

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING A POLICY ) RESOLUTION NO. 04-3494A  
FOR ESTABLISHING A PROCESS AND )  
CRITERIA FOR PROPOSED INVESTMENTS ) Introduced by Councilor Rod Park  
FROM THE NEW METRO TOURISM  
OPPORTUNITY AND COMPETITIVENESS  
ACCOUNT (MTOCA)

WHEREAS, on May 20, 2004, the Metro Council passed Ordinance No. 04-1052, increasing the excise tax on solid waste by \$.50 per ton; and

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

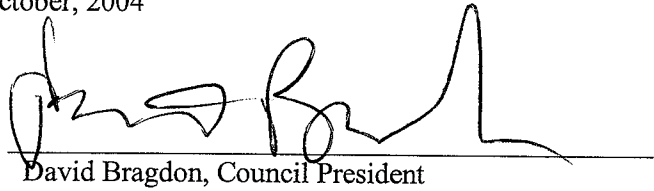
WHEREAS, the Council wishes to ensure that the decisions made on recommended expenditures from the fund are subject to a thorough and clear process that is set out separately from the overall Metro budgeting process.

BE IT RESOLVED as follows:

1. That the Metro Council adopts the policies for establishing a process and criteria for recommending expenditures by Metro from the new Tourism Opportunity and Competitiveness Account as shown on the attached Exhibit A, with the proviso that the Council directs that Goal Number One and the Strategies listed under Goal Number One shall have the highest priority for funding.
2. That the MERC Commission is directed to submit proposals for funding the Goals and Strategies listed, with priority given to those under Goal Number 1.

3. That it is the desire of the Council that annual requests for appropriations from this Account be set out for discussion, consideration, and action in a manner separate and discrete from general budget procedures.

ADOPTED by the Metro Council this 7th day of October, 2004

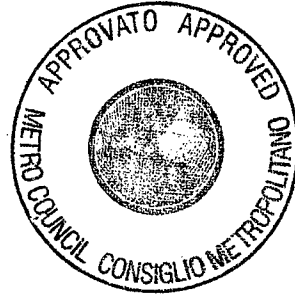


David Bragdon, Council President

Approved as to Form:



Daniel B. Cooper, 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.

**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 in the short term, with the recognition 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 under funded. The study by C. H. Johnson and Associates shows that the Convention Center is operating at a fraction of the average subsidy that its competitors enjoy. The lack of additional funding to help pay for the operation and maintenance of the expanded Convention Center has resulted in MERC being required to operate 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 intense. Now, the Metro region 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.

On May 20, 2004, the Metro Council passed Ordinance No. 04-1052. This ordinance increased the excise tax on solid waste by \$.50 per ton. Proceeds from the tax are allocated to the Metro Tourism Opportunity and Competitiveness Account, and are intended 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. 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.

**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 is the ultimate budget authority and final decisions on the recommendations received from MERC 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 priority of the MTOCA is to ensure that OCC is successful in order to preserve the public investment in the facility, generate the maximum economic return for the community, and maintain OCC 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 OCC. Actual ranking 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:

**Goal #1: Targeted capital investments in the Oregon Convention Center’s physical plant that yield demonstrable marketing advantages.**

Strategy A: **Green Building (LEEDS) Certification.**

Funds could be expended to obtain official LEEDS certification for OCC. This certification could be used to enhance OCC’s marketing advantages, particularly in conjunction with the Portland Oregon Visitor’s Association (POVA’s) “It’s Not Easy Being Green” marketing plan for Portland. Such certification would enhance OCC and Portland’s distinctive reputation for environmental quality and build on the State’s “Brand Oregon” campaign.

Strategy B: **Oregon Convention Center Operational Advantages.**

Funds could be expended for targeted capital investments that enhance the visitor experience at OCC, permit OCC to differentiate or brand itself in the national marketplace, or otherwise enhance marketability. Examples could include remodeling old OCC office space into a high tech meeting center desirable for many new potential clients, or creating additional Oregon branded sales points consistent with the State’s “Brand Oregon” campaign.

Strategy C: **Headquarters Hotel Related Investments**

Given the anticipated costs of 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.

**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 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 some needed help 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 POVA Executive Director should certify to the MERC 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 in First Class Condition**

Strategy A: **Ensure sufficient funds for basic OCC cleaning, maintenance, and event service.**

MTOCA could be used to support basic OCC cleaning, maintenance, and event service. Lack of sufficient operational support has forced OCC to cut basic programs beyond a level which is prudent or sustainable in the long term. Adding back some of these programs will keep OCC competitive in the long run by avoiding additional deferred maintenance and keeping the building clean, attractive, marketable and events well serviced.

## STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 04-3494A FOR THE PURPOSE OF  
ADOPTING A POLICY FOR ESTABLISHING A PROCESS AND CRITERIA FOR  
PROPOSED INVESTMENTS FROM THE NEW METRO TOURISM OPPORTUNITY AND  
COMPETITIVENESS ACCOUNT (MTOCA)

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Date: September 16, 2004

Prepared by: Mark B. Williams

### BACKGROUND

On May 20, 2004, the Metro Council passed Ordinance No. 04-1052. This ordinance increased the excise tax on solid waste by \$.50 per ton. Proceeds from the tax are allocated to the Metro Tourism Opportunity and Competitiveness Account, and are intended 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. 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.

### ANALYSIS/INFORMATION

1. **Known Opposition.** Hospitality industry stakeholders supported MERC Resolution 04-15, which recommended Council adoption of goals and strategies for proposed expenditures from the fund. Level of stakeholder support for or opposition to the current Council resolution is not clear.
2. **Legal Antecedents.** Metro Council Ordinance No. 04-1052.
3. **Anticipated Effects.** If the resolution passes it will provide direction and guidance to the MERC Commission as it considers specific recommendations to the Council for expenditures from the fund. Any such expenditures proposed by MERC in this or future budget years will be sent to the Council as recommendations, as the Council must by separate actions authorize such expenditures by ordinance.
4. **Budget Impacts.** Council has already passed legislation creating the fund and authorizing a level of expenditure from the fund (leaving specific expenditure decisions to future actions). An ordinance amending the budget will be required to transfer the funds from General Fund Contingency to the MERC Operating Fund.

### RECOMMENDED ACTION

The MERC Commission in Resolution 04-15 recommended that the Council approval the goals and strategies contained in the recommended policy.

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BE IT RESOLVED as follows:

1. That the Metro Council adopts the policies for establishing a process and criteria for recommending expenditures by Metro from the new Tourism Opportunity and Competitiveness Account as shown on the attached Exhibit A, with the proviso that the Council directs that Goal Number One and the Strategies listed under Goal Number One shall have the highest priority for funding.
2. That the MERC Commission is directed to submit proposals for funding Goals Number 2 and 3 and the Strategies listed under those goals only after the Commission finds that Goal Number 1 has been fully funded.

3. That it is the desire of the Council that annual requests for appropriations from this Account be set out for discussion, consideration, and action in a manner separate and discrete from general budget procedures.

ADOPTED by the Metro Council this 30<sup>th</sup> day of September, 2004

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David Bragdon, Council President

Approved as to Form:

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Daniel B. Cooper, Metro Attorney



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## STAFF REPORT

### IN CONSIDERATION OF RESOLUTION NO. 04-3494 FOR THE PURPOSE OF ADOPTING A POLICY FOR ESTABLISHING A PROCESS AND CRITERIA FOR PROPOSED INVESTMENTS FROM THE NEW METRO TOURISM OPPORTUNITY AND COMPETITIVENESS ACCOUNT (MTOCA)

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Date: September 16, 2004

Prepared by: Mark B. Williams

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## RECOMMENDED ACTION

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