

METROPOLITAN EXPOSITION-RECREATION COMMISSION

Resolution 99-36

For the Purpose of Approving the Plan to Finance the Replacement of the Expo Center's Hall D.

WHEREAS, the Commission is authorized by Metro Code Section 6.01.040(a) to advise Metro, the owner of the Expo Center, on fiscal measures which are desirable with respect to major capital projects at the Expo Center; and

WHEREAS, the Expo Center's Hall D is in serious disrepair, is deteriorating at a rate which makes maintenance and repair unlikely to be cost effective, and lacks modern heating and ventilation systems necessary for year round use; and

WHEREAS, the addition of upgraded exhibit space at the Expo Center would improve the utilization of regional convention and exhibition facilities by permitting the transfer of major consumer shows to the Expo Center; and

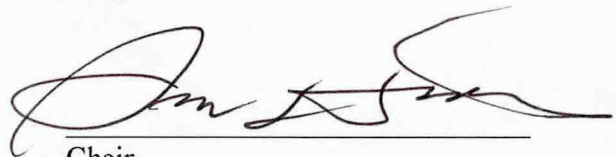
WHEREAS, the Commission previously endorsed by Resolution 99-8 the rebuilding Hall D at the Portland Metropolitan Exposition Center; and

WHEREAS, the Metro staff, the Metro Council, and MERC staff in collaboration have developed a sound plan to finance the construction of a modern replacement for Expo Center's Hall D using a combination of short-term public development funds and long-term bonds;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Commission recommends that the Metro Council and Executive take action to obtain Oregon Economic Development Department funding as eligible in order to move forward on replacing Hall D, and to obtain additional long-term funding in early 2000 to finance the remainder of the replacement.
2. That the Commission directs its staff to move forward in cooperation with Metro to implement the financing plan.

Passed by the Commission on August 18, 1999.



Chair



Secretary-Treasurer

APPROVED AS TO FORM:

Daniel B. Cooper, General Counsel

By: 
Kathleen Pool, Senior Assistant Counsel

MERC STAFF REPORT

Agenda Item: Financing for Expo Center Hall D

Resolution No. 99-36

Date: August 18, 1999

Presented by: David Biedermann

Background Analysis: The replacement of Hall D at the Expo Center has long been a desire of the Commission, the facility management, and the customers of Expo Center. In February 1999, the Commission recommended to the Metro Council to move ahead with a financing plan and construction of the replacement for the aging Hall D.

MERC and Metro staff has analyzed a variety of options by which to obtain financing. While the business condition of the Expo Center is extremely healthy, the usual source for financing an enterprise operation-the bond market-is not familiar with exposition-type projects. Without familiarity with the stability of such operations, some type of surety is required. This is most often in the form of secondary revenue pledge or bond insurance purchased by the issuer. One or the other is required to gain a strong credit rating in the marketplace and thus a lower interest rate.

Anticipated as part of the infrastructure financing, MERC and Metro personnel met with Oregon Economic Development Department (OEDD) staff to determine the feasibility of applying for OEDD funds. The project scope fit very well into OEDD's infrastructure definitions, and the total \$2.2 million costs will be in the application.

In addition, OEDD is embarking on a community development program to fund more traditional building costs in applicable projects. Our preliminary estimate is up to an additional \$3.0 million may be available.

This approach saves money in that OEDD picks up the issuance costs and handles the bonding process through the State. Expo revenues will back our portion. Funds would be available in October 1999.

As for the additional \$10.6 million for this project, the current changing nature of the Metro fund reserves does not lend itself to use as a secondary pledge to the Expo bonds in the traditional markets. We expect some stability will come from the current Metro Council conversations regarding use of the solid waste fee savings.

Given the lack of secondary pledges, our original approach was to take a short-term (1 or 2 year) bank loan (commonly available at rates close to prime), and then do a traditional financing. However, given that the OEDD will support the project cash needs until July 2000, our approach now is that by May/June 2000 likely the Metro fund reserves will be in a position to be used as the secondary pledge to Expo revenues. We plan therefore to

do a traditional financing for the \$10.6 million in the spring. If this does not materialize, we can still return to the bank loan approach until the Metro fund reserves provide the secondary stability a financing will require.

Impact: This will finance the reconstruction of Hall D expected to begin in the spring of 2000.

Recommendation: Staff recommends Commission support of this plan so that Metro can proceed with the application process with OEDD and subsequent financing.