

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF EXTENDING FUNDING)	RESOLUTION NO. 14-4513
THROUGH THE METRO TOURISM)	
OPPORTUNITY AND COMPETITIVENESS)	Introduced by Chief Operating Officer Martha
ACCOUNT (MTOCA) TO THE PORTLAND)	Bennett in concurrence with Council
EXPO CENTER. MTOCA FUNDS TO)	President Tom Hughes
CONTINUE TO BE DIRECTED TO THE)	
OREGON CONVENTION CENTER.)	

WHEREAS, monies from Metro Regional Government's general fund are allocated on an annual basis to the Metro Tourism Opportunity and Competitiveness Account (MTOCA) at the discretion of the Metro Council; and

WHEREAS, the purpose of the Metro Tourism Opportunity and Competitiveness Account (MTOCA) is to maximize the competitiveness, financial viability, economic impact, and continued success of the Oregon Convention Center; and

WHEREAS, a demonstrated need exists to support the Portland Expo Center, a Metro facility currently receiving no funding subsidy, in its mission to also maximize the competitiveness, financial viability, economic impact and continued success; and

WHEREAS, it is desirable to have a policy establishing a process and criteria for proposed investments from the Metro Tourism Opportunity and Competitiveness Account (MTOCA); and

WHEREAS, under Chapter 6 of the Metro Code, MERC is authorized and directed by the Metro Council to make recommendations to the Council regarding convention, trade and spectator facilities; and

WHEREAS, on August 25, 2004, the MERC Commission unanimously passed MERC Resolution Number 04-15 recommending that the Metro Council adopt a policy establishing a process and criteria for proposed investments from the Metro Tourism Opportunity and Competitiveness Account (MTOCA); and

WHEREAS, the policy recommended by the MERC Commission provides that the Metro Council, as MERC's budget authority, must make all final decisions on recommended expenditures from the fund; and

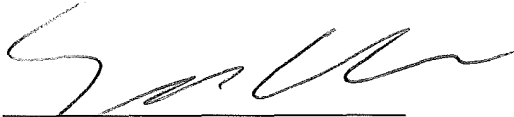
WHEREAS, the Council wishes to ensure that the decisions made on recommended expenditures from the fund are subject to a thorough and clear process that is set out separately from the overall Metro budgeting process.

BE IT RESOLVED as follows:

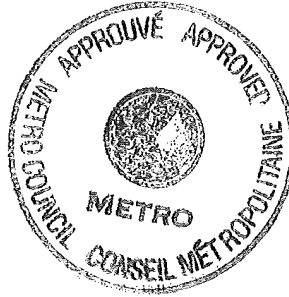
1. That the Metro Council extends general fund revenues through the Metro Tourism Opportunity and Competitiveness Account to benefit the Portland Expo Center.
2. That the Metro Council adopts the policies described in Exhibit A for enhancing the revenues directed to the operations of the Oregon Convention Center and the Portland Expo Center through Metro's Tourism Opportunity and Competitiveness Account which will benefit the economic development of the entire metropolitan region.

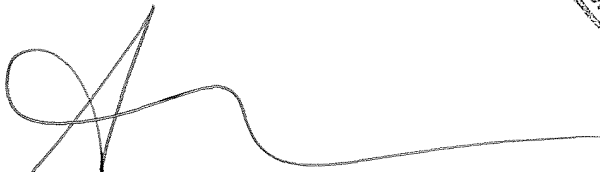
3. That the MERC Commission is directed to submit policies and guidelines for funding the Goals and Strategies listed herein.
4. That it is the desire of the Council that annual requests for appropriations from this Account are set out for discussion, consideration, and action in a manner separate and discrete from general budget procedures.

ADOPTED by the Metro Council this 17th day of April, 2014.



Sam Chase, Deputy Council President





Alison R. Kean, Metro Attorney

METRO TOURISM OPPORTUNITY AND COMPETITIVENESS ACCOUNT

POLICY AND GUIDELINES

Purpose: The purpose of Metro's Tourism Opportunity and Competitiveness Account (MTOCA) is to maximize the competitiveness, financial viability, economic impact, and continued success of the Oregon Convention Center and Portland Expo Center.

Background:

Oregon Convention Center: The Oregon Convention Center (OCC) opened in 1990. Its mission is to maximize the economic impact of national convention business on the regional economy.

In 2003, to respond to changing industry dynamics, the OCC underwent a comprehensive expansion that nearly doubled its original size, positioning Portland to compete for a larger share of the national and international convention market. At that time, additional funds were identified to enhance operations through the Metro Tourism Opportunity and Competitiveness Account (MTOCA).

On May 20, 2004, the Metro Council passed Ordinance No. 04-1052, which increased the excise tax on solid waste collections by \$.50 per ton, allocating the proceeds to the newly established MTOCA on an annual basis. Several years later, due to fluctuations in the excise tax, monies from Metro's General Fund replaced these proceeds as a residual funding source for the OCC through MTOCA.

Business revenues, generated by service fees, space and equipment rentals, and food and beverage sales, comprise the majority of the OCC's operating budget. In addition to annual MTOCA payments, a portion of transient lodging taxes collected in Multnomah County subsidize facility operations. Nearly all convention centers in the U.S. receive ongoing public subsidies to offset the ongoing costs of operation. In comparison, however, the OCC receives a fraction of the average subsidy its competitors enjoy.

Since its inception, MTOCA funds have enabled the OCC to accomplish significant projects to enhance its competitiveness and long-term financial viability, including achieving LEED-Silver EB certification, installing state-of-the art audio/visual equipment, replacing critical infrastructure and funding efforts to construct the convention center hotel.

Portland Expo Center: Metro assumed ownership and management of Expo from Multnomah County in 1994 and immediately began planning the necessary major facility and infrastructure upgrades as a result of decades of neglect.

In 1997, Hall E was constructed and Hall D opened in 2001, adding significant new exhibit and meeting space to the campus, enabling it to compete for a larger share of the regional and national consumer show and public event industry. As a result, the Expo Center was able to stretch its business model beyond its historic client base and expand its business and client platform.

In addition to helping pay operational expenses, the revenue from the expanded facility capacity directly contributes to funding the Expo Center's annual debt service of \$1.2 million to the State of Oregon for the bond originally issued to construct Exhibit Hall D.

The Portland Expo Center is unique because it does not receive ongoing operational subsidies, such as transient lodging taxes, charitable contributions or government support. Similar to publicly-owned

convention centers, trade and exhibition facilities commonly receive subsidies but the Portland Expo Center does not. In addition to covering all operations and capital costs with its own business revenue, Expo must also pay an annual \$1.2 million debt payment for the construction of Hall D.

While the facility continues to consistently realize modest annual net operating surpluses, there is a lack of additional funding to fund the ongoing strategic capital and business investments that are necessary to maintain its competitiveness in the market. Resolution No. 14-4513 is intended to allocate monies from the Metro Tourism Opportunity and Competitiveness Account to the Portland Expo Center to enable and maximize its competitiveness, financial viability, economic impact and continued success in the region.

The MTOCA will assist both the Oregon Convention Center and the Portland Expo Center in maintaining market share in an increasingly competitive convention and exhibit show industries. MTOCA funds will be used for specific proposals that assist with operations, maintenance and marketing and considered on an annual basis.

Process

Proposed expenditures from the MTOCA will take place in accordance with the Metro Code and state budget law, which require formal supplementary budget proceedings. The MERC Commission will be required at the outset to conduct public proceedings of its budget committee, with proper notice and opportunity for public testimony in order to determine initial proposals for expenditures from the fund. Any proposals will then be subject to a formal MERC Commission resolution recommending such expenditures to the Metro Council. The Metro Council retains ultimate budget authority of the Oregon Convention Center and Portland Expo Center. Final decisions on the MERC MTOCA funding recommendations will be made as supplementary budget actions by the Council, with the required notice, public hearings, and opportunity for public testimony and input.

Priorities

The top priorities of the MTOCA is to ensure that the Oregon Convention Center and Portland Expo Center are successful in achieving their operating missions of maximizing economic benefits for the metropolitan region and the state of Oregon, while protecting the past public investments and maintaining the venues in first class condition.

Goals and Strategies

The following goals and strategies are identified as major priorities to ensure the greatest returns on investment and success of the Oregon Convention Center and Portland Expo Center. Actual rankings of priorities and specific funding proposals for particular years will be made on an annual basis through public meetings of the MERC Budget Committee, the full MERC Commission and the Metro Council. At the time of request, staff will discuss accomplishments of prior year investments in budget submittals.

Goal #1: Targeted capital investments in the Oregon Convention Center and the Portland Expo Center's physical plant that yield demonstrable marketing advantages.

Strategy A: **Sustainable Building Investments and Certification**
Funds have been expended to obtain initial LEED certification for the OCC, which contributed to substantial marketing advantages and unique positioning of the destination as the sustainable meeting experts. These funds could also be used for ongoing LEED certifications and upgrades for the OCC and initial certification for the Portland Expo Center as well as other sustainable building designs and technologies that contribute to the competitiveness of the facilities.

Strategy B: **Oregon Convention Center and Portland Expo Center Operational Advantages**

Funds could be expended for targeted capital investments that enhance the visitor experience at OCC and the Portland Expo Center, and permit both venues to differentiate or brand itself in the national marketplace, or otherwise enhance marketability. Examples at OCC could include remodeling former office space into a high tech meeting center desirable for many new potential clients, or creating additional Oregon branded sales points. Examples at the Expo Center could include both short and long-term measures to create a more satisfying visitor experience and to target facility features that are sustainable improvements or simple aesthetic marketability improvements such as improved lobby seating.

Strategy C: Headquarters Hotel Related Investments

Given the anticipated costs of the Headquarters Hotel development, MTOCA funds will be insufficient to make a major contribution. However, certain targeted improvements in OCC itself will be necessary in the event of successful hotel development, i.e., pedestrian connections, signage changes, security related issues, etc. Funds could be expended to assist with some of these projects.

Strategy D: Facility Investments

Funds could be used to upgrade and expand exhibition and event facilities at the Oregon Convention Center and the Portland Expo Center. These facility investments would help maximize marketing investments at both venues and would help them seize new and expanded business development opportunities. Funds could be used for spaces that are more flexible and better suited to accommodate year-round shows and events of different sizes. This might extend, in particular, the Expo Center's capability to host multiple, simultaneous events in off-peak months, thus increasing revenue opportunities.

Goal #2: Assist the Visitor Development Fund with Oregon Convention Center facility costs.

Strategy A: MTOCA could provide the ability to offset all or a portion of the Oregon Convention Center facility costs in order to secure business in years in which the Visitor Development Fund (VDF) does not receive its full allocation of funding from the Visitor Development Initiative. MTOCA is insufficient for and should not be used as a wholesale substitute for the VDF. It can, however, provide financial support for this purpose in years in which VDF receives less than a full allocation. In order to qualify for this strategy the OCC Director and Travel Portland CEO will certify to the Metro Visitor Venues General Manager that the proposed use of funds meets the Return on Investment criteria ordinarily utilized by the VDF board and also constitutes significant usage of OCC exhibit space, or otherwise presents adequate return to both the community and the facility.

Goal #3: Maintain the Oregon Convention Center and the Portland Expo Center in first class condition.

Strategy A: Basic Cleaning, Maintenance, and Event Service in Certain Instances

MTOCA could be used to support basic cleaning, maintenance, and event service at the OCC and the Portland Expo Center. Lack of sufficient operational support could force the OCC and the Expo Center to cut basic maintenance programs beyond a level which is prudent or sustainable in the long-term. Adding back some of these programs will keep OCC and the Expo Center competitive in the long-term by avoiding additional deferred maintenance and keep all aspects of the facilities clean, attractive, and marketable and events well serviced.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO.14-4513 FOR THE PURPOSE OF DIRECTING REVENUES THROUGH THE METRO'S TOURISM AND COMPETITIVENESS ACCOUNT (MTOCA) TO THE OREGON CONVENTION CENTER AND THE PORTLAND EXPO CENTER WHICH WILL BENEFIT THE ECONOMIC DEVELOPMENT OF THE ENTIRE METROPOLITAN REGION.

Date: April 17, 2014

Prepared by: Matthew Rotchford

BACKGROUND

On May 20, 2004 the Metro Council passed Ordinance No. 04-1052, which increased the excise tax on solid waste by \$.50 per ton. Proceeds from the tax were allocated to the Metro Tourism Opportunity and Competitiveness Account (MTOCA) on an annual basis. A few years later, due to fluctuations in the excise tax, monies from Metro's general fund replaced these proceeds as funds to be used to contribute to the long-term viability and competitiveness of the Oregon Convention Center, helping to enable the center to achieve its intended economic benefits for the region.

Since 2004, MTOCA funds have strategically and effectively been used to strengthen the Oregon Convention Center's economic competitiveness and financial viability through enhanced marketing, operations and maintenance efforts. These funds have increased OCC's capacity to integrate environmentally friendly business practices and sustainable building designs and technologies that further augment their position as the premier convention and meeting destination in the Pacific Northwest. MTOCA funds have also been used to advance the Oregon Convention Center Headquarters Hotel project. The Headquarters Hotel is intended to generate substantial increases in business, further maximizing OCC's economic benefits for the metropolitan region and the state of Oregon.

MTOCA funds have provided additional opportunities to capture new and expand existing business by enhancing the visitor and client experience. The OCC has used MTOCA funds to update and replace audio visual and other operational equipment, which help advance and strengthen OCC's position in the national marketplace. MTOCA has allowed the OCC to keep the facility in top-notch condition by providing funds to ensure the facility is kept clean and maintenance projects are completed, providing an additional competitive edge. Going forward, MTOCA funds will continue to provide opportunities to target marketing, operations and maintenance activities that yield significant economic and financial returns.

With this resolution, it is intended that MTOCA funds be extended to include the Portland Expo Center for the same purpose to contribute to the long-term viability and competitiveness of the center, helping to enable it to achieve its intended economic benefits for the region.

The Portland Expo Center intends to use MTOCA funds to assist operations, maintenance and marketing efforts to maintain and grow the facility's economic competitiveness and financial viability. MTOCA funds will be used to target and enhance marketing efforts that help seize new and expand existing business. Improving marketing and sales activities will help maintain its competitive position in an increasingly difficult consumer and public event industry.

MTOCA funds will also provide opportunities to improve facility conditions that enhance the visitor and client experience. Although MTOCA funds allocated to the Portland Expo Center are insufficient to

meaningfully contribute to large capital improvement projects, these funds will be necessary to develop and complete improvement projects that help it attract business opportunities that further enhance its position in the national marketplace.

ANALYSIS/INFORMATION

- 1. Known Opposition.** There is no known opposition to the current Council resolution.
- 2. Legal Antecedents.** Metro Council Ordinance NO. 04-1052.
- 3. Anticipated Effects.** If the resolution is approved it will provide direction and guidance to the MERC Commission as it considers specific recommendations for expenditures from the fund.
- 4. Budget Impacts.** Council has already passed legislation creating the fund and authorizing expenditures from the fund. If the resolution is approved, the budgeted amount of \$600,000 will be transferred from Metro's General Fund to the MERC Operating Fund in Fiscal Year 2014 – 2015 for the purpose of strengthening the Oregon Convention Center and the Portland Expo Center's economic and financial viability through enhanced marketing, operations and maintenance efforts.