

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF APPROVING THE) RESOLUTION NO. 13-4465
OREGON CONVENTION CENTER HOTEL)
MEMORANDUM OF UNDERSTANDING WITH) Introduced by Chief Operating Officer Martha
CITY OF PORTLAND AND MULTNOMAH) Bennett in concurrence with Council
COUNTY) President Tom Hughes

WHEREAS, Metro owns and operates the Oregon Convention Center (OCC with the expertise and oversight of the Metropolitan Exposition and Recreation Commission (MERC); and

WHEREAS, in October 2011, MERC requested that Metro reconsider a convention center hotel project to enhance the ability to attract additional national convention business to OCC and enable OCC to remain competitive with its peer convention centers; and

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 a Phase I Assessment Scope of Work; and

WHEREAS, on April 13, 2012, representatives of the four jurisdictional partners (Metro, the City of Portland, Multnomah County, and Portland Development Commission) signed a Statement of Principles stating their collective support of continued work on the implementation of the hotel project; and

WHEREAS, on April 26, 2012, the Metro Council directed staff to commence a Phase II Implementation Scope of Work and issue a Request for Proposals for the development of a privately-owned Oregon Convention Center hotel with limited public investment; and

WHEREAS, on September 13, 2012, the Metro Council via Resolution No. 12- 4365, (“For the Purpose of Selecting a Development Team for the Development of the Oregon Convention Center Hotel and Directing Staff to Commence Project Negotiations with Development Team”) directed staff to commence a Phase III Pre-Development Scope of Work and begin Term Sheet negotiations with the Mortenson/Hyatt Development Team (consisting of Mortenson Development, Mortenson Construction, Hyatt Hotels Corporation, ESG Architects, Ankrom Moisan Architects, Piper Jaffray & Co., Jones Lang LaSalle Hotels and Star Terra LLC/Schlesinger Companies); and

WHEREAS, on August 15, 2013, the Metro Council via Resolution No. 13-4453, (“For the Purpose of Approving the Oregon Convention Center Hotel Project Term Sheet”) approved a preliminary non-binding business deal term sheet (OCC Hotel Term Sheet) with the Mortenson/Hyatt Development Team and directed staff to pursue a final Development and Financing Agreement in accordance with the terms set forth in such term sheet; and

WHEREAS, on August 15, 2013, the Metro Council via Resolution No. 13-4452, (“For the Purpose of Approving the Amended and Restated Visitor Facilities Intergovernmental Agreement”) authorized the Chief Operating Officer to execute the 2013 Amended and Restated Visitor Facilities Intergovernmental Agreement (Amended and Restated VF IGA), the general purpose of which was to reflect updated priorities and needs of the region’s visitor facilities and tourism promotion programs, including a convention center hotel; and

WHEREAS, the City of Portland, Multnomah County and Metro have since crafted an Oregon Convention Center Hotel Project Memorandum of Understanding (MOU) to highlight the partners' collective project goals as Metro enters into final negotiations with the Mortenson/Hyatt Development Team; and

WHEREAS, on September 18, 2013, the City of Portland passed Resolution 37032, authorizing the Mayor to execute the MOU, and on September 19, 2013, Multnomah County passed Resolution 2013-129 also approving the MOU;

WHEREAS, on September 19, 2013, Multnomah County passed Resolution 2013-130, approving the Amended and Restated VF IGA, and on September 25, 2013, the City of Portland passed Ordinance 917 also approving the Amended and Restated VF IGA; NOW THEREFORE

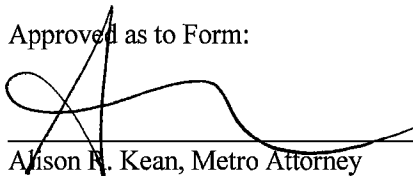
BE IT RESOLVED THAT the Metro Council hereby approves the Oregon Convention Center Hotel Project Memorandum of Understanding, attached hereto as Exhibit A, between Metro, the City of Portland and Multnomah County.

ADOPTED by the Metro Council this 3rd of October, 2013.


Tom Hughes, Council President



Approved as to Form:


Alison R. Kean, Metro Attorney

OREGON CONVENTION CENTER HOTEL PROJECT MEMORANDUM OF UNDERSTANDING

Through this Memorandum of Understanding, the City of Portland, Metro, and Multnomah County agree to the following:

Introduction

The Oregon Convention Center (OCC) is an economic development tool that attracts tourists and business travelers to the state, infusing millions of dollars each year into the local economy. In addition to creating and sustaining thousands of jobs, business activity at the OCC generates hundreds of millions of dollars in state and local tax revenues that fund important services upon which Oregonians rely. For fiscal year 2011-12, regional economic impact totaled \$451 million, 4,400 jobs were supported and state and local taxes generated approximately \$18.6 million.

The public partners recognize that continued, ongoing and strategic investments in the convention business are necessary, as with any industry, to maintain national convention market share, ensure long-term financial viability of past investments, and maximize the community economic impacts. The OCC Hotel Project has long been identified as a key project to advance these goals.

OCC Hotel Project

In March 2013, Metro, City and County staff began preparing a thorough set of revisions to the existing Visitor Facilities Trust Account Intergovernmental Agreement, the general purpose of which was to reflect updated priorities and needs of the region's visitor facilities and tourism promotion programs, including a convention center hotel.

Upon approval by the City, County, and Metro of the Amended and Restated Visitor Facilities IGA (VFIGA), Metro intends to negotiate an OCC Hotel Project Development Agreement, including a commitment of public funds, which will result in development of a convention center hotel and improve the competitiveness of the OCC. In other related agreements, Metro will endeavor to negotiate key terms that address OCC competitiveness, while at the same time taking into consideration the interest of and impacts on existing hotels and service providers.

Final Development Agreement

Throughout development agreement negotiations, Metro, the City and the County are committed to achieving the following goals:

- Private sector development, ownership and operation of the hotel at a 3.5+ star quality rating
- National hotel brand familiar to and sought out by national meeting planners
- Location directly adjacent to the Oregon Convention Center
- A room block of 500 rooms and other necessary convention amenities such as ballroom and meeting space, restaurants and parking. A room block agreement

will be negotiated between Metro and the OCC Hotel Project operator to address the required city-wide meeting and event room block needs

- Hotel design that supports revitalization and activation of the area surrounding the Oregon Convention Center
- Commitment to:
 - Portland Development Commission Minority/Women/Emerging Small Business (M/W/ESB) goals
 - Metropolitan Exposition Recreation Commission (MERC) First Opportunity Target Area (FOTA) employment goals
 - Achieving LEED Silver status at minimum
 - Utilization of union building trades for construction
- An executed labor peace agreement between the OCC Hotel Project operator and the national union representing hotel workers, UNITE HERE
- A financing plan to fund construction, including public and private investment, anticipated to include:
 - \$119.5 million private investment
 - \$18 million direct public investment (State grant, PDC loan, Metro grant)
 - \$60 million revenue bond issued by Metro, representing the lodging taxes expected to be generated from the OCC Hotel Project
 - The OCC Hotel Project will be managed with the private owner accepting all operational risk and responsibility, with no commitment of public resources in any way to support hotel operations
- Adequate parking to service the needs of the OCC Hotel Project, anticipated to be approximately 300 parking spaces, which will be constructed using private resources. Metro's project funding will not be used to finance the cost of constructing a parking structure that is separate from the OCC Hotel Project or which services needs beyond what is necessary for hotel operations
- Commitment to the OCC Hotel serving as a rate leader, in its competitive set, for aggregate annual room rates that will help grow market rates to benefit and protect the central city hotel market. Metro will work with the OCC Hotel Project operator and Travel Portland to coordinate marketing plans and rate promotions on an ongoing basis to ensure the OCC Hotel Project serves as a rate leader, and does not precipitate room rate decline.
- An appropriate development fee, not to exceed 6% of the total construction costs

- Land cost for the project supported by an appraisal conducted prior to closing to verify appropriate market value.
- Metro will obtain a waiver to Portland City Code 6.04.130.D from the OCC Hotel Project operator, including agreement to periodic updates of such waiver, to allow sharing of the site-specific transient lodging tax information with the Financial Review Team, who shall sign a confidentiality agreement. In addition, Metro will seek to obtain agreement from the OCC Hotel Project operator to provide a quarterly pro forma variance report to the Financial Review Team during the first two years of hotel operation, subject to a confidentiality agreement, to enable the Financial Review Team to monitor hotel performance during the important initial stabilization period.

We the undersigned agree to this Memorandum of Understanding as of _____, 2013

Metro

Tom Hughes, Council President

Date

Multnomah County

Marissa Madrigal, Acting County Chair

Date

City of Portland, Oregon

Charlie Hales, Mayor

Date

STAFF REPORT

IN CONSIDERATION OF RESOLUTIONS NO.13-4465 FOR THE PURPOSE OF APPROVING THE OREGON CONVENTION CENTER HOTEL MEMORANDUM OF UNDERSTANDING WITH CITY OF PORTLAND AND MULTNOMAH COUNTY AND RESOLUTION NO. 13-4466 FOR THE PURPOSE OF APPROVING THE AMENDED AGREEMENT REGARDING CONSOLIDATION OF REGIONAL CONVENTION, TRADE, SPECTATOR AND PERFORMING ARTS FACILITIES OWNED AND OPERATED BY THE CITY OF PORTLAND AND METRO

Date: October 3, 2013
Prepared by: Cheryl Twete

BACKGROUND

On August 15, 2013, the Council approved two resolutions related to the proposed Oregon Convention Center Hotel (“OCC Hotel”) project:

Resolution 13-4452 Approved the Amended and Restated Visitor Facilities Intergovernmental Agreement with City of Portland and Multnomah County

Resolution 13-4453 Approved the OCC Hotel Project Term Sheet with Mortenson Development Company

The staff report submitted with the above-referenced resolutions provided background information about the status of the hotel project, a description of the proposed Amended and Restated Visitor Facilities Intergovernmental Agreement (“VF IGA”) and the function of each of these agreements. Metro Council was the first governmental body to act on the VF IGA.

The City of Portland held a first reading of the VF IGA Ordinance on September 18, 2013 and at the second (and final) hearing on September 25, 2013, approved the VF IGA. The ordinance also approved amending a separate agreement between the City and Metro called the Amended Consolidation of Regional Convention, Trade, Spectator and Performing Arts Facilities (“Consolidation Agreement”). In a related action, the City approved a resolution authorizing a new OCC Hotel Project Memorandum of Understanding (“MOU”) to be executed by the City, Multnomah County and Metro that addressed agreements and goals for Metro’s forthcoming development negotiations with the Mortenson Development Team.

Multnomah County approved both the VF IGA and the OCC Hotel Project MOU at its September 19, 2013 meeting. It will take a further action to amend the Multnomah County Code to implement the VF IGA, no later than 90 days of execution of the VF IGA.

Staff Report, Resolution No. 13-4465 and 13-4466

The resolutions before Metro consider approval of 1) the MOU, which was drafted to address goals and issues of interest relating to the OCC Hotel Project by the jurisdictions and to guide Metro's negotiations with the Mortenson/Hyatt team and 2) an Amendment to the Consolidation Agreement, which governs Metro's management of Portland's Centers for the Arts (formerly known as the Portland Center for the Performing Arts), a facility owned by the City of Portland.

Action Items Before Council

The Council is being asked to consider and act upon two items:

Resolution 13-4465 which approves the Oregon Convention Center Hotel Project Memorandum of Understanding with City of Portland and Multnomah County

Resolution 13-4466 which approves an Amendment to the Amended Agreement Regarding Consolidation of Regional Convention Trade, Spectator and Performing Arts Facilities Owned and Operated by the City of Portland and Metro

OCC Hotel Project MOU

The public partners recognize the importance of the Oregon Convention Center to our regional economy and the projected benefit of an adjacent OCC Hotel. The public partners also agree that it is important to consider the potential impacts on existing hotels and service providers and, therefore, the partners developed an updated list of goals and expectations about the development and operation of the OCC Hotel. This MOU memorializes those goals, issues and concerns, similar to the original Statement of Principles dated April 2012 which was used successfully to guide Metro's request for development proposals. Metro will use the MOU to guide future negotiations with Mortenson Development/Hyatt Hotels Corporation. The MOU is attached as Exhibit A to Resolution 13-4465.

Consolidation Agreement

In December 1989, the City of Portland and Metro entered into an intergovernmental Agreement Regarding consolidation of Regional Convention, Trade, Spectator and Performing Arts Facilities Owned and Operated by the City of Portland and Metro (commonly known as the "Consolidation Agreement"). This agreement consolidated management and operations of city-owned, Metro-managed facilities. Today this agreement covers the Portland's Centers for the Arts, as Metro no longer manages Civic Stadium or Veterans Memorial Coliseum.

Three sections of the Consolidation Agreement need to be amended to reflect amendments to the VF IGA and to update other provisions to reflect current management practices.

The proposed changes are:

Staff Report, Resolution No. 13-4465 and 13-4466

Section 1, DEFINITIONS – modifies definition of Consumer Price Index to match the definition utilized in the amended VF IGA.

Section 5, Operating Support for PCPA – updates the amount of the City’s obligation to reflect current dollar amount of \$814,794 for FY 13-14 and allows the amount of funding to be allocated towards operations and capital support, as agreed in writing by the parties.

Section 20, Notice – updates the individuals or positions with Metro and the City of Portland to receive notices related to the Agreement.

A copy of the specific amendment language is attached as Exhibit A of Resolution 13-4466.

KNOWN OPPOSITION (TO BE UPDATED)

There is no specific known opposition to either the OCC Hotel MOU or the Consolidation Agreement amendment. There is a group of local hoteliers who have indicated their opposition to the OCC Hotel Project, and representatives of this group, as well as other members of the public, voiced their concerns at the Metro Council public hearing on August 15, 2013 and at the City Council and Multnomah County hearings on September 18 and 19, 2013, respectively. The Consolidation Agreement amendment is considered a housekeeping item and is not expected to generate opposition.

During the next several months of the OCC Hotel project, Metro will track issues raised by interested stakeholders and address appropriately. An open and transparent public communication and outreach strategy is 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. Metro is obligated to operate the Portland’s 5 Centers for the Arts under the Consolidation Agreement.

BUDGET IMPACTS

Budgeted FY 2013-14 funds are expected to be adequate for the OCC Hotel project pre-development and development phases and the Portland’s 5 Centers for the Arts.

ANTICIPATED EFFECTS

Adopting Resolution No. 13-4465 would provide guidance to the OCC Hotel Project Phase III development and financing agreement negotiations.

Staff Report, Resolution No. 13-4465 and 13-4466

Adopting Resolution No. 13-4466 updates the ongoing management approach by Metro of the Portland's Center for the Arts.

RECOMMENDED ACTION

Staff recommends Council approve Resolutions No. 13-4465 and 13-4466.