

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING) ORDINANCE NO. 04-1052
METRO CODE CHAPTER 7.01.023 TO)
PROVIDE DEDICATED FUNDING FOR)
METRO'S TOURISM OPPORTUNITY AND) Introduced by Metro Council
COMPETITIVENESS ACCOUNT) President David Bragdon

WHEREAS, enhancing the revenues directed to the operations of the Oregon Convention Center through Metro's Tourism Opportunity and Competitiveness Account will benefit the economic development of the entire Metro region; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

SECTION 1. Metro Code Section 7.01.023 is amended to read as follows:

7.01.023 Amount of Additional Excise Tax; Budgeting of Additional Revenue for Regional Parks and Greenspaces Programs and Tourism Opportunity and Competitiveness Account

~~Commencing with the Metro fiscal year beginning July 1, 2002~~ on the first day of the month following the effective date of this Ordinance No. 04-1052, the additional excise tax authorized in Section 7.01.020(c) shall be ~~\$1~~\$1.50 per ton. ~~Such~~ Of such additional excise tax, \$1.00 per ton shall be dedicated to funding Metro's Regional Parks and Greenspaces programs, and \$0.50 per ton shall be dedicated to funding Metro's Tourism Opportunity and Competitiveness Account. For each fiscal year ~~thereafter~~ following the fiscal year during which this Ordinance No. 04-1052 is enacted, the additional excise tax dedicated to Metro's Regional Parks and Greenspaces programs and Metro's Tourism Opportunity and Competitiveness Account shall be not less than the amount of the additional excise tax in the previous fiscal year increased by a percentage equal to (a) the annualized rate of increase in the Consumer Price Index, All Items, for Portland-Salem (All Urban Consumers) reported for the first six (6) months of the federal reporting year as determined by the appropriate agency of the United States Government or (b) the most nearly equivalent index as determined by the Metro Council if the index described in (a) is discontinued, or such lesser amount as the Chief Operating Officer deems appropriate.

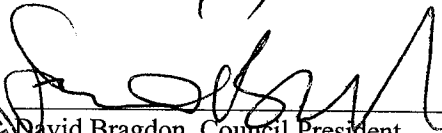
SECTION 2. If Section 1 of Ordinance No. 04-1048A becomes law, then this Section 2 is adopted in lieu of Section 1 above, and Metro Code Section 7.01.023 is amended to read as follows:

7.01.023 Amount of Additional Excise Tax; Budgeting of Additional Revenue for Regional Parks and Greenspaces Programs and Tourism Opportunity and Competitiveness Account

~~Commencing with the Metro fiscal year beginning July 1, 2002~~ on the first day of the month following the effective date of this Ordinance, the additional excise tax authorized in Section 7.01.020(c) shall be ~~\$1~~\$3 per ton. ~~Such~~ Of such additional excise tax, \$2.50 per ton shall be dedicated to funding Metro's Regional Parks and Greenspaces programs, and \$0.50 per ton shall be dedicated to funding Metro's Tourism Opportunity and Competitiveness Account. For each fiscal year ~~thereafter~~ following the fiscal year during which this Ordinance is enacted, the additional excise tax dedicated to Metro's Regional Parks and Greenspaces programs and Metro's Tourism Opportunity and Competitiveness Account shall be not less than the amount of the additional excise tax in the previous fiscal year increased by a percentage equal to (a) the

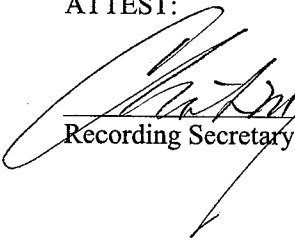
annualized rate of increase in the Consumer Price Index, All Items, for Portland-Salem (All Urban Consumers) reported for the first six (6) months of the federal reporting year as determined by the appropriate agency of the United States Government or (b) the most nearly equivalent index as determined by the Metro Council if the index described in (a) is discontinued, or such lesser amount as the Chief Operating Officer deems appropriate.

ADOPTED by the Metro Council this 20th day of May 2004.

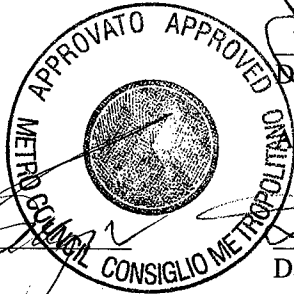


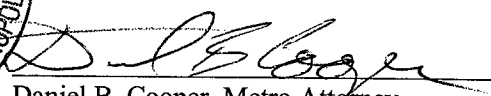
David Bragdon, Council President

ATTEST:



Recording Secretary



Approved as to Form:


Daniel B. Cooper, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 04-1052 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 7.01.023 TO PROVIDE DEDICATED FUNDING FOR METRO'S TOURISM OPPORTUNITY AND COMPETITIVENESS ACCOUNT

Date: May 10, 2004

Prepared by: Mark B. Williams

BACKGROUND

In fiscal year 2002-03, the \$116 million expansion of the Oregon Convention Center came in on time and under budget. The expansion almost doubled the size of the center, positioning Portland to compete for a much larger share of the national and international convention market, and add jobs to the region's economy. At the time the funding package was assembled for the facility's expansion, operating funds were identified to sustain the facility only for the short term, with the expectation that the Metro Council, along with public and private sector stakeholders, would develop a longer term solution.

A recent study performed by a national consultant confirmed that the Oregon Convention Center is dramatically under funded. The study by C. H. Johnson and Associates shows that the Convention Center is operating at a fraction (merely 11%) of the average subsidy that its competitors enjoy. The lack of adequate funding to help pay for the operation and maintenance of the expanded Convention Center has resulted required operating a facility which has been doubled in size with only 5 additional staff persons. Staffing levels now are insufficient to meeting the building's operational and maintenance needs, and no funds are available to contribute to renewal and replacement—thus putting this important public asset at risk for the future.

Since the events of September 11, 2001 and the downturn in the national travel and meeting industries, competition for scarce visitor dollars has become even more intense. Now, Metro must compete with much larger "Tier One" locations such as Las Vegas or San Francisco---parts of the country that never used to compete for the smaller events that typically consider the Portland metro region. These factors led the Council to create the Metro Oregon Convention Center Advisory Committee last year, with representatives from the local hospitality community and civic leaders. That Committee advised Metro to examine the possibility of dedicated excise tax dollars to help fund the Center, so as to keep it competitive with other, better funded jurisdictions.

THE TOURISM OPPORTUNITY AND COMPETITIVENESS ACCOUNT PROPOSAL

This proposal, to increase the excise tax on solid waste by \$.50 per ton, with proceeds allocated to the Tourism Opportunity and Competitiveness Account, would 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.

The Tourism Opportunity and Competitiveness Account will create a fund that will assist the Convention Center in maintaining its competitive position in an increasingly difficult convention and meeting business. The funds generated from the proposed excise tax will be available for specific proposals that will assist with Convention Center operation, maintenance, and marketing. The Council will decide which Convention Center related projects ought to be funded on an annual basis in a manner similar to that employed successfully by the Visitor Development Fund (VDF), which was created to assist in marketing

the newly expanded convention center and bring economic impact generating events to the region. Some options that the Council will be able to consider under this initiative include:

Maintaining the Oregon Convention Center Facilities and Customer Service Levels in First Class

Condition: This is essentially a marketing necessity, as OCC has historically attempted to differentiate itself from its competitors by (a) keeping the facility in first class condition and (b) providing top notch customer service. Current financial support levels are insufficient to maintain the operation in this condition. In the long term funding maintenance saves public dollars by keeping the assets in the best shape possible. This would reduce deferred maintenance; keep the facility clean and clients happy which helps to attract repeat customers and conventions with attendant community benefits of economic impact and tourism.

Building Rental/Cost Reductions to Secure More Convention Business: OCC is in an increasingly tough market position, competing with larger cities and new, better funded properties. OCC's tight budget does not allow it to give space away, while some communities have this ability. POVA frequently finds itself competing for convention sales with communities that have funding available to reduce or even eliminate convention center charges for desirable business. This would provide some funds to assist in this competitive market.

"Green Building" (LEED) Certification: Nationally, many convention centers are attempting to differentiate themselves based on how "Green" their buildings are. OCC has begun this process through its award winning recycling and storm water reduction programs. Funds for additional Green Building initiatives could qualify OCC for a coveted LEED certification, which enhances the building's marketability nationally and internationally.

Headquarters Hotel Issues: The lack of an adequate headquarters hotel is OCC's biggest competitive disadvantage. PDC is currently exploring options for headquarters hotel development. Such a development will of necessity require improvements and additions to OCC's own physical plant, such as pedestrian connectors to the hotel property or properties, wayfaring, etc. This fund could contribute to these critical internal improvements.

ANALYSIS/INFORMATION

1. **Known Opposition** The solid waste industry has raised concerns about the impact this tax will have on the solid waste tip fee. Staff has been working with representatives of the solid waste industry to discuss these issues.
2. **Legal Antecedents.** The Metro Council approved the Intergovernmental Agreements constituting the Visitor Development Initiative, (VDI), which provided for the expansion of the Oregon Convention Center. The Council later appointed the Metro Oregon Convention Center Advisory Committee, with representatives from the local hospitality community and civic leaders. That Committee issued a final report advising the Council to examine the possibility of dedicated excise tax dollars to help fund the Center, so as to keep it competitive with other, better funded jurisdictions.
3. **Anticipated Effects** This action will establish an additional \$.50 cents per ton of excise tax on solid waste dedicated to the Tourism Opportunity and Competitiveness Account. It is anticipated that the additional tax will be passed on directly to the generators of the solid waste through invoices or billings.
4. **Budget Impacts** This action does not authorize any budget authority. It provides for revenues to be allocated through the regular budget process, to be used to balance against authorized expenditures.

The full year effect of this action would be to provide \$595,000 for the Tourism Opportunity and Competitiveness Account; however, the effective date of the ordinance may result in only 10 months of revenue collection for FY 2004-05. The excise tax will increase with CPI and may fluctuate with solid waste tonnage. A full 12 months of revenue is assumed in the Council President's Proposed Budget for FY 2004-05.

RECOMMENDED ACTION

Council President David Bragdon recommends passage of Ordinance No. 04-1048 for the purpose of amending Metro Code Chapter 7.01.023 to provide dedicated funding for Metro's Tourism Opportunity and Competitiveness Account.