

METROPOLITAN EXPOSITION RECREATION COMMISSION

Resolution No. 07-03

For the Purpose of Requesting Metro Council to Grant an Exemption to the Metro and MERC Contracting Rules and Accept the Portland Development Commission's Contracting Process and Authorize Exclusive Negotiations with the Portland Development Commission's Selected Headquarters Hotel Development Team.

WHEREAS, in 1989 the Oregon Convention Center Urban Renewal Plan was approved by the Portland City Council, Ordinance No. 161925, Goal 1 of which was to maximize the regional job potential of the Oregon Convention Center ("OCC") through development of a convention center headquarters hotel; and

WHEREAS, in 2003, the OCC produced nearly \$490 million in economic return to the region and supported 7,700 jobs; and

WHEREAS, the OCC is forecasted to experience a strategic fund balance gap of over \$1 million in fiscal years 2007-2008 increasing to a fund gap of almost \$4.2 million in fiscal year 2013-2014 under current conditions; and

WHEREAS, the Portland Oregon Visitors Association ("POVA") has conducted a study of reasons for OCC lost business and has concluded that the largest single reason for such lost business is the lack of an adjacent "headquarters hotel" for convention users able to offer a substantial single location room block for the convention and that the future impact on the OCC and on the regional economy of the lack of such a hotel is substantial; and

WHEREAS, during 2003 through 2006 several independent studies were commissioned regarding the potential economic impact of a convention center Headquarters Hotel on both the convention center and on the regional and statewide economy; including a February 2003 study by the Strategic Advisory Group ("SAG") engaged collaboratively by Metro, MERC, the Portland Development Commission ("PDC"), POVA, and the Tri-County Lodging Association ("TCLA"); a July 2005 study by KPMG commissioned by the OCC; a study by PKF Consulting (PKF") commissioned by PDC in May 2006; and a study by ECONorthwest in June 2006; and

WHEREAS, the SAG study concluded that an appropriately-sized headquarters hotel would be necessary in order for the OCC to maximize its positive economic impact on the Metro region; and the study projected that over thirty (30) years the benefits to the Metro region and the State of Oregon from a convention center headquarters hotel would add millions of additional hotel room nights and millions of dollars in additional spending, and thousands of additional jobs supported each year; and

WHEREAS, the KPMG report estimated that the regional benefit of a convention center Headquarters Hotel would range from \$83.8 to \$111.7 million annually; and that approximately 1,250 to 1,600 full-time jobs within the area's convention industry would be needed to support the new convention business (laundry services, florists, audio/visual providers, and the like); and

WHEREAS, the PKF study recommended that an OCC Headquarters Hotel contain 600 rooms with 41,000 square feet of function space, which would have an impact of preventing an erosion of current OCC convention volume of an estimated 25,000 rooms per night annually by 2013, and that competitive hotels' rates and occupancies would likely be equal to or greater than that achieved without such a hotel, and that a Headquarters' Hotel would provide a catalyst for new business relocation to the hotel's area and would also provide significant economic impact via jobs, taxes, and income; and

WHEREAS, the ECONorthwest study examined the economic impact of a convention center Headquarters Hotel in Portland, and concluded that such a hotel would generate expenditures of almost \$50 million in the Portland region in 2013 (in 2004 dollars), which expenditures would generate a total economic impact of over \$100 million in business sales and \$40 million in labor income, and the equivalent of almost 1500 full-time jobs in the Portland region in 2013; and that the present value in 2006 of future benefits generated by the Headquarters hotel is \$850 million to \$1.4 billion in business sales, \$340 million to \$653 million in labor income, and the equivalent of 278 to 2,058 annual full-time jobs; and

WHEREAS, in July 2003 the PDC approved via Resolution No. 6040 a Headquarters Hotel Implementation Strategy prepared in consultation with Metro, MERC, and other stakeholders including POVA and the TCLA; and

WHEREAS, the Headquarters Hotel Implementation Strategy recommended a two-step process to identify potential developers for the Headquarters Hotel Project ("Project") including issuance of a Request for Qualifications ("RFQ") and a subsequent Request for Proposals ("RFP"); and

WHEREAS, in September 2003 the PDC issued and gave public notice of RFQ 03-22 "Request for Qualifications to Develop a Convention Center Headquarters Hotel" ("Hotel RFQ") to identify qualified developers for a subsequent RFQ solicitation; and

WHEREAS, in September 2004 the PDC issued and gave public notice of RFP 04-09 "Request for Proposals for an Oregon Convention Center Headquarters Hotel," and issued Addendums ## 1 – 4 in November 2004 through June 2005 ("Hotel RFP"), which RFP invited qualified respondents to make proposals for both private and public financing and ownership of a convention center headquarters hotel, to which there were four respondents; and

WHEREAS, in January 2005 the PDC approved via Resolution No. 6218 a Headquarters Hotel Developer Selection Process which identified specific opportunities for public comment and community involvement and a schedule for deliberations by a designated evaluation committee for the selection of the development team; and

WHEREAS, an OCC Headquarters Hotel Evaluation Committee was formed to review and analyze the four RFP responses that were submitted, which committee was comprised of the MERC Oregon Convention Center manager, the Chairman of the MERC Commission, the Metro Chief Financial Officer, a POVA board member, a City of Portland finance officer, and members of the Lloyd Transportation Management Association, the Lloyd Business Improvement District, the Lloyd Community Association, the TCLA; and

WHEREAS, in September 2005 the OCC Headquarters Hotel Evaluation Committee presented and made publicly available its report containing its recommendations, in which the Committee unanimously recommended the selection of the Garfield Traub Development/ Ashforth Pacific Inc. team (with the architectural firm Zimmer Gunsul Frasca; the construction firm Turner Construction Inc.; and the hotel operator/flag Starwood Hotels/Westin; and the underwriting firm Piper Jaffray & Co) ("Development Team") as the most responsive proposal submitted in accordance with the evaluation criteria set forth in RFP #04-09; and

WHEREAS, in October 2005 the PDC adopted Resolution No. 6305 which accepted the OCC Headquarters Hotel Evaluation Committee's recommendation and authorized the PDC Executive Director to initiate exclusive negotiations with the Development Team to develop the OCC Headquarters Hotel; and

WHEREAS, Metro, MERC, and PDC staff have studied the proposals from the RFP respondents, reviewed the analysis of outside consultants, and heard testimony from national meeting planners, and have determined that a publicly-owned, 600-800 room convention center hotel adjacent to the convention center containing public function and ballroom spaces and the ability to offer a 500-room-block for conventions is the model that will meet the goals of the region for bringing national conventions to the OCC and increasing tourism and economic development to Portland, the metropolitan region, and the state; and

WHEREAS, the Evaluation Committee and Metro, MERC, and the PDC have studied the RFP responses and financial models and have concluded that due to the inclusion of certain non-revenue-producing goals associated with a hotel designed to serve the convention center and the region, such as a large room block commitment available to conventioners, convention break-out rooms and banquet halls, payment of prevailing wages, focused inclusion of minority and emerging businesses, environmentally “green” construction standards, and the like, that a private ownership model for a hotel would not be financially feasible without a substantial public subsidy, and that a public ownership model would provide both the requisite public control over the Project and would also be able to provide the non-revenue-producing goals that would serve both the convention center and the regional economy; and

WHEREAS, the PDC, with Metro and MERC involvement, has formed a Technical Advisory Committee (“TAC”), whose membership includes representatives from the local hotel and visitor industry and adjacent neighborhoods and business groups to provide technical input regarding Project design, program, cost and industry benefits and impacts; and

WHEREAS, the PDC owns real property valued at over several million dollars plus an additional contribution of at least \$4 million that PDC is prepared to donate to Metro for the development of a publicly-owned headquarters hotel; and

WHEREAS, Metro’s interest and ability to take part in a Headquarters Hotel will also be contingent upon establishing partnerships with other public entities for financial and other contributions to this Project, and also on the ability to negotiate financially feasible agreements with the developer, operator, manager, architect, and underwriter of the hotel; and the Project will also be contingent upon determining a financing model that will protect Metro’s interests; and

WHEREAS, due to the fact that the PDC has engaged in and completed, with Metro’s and MERC’s involvement, a several-years-long competitive contracting process for the design, construction, management and operation of the OCC Headquarters Hotel resulting in the selection of the Development Team, it would be most efficient in terms of time, construction costs, and public investment for Metro to accept the results of the PDC’s competitive process rather than re-start the process all over again with Metro in the lead rather than the PDC; and

WHEREAS, the Metro Council is designated as the local public Contract Review Board (“CRB”) for Metro pursuant to ORS 279A.060 and Metro Code 2.04.010(d), and as the CRB for MERC pursuant to Metro Code 2.04.024; and

WHEREAS, Metro Code 2.04.053(c) provides for a special procurement contracting process as an exemption to public contracting procedures in accordance with state law in Oregon Revised Statutes Chapters 279A, B, and C; and state law also provides that in granting exemptions for public improvement contracts that the public body shall, when appropriate, use alternate contracting methods that take account of market realities and modern practices and are consistent with the public policy of encouraging competition; and

WHEREAS, the "Design-Build" alternative contracting method allows for the opportunity to integrate value engineering into the design phase, as the construction contractor joins the Project team early with design responsibilities under a team approach, with the potential of reducing contract change orders and the risk of design flaws, shortening project time, and obtaining innovative design solutions through the collaboration of the contractor and design team which would not otherwise be possible if the contractor had not yet been selected; and

WHEREAS, pursuant to ORS 279B.085(5) and ORS 279C.335(5), the Metro Council will hold a duly noticed and advertised public hearing on February 8, 2007 on the proposal to exempt the Project from competitive bidding, to accept the PDC's contracting process, to enter into exclusive negotiations with the selected project Development Team, and to utilize the Design-Build process; and

WHEREAS, Metro Code 2.04.026(1) provides that the Metro Council must approve any IGA in which Metro acquires or transfers any interest in real property or assumes any function or duty of another governmental entity; and

WHEREAS, MERC concludes that it is the most advantageous, expeditious, and cost effective approach for the Project to accept the results of the PDC's competitive process and negotiate with the Development Team selected by that competitive process rather than re-start the process all over again with Metro in the lead, and also to utilize the Design-Build alternative contracting method;

BE IT THEREFORE RESOLVED AS FOLLOWS:

1. The Metropolitan Exposition Recreation Commission requests that the Metro Council grant an exemption to the Metro and MERC contracting rules and accept the Portland Development Commission contracting process and authorize exclusive negotiations with the Portland Development Commission's selected Headquarters Hotel Development Team.

Passed by the Commission on January 24, 2007.


Chair – George Forbes


Secretary-Treasurer Janice Marquis

Approved as to form:
Daniel B. Cooper, Metro Attorney

By: 
Nathan A. Schwartz Sykes
Senior Attorney
Office of Metro Attorney

MERC Staff Report

Agenda Item/Issue: Requesting Metro Council to grant an exception to the Metro and MERC contracting rules and accept the Portland Development Commission's contracting process for selection of the Metro Headquarters Hotel Development Team and authorize exclusive negotiations with the selected Headquarters Hotel Development Team

Resolution No.: 07-03

Presented By: Jeff Blosser

Date: January 24, 2007

Background and Analysis: The resolution describes in detail the very complicated, extensive and public process that the Portland Development Commission ("PDC") went through to select the Headquarter Hotel Development Team. The Resolution requests that the Metro Council adopt the process used by the PDC in selecting the Headquarter Hotel Development Team and exempt the process from public contracting procedures pursuant to MERC policies, the Metro Code and Oregon law. MERC requests that Metro do so as this is the most efficient, expedient and cost effective manner for the continuation of the process of developing a Headquarter Hotel. Metro is the appropriate agency to move this project forward with its ownership of the Oregon Convention Center and its ability to bond the project. A Convention Center HQ Hotel is essential to the economic success of the Oregon Convention Center and surrounding area. The HQ Hotel will increase OCC's ability to attract new convention business, generate economic impact for the area and add business and tax contributions. The HQ Hotel is part of MERC's strategic plan and a funding solution for the Oregon Convention Center operations. The lack of a HQ Hotel is the principal reason our clients do not pick Portland as their preferred convention destination. The presence of a HQ Hotel would significantly aid in selling Portland as a preferred destination. Re-starting this project would cause a minimum two-year delay and would increase the construction costs that have been escalating at a rate of 5-6% over the past two years.

Fiscal Impact: None

Recommendation: Staff recommends that the Metropolitan Exposition Recreation Commission adopt Resolution 07-03, For the purpose of granting an exception to the Metro and MERC contracting rules and accept the Portland Development Commission's contracting process for selection of the Metro Headquarters Hotel Development Team and authorize exclusive negotiations with the selected Headquarters Hotel Development Team.