



Metro | Agenda

Meeting: Joint Metro Council and Metropolitan Exposition & Recreation Commission
Work Session
Date: Tuesday, July 9, 2013
Time: 2 to 3:30 p.m.
Place: Council Chamber

CALL TO ORDER AND ROLL CALL

2 PM	1. PROPOSED AMENDMENTS TO THE VISITOR FACILITIES INTERGOVERNMENTAL AGREEMENT AND PROPOSED OREGON CONVENTION CENTER (OCC) HOTEL TERM SHEET – <u>INFORMATION / DISCUSSION</u>	Teri Dresler, Metro
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ADJOURN

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Agenda Item No. 1.0

**PROPOSED AMENDMENTS TO THE
VISITOR FACILITIES
INTERGOVERNMENTAL AGREEMENT
AND PROPOSED OREGON CONVENTION
CENTER (OCC) HOTEL TERM SHEET**

Joint Metro Council/MERC Work Session
Tuesday, July 9, 2013
Metro, Council Chamber

METRO COUNCIL

Work Session Worksheet

PRESENTATION DATE: July 9, 2013

TIME: 2:00 PM

LENGTH: 1.5 Hours

PRESENTATION TITLE: Discussion of Proposed Amendments to the Visitor Facilities Intergovernmental Agreement and Proposed Oregon Convention Center (OCC) Hotel Term Sheet

DEPARTMENT: Visitor Venues

PRESENTER(S): TERI DRESLER, X1790, TERI.DRESLER@OREGONMETRO.GOV

WORK SESSION PURPOSE & DESIRED OUTCOMES

- Purpose: To present Council with two proposed documents for review and input: 1) Package of amendments to the 2001 Visitor Facilities Intergovernmental Agreement (VF IGA), and 2) Proposed OCC Hotel Term Sheet. These two related agreements, if approved, will enable Metro staff to move forward into more detailed negotiations with Mortenson Development/Hyatt for an OCC Hotel.
 - VF IGA:
 - Metro staff, working with City of Portland and Multnomah County staff, has prepared a set of amendments that reflect new priorities and needs of the governments managing the region's visitor facilities and public/private tourism promotion programs.
 - The amendments include provisions to accommodate a future convention center hotel project, as well as several other new or revised provisions intended to support the tourism and hospitality industry.
 - Amendments are proposed to be submitted for consideration by Metro Council, Portland City Council and Multnomah County Board of Commissioners in August 2013.
 - OCC Hotel Term Sheet:
 - Metro staff has negotiated elements of a predevelopment term sheet with Mortenson/Hyatt to reflect project costs, funding sources, fund uses and physical attributes of the proposed OCC Hotel. Elements of the Proposed OCC Hotel Term Sheet will be discussed to inform next steps and negotiations on a development and room block agreement.
- Outcome: Council understanding of the package of VF IGA amendments and Proposed OCC Hotel Term Sheet elements; direction to staff to finalize both documents for Council consideration in early August.

TOPIC BACKGROUND & FRAMING THE WORK SESSION DISCUSSION

On January 26, 2012, the Metro Council adopted the OCC Hotel project as a priority project with the goals of strengthening the region's weak economy, creating living wage and permanent jobs, leveraging millions in private investment and protecting past investments in the convention center.

In April of that year, Metro and its project partners at the City of Portland, Multnomah County and Portland Development Commission (PDC) signed a Statement of Principles. That document expressed the collective support for the project's objectives of investing minimal resources in a privately owned and operated hotel designed specifically to attract additional national convention business by securing a reserved block of 500 rooms and providing the necessary amenities adjacent to the OCC. A commitment to require stringent building construction standards (LEED Silver or

higher) and employment and contracting practices (M/W/ESB, etc.) during construction and hotel operation was also included.

On September 12, 2012, the Metro Council passed Resolution No. 12-4365, which selected the Mortenson development team (Mortenson/Hyatt) pursuant to OCC Hotel RFP 13-2115 and authorized staff to begin predevelopment negotiations (Phase III of the OCC Hotel project) upon receiving confirmation that a Labor Peace Agreement was negotiated and executed between Mortenson/Hyatt and UNITE HERE. The Labor Peace Agreement was signed and predevelopment efforts between Metro and Mortenson/Hyatt began on October 31, 2012. The proposed OCC Hotel Term Sheet before the Council is the result of that work.

On December 4, 2012, staff provided the Metro Council and the Metropolitan Exposition Recreation Commission (MERC) with a project status update, including proposed hotel construction financing elements. Also on that date, Strategic Advisory Group presented a summary of independent analysis regarding the local convention and hotel market as well as national trends.

Since early this year, Metro staff's first priority has been to negotiate a joint package of amendments to the Visitor Facilities IGA with staff from the City of Portland and Multnomah County. The proposed amendments include a range of modifications to the original 2001 agreement, including provisions that specifically address OCC Hotel financing. Without the VF IGA amendments, Metro would not be able to act on the Proposed OCC Hotel Term Sheet as drafted.

On July 9, the Metro Council and MERC will meet in a joint work session at which time staff will provide a briefing on the final package of proposed amendments to the VF IGA and the Proposed OCC Hotel Term Sheet between Metro and Mortenson/Hyatt. Following the work session, Metro will host a public open house to seek public input and questions, prior to action by any of the three governments.

The Metro Council will be scheduled to consider the VF IGA amendments and Proposed OCC Hotel Term Sheet in early August. The Portland City Council and Multnomah County Board of Commissioners will also be scheduled to consider the VF IGA amendments during the first few weeks of August. No formal action is required by either jurisdiction on the Proposed OCC Hotel Term Sheet.

Metro staff's assessment is that the proposed agreements create a viable path for the proposed OCC hotel project to move forward into further negotiations and public review. The amendments enable a fair and reasonable financing structure that allows for private investment and transient lodging taxes paid by hotel visitors to provide a majority of the necessary project funding. The Council's over-arching goals of creating jobs, growing the economy and generating new tax revenue for important public services are also supported.

Proposed Visitor Facilities IGA Amendments

Each jurisdiction has updated priorities and needs reflected in the package of amendments which are defined funding allocations or "buckets". For Metro, key provisions include: 1) support Metro's issuance of hotel revenue bonds by redirecting future OCC hotel site-specific transient lodging taxes (SSTLT) to the Visitor Facilities fund for bond debt service payments; and 2) ensuring that an appropriate level of operating and marketing support for the OCC continues.

Other provisions included in the package of amendments are:

- 1) Revised priority order of expenditures or "buckets" to reflect new expenditure categories, including a new OCC Hotel revenue bond bucket, a new bucket for Multnomah County tourism support, and a new Rose Quarter Facilities bucket for the City of Portland;

- 2) Modifications to the OCC Operating Support bucket to include both a fixed allocation as well as the ability to request additional funding as a flexible amount;
- 3) Additional marketing funding for the Visitor Development Inc. Fund board;
- 4) Updated approach for funding convention visitor transportation needs;
- 5) Revised debt service payment structure if Civic Stadium/PGE Park bonds are refinanced;
- 6) Restructuring of reserve accounts and the use of excess funds in system; and
- 7) Creation of a long-term Visitor Facilities Strategic Plan to guide future priorities and expenditures.

Metro's goals in the VF IGA Amendment negotiations are to create a mechanism to assist in financing the construction of the OCC hotel, ensure that the OCC has the level of long-term financial support necessary to maintain industry competitiveness, and support the priorities of the City of Portland and Multnomah County as project partners. Staff concludes that the package of proposed VF IGA Amendments achieves these goals and recommends approval on August 1 or 8, 2013. More detailed descriptions of the amendments will be provided at the July 9 work session.

Proposed OCC Hotel Term Sheet

The Term Sheet represents the first step in the pre-development process and documents project terms and conditions agreed upon by Metro and Mortenson/Hyatt. It is a non-binding agreement. These terms will be further defined through the negotiation process of the project development agreement and room block agreement, which would likely be presented to Metro Council in fall 2013. General elements of the Proposed OCC Hotel Term Sheet include:

- 1) Duties and responsibilities of Metro, the developer (Mortenson) and hotel operator (Hyatt), as well as other project partners, including development, construction, ownership, operation and management;
- 2) Project description, including hotel brand, location and amenities;
- 3) Commitments by the developer, operator and public entities to fulfill duties and responsibilities;
- 4) Agreement on the financing elements, including private and public financing amounts and mechanisms, project budget, and sources and uses; and
- 5) Project schedule.

The Proposed OCC Hotel Term Sheet will be discussed in more detail at the Council/MERC joint meeting. Representatives of Mortenson Development will also be in attendance.

Council options include:

Proposed VF IGA Amendments:

1. Approve the amendments package. This action supports Metro's operation of OCC and creates a new financing tool for a future OCC Hotel project. It also supports the priorities of the City and County.
2. Do not approve the amendments package. This action would result in maintaining the current expenditures and priorities as defined in the IGA. Current levels of OCC operating support and marketing and incentives programs would be maintained. A new OCC hotel revenue funding mechanism would not be created, requiring staff to determine if any other funding options are viable.
3. Amend the amendments package. This action would allow the Council to recommend alternatives it deemed appropriate to the Portland City Council and Multnomah County Commission.

Proposed OCC Hotel Term Sheet:

1. Approve the proposed term sheet. This action supports construction of the OCC Hotel, the long-term financial viability of the OCC and regional tourism industry, and allows staff to proceed with negotiations leading to a development agreement and, later, construction of the hotel.
2. Do not approve the term sheet. This action would require additional predevelopment negotiations between Metro and Mortenson/Hyatt, which may delay the project schedule and could pose significant risks to the viability of the project.
3. Amend the term sheet. This action would allow the Council to recommend alternatives it deemed appropriate to the Metro negotiating team.

QUESTIONS FOR COUNCIL CONSIDERATION

- A project Statement of Principles was signed by the jurisdictional partners in April 2012. Are the over-arching goals supported by these proposals?
 - The private sector is responsible for development and majority financing.
 - A block of 500 rooms and other convention amenities are included.
 - The hotel operator carries brand familiarity and loyalty with convention planners.
 - Hotel design and connections to infrastructure activates neighborhood revitalization.
 - The developer and operator are committed to M/W/ESB and First Opportunity Target Area (FOTA) employment and contracting policies.
 - The developer agrees to utilize union building trades for construction and labor peace is agreed upon between the operator and union.
- Does the package of Proposed VF IGA Amendments strengthen the OCC's ability to compete as a national convention destination and provide substantial benefits to the tourism and hospitality industry?
- Does the IGA amendment package balance the needs of the three jurisdictions as well as those of the hospitality industry?
- Is the proposed public investment likely to generate an appropriate community benefit in terms of creating jobs, supporting local businesses, generating new tax revenue and revitalizing the neighborhood?

PACKET MATERIALS

- Would legislation be required for Council action X ☒ Yes ☐ No
- If yes, is draft legislation attached? ☐ Yes X ☒ No
- What other materials are you presenting today? 1) Proposed Visitor Facilities IGA Amendment and 2) Proposed OCC Hotel Term Sheet

Materials following this page were distributed at the meeting.

OREGON CONVENTION CENTER HOTEL
DEVELOPMENT AND FINANCING AGREEMENT LETTER OF INTENT

DRAFT

_____, 2013 (the "Effective Date")

BETWEEN: Metro (the "Metro")
600 NE Grand Avenue
Portland, Oregon 97232

AND: Mortenson Development, Inc. (the "Developer")
M. A. Mortenson Company
700 Meadow Lane North
Minneapolis, MN 55422-4899

In May 2012, Metro issued a Request for Proposals for a development team to build, own and operate a private convention center hotel (the "Hotel"). The Parties understand that the primary purpose for Metro engaging in the Hotel project is to generate additional economic benefit to the region and the State by enhancing the marketability of the Oregon Convention Center.

In September 2012, the Metro Council selected the Mortenson Development, Inc. team to develop the Hotel adjacent to the Oregon Convention Center in Portland, Oregon. In late October 2012, Metro and the Developer (together, the "Parties") completed predevelopment activities resulting in the Development and Financing Agreement Term Sheet attached as Exhibit A ("Term Sheet") for review and approval by the Metro Council and Mortenson Development, Inc.

Metro and Developer intend to enter into a Development and Financing Agreement for the development of a privately-owned convention center Hotel, upon terms and conditions satisfactory to the Parties. The intent of the Term Sheet is to set forth the mutual understandings, intentions and approach of the Parties to plan, finance and develop the proposed Hotel to support the economic development mission of the Oregon Convention Center. The Parties anticipate negotiating and executing a formal, binding Development and Financing Agreement incorporating the general terms set forth in the Term Sheet on a date as soon as feasible within the term of the Term Sheet. Once a formal, binding Development and Financing Agreement has been executed, the Parties will have obligations with respect to the development and financing of the Hotel. The Parties desire to complete predevelopment and due diligence activities with the goal of constructing and opening the Hotel in 2016.

The term of the Term Sheet is 6 months from the Effective Date of this Letter of Intent. The Parties may extend the term upon mutual agreement, which shall not be unreasonably withheld provided the Parties are working in good faith and will be able to perform their expected duties and responsibilities under the Development and Financing Agreement, and will notify each other of substantive changes. If at any time either Party determines that it is unable to proceed, such party shall promptly notify the other, who may then elect to discontinue negotiations or proceed under revised terms.

Both Parties understand that this Term Sheet is non-binding and is intended to define the project approach and general business terms for the Development and Financing Agreement negotiation process. Both Parties commit to work in good-faith.

M.A. Mortenson Company

Tom Lander, Vice President and General Manager

Metro

Martha Bennett, Metro Chief Operating Officer

EXHIBIT A
OREGON CONVENTION CENTER HOTEL

DEVELOPMENT AND FINANCING AGREEMENT TERM SHEET

This Development and Financing Agreement Term Sheet summarizes the proposed terms under which Mortenson Development, Inc. (“Developer”) and Metro (“Metro”) intend to plan, finance and develop a privately owned Convention Center Hotel (the “Hotel”) to be owned and operated by Hyatt Hotel Corporation (“Manager”).

DESCRIPTION OF DEVELOPMENT TEAM	
Developer	Mortenson Development, Inc. will serve as the project developer, assuming all responsibility for the design, entitlement, financing and construction of the Hotel. The Developer is expected to enter into a Development and Financing Agreement with Metro.
Owner	<p>The initial project owner is expected to be a special purpose entity (SPE) to be created for purposes of this project. The Developer will act as managing member or managing partner of the SPE. The SPE will assume the Developer’s outstanding rights and responsibilities of the Development and Financing Agreement with Metro.</p> <p>Upon completion of construction, the SPE will be sold to Hyatt Hotels Corporation which shall cause the Hotel to be operated under the Hyatt Regency brand. A subsequent sale of the Hotel by Hyatt Hotels Corporation shall be encumbered with a Hyatt Regency franchise agreement or management contract, or shall be caused to be re-flagged an upper-upscale hotel brand of similar quality to Hyatt Regency. Owner shall notify Metro of a proposed sale and/or change in the Hotel flag. Metro will approve any change in Hotel flag as a condition to the change, with such approval not unreasonably withheld.</p>
Manager	Hyatt Hotels Corporation will manage and operate the Hotel.
Contractor	Mortenson Construction will serve as the general contractor for the project.
Design/Build	The Hotel will be built under a design/build approach, with Mortenson Construction providing cost and completion guarantees.
Architect	Elness Swenson Graham Architects will serve as the lead design firm, with Ankrom Moisan Associated Architects as the local design partner.
Other Consultants	Piper Jaffray & Co. –finance investment banking

	Jones Lang LaSalle Hotels – market and feasibility studies
Public Partners	<p>Metro, as owner of the Oregon Convention Center, is the lead public participant in the project.</p> <p>Three other public organizations will be required to take actions to facilitate the Hotel:</p> <ul style="list-style-type: none"> (a) Portland Development Commission (PDC) (b) City of Portland (c) Multnomah County
PROJECT DESCRIPTION	
Hotel Location	<p>The Developer prefers the Hotel be developed on portions of Block 47 and 48, Holladay’s Addition, Portland, as depicted in <u>Attachment A</u>. The property is currently owned by (or under the control of) StarTerra, LLC and is expected to be sold to the SPE at closing. The site is 1.85 acres and provides excellent proximity to the Oregon Convention Center and Light Rail along NE Holladay Street.</p> <p>PDC owns a 15,000 square foot parcel on Block 47, Holladay’s Addition, Portland, as depicted in Attachment C. This parcel is adjacent to the StarTerra site and will be considered as part of the Hotel design phase.</p> <p>An alternative site available for Hotel development is PDC’s property known as Block 43 and 26, Holladay’s Addition, Portland, as depicted in Attachment B.</p> <p>Mortenson shall coordinate with PDC on planning efforts for the adjacent, 15,000 square foot parcel on Block 47 currently owned by PDC.</p>
Hotel Description	<p>The Hotel will serve as the flagship convention hotel serving the Oregon Convention Center due to its size and proximity. The Hotel is currently expected to consist of the following facilities and amenities: (1) 600 rentable guest rooms; (2) 35,000 square feet of meeting and ballroom space; (3) a three meal upscale restaurant; (4) a lobby bar; (5) a coffee bar; (6) an indoor pool and whirlpool; (7) an exercise room; (8) a business center; (9) a gift shop; and (10) other additional facilities and amenities agreed upon by the parties, consistent with the high quality Hyatt Regency brand.</p>

Hotel Name	For purposes of this Term Sheet and subsequent negotiations, the Hotel will be referred to as the “Convention Center Hotel.”
Parking Management	Structured parking shall be provided for the Hotel on Block 49 and shall be managed by StarTerra, LLC.
Operating Standards	The Hotel will be built and operated in conformance with the design, construction and operating standards for the Hyatt Regency brand, in place as of the effective date of the Development and Financing Agreement, and as approved by Hyatt Hotels Corporation.
LEED [Silver] Standards	The parties desire the Hotel to be certified LEED Silver or higher for New Construction by U.S. Green Building Council. Developer intends to construct the Hotel in a manner that would qualify it as LEED Silver or higher.
Operating Agreement with Manager	The Owner will enter into an Operating Agreement with Hyatt Hotels Corporation, with the expectation that Hyatt will operate and manage the Hotel.
UNION LABOR	
Construction	As a union signatory contractor, Mortenson routinely builds its projects utilizing union subcontractors and with union labor. Mortenson fully intends to do so for the Hotel project.
Operations	Hyatt Hotels Corporation, has entered into a labor peace agreement with Unite Here, Local 9, dated October 31, 2012.
NON-BINDING COMMITMENTS AND ROLES OF THE PARTIES	
Development	<p>Developer will serve as project developer and Mortenson Construction will be the construction contractor. Developer will:</p> <p>(a) Manage the predevelopment and construction process, including design/build, financing, permitting and construction management of the Hotel.</p> <p>(b) Provide a guarantee for construction costs and completion to facilitate project financing.</p> <p>(c) Serve as the lead entity in negotiations with the public participants, participating in joint team meetings, negotiating meetings and public meetings upon request.</p>

	<p>(d) Ensure that the project complies with terms and provisions conditions of the Development and Financing Agreements.</p> <p>(e) Provide Metro with copies of design product, budgets, statement of sources and uses of funds, financing commitments, operating pro formas, and other relevant information as mutually agreed upon throughout the Hotel project process.</p>
Hotel Ownership and Operations	<p>Hyatt Hotels Corporation expects to:</p> <ul style="list-style-type: none"> (a) Participate in the predevelopment process and provide project management oversight to ensure that the project is designed, constructed and equipped to meet the Hyatt Regency brand; (b) Negotiate and enter into a Room Block Agreement with Metro; (c) Acquire the Hotel from SPE upon completion of construction and issuance of a Certificate of Completion by the City; (d) Manage and operate the Hotel to the standards of a Hyatt Regency product upon completion of construction under contract with the ownership entity.
Public Parties	<p>Metro expects to:</p> <ul style="list-style-type: none"> (a) Serve as the lead public participant and public oversight agent through completion of the Hotel with any ongoing involvement to be addressed in the Room Block Agreement; (b) Coordinate necessary approvals for funding from PDC, City and Council. Negotiate and enter into development and financing agreements, including intergovernmental agreements, Visitor Development Initiative amendments, etc. (c) Negotiate and enter into a Room Block Agreement with Hyatt Hotels Corporation. (d) Negotiate and prepare appropriate intergovernmental agreements to implement the project, including transient lodging tax (TLT) related agreements. <p>PDC's expected participation includes:</p> <ul style="list-style-type: none"> (a) Involvement in the project pre-development process, providing

	<p>technical assistance as requested.</p> <p>(b) Providing direct financing as described below and potentially selling property for the project, either on Block 46 or Blocks 43/26 as indicated in <u>Attachment B</u> or a portion of Block 47, shown in <u>Attachment C</u>.</p>
CAPITAL STRUCTURE	
Private Financing	<p>Construction Period</p> <p>Mortenson Development, Inc. will structure approximately \$117.6 million in private investment through a combination of private equity and private debt accessed through institutional financing sources such as money center banks or life insurance companies.:</p> <p>Hyatt Hotels Corporation will deliver a forward take--out commitment to purchase the Hotel upon completion.</p>
Public Financing	<p>Metro will:</p> <p>(a) Provide direct financing available for use in the construction of the Hotel in the form of a performance grant for an amount up to \$4 million, contingent upon negotiation of the Development and Financing Agreement.</p> <p>(b) Amend the Visitor Facilities Trust Account (VFTA) Intergovernmental Agreement, upon approval from the City of Portland and Multnomah County and Metro Council, to create a funding mechanism within the VFTA to support the issuance of revenue bonds for the Hotel, based on the equivalent of 11.5% of the site-specific transient lodging tax (TLT) expected to be generated by the operations of the Hyatt Regency Hotel.</p> <p>(c) Issue, or cause to be issued, a revenue bond in the approximate amount of \$60 million ("Metro Revenue Bond") supported by the revenue stream generated from TLT, with proceeds utilized for the construction of the Hotel.</p> <p>Metro expects that PDC's participation includes:</p>

	<p>(a) Direct financing in the form of a loan in an amount up to \$4 million, contingent upon budget authority and Board approval of appropriate financing agreements.</p> <p>Metro expects that the State’s participation includes:</p> <p>(a) Direct financing in the form of a grant in an amount up to \$10 million, contingent upon budget authority and Board approval of appropriate financing agreements.</p> <p><i>Note: Public and private financing terms are subject to further negotiation consistent with the intent of this Term Sheet based on the details of the overall financing plan for the Hotel and PDC’s terms for its financial participation, and are subject to review and approval by the appropriate public bodies.</i></p>																								
Project Budget	The project is anticipated to have a total budget, inclusive of all hard and soft costs of \$197.5 million. See <u>Attachment D</u> for a detailed, preliminary project budget.																								
Total Sources/Uses Summary	See <u>Attachment E</u> .																								
SCHEDULE																									
Project Schedule	<table><tr><td>Pre-Development Phase:</td><td>Start</td><td>Finish</td></tr><tr><td>(a) Financing Plan</td><td>June 1, 2013</td><td>June 30, 2013</td></tr><tr><td>(b) Public and Private Development/Financing Agreements</td><td>July 1, 2013</td><td>31, 2013</td></tr><tr><td>(c) Design</td><td>August 1, 2013</td><td>December 31, 2013</td></tr><tr><td>(d) Entitlements and Permitting</td><td>August 1, 2013</td><td>March 1, 2014</td></tr><tr><td>(e) Closing</td><td>February 1, 2014</td><td>March 1, 2014</td></tr><tr><td>Construction Phase</td><td>March 15, 2014</td><td>May 15, 2016</td></tr><tr><td>Hotel Opening</td><td>July 15, 2016</td><td></td></tr></table>	Pre-Development Phase:	Start	Finish	(a) Financing Plan	June 1, 2013	June 30, 2013	(b) Public and Private Development/Financing Agreements	July 1, 2013	31, 2013	(c) Design	August 1, 2013	December 31, 2013	(d) Entitlements and Permitting	August 1, 2013	March 1, 2014	(e) Closing	February 1, 2014	March 1, 2014	Construction Phase	March 15, 2014	May 15, 2016	Hotel Opening	July 15, 2016	
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Hotel Opening	July 15, 2016																								
Performance Goal	The Parties commit to work diligently to achieve the project schedule,																								

	with a goal of Hotel Opening in 2016.
MISCELLANEOUS	
Room Block Agreement	As a condition to Metro issuance of the Metro Revenue Bond, Metro and Owner/Hyatt Hotel Corporation shall have executed a Room Block Agreement to be negotiated among such parties which addresses and defines the terms required by Metro and Owner relating to city-wide events, event room blocks of 500 rooms and a mutually agreed upon timeframe, and event block rates, as applicable.
Business and Work Force Equity - ESB/MBE/WBE Programs	Developer will ensure that the development, design, and construction of the Hotel comply with PDC's priorities for Emerging, Minority, and Women-Owned Businesses as set forth in RFP 13-2115 and as available at www.pdc.us .
Prevailing Wages and other Labor Requirements	Developer will ensure that all contractors, subcontractors and consultants fully comply with the State of Oregon's BOLI statues and regulations and any other applicable regulations.
First Opportunity Target Area Hiring	Owner will use its best efforts to comply with Metro's First Opportunity Target Area Hiring policy and as available at www.oregonmetro.gov .
Public Records	As allowed under Oregon law, Metro intends to use best efforts to maintain confidential documents related to the Hotel development proposal throughout the negotiation process. Upon completion of negotiations and during the final public approval process (at which time the Metro Council would approve issuing an intent to award a contract to Developer), Metro expects to make general project documents, not otherwise exempt from disclosure under Oregon law, available for public review.
Exclusivity	Metro and Mortenson anticipate to negotiate exclusively throughout the term of this Term Sheet.
Contacts	<p>The appropriate representatives and addresses may be used throughout the negotiation process:</p> <p>M.A. Mortenson Company</p> <p>Tom Lander, Vice President and General Manager</p> <p>Nate Gundrum, Senior Development Manager</p> <p>700 Meadow Lane North</p>

	<p>Minneapolis, MN 55422-4899</p> <p>Metro</p> <p>Attention: Teri Dresler, Visitor Venue General Manager</p> <p>Attention: Cheryl Twete, Senior Development Advisor</p> <p>600 NE Grand Avenue</p> <p>Portland, Oregon 97232</p>
List of Attachments	<p>A – Developer’s Preferred Hotel Site Location</p> <p>B – PDC-owned Site Available for Hotel</p> <p>C – PDC-owned Site Adjacent to StarTerra Property</p> <p>D – Preliminary Total Project Budget</p> <p>E – Financing Sources</p>

* * * * *

ATTACHMENT A

DEVELOPER'S PREFERRED HOTEL SITE LOCATION



ATTACHMENT B

PDC-OWNED SITE AVAILABLE FOR HOTEL



ATTACHMENT C

PDC-OWNED SITE ADJACENT TO STARTERRA PROPERTY



ATTACHMENT D

PRELIMINARY TOTAL PROJECT BUDGET

Uses of Funds	
Land	\$ 7,300,000
Construction	\$ 125,000,000
FF&E/OS&E	\$ 25,200,000
Development	\$ 30,600,000
Financing	\$ 9,400,000
Total	\$ 197,500,000

ATTACHMENT E

FINANCING SOURCES/USES

Sources of Funds		
Private Investment	\$	119,500,000
Metro Revenue Bond	\$	60,000,000
State Grant	\$	10,000,000
Metro Grant	\$	4,000,000
PDC Loan	\$	4,000,000
Total	\$	197,500,000

CONFIDENTIAL

2013 Revised Visitor Facilities Intergovernmental Agreement
Proposed Amendments – July 9, 2013

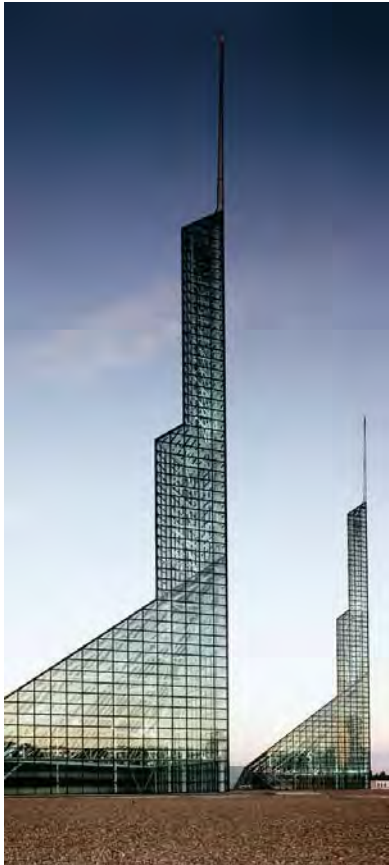
DRAFT – Negotiations Not Yet Completed

In March 2013, City of Portland, Multnomah County and Metro staff engaged in a process to update the 2001 Visitor Facilities Intergovernmental Agreement (VFI Agreement) which serves as the implementation mechanism for the Visitor Facilities Trust Account (VFTA). The proposed amendment package, if approved by the City, County and Metro, will be the first amendment to the Agreement in its 12-year history. The main goals of the VFI Agreement amendments are:

1. To reflect updated and new priorities of the partners.
2. To clarify intent, approach and practice of the jurisdictions regarding certain elements.
3. To provide for long-term stability of the VFTA system and its funding priorities by updating revenue and expenditure projections and analyzing against various stress tests reflecting weakened economic conditions.
4. To revise the document structure to provide clearer organization and ease of reading.

The proposed amendments include the follow modifications:

1. Recitals and Findings – provide more history and clarity regarding purpose and intent.
2. Restructure organization of document – clearly describe funding priorities and obligations of parties.
3. Creates a new bond bucket for the OCC Hotel Revenue Bonds – enables 11.5% of the site-specific transient lodging tax revenues associated with the proposed OCC Hotel to be redirected to the VFTA system and extends VFTA through term of OCC Hotel Bonds (2045).
4. Revises “Bucket” structure to reflect 2013 needs and opportunities – 1) new bucket for County and City for tourism-related purposes.
5. Calls for the creation of a Visitor Development Strategic Plan.
6. Revises bond repayment structure if PGE Park/Stadium Bonds refinanced
7. Creates restricted and unrestricted reserves and process for updating reserve requirements.
8. Creates process for the jurisdictional partners to create a financial review team to review annual funding allocations and manage VFTA resources.



Oregon Convention Center Hotel

**Metro Council / MERC Commission
work session**

July 9, 2013



Metro | *Making a great place*

Oregon Convention Center Hotel

Project overview

Goals:

- Create jobs
- Jumpstart economy
- Leverage private development
- Minimize public investment
- Maximize regional economic impact

Outcomes:

- Capture lost business
- Attract new national conventions
- Generate new business for local hotels and businesses

Community Benefits:

- Job creation: 2,000 construction project/950 permanent jobs
- Increased convention business: 5-10 large national conventions/year
- New tourist spending in local businesses : \$120 million/year
- New demand for local hotels: 20,000-40,000 new convention room nights and 50,000-70,000 new Hyatt group business room nights/year
- Increased state & local tax revenues: \$11 million/year

Over next 32 years: \$330 million in state & local tax revenues

Oregon Convention Center Hotel Project timeline

April 2012:
Statement
of Principles

**October
2012:**
Labor
Peace
Agreement

**Feb –
August
2013:**
VDI IGA

**Spring
2014**
Ground
breaking

**May-Sept
2012:** RFP
issued,
evaluated;
dev team
selected

**Nov 2012 to
current:**
Pre-dev
negotiation

Fall 2013:
Dev
agreement

**Spring
2016**
Grand
opening

Oregon Convention Center Hotel Visitor Development Initiative

What is it?

- Collaboration between Metro, City of Portland, Multnomah County and tourism, hospitality and convention industries
- Funds tourism promotion, visitor facility improvements and convention recruitment
- Innovative successful model replicated across U.S.
- Paid for by a portion of transient lodging and vehicle rental taxes

Oregon Convention Center Hotel Visitor Development Initiative

What is proposed to change?

- Revise funding structure by adding new “buckets” to promote tourism:
 - Metro: OCC hotel bucket
 - City: tourism-related (Rose Quarter facilities) bucket
 - County: tourism-related (visitor experience) bucket
- Create restricted/unrestricted reserves
- Revise PGE Park bond repayment structure
- Create VDI Strategic Plan



Oregon Convention Center Hotel Term Sheet Elements

- Hyatt Regency
- North of OCC
- 500 rooms reserved for convention groups
- Extra ballroom and meeting space

Oregon Convention Center Hotel Term Sheet Elements

- Developer committed to union labor
- Hotel operator signed Labor Peace Agreement with union
- Construction to include City's Business & Workforce Equity and MWESB/FOTA policies
- LEED Certification

Oregon Convention Center Hotel

Total Project cost: \$197 million

Private share – Approximately 60%

- \$117 million Mortenson/Hyatt
((\$2 million private investment/project cost reductions)

Public share – Approximately 10%

- \$4 million Metro grant
- \$4 million PDC loan*
- \$10 million state lottery funds

Construction financing backed by room taxes – Approximately 30%:

- \$60 million revenue bonds**
(based on current interest rates and project costs)

* PDC loan repaid by Mortenson/Hyatt

** Bonds repaid by taxes paid by future visitors staying at OCC hotel

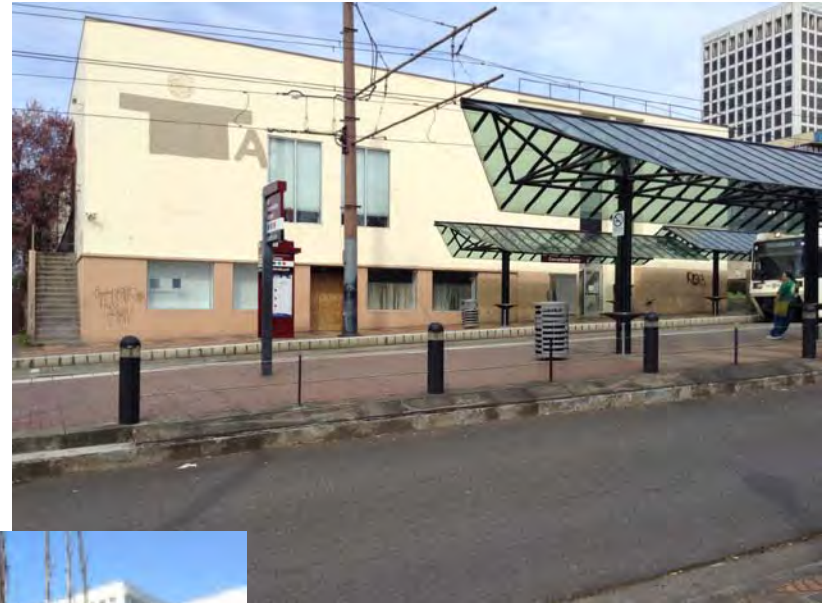
Oregon Convention Center Hotel

Proposed next steps

August/September

- Public open house at Oregon Convention Center
- Metro public hearing
- Metro Council action
- City Council action
- Multnomah County action

Oregon Convention Center Hotel Today



Oregon Convention Center Hotel

The future



Oregon Convention Center Hotel
Preliminary Rendering - May 2013