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Final Report of the

Public Policy Advisory Committee for Regional Convention, Trade, Performing Arts and Spectator Facilities

METROPOLITAN · SERVICE DISTRICT ·

December 1991

Public Policy Advisory Committee for Regional Convention, Trade, Performing Arts and Spectator Facilities

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Public Policy Advisory Committee for Regional Convention, Trade, Performing Arts, and Spectator Facilities

I. Summary of Conclusions

• The Portland metropolitan region is at a critical juncture in the future of its entertainment facilities. If no new funds become available within three years to cover ongoing operations and capital improvements, the region stands to lose its significant investment in its complex of public entertainment facilities. (See pages 15-16, 33.)

•To adequately meet the most immediate operating and capital improvement needs of PCPA and Civic Stadium, approximately $2.2 million is needed on an annual basis. However, to fund the program needs identified in this report and in Arts Plan 2000+, an additional $4.6 million is needed per year for a total need of $6.8 million annually. (See pages 28, 33-34.)

• This community is blessed with having world-class entertainment facilities. Over the past thirty years, the area's residents have invested in a complex of quality entertainment facilities including an arena, exhibit space, stadium, performing arts complex, and convention center. (See pages 3-6, 13-14, 34.)

• The political will for providing construction funds to build these facilities has existed in the past, but the political will to fund ongoing operations, maintenance, and capital enhancements has been lacking. The result is that we have now reached a crisis situation. (See pages 15-18, 34.)

• Public entertainment facilities--regardless of whether they are sports, arts, exhibition, or convention facilities--require funding sources in addition to ticket sales. If such facilities were profitable, the private sector would build and operate them. Entertainment facilities are provided as a public good; that is, they provide a wide range of entertainment, educational, sports, cultural, civic and artistic opportunities for residents at reasonable prices and attract visitors and businesses. (See pages 6-8, 34.)

• Some decisions appear to be made which have no clear public policy objective. In addition, the public purposes for which MERC exists are not clearly articulated and, therefore, do not guide decision-making. (See pages 18-19, 34-35.)

• Facility managers need to have the authority and control necessary to effectively operate the facilities pursuant to clearly defined public policy objectives. (See pages 18-19, 35.)

II. Introduction

A. Study Committee

In 1990, Metro's Executive Officer recommended, and the Metro Council authorized, a study of permanent operational funding for Metropolitan Exposition-Recreation Commission (MERC) facilities and the feasibility of constructing new sports facilities. In July, 1990, the Council established the Public Policy Advisory Committee for Regional Convention, Trade, Performing Arts, and Spectator Facilities. Members of the Advisory Committee were confirmed by the Metro Council.

To address these issues, the Committee formed five subcommittees, assigning two to three of its members to each subcommittee. The five subcommittees were: 1) Arena, 2) Stadium, 3) Portland Center for the Performing Arts (PCPA), 4) Oregon Convention Center/Expo Center, and 5) Finance.

To provide for broader regional and interest-group participation in the process, non-committee members were also appointed to the subcommittees.

B. Charge to Committee

In December 1989, the Portland City Council and the Metro Council approved a Phase 1 Consolidation Agreement providing for the management of City spectator and performing arts facilities by the newly established regional Metropolitan Exposition-Recreation Commission. In anticipation of Phase 2 of the consolidation which would likely transfer ownership and financial responsibility for operation and maintenance of all MERC facilities to Metro, the Metro Executive Officer and Metro Council determined that additional information regarding new facilities and sources of revenue would be needed.

In establishing the Public Policy Advisory Committee, the Metro Council authorized the Executive Officer "to undertake a planning, development and financing effort to address on-going issues related to the region's inventory of convention, trade, and spectator facilities" with the following objectives:

1. to develop information regarding funding necessary to support the current system of MERC facilities including the Performing Arts Center, Civic Stadium, Memorial Coliseum, and the Oregon Convention Center, taking into account the impact new facilities may have on existing facilities;

2. to develop information so that the Council may evaluate interest in constructing a new arena, capable of serving as a new home for the Portland Trail Blazers;

3. to develop information so that the Council may evaluate interest in constructing a new stadium; and

4. to develop information so that the Council may evaluate interest in public funding for the arts.

III. Background

A. History of Facilities

Four of the five facilities examined, Memorial Coliseum, Portland Center for the Performing Arts, Civic Stadium, and the Oregon Convention Center, are managed by the Metropolitan Exposition-Recreation Commission. The fifth facility, Expo Center, is operated by Multnomah County. These facilities form the nucleus of the region's spectator, performing arts, convention and trade events.

1. Memorial Coliseum Complex (MCC)

Built for $8 million and opened in 1960, the Memorial Coliseum Complex is located on approximately 22 acres of land on the east bank of the Willamette River. The Complex includes an arena, eight meeting rooms, and three exhibit halls. More than 2,000 on-site parking spaces are available.

The Coliseum arena is a unique design consisting of a "glass box" supported by four large columns. The structure encloses the seating bowl with 9,000 permanent seats. Temporary seats can be set up to increase the capacity to 13,000 depending on the configuration required by the event. Major tenants include the Portland Trail Blazer basketball team and the Winter Hawks hockey team. The arena also hosts a variety of special events throughout the year including ice spectaculars, circuses, concerts, college basketball, and professional rodeo and wrestling. During the 1990-91 fiscal year, 1,509,402 people attended 237 events.

The meeting rooms and the exhibit space have been used extensively over the years. The meeting rooms range in seating capacity from 85 to 950. Three exhibit halls contain a total of 100,000 square feet of space. These areas continue to be scheduled for various events, ranging from national, regional, and local trade and consumer shows which use the entire Complex; to smaller events which use one or more of the exhibit halls; to single seminars and meetings which use only one meeting room. The Coliseum represents both a supplemental option to the Oregon Convention Center (OCC) as well as a less expensive alternative for certain classes of shows and meetings. For the 1990-91 fiscal year, 349,629 people attended 310 events in these exhibit halls and meeting rooms.

2. Portland Center for the Performing Arts (PCPA)

The Portland Center for the Performing Arts consists of four theaters in three buildings--Civic Auditorium, Arlene Schnitzer Concert Hall, and the New Theater Building, which houses the Intermediate and Dolores Winningstad Theaters. Civic Auditorium is located about seven blocks southeast of the Schnitzer and new theaters. During the 1990-91 fiscal year, 1,000,328 people attended 913 performances ranging from Broadway shows to concerts at the four theaters. First priority for scheduling facilities and dates in the PCPA is available to local non-profit performing arts organizations which have been extended "major tenant" status.

The idea for a performing arts center started in the early 1980s when the Civic Auditorium was full and a need existed for additional space to meet the growing demand for performing arts events. The situation is similar to Memorial Coliseum today where the Coliseum is nearing capacity both in terms of events and sell outs. In both instances, growing demand was the driving force behind discussions for new facilities.

Civic Auditorium: Originally built in 1917, Civic Auditorium was totally renovated in 1968. It seats 3,000 people and includes box seats and two balconies. The stage is 107 x 41 feet. There is an orchestra pit for 70 musicians, dressing rooms to accommodate 250, and a 38 x 45 foot rehearsal room. Major tenants include the Oregon Ballet Theater, Portland Opera, Oregon Children's Theater Company, and Live from the Civic (Portland Community Concerts).

Arlene Schnitzer Concert Hall: This hall originally was the Portland Public Theater built in 1928 and later called the Paramount Theater. Restored and renamed in 1984, the Schnitzer seats 2,776. The stage is 94 x 32 feet. An orchestra pit seats 15 and there is a choir loft above the stage. Dressing rooms accommodate 90 people. The Schnitzer houses the world's largest electronic organ, originally built for Carnegie Hall. Major tenants are the Oregon Symphony, Portland Youth Philharmonic, Portland Symphonic Choir, World Cavalcade Travel Films, and Portland Arts and Lectures.

The New Theater Building has been hailed as a state-of-the-art facility. The 127,000 square foot complex includes two theaters; a large unfinished studio space; a restaurant, box office, and administrative offices for the Center; costume assembly workshops; and offices for the Oregon Shakespeare Festival/Portland.

The Intermediate Theater was designed primarily for drama production, but it is also suitable for medium and small scale opera, dance, ballet, chamber orchestra, recitals, conferences, and films. The theater seats 916 with intimate orchestra and balcony-level seating stretching only 65 feet from the stage to the last seat in the second balcony. The stage is 79 x 44 feet and the orchestra pit seats 35. Dressing rooms accommodate 32 people. The Oregon Shakespeare Festival/Portland and Portland Gay Men's Chorus are major tenants.

The Dolores Winningstad Theater was designed to be a multi-purpose room providing maximum flexibility for drama, dance, cabaret, chamber music, recitals, lectures, free-form theater, receptions, trade fairs, and indoor markets. The theater is unique in the United States and is patterned after a Shakespearean courtyard theater. The flexible seating system accommodates a maximum of 364, with 320 in its standard configuration. The end stage measures 45 x 25 feet. Dressing rooms accommodate 28 and the orchestra pit seats 18 musicians. Major tenants are the Tygres Heart Shakespeare Company, New Rose Theater Company, and Tears of Joy Puppet Theater.

3. *Civic Stadium*

Built in 1926 and renovated in 1983, the Civic Stadium hosted 151 events serving 331,167 people in fiscal year 1990-91. Events included high school and collegiate football, Pacific Coast League baseball, concerts, and Rose Festival entertainment. The Stadium seats 26,500. Major tenants include the Portland Beavers baseball team, Portland State University football and baseball teams, Portland Public Schools athletics, and Oregon School Athletic Association playoffs.

4. *Oregon Convention Center (OCC)*

The Oregon Convention Center opened on schedule and under budget in September 1990 with the objective of attracting convention business to economically benefit the metro region and the state of Oregon. The Center's primary target is mid-sized (2,000-7,000 attenders) regional, national, and international conventions as well as trade shows and national corporate meetings. Second priority goes to consumer and public exhibitions, local corporate meetings, and other local events. MERC contracts with the Portland/Oregon Visitors Association (POVA) for marketing services.

The Convention Center contains exhibit space, meeting rooms, and a ballroom. OCC contains four modules of exhibit space--three with 30,000 square feet each and a fourth with 60,000 square feet. OCC also contains 30,000 square feet of meeting room space arranged in three clusters of rooms. The ballroom is on the upper level with a separate lobby and can seat 2,000 people. Parking is provided on the OCC site for 875 vehicles. A mid-sized convention requires 25,000 to 150,000 square feet of Convention Center space and a corresponding 1,000-3,500 hotel rooms.

During its first full year of operation, 22 conventions are scheduled for the Center--more than three times the original goal. Over 104,000 attenders are expected compared to original projections of 40,000. The ballroom is booked almost every Friday and Saturday night in 1991.

Development of the Oregon Convention Center is an excellent example of how regional cooperation can work in building <u>and operating</u> new facilities. Voters of the region approved $65 million in general obligation bonding authority to construct the facility. The region's legislators and political leaders also worked cooperatively to secure state lottery funding for the project. The need for a dedicated revenue source for ongoing operational support was recognized early in the process. A portion of operating funds are provided through a three percent hotel/motel tax assessed by Multnomah County.

5. *Multnomah County Exposition Center (Expo Center)*

The Expo Center, owned and managed by Multnomah County, is located in north Portland along Interstate 5. Situated on about 60 acres of land, the Expo Center contains over 220,000 square feet of flat floor space for a variety of trade and consumer shows, including dog and cat shows; auctions and rummage sales; stamp, gem and mineral shows; RV shows; swap and bargain fairs; and antique and collectible shows. The Expo Center also hosts the Multnomah County Fair.

Expo currently has 2,745 paved parking spaces and roughly 750 gravel surfaced spaces for a total of about 3,500 spaces.

B. Management of Facilities

The City of Portland's Exposition-Recreation Commission (ERC) operated the Memorial Coliseum when it was built in 1960 and the Civic Stadium when it was acquired in 1966 from the Multnomah Athletic Club. In 1987, after the two new theaters opened, the Performing Arts Center was placed under the jurisdiction of the ERC. This was done in part to create financial stability as well as to encourage operational efficiencies. Since the Coliseum generated a surplus of revenue, the surplus was used to fund operating losses of the other facilities--Civic Stadium, PCPA, and the Coliseum Exhibit Halls.

In January 1985, the City of Portland, Metro, and Clackamas, Multnomah, and Washington counties established the Committee on Regional Convention, Trade, and Spectator Facilities (CTS Committee) composed of public and private representatives. The CTS Committee was charged with recommending a regional master plan to realize the economic and quality-of-life benefits of the emerging convention, trade, and spectator facility industry. In May 1986, the CTS Committee adopted recommendations which included a call for Metro to establish a regional commission to plan, develop, promote, operate, and manage the region's convention, trade, and spectator facilities and for the City of Portland and Multnomah County to transfer responsibility for operating their facilities to the regional commission.

The Metro Council in October 1987 adopted an ordinance creating the Metropolitan Exposition-Recreation Commission with powers and duties substantially similar to the City ERC to operate the region's convention, trade, performing arts, and spectator facilities. In December 1989, the Portland City Council and the Metro Council approved the first phase of the Consolidation Agreement transferring to Metro responsibility for operation and management of ERC facilities effective January 1, 1990.

The Oregon Convention Center is managed by MERC. Convention Center operations are financed in part by a three percent hotel/motel tax assessed by Multnomah County.

C. Current Revenue Sources

Funding for operational support for these facilities comes from a variety of revenue sources including rent, concessions, user fee, reimbursements, parking, sales commissions, and merchandising. These sources are briefly described below.

<u>Rent</u> is based upon either a flat fee or a percentage of gross ticket sales. Rental charges normally include use of dressing room or locker room facilities; custodial cleaning; heating, ventilation and air conditioning; and an event manager. Additional charges may be made for use of some equipment and supplies. MERC negotiates a management contract with <u>concessionaires</u> for food and beverage sales. The <u>user fee</u> is based on the price of the ticket. Currently, for tickets $10 and under,

the fee is $.50; for tickets between $10 and $22, the fee is $1.00; for those above $22, the fee is $1.50. Facility renters reimburse the facility for labor including admissions, security, and facility staff such as stagehands and sound and spotlight operators. MERC negotiates a management contract with City Center Parking to operate the parking facilities at Memorial Coliseum and the Oregon Convention Center. Sales commissions include a percentage of group ticket sales and services charges. MERC receives a percentage of gross sales on all merchandise and souvenirs sold in MERC facilities.

Not all of these revenues are available to each facility. For example, both the Coliseum and the Convention Center have parking lots which provide substantial revenue for their operations; however, neither PCPA nor Civic Stadium have parking lots and receive no parking revenue.

The "Percentage of Revenues by Facility and Source" graph on the next page shows the percent of revenue received by each facility by revenue source. As shown, the most important revenue sources are rent, concessions, user's fee, reimbursements, parking, and--for the Convention Center--the hotel/motel tax. Each facility is dependent on a slightly different revenue mix.

The Stadium and PCPA are heavily dependent on revenue generated with the buildings, e.g., concessions, rent, user fee, and sales commissions. The Convention Center and the Coliseum have "out of building" revenue sources--the Multnomah County hotel/motel tax for OCC and parking revenue for the Coliseum. The existence of out of building revenues is directly related to the financial viability of the facilities.

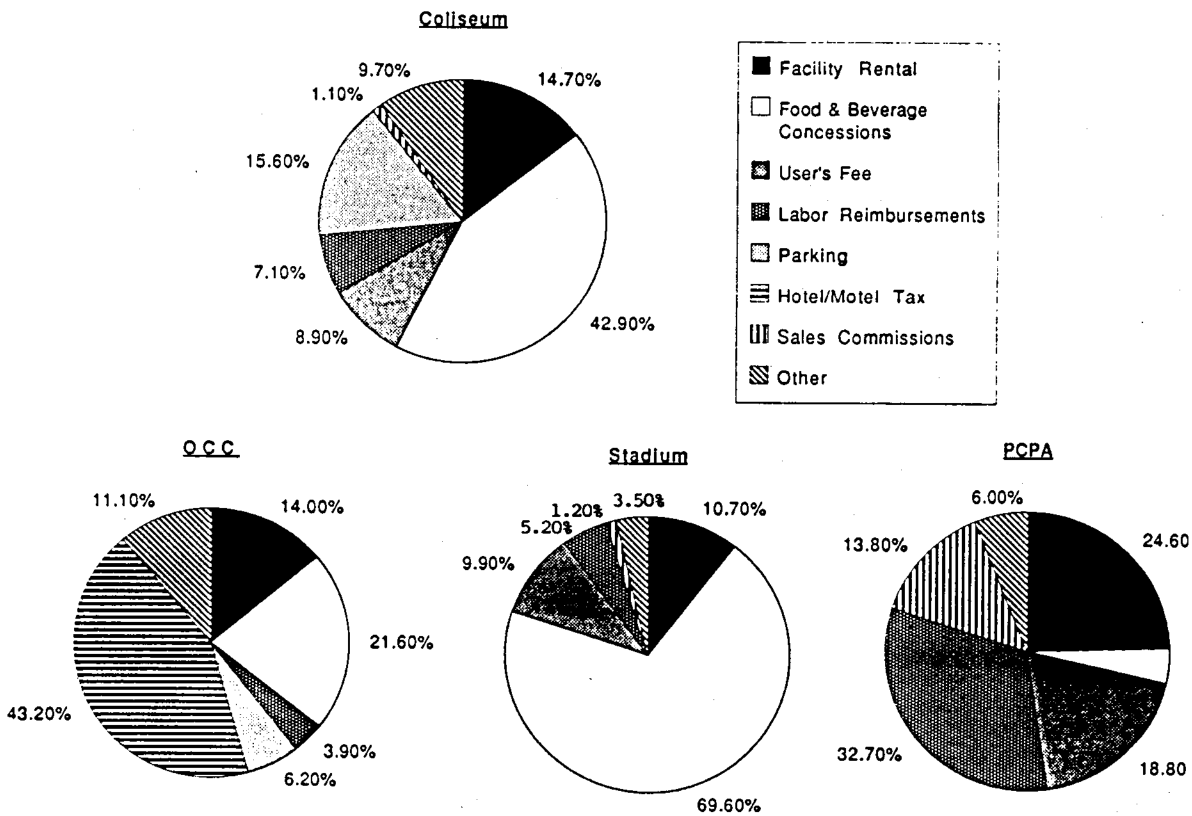
Except for Memorial Coliseum, enterprise revenues are not sufficient to cover all costs. In addition, the capital improvements program, which is discussed in more detail later in the report, is minimal and generally covers only basic maintenance. The list below shows the extent to which enterprise revenues cover operating expenses:

Facility	Percent Covered by Enterprise Revenues
Memorial Coliseum	106
PCPA	80
Civic Stadium	85

Both MERC and Metro charge certain administrative costs to these facilities. MERC charges each facility with central management costs which, for the 1991-92 fiscal year, is budgeted at almost $833,000 for all facilities. The MERC central management costs include personnel costs for approximately 13 staff. This includes such positions as the general manager, controller, purchasing and contracts coordinator, and accountant among others. In addition, Metro allocates support service costs to each facility. Support services include legal, financial, accounting, personnel, and information systems services. For all MERC facilities, Metro support services for the 1991-92 fiscal year is budgeted at about $755,000 which includes both direct and indirect costs. MERC facilities are also charged risk management costs--including liability and property insurance, workers' compensation, and

PERCENTAGE OF REVENUES BY FACILITY AND SOURCE

1991 ADOPTED BUDGET				
% OF REVENUE SOURCE BY FACILITY				
Revenue Sources	OCC	Coliseum	PCPA	Stadium
Facility Rental	14.00	14.70	24.60	10.70
Food & Beverage Concessions	21.60	42.90	4.10	69.60
User's Fee	0.00	8.90	18.80	9.90
Labor Reimbursements	3.90	7.10	32.70	5.20
Parking	6.20	15.60	0.00	0.00
Hotel/Motel Tax	43.20	0.00	0.00	0.00
Sales Commissions	0.00	1.10	13.80	1.20
Other	11.10	9.70	6.00	3.50



environmental insurance--which are budgeted at $510,000 for this fiscal year. The total of all MERC and Metro charges ($2,098,000) represents 7.7% of the budget.

D. Capital Improvements

Two types of capital improvements are discussed in this report. Basic renewal and replacement covers projects that must be completed to assure the proper functioning of the facility. Enhancements are major improvements that substantially increase the capability of the building's function.

IV. Other Related Community Efforts

During the course of this study, efforts were begun by other groups on issues under consideration by the Public Policy Advisory Committee and its subcommittees. In most cases, the subcommittees completed their work before the efforts of other groups were finished. Below is a summary of these groups and their actions as of early December 1991.

A. Portland Trail Blazers

In early May 1991, the Trail Blazers announced their interest in developing a proposal to construct and operate a new arena near the site of the Memorial Coliseum. The Blazers funded a master planning process for the area surrounding the Coliseum and Convention Center. One of the objectives of this process was to ensure that the new arena project is consistent with current public policy goals including the Central City Plan and the desires of neighborhoods and businesses in the surrounding area. The Blazers presented a proposal in September 1991 outlining their plans for a new arena.

According to the Blazer proposal, the Blazers will:

•provide additional property to the Memorial Coliseum site (Hanna property);

•design, construct, operate, and maintain a privately-owned, state-of-the-art arena with a seating capacity of 19,200 for basketball and an attached 1,060 space garage;

•enter into a 30-year Trail Blazer team lease in the new arena;

•design, construct, and operate an adjacent "privately-owned entertainment village" consisting of Blazer offices, two major restaurants, music and/or comedy clubs, health club, and 600 dedicated parking spaces;

•operate the Memorial Coliseum as a second arena, community event venue, and convention plenary session facility to serve the community needs and maximize net revenues for 20 years with a feasibility review in 1999;

•develop and operate a joint facility marketing program with the Portland/Oregon Visitors' Association (POVA) for conventions;

•operate the parking system including both adjacent and attached garages and a shuttle system to maximize revenues and meet transportation objectives; and

•provide $143.3 million in private money to finance the development of the site.

Under the Blazer proposal, public agencies will:

•provide the site on a long-term lease for the new arena, parking, entertainment village and related infrastructure;

•provide a maximum of $34.5 million in financing for construction of an adjacent public garage with 1,410 spaces; road, transit, and utility improvements and site preparation; and capital improvements to the Memorial Coliseum to be repaid by a six percent user fee on ticketed events at both the Arena and the Coliseum;

•finance future capital improvements to Memorial Coliseum;

•provide future development rights on site to the Blazers if not needed for public purposes; and

•provide timely regulatory/development assistance.

B. Arena Task Force

Anticipating a proposal by the Trail Blazers for a new arena, the City of Portland and the Metropolitan Service District jointly established an Arena Task Force in June 1991. This Task Force, composed of public and private sector representatives, was charged with evaluating and recommending a "fair and judicious public investment in a possible public/private partnership for a new arena which maximizes benefits to the citizens of the region wile minimizing public costs." The Task Force developed public objectives and guidelines that the Blazers addressed in their arena proposal, reviewed the Blazer proposal submitted in September 1991, and adopted a Memorandum of Understanding which was forwarded to the Metro and City Councils for action. The Councils approved the Memorandum in November 1991. Approval of other agreements including a Development and an Operations Agreement is scheduled for March 1992.

C. Arts Plan 2000+

Arts Plan 2000+ is an eighteen-month citizen planning process which is intended to develop a comprehensive long-range plan for arts and culture for Portland and the surrounding region. A 43-member steering committee of community leaders; seven Task Forces; and a nationally recognized consultant, The Wolf Group, assessed the status and future role of arts programs and arts organization, issues relating to cultural facilities and funding, and public access and arts education. Research included interviews, public meetings, focus groups, surveys of the general public, studies of practices in other cities, and discussion among various advisory committees.

A report issued by the consultant in July 1991 contains over 60 recommendations. During this fall, the report is being reviewed by Arts Plan 2000+ participants, the general public, and other interested groups. The final document, a cultural plan for the region, will be published in January 1992, and will include strategic goals, budgets and timelines. Six major findings of the Wolf Group report include:

1. <u>Preserve our cultural assets</u>

   The highest priority should be placed on preserving our current cultural assets which include maintaining our current facilities in top condition as well as building the long-term financial stability of the region's arts organizations.

2. <u>Regional approach</u>

   Long-term solutions to the challenges (equitable funding and distribution of education, programming, decision-making, and arts planning) facing the arts community must be met regionally.

3. <u>Support for facilities and programs must be linked</u>

   Any proposal for new sources of funding for PCPA must be part of a comprehensive approach to building the viability of regional cultural services. A linkage to programs and facilities will help attain public policy objectives which include bringing arts and entertainment to all segments of the community, providing a strong education program for children, and stabilizing arts organizations.

4. <u>Education</u>

   There is broad consensus on the importance of arts education to the cultural future of Portland and the surrounding counties. Broad exposure to the arts provides young people with unique ways to master concepts and knowledge, build self-confidence, develop study skills and achieve success in school. The arts provide non-confrontational ways to understand the different cultural traditions and contribute to a rich life.

5. <u>Cultural/economic diversity</u>

   Arts programs must reflect the widest possible range of cultural expression and involve all segments of the community. Public ownership of arts facilities brings with it the obligation to ensure that all segments of the community have the opportunity to enjoy the arts. As a fundamental communication tool, the arts can help our region understand and celebrate diversity.

6. <u>Leadership</u>

   A leadership group must be assembled which will devote itself primarily to the urgent needs of the cultural sector in the region. Public and private leadership is needed to assure that public objectives are enunciated, discussed and achieved.

Although public arts funding was not a primary charge for the Public Policy Advisory Committee, the PCPA Subcommittee as well as the Finance Subcommittee and the full Committee met with representatives of Arts Plan 2000+ during the course of this study and considered the consultant's report. At the time that this report was adopted, the Arts Plan Steering Committee had not formally acted on the Arts Plan report. Even though we were not able to make a detailed evaluation of the Arts Plan recommendations, the Public Policy Advisory Committee firmly believes that funding for arts programs should be considered in conjunction with funding for facilities.

D. Oregon Dome Team (ODT)

In 1989, a group of area business executives formed the Oregon Dome Team. This group sought community support for a domed stadium and worked to attract an NFL franchise to the area. Last year ODT members made contacts with NFL owners and stadium managers, toured six stadium facilities, and met with local community leaders. ODT attempted to sell rights to reserved "Founders Seats" at $1,000 per seat to raise $20 million in an effort to show community support for a franchise and a domed stadium. In May 1991, ODT members attended the NFL owners meeting. At that meeting, owners decided to expand the league by two teams in 1994. After being unable to obtain adequate public support for the project and an inability to submit an application by the September 16, 1991 deadline, the ODT decided in August 1991 to disband and not apply for an NFL franchise.

E. End of the Oregon Trail

In 1977, nearly 140 years after the first settlers started their journey west along the Oregon trail, Congress designated the Oregon Trail as a National Historic Trail with its beginning in Independence, Missouri and its terminus at Oregon City, Oregon. In 1988, the Governor's Oregon Trail Advisory Council prepared a report which recommended the End of the Oregon Trail at Oregon City as a national historic site and the anchor of a four-center system across Oregon. The other centers would be sited along the Oregon Trail at Baker City, Pendleton, and The Dalles.

With an initial state grant of $65,000, Clackamas County formed a steering committee in 1988 to hire consultants to design a master plan for the End of the Oregon Trail. The master plan would provide the theme, program, design, and implementation program for a world-class interpretive center and outdoor living history museum. The master plan was completed in December, 1990.

The authentic site of the End of the Oregon Trail is located in the north end of Oregon City. The attendance for the End of the Oregon Trail is estimated at 350,000 to 400,000 annually.

In the interest of meeting visitor expectations and producing a self-sufficient complex with a national identity, the Master Plan for the End of the Oregon Trail recommends multiple elements or components to the program: (1) the "flagship" Interpretive Center, housing both indoor and outdoor living history exhibits; (2) a commemorative emigrant memorial park, with no charge for the public; (3) festival marketplace and group sales area to offset public operational expenses; and (4) a privately developed, complementary visitors services sector (hotel, etc.). Research on comparable attractions suggest that facilities with a mix of these components, the commitment of the community, and operation in a business-like manner can be financially successful.

The Lyon Group, economic consultants, estimate the economic impact of this project to be $57 million for the state including about 190 one-time construction-related jobs. The $4 million anticipated visitor spending would generate over $9 million annually for the regional economy.

The projected capital cost of the End of the Oregon Trail project is $46.5 million for the principal phase of development. The phase would include project management and fundraising, site assembly, road and bridge work, construction of the Interpretive Center and Emigrant Park, and the integration of three to four major outdoor living history exhibits.

V. Findings

A. General

• **Growth in population and disposable income in the Portland metropolitan area will increase demand for entertainment services in the region.** The primary market for events is the tri-county region with a population of over 1.1 million based on 1990 census data. Adding Clark County, Washington residents increases the market to over 1.4 million. The Portland region--Clackamas, Multnomah, and Washington Counties and Clark County, Washington--is projected to increase by 400,000 people over the next two decades. Economic and demographic trends will continue to contribute to the economic prosperity of the region in the future.

According to Metro planners, the aging of the population, the rising number of two-earner families, and the increasing importance of leisure time will generate increasing demand for services, resulting in strong job growth. The shortage of entry-level workers who typically fill many service positions will provide job opportunities which are expected to attract in-migration of younger workers. The growing number of "empty nesters" will have higher proportions of discretionary income to spend on goods and services.

Portland already compares favorably with both smaller and larger cities in terms of median income. This is one indication of the relative ability of residents to spend money on entertainment items. Listed below is a comparison of the median income of cities of similar size:

City	FY 1990, Median Income, Family of Four	Population
Milwaukee-Racine	$40,100	1,607,183
Denver-Boulder	40,000	1,848,319
Kansas City (MO-KS)	38,800	1,566,280
Charlotte (NC-SC)	38,300	1,162,093
Sacramento	37,500	1,481,102
Cincinnati (OH-KY-IN)	37,100	1,744,124
Portland/Vancouver (OR-WA)	**37,100**	**1,477,895**
Indianapolis	36,600	1,249,822
Phoenix	34,200	2,122,101
New Orleans	33,900	1,238,816
Buffalo-Niagara Falls	33,600	1,189,288
San Antonio	33,000	1,302,099
Tampa-St. Petersburg	31,200	2,067,959

Portland also compares favorably to other cities in terms of television market rankings. Professional sports leagues place a high priority on market rankings in selecting franchises because of television contracts and the resulting revenue gained by the leagues. Television market size may also be an important measure of the potential for community support.

Based on Arbitron ratings, the Portland/Vancouver market ranks 25th out of 60 metropolitan media markets. Of the top 25 markets, only Baltimore (ranked 17th), Tampa (21st), and Portland (25th) have only one major league professional sports team. Cities with lower Arbitron rankings than Portland and more than one major league sports franchise include Milwaukie (26th), Kansas City (27th), and Cincinnati (31st).

• **The region's inventory of publicly owned facilities provides a wide array of entertainment services to the citizens of the region.** On almost any given day, residents can attend a variety of events at these facilities. Events include community theater, touring Broadway shows, dance, civic events such as graduations and Rose Festival events, amateur and professional sports, and concerts ranging from popular music to country/western music to standup comedians. Residents can attend a variety of trade and consumer shows and family shows such as circuses and ice shows. The symphony, opera, and ballet companies also perform in public facilities.

• **A wide range of private and public organizations utilize the region's public facilities.** These groups include non-profit community organizations, public schools and universities, amateur and professional sports teams, and for-profit promoters.

• **Convention, trade, performing arts and spectator facilities, tenant organizations and the entertainment services they provide create both direct and indirect economic benefits for the entire region.** Estimates of economic impact on the region are listed below for the Portland Center for the Performing Arts, Memorial Coliseum and the Oregon Convention Center.

Category	PCPA[1]	Coliseum[1]	Civic Stadium	OCC[2]
Total annual recurring impact	$51,000,000	$77,000,000	NA	$172,670,000
Recurring employment	610 FTE	300 FTE	NA	3,338
Recurring annual tax impact	$2,493,000	$4,859,000	NA	$4,297,000

•The region's publicly supported facilities and programs serve the population of the entire region.

Although these facilities are located in Portland, citizens from throughout the metropolitan Portland area attend events. For example, the season ticket holders for the Portland Trail Blazers and Oregon Symphony Orchestra reside in every jurisdiction:

County	Trail Blazer Season Ticket Holder	Oregon Symphony Season Subscriber	% of Regional Population
Clackamas	17%	19%	20
Multnomah	46	48	41
Washington	12	22	22
Clark County, WA	10	8	17
Other Oregon Counties	15	3	--
Counties, Other States	1	--	--

A survey completed for Arts Plan 2000+ indicates that 51% of tri-county residents attended a live performing arts or entertainment event with a paid admission in the past 12 months. This includes not only PCPA, Memorial Coliseum, and Civic Stadium, but also a variety of community facilities in the region. While all performing arts or entertainment facilities in the region were included, this attendance level is evidence of the interest in such events and is indicative of the regional nature of performing arts and entertainment audiences.

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1 Economic Impacts of Sports and Performance Facilities, Deloitte & Touche, April, 1991.

2 Economic and Fiscal Impacts of a Convention and Trade Show Center Located in Portland, Oregon. David M. Dornbusch & Co., Inc., March 1986.

B. MERC Finances

• **Except for the Oregon Convention Center, specific funding has not been provided for operational support and capital improvements needed to adequately maintain the facilities.** Most entertainment facilities throughout the country receive some public funds for operations and capital improvements as well as for investments in bringing new forms of entertainment to the community. The source is generally a hotel/motel tax, food and beverage tax, a general sales tax, or through the jurisdiction's general fund. MERC is able to take care of some of these needs from revenue generated by the Coliseum.

• **The distinguishing factor of the MERC operation is that, except for the hotel/motel tax dedicated to Convention Center operations, there is no source of public funds to pay for operations and capital improvements other than the Coliseum reserve fund.** The positive cash flow generated by the Coliseum's operation, and its accumulated surplus, are used to fund a variety of programs designed to bring a wide range of entertainment to the citizens of this region. MERC uses Coliseum proceeds not only to cover operating losses at the Civic Stadium and PCPA and large capital improvement projects, but also to entice such organizations as the Oregon Shakespeare Festival to become a major tenant at PCPA.

• **Over the past decade, additional demands have been placed on the Coliseum's accumulated surplus.** The revenues generated by the Coliseum have always been sufficient to pay for the relatively small deficits of Civic Stadium. However, in 1987, when the City Exposition-Recreation Commission acquired management and financial responsibility for PCPA, the operating deficit of the PCPA constituted a large draw on the reserve fund. In addition, professional sports teams have negotiated contracts favorable to the teams resulting in a need to subsidize facility operations. (See page 20 for a summary of profitable and unprofitable events.) The recent history of the reserve fund is provided below:

Fiscal Year	Beg. Fund Balance	Coliseum Net Revenues	Fund Transfer (Stadium)	Fund Transfer (PCPA)	End. Fund Balance
85-86	$5,250,000	$580,000	$250,000	NA	$5,580,000
86-87	5,580,000	1,227,000	390,000	NA	6,417,000
87-88	6,417,000	522,000	350,000	$900,000	5,689,000
88-89	5,689,000	58,000	300,000	500,000	4,947,000
89-90	4,947,000	(390,000)	1,150,000	790,000	2,617,000
90-91 est.	2,617,000	1,400,000	175,000	550,000	3,292,000

When the City of Portland operated these facilities, the city paid for administrative costs out of its general fund. These administrative costs are now charged directly to MERC thereby reducing the funds available to the facilities.

• **The Committee estimates that the reserve fund will be exhausted during the 1994-95 fiscal year.** The reserve fund balance is projected to be depleted in three years. According to the agreement with the Trail Blazers adopted by the Metro and

City Councils, a Coliseum Fund separate and distinct from the reserve fund will be established on July 1, 1992. The reserve fund will be used only for the PCPA and Civic Stadium operations. The Coliseum fund will be used to cover any operating losses during construction of the new arena. If the Coliseum loses more during construction of the new arena than the amount in the Coliseum Fund (approximately $875,000), the reserve fund could be tapped to cover Coliseum operating losses in excess of the $875,000.

C. Facilities Management

• **Consolidation of Metro's Oregon Convention Center with City of Portland facilities has created opportunities for joint marketing and event coordination, but has thus far failed to yield financial savings.** The consolidation of management of the Oregon Convention Center and the facilities owned by the City of Portland became effective January 1, 1990. Consolidated management has had a beneficial impact on the Oregon Convention Center because skilled management resources were available during the Oregon Convention Center's first year of operation. Consolidated management has also permitted coordination of security, parking and other operational issues.

Consolidation has not yet resulted in a more efficient, less costly administrative structure. To the contrary, total indirect (or overhead) costs have increased and remain high in relationship to the total operating expenses. The reasons for these high costs include:

* The process involved in consolidation rarely results in immediate efficiencies due to the need to integrate systems, iron out details of decision-making, and adjust personnel assignments. Metro has engaged in two major efforts in this regard--one is this report; the other is a study of internal functions resulting in a report entitled, "Centralization/Decentralization Study for the Metropolitan Service District," issued by the firm of Benson & McLaughlin in March 1991. The Study made numerous recommendations about how support service functions should be performed between Metro and MERC. Metro is currently acting on these recommendations.

* The process of consolidation frequently involves staff resistance to change, breakdown in trust and attempts to protect turf. This has been the case with consolidation of Metro and MERC. It has been compounded by unclear lines of authority between MERC staff, the Metro ER Commission, and Metro staff. As the Centralization/Decentralization report states, "Performance of the Metro corporate organization is being adversely affected by behavior of Metro and MERC staff stemming from consolidation related activities." Reasons include, "an underlying attitude among some MERC staff that there is little need to be responsive to the requests of Metro because Metro is perceived to have no direct authority over MERC." Metro staff "appears to have inadequately recognized the concerns and even fears of MERC staff regarding merger issues, focusing more on requiring compliance that on offering service."

* Areas of duplication and opportunities for streamlined operations as identified in the Centralization/Decentralization Study have not been fully

exploited although progress has been made. For example, both Metro and MERC currently maintain a general ledger for MERC, but in different formats. Efforts to correct this are underway.

* The City ERC received some services from the City of Portland for which it did not pay full costs.

* Metro has no alternative means of allocating support service costs other than requiring users of Metro's services to pay the full costs of services provided. Metro has no general fund revenues to pay for the costs of support services such as accounting, data processing and personnel.

• **Metro's new insurance program has increased the cost of insurance for MERC at a time when it lacks sufficient cash flow to continue operations beyond 1994-95.** The Metro Council, recognizing the problem, provided some relief in this year's budget. However, MERC may be faced with the full costs of this program next year.

D. Capital Improvements

• **The region's complex of entertainment facilities are in need of major capital improvements to maintain the facilities in adequate condition. Failure to address the capital needs will affect the ability of these facilities to attract entertainment events and will adversely affect potential revenue growth.** As buildings age, the need increases for capital improvements. Two facilities, Civic Auditorium and the Expo Center are in dire need of major capital enhancements to keep them functioning properly. Now over 30 years old, Memorial Coliseum will need major improvements in the near future. Other facilities, like the New Theater Building, Schnitzer Concert Hall, Oregon Convention Center, and Civic Stadium are either new or have had recent renovations so that major enhancements are less important than normal repair and maintenance.

Many capital improvements in Civic Auditorium have been deferred in the past because of lack of funds. The result is that the facility is now in need of major improvements if it is to continue to function. Needed improvements include a new lighting system; control booth improvements; sound system upgrade; and mechanical, electrical, and plumbing improvements. If these systems are not improved, the ability of the Auditorium to continue to attract events is questionable.

The Expo Center has some significant deficiencies and capital needs such as improving and expanding restroom facilities; resurfacing asphalt floors; improving the lobby, box office, and entrance areas; enhancing lighting; replacing the heating, ventilation, and air conditioning system; removing asbestos; bringing the building up to city code requirements; and installing an emergency generator. A consultant report projected a decline in revenue if improvements are not made and in light of competition from planned enhancements to exposition facilities at the Clark and Washington County fairgrounds.[3]

While the basic structure of Memorial Coliseum is sound, many of the building's fixtures will require replacement in the near future. Needed improvements include replacing electrical, mechanical, and plumbing systems; replacing the ice floor; and renovating portable risers. The Coliseum exhibit halls and meeting rooms are also in need of upgrading. Both the halls and meeting rooms need new sound systems, an electrical upgrade, and general systems support.

Capital improvement needs for Civic Stadium are minimal, averaging about $70,000 per year. However, some major items are needed occasionally. For example, in fiscal year 1999, the artificial turf will need to be replaced at an estimated cost of $1.5 million. Some improvements are not done because the facility is rarely used at full capacity. As an example, the centerfield bleachers with 2,700 seats are closed and need replacement, but they would be used so infrequently that the cost cannot be justified. This situation could change, however, if a Canadian Football League franchise is awarded to Portland.

Listed below is a summary of the amount of funding needed over the next ten years for capital improvements at MERC facilities:

Facility	Renewal and Replacements	Major Enhancements	Total
Memorial Coliseum Complex	$2,167,000	$2,993,000	$5,160,000
PCPA	2,048,000	3,550,000	5,598,000
Civic Stadium	715,000	3,200,000	3,915,000
	$4,930,000	$9,743,000	$14,673,000

In facilities in other regions in the country, a user fee is set aside for capital improvements. In Portland, however, the user fee is not designated for any particular use but rather used as a general revenue source to offset all costs. If the practice of deferring capital improvements continues, the facilities will deteriorate significantly.

E. Marketing

• **Except for the Convention Center, marketing efforts are inadequately funded.** Although MERC has developed a marketing program for all of its facilities, the plan is inadequately funded. In the 1991 fiscal year budget, funding for promotion and public relations activities is only $300 for Civic Stadium and $60,220 for PCPA. In contrast, the Portland/Oregon Visitors Association (POVA) receives about $1 million per year to provide marketing services through a contract with the Oregon Convention Center and funded by the Multnomah County hotel/motel tax.

[3] Robert D. Miller, Multnomah County Expo Center, Study of Operations and Facilities, July 1990.

Increasing event attendance should be a goal for each facility. Special attention should be paid to reaching citizens outside the Portland city limits where the potential for increasing attendance appears to be the greatest. Events should also be actively marketed to tourists. Specific efforts should also be made to reduce the perceived barriers to attendance such as those identified in the survey conducted by the Arts Plan 2000+ consultant. Perceived barriers included high ticket prices, inconvenience and high cost of parking, and lack of event information.

F. Memorial Coliseum

1. Current Operations

a. Arena

• **The seating capacity of the Memorial Coliseum is too small to adequately serve the needs of the region's expanding population or the needs of an NBA franchise.** With a seating capacity of 12,884 for basketball, Memorial Coliseum will be the smallest arena in the National Basketball Association (NBA) within a year. Due to the limited seating capacity and the practice of Trail Blazer management of selling about 92 percent of the seats as season tickets, it is very difficult for non-season ticket holders to obtain tickets to a Trail Blazer game. The Coliseum is too small to meet NHL floor size requirements. Some concerts pass Portland by due to the Coliseum's small seating capacity. Moreover, standards for modern arenas are no longer spartan, but provide much greater comfort in terms of seating, luxury seating, concession facilities and other services. Such amenities are now expected for NBA events as well as some concerts and touring events.

• **The Coliseum arena has generated a positive cash flow.** Listed below is the experience of the past five fiscal years including the cash flow before capital expenditures, the amount of capital expenditures, and the resulting total cash flow:

Fiscal Year	Cash Flow (before capital outlays)	minus	Capital Outlays =	Cash Flow
1986-87	$1,577,000		$350,000	$1,227,000
1987-88	1,164,000		642,000	522,000
1988-89	931,000		873,000	58,000
1989-90	588,000		978,000	(390,000)
1990-91 est.	1,600,000		200,000	1,400,000

The most consistently profitable events are concerts and family entertainment. Profits and losses are summarized below for the past four fiscal years:

Fiscal Year	Trail Blazers	Winterhawks	Concerts	Family Entertainment
1986-87	($103,331)	$20,716	$296,599	$259,258
1987-88	(132,256)	(105,818)	215,247	208,774
1988-89	(73,921)	(17,254)	160,869	173,480
1989-90	(96,885)	(82,939)	184,798	211,248
1990-91 est.	(80,000)	(80,000)	400,000	200,000

If competition from a new arena does not exist, the Coliseum can continue to generate substantial revenue. However, as the building continues to age, an increasing share of revenue would be required for capital improvements, as set forth above.

• **Expansion of the Coliseum is not a viable option.** The Portland ERC evaluated expansion of the Coliseum in 1978. The study, performed by Skidmore, Owings & Merrill and Moffatt, Nichol & Bonney, demonstrated that some seats could be added. However, new columns to support the expansion would be required. These columns would likely reduce concession, meeting, and public circulation space. Expansion would not add significantly more seats nor would it add amenities that are becoming industry standards.

• **An arena is needed to attract conventions which have large plenary sessions.** This has been difficult because there are few available dates during the NBA season. To date, out of 82 events booked at the OCC, four will use the Coliseum arena. It is likely more conventions with large plenary sessions will be booked once a headquarters hotel is built. Currently, there is a lack of lodging space for very large conventions.

b. Exhibit Halls

• **The Coliseum complex provides 100,000 square feet of exhibit space as well as meeting rooms.** These facilities serve the mid-budget consumer and trade shows and represent a special market niche for certain regional shows that is not served elsewhere. For the 1991-92 fiscal year, 73 events covering over 220 use days are booked ranging from professional exams to trade and consumer shows.

The financial performance of the Coliseum exhibit space has been variable as shown below:

Fiscal Year	Operating Gain or (Loss)
1986-87	$168,052
1987-88	(61,216)
1988-89	(202,488)
1989-90	(104,723)
1990-91 est.	(100,000)

In 1986-87, the Coliseum exhibit space experienced its highest attendance with over two million people attending events. As is the case with most public facilities, costs in the Coliseum exhibit halls exceed the revenue generated. However, other benefits accrue to the public simply by having these facilities available and used by the public.

The consumer show industry contributes to the economy of local communities where consumer shows are held. The industry's economic impact derives not only from the business activities of show producers, but also from spending by people who attend and those who exhibit at consumer shows. Exhibitors and attendees, both local and from out of the market area, spend money in the local community for such goods and services as food and beverages, lodging, and sightseeing related to their visit to the show. Additional tax revenues are generated for local and state governments, and jobs are created and sustained in the local area by consumer shows.

The economic impact of consumer and trade shows was not available on the local level; however, some data is available at the national level. Based on a survey of consumer show producers in late 1988 by the National Association of Consumer Shows (NACS), the typical consumer show draws an average attendance of 33,000 people; pays an average of $36,000 in rent or facility charges; spends about $26,000 with service contractors; spends $58,000 for marketing and advertising; purchases an average of 40 hotel room nights; and spends an average of $675 for employee meals.

2. *Impact of a New Arena*

•**During construction of a new arena which is currently targeted to begin in 1992, the Coliseum could lose as much as $700,000 annually.** This estimate is based on a worst case scenario with the following assumptions: a) preliminary conceptual drawings which show a 60% loss in parking spaces beginning the day construction starts, b) closure of the exhibit halls during construction, and c) a 25% loss in revenue through a combination of lower attendance at events and fewer events during construction. Construction could be phased in to mitigate this estimated loss.

• **It is highly unlikely that the Coliseum can be separately managed as a profit-making business after completion of the new arena.** Whether two arenas run separately can operate profitably is dependent on a number of factors including population size, disposable income, and proximity to other major cities where touring shows travel. Based on preliminary financial projections and assuming a moderate capital outlay program, a medium event mix, and separate management from a new arena, the Coliseum losses range from $480,000 in 1994 when a new arena is opened to $898,000 in fiscal year 2000-01. Operating the Coliseum and a new arena under one management entity, however, could create opportunities for enhancing revenue generation at both facilities. A single management entity can operate more efficiently and can better utilize both facilities by centralizing marketing and bringing more and larger events to the region.

•**If a new arena is built, consideration may have to be made for different uses for the Coliseum.** The outside "box" is structurally separate from the inside which would facilitate renovation to another use. Among the uses discussed by the Committee were a sports training center, headquarters hotel, art institute, aquarium, family entertainment center or an environmental studies institute. Although these are all possible uses, maintaining the Coliseum as an arena may be more cost effective. Costs for renovations vary depending on the use of the facility. Totally demolishing the building would cost about $2 million.

• **The Coliseum is a war memorial which needs to be maintained.** Although no legal barriers to renovation or demolition exist, maintaining the memorial is an important consideration. The memorial plaques are located outside between the arena and exhibit halls. The Blazers indicate they would "enhance" the memorial in some way.

• **The Coliseum exhibition space fills a special market niche for mid-budget trade and consumer shows.** With the elimination of mid-budget exhibit space at Montgomery Park by the end of 1991, the importance and the demand for the Coliseum space is increased. Replacement of this exhibit space may be needed to meet demand for mid-budget trade and consumer shows.

G. PCPA

• **The Portland Center for the Performing Arts and the programs of its tenants have had a major economic impact on the region and a major influence on the availability of concerts, theater and cultural education.** Based on the 1989-90 annual attendance of 850,000, the PCPA generates a total estimated annual economic impact of over $51 million. This impact is likely to be significantly greater for the 1990-91 fiscal year when attendance increased to over one million.

PCPA contributes to the region's quality of life by providing high quality professionally run performing space for the region's acclaimed arts organizations. The presence of world class facilities and arts and entertainment presentations helps attract new businesses, conventions and tourists, and audiences from throughout the region. PCPA is partially responsible for the revitalization of the downtown business district which now has a vibrant nightlife.

The addition of three theaters in the past decade with attendant growth in arts and entertainment organizations has provided a breadth and depth of cultural experiences unavailable ten years ago. Audiences now have the opportunity to see numerous theater performances including the Oregon Shakespeare Festival, ballet and special children's productions.

• **The positive impact of the PCPA's arts and entertainment programs on the region's economy, education of its children and quality of life is poorly recognized by the public.** PCPA is viewed more as a burden than a benefit. Furthermore, there is a lack of recognition of PCPA as an organization. Few people realize that PCPA is a complex of three buildings housing four theaters. Rather, they are often viewed as separate entities. Signage and logos do not facilitate recognition of PCPA's function or the function of the individual buildings.

• **As is the case for all other public entertainment facilities, earned income is inadequate to cover the operating and capital needs of the PCPA, resulting in an**

undue reliance on rent and the user's fee. In fact, staff research found no performing arts facility in the country that operates without other funding sources. Such sources generally include public funds, but some are supported by an endowment or other private source. Public funds usually come from a municipal general fund or hotel/motel tax. In addition, private support in Portland is low compared to other cities. As previously noted, the PCPA relies on rent, labor reimbursement, and user fees while other facilities depend on concessions and parking revenue.

Fiscal Year	Operating Loss	Capital Costs	Total Loss
87-88	$884,000	$16,000	$900,000
88-89	486,000	14,000	500,000
89-90	757,000	33,000	790,000
90-91 est.	238,000	312,000	550,000

• **The tenants of the PCPA have been severely affected by the failure to adequately fund the operations of the PCPA.** The current operating deficits of the PCPA should have been foreseeable at the time the building was conceived and built. As a result of inadequate funding, the New Theater Building and the Schnitzer Concert Hall lack adequate resources for operations and capital improvements. Moreover, tenants of the buildings have been affected by significantly increased production and marketing costs. The user fee has also increased dramatically.

The absence of financial support for the PCPA resulted in the transfer of the PCPA to MERC as a partial, temporary solution. In this way, the Coliseum reserve fund has been used to make up the operating shortfall. This fund was created for Coliseum profits accumulated over the years. It is only a temporary measure because, as indicated above, the reserve fund is being drawn down at a rate that will deplete it in about three years. This will leave the PCPA with no public support and the other facilities with no source of funds for major capital improvements.

•**While not sufficient to eliminate the need for public support, opportunities do exist to enhance hall usage and attendance.** While attendance at PCPA events is substantial, an audience survey conducted by the Wolf Organization, the consultants to Arts Plan 2000+, revealed some untapped potential. To realize this potential, resources would be needed to allow staff to actively work to overcome such perceived barriers as high ticket prices, inconvenience and cost of parking, and inadequate event information, and to market to potential audiences and to tourists. Opportunities for fundraising also appear to exist, particularly for naming the unfinished shell space, the New Theater Building, and the Intermediate Theater.

•**Performing Arts organizations in the region are in a precarious financial position.** As stated in the recent draft of Arts Plan 2000+, "Portland's arts organizations do not meet minimum industry standards of financial health." Growing audience demand, increased production costs and inflation have driven expenses up over 100% since 1982. Meanwhile, the public's share of support as a percent of revenues has declined from over 4% to under 2%.

The arts community shows a continuing pattern of fiscal instability as a result of these factors. In the last few years alone, the PCPA has lost three major tenants: Storefront Theater, the West Coast Chamber Orchestra, and Music Theater of Oregon, all of which ceased operating because of deficits. The Oregon Shakespeare Festival is faced with a deficit which may portend its departure from Portland.

In a survey done by the Metropolitan Arts Commission, Portland's per capita expenditure for the arts was about one third that of other cities. Given this situation, an adequate investment in the PCPA alone will not ensure a healthy program of arts and entertainment for the region.

• **The PCPA, unlike similar facilities in other parts of the country, does not provide a lower rental rate to non-profit arts organizations through the rental fee structure.** In a national survey of 18 facilities done by PCPA in 1989, 14 facilities provided a lower rental rate to non-profit arts organizations. In some cases, this rental rate was 40% below commercial rates. In the recent survey by the Wolf Organization of seven facilities similar to PCPA, only the PCPA stated they do not have separate rates for non-profit arts organizations. (Five said yes; one did not supply information.) The purposes of lower rental rates are to help provide financial stability to arts organizations, help keep ticket prices down, and allow organizations to provide low cost or free events for the public. Thus, lower rental rates help give access to arts to the general public at all income levels.

•**PCPA, unlike similar facilities in other parts of the country, does not operate programs designed to bring arts to disadvantaged youth, promote cultural education for children or bring major arts events to the metropolitan area.** Such programs are left to the tenant organizations, most of which are already strapped for funds.

H. Civic Stadium

• **With a seating capacity of 26,500 permanent seats, Civic Stadium is too small for major league sports, but is an appropriate size for college, high school and minor league events.** The size is also adequate for concerts and other special events.

• **The Civic Stadium currently operates at a loss.** Operating history is as follows:

	Operating Loss	Capital Costs	Total
1986-87	($284,683)	$4,446	($289,129)
1987-88	(254,745)	18,704	(273,449)
1988-89	(188,493)	16,439	(204,932)
1989-90	(108,000)	1,001,390	(1,109,390)
1990-91 est.	(155,000)	20,000	(175,000)

As indicated, the operating loss has decreased in recent years. The 1989-90 loss included replacement of the artificialturf at a cost of $1 million.

College football, concerts and other entertainment are the consistently profitable events. The major event contributing to the loss is Portland Beavers baseball which consistently loses approximately $300,000/year. A new contract negotiated with the Beavers in 1991 requires somewhat higher rent payments and sets aside funds from concessions to finance promotions. This new contract should decrease the amount of operating loss incurred by Civic Stadium.

• **Concerts and other non-sports events are difficult to stage at Civic Stadium.** The lack of staging for concerts, and the noise of events on the neighborhood discourages promoters from considering Civic Stadium as a venue for concerts. MERC staff has worked with the neighborhood association to limit congestion and has agreed to limit concerts because of the noise.

• **If the region decides to pursue a larger stadium, a number of potential options exist.** The options, in order of preference, are: Option 1 would be to renovate and upgrade Civic Stadium within its existing footprint. Wooden bleachers would be replaced, uncovered seats would be covered, and necessary support facilities would be added. This option would yield a 40-50,000 seat, open stadium. Option 2 would be a major expansion and upgrade of the existing stadium including enclosing the facility with a dome structure. The existing facility would be expanded beyond its current footprint to the east and west and seating would be expanded to 55-65,000. Under option 3, a new stadium with a dome would be built in the urban core area. Seating capacity would be between 65-75,000. Option 4 is similar to option 3 except that the stadium would be built in a suburban location. A larger site would be needed for parking.

• **If an NFL franchise is to be awarded to the Portland region, four key issues must be addressed.** First, the region must commit to expanding Civic Stadium or building a new stadium. Second, the region must demonstrate that it can fill a 50-70,000 seat stadium. Third, a team owner or ownership group must be identified. And finally, the Sports Action Lottery must be eliminated.

• **At least one new major league professional sports franchise should be committed to the Portland region and a new stadium prior to public investment in a stadium.** While the region may seek approval of project funding prior to such a commitment, that funding should be contingent on securing a franchise. Further, a new stadium investment should not be made if the facility will require an ongoing operating subsidy.

• A need exists for long-term coordinated efforts to seek and secure sporting events and potential new sports franchises. In the past, efforts to attract sporting events have been carried out by individuals and small ad hoc groups. Many opportunities are not even pursued due to a lack of an organized effort.

Amateur sports events in particular provide an excellent opportunity as their numbers have increased dramatically over the past decade. Like other economic diversification efforts, the economic impact of sporting events can be great. As examples, the economic impact of the 1988 Olympics Cycling Trials in Spokane, Washington is estimated at $3.2 million, the 1993 Olympic Festival in St. Louis, Missouri, $27 million, and the 1996 Olympics in Atlanta, Georgia, $3.5 billion.

A coordinated, sustained, public/private effort is required if the region is going to maximize use of its sports facilities and expose area residents to an expanded mix of sports events.

I. Oregon Convention Center

• **Although the OCC has been in operation for a short time, it is exceeding original projections in the number of conventions obtained.** Currently, OCC uses 60-65% of the available event days instead of 53% as projected.

• **The mission of the Oregon Convention Center, which is to attract convention business, is sound and should not be modified despite pressure from public and consumer shows to change.** The possible loss of exhibit space at Memorial Coliseum may create a shortage of exhibit space in the region. Pressure from consumer and trade shows will likely be placed on the Convention Center to allow more trade and consumer show business into the Center. The Center's primary target for business is conventions and any change in the primary target could seriously dilute the purpose for which the OCC was built and negate the expected economic benefits from convention business.

• **An insufficient number of hotel rooms in proximity to the OCC is a barrier to getting large convention business.** The addition of a headquarters hotel would not only add rooms, but would provide even more capacity for meeting room and exhibit space. A headquarters hotel brings an element of convenience and for that reason alone will result in more conventions. A headquarters hotel would allow conventions to be held closer together because the small meetings generally needed before and after a convention could be held in the hotel meeting rooms rather than the Convention Center.

• **Expansion of the Convention Center would allow it to enter new markets for larger groups, expand its ability to handle more multiple events and allow for the growth of current shows utilizing the Convention Center.** The original OCC plans provided for an expansion option to the south of the building which would add 90,000 square feet of exhibit space along with additional lobby, pre-function, meeting room and support space. The expansion was projected to occur in about three to five years provided experience in garnering business warranted it.

The space slated for expansion would, however, eliminate 875 parking spaces in an area where parking is already a major problem. This problem becomes acute when there are major events at both the OCC and the Coliseum complex. The problem will be greater should a headquarters hotel be built. There is property available for a parking structure that could serve hotel or expansion or both.

J. Expo Center

• **In 1986, the Regional, Convention, Trade and Spectator Facilities Master Plan recommended that "As a matter of regional policy there should be only one operating commission for regional inventory of major public convention, stadium, arena and related trade facilities."** This recommendation was to be implemented in stages, one of the latter stages being transfer of the Expo Center to a regional commission. A recent report by a City of Portland/Multnomah County Citizens' Committee on City County Service Consolidation also recommended transfer of Expo management to MERC.

The advantages to consolidation are that it allows one organization to manage all consumer show venues, provides consistent event spacing policies, permits coordinated and balanced pricing policies, allows scheduling flexibility, and allows one marketing team to integrate the Expo Center into its plans and programs. The major disadvantage for MERC is a potential liability for capital improvements. For Multnomah County, there is the loss of revenue that currently goes to the county general fund to fund general county government. All of these issues could be negotiated.

• **The Expo Center principally services public consumer shows, most of which cannot be moved to another facility due to the size of the shows or other constraints, thus creating a market niche for Expo.** Various studies of the Expo Center reveals that Expo generally does not compete with the Convention Center; however, it does compete with the Coliseum to some degree.

• **The Expo Center continues to generate a positive cash flow. In 1988 net revenue was $552,948 and in 1989 it was $899,523; the difference is accounted for by a much larger expenditure for capital outlay in 1988 and by a general increase in revenue. In 1990 the net profit was much larger--$1,269,164.** However, this increased revenue includes $214,200 from the sale of Expo Drive as well as a new policy of pre-payment which inflates the rent revenue for 1990. In general, revenues from all sources have increased with some leveling or a slight decrease projected for 1991. The excess revenue goes to the county general fund.

• **Even though the Expo Center makes money, it does not seem to have exhausted its potential.** A report by the Multnomah County Auditor indicated that it was rented 44% of available days in 1989. To some degree this reflects a desire to rent halls on the weekends. There also appeared to be some seasonality; rental was high in January to March and quite low in April to June. This data suggests the possibility that effective marketing could increase usage.

K. Other Facilities--End of the Oregon Trail Project

• **The End of the Oregon Trail project, to be located in Oregon City, is a potential new facility that would be of significant regional interest from a historic, economic, and cultural perspective.** The End of the Oregon Trail is part of a statewide and national program designed to celebrate our heritage and to attract tourists. Congress designated the Oregon Trail as a National Historic Trail in 1978 with its beginning in Independence, Missouri and its terminus at Oregon City. The End of the Oregon Trail Center will bring to life the experience of the Trail emigrants as well as the stories of the resident Native Americans and the country. By incorporating the Interpretive Center and Living History elements into the main $46 million phase, the End of the Oregon Trail facility will become a major attractor of national stature. The Lyon Group, economic consultants to the End of the Oregon Trail project, estimate $4 million will be generated per year from the direct spending of 400,000 visitors (both local and tourists), with an annual contribution of about $10 million to the region's economy.

•The project has received substantial local investment used to hire expert assistance to do careful and creative planning critical to the success of any such project.

L. Financial Needs

• **If all facility needs identified in this report were funded, over $6 million would be needed on an annual basis.** The list below summarizes the financial needs of MERC and other facilities and programs. These needs are based on projections for the 1994-95 fiscal year and assume that the Memorial Coliseum is operated by the Blazers with no public funding involved. All needs listed are annual requirements except for expansion of the Convention Center and construction of the End of the Oregon Trail project. The financial projections contained here do not address a number of the important initiatives such as 1) educational program initiatives; 2) improved service; 3) increased marketing efforts; and 4) programming initiatives. It is difficult to assess at this time the full cost of these services. Further study should occur and funding found to adequately support these activities. Some of these needs are addressed in Arts Plan 2000+, and funding included in operational support of the Arts Plan. MERC and the PCPA Advisory Committee in tandem with Arts Plans 2000+ should study these issues and recommend levels of support necessary to implement these initiatives.

Needs	Projected Cost
Operational support: PCPA	$420,000
Operational support: Civic Stadium	160,000
Reduced rent to non-profit arts organizations	252,000
Subtotal	$832,000
Capital renewals and replacements: PCPA	$280,000
Capital renewals and replacements: Civic Stadium	90,000
Subtotal	$370,000
Capital enhancements: PCPA	$520,000
Capital enhancements: Civic Stadium	510,000
Subtotal	$1,030,000
Operational support: End of the Oregon Trail	$350,000
Operational support: Arts Plan 2000+	4,300,000
Subtotal	$4,650,000
GRAND TOTAL FOR ANNUAL OPERATING COSTS	**$6,882,000**
Expansion: Oregon Convention Center	$25,000,000
Construction support: End of the Oregon Trail	31,500,000
GRAND TOTAL CONSTRUCTION COSTS	**$56,500,000**

As mentioned above, some of the program needs are being identified in the Arts Plan 2000+ process. Although not final, some of these needs include increased operating support for regional arts organizations, operating support for arts councils outside Portland, creation of a business development program for smaller arts groups, project grants for community and neighborhood arts groups and artists, multi-cultural art project grants, creation of an individual artists fellowship program, audience development, public art maintenance, and Arts in Education programs.

M. Financing

• **In selecting revenue measures to finance regional entertainment facilities, four criteria should be used: 1) regionally-based, 2) equitable, 3) sufficient, and 4) feasible.** The facilities serve a regional audience and therefore the tax burden should be shared by the region. Equitable means that those who use or who benefit from the facilities or programs should bear a greater share of the tax burden. The tax must be sufficient to raise adequate revenue to address the ongoing needs of the facilities. The tax must be politically feasible in terms of voter acceptance as well as Metro's authority to levy the tax.

• **Of the revenue sources examined, no single source meets all of the criteria; however, a combination of three sources appear to most closely match the criteria: admissions tax, hotel/motel tax, and general obligation bond.** As previously discussed, a user fee is currently applied to tickets sold for events in the Memorial Coliseum, PCPA, and Civic Stadium. The fee ranges from 50¢ to $1.50 depending on the price of the ticket. An admissions tax is a broader ticket tax than the user fee and would apply to a greater number of facilities and events including movies, concerts, amusement parks, festivals, cover charges at private clubs, and other events held in the region where an admission fee is charged. For each percent imposed, an admissions tax could generate an estimated $300,000 annually. If a regional admissions tax were levied, the current user fee at MERC facilities would be discontinued. Metro does not currently have the authority to levy an admissions tax and no mechanism for collecting such a tax currently exists. However, an admissions tax does require those who use entertainment facilities to pay a greater share of the cost.

Currently, all three counties within the Metro district levy a hotel/motel tax. The rates range from 6% in Clackamas County to 7% in Washington County to 9% in Multnomah County (including the 6% rate levied by Portland for hotels in the City.) Hotel/motel taxes are frequently used to fund public spectator and entertainment facilities around the country. The reasoning is based on the assumption that these facilities generate tourism by making the area a more attractive destination. An across the board 1% increase on existing hotel/motel taxes in the three counties would produce approximately $1.5 million. A flat 10% rate within the region would produce approximately $2.3 million. While Metro does not currently have the authority to impose a hotel/motel tax, each of the counties in Metro do impose the tax. Thus, Metro could develop an intergovernmental agreement with the counties.

General obligation bonds may be used to finance capital improvements or construction but may not be used to pay for ongoing operational costs. Metro has authority to issue general obligation bonds supported by property taxes subject to voter approval. A Metro general obligation bond issue could produce $4.1 million for each $.01 levy per $1000 of assessed value under current market conditions.

Several other revenue sources were examined. A food and beverage tax would act much like a sales tax but could be levied only on prepared foods and beverages served in restaurants and similar establishments. A regional 1% tax on food and beverages could be expected to generate about $10 to $11 million per year. However, Metro does not have the authority to levy such a tax and substantial time and money would likely be necessary to collect such a tax. Historically, Oregonians oppose sales tax proposals. The Oregon Legislature may consider a sales tax in 1992 to address the property tax limit.

The State currently imposes a personal and corporate income tax. Metro may, upon voter approval, impose an income tax not to exceed 1% on the taxable income of residents and/or the net income of businesses in the district. An income tax imposed at the full 1% rate would generate $190 million annually. The Committee believes that significant public resistance exists to increasing the income tax. Oregon's income tax is considered high when compared to other states, and businesses strongly opposed the recent attempt by Multnomah County to increase the business income tax.

A real estate transfer tax would place a charge on any real estate transaction taking place within the Metro boundaries. Currently, Washington County is the only governmental unit in the state that levies a real estate transfer tax. The tax in Washington County was imposed in 1974 and is levied at a rate of .1% or $1 per $1000 of the sale price of the property. In the 1990-91 fiscal year, the tax produced $1.5 million. Such a tax, however, produces extreme variations in revenue depending on the number of transactions and the selling price in a given year. A tax on real estate transfers bears no relationship to entertainment facilities and Metro does not have authority to levy such a tax. In addition, the Oregon Legislature has prohibited the imposition of new real estate transfer taxes until January 1, 1994.

Metro commissioned a poll of a scientific sample of district voters to test voter opinion on a variety of financing issues. The poll, conducted by the Public Affairs Counsel in October 1991, asked voters to rate the fairness of various taxes that could be used to pay operating costs for public entertainment facilities. Taxes were rated on a scale from 1 (being unfair) to 4 (being fair). The results are as follows:

Tax	% Unfair 1	2	3	% Fair 4
Admissions Tax	25	12	18	44
Hotel/Motel Tax	27	16	19	36
Food/Beverage Tax	46	17	15	21
Sales Tax	54	10	11	23
Real Estate Transfer Tax	49	22	13	10
Income Tax	68	15	7	9
Property Tax	68	16	9	7

According to this poll, an admissions tax and a hotel/motel tax were judged to be the most fair taxes. The results show that a food/beverage tax, sales tax, real estate transfer tax, income tax and property tax are viewed as unfair to pay for entertainment facilities.

The hotel/motel industry also contends that tax on hotel/motel rooms is not a fair way to pay for these facilities. The industry states that while the hotel/motel tax is an easy way to find revenue, a direct benefit does not accrue to hotels and motels. The industry also contends that the tax may reduce occupancy.

Clackamas County is also concerned about a regional hotel/motel tax. County commissioners are considering revamping the county hotel/motel tax; however, any change or increase must be approved by county voters. The increase needed to bring Clackamas County hotel/motel tax up to a region-wide 10% percent rate is greater than the increase for the other two counties in the region. In addition, the amount returned for support of the End of the Oregon Trail project ($350,000) is far less than the revenue generated by the increase in the county hotel/motel tax ($480,000). Thus, it appears that only Clackamas County residents are supporting the project rather than residents of the entire region. The county's other concerns include the inflexibility and inability to set priorities based on changing needs and Metro's costs to administer the tax.

N. Public Opinion Survey

• **The region's residents place a high value on performing arts, sports, and other entertainment facilities.** As mentioned above, Metro commissioned a public opinion survey to determine public perceptions of performing arts, sports, and convention and trade show facilities. The survey was designed to assist public policy makers in shaping the development and financing of public facilities to the desires and needs of the general public.

According to this survey, the public does not have a clear understanding of who is responsible for maintaining and operating these entertainment facilities. They believe, however, that the facilities should be managed by one regional commission.

The individual facilities receive high performance ratings when respondents have some familiarity with the particular facilities such as Memorial Coliseum or

Civic Auditorium. Newer facilities such as the Oregon Convention Center and the New Theater Building have high undecided numbers reflecting either a lack of use or unfamiliarity with the facility name.

All of the facilities received a high value rating of more than 50% except for the New Theater Building. Since 45% were not sure of the value of that facility, it is likely that the unfamiliarity with the name is the reason for the lower positive value rating. Under the performance ratings, the Oregon Convention Center had a 40% positive rating with 51% undecided. In the value ratings, however, OCC has a 68% high value rating with only a 16% low value rating and 16% not sure. This clearly indicates that while many residents are not personally familiar with the new Convention Center, they see that it is beneficial to the community.

There is reasonably high facility attendance as well as fairly equal distribution of attendance among the major facilities.

Questions were also asked about potential new facilities. Respondents were given a brief description of the End of the Oregon Trail project in Oregon City and asked whether they supported the idea of developing such a facility for the region. A majority of 68% said yes, while 19% said no and 13% were not sure. Respondents were then asked if they would favor or oppose a $38.5 million bond measure to construct the End of the Oregon Trail facility. In a reversal of the previous question, 56% opposed the measure, while 33% favored it and 11% were not sure. The response to this question may have been influenced by the receipt of property tax statements during the polling period. Respondents were also asked whether they believed the Portland region would need a new domed stadium to house a major league football and/or baseball team at some point over the next ten to twenty years. Forty-two percent of residents believed that a stadium would be needed, while 48% did not and 10% were not sure.

VI. Conclusions

• The Portland metropolitan region is at a critical juncture in the future of its entertainment facilities. If no new funds become available within three years to cover ongoing operations and capital improvements, the region stands to lose its significant investment in its complex of public entertainment facilities. Research from across the nation clearly indicates that arts and entertainment facilities cannot operate on earned revenue alone. All facilities need to have funding provided for capital improvements, promotion and some level of operating support. This was done for the Convention Center and it should serve as a model for the other facilities.

The financial problems of the MERC facilities have been masked by the profitability of the Memorial Coliseum. But, as demonstrated, a significant part of the profits from that facility actually come from parking and concession revenues. Earnings should have been reserved for capital improvements that are needed on an ongoing basis particularly as buildings age. Instead, other demands have been allowed to draw on the reserve fund--operational support for the other facilities and subsidies for sports teams. All of these have diminished the surplus to a point where it will be completely depleted in about three years. Unless a new source of support is found, drastic measures such as building closure and severe neglect of needed repairs will occur. The quality of life in Portland--so necessary to attract economic development--will be severely affected.

• To adequately meet the most immediate operating and capital improvement needs of PCPA and Civic Stadium, approximately $2.2 million is needed on an annual basis. However, to fund the program needs identified in this report and in Arts Plan 2000+, an additional $4.6 million is needed per year for a total need of $6.8 million annually. Providing the minimal $2 million level of support would address the most immediate needs of the facilities, particularly PCPA and Civic Stadium, and would be a long-term solution to a critical problem. However, providing an additional $4 million in annual funding will expand entertainment options for the region's residents, provide financial stability to arts organizations, and keep ticket prices as low as possible.

The financial needs which Metro should seek to fund are summarized as follows:

<u>Annual minimum support:</u>

• Operational support: Stadium & PCPA	$832,000
• Capital renewals & replacements: Stadium & PCPA	370,000
• Enhancements/deferred capital improvements: Stadium & PCPA	1,030,000
	$2,232,000

Additional program needs:

• Operational support: End of the Oregon Trail	$350,000
• Arts Plan 2000+ funding (amount needed as adopted by the Arts Plan Executive Committee; not yet adopted by the Arts Plan Steering Committee)	4,300,000
	$4,650,000
TOTAL	**$6,882,000**

• This community is blessed with having world-class entertainment facilities. Over the past thirty years, the area's residents have invested in a complex of quality entertainment facilities including an arena, exhibit space, stadium, performing arts complex, and convention center. These facilities were built and renovated to meet the growing demand in the region for a full array of entertainment services. These facilities ensure that our citizens have a wide range of entertainment opportunities. Throughout the year, residents can attend any number of high quality family shows, professional sporting events, theatrical and musical productions, and trade and consumer shows.

• The political will for providing construction funds to build these facilities has existed in the past, but the political will to fund ongoing operations, maintenance, and capital enhancements has been lacking. The result is that we have now reached a crisis situation. A prime example of this is the Performing Arts Center. Supporters convinced voters to pass a general obligation bond to build the center. However, no effort was made to insure funding for operations. Subsequently, when it was clear that operating funds were necessary, supporters were unable to convince voters to adopt an increase in the hotel/motel tax. Efforts are needed to convince the public that failure to provide operational funding is unwise policy and will result in deterioration of the public's investment.

• Public entertainment facilities--regardless of whether they are sports, arts, exhibition, or convention facilities--require funding sources in addition to ticket sales. If such facilities were profitable, the private sector would build and operate them. Entertainment facilities are provided as a public good; that is, they provide a wide range of entertainment, educational, sports, cultural, civic, and artistic opportunities for residents at reasonable prices and attract visitors and businesses. As discussed in this report, no entertainment facilities in the country were found that operate without public funds. Public support will still be required even if operations are made more efficient.

• Some decisions appear to be made which have no clear public policy objective. In addition, the public purposes for which MERC exists are not clearly articulated and, therefore, do not guide decision-making. Consistent policies which managers could use to guide decisions are not clearly defined. Contracts with the three professional sports teams amount to subsidies because all costs are not recovered. While it is reasonable to expect some cost sharing of public investment in order to bring new forms of entertainment to the region, it is questionable whether these should become permanent subsidies. At the PCPA, the Oregon

Shakespeare Festival was given a three-year subsidy and it was then discontinued. This assumes that after the initial few years, operation without a subsidy is possible. In contrast, subsidies continue for professional sports teams. Providing subsidies to profit-making ventures which have had sufficient time to establish themselves is questionable public policy.

Public entertainment facilities elsewhere typically engage in efforts to bring arts and entertainment to a broad spectrum of the public, operate education programs, and develop specific measures to achieve cultural and ethnic diversity. MERC has few such programs and operates primarily as a private landlord. Programs designed to keep ticket prices low, provide free and low cost entertainment, educate children and adults, and achieve cultural diversity are important and needed aspects of the region's public life.

- **Facility managers need to have the authority and control necessary to effectively operate the facilities pursuant to clearly defined public policy objectives.**

VII. Recommendations

A. General

• MERC should develop and implement a long-range business plan for its facilities. The plan should contain 1) clearly defined mission statements for MERC and for each facility to guide policy decisions which balance overall community needs; 2) a capital improvements plan which includes both basic renewal and replacement as well as major enhancements; 3) an operational plan which provides necessary management tools to managers; and 4) a marketing plan designed to increase event attendance and to reduce perceived barriers. In developing new mission statements, consideration should be given to the following key elements: maintaining up-to-date arts and entertainment facilities; supporting the artistic growth and financial stability of regional arts organizations which use the facilities; attracting premier international cultural and entertainment events; providing for the greatest access possible through education and outreach; and operating in a highly cost-effective manner--striking a balance between increasing revenues, broadening access, and maintaining consistent high quality.

An adequately funded capital improvements plan will make the facilities more functional, extend their useful lives, improve opportunities for revenue generation, and better serve the general public using the facilities.

In developing the marketing plan, special attention should be paid to reaching citizens outside the Portland City limits where the potential for increasing attendance appears to be greatest. Specific efforts should be made to reduce perceived barriers to attendance such as those identified in the Arts Plan 2000+ survey including high ticket prices, inconvenience and high cost of parking, and lack of event information.

•The Metro Council and the Metropolitan Exposition-Recreation Commission should jointly and cooperatively oversee the reduction of overhead costs charged by MERC and Metro. Areas of duplication must be eliminated and opportunities for streamlined operations must pursued aggressively.

•Metro and MERC should employ all possible means including improved management and operational efficiencies, membership programs, raising funds through the naming of buildings and advertising of events, and a greater role in events promotion to increase revenue and reduce the need for public support for its facilities.

• MERC should re-examine its rental rates, rent structure and other charges to tenants. The purposes of this re-evaluation are to keep the facilities financially accessible to non-profit organizations and to help keep ticket prices as low as possible. Rental rates should be designed to facilitate optimum use of facilities.

B. Arena

• **Metro should pursue development of a new sports and entertainment arena with a seating capacity of 16,000 to 20,000 as the next major spectator facility to be built in the metropolitan region. To maximize public benefit while minimizing public costs, Metro should pursue a public/private partnership with the Portland Trail Blazers as anchor tenant and developer.** The Memorial Coliseum is now used at near full capacity with many events sold out. A larger arena with improved production capacity would be more attractive to event promoters and would serve more of the population of the metropolitan area.

The Blazers are proposing building a multi-million dollar, state-of-the-art facility that the public, by itself, could not afford to build. The facility will provide tremendous opportunities for local, regional, national, and international events that would otherwise not come to the metropolitan region.

• **Memorial Coliseum should be retained.** The Coliseum is structurally sound and can be expected to remain a useful building for at least another ten years. Keeping the Coliseum will allow an even greater variety of events to be held which will have a major economic impact on the region.

• **Two arenas should be operated cooperatively under a single management structure.** One management entity can operate both arenas and coordinate events more efficiently.

• **If the Coliseum remains as an arena under a single management entity, it should be operated so that no public operating subsidy is required.** This will enable the Coliseum to be operated as efficiently as possible.

• **If the Blazers build a new arena, they should be encouraged to set aside a much higher proportion of their tickets for purchase by non-season ticket holders.** One of the public benefits of a new arena should be to allow a greater number of the population to enjoy events in general but Blazer games in particular.

C. PCPA

• **A regional funding base is needed to support the public purposes of arts facilities and organizations. Metro should join with proponents of Arts Plan 2000+ in seeking such a fund base, but only after a specific financial assistance plan for arts organizations is developed. The plan must specify how public funds will be expended and how such expenditures will achieve public purposes.** The financial stability of the PCPA is directly tied to the financial stability of our performing arts organizations. Accordingly, any proposal for new sources of funding for our regional facilities must be part of a comprehensive solution to support for regional arts. This report documents the need for additional support for PCPA when the Coliseum reserve fund is depleted. Arts Plan 2000+ cites the severe financial situation of the region's arts organizations. It further notes the low level of both public and private support for the arts. Without additional support, the region's arts programs and facilities will be seriously undermined. Nevertheless, any request for public monies must include a clear statement of how the funds would be used to achieve public purposes and to preserve our cultural assets.

• **The PCPA should provide a separate rate structure for local non-profit (501(c)(3)) performing arts organizations.** A major issue throughout this report is the high rent and user fees charged to PCPA tenants. The rate structure recommended here should be designed to reduce the current rent and user fee charges to non-profit performing arts groups and should be substantially comparable to national norms.

• **PCPA's name should be changed to reflect the diversity of events and buildings and the regional nature of the facility.** This report demonstrates that people from throughout the region use and are served by this complex and that the region receives significant benefits from the Performing Arts Center. These benefits must be clearly articulated to the general public as well as to elected officials within the region.

D. Civic Stadium

• **Metro should study further the options presented in this report for a larger stadium facility.** Extensive renovation and expansion of Civic Stadium or construction of a new stadium should be considered in order to take advantages of future opportunities for professional franchises, community events, or other events that could be served by a stadium. Planning for a stadium investment should be an ongoing responsibility for Metro.

• **Civic Stadium should achieve "break even" financial status within three years.** The evidence received by this Committee shows that the losses incurred by the Stadium because of Beavers baseball is a major reason why Civic Stadium loses money most years. It is reasonable to expect the Stadium to achieve a break even situation.

MERC should be aggressive in operating Civic Stadium. Metro should form a citizens advisory committee to review operating policies for the facility, including its tenant and event mix, publicity programs, and rent structure. The committee goal would be to recommend a specific action plan to follow so that the Stadium would break even within three years.

E. Oregon Convention Center

• **A headquarters hotel represents a necessary addition to the future success of the Convention Center and should be built as soon as possible.** With a headquarters hotel, Portland would be in a position to capture more and larger conventions with significantly greater economic impact. It would also provide more capacity for meeting room and exhibit space which would allow conventions to be held closer together.

• **Metro should initiate study of OCC expansion no later than 1993.** As discussed in this report, the Convention Center has exceeded expectations in terms of securing convention business. It is likely that as more and larger conventions are obtained, expansion of the Center may be needed. Several issues, however, need to be addressed including need for expansion, parking needs, and public support for financing.

• **Metro should immediately conduct a study of parking needs for the Coliseum/Convention Center area.** The study should identify specific needs and consider solutions such as incentives to use public transit, shuttle buses to remote parking lots, and construction of parking facilities.

F. Exposition Center

• **Metro and Multnomah County should negotiate transfer of management responsibility for the Expo Center.** Many studies in recent years have recommended this action. This Committee believes that it is now time for both governmental entities to act and begin the transfer process.

G. Sports Commission

• **Metro should immediately establish a sports commission to promote and attract professional and amateur sporting events and teams to the region.** From our research, it is clear that a need exists for long-term coordinated efforts to seek and secure sporting events and potential new sports franchises. Since the Stadium Subcommittee issued its report containing this recommendation, the Metro Executive Officer invited community business leaders and others interested in sports promotion to begin development of a sports commission.

H. End of the Oregon Trail

• **Metro should support the End of the Oregon Trail project as a regional facility and should seek a source of funds to support construction of the facility and work with Clackamas County and Oregon City on a management structure.** While this facility is designed to be self-sufficient, initial operating funds may be needed. This project has great potential for economic development activities in the region and could add to the region's cultural facilities. The Trail project represents a wise investment for Metro to make.

I. Arts Plan 2000 Plus

• **Metro should lend its support to the broad program needs outlined in the Arts Plan consultant report.** At the time this report was adopted, the Arts Plan report was not completed in final form. Moreover, no individual analysis of the 60 recommendations in the consultant report was conducted by this study. It is clear, however, that facilities and programs cannot be considered separately. The evidence is convincing that arts programs in this community are underfunded and in precarious financial condition. Therefore, support for increased funding for both programs and facilities is needed.

J. Financing

• Metro should take the steps necessary to raise sufficient public funds to finance operational support for the Civic Stadium and the PCPA, all facility capital improvements, and a rent structure appropriate for non-profit arts organizations. All of these funding needs are critical to the ongoing vitality of our facilities and are necessary to protect the public investment. Neither the PCPA nor the Civic Stadium can operate on earned revenue alone. Without a source of support, drastic measures such as closure--at least part of the year--will need to be considered. Capital improvements beyond just repair and replacement are essential. Many of the "enhancements" are necessary to bring the facilities up to modern entertainment standards. Without such improvements, events will pass Portland by and the overall financial health of the facilities will be adversely affected. In order for the region to reap the full economic benefit of the facilities, they must be kept in excellent condition. A modified rent structure is needed to support and maintain the health of our local arts organizations. The financial health of the buildings and their major tenants are intricately tied together. This tie should be recognized and supported via a rent structure which reduces operating costs for non-profit arts organizations.

• Recognizing that Metro has a number of other regional funding needs and that the ultimate decision on a financial mechanism will depend on the priorities, timing, and political realities, the following two options are recommended for consideration:

Option 1:

Financial Need		Regional Revenue Source
Enhancement/deferred capital improvements (next 10 years)	$10,300,000	General Obligation Bond
Operational support: PCPA and Civic Stadium	$832,000	6% Admissions Tax
Capital renewals and replacements: PCPA and Civic Stadium	370,000	6% Admissions Tax
	$1,202,000	Total Revenue from Admissions Tax

Option 1 is the more limited option of the two options presented. The $10.3 million general obligation bond would finance capital improvements which have been deferred as well as major capital needs for the next ten years. A 6% admissions tax would be applied to events in the region in which an admission fee or cover charge is levied and would raise about $1.8 million per year. An admissions tax could include such facilities as movies, amusement parks, private clubs as well as concerts, plays, and sports. Schools and non-profit organizations could be exempted from such a tax. A regional admissions tax would replace the current user fee at MERC facilities. The revenue from an admissions tax would fund operational needs for the Portland Center for the Performing Arts, and Civic Stadium; capital renewals and replacements at PCPA and Civic Stadium; and reduced rents to non-profit arts organizations. Under this option, no funds would be available for Arts Plan 2000+ or the End of the Oregon Trail project. The Committee recommends that any excess revenue from an admissions tax that is not used for tax administration should be set aside in a capital reserve fund to be used for future improvements.

Option 2:

Financial Need		Regional Revenue Source
Operational support: PCPA and Civic Stadium without discounts to arts organizations	$580,000	10% Hotel/Motel Tax
Capital renewals and replacements: PCPA and Civic Stadium	370,000	10% Hotel/Motel Tax
Capital enhancements and deferred capital improvements	1,030,000	10% Hotel/Motel Tax
Operational support: End of the Oregon Trail	350,000	10% Hotel/Motel Tax
	$2,330,000	Total Revenue from Hotel/Motel Tax
Reduced rents to non-profit arts organizations	252,000	6% Admissions Tax
Arts Plan 2000+, Phase 1	1,500,000	6% Admissions Tax
	$1,752,000	Total Revenue from Admissions Tax
GRAND TOTAL	**$4,082,000**	

Under this option, the hotel/motel tax would be increased to a uniform 10% rate throughout the region and would fund operational needs for PCPA and Civic Stadium and all capital improvements for those two facilities including renewal and replacements as well as enhancements. A uniform 10% hotel/motel rate region-wide would raise $2.3 million per year and would mean a four percent increase in Clackamas County, one percent in Multnomah County, and three percent in Washington County. A 6% admissions tax would pay for operational support for the End of the Oregon Trail, lower rental rates for non-profit arts organizations, and a portion of the Arts Plan 2000+ which could be phased in as funding became available. This option is more broadly based than Option 1 and meets more of the financial needs identified in this report. It also achieves regional uniformity of the hotel/motel tax. In addition, this option does not rely on property taxes as a funding source.

• Metro should begin discussions with other local governments and with those industries or businesses affected by any new or increased taxes to ensure that these governments and businesses are involved in the process.

VIII. APPENDICES

A. Arena Subcommittee Findings and Recommendations

B. Convention/Exposition Subcommittee Issue Analyses and Recommendations

C. Report of the PCPA Subcommittee: PCPA - Vision for the Future

D. Stadium Subcommittee Report

APPENDIX A.

Arena Subcommittee
Findings and Recommendations

Findings

1. Facilities Master Plan:

The Metro Council established in the Regional Convention, Trade and Spectator Facilities Master Plan (May 1986) the following as regional policy (a) to provide direction to the regional commission and staff, and (b) for coordinating with local plans:

A. Investments in spectator facilities are essential to fully meet the region's quality-of-life and economic goals.

B. The region's existing stadium and arena facilities are inadequate to meet the desires and needs of today's residents and the demands of projected growth.

C. The region's inventory of spectator facilities should include the following:

(1) Spectator facilities serving typical arena uses requiring capacities of 15,000-25,000 seats. The use of such facilities would be concerts, sporting events, industrial exhibits, consumer shows, large plenary sessions for convention and trade shows, etc.

(2) Spectator facilities serving typical stadium uses requiring capacities of 25,000-65,000 seats. The use of facilities would be amateur and professional sports, large meetings such as religious sessions, athletic playoffs, motor vehicle events, concerts, industrial exhibits, track, consumer shows, etc.

2. Missed Arena Events:

Studies conducted on behalf of Metro in 1987 revealed the following:

- Family Shows: The trend is toward larger arenas with better production facilities (back and front of the house). The Portland region must be competitive nationally to draw annual or bi-annual regular appearances by popular shows.

- Concerts: Events bypass Portland due to lack of dates and inadequate capacity for 14,000+ seat events. There is currently market capacity for 18 more events per year.

- Sports teams: In order to be viable, sports teams must maximize revenue capacity (seats x price) to be competitive. Because of the size of the current facility, the NBA team must maximize price on limited seats (4th smallest in the 27-team league at 12,700). Expansion teams are being awarded to cities offering 16,000+ seat arena facilities. The NBA franchise, as a major user of the facility, should be a dominant influence for a larger arena.

3. Market:

The population of the Portland metropolitan region is projected to increase by 500,000 over the next 20 years. Major global and national economic and demographic trends will contribute to the economic prosperity of the region in the future.

The aging of the population and the rising number of two-earner families will generate increasing demand for services, resulting in strong job growth. The shortage of entry-level workers who typically fill many service positions will provide job opportunities which are expected to attract in-migration of younger workers. The growing number of "empty nesters" will have higher proportions of discretionary income to spend on goods and services.

This projected growth in population and disposable income demonstrates the potential increased demand for entertainment services. However, it does not appear that there will be sufficient market demand to justify the operation and maintenance of two arena facilities.

4. Updated 1991 Analysis:

An updated analysis sponsored by the Portland Trail Blazers confirms earlier findings of need for new and expanded arena facilities:

- The metropolitan area currently demonstrates a strong market for a broad array of events presented at the 12,700 seat Memorial Coliseum. The facility is now used at near full capacity, with many events (including NBA Basketball) sold out. A larger arena with improved production capacity would be more attractive to event sponsors and would serve more of the population of the metropolitan area.

- Many concerts, family shows and one-time entertainment spectaculars require an arena of 15,000 to 20,000 seats to meet the financial requirements of touring and production. This need cannot be met without a larger arena facility. In addition, a competitive, contemporary facility must be designed for flexible accommodations to present shows requiring 8,000 seats in a quality setting.

- Concert bookings declined in 1987-89 despite demographics which show audience demand and disposable income capability to support more such events. Limited seating capacity and unavailability of booking dates prevented attainment of growth forecast in the 1987 study.

- The NBA franchise team faces strong national competition and requires a home facility of minimum 16,000 to 18,000 seats to maintain long-term financial viability, while offering ticket pricing acceptable to the local market. With increased seating capacity and improved facilities, the team can make a long-term commitment to the community as an anchor tenant, enhancing the ability to finance and construct a new arena. A larger, improved facility would also offer opportunity for additional sports teams such as professional hockey.

5. The Current Facility:

Memorial Coliseum was completed in 1960 and is comprised of the arena (12,700 seats), exhibit halls, meeting space and management offices. In 1995, the Coliseum will be 35 years old, nearing the end of a typical 40-year useful life for such a building. The complex is lacking features to serve its existing anchor tenants and touring events: truck loading docks, secured and dry storage, TV and radio broadcast facilities, kitchen and concession facilities, team accommodations and offices.

Detailed design studies demonstrate that the existing building cannot be remodelled for expanded seating capacity required by users. Tenants and concessionaires have made the maximum use of concourse space and meeting rooms to offer food, souvenirs and services required by patrons. The existing and adapted facilities have maximized income opportunities for event sponsors and the house; however, sales in these areas are substantially below those for contemporary facilities in other locations. In order to extend its useful life, the Coliseum complex would require major capital investment.

6. Delivery of a New Arena Facility:

Recent experience throughout the nation indicates that a number of arena facilities are being planned and built with an NBA franchise team as the anchor tenant. These arenas range in cost from approximately $100-150 million (1990 dollars) for building construction, site acquisition, parking, architecture and engineering and related project costs; the total investment is tailored to the requirements of each local situation.

The national picture shows three basic approaches to sponsorship and development of arena facilities:

A. Public Facility: The new arena is planned and developed by a public jurisdiction entering into a lease with an anchor tenant. Such facilities are typically exempt from local property taxes, operated by a public entity, and paid for via standard public means such as bond issues. Publicly developed arenas may be part of a major development plan or stand-alone projects.

Examples of public owner development include: Charlotte, NC - 23,388 seats - $60 million; San Jose, CA - 19,000 seats - $100 million.

B. Private Facility: The new arena is planned and developed by a private party, often an affiliate of the anchor tenant team. Such facilities are a recent phenomenon in real estate development, and are vulnerable to changes in interest rates and lending policies of financial institutions. Privately owned arenas generally pay local property taxes, are operated by private management organizations, and are financed on the basis of assumed sources of income: skybox and club seat contracts, advertising agreements and maximum booking of complimentary concerts, family shows and entertainment events. Examples of privately developed arenas include: Detroit/Auburn Hills, MI - 21,454 seats - $70 million; Sacramento, CA - 17,104 seats - $45 million.

C. Public/Private Partnership: The new arena is privately developed, with participation by an appropriate local public jurisdiction. Each partnership is tailored to the requirements of the situation and to the capabilities of the public participants. This approach has the advantage of leveraging the financial capacity of each of the participants to attain a mutually satisfactory project that meets community objectives. Such projects may pay property tax or may receive tax abatement/rebate as a portion of the public participation; they are more often operated by private management. Examples of public/private development include: Miami, FL - 15,008 seats - $52 million; Milwaukee, WI - 18,633 seats - $75 million.

7. Arena Site and Location:

The 1986 adopted Regional Convention, Trade and Spectator Facilities Master Plan provides siting criteria which address such issues as location, physical adaptability, access and parking, site availability and costs, neighborhood impacts and economic impacts. Additional criteria address central business district and suburban locations. These standards remain valid and applicable, with minor additions as follows:

- Siting must occur within established urban growth boundaries.
- Emphasize access to public transportation for event attendance.
- Only consider sites which are environmentally sound. Sites that have contamination problems, wetlands, unstable soils, significant fish or wildlife habitats, or flood or landslide potential should be avoided.

When the Trail Blazers make a decision on which sites are preferable, these criteria can be used to evaluate each site.

Recommendations

1. A need currently exists for a new arena with a capacity of 16,000 to 20,000 seats. A new arena should be the next major spectator facility built in the Portland metropolitan region and should be pursued as a priority project by Metro in

cooperation with other appropriate jurisdictions beginning in 1991 with a goal of completing the facility in 1994.

2. The future role of Memorial Coliseum should be determined in relation to decisions on the size, location, financing, and operation of a new arena. Metro should identify possible alternative uses for the existing arena, exhibit halls, and meeting space and should identify uses which can be supported by market demand as well as public need.

3. To minimize the public cost of a new arena, a public/private financing partnership should be pursued. Public participation will be necessary to attract private financing. The Trail Blazers have expressed an interest in participating in such a partnership. Metro should facilitate the development of such a partnership by:

   A. adopting a regional policy which supports public participation in such a venture,

   B. facilitating discussion between the Trail Blazers and the appropriate public agencies regarding the terms and conditions of such a partnership, and

   C. providing Metro and Metro ERC staff as technical support for such discussions.

   However, in the event that a public/private partnership cannot be attained, Metro should pursue development of a new arena as a wholly public project, utilizing conventional public funding resources available to the region for a capital construction project of this magnitude and priority.

4. Metro, appropriate local governments, and the Trail Blazers should develop a Master Plan for the site selected by the Trail Blazers. The Master Plan should include such site development issues as traffic patterns, facility siting, parking, utility extensions, and operational relationships to other regional convention and spectator facilities.

5. Private operation of a new arena should be considered with no public subsidy of operating costs.

6. Using surplus revenues generated by the Memorial Coliseum to pay operating deficits of the Performing Arts Center and Civic Stadium has been an interim solution to a long-term issue. Metro's Facilities Committee should recommend a long-term solution to provide stabilized maintenance and operation of all existing and new regional facilities.

APPENDIX B.

Convention/Exposition Subcommittee

Issue Analysis and Recommendations
Convention Center/Memorial Coliseum
Exhibit/Meeting Space

The Oregon Convention Center (OCC) opened in September 1990 with the objective of attracting convention business to economically benefit the Metro region and the state of Oregon. Since there is intense competition for convention business, OCC marketing staff works closely with the Portland/Oregon Visitors Association (POVA) to gain sales.

The Convention Center contains four modules of exhibit space--three with 30,000 square feet each and a fourth with 60,000 square feet. It also contains 30,000 square feet in meeting room space plus a large ballroom that can seat 2000 people. The space is very flexible allowing for merging of rooms to accommodate large groups. When not occupied with other events, the Memorial Coliseum serves as supplemental space with the 10,500 seat arena and 100,000 square feet of additional exhibit space. Parking is provided on the OCC site for 850 vehicles while the Coliseum, two and a half blocks away, can provide a maximum of 2000 spaces when not otherwise occupied due to other events.

The Coliseum space services trade shows, consumer shows and meetings. The primary target is national and regional consumer shows with attention focused on local consumer shows as well. The Coliseum represents both a supplemental option to the OCC as well as a less expensive alternative for certain classes of shows and meetings. The financial performance of the Coliseum exhibit and meeting space has been variable. In 1986-87 it realized a profit, but lost $100,222 in 1987-88 and lost $229,075 in 1988-89. The facility itself is in need of upgrading; the halls are in need of paint and the meeting rooms need general refurbishing.

The OCC schedules conventions by giving first priority to regional, national and international conventions, trade shows, national corporate meetings and similar activities. Second priority goes to consumer or public exhibitions, local corporate meetings, special events or other local activities. In the category of conventions, the OCC's primary target is the mid-sized convention (2000-7000 people). This requires 25,000 to 150,000 square feet of OCC space and a corresponding 1000-3500 hotel rooms.

Although the OCC has been in operation for a short time, it is doing very well. Bookings are doing better than original projections. In fact, it is in a positive cash position of $18,995 after seven months of operation as opposed to an expected deficit of $347,367. Currently, OCC uses 60-65% of the available event days instead of 53% as projected.

The original OCC plans provided for an option of expansion to the south of the building. This expansion would add 90,000 square feet of exhibit space along with additional lobby, prefunction, meeting room and support space. The expansion would allow the OCC to enter new markets for larger groups, expand its ability to handle more multiple events and allow for the growth of current shows utilizing the Convention Center.

The expansion was projected to occur in about three to five years provided experience in garnering business warranted it. There are two attendant issues that accompany the plan for expansion--the headquarters hotel and parking. The headquarters hotel brings an element of convenience and for that reason alone will result in more conventions. Moreover, an insufficient number of hotel rooms in proximity to the OCC is a real barrier to getting large convention business. The addition of a headquarters hotel would not only add rooms, but would provide even more capacity for meeting room and exhibit space. And finally, a headquarters hotel would allow conventions to be held closer together because the small meetings generally needed before and after a convention could be held in the hotel meeting rooms rather than the Convention Center.

The space slated for expansion would eliminate 875 parking spaces in an area where parking is already a major problem. This problem becomes acute when there are major events at both the OCC and the Coliseum complex. The problem will be greater should a headquarters hotel be built. There is property available for a parking structure that could serve hotel or expansion or both.

Recommendations

- A headquarters hotel represents a necessary addition to the future success of the Oregon Convention Center. With it, Portland would be in a position to capture conventions with significantly greater economic impact.

- The planned Oregon Convention Center expansion should occur provided the following conditions are met:

    * Convention and other business has increased to the point where OCC has reached full capacity (as determined by industry standards) and expansion is warranted. Capacity, as measured by industry "rule of thumb" means 75% capacity for about 8-10 months in 2 consecutive years. (The 75% figure is used because of holidays, set up/tear down time and maintenance.)
    * The need for parking is addressed and resolved or substantially mitigated.
    * Public support for financing exists.

- The present Memorial Coliseum arena is a necessary part of OCC because it provides space for large plenary sessions needed for many conventions. The exhibit space represents an alternative for those presenting a mid-budget range consumer show. If the Coliseum is to be retained, an investment should be made in capital improvements and maintenance necessary for a modest but attractive appearance. If the Coliseum is to be replaced with a new arena, a consideration for site selection should be that at the present site an arena is needed to provide space for Convention Center clients needing large plenary sessions. Should the Coliseum exhibition space not be retained, consideration should be given to locating exhibit space for the mid-budget range shows--possibly at the Expo Center, Convention Center or other appropriate facility. These shows represent a positive economic impact to Portland which should be retained.

- The issue of parking in the entire OCC-Coliseum area should be immediately addressed. A study should be conducted by Metro to identify parking needs for the Coliseum, OCC, the headquarters hotel and other related activities in the vicinity. The study should conduct a traffic analysis, identify specific needs, and consider solutions such as incentives to use public transit, ways to encourage and facilitate foot traffic between hotels and meeting rooms, shuttle buses to remote parking lots and construction of parking facilities.

Issue Anaysis and Recommendations
Expo Center

In 1986, the Regional, Convention, Trade and Spectator Facilities Master Plan recommended that "As a matter of regional policy there should be only one operating commission for regional inventory of major public convention, stadium, arena and related trade facilities." This recommendation was to be implemented in stages, one of the latter stages being transfer of the Expo Center to a regional commission. The question, then, is whether this is still a viable recommendation and, if so, what are the issues to be dealt with upon transfer.

A review of the various studies of the Expo Center reveals that Expo generally does not compete with the Convention Center. However, it does compete with the Coliseum to some degree. The Expo Center principally services public consumer shows, most of which cannot be moved to another facility due to the size of the shows or other constraints, thus creating a market niche for Expo. Whether or not this niche can be retained is unclear. Expo has some significant deficiencies such as inadequate restrooms, poor lighting, no air conditioning and a worn appearance. Failure to correct these deficiencies may or may not drive users away. A consultant report projected a decline in revenue if improvements are not made and in light of competition from planned enhancements to exposition facilities at the Clark and Washington county fairgrounds.

The Expo Center continues to generate a positive cash flow. In 1988 net profit was $552,948 and in 1989 it was $899,523; the difference is accounted for by a much larger expenditure for capital outlay in 1988 and by a general increase in revenue. In 1990 the profit was much larger--$1,269,164. However, some of the increase needs to be discounted. The revenue includes $214,200 from the sale of Expo Drive. Also, the rent revenue is inflated by a new policy of pre-payment. In general, revenues from all sources have increased with some leveling or a slight decrease projected for 1991.

The excess revenue goes to the county general fund. However, exactly how much of the excess is clear profit, without a thorough analysis of the financial system and expenditures, is unclear.

Even though the Expo Center makes money, it does not seem to have exhausted its potential. A report by the Multnomah County Auditor indicated that it was rented 44% of available days in 1989. To some degree this reflects a desire to rent halls on the weekends. There also appeared to be some seasonality; rental was high in January to March and quite low in April to June. This data suggests the possibility that effective marketing could increase usage.

Capital Improvements

During the three most recent fiscal years, the Expo Center spent 17% of net profit on capital outlay. This is consistent with a general practice of spending about 15-20%. However, there are significant needs that exceed the 15%. Such needs include:

- Improved/expanded restroom facilities (current restrooms are old, in need of paint and repair, and do not accommodate handicapped nor a large number of attendees.)
- Re-surfaced asphalt floors (the asphalt floors soften with heat and are prone to develop depressions similar to potholes).
- Improved lobby, box office, entrances (these are inadequate for traffic control, climate control, and are poor in appearance).
- Lighting needs enhancement (current lighting is dim and expensive to maintain).
- HVAC system is inadequate (poor ventilation, no air conditioning).
- Asbestos (presence of asbestos has been confirmed and needs removal).
- Building code deficiencies (a survey is needed to determine all deficiencies needed in the event of a property transfer).
- An emergency generator is needed. (Currently, there is no backup system when the power goes out during a show; this represents a public safety issue.)
- Other needs include parking improvements, painting walls, installing drop ceilings.

A report prepared by the County Auditor as well as a consultant report both noted the need for capital improvements. In each instance, they recommended that such improvements be based on a master plan which charts a vision for the future.

Expo Site and Potential for Expansion

The Expo Center is situated on approximately 60 acres of land, 13 of which are currently used by the Parks Division. Given the advantages of the location and the availability of land, substantial opportunities exist for expansion of exposition facilities, parking, or other facilities.

The recommendation made by the Committee on Regional Convention, Trade, and Spectator Facilities continues to be viable provided the disadvantages can be mitigated. A recent report by a city of Portland/Multnomah County Citizens' Committee on City County Service Consolidation also recommended transfer of Expo management to MERC. However, they stated, "We do not recommend that it be given away. There are a variety of ways to effect transfer of management without taking deep cuts to the County General Fund or losing the Center's present staff."

The advantages to management consolidation are:

1. Completes the Metro ERC's monopoly on trade show venues, allowing:
   A. Consistent region-wide event spacing policies.
   B. Coordinated/balanced pricing policies, minimizing public subsidy of facilities.
   C. Scheduling flexibility to ship events to the most appropriate venues. Allows Metro ERC's marketing team to integrate the Expo Center into its plans and programs.
2. Allows Metro ERC management of a valuable real estate asset, which may hold many long-term benefits for the development of new and/or improved facilities. Specifically, Metro ERC control of the Expo Center would allow

shifting of events from the Memorial Coliseum if the halls there become unavailable due to redevelopment of that site.

3. Facilitates enhanced marketing to take maximum potential of Expo's unique market niche.
4. Places the Expo Center in a larger organization that has expertise in the trade show business.

Possible disadvantages are:

1. For Multnomah County there is a potential loss of revenue that currently goes to the county general fund. There is also a concern about what to do with the County Fair.
2. For Metro/MERC there is a potential liability for capital improvements needed to meet code, to ensure public sanitation and safety and to maintain the facility's profit-making ability.

These disadvantages are not necessarily barriers. Loss of revenue to Multnomah County is an issue that could be negotiated to provide some type of offset. Capital improvements could be managed by continuing the policy of retaining 15% to 20% of the revenue for that purpose. Responsibility for the Multnomah County Fair could be transferred provided its revenue source is also transferred to MERC.

Recommendations

Metro and Multnomah County should negotiate an agreement transferring management responsibility for the Expo Center to the Metropolitan Exposition-Recreation Commission.

This agreement and subsequent management actions should:

1. Reflect the unique market niche the Expo Center services: bulk space at low cost. Pricing considerations should remain competitive in an attempt to retain the current clientele and to allow new shows to get a start.
2. The Expo Center should be incorporated into the spacing policies adopted within and between other MERC buildings. Any shows presently produced should be grandfathered to the extent possible and not required to move in order to adhere to the spacing policies.
3. Utilize Metro ERC and POVA resources to better market the Expo Center, and shift shows, when appropriate, to the Expo Center.
4. Continue a policy of capital improvement, setting aside a minimum of 15% to 20% gross revenues for capital purposes.
5. Metro ERC shall, under contract with the County, produce the Multnomah County Fair on behalf of the County. All fair-dedicated revenue provided to the County shall be passed on to the Metro ERC to fund fair efforts.
6. Because the Expo Center currently generates a positive cash surplus for Multnomah County, the County/Metro agreement must compensate the County. This must be negotiated by the involved parties, and may involve returns of the positive cash flow to the County, or Metro assumption of other County services as may be determined by the governments involved.

7. As part of the negotiation, needs for capital improvement relating to public safety, sanitation and code deficiencies should be identified and a financial plan for their implementation should be developed as part of the agreement.

APPENDIX C.

Report of the PCPA Subcommittee
PCPA – Vision for the Future

On a recent Wednesday evening in downtown Portland, commuters from throughout the region, visitors and downtown residents alike were seen:

- meeting over dinner in area restaurants, lounges and hotels.
- taking advantage of the retail core's later hours for convenient shopping.
- winding down at Portland Art Museum's weekly "Jazz After Hours".
- filling the 2,776-seat Schnitzer Concert Hall to hear a well known author speak at Portland Arts and Lectures Series.
- enjoying a contemporary play by the Tony Award-winning Oregon Shakespeare Festival in the Intermediate Theatre of the Portland Center for the Performing Arts.
- experiencing a close-up and personal Shakespeare tragedy by Tygres Heart Shakespeare Company in the Dolores Winningstad Theatre.
- joining 2,999 other opera enthusiasts for a dramatic Portland Opera production at Portland Civic Auditorium.

This scene is not typical weeknight fare in most mid-sized urban settings. And it was not the case in Portland before citizens invested in the four-theatre Portland Center for the Performing Arts. This complex is the centerpiece of the Portland region's cultural life.

BENEFITS

1. Successful Economic Development

The investment in the PCPA has had numerous economic benefits including:

A. Direct economic impact on business in the downtown area. The annual attendance of 850,000 people brings a total estimated impact of $55.8 million. Of that total, $17 million is spent directly on businesses outside the PCPA facilities.

B. The PCPA's contribution to the region's quality of life helps attract new businesses. This is particularly applicable to the suburban areas where "high tech" firms typically locate.

C. Conventions are attracted to Portland's amenities. The City's vibrant and diverse nightlife revolves around events at PCPA's four theatres.

D. PCPA's existence is at least partially responsible for the redevelopment of the South Park Blocks, renovation of the Heathman Hotel, siting of several restaurants and shops in the area, and has undoubtedly aided the Oregon Historical Society and Oregon Art Center in their development. The small theatres and lobby spaces at the Center have also been heavily utilized during the business day for meetings and functions by corporate and other business entities creating closer ties between the arts and economic communities.

2. Growth in Arts and Entertainment

The addition of three theatres in the past decade with attendant growth in local arts and entertainment organizations have provided a breadth and depth of cultural experiences unavailable just ten years ago. Examples of successes are:

A. The Oregon Symphony moved from the Civic Auditorium to the Schnitzer Concert Hall where it can rehearse on stage. It has received increased critical acclaim for its artistry, has produced three compact disc recordings and was asked to produce the theme music for television's Cosby Show.

B. In 1988, the Oregon Shakespeare Festival created a second company to reside in the Intermediate Theatre. It has been a critical, artistic, economic and public relations success for the company as well as the community.

C. The city's two local ballet companies have merged to create the Oregon Ballet Theatre, a major company whose performances at Civic Auditorium have drawn critical acclaim and a large public following.

D. Performances in the four theatres have grown from 677 in the 1987-88 season to a projected 831 in 1990-91, a 23% increase. With careful scheduling and the flexibility allowed by two large houses, nearly all of the one and two-night concerts that used to bypass Portland for lack of available dates now can be enjoyed by our audiences. This past February, the Broadway road show Les Miserables grossed $1,641,846 in ticket sales from its two-week run in Portland. That's the highest gross the company has experienced in its past two years on the road!

3. Education

The Oregon Symphony and Portland Youth Philharmonic were the only companies providing performances for school children prior to the new facilities being completed. Now school performances are regularly programmed by the Oregon Shakespeare Festival, Oregon Ballet Theatre, Portland Community Concerts, National Children's Theatre Company and Chamber Theatre Presentations. In addition, Oregon Children's Theatre Company produces two productions each season at Civic Auditorium, serving approximately 90,000 school children each year.

Clearly, the Portland Center for the Performing Arts has given the region both a sense of pride and cultural identity and a substantial economic boost.

COSTS

Performing arts facilities have traditionally been built and operated by the public. No like facility in the country makes a profit; all receive some type of support to supplement earned income. In a comparison of facilities in 18 communities, all 18 received such support from some source. The sources were varied: 7 had support from a government general fund, 8 had multiple sources (donations, grants, general fund, hotel/motel tax), 2 were privately subsidized and one was supported solely by a hotel/motel tax. Finally, any new facility--such as PCPA's New Theatre Building--needs time to operate before it can reach full capacity and maximize revenue, even though limited seating capacity in the small theatres will not allow for generation of revenues sufficient to cover operating expenses.

In fiscal year 1990-91, the PCPA was budgeted to end the year with a shortfall of $897,507. For the 1991-92 fiscal year, the shortfall is estimated to be $867,310. Within the MERC operation, excess revenue from the Memorial Coliseum is used to cover the deficits in other facilities (Civic Stadium, Coliseum exhibit space, PCPA). The funds are being exhausted at a rate that will mean a new source is needed by 1993.

In attempting to project the appropriate amount of support needed for optimum operation in the public interest there are several issues in need of examination. On one hand, some things should be done which will increase the annual support needed. Capital improvements must not be deferred continually so that these facilities are allowed to deteriorate; rental rates for non-profit organizations--among the very highest in the region--need to be reduced in order to ameliorate the weight of rental costs on these organizations' already fragile finances. On the other hand, there clearly are opportunities to enhance revenue and achieve efficiencies.

1. Capital Improvement

The buildings need to be maintained in good condition with state-of-the-art equipment. As with all buildings, things wear out and must be replaced. Carpets must be replaced about every 10 years. Lighting systems and sound systems reach the point where replacement is cheaper than constant maintenance. Due to limited funds, many needed improvements have been deferred. If this continues, it will reach the point where neither promoters nor audiences will use the facilities. The concern for capital improvement needs to be built into the budget. A list of capital improvements needed is attached in Table 1. In addition, the New Theatre Building has an unfinished shell space that if finished would provide additional meeting and performance capability as well as additional revenue. We recommend finding special funds in addition to regular annual support to finance the completion of this space.

2. Support for Arts and Entertainment

The purpose of government assistance is to bring arts and entertainment to the whole community. Without it, arts and entertainment might only be available to the elite or not available at all. Government assistance is a key factor in other communities in helping arts organizations to keep their ticket prices lower and to offer occasional free or below-cost performances. Support also provides a base of financial stability. This is particularly important at this point in time because local support from direct grants--already among the lowest in any similarly-sized metropolitan area in the West--is declining due to Measure 5.

Rental rates for users of PCPA--especially non-profits--are very high. Most communities' arts facilities provide much greater support than does PCPA through rent reductions to non-profits. A review of facilities in 18 other cities revealed that

14 offered reduced rates to non-profits. In many cases, the reduction was substantial, i.e. over 40%. For example, Seattle offers a 40% reduction, Denver a 43% reduction. We recommend that PCPA provide a 25% reduction in rental rates and user fees to non-profits, which will decrease projected revenues by 6% but which will result in a stronger cultural life and more activity for the public.

3. Opportunities to Enhance Revenue/Achieve Efficiencies

While not enough earned revenue can be raised to pay all necessary expenses, opportunities do exist to increase revenue. A study done for Metro by the Wolf Organization reveals that there is interest in greater attendance at PCPA events. This was particularly the case for people outside the city of Portland. Examples of barriers to greater attendance were lack of information, perceived lack of parking and high ticket prices. We recommend greater PCPA and MERC attention to overcoming these barriers.

Consolidation of PCPA under MERC was expected to create efficiencies in operation. There should be a thorough analysis of services being provided to PCPA by MERC and Metro to determine if these are the most cost efficient means of providing necessary services. This is important since Metro/MERC overhead and charges are equal to about one-third of the current operating deficit.

A stronger PCPA role in promotion of events could also increase audiences. Current philosophy puts the PCPA manager in a landlord role, leaving the promotion function exclusively to the facility users. While this avoids additional staff costs, given the users fee structure the gains in income could be worth the expense. This is a particular problem for out-of-town presenters who may not be able to do the best job of promoting.

The PCPA manager must have the tools to assess cost effectiveness. This is a first step to identifying areas where efficiencies can be achieved and revenue enhanced. Basic data on hall occupancy, rates, or facility cost by event, time and day of week are not available. The manager of the PCPA, although part of the MERC organizational structure, should be given greater flexibility and latitude in the areas of ticketing, concessions, marketing, and even rents, so he can act to take advantage of revenue opportunities.

Other methods to reduce the need for public support also should be explored. Ideas such as a membership program like that at the Zoo, a program to raise money through "naming and advertising opportunities", and a PCPA-sponsored presentation program need to be considered. The PCPA Advisory Committee could play a key role in generating and examining new ideas and strategies.

PUBLIC SUPPORT FOR PCPA

Public discussion of PCPA has focused on its costs not its benefits. Both the public and elected officials throughout the region need to recognize PCPA's importance to economic development, quality of life and education of children.

A sense of public ownership of PCPA is needed throughout the region before support for a subsidy can be expected. It is also important that all citizens have access to PCPA to ensure that it is truly a public facility. Measures designed to gain public support need to be implemented. While the PCPA Advisory Committee could play a major role, MERC needs to consider the benefits of making appropriate investments in changing the public image of these buildings.

RECOMMENDATIONS

1. All possible efforts should be made to reduce the annual public support needed by the PCPA. The PCPA staff should work with the PCPA Advisory Committee to identify and implement deficit reduction measures which include increased revenue generation and cost containment.

2. A dedicated source of public funds should be obtained to fund and support ongoing operations of PCPA. The source should be sufficient to allow for:
   - capital improvements necessary to maintain first-class facilities.[1]
   - reasonable rental rates and user fees, including non-profit discounts; in other communities such discounts help keep ticket prices low and arts groups accessible.
   - programs (e.g. education and marketing) that implement the PCPA mission and ultimately increase attendance and revenues.

   If possible, the source should be logically connected to arts and entertainment such as hotel/motel tax, food and beverage tax or an entertainment tax. (The annual need for support will be approximately $1.3 million in 1993.)

3. It is essential that PCPA undertake a strong effort to shift the region's image of PCPA from an emphasis on costs to an emphasis on its benefits. The PCPA staff, the Advisory Committee and MERC should all work to gain public ownership of PCPA. An effort to gain recognition of PCPA's benefits should be directed to the public at large as well as elected officials within the region. As a part of this process, the PCPA staff should work with the PCPA Advisory Committee to develop a new mission statement.

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1 The dedicated source should not fund the New Theatre Shell Space as this is an appropriate opportunity for special private, corporate or other public funding.

Table 1

Portland Center for the Performing Arts
Projected Capital Projects Summary, FY 1991-2000

REPAIRS/REPLACEMENTS	FY 91/92	FY 92/93	FY 93/94	FY 94/95	FY 95/96	FY 96/97	FY 97/98	FY 98/99	FY 99/00	FY 00/01	10 Year Totals
Dressing Room Renovation, CA	5000	5000	5000	10,000	0	15,000	0	0	0	0	
Hallway Carpeting, CA	0	0	12,000	13,000	60,000	30,000	0	0	0	0	
Control Booth, CA	30,000	0	0	0	0	0	0	0	0	0	
Stage Dimmers, CA	50,000	50,000	100,000	50,000	0	0	0	0	0	0	
Luminaries, CA	24,000	0	0	0	0	25,000	0	0	0	30,000	
Video Monitoring System, CA	0	43,000	0	0	0	0	10,000	0	0	0	
Exterior Painting, CA	0	24,000	24,000	0	0	0	0	50,000	0	0	
Reupholster Seating, CA	0	40,000	60,000	80,000	0	0	0	0	0	0	
Elect., Mech., Plumbing, CA	10,000	15,000	10,000	15,000	15,000	10,000	20,000	20,000	20,000	20,000	
Top Coat Roof, CA	0	0	0	0	20,000	0	0	0	0	20,000	
Energy Retrofit, CA	0	10,000	0	10,000	0	10,000	0	0	0	0	
General Remodel, CA	10,000	10,000	0	0	0	20,000	0	0	50,000	0	
Sound System Upgrade, CA	18,000	0	0	0	50,000	0	0	0	25,000	0	
Reel-to-reel Tape Machine, CA	0	0	0	0	5000	0	0	0	0	5000	
Lighting Board, CA	35,000	0	0	0	0	0	0	0	0	0	
Asbestos Abatement, CA	0	0	0	0	0	0	50,000	0	0	0	
Carpet Cleaner, CA	0	0	0	0	5000	0	0	0	0	5000	
Stage Drapes, CA	0	0	0	0	20,000	0	0	0	0	25,000	
Revamp Front of House Light System, CA	25,000	0	0	0	0	0	0	0	0	0	
Front House Furniture, CA	0	0	0	0	0	0	0	20,000	0	0	
Restroom Remodel, CA	5000	0	0	0	20,000	0	0	0	0	10,000	
Front House Drapes, CA	25,000	0	0	0	0	25,000	0	0	0	0	
Hallway Carpeting, ASCH	0	0	0	25,000	0	30,000	0	0	0	0	
Elect., Mech. Plumbing, ASCH	10,000	10,000	10,000	0	15,000	15,000	10,000	10,000	15,000	15,000	
Top Coat Roof, ASCH	0	0	0	0	20,000	0	0	0	0	20,000	
Energy Retrofit, ASCH	10,000	0	0	0	0	0	0	0	0	0	
Flooring Replacement, ASCH	0	0	0	0	0	0	0	15,000	0	0	
General Remodel, ASCH	0	20,000	0	0	0	0	25,000	0	0	0	
General Remodel, NTB	0	0	0	0	25,000	0	0	15,000	0	0	
Energy Retrofit, NTB	5000	0	0	20,000	0	0	0	0	0	0	
Elect., Mech., Plumbing, NTB	10,000	15,000	15,000	0	10,000	10,000	15,000	15,000	15,000	15,000	
Integrated Computer System, NTB	0	0	0	0	15,000	0	0	0	20,000	0	
Top Coat Roof, NTB	0	10,000	0	0	5000	0	0	0	0	5000	
TOTAL REPAIRS/ REPLACEMENTS	272,000	252,000	236,000	223,000	285,000	190,000	130,000	145,000	145,000	170,000	2,048,000
IMPROVEMENTS/ ENHANCEMENTS											
Reroof, CA	0	150,000	0	0	0	0	0	0	0	0	
Replace Lobby Carpet, CA	0	0	50,000	0	0	0	0	0	0	0	
Graphics and Signage, CA	0	0	0	300,000	0	0	0	0	0	0	
Accoustical Remodel, ASCH	0	100,000	0	0	0	0	0	0	0	0	
Redesign Seating, ASCH	0	1,500,000	0	0	0	0	0	0	0	0	
Redesign Stage, NTB	0	0	100,000	0	0	0	0	0	0	0	
Complete Rehearsal Hall, NTB	0	0	0	1,000,000	0	0	0	0	0	0	
Redesign Winningstad Theatre, NTB	0	0	200,000	0	0	0	0	0	0	0	
Stage Material, All	0	0	50,000	0	0	50,000	0	0	0	50,000	
TOTAL IMPROVEMENTS/ ENHANCEMENTS	0	1,750,000	400,000	1,300,000	0	50,000	0	0	0	50,000	3,550,000
GRAND TOTALS	272,000	2,002,000	636,000	1,523,000	285,000	240,000	130,000	145,000	145,000	220,000	5,598,000

CA = Civic Auditorium
ASCH = Arlene Schnitzer Concert Hall
NTB = New Theatre Building

APPENDIX D.

Stadium Subcommittee Report

INTRODUCTION

As part of the Public Policy Committee for Regional Convention, Trade, Performing Arts, and Spectator Facilities, this Subcommittee was asked to examine interest in constructing a new stadium and to assess the affect a new stadium would have on the Civic Stadium.

GENERAL BACKGROUND

In the mid-1960s, Multnomah County voters narrowly defeated a proposal to construct a multi-purpose domed stadium at Delta Park. The stadium, which would have seated 45,000 initially with expansion to 60,000 permanent seats, was intended as a regional focal point for baseball, football, track and field, and non-athletic events. The Delta Park Stadium proposal was voted down by about 5,000 votes.

In 1978, a major study was commissioned by the Metropolitan Coliseum-Stadium Task Force to study spectator facilities in Portland. The study concluded that construction of a new stadium was not warranted without a National Football League or Major League Baseball franchise. However, this study did result in the recommendation to pursue renovation of Civic Stadium. In 1979, City of Portland voters approved a $9.5 million bond issue to pay for the renovation of the stadium. Renovation was completed in 1981.

In 1985, a study prepared for the Portland Chamber of Commerce and the Association for Portland Progress found that construction of a stadium in Portland for exclusive use of professional football and baseball did not appear to be economically viable. Development of a stadium in Portland could be viable if oriented toward a range of sports, concerts, entertainment and special events rather than exclusively toward franchise sports. The study recommended a "flexible stadium/arena" with movable grandstands to accommodate a variety of sports, concerts, and family entertainment events. No action was taken on this recommendation.

In January 1985, Washington, Clackamas, and Multnomah counties joined the City of Portland and the Metropolitan Service District to appoint the Committee on Regional Convention, Trade, and Spectator Facilities (CTS). The Committee was charged with recommending a regional master plan for the emerging convention, trade, and spectator facility industry.

The CTS report, released in May 1986, found that investments in spectator facilities are essential to fully meet the region's quality-of-life and economic goals and that the region's existing stadium facilities were inadequate to meet the needs of today's residents and the demands of projected growth. The committee recommended that the region's inventory of spectator facilities include a stadium with 25,000-65,000 seats for amateur and professional sports, large meetings, concerts, and consumer shows.

In 1990, a group of area business executives formed the Oregon Dome Team. This group is seeking community support for a domed stadium and working to attract an NFL franchise to the area.

MARKET

The primary market for events held in a stadium would be the tri-county region (Clackamas, Multnomah, and Washington Counties), southwest Washington (Clark County), and, for major events, much of western Oregon and a portion of southern Washington. Based on preliminary 1990 census data, the population of the tri-county region is almost 1.2 million. Adding Clark County, Washington residents increase the total to over 1.4 million. For major events, the potential market is over 2 million people.

The Portland metropolitan area (Clackamas, Multnomah, and Washington Counties and Clark County, Washington) is projected to increase by 500,000 people over the next two decades. Economic and demographic trends will continue to contribute to the economic prosperity of the region in the future.

The aging of the population and the rising number of two-earner families will generate increasing demand for services, resulting in strong job growth. The shortage of entry-level workers who typically fill many service positions will provide job opportunities which are expected to attract in-migration of younger workers. The growing number of "empty nesters" will have higher proportions of discretionary income to spend on goods and services.

Listed below is a comparison of the median income of cities with NFL franchises with the median income of Portland.

City	Population	FY 1990 Median Income (Family of 4)
Phoenix	2,122,101	$34,200
Tampa-St. Petersburg	2,067,959	31,200
Denver-Boulder	1,848,319	40,000
Cincinnati	1,744,124	37,100
Kansas City (Mo.-Kan.)	1,566,280	38,800
Portland/Vancouver	**1,477,895**	**37,100**
Indianapolis	1,249,822	36,600
New Orleans	1,238,816	33,900
Buffalo-Niagara Falls	1,189,288	33,600

In terms of median income, Portland compares favorably with both smaller and larger cities that have NFL franchises. This is one indication of the ability of residents to purchase tickets to spectator events.

The projected growth in population and disposable income in the Portland metropolitan area demonstrates the potential increased demand for entertainment services.

DESCRIPTION OF THE POTENTIAL FACILITY

1. Characteristics of a New Stadium

Chart 1 on the next page lists the characteristics of stadia which have been built throughout the country in recent years.

Based on this information, ranges for certain characteristics can be made. Depending on where a stadium is built (downtown vs. suburban location), 12 to 128 acres of land are needed for the facility and parking. Seating capacity could range from 50,000 to 80,000 and could include 100-150 luxury suites and 5,000 to 10,000 Club seats. Cost including land, facility design, and construction would be approximately $165 million for an open stadium and $200 million to $250 million for a domed stadium. The estimated cost of putting a dome over Civic Stadium ranges from $100 million to $150 million. Covering the spectator area of Civic Stadium would cost between $50 to $75 million.

2. Stadium Options

If the region decides to pursue a stadium, a number of potential options exist. While there are many possible options, the Subcommittee focused on four alternatives which would meet the needs of the region and which appear to be achievable.

Option 1. Renovation and Upgrade of the Civic Stadium

Under this option, the existing Civic Stadium would be upgraded and expanded within its existing footprint. The wooden bleachers would be replaced, the uncovered area would be covered and necessary support facilities would be added. This option would yield a 40-50,000 seat, open stadium. The estimated cost of this alternative is $50-$75 million.

The primary advantage of this option is that it is the least expensive of the four options. The disadvantage of this approach is the fact that the seating capacity is not as high as desired by the NFL, although it would likely be sufficient for Major League Baseball.

Option 2. Dome and Expand Civic Stadium

This alternative would be a major expansion and upgrade of the existing Civic Stadium, including enclosure of the facility with a dome structure. The existing facility would have to be expanded beyond its current

Chart 1

STADIUM COMPARISONS

	Joe Robbie Stadium (Miami)	Proposed Baltimore Football	Georgia Dome (Atlanta)	Hoosier Dome (Indianapolis)	Humphrey Metro Dome (Minneapolis)	BC Place (Vancouver)	Seattle King Dome	Pontiac Silver Dome
Site size-acres	99	85	14	23	20	15	39	135
Footprint-acres	20			7.5	9.5	9.5	10	9.8
Seats	73,000	65,000	70,500	61,000	63,000	60,000	64,500	80,000
Luxury Suites	208 (13,000 seats)	100	183	93			48	
Club Seats	10,200	5,000	6,304	None				
Parking	15,000	5,000 +	No new	1,000	500 (23,500 w/in 20-min. walk	None	2,000	10,000
Open/Domed	Open	Open	Domed	Domed	Domed	Domed	Domed	Domed
Location	Suburban	Downtown	Downtown	Downtown	Downtown	Downtown	Downtown	Suburban
Cost (year completed)	$102 million (1987)	$165 million (1992)	$206 million (1992)	$94 million (1984)	$75 million (1982)	$126 million (1983)	$67 million (1976)	$55.7 million (1975)
Financing	Private	Public/ Private - TBD	Public/ Private	Public/ Private	Public/ Private	Public	Public	Public
Management	Private	Private	Public	Public	Public	Public	Public	Public
Ownership	Private (lease)	Public	Public	Public	Public	Public	Public	Public

footprint to the east and west. Total seating would be 55-65,000. The alignment and station location for the proposed Westside Light Rail project needs to be carefully considered in analyzing this alternative. The estimated cost of this option is $100-$150 million.

Advantages are that more events could be held throughout the year because of the dome and that the seating capacity would almost double. This option would also cost significantly less than building a new stadium. A disadvantage is that many events currently held at the stadium are in the summer when a dome is not needed. Parking and neighborhood impacts would also be significant issues.

Option 3. New Dome Stadium in an Urban Location

Under this option, a new stadium with a dome would be built in the urban core area. Seating capacity would be between 65-75,000. The estimated cost would range from $200-$250 million.

One advantage would be that a new stadium could be designed to incorporate the latest technologies, seating configurations, etc. That fact could be used as an argument to obtain a franchise. One potential barrier is that sufficient land may not be available. A disadvantage is the cost to build a new stadium.

Option 4. New Dome Stadium in a Suburban Location

This option is similar to option 3 except that the stadium would be built in a suburban location. A larger site would be needed for parking.

Advantages and disadvantages are also similar to option 3. The major disadvantage is the cost.

Table 1 provides a summary of the characteristics of each option.

	TABLE 1			
	1	2	3	4
Site Size-Access	Existing	Existing +	20-25	100-125
# of Seats	40-50,000	55-65,000	65-75,000	65-75,000
Luxury Seats	50	100	100+	100+
Club Seats	TBD	5000	5,000+	5000+
Parking	No new	1-2,000	1-2,000	10,000+
Open/Domed	Open	Domed	Domed	Domed
Cost	$50-75 M	$100-150 M	$200-250 M	$200-250 M

3. Siting Requirements and Considerations

As part of the CTS process, the committee recommended specific siting criteria which address such issues as location, physical adaptability, access and parking, site availability and costs, neighborhood impacts and economic impacts for stadium facilities.

FINANCIAL IMPACTS

1. Operating Subsidy of Civic Stadium

Currently, Civic Stadium operates at a loss. For the 1988-89 fiscal year, the loss was slightly more than $188,000. The largest portion of that loss was by Portland Beavers baseball games which lost $286,000. Profits were generated by Portland State University football ($116,000) and a truck pull ($28,000).

The operating deficit is currently paid for by a reserve generated by the Memorial Coliseum. Those reserves will be depleted over the next two years and funds to cover the operating deficit at Civic Stadium must be found.

2. Financing Alternatives

If general obligation bonds were used to finance any of the above options, the annual debt service and the tax rate per $1,000 of assessed value would be as follows:

Bond Amount	Annual Debt Service	Tax Rate/$1000
$ 50 million	$ 4,783,241	$.1353
150 million	9,566,483	.4059
250 million	23,916,207	.6765

The above figures assume a term of 20 years at an average interest rate of 7.17%. As shown, the amount needed to service debt is substantial. Without a major attraction bringing patrons to the stadium, the burden of repaying this debt service could fall on a wider population through a more general tax.

Listed below are potential taxes that could be imposed in the tri-county region to pay for debt service and an estimate of the amount of revenues that would be generated:

Tax	Tax Rate	Revenue Generated
Retail Sales	1%	$95,792,703
Food/Beverage	1%	11,191,740
Hotel/Motel	1%	1,632,452
Real Estate Transfer	1%	29,414,731

C. Public/Private Funds

The mix of public and private capital funds will need to be articulated as part of a decision to proceed with a new stadium. According to the Oregon Dome Team, private funds can be expected to cover at least 50% of the capital cost of a new stadium. These funds would come from a variety of sources, undertaking but not limited to, sale of seat rights, luxury boxes and club seats.

3. Economic Impact Assessment

A study conducted for Metro by Deloitte & Touche estimates that one-time impacts for construction of a new dome stadium would be over $153 million in gross economic impact, employment for 1,310 full time workers, and state and local tax revenues of over $9 million. The annual recurring economic impact is estimated at $121 million. It should be emphasized that these estimates are "gross" not necessarily "net" impacts. At least a portion of the dollars spent in association with sports events would be spent on something else in the local economy if the sports facilities did not exist. These estimates may also vary depending on what assumptions are used concerning location of the facility, type of facility, and event mix.

No economic impact analysis was made of the renovation options for Civic Stadium. Both the one-time construction impact and on-going impacts would be less because construction costs and seating capacity are lower under this option than under the new stadium option.

NFL FRANCHISE QUESTION

1. Oregon Dome Team Efforts and Current Status

The Oregon Dome Team (ODT) is leading an effort to secure an NFL franchise for Portland. In 1990 ODT members made contacts with NFL owners and stadium managers, toured six stadium facilities, and met with local community leaders. ODT is currently selling rights to 20,000 reserved "Founders Seats" at $1,000 per seat to raise $20 million in an effort to show community support for a franchise and a domed stadium.

In May 1991, ODT will be sending representatives to the NFL spring meeting of owners. At the meeting, ground rules will be set for selecting expansion teams.

2. Television Market Comparisons

Because of television contracts and the resulting revenue gained by the league, the NFL places a priority on television market rankings. Based on Arbitron ratings, the Portland/Vancouver market ranks 25th out of 60 metropolitan media markets. Cities that have an NFL franchise but have lower Arbitron rankings than Portland include Kansas City (27th), Cincinnati (31st), Indianapolis (37th), Buffalo (39th) and Green Bay which is not listed in the top 60 media markets. In addition, Portland is the largest media market which has never had an NFL franchise. However, St. Louis (15th) and Baltimore (17th) do not currently have an NFL franchise.

It is not entirely clear how important TV market is to the franchise award process. There is some question about the ability of the league to grow their TV revenues any further. TV market size may, however, be an important measure of the potential for community support.

3. Sports Action Lottery

In 1984, Oregon voters passed an amendment to the Oregon Constitution creating the State Lottery Commission to operate a state lottery. Lottery proceeds are required to be used for "creating jobs and furthering economic development in Oregon." In 1989, the Lottery Commission established a game known as Sports Action which allows players to bet on NFL games. The NFL vigorously opposes such a game. NFL officials have stated that Portland will not receive an NFL franchise nor will it be seriously considered for a franchise unless Sports Action is eliminated.

Several bills (HB 2676, HB 2818, and SB 1107) introduced in the 1991 legislative session would prohibit lottery games based on sporting events. A hearing was held on HB 2676 and HB 2818 on April 10 before the House State and Federal Affairs Committee. Paul Tagliabue, NFL Commissioner, testified in favor of the bills.

Eliminating Sports Action during the current legislative session is unlikely. Revenues from Sports Action support economic development activities in the state and, after voter passage of the property tax limitation in November 1990, the state has little, if any, money available to replace lottery dollars.

4. NFL Ownership Requirements

The cost of an NFL franchise fee ranges from $90 to $150 million. The NFL requires a minimum 30 percent ownership interest (or between $30 to $50 million) for the active, managing partner. The NFL has relaxed their "cross-ownership" policy (i.e., ownership in any other sports franchise team). A managing partner may not, however, have a majority ownership interest in other sports teams. Corporate or public ownership of a team is prohibited but that policy is being re-examined. At present, the NFL requires individual ownership and favors local ownership.

According to ODT, the minimum stadium seating capacity for the NFL is 60,000 seats. The size of a stadium could be the deciding factor for candidates with similar attributes. The larger the stadium, the greater the chance for being awarded a franchise. It is conceivable, however, that the NFL would accept a smaller stadium if a ticket surcharge were imposed that would equalize the ticket revenues of the small stadium with those of larger stadiums.

5. League Expansion

The NFL is planning to add two expansion teams in 1993-94 and two more in 1995-96. The major drawback to Portland in this expansion process is that there is no 60,000 seat stadium. Portland will likely be considered for the second expansion in 1994. The Subcommittee's understanding, however, is that given the timing of franchise awards, a decision on a stadium needs to be made by the fall of 1991 if Portland is to be seriously considered.

6. Assessment of the Potential for an NFL Franchise

There are four key issues that must be addressed if an NFL franchise is to be awarded to the Portland region. First, the region must demonstrate that it can fill a 50-70,000 seat stadium. Second, a team owner or ownership group must be identified. Third, the region must commit to building a stadium in order for a franchise to be awarded. Finally, the Sports Action Lottery must be eliminated.

Whether Portland will secure an NFL franchise will remain uncertain based on the dynamics of league politics which Portland can do little to control.

SIGNIFICANT FINDINGS

1. Portland compares favorably to other metropolitan areas around the country which have NFL teams. The Portland metropolitan area has a sufficient population base and discretionary income to support events at a stadium. Population projections further indicate that a stadium could be supported in the future. In addition, a stadium with a major league sports franchise would contribute to the region's quality of life and economic diversification goals.

2. To obtain a professional sports franchise, demonstrated public support is necessary.

3. If an NFL franchise is to be obtained in Portland, the Sports Action Lottery must be eliminated.

4. Any stadium should be a mixed use facility capable of accommodating a broad range of events. Professional and amateur sports, large meetings, concerts, industrial exhibits and consumer shows are among the possible events. Generally, use of the facility will be for events which require seating capacity greater than 20,000 and/or a large flat floor area that would only be available in a stadium.

5. We are operating in a new environment for raising public funds due to ballot measure 5. How this new environment will constrain the ability to fund construction of public facilities is uncertain. Both traditional sources of funds (e.g., general obligation bonds) and potential new sources (e.g., sales tax) will likely be difficult to secure for a new stadium investment given the financial situation at state and local levels.

6. In determining where to site a new facility, weight should be given to the desirability of locating the facility to take advantage of or enhance existing public improvements and amenities as well as private investment.

7. Given Oregon's climate an open stadium would preclude so many events during the year that an open stadium would not appear to be practical unless the savings in capital costs of renovating Civic Stadium were so substantial as to more than offset the potential loss of operating revenues. In addition, a domed stadium is required if hosting a Super Bowl is desirable, although a domed stadium would not necessarily guarantee receipt of a Super Bowl.

8. The Subcommittee believes there would be a positive economic impact from a stadium investment. The magnitude of that impact will vary greatly depending on event mix, success of a professional sports franchise, location, and other factors.

There is some evidence that the economic benefit may not be equal to the public investment made in this facility. This may be particularly true when including the opportunity costs associated with directing scarce public resources to a stadium rather than other public facilities.

9. A need exists for long-term coordinated efforts to seek and secure sporting events and potential new sports franchises.

RECOMMENDATIONS

1. At least one new major league professional sports franchise should be committed to Portland and a new stadium prior to investment in a stadium. While the region may seek approval of project funding prior to such a commitment, that funding should be contingent on securing a franchise.

2. To determine if the requisite public support is available, Metro should immediately gauge such support by survey or other similar method.

3. Planning for a stadium investment should be an on-going responsibility for Metro. Construction of a new stadium or renovation of Civic Stadium should be considered in order to take advantage of future opportunities such as the current opportunity to obtain an NFL expansion team.

4. Metro should contract for a cost and physical feasibility study of putting a dome on Civic Stadium and significantly increasing its seating capacity.

5. A stadium should not be built if it will require an ongoing operating subsidy. The current evidence suggests that a stadium can generate revenues sufficient to cover operating costs and, in some cases, generate revenues sufficient to retire some portion of the debt.

6. Metro should immediately cause the formation of a permanent, non-profit sports commission to promote and attract professional and amateur sporting events/teams to the region.

7. Community efforts to secure a major league franchise should continue and be expanded to include other sports in addition to football.

8. Metro ERC should be aggressive in operating Civic Stadium. Metro should appoint a citizens' committee to review the operating policies of Civic Stadium including its tenant and event mix, rent structure, and other charges. The committee's goal should be to recommend ways for Civic Stadium to break even by 1993-94.