



METRO



MEETING: Metro Council & MERC Commission Joint Meeting
DATE: Wednesday, May 4, 2005
TIME: 9:00 a.m.
LOCATION: Portland Expo Center | Room D202-203
2060 North Marine Drive

Agenda

CALL TO ORDER

1. **OPENING** (Council President Bragdon & MERC Chair Don Trotter)
2. **OREGON CONVENTION CENTER HEADQUARTERS HOTEL**
3. **OREGON CONVENTION CENTER FUNDING**
4. **SALES CONTRACT**
5. **CLOSE** (MERC Chair Don Trotter)

ADJOURNMENT

Agenda items may not be considered in the order listed.

For questions, call Karen Smith at 503-731-7840.

Oregon Convention Center Headquarters Hotel

1. Portland Development Commission Timeline

- 1st Meeting: May 25, 2005
Presentation of proposals, evaluation committee recommendation
- 2nd Meeting: June 8, 2005
Public Testimony
- 3rd Meeting: June 22, 2005
Approve/select development team

2. Developers

- Ashforth Pacific/Garfield Traub: *Westin*
- Faulkner USA: *Hyatt*
- Hines Interests: *Renaissance*
- Jones Lang LaSalle: *Renaissance*

3. PDC Hotel Evaluation Committee

- Jeff Blosser, OCC
- Brian McArtin, POVA
- Cheryl Twete, PDC
- Eric Johansen, City of Portland
- Nancy McClain, PDC
- Steve Day, Lloyd Transportation Management Association
- Bill Stringer, Metro
- Carl Talton, N/NE Alliance
- Chris Lonigro, Lloyd Dist. Community Assoc.
- George Forbes, MERC
- Scott Youngblood, TCLA
- Steve Faulstick, Lloyd Business Improvement District

4. Key Needs: MERC, POVA & TCLA

- #1 reason for lost business: lack of headquarters hotel
- 400 net new rooms

5. Lost Business

- March: Intel \$5.2 million, 2006-07 platform training
- FY 2004: 39 conventions, 267.865 room nights & \$9.2 million in economic impact

6. Economic Impact

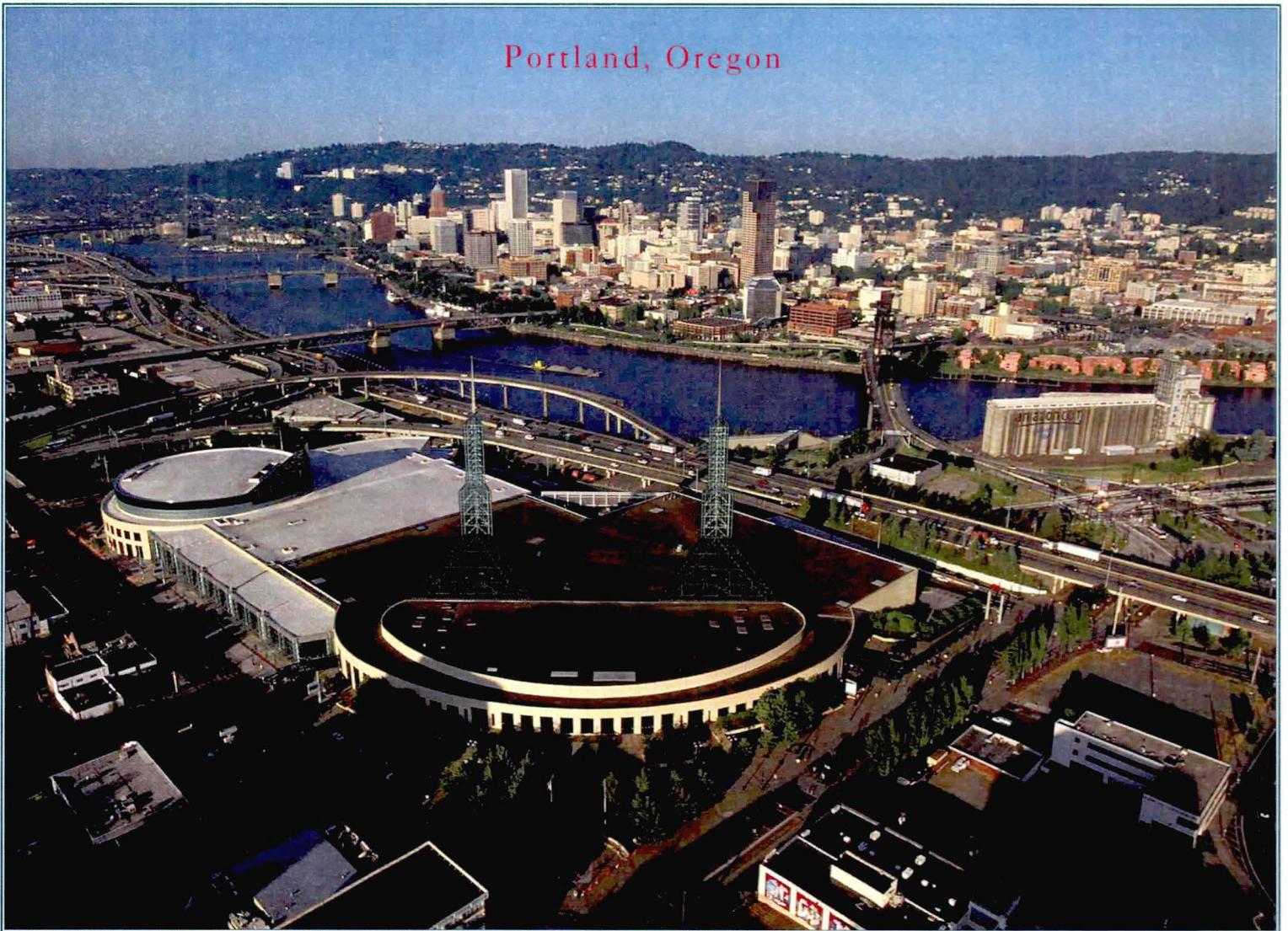
- \$4.5 million in annual new revenue

7. Broad Economic Impact

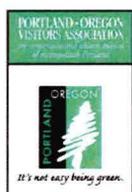
- \$109 in annual spending

Oregon Convention Center
HEADQUARTERS HOTEL

Portland, Oregon



FREQUENTLY ASKED
QUESTIONS



*Investing in
Portland's Future*



■ *What is the Oregon Convention Center Headquarter Hotel Project?*

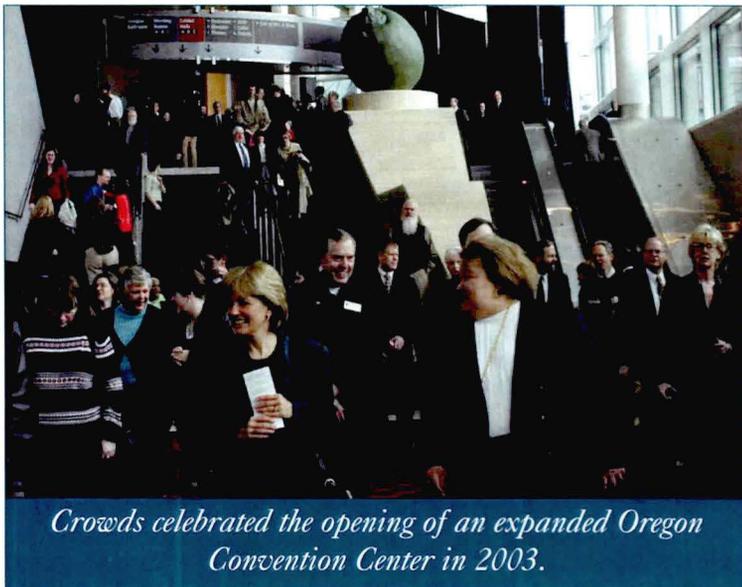
The City of Portland has been pursuing a headquarter hotel (HQ hotel) since the Oregon Convention Center (OCC) first opened in the early 1990s. Completion of a HQ hotel is a primary goal contained in the Oregon Convention Center Urban Renewal Plan, which was adopted by Portland City Council in 1989.

In response to market/industry demand, Portland is seeking a full-service, four-star HQ hotel with approximately 600 rooms. The hotel must be able to guarantee a block of 500 rooms to convention delegates—a key requirement of organizations booking large conventions and meetings for 2,000 or more people.

In 2004, in support of the Oregon Convention Center Urban Renewal Plan, the Portland Development Commission (PDC) issued a request for HQ hotel proposals from hotel developers across the country. Four proposals were received in December 2004. Those proposals are currently under review.

■ *Why does Portland need a HQ hotel?*

The Portland area has made a significant investment in the OCC and its expansion. In order to have this venue realize its full potential, a HQ hotel of sufficient size adjacent to the center is essential. Without it, the OCC will be unable to maximize its contribution to the area's economy. Over the past five years, the OCC has generated an average of \$415 million annually in economic benefit for the tri-county region. Following the addition of a HQ hotel, this figure is expected to grow by 30-40 percent.



Crowds celebrated the opening of an expanded Oregon Convention Center in 2003.

Today, Portland is the only city among its major competitors without this type of accommodation near its convention center. Because of this, Portland is losing conventions and the resulting economic benefit they bring.

The lack of a HQ hotel is the biggest hurdle Portland faces in booking significant new convention business. The Portland Oregon Visitors Association (POVA) tracks the reasons why meeting planners reject Portland as a meeting location; currently, the lack of a HQ hotel is cited as the number one reason. POVA's Lost Business Report indicates that in 2003 and 2004 this represented more than \$135 million in lost revenue for our city.

■ *Who are the partners in the development of the HQ hotel?*

Development of the HQ hotel is a large undertaking requiring the collaborative efforts of several project partners. Leading the effort are:

- MERC – the Metropolitan Exposition-Recreation Commission is the regional public venue management agency that operates the Oregon Convention Center.
- POVA – the Portland Oregon Visitors Association promotes the Portland metropolitan area as a preferred destination for meetings, conventions and leisure travel.
- PDC – The Portland Development Commission is the city's housing, economic development and urban renewal agency. It is the implementing agency that will oversee negotiations with the development team selected to construct the HQ hotel.

These partners are assisted by executives at Metro, the Oregon Convention Center, and business partners in the lodging, entertainment, travel, restaurant, and retail industries. The Lloyd District, neighborhood groups, and the Oregon Convention Center Urban Renewal Advisory Committee are also partners in the project.

■ *Where would Portland's HQ hotel be located?*

The preferred location is within one block of the Oregon Convention Center. The city, through the Portland Development Commission, has assembled land near the OCC as a possible location for the HQ hotel. The preferred site is bounded by N.E. Martin Luther King Jr. Blvd. on the west, Grand Avenue on the east, Holladay Street to the north and Oregon Street to the south. It is close to the MAX light rail line.

Three of the proposals for the HQ hotel propose use of this site; one proposal makes use of a site to the north of the OCC along N.E. Holladay Street.

■ *Why does the HQ hotel need to be next to the Oregon Convention Center?*

The distance of hotel rooms to the convention facility is a major factor for meeting planners when choosing locations for their conventions. In the last five years, Portland lost about one million potential room nights due to its lack of this preferred hotel-meeting space package.

■ *Would the HQ hotel impact other hoteliers in Portland?*

It is important to note that Portland's HQ hotel project has the support of both the Tri-County Lodging Association and the Oregon Lodging Association. This support is based on research that shows that HQ hotels generally do not compete with existing hotel properties. Instead, projects of this type tend to attract new convention business. In Portland's case, this seems especially true. POVA has a list of meeting planners who have previously rejected the city due to its lack of an HQ hotel, but who have stated that they are willing to reconsider Portland once a HQ hotel project is announced.

Even with a HQ hotel, very large conventions will require multiple hotels to meet their convention housing needs. Because of this, these groups will need to use other Portland hotels in addition to the HQ hotel.

Competition between the HQ hotel and properties that primarily serve the corporate and leisure travel markets will be managed through an agreement that will prohibit the HQ hotel from charging below-market rates. The agreement will also require the HQ hotel to provide a guaranteed convention room block.

On another positive note, with the addition of a new HQ hotel, upgrades to existing nearby hotel properties are likely.

■ *What kind of hotel can Portlanders expect?*

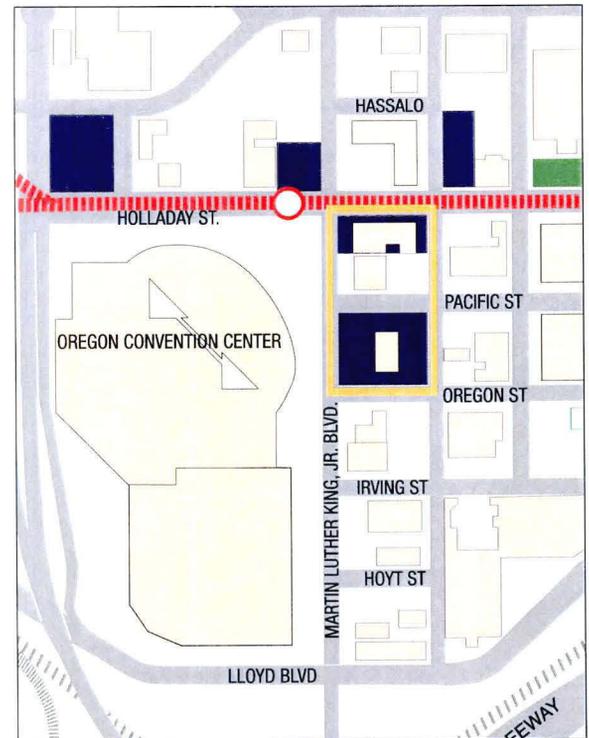
The HQ hotel proposals put forth include such well-known hotel operators as Westin, Hyatt and Marriott. The developments range in size from 23 to 28 floors and offer ground level retail space, restaurants, meeting and banquet space, and other amenities required by convention planners. The HQ hotel is seen as a catalytic project in the Lloyd District, helping to revitalize the blocks surrounding the HQ hotel.

■ *How much will the HQ hotel cost?*

Although a definitive price tag will depend on the final size of the hotel, its amenities and other factors, similar projects fall in the range of \$115-\$225 million.

■ *How would the HQ hotel be financed, and would any public investment be needed?*

The city clearly prefers that the HQ hotel be privately financed. However, the experience of most cities of Portland's size has shown that some public investment is needed to augment the large private capital that is required. The project partners are looking to best practices across the county to see how other cities have financed HQ hotels. The project partners will investigate all options to make sure whatever strategies are chosen will return the maximum benefit to the Portland area.



■ *How does the public benefit?*

Conventions are an important element of Portland's economy. Consider the following facts:

Delegate spending: According to research gathered by the International Association of Convention and Visitor Bureaus, the average convention delegate to Portland spends almost \$300 per day on accommodations, food and beverages, shopping, transportation, entertainment, and other expenditures.

Economic spin-off: The additional business for area restaurants, transportation services, retailers, other hotels, entertainment providers, and other services will be substantial - bringing in even more revenue to the city. In 2003, the Oregon Convention Center produced nearly \$490 million in economic return to the region and supported 7,700 jobs. This return would grow substantially with the additional convention business made possible by the HQ hotel. According to a report from KPMG, the estimated benefit to the region from the HQ hotel's operations would range from \$88 to \$110 million annually.

Visitors reduce your tax burden: According to the Dean Runyan & Associates' report "The Economic Impact of Travel - 2004," visitors to the Portland metro area (leisure and convention delegates combined) eased the tax burden for area residents by generating \$114 million in tax revenues - revenues that went to support vital public services and programs. These taxes come from lodging taxes levied on the rental of hotel/motel rooms, gasoline taxes, automobile rental taxes and corporate and personal income taxes resulting from travel-supported employment. The HQ Hotel itself would generate local taxes ranging from \$3.5 million to \$4.5 million annually.

The HQ hotel would be an economic juggernaut for the city and the region.

■ *Would the HQ Hotel generate jobs?*

In short, yes. Direct employment at the hotel is estimated to be 400 full-time positions. In addition, an approximate 1,600 to 2,000 full-time related jobs are needed to support the hotel (laundry services, florists, audiovisual providers, etc.). During the estimated two years of construction, KPMG estimates several thousand construction jobs will be created along with the resulting payroll.

■ *Isn't the Oregon Convention Center busy enough now?*

We have many reasons to be proud of the expanded Oregon Convention Center. Unfortunately, the OCC is not being used to its fullest potential. Even with aggressive marketing, the convention center is used only about 50 percent of the time. In large part, this is due to the fact that Portland lacks the meeting setup many convention planners prefer: a convention center with an adjacent HQ hotel. As the largest such venue in the Pacific Northwest— even larger than Seattle's convention center— the OCC should be a destination of choice for many more conventions and meetings. That is more likely to happen with the addition of a HQ hotel.

■ *What are the next steps?*

A HQ Hotel Evaluation Committee has been reviewing proposals from four nationally respected development teams. The committee's goal is to make a final recommendation to the project partners in May 2005. An open house— offering the public an opportunity to meet with the development teams and discuss their proposals— is set for April 21, 2005, from 6 to 8 p.m. at the OCC. Also, the Portland Development Commission will hold two meetings to solicit public feedback in May and June. The PDC Board is expected to approve the selection of a preferred development team at its June 22, 2005, meeting.

Following the PDC board's decision, the project partners will begin negotiations with the preferred team to develop a binding Disposition and Development Agreement (DDA) that details all aspects of the hotel's financing, construction and operation. It is anticipated that the DDA could be in place by December 2005, followed by a design phase and then a permitting phase. Construction could start in 2006 with a grand opening slated for 2008.

■ *Where can I get more information?*

Background information about the HQ hotel and all four hotel proposals are posted on PDC's website at www.pdc.us/hqhotel. The evaluation schedule and process steps are also at this web location. E-mail questions can be sent to PDC Project Manager Michael McElwee at mcelweem@pdc.us. Phone calls should be directed to Samantha Snyder, PDC, at 503.823.3234.

Oregon Convention Center Funding

- 1. Visitor Development Initiative (VDI)**
 - Recap of agreement
 - 2003/2004 payment recap
 - Metro support services increase limits

- 2. Strategic Fund Balance**

- 3. Funding Gap to Strategic Fund Balance**

- 4. Technical Review of Financials**
 - Metro
 - City of Portland
 - Multnomah County
 - POVA
 - Portland Business Alliance
 - Port of Portland
 - Hotelier