

BEFORE THE METRO COUNCIL

AUTHORIZING REVENUE BONDS)	RESOLUTION NO. 14-4531
FOR THE OREGON CONVENTION)	
CENTER HOTEL PROJECT)	Introduced by Chief Operating Officer
)	Martha Bennett, with the concurrence of
)	Council President Tom Hughes

WHEREAS, Metro owns and operates the Oregon Convention Center (“OCC”), the largest convention center in the Pacific Northwest; and,

WHEREAS, in April 2012, the leaders of Metro, Multnomah County, the City of Portland, and the Portland Development Commission adopted a Statement of Principles that included the goal of pursuing private sector development of a hotel near the OCC (the “OCC Hotel”) that will assist in marketing it for national conventions, to ensure the OCC’s long-term financial success and regional economic impact are achieved; and,

WHEREAS, in October 2013, the Metro Council adopted Resolution No. 13-4452, approving Metro’s entry into an Amended Visitor Facilities Intergovernmental Agreement (the “Amended IGA”) with Multnomah County and the City of Portland, which, in part, dedicates the “TLT Net Revenues” (a portion of Multnomah County’s transient lodging tax surcharge) to pay bonds to be issued by Metro to fund a portion of the cost of development and construction of the OCC Hotel; and,

WHEREAS, Article XI, Section 14 of the Oregon Constitution grants the legal electors of any metropolitan service district organized under the laws of this state the authority to adopt and amend a district charter that gives the district jurisdiction over matters of metropolitan concern as set forth in the charter of the district; and,

WHEREAS, pursuant to the powers granted by Article XI, Section 14 of the Oregon Constitution, the voters of Metro approved the Metro Charter; and,

WHEREAS, Section 10 of the Metro Charter authorizes Metro to issue revenue bonds and other obligations “Except as prohibited by law or restricted by this charter ;” and,

WHEREAS, no law or provision of the Metro Charter prohibits or restricts Metro from issuing revenue bonds; and,

WHEREAS, Chapter VII of the Metro Charter and ORS Chapter 268 authorize the Metro Council to enact ordinances; and,

WHEREAS, pursuant to the authority of Chapter VII of the Metro Charter and ORS Chapter 268, Metro has enacted the Metro Code; and,

WHEREAS, Section 7.020.040 of the Metro Code provides:

“In accordance with Section 10 of the Metro Charter, Metro may issue from time to time revenue bonds for such purposes as are determined by Council to be necessary or appropriate to carry out the functions, duties and operations of Metro. Metro may issue revenue bonds for the purpose of financing such property as Council shall determine is

necessary or desirable in order to carry out or assist or advance the carrying out of Metro's function, duties and operations regardless of whether such property is to be owned by Metro or any other public or private agency or person and regardless of whether such property is to be located within or without the jurisdictional boundaries of Metro.

WHEREAS, the Metro Council hereby determines that the development and construction of the OCC Hotel is necessary and appropriate to carry out the function, duties and operations of Metro; and

WHEREAS, Metro desires to issue revenue bonds under the Act to finance the Projects, including costs related to the revenue bonds, in an amount sufficient to produce net proceeds for costs related to the OCC Hotel of \$60,000,000; and,

WHEREAS, Section 7.02.110(c) of the Metro Code authorizes the Metro Council to “delegate to any elected or appointed official or employee of Metro the authority to negotiate, determine and establish such terms, conditions and other matters with respect to the [revenue bonds] and related transactions, instruments and agreements as Council shall specify in the authorizing action...;” and,

WHEREAS, Section 7.02.070 of the Metro Code and ORS 287A.360 authorize Metro to issue current refunding bonds; and,

WHEREAS, the revenue bonds authorized by this resolution will not be payable from taxes imposed and received by Metro, and the expenditure limitation in Section 14 of the Metro Charter will not apply to the transactions authorized by this resolution; now, therefore,

BE IT RESOLVED by the Metro Council as follows:

Section 1. Revenue Bonds Authorized. (A) Pursuant to Section 10 of the Metro Charter, Section 7.02.040 of the Metro Code and other applicable provisions of the Metro Charter, the Metro Code and Oregon law, the Metro Council hereby authorizes: (i) the issuance of revenue bonds in an amount sufficient to produce net proceeds of \$60,000,000 for costs related to the OCC Hotel, including grants for that purpose; and, (ii) the issuance of additional revenue bonds in an amount sufficient to pay estimated costs of issuing and securing the revenue bonds authorized by this Section 1, including costs of issuing those bonds, costs of funding debt service reserves for those bonds, costs of paying interest on those bonds prior to completion of the OCC Hotel, and costs of credit enhancement for those bonds. The principal amount of revenue bonds to be sold pursuant to this Section 1.(A) is estimated not to exceed \$63.5 million.

(B) Pursuant to Section 7.02.070 of the Metro Code and ORS 287A.360, the Metro Council also hereby authorizes the issuance of current refunding bonds to refinance any bonds authorized by this resolution that provide short or intermediate term financing. The principal amount of current refunding bonds authorized by this resolution shall not exceed the amount required to pay principal and interest on the bonds that are refunded, plus any amounts necessary to fund debt service reserves and pay costs related to the current refunding bonds.

Section 2. Security. The bonds authorized by this resolution (the “Bonds”) shall be special obligations of Metro that are payable solely from the “TLT Net Revenues” as defined in the amended IGA, and other revenues that are pledged to the Bonds pursuant to Section 3.B below.

Section 3. Delegation. Metro’s Chief Operating Officer, its Director of Finance and Regulatory Services, or any designee of such officer (each of whom is referred to in this resolution as a “Metro Official”) may, on behalf of Metro and without further action by Metro Council:

- A. Issue the Bonds in one or more series, which may be sold at different times.
- B. Pledge the TLT Net Revenues, Bond proceeds and related amounts to secure each series of the Bonds.
- C. Prepare, execute and deliver one or more bond declarations or other documents or agreements that will specify the terms under which the Bonds are issued and the administrative provisions that apply to the Bonds.
- D. If the Metro Official determines such covenants are desirable to sell the Bonds on favorable terms, enter in covenants for the benefit of the owners of each series of the Bonds, future lenders, or credit enhancement providers, including but not limited to covenants that: (i) prohibit borrowings that have a lien on the TLT Net Revenues that is superior to the lien that secures each series of Bonds; (ii) limit the amount of future borrowings that may be issued; (iii) establish a reserve requirement for each series of the Bonds; and (iv) limit the ability of Metro to consent to the amendment of the Amended IGA.
- E. Participate in the preparation of, authorize the distribution of, and deem final preliminary and final official statements or other disclosure documents for each series of the Bonds.

- F. Issue the Bonds as long-term bonds, or as short or intermediate term bonds that provide interim financing for the OCC Hotel and enter into lines or credit or similar documents which permit Metro to draw Bond proceeds over time.
- G. Issue current refunding Bonds to refund Bonds that provide interim financing, including any lines of credit. Current refunding bonds may be issued as short, intermediate or long-term Bonds.
- H. Subject to the limits in this resolution, establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record dates and other terms for each series of the Bonds.
- I. Solicit competitive bids for the purchase of each series of the Bonds and award the sale of that series to the bidder offering the most favorable terms to Metro, select one or more underwriters to purchase each series of the Bonds and negotiate the terms of that sale with those underwriters, or place any series of Bonds directly with a commercial bank, investor, or other lender.
- J. Undertake to provide continuing disclosure for any series of the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- K. Appoint and enter into agreements with consultants, paying agents, and any other professionals whose services are desirable for the Bonds.
- L. Apply for ratings for each series of Bonds, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancements, including credit facilities defined in Section 7.02.010 of the Metro Code, for each series of Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
- M. Issue any qualifying series of Bonds as “tax-exempt bonds” bearing interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, (the “Code”) and enter into covenants for the benefit of the owners of those series to maintain the excludability of interest on those series from gross income under the Code.
- N. Issue any qualifying series of Bonds as “federal subsidy bonds” that are eligible for federal interest rate subsidies but bear interest that is includable in gross income under the Code and take any actions that are required to qualify for those federal interest rate subsidies.
- O. Issue any series of Bonds as “taxable bonds” bearing interest that is includable in gross income under the Code.
- P. Designate any series of Bonds as a qualified tax-exempt obligation pursuant to Section 265(b)(3) of the Code, if applicable.
- Q. Execute any documents and take any other action in connection with the Bonds that Metro Official finds will be advantageous to Metro.

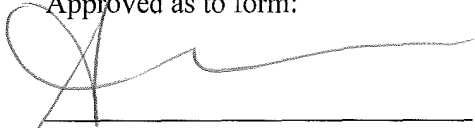
Section 4. Authorized Signatures for the Bonds. Pursuant to Section 7.02.120(d) of the Metro Code, the Bonds shall be executed on behalf of Metro by the manual or facsimile signature of the President of the Council or any other Metro Councilor.

Section 5. Effective Date. This resolution shall take effect on the date of its passage by the Metro Council.

Adopted by the Metro Council on this 26th day of June, 2014.


Tom Hughes, Council President



Approved as to form:

Alison Kean

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 14-4531 AUTHORIZING REVENUE BONDS FOR THE OREGON CONVENTION CENTER HOTEL PROJECT

Date: June 6, 2014

Prepared by:
Tim Collier, Director of Finance and Regulatory Services
Kathy Rutkowski, Budget Coordinator

BACKGROUND

The purpose of this resolution is to authorize the sale of revenue bonds in spring 2015 to assist with the funding of construction of a Convention Center Hotel. The resolution was prepared with the assistance of Metro's bond counsel Hawkins, Delafield & Wood LLP (Harvey Rogers, bond counsel). The resolution authorizes the sale of revenue bonds not to exceed \$60 Million in net proceeds for costs related to the Oregon Convention Center (OCC) Hotel.

Oregon Convention Center Hotel Revenue Bonds

In October 2013, the Metro Council adopted Resolution No. 13-4452, approving Metro's entry into an Amended Visitor Facilities Intergovernmental Agreement (the "Amended IGA") with Multnomah County and the City of Portland, which, in part, dedicates the "TLT Net Revenues" (a portion of Multnomah County's transient lodging tax surcharge) to pay bonds to be issued by Metro to fund a portion of the cost of development and construction of the OCC Hotel.

The total bond issue is not to exceed \$60 million in net proceeds for costs related to the OCC Hotel. The actual size of the issue will be tied to the amount of Site Specific Transient Lodging Tax Revenues (SSTLTR) that are projected to be produced by the OCC Hotel, in combination with the interest rate market and our bond ratings at the time of issuance.

Ratings Review

In 2007 Metro achieved its Aaa/AAA ("double triple" A) bond rating, the gold standard, when Moody's upgraded our rating. Standard & Poor's confirmed its AAA rating at that time and again in 2010 and 2013. For a sale of this size, Metro will need to be reviewed by the ratings agencies just prior to the sale, a significant work effort for the entire agency, from financial, program and executive staff, to the Council. Since these will be revenue bonds and not Unlimited Tax General Obligation or Full Faith and Credit bonds our ratings will be lower than our standard rating. We are hoping that we will get at least a AA-/A- rating for this issue. We are confident that Metro's financial discipline and adherence to our financial policies will be seen favorably and result in the highest possible rating. Public Financial Management, Inc. (PFM), our financial advisor for this bond issue, will assist us in preparing for the ratings meetings which will probably be scheduled for December or January depending on the exact timing of the bond sale.

Impact to Taxpayers

These are revenue bonds, and the repayment stream is based on the TLT net revenues as described in the Amended Visitor Facilities Intergovernmental Agreement (the "Amended IGA") with Multnomah County and the City of Portland. These revenues are generated by transients whose lodging stays are less than 30

days, typically out of town visitors. There are no property taxes or other taxes pledged for repayment of the bonds.

ANALYSIS/INFORMATION

1. **Known Opposition** – There is a small, but well-funded group of local hoteliers who oppose the OCC Hotel project. Those opponents unsuccessfully sued Multnomah County after their referendum petition was denied by the Elections Director. Those opponents have now sued Metro in Clackamas County asking for the Court to find that Metro may not issue revenue bonds to support development of the Hotel without first obtaining voter approval. Metro has filed a Validation Proceeding in Multnomah County to determine the regularity and legality of Metro’s actions related to the project. The only interested parties that have appeared in Metro’s Validation Proceeding are the plaintiff in the Clackamas County suit and the plaintiff in the Multnomah County Referendum suit (both plaintiff’s are co-founders of the same public relations firm, represented by the same attorney).
2. **Legal Antecedents** – Metro may issue revenue bonds pursuant to the authority granted by Article XI, Section 14 of the Oregon Constitution, Metro Charter Section 10 and ORS 268
3. **Anticipated Effects** – This action authorizes the issuance of up to \$63.5 million of revenue bonds, with \$60 million used to assist in the funding of an OCC Hotel
4. **Budget Impacts** – The issuance of the bonds will generate funds for the construction of the OCC Hotel. No additional budget appropriation or action is necessary in the current fiscal year. Prior to the sale of the bonds in 2015 we will bring a budget amendment recognizing the funds and the disbursement. The revenue bonds and related debt service will be sized to not exceed \$60 million in net proceeds for costs related to the OCC Hotel, dependent on market conditions at the time of issuance.

RECOMMENDED ACTION

The Chief Operating Officer recommends Council adoption of Resolution No. 14-4531.