or sometimes in the neighborhood of the OCC, and scattered geographically among several hotels across the city. A further complication for meeting planners is the requirement to contract separately with each hotel for the room block commitments. Unfortunately, during certain times of the year, market circumstances make it difficult for hotels to commit the room blocks necessary to meet the needs of national convention planners.

The recently completed Metro Visitor Venues Economic and Fiscal Impact Analysis report for FY 2011 again documents the economic significance of the OCC, citing a regional economic impact of \$450 million, generation of \$261 million of direct convention spending, creation of 4,260 jobs and production of \$15.5 million in state and local tax revenue.

Phase I Assessment Results. Since January, Metro, serving as the lead partner, has engaged our jurisdictional partners to gauge interest in supporting the principles, goals and outcomes of a convention center hotel. Several meetings have been held with elected officials and staff to hone in on the most feasible, realistic approach to developing a substantial hotel room block. Metro President Hughes and Councilor Burkholder have been actively engaged in these dialogues as well as MERC Chair Judie Hammerstad and Vice-Chair Elisa Dozono. The MERC Board also has been briefed on the status of the jurisdictional partner work at its monthly meetings. The culmination of the past three months of efforts is the attached Statement of Principles which was executed on April 13, 2012, by Multnomah County Chair Jeff Cogen, City of Portland Mayor Sam Adams, Portland Development Commission Executive Director Patrick Quinton and Metro Council President Tom Hughes.

The Statement of Principles reflects a common understanding of 1) the OCC's fundamental competitive disadvantage with other comparable-sized facilities and 2) the regional and statewide economic benefits of OCC. The Statement of Principles supports the issuance of a Request for Proposals for the development of a privately-owned hotel immediately adjacent to the OCC. The Statement of Principles also recognizes that public investment will be necessary to achieve a convention-quality hotel of the type and scale necessary to "move the needle" in terms of driving additional national convention business to the OCC. The collective interest is to increase the size and frequency of national convention business at the OCC, which, in turns grows the hospitality market in Portland so that all hotels benefit long-term from additional convention-related room nights. The specific role and responsibility of each jurisdiction will be defined during the Phase II Implementation stage.

Phase II Implementation. The Statement of Principles also describes the competitive process for pursuing hotel development teams and the requirements of the submitted proposals. This work, known as Phase II Implementation, will proceed upon approval of Resolution 12-4346 by the Metro Council. Phase II begins with the RFP issuance and culminates with the selection of the best-qualified development team and authorization to staff and the selected development team to proceed with Phase III. Phase III is defined as the pre-development, construction and opening of the new hotel in approximately summer 2015. Metro will continue to serve as the lead partner during Phase II and III stages, working closely with the City, County and PDC.

Key stages and timeframes for Phase II Implementation are described below. Staff anticipates providing regular briefings to both MERC and the Metro Council throughout the course of this

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work and bringing forward development and financing agreements for approval. Each jurisdictional partner will have continued involvement in the decision-making process as well as a specific contribution to the project, taking appropriate actions to provide necessary project approvals.

The general schedule for Phase II Implementation and Phase III is anticipated to be:

<u>Action</u>	<u>Date</u>
<i>PHASE II</i>	
Metro Council/PDC Authorization to Proceed	April 30, 2012
Request for Proposal Issuance	May 7, 2012
Development Team Selection	July 2012
<i>PHASE III (if authorized by Council)</i>	
Project MOU/Term Sheet	September 2012
Approval of Project Development and Financing Agreements by Public Partners	December 2012
Pre-Development (design, permitting, private financing)	November 2013
Construction Start	November 2013
Construction Completion/Hotel Opening	Summer 2015

KNOWN OPPOSITION

At this early stage of the potential project, there is little 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 and from some members of the public who may question whether public investment in private development projects is appropriate. During Phases II and III, Metro as the lead partner will ensure that issues raised by stakeholders are cataloged and addressed. Creating an open and transparent public communication and outreach strategy will be essential to the success of the project.

LEGAL ANTECEDENTS

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 included in the current budget process. This resolution seeks authority to issue the convention hotel Request for Proposals, but does not seek authorization of any specific project agreements, nor does it obligate Metro to commit any hard costs to the project.

ANTICIPATED EFFECTS

Adopting Resolution No. 12-4346 would authorize Metro to proceed with Phase II Implementation of the Enhanced Marketing Initiative effort for the Oregon Convention Center, in

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partnership with Multnomah County, City of Portland, Portland Development Commission and MERC. The resolution would authorize Metro staff to prepare and issue a Request for Proposals and bring forward the best qualified development team to the Council for approval. Council would also be requested to authorize Phase III to proceed with project pre-development activities, leading to the ultimate construction and opening of a convention-quality hotel adjacent to the OCC. Staff would provide progress reports to MERC throughout the course of this phase. Key project decisions by Council include, but are not limited to: selection of the preferred development team, approval of necessary development and financing agreements and potential budget amendments.

RECOMMENDED ACTION

Councilor Rex Burkholder recommends adoption of this resolution.

Attachment A
Statement of Principles

**OREGON CONVENTION CENTER HOTEL PROJECT
STATEMENT OF PRINCIPLES**

Project background

The Oregon Convention Center was a significant public investment in the region and state's economic future. Today, we know that OCC has produced billions of dollars in regional economic impact, generating millions in state and local tax revenues and creating and supporting thousands of jobs. Yet the absence of a privately owned and operated convention center hotel has prevented OCC from reaching its full economic potential to attract more, lucrative national conventions to Portland.

Since OCC opened in 1990 and was expanded in 2003, meeting planners have consistently rated the facility as one of the best convention centers in the country. OCC is widely recognized as a national leader in sustainable operations and excellent customer service. Combined with the region's amenities, which range from fine dining, ski slopes, ocean beaches and wine vineyards, Portland is considered a top destination among our competition for national conventions.

However, meeting planners also say OCC's and Portland's desirability cannot overcome the lack of an immediately adjacent block of at least 500 hotel rooms reserved specifically for larger conventions. As a result, OCC, the community and the men and women who work in the region's hospitality industry lose lucrative national convention opportunities. In 2011 alone, Portland lost 30 conventions to other similarly sized cities and convention centers.¹

National meetings and conventions deliver the greatest return on investment for OCC and the region when compared to local trade shows and events. Studies reveal visitors attending national conventions spend an average of \$330 per day, while individuals attending local events spend \$31 per day.² Large conventions attract attendees who help fill up beds in many Portland hotels of all sizes.

The Portland Development Commission, along with its metropolitan partners, has pursued a headquarters hotel near OCC for a number of years. Economic conditions, the local hotel market and opposition to public hotel ownership thwarted previous attempts.

Since 2011, indicators suggest local and national hotel markets have rebounded from the 2008 economic recession. So have financial markets, even as interest rates remain at historic lows. Slow job growth has kept construction costs relatively low. This is an ideal time to take a fresh look at a convention center hotel that is privately owned and operated and capable of reserving a room block of at least 500 rooms, with associated amenities.

Because Metro owns and operates OCC and is responsible for achieving the facility's fullest economic potential, and as stewards of the public dollars invested to date, it should act as the lead for this fresh look, with support and involvement by the City of Portland, Multnomah County and PDC.

¹ 2011 Travel Portland Lost Business Report

² 2011 Fiscal & Economic Impact Analysis, Crossroads Consulting

Project goals and process

Metro, the City of Portland, PDC and Multnomah County are interested in pursuing private sector development of a hotel that will assist in marketing the OCC for national conventions to ensure that the facility's long-term financial success and regional economic impact are achieved. The hotel will be large enough to commit at a minimum, a 500 room block and shall also have amenities to support national conventions attending OCC (such as meeting rooms, ballrooms, restaurants, etc.). The hotel will be "flagged" with a quality brand with a national reputation familiar to meeting planners. Metro shall act as the lead for this project, with support and involvement by the other jurisdictions.

Additional goals include:

1. Revitalization and activation of the area surrounding the OCC. The hotel will provide active ground floor uses, urban design features that create an interesting and people-oriented place, entrances that relate to the existing OCC facilities, and other key neighborhood connections (such as streetcar stops, light rail stations, etc.);
2. Commitment to a level of a) Minority/Women/Emerging Small Business (M/W/ESB) goals, b) and First Opportunity Target Area (FOTA) employment goals and c) green building standards (LEED or Energy Star certification); and
3. Utilization of union building trades for construction (and potentially represented hotel employees).

The project must be across the street from the OCC and development could occur on any of four potential sites that are known to be available for development or similarly situated privately-owned parcels (See Exhibit A).

The process will include issuance of a competitive development procurement managed by Metro, with the full participation and support of the jurisdictional partners. The competitive development procurement will call for interested development teams to identify their team members and propose a hotel development program, conceptual design, and financial structure.

Metro will accept proposals that meet the project goals with minimal level of required public investment. A joint evaluation process will mutually determine which proposal, if any, should be selected. The competitive development procurement will clearly define and require proposers to commit to a room block agreement and other desirable features, as described below.

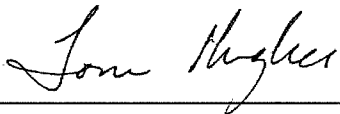
Proposals shall be of sufficient detail to determine that:

1. The development team is capable of a project of this type and scale—and has had past relevant experience with similar projects;
2. The project is financially feasible, based on the respondent's estimated project budget, financing structure, and operating pro forma, and includes amount of public support requested;
3. The proposed hotel is of sufficient size and quality, with an appropriate associated amenity package, and commits to a minimum 500 room block agreement;
4. The proposed location is directly across the street from the OCC; and

5. The development team is able to complete the project on a reasonable schedule, with an anticipated hotel project opening by summer 2015.

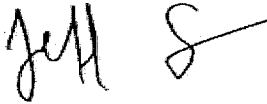
We the undersigned agree to this statement of principles as of April 13, 2012 and pledge our support during the next year to proceed with a developer selection process and to determine if a privately-owned hotel is feasible.

Metro



Tom Hughes, Council President

Multnomah County



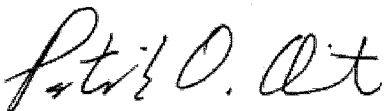
Jeff Cogen, County Chair

City of Portland, Oregon



Sam Adams, Mayor

Portland Development Commission



Patrick Quinton, Executive Director