

METROPOLITAN EXPOSITION-RECREATION COMMISSION

RESOLUTION NO. 03-36

For the Purpose of Authorizing MERC to serve as the controlling entity of the Portland Convention Center Hotel Fund, a Delaware limited liability company (the "Company"), for purposes of certifying the Company as a Community Development Entity, and for purposes of applying for and managing investment decisions related to New Market Tax Credits.

WHEREAS, the Portland Development Commission (PDC), the Portland Oregon Visitor's Association, (POVA), the Tri-County Lodging Association (TCLA) and MERC collaborated on a study assessing the need and impacts of a headquarters hotel for the Oregon Convention Center, and,

WHEREAS, study found that an appropriately-sized headquarters hotel would be necessary in order for the Oregon Convention Center to maximize its positive economic impact on the Metro region, and,

WHEREAS, the Portland Development Commission passed a resolution on August 13, 2003, adopting a strategy for development of a headquarters hotel for the Oregon Convention Center and directing its staff to implement that strategy, and

WHEREAS PDC staff has identified a possible source of funding for a portion of the costs associated with headquarters hotel development via New Market Tax Credits, a federal tax credit program,

WHEREAS, in order to apply for these tax credits it is necessary for a local entity to assume a formal managerial role in this process consistent with federal legal requirements,

WHEREAS, a limited liability company, named Portland Convention Center Hotel Fund (the "Company") is being formed or has been formed for purposes which include seeking certification as a Community Development Entity ("CDE"), and the making of qualified low income community investments or other activities that qualify for the New Markets Tax Credit;


WHEREAS, PDC staff has requested that MERC assume the necessary managerial role in this process in order to allow the application for these tax credits to go forward; and

WHEREAS, the Company appoints or will appoint MERC as the Manager of the Company, to control the Company's investment decisions as they relate to the New Market Tax Credits;

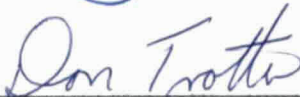
BE IT RESOLVED AS FOLLOWS:

1. That the Metropolitan Exposition Recreation Commission approves of the formation of and shall serve as the controlling entity and Manager of the Portland Convention Center Hotel Fund, a Delaware limited liability company (the "Company"), for purposes of certifying the Company as a Community Development Entity, and for purposes of applying for New Market Tax Credits and controlling the Company's investment decisions as they relate to the New Market Tax Credits;
2. That the MERC General Manager is authorized to take any actions or execute any documents on behalf of the Commission or the Manager of the Company that are necessary in order to further the application for New Market Tax Credits.

Passed by the Commission on August 27, 2003.



Chair



Secretary-Treasurer

Approved As To Form:

Daniel B. Cooper, General Counsel

By:



Lisa Umscheid, Senior Assistant Counsel

MERC STAFF REPORT

Agenda item/Issue: Consideration of resolution to authorize MERC to serve as the controlling entity of the Portland Convention Center Hotel Fund, a Delaware limited liability company (the "Company"), for purposes of certifying the Company as a Community Development Entity, and for purposes of applying for New Market Tax Credits.

Resolution No: 03-36

Presented: August 27, 2003

Background: On August 13, 2003, the Portland Development Commission adopted a strategy for development of a headquarters hotel for the Oregon Convention Center, and directed its staff to implement that strategy. PDC staff have identified a possible source of funding for a portion of the costs associated with headquarters hotel development via New Market Tax Credits. In order to apply for these tax credits it is necessary for a local entity to assume a formal managerial role in this process consistent with federal legal requirements. PDC staff has requested that MERC assume the necessary managerial role in this process in order to allow the application for these.

Resolution 03-36 would authorize the MERC General Manager to take the necessary actions and execute all required documents to apply for these tax credits.

The following is an explanation of the New Markets Tax Credit Program and the actions MERC will be taking in association with this application, supplied to us by PDC staff. PDC staff and MERC's legal counsel will be available to answer any further questions Commissioners may have on this subject.

NEW MARKETS TAX CREDIT OPPORTUNITY

New Markets Tax Credit Program Overview

The New Markets Tax Credit Program (NMTC) was established by the United States Treasury to stimulate increased private investment in low-income communities. The program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year period. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. The New Markets Tax Credit Program is managed by the Treasury Department's Community Development Financial Institutions Fund ("the Fund" or "CDFI").

The Fund submitted its second annual NMTC Program Notice of Allocation Availability (NOAA) on July 15, 2003. The NOAA invites CDEs to compete for tax credit allocations in support of an aggregate amount of \$3.5 billion in qualified equity investments in CDEs. **2003 NMTC Allocation Applications are due September 30, 2003.**

Portland Family of Funds

The Portland Family of Funds ("PFF") was established to identify and facilitate job creation opportunities in the Portland area and find appropriate sources of capital with which to finance those opportunities. PFF is applying for an allocation of New Markets Tax Credits with the Portland Development Commission (PDC) to facilitate capital investments in a number of Portland-based projects.

In addition to its own application for New Markets Tax Credits, PFF, in an investment banking role, is facilitating applications by several other entities in Portland. PFF's experience allows it to provide guidance and leadership with respect to the regulations and logistics around New Markets Tax Credits. In addition, PFF is interested in partnering with groups to facilitate community capital investment and job creation where such opportunities exceed what PFF can do on its own.

MERC Role: Controlling Entity

The New Markets Tax Credit program regulations state that an organization may not file more than one application for an allocation of the tax credits, nor may it have affiliates that apply for an award. PFF, through a partnership with PDC, is applying for an allocation of NMTCs for a range of commercial, housing and small business projects throughout Portland. Thus, neither PFF nor PDC can act as the controlling entity of the applicant, nor can they be affiliated with the organization that applies. For New Markets Tax Credit program purposes, the City of Portland would be considered to be an affiliate of PDC, making it impossible for the City of Portland to act as controlling entity of the CDE. Instead, we propose that PFF, PDC, the City of Portland and MERC partner to form a Community Development Entity called the Portland Convention Center Hotel Fund, and establish MERC as that CDE's "Controlling Entity." A CDE is a domestic corporation or partnership for federal income tax purposes that: (a) has a primary mission of serving or providing investment capital for Low-Income Communities ("LICs") or Low-Income Persons; (b) maintains accountability to residents of LICs through their representation on a governing or advisory board of the entity; and (c) has been certified as a CDE by the CDFI Fund. **Treasury requires that an organization must be certified as a CDE in order to apply to the New Markets Tax Credit Program.**

With the CDE established, an application for New Markets Tax Credits can go forward. The application requires information on the track record of either the applicant (the CDE itself) or the CDE's Controlling Entity. As the CDE's Controlling Entity, MERC would be able to show its construction experience in developing similar types of projects, significantly strengthening the tax credit application.

WHAT ARE NEXT STEPS?

Applying for New Markets Tax Credits is a complex process but can be broken down into several stages to help clarify what is needed by whom.

Stage 1: Community Development Entity Certification

Stage 2: New Markets Tax Credit allocation application

Stage 3: Successful application triggers allocation of tax credits

Stage 1: Community Development Entity Certification

CDE Certification involves the following steps:

1. CDE must designate a Controlling Entity for purposes of establishing a track record and management capabilities.
2. An application for CDE certification must be submitted to CDFI on or before August 29, 2003.

CDE Certification has the following results:

1. Entity formed is a shell entity that exists for the sole purpose of applying for and potentially utilizing an allocation of New Markets Tax Credits.
2. CDE's controlling entity, members and manager have no commitment, financial or otherwise, at this point.

Stage 2: New Markets Tax Credit application

The New Markets Tax Credit application is a complex, time-consuming task that involves detailing investment strategies, community needs and impacts, and management capabilities. PFF proposes to take full responsibility for the drafting and submission of this New Markets Tax Credit application on behalf of the CDE.

Stage 3: Successful application triggers allocation of tax credits

Specific plans and agreements for the allocation and distribution of New Markets Tax Credits will be defined in the future. PFF and the City of Portland will serve the investment banking roles in this transaction.

Recommendation: It is recommended that the Commission approve Resolution 03-36.