



JOINT METRO COUNCIL/MERC WORK SESSION
MEETING SUMMARY
July 9, 2013
Metro Council Chamber

Councilors Present: Councilors Shirley Craddick, Craig Dirksen, Kathryn Harrington, Carlotta Collette, Bob Stacey, and Sam Chase

Councilors Excused: Council President Tom Hughes

Commissioners Present: Chair Chris Erickson, Commissioners Judie Hammerstad, Elisa Dozono, Cynthia Haruyama, Terry Goldman, Ray Leary

Commissioners Excused: Karis Stoudamire-Phillips

Deputy Council President Shirley Craddick and Metro Exposition and Recreation Commission Chair Chris Erickson jointly convened the Joint Metro Council/MERC work session at 2:03 p.m.

Councilor Craddick welcomed the MERC commissioners to the work session. She outlined the economic benefits of building a convention center hotel including: increased jobs, increased restaurant business, increased shopping, and increased overall tourism. Councilor Craddick explained that these economic benefits would create tax dollars that allow for increased municipal services. She additionally noted that the proposed financing strategy minimizes the public risk.

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

Ms. Teri Dresler, of Metro, Mr. Scott Cruickshank, of the Oregon Convention Center (OCC), and Mr. Ken Rust, of Public Financial Management Group, provided the Council with an update on the OCC Hotel and presented them with two documents for their review and input. The purpose of this presentation was to increase Council understanding of the package of VFTA (Visitors Facilities Funding via Transient Lodging Tax) intergovernmental agreement amendments and the proposed OCC Hotel Term Sheet elements. Additionally, presenters hoped to gain direction from the Council in order to finalize both documents for Council consideration in August.

Ms. Dresler reviewed the goals, outcomes, and community benefits of the project. Goals included: create jobs, jumpstart economy, and maximize regional economic impact. Outcomes included: capture lost business, attract new national conventions, and generate new business for local hotels and businesses. Community benefits included: the creation of 2,000 construction and 950 permanent jobs, increasing convention business by attracting 5-10 large national conventions per year, and encourage new tourist spending in local businesses up to \$120 million per year. She then outlined the project timeline, which culminates in a Spring/Summer 2016 opening. She noted that currently— the project is in the predevelopment negotiation phase.

Mr. Cruickshank explained the Visitor Development Initiative (VDI). He noted that the VDI is an intergovernmental agreement between Metro, Multnomah County and the City of Portland that uses a portion of transient lodging taxes and vehicle rental taxes to fund tourism promotion through Travel Portland, repay bonds on visitor attractions, and attract citywide conventions and events to the area. Mr. Cruickshank then outlined the proposed changes to the system. These changes would revise the funding structure by adding new “buckets” to promote tourism. He explained that a financial review team will be created to oversee the bucket system.

Mr. Cruickshank reviewed the term sheet elements touching on several points which included: the hotel will be a Hyatt Regency, 500 rooms will be reserved for convention groups, the hotel will provide additional meeting space, the hotel operator signed a Labor Peace Agreement with the Union, and LEED certification will be striven for. He noted that the term sheet is a non-binding agreement that lays out the key proposed elements of the development package, and that many details will not be negotiated until later in the process. In the original scope, staff required that the developer and hotel operator follow the most stringent jurisdictional standards for construction, employment and contracting.

Mr. Rust then outlined the financial package. He explained that the total project cost of \$197 million will be broken into three shares. The private share will cover approximately 60%, the public share will cover approximately 10%, and construction financing backed by room taxes will cover the remaining 30%. He explained that Metro will act as the bond issuer for the 30%, and the bond will be repaid by the room taxes of future OCC hotel visitors. Mr. Rust noted that no general government funds are at risk, and that no taxes will be raised to pay debt service on the bond.

Ms. Dresler outlined the project’s proposed next steps including upcoming open houses and public hearings, commencement of construction in 2014, and culminating in a proposed Spring/Summer 2016 opening.

Council Discussion Included:

- Councilor Chase inquired about the consequences of the developer not achieving community benefit goals. Ms. Dresler and Ms. Alison Kean Campbell, Metro Attorney, explained that currently there is a written commitment to uphold community benefit goals. When the legally binding contracts are laid out, good faith efforts to achieve community benefit goals will be included. Commissioner Leary then inquired about how a good faith effort will be measured. Ms. Dresler clarified that percentiles will be used to measure efforts. Per Commissioner Erickson’s inquiry, Ms. Kean Campbell explained that agreements with the operator will be put in place to maintain these policies when the hotel is open.
- Commissioner Erickson inquired about opponents’ assertions that the convention business is declining. Mr. Scott Cruickshank explained that the convention business follows the rise and fall of the economy almost identically. He noted that currently the convention business is rising. Commissioner Hammerstad asked what the consequences would be if the assumption that more conventions will come to the OCC due to the hotel is incorrect. Additionally, she inquired about the financial burden that would be shifted to the public in this case. Mr. Cruickshank explained that comments have been repeatedly received from conventioners that they would hold conventions in the OCC if only there was an associated

hotel. Ms. Kean Campbell further explained that the bonds have been structured to minimize public risk. Debt service on the bonds will be paid out of the bucket system from OCC hotel visitors who pay the transit lodging tax. Mr. Rust noted that projections for the worst case scenario have been run, and even in the worst case scenario, there would be little public risk.

- Per Councilor Chase's inquiry, Mr. Cruikshank explained that concerns about the OCC hotel being capable of undercutting competition has been brought to the development team. He noted that this hotel's goal is not to take business from competing hotels, but rather to create new business and demand by bringing new customers to the area. Commissioner Dozono also pointed out that discouraging this development would be unfair to the North and Northeast neighborhoods that will benefit from the jobs and investment. She also noted that the hotel will affect the tourism economy, not just regionally, but statewide.
- Per Commissioner Leary's inquiry, Ms. Dresler noted that the developers came to the table with aggressive goals and policies for the project and public partners have no reason to believe their commitments to standards and community benefit goals are not in earnest.
- Per Councilor Collette's inquiry, Ms. Dresler clarified that money for the project will be taken from funds already allocated for tourism and community benefit. No funds will be taken from other needs, like schools and youth programs. Mr. Rust noted that schools may benefit as a result of the project due to increased tax revenue.
- Per Councilor Dirksen's inquiry, Mr. Cruickshank explained that as a business, the OCC loses money and is supported by allocated tourism dollars. He further explained, however, that the OCC has created nearly five billion dollars in related revenue.
- Per Councilor Harrington's request, Mr. Rust reiterated the breakdown of the financial package. She requested that as the project progresses, project leaders continue to provide financial updates to the Council.
- Per Commissioner Leary's request, Ms. Alison Kean Campbell provided clarifications on the proposed changes to the bucket system.
- Per Councilor Craddick's inquiry, Ms. Dresler noted that booking for the hotel will begin as soon as the construction agreement is signed.
- Councilor Harrington requested that a public comment forum be provided on the Oregonmetro.gov newsfeed.
- Commissioner Goldman inquired about the total number of rooms that would be booked on a peak night. Mr. Cruickshank noted that approximately 2,000 rooms will be booked total.
- Commissioner Hammerstad suggested that the timeline may need to be adjusted to allow for more public comment time.

- Councilor Chase, the liaison to Metro venues, thanked MERC commission for their work on this project.

2. ADJOURN

Seeing no further business, Deputy Council President Shirley Craddick and Commissioner Chris Erickson jointly adjourned the Council/MERC work session at 3:07 p.m.

Prepared by,

A handwritten signature in cursive script, appearing to read "Camille Tisler".

Camille Tisler

| Council Office Policy Assistant

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF JULY 9, 2013

ITEM	DOCUMENT TYPE	DOC DATE	DOCUMENT DESCRIPTION	DOCUMENT No.
1.0	Handout		Oregon Convention Center Hotel Development and Financing Agreement Letter of Intent	70913cw-01
2.0	Handout	7/9/2013	2013 Revised Visitor Facilities Intergovernmental Agreement Proposed Amendments	70913cw-02
3.0	PPT		Oregon Convention Center Hotel	70913cw-03