

BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AUTHORIZING ) RESOLUTION NO. 89 - 1048  
CHANGE ORDER FOR CONSTRUCTION OF )  
SKYVIEW TERRACES FOR THE OREGON ) Introduced by  
CONVENTION CENTER ) Executive Officer Rena Cusma

WHEREAS, the Council of the Metropolitan Service District has authorized design work for the skyview terraces for the Oregon Convention Center; and

WHEREAS, that design work is now complete and the general contractor has submitted estimates for the construction of the terraces; and

WHEREAS, the Advisory Committee on Design and Construction has considered the issue several times and recommends that the terraces be constructed; and

WHEREAS, the Metro Exposition/Recreation Commission has given its support for the terraces; and

WHEREAS, an analysis prepared for the terraces reflects that this enhancement will bring additional revenue to the convention center; and

WHEREAS, sufficient funds are appropriated in the 1988-89 budget to allow the construction to begin; and


WHEREAS, the Council recognizes that supplemental funds must be identified in the 1989-90 budget to supplant those expended in 1988-89; and

WHEREAS, a timely decision is necessary to avoid extra costs for out-of-sequence construction; now, therefore,

BE IT RESOLVED, .

That a change order in an amount not to exceed \$420,000 for the contract with the Hoffman (Oregon)/Marmolejo Joint Venture is authorized for the purpose of constructing the skyview terraces for the Oregon Convention Center.

ADOPTED by the Council of the Metropolitan Service District this 23rd day of February, 1989.

  
\_\_\_\_\_  
Mike Ragsdale, Presiding Officer

COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO. 89-1048 FOR THE PURPOSE  
OF AUTHORIZING A CHANGE ORDER FOR CONSTRUCTION OF SKYVIEW  
TERRACES FOR THE OREGON CONVENTION CENTER

---

DATE: FEBRUARY 7, 1989

PRESENTED BY: COUNCILOR KNOWLES

At the February 7, 1989 meeting of the Council Convention Center, Zoo & Visitor Facilities Committee, Resolution No. 89-1048 was considered. Councilor's Knowles, Kelley, DeJardin, Buchanan, and Van Bergen were present.

Background

Resolution No. 89-1048 would authorize a change order to the contract with Hoffman/Marmolejo for Construction of the Skyview Terraces within the Oregon Convention Center. The proposed terraces would provide approximately 7000 square feet of space. They would be constructed in the base of the glass pyramid towers, and offer views of Downtown and the Willamette River. It is anticipated that the Terraces would provide a space which could be used as a lounge, restaurant, and/or a spot for special events.

The Advisory Committee on Design and Construction had reviewed this issue at its past two meetings, and forwarded a trimmed down change order to the Council with its recommendation for approval. A memo from Committee Chairman Tom Walsh is attached as Attachment A.

Project staff described the project at the meeting (see Attachment B, Staff Report). The change order proposed would provide only for construction of basic structural elements. Additional funds, estimated at \$580,000, would be required to provide a finished space. Construction of the basic structural system proposed would allow finishing of the space at any time in the future. If the basic structural system were not included now, construction of the terraces would be permanently foreclosed.

Project staff also presented a summarized business plan for the terraces, which described their potential uses and the potential

revenue which they could generate. This business plan is included as Attachment C.

#### Committee Discussion

In discussion of the business plan, Councilor Kelley requested substantially more detail be developed. In discussion, the Committee agreed the information developed at this time was an adequate basis for making the decision regarding this proposed construction change, but the Metro ERC should be challenged to develop a thorough business plan which evaluated different management alternatives. Alternatives would include management by a concessionaire, by an independent restaurant, or directly by Metro ERC staff. Committee members agreed, and indicated the development of a detailed business plan and analysis should be requested of the Metro ERC. Such a business plan should be developed prior to decisions on how to finish the interior of the spaces.

Staff also explained that funding for the terraces must come from sources outside of the already allocated \$85 million construction budget. Specifically, funding must come from either the interest generated by the general obligation bonds or potentially, hotel/motel tax funds. A specific budget decision on funding sources is not required at this time as adequate construction funds are budgeted this year. However if the change order is approved, paying for the change will be among the issues the Council will deal with in its FY 1989-90 Budget deliberations.

Councilor Van Bergen supported the change, noting Metro should do all it can to make it the best building possible. Councilor DeJardin emphasized the competitive nature of the convention/hospitality business, and that he supported this change order as one means to increase our building's competitiveness.

#### Committee Recommendation

Councilor DeJardin moved that Resolution No. 89-1051 be forwarded to the Council with a recommendation for approval. Councilor Van Bergen seconded the motion. The vote in favor of the motion was unanimous. It should be noted the intent of the action also included a request to the Metro ERC to develop a thorough business plan which identifies the pros and cons, including dollars and cents, of alternative management arrangements.



METRO

2000 S.W. First Avenue  
 Portland, OR 97201-5398  
 503/221-1646

# Memorandum

Date: February 7, 1989

To: Council Convention Center Committee

From: *Tom*  
 Tom Walsh, Chairman  
 Advisory Committee on Design and Construction

Regarding: Skyview Terraces

The Advisory Committee on Design and Construction has considered the issue of skyview terraces for the Convention Center several times over the course of this project.

The ACDC supported the inclusion of the terraces in the original design and reluctantly removed them when budget concerns forced reducing the size of the building.

At the time of the award of the general contract, ACDC noted that a change order to include the terraces was worth asking the general contractor to price. Design work to accomplish this was advanced.

With the construction proceeding, the decision to preserve the option for the terraces must be made now. The change order at issue is for a maximum of \$420,000, and will provide only a basic structural system -- not a finished space. Approving this change order now will allow a separate decision to complete the space to be made at any time in the future. The cost for completion of these spaces is estimated at approximately \$600,000.

At its last two meetings, ACDC has discussed the benefits and costs of approving this change order of \$420,000 to the building. On January 27, ACDC recommended that the change order for the skyview terraces be forwarded to your committee with a strong recommendation for approval. Funding for the terraces is outside the current construction budget, and would come from interest on the bond proceeds.

I would like to apologize for one more "piecemeal" decision -- and it is forwarded to you in this manner only due to the unforgiving time pressure of the construction schedule. I commit to you that ACDC will return to your committee within the next month with a consolidated picture of the entire project's funding, and a comprehensive recommendation regarding the use of bond interest funds for contingency and project enhancements. I assure you that this will be the last piecemeal recommendation you will receive from us.

STAFF REPORT

CONSIDERATION OF CHANGE ORDER FOR CONSTRUCTION OF SKYVIEW TERRACES  
IN OREGON CONVENTION CENTER

---

Date: January 30, 1989

Presented by: Neil McFarlane

I. BACKGROUND

In November, 1988, the Council authorized the project architects, Zimmer Gunsul Frasca, to prepare a design for the 7,000 square foot area identified as the skyview terraces. The design allows access to and use of an area on a third, balcony level of the convention center, affording a view of the river and the downtown skyline through the base of the towers. Limited food and beverage service would be available in this relatively private space in the building.

The design was prepared and submitted to Hoffman/Marmolejo for pricing. After review and revision of the estimates in conjunction with Turner Construction Company, the price now stands at \$420,000.

The Advisory Committee on Design and Construction (ACDC) has discussed the skyview terraces at its last two meetings. On Friday, January 27, ACDC recommended that Metro authorize a change order not to exceed \$420,000 for the construction of the skyview terraces. This change order will not fund completed terraces. It will allow the necessary structural, electrical and mechanical work to proceed in the logical construction sequence. Tenant improvements and finishes are not included and would require additional funding.

In response to a request from the Council Convention Center Committee, a business analysis of the terraces was prepared and is attached. Also attached is a resolution by the Metro Exposition/Recreation Commission recommending construction of the terraces. Further work is being done on the business analysis and will be available to the Council.

II. BUDGET IMPLICATIONS

In its discussions, ACDC recognized that there are insufficient contingencies in the overall project to fund this change order. ACDC recommends that the terraces be funded with the interest money generated by the general obligation bonds. When the general

contract was awarded in September, a general policy direction was set to apply a portion (\$1.7 million) of the interest funds to construction. However, because no budget action was required at that time, the Council has not had the opportunity to fully debate this issue and reach a conclusion.

There are sufficient funds appropriated in the 1988-89 budget to pay for the skyview terraces. The issue of the use of interest funds will be part of the general discussion for the 1989-90 budget.

Another possible funding source is hotel/motel funds. ACDC did not discuss this source, because of the assignment of those funds to the Metro Exposition/Recreation Commission. The business plan reflects anticipated revenue, and a food service concessionaire could include the costs of finishing the space in contract arrangements. If the Council elects to fund the terraces from hotel/motel tax, the issue of distribution of these funds will need to be part of the 1989-90 budget discussion.

#### EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Resolution No.89-1048, authorizing construction of skyview terraces for the Oregon Convention Center.



1111 S.W. Broadway, Portland, Oregon 97205 • (503) 274-6555

January 23, 1989

MEMORANDUM

TO: Metropolitan Exposition-Recreation Commission  
FROM: Jeffrey A. Blosser *JAB*  
SUBJECT: Oregon Convention Center Skyview Terrace

Please find enclosed a memo from Cathie Shelton relating to activities that could utilize the Oregon Convention Center Skyview Terraces. I would like to add some additional information along with a revenue production estimate for the Lounges.

The Skyview Terrace Lounges would showcase Portland very nicely and could be the highlight of any use. The following are some important types of utilization for the OCC Skyview Terraces:

- Special community functions or presentations / Mayor, MERC, etc.
- Prospective client / board of directors receptions, meetings, bid presentations.
- Uses by POVA to showcase the Convention Center and Portland.
- Restaurant / lounge for conventions, trade shows, large meetings, etc.
- Overflow meeting space for conventions.

Ogden Allied has put together a potential revenue package for the Skyview Terrace as an addition to the budget estimates for food service revenue for the OCC operation. Ogden Allied has estimated an additional \$0.60 to \$0.65 per person per event for the Skyview Terrace Lounges.

Metropolitan Exposition-Recreation Commission  
Oregon Convention Center Skyview Terraces  
January 23, 1989  
Page Two

The estimated attendance figure for Fiscal Year 1990/91 is 480,000 people and 535,000 for Fiscal Year 1994/95 according to the Laventhol & Horwath Operating Plan for the Oregon Convention Center. If these estimated attendance figures are correct, the Skyview Terraces would generate somewhere between \$288,000 - \$321,000 per year gross catering / concession revenue. The OCC would receive approximately 25 percent of these figures for its share, or \$72,000 - \$80,250 annually.

Additionally, rental rates for the Skyview Terraces could be established for meetings, office space, etc. This could generate even more revenue for the Center over and above the income derived from catering commissions.

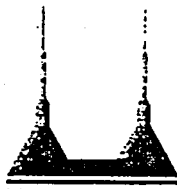
With the present anticipated uses outlined and potential revenue described, I believe this area will put the Oregon Convention Center one step ahead of our competition. Having amenities such as the Skyview Terraces is that extra edge we can use to "close the deal" on potential business of all types.

I strongly urge your serious consideration on this item.

JAB/ll  
Enclosure

cc: Lee Fehrenkamp  
Cathie Shelton  
Tim Fennell, Ogden Allied Leisure Services





OREGON  
CONVENTION  
CENTER

SALES & MARKETING

1111 S.W. Broadway, Portland, Oregon 97205 • (503) 274-6555

January 19, 1989

MEMORANDUM

TO: Jeff Blosser  
FROM: Cathie Shelton *CS*  
SUBJECT: OCC Skyview Terrace Lounges

Per your request, the following is a summary of the type of events we could expect to host in the skyview terrace lounges:

- Wedding receptions
- Business receptions
- Birthday parties
- Family reunions
- Meetings
- Convention, trade and consumer show receptions

I think there are several strong points to be made for the addition of the lounges to the OCC. For the first several functions listed, the lounge areas will provide members of the community yet another opportunity to utilize their building. And, I do think it will be a popular place for these types of activities due to the view of downtown Portland.

For conventions and trade shows, we do have other space in the building which we can offer to accommodate such functions as a cocktail reception, but many meetings and shows (i.e., the National Guard Association Convention) have several of these functions occurring simultaneously.

Finally, not only will the skyview terrace lounges be a wonderful amenity for the building, the area will be one more space available for us to sell.

CS/II

# OGDEN ALLIED

LEISURE SERVICES

Plaza La Reina  
Tower II, Suite 1100  
6053 W. Century Boulevard  
Los Angeles, CA 90045  
213 645 0515

October 3, 1988

Mr. Lee Fehrenkamp  
General Manager  
Memorial Coliseum Complex  
P.O. Box 2746  
Portland, Oregon 97208

Dear Lee:

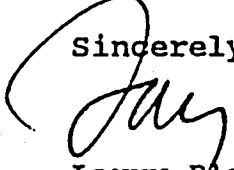
We have researched the potential sales for the two lounge areas and connecting hallway for the new Oregon Convention Center.

Assuming cocktails, soft drinks, snacks and hors d'oeuvres only for the two areas, we feel that an additional \$0.60 to \$0.65 per person per event can be achieved, without diminishing sales in any other area.

There is no question in our minds that these areas will make the building more saleable, since people prefer to conduct business, as well as have private conversations in lounges, where they can relax with a cocktail and some snacks, away from the main crowds attending a conference at the Convention Center. They can meet with their client or guest away from the Convention Center, or if the center has the facilities, such as these lounges, they can select the most logical and easy alternate, meet in the Convention Center Lounge.

As Tim and I indicated to you at our recent meeting, Ogden Allied will be more than happy to participate in the funding of these extremely important additions to the Convention Center. We said it then and still believe that if they are not included in the original construction phases, they will never be built. We feel they will definitely enhance the total food and beverage operation at the Oregon Convention Center.

Sincerely,



Larry Blasko  
Western Area Sales Manager

LB:amp

cc: S. Diener  
T. Fennell



## ATTACHMENT C

### BUSINESS PLAN FOR SKYVIEW TERRACES

The compelling reasons for investing in the skyview terraces are only partially economic ones. In outlining a business plan, several background points need to be kept in mind:

- (1) the convention center as a whole will need a subsidy, i.e. it will not generate revenue;
- (2) the Oregon Convention Center will compete in an increasingly crowded market and that amenities, such as the terraces, will make a competitive difference; and
- (3) the benefits to the community are not derived through a profit to the facility, but through the related resulting primary, secondary and tertiary spending of delegates and exhibitors.

#### ANTICIPATED USES:

The skyview terraces, when fully developed, will be very attractive. They will offer outstanding views outside through the base of the tower pyramids to the Willamette River and downtown, and inside down to the prefunction spaces within the convention center. The terraces offer a flexible, intimate space with a startling nighttime view for people attending conventions or by other parties via reservation.

As indicated by Jeff Blosser, the terraces would showcase Portland very nicely and could be expected to serve:

- Special community functions or presentations by the Mayor, Metro, the Metro Exposition/Recreation Commission, and other official groups
- Receptions for prospective clients, boards of directors, or for marketing bid presentations
- Special events by P/OVA or other groups marketing Portland
- As a lounge or quiet area for conventions, trade shows, or other large meetings
- Overflow meeting space for conventions

They will also provide an in-center hospitality suite available during and after conventions and trade shows. The design of the terraces would allow use by two small groups simultaneously.

Because the elevators to the terraces are located inside the secure zone of the convention center, the terraces would not be open to the general public on a walk-in basis. The convention center concessionaire will provide food service.

#### BACKGROUND:

The original design for the convention center included "roughing-in" these spaces. As the building grew out of the budget allotted, this space and other areas were reduced or eliminated to bring the cost estimates within the available funds. At the time of the award of the general contract, the Advisory Committee on Design and Construction urged reinstating the terraces if funds could be found.

#### CAPITAL COSTS:

The initial change order of \$420,000 will preserve the option of later finishing the terraces. Because the terraces were eliminated, the design must now be changed to include them. No exact costing of completing the terraces has been figured recently. Rough estimates put the total cost at \$1,000,000, or an additional \$580,000 beyond the initial change order.

#### OPERATING COSTS:

Additional operating costs related to this space are negligible. The space will not add significantly to the cost of utilities. Minor maintenance costs will be incurred, but the center's staffing for maintenance is flexible and changes to meet the needs of each convention. No additional staff will be required to market or maintain this space.

#### PROJECTED INCOME:

Income will be generated from two sources: (A) private parties renting the space and (B) additional food service for convention attendees.

(A) Private Parties: Two comparable spaces locally have been identified:

(1) First is the 10,000 square foot meeting room on the 41st floor of the U. S. Bank tower. This space rents for \$1,000 per day, or 10¢ per square foot. Room charges are reduced for parties purchasing substantial food and beverages. This space is booked every weekend this summer for wedding receptions, and is used by other groups for special receptions.

(2) Second is the Atrium in Montgomery Park, which has booked 50 wedding receptions in their 7000 square foot space. This space rents for \$1000 per event, or approximately \$.14 per square foot, with some offset of rent costs for food and beverage charges.

Based on this review of the local market, staff estimates that the spaces will rent for \$700.00; or \$350.00 for one half (\$.10 per square foot). Metro ERC staff have estimated that the Terraces could be rented approximately 40 times per year. If the terraces were rented 40 times per year, approximately \$28,000 in rent income could be generated. If rent were waived, concession profits would generate equal or greater revenue.

(2) Convention Attendees: Ogden Allied Leisure Services estimates that convention delegates would spend an average of \$.60 to \$.65 per person at the skyview terraces or similar location. Attendance figures for the Oregon Convention Center begin at 480,000 for the first years of operation and peak at 535,000 by the fifth year. If these numbers are correct, the skyview terraces would generate somewhere in the range of \$288,000 to \$321,000 per year in gross catering or concession revenue. If the center received 25% of this amount (a conservatively safe assumption), the net profit would be \$72,000 to \$80,250 annually.

Combining the rental revenue of \$28,000 with \$75,000 for the concession revenue shows total annual revenue of approximately \$103,000.

#### ANALYSIS:

To prepare the space completely for occupancy and use is estimated to cost nearly \$1,000,000, or roughly \$150 per square foot.

Profit per square foot ( $\$103,000/7,000$  square feet) is approximately \$18.57.

Construction costs of \$1,000,000 would be paid back in 9.3 years. The capitalization rate would be 10.7%.

## CONCLUSION

The Skyview Terraces can be demonstrated to be a good business decision. They have the potential to generate over \$100,000 annually in revenue to the center. Obviously, to generate this income, the Terraces would have to be marketed aggressively.

It is important to note that the Terraces are justified only partially by economics. In addition, the Terraces also provide one more amenity to market to national and regional conventions.

CHANGE ORDER

ADD

PROJECT: Oregon Convention Center

PROJECT NO: 88-9-771-CC

OWNER: Metropolitan Service District

CHANGE ORDER NO: (56) Fifty-Six

CONTRACTOR: Hoffman (Oregon) Marmolejo  
A Joint Venture  
777 NE Union Ave.  
Portland, Oregon 97232

INITIATION DATE: August 16, 1989

**THE CONTRACT IS HEREBY CHANGED AS FOLLOWS:**

CC #118/Provide skyview terrace in accordance with the following documents:

- Dec. 2, 1988 - "Pricing Only" architectural/structural
- Dec. 12, 1988 - Fireproofing additions
- Feb. 3, 1989 - "Notice to Proceed" steel shop drawings
- Feb. 24, 1989 - "Notice to Proceed" architectural/structural
- Mar. 3, 1989 - "Notice to Proceed" elec/plumb/HVAC
- Mar. 17, 1989 - "Notice to Proceed" 118R complete set
- Jul. 26, 1989 - "Notice to Proceed" 118R-1 revisions

Ref. HOM Proposal No. 27.5 dated 8/15/89

TOTAL ADD

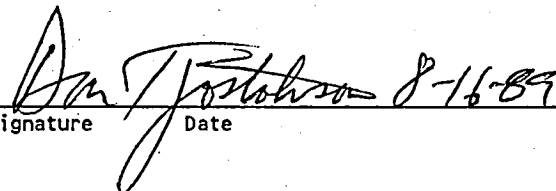
\$ 428,017

Except as provided herein all terms and conditions of the contract as heretofore modified remain unchanged. The terms and conditions of this Change Order constitute a full accord and satisfaction for all costs, overhead, time and profit related to the actions described or referenced herein. Not valid until signed by both the Owner and C.M. Signature of Contractor indicates agreement herewith including any adjustments in the Contract Sum or Contract Time.

The original Contract Sum . . . . .	\$ 52,104,185
Net change by previously submitted Change Orders . . . . .	\$ 708,422
The Contract Sum prior to this Change Order . . . . .	\$ 52,812,607
The Contract Sum will be increased by . . . . .	\$ 428,017
The new Contract Sum, including this Change Order will be . . . . .	\$ 53,240,624
Percent Increase of Original Contract Sum (cumulative) . . . . .	\$ 2.18%
The Contract Time will be . . . . .	Unchanged
The Date of Substantial Completion, as of this date, is . . . . .	July 10, 1990

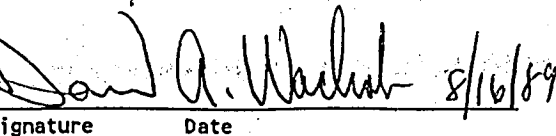
PREPARED/RECOMMENDED:

Turner Construction Company

  
Signature Date

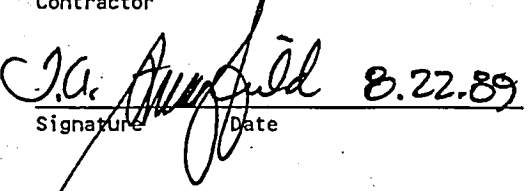
APPROVED FOR PROCESSING:

Turner Construction Company

  
Signature Date

ACCEPTED:

Hoffman (Oregon) Marmolejo, a Joint Venture  
Contractor

  
Signature Date

AUTHORIZED:

Metropolitan Service District  
Owner

Signature Date